Veritas
Investments

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 Butchers 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

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 <u>does</u> 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

SOLICITORS

Harmos Horton Lusk Limited
Level 37, Vero Centre
48 Shortland Street
Auckland 1140

SHARE REGISTRAR

Link Market Services Limited
Level 7, Zurich House
21 Queen Street
Auckland 1142

AUDITORS

PwC
PwC Tower
188 Quay Street
Auckland 1140

Appendix

Appraisal Report

Simmons Corporate Finance

Veritas Investments Limited

Appraisal Report

In Respect of the Sale of the Business and Assets of Mad Butcher Limited to Interests Associated with Michael Morton

February 2018

Index

1. Introduction

1.1 Background

Veritas Investments Limited (**Veritas** or the **Company**) is an investment company focusing on investments in the food and beverage, franchise and hospitality sectors.

Veritas' shares are listed on the main equities security market (the **NZX Main Board**) operated by NZX Limited (**NZX**). The Company's market capitalisation was $1.9 million as at 20 February 2018 and its audited total equity was $7.2 million as at 30 June 2017.

A profile of the Company is set out in section 5.

1.2 Acquisition of the Mad Butcher Business in 2013

On 8 May 2013, the Company (through its wholly-owned subsidiary Mad Butcher Limited (**MBL**)) acquired the Mad Butcher business from Mad Butcher Holdings Limited (**MBH**) for a purchase price of $40 million (the **2013 MB Acquisition**).

The purchase price was satisfied by:

- $20 million in cash
- $20 million by way of the issue of 15,384,615 new Veritas shares to MBH at an issue price of $1.30 per share.

At the time of the transaction, MBH was ultimately owned and controlled by Michael Morton. Mr Morton is now an executive director of Veritas and the chief executive officer of MBL.

The Veritas shares issued to MBH are now held by Mr Morton and WBM Trustee Limited (**WBM**) as trustees of the Michael Morton No.2 Family Trust.

MBL is a retail butchery store franchisor business comprising the brand, franchise system and franchisor rights for Mad Butcher stores across New Zealand.

There are currently 30 Mad Butcher stores:

- 26 stores are owned and operated by franchisees:
  - 5 stores are owned by Mr Morton (the **Morton Stores**)
  - 21 stores are owned by independent franchisees
- 4 stores are owned by MBL (the **MBL Stores**).

A profile of MBL is set out in section 3.

1.3 Proposed Sale of the Business and Assets of Mad Butcher Limited in 2017

Veritas announced on 20 December 2017 that MBL has signed a conditional agreement with Yogg Limited (**Yogg**) whereby MBL will sell its business and assets to Yogg (the **Mad Butcher Transaction**).

The key terms of the Mad Butcher Transaction as set out in the Agreement for Sale and Purchase of Business Assets Mad Butcher franchisor business dated 20 December 2017 (the **Sale Agreement**) are:

- Yogg will acquire the business and assets of MBL for a gross consideration of $8.0 million
- Yogg will acquire all of MBL's business and assets except for:
  - the 4 MBL Stores located at Henderson, Onehunga, Shirley and Silverdale
  - the franchise relationship with the Point Chevalier Mad Butcher store (whose franchisee was placed into liquidation on 19 November 2017)
  - all receivables of MBL other than receivables comprising franchise fees, supplier rebates, advertising revenue from franchisees and store advances. (In other words, Yogg will acquire all of MBL's receivables in respect of franchisee fees, supplier rebates, advertising revenue from franchisees and store advances)
- Yogg will not assume MBL's obligations to trade creditors (but will assume MBL's accrued employee entitlements obligations)
- consideration will be in the form of cash
- the transaction is conditional on shareholder approval
- subject to shareholder approval, settlement is expected to occur in March 2018 (5 business days after shareholder approval).

We refer to the specific MBL business and assets to be acquired by Yogg as the **MB Transaction Business**.

1.4 Yogg Limited

Yogg was incorporated on 2 August 2012.

The company is owned by Michael Morton and WBM (50%) and Julie Leitch and WBM (50%).

Ms Leitch is Mr Morton's partner and the daughter of Sir Peter Leitch, the founder of the Mad Butcher business.

Mr Morton is Yogg's sole director.

We refer to Michael Morton, WBM and Yogg collectively as the **Morton Associates**.

1.5 Special Meeting

Veritas is holding a special meeting of shareholders on 15 March 2018 where the Company will seek shareholder approval of an ordinary resolution in respect of the Mad Butcher Transaction (the **Mad Butcher Transaction Resolution**).

An ordinary resolution is passed by a simple majority of the votes cast.

The Morton Associates are not permitted to vote on the Mad Butcher Transaction Resolution.

1.6 Regulatory Requirements

Listing Rule 9.2.1 of the NZX Main Board Listing Rules (the **Listing Rules**) stipulates that an Issuer shall not enter into a Material Transaction if a Related Party is a party to the Material Transaction or to one of a related series of transactions of which the Material Transaction forms part without first obtaining approval of the transaction by way of an ordinary resolution from shareholders not associated with the Related Party.

The Mad Butcher Transaction is a Material Transaction under Listing Rule 9.2.2 (a) as the MB Transaction Business has an Aggregate Net Value in excess of 10% of Veritas' Average Market Capitalisation.

Yogg is a Related Party of the Company under Listing Rule 9.2.3 (a) as Mr Morton is a director of Veritas and under Listing Rule 9.2.3 (c) as Mr Morton and WBM hold 35.52% of the Company's shares.

Accordingly, the Company's shareholders not associated with Mr Morton (the **Non-associated Shareholders**) will vote on the Mad Butcher Transaction Resolution in accordance with the Listing Rules.

Listing Rule 9.2.5 (b) requires an Appraisal Report to be prepared where a meeting will consider a resolution required by Listing Rule 9.2.1.

1.7 Purpose of the Report

The directors of Veritas not associated with Mr Morton, being Tim Cook and John Moore (the **Independent Directors**) have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Appraisal Report on the fairness of the Mad Butcher Transaction in accordance with Listing Rule 9.2.5 (b).

Simmons Corporate Finance was approved by NZX Regulation on 7 November 2017 to prepare the Appraisal Report.

Simmons Corporate Finance issues this Appraisal Report to the Independent Directors for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Mad Butcher Transaction Resolution.

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

The Appraisal Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Fairness of the Mad Butcher Transaction

2.1 Basis of Evaluation

Listing Rule 1.7.2 requires an Appraisal Report to consider whether the consideration and the terms and conditions of the Mad Butcher Transaction are *fair* to the Non-associated Shareholders.

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

In our opinion, the Mad Butcher Transaction will be fair to the Non-associated Shareholders if:

- they are likely to be at least no worse off if the Mad Butcher Transaction proceeds than if it does not. In other words, we consider that the Mad Butcher Transaction will be fair if there is no value transfer from the Non-associated Shareholders to the Morton Associates, and
- the terms and conditions of the Mad Butcher Transaction are in line with market terms and conditions.

We have evaluated the fairness of the Mad Butcher Transaction by reference to:

- the rationale for the Mad Butcher Transaction
- the terms and conditions of the Mad Butcher Transaction
- the value of the MBL business to be acquired by the Morton Associates
- the impact of the Mad Butcher Transaction on the financial position of Veritas
- the benefits and disadvantages to the Morton Associates of the Mad Butcher Transaction
- the benefits and disadvantages to the Non-associated Shareholders of the Mad Butcher Transaction
- the implications if the Mad Butcher Transaction Resolution is not approved.

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

2.2 Evaluation of the Fairness of the Mad Butcher Transaction

In our opinion, after having regard to all relevant factors, we are of the opinion that the consideration and the terms and conditions of the Mad Butcher Transaction are fair to the Non-associated Shareholders.

The basis for our opinion is set out in detail in sections 2.3 to 2.13. In summary, the key factors leading to our opinion are:

- the rationale for the Mad Butcher Transaction is sound. It arises following the Veritas board of directors' (the **Board**) strategic review of its operations and the need to reduce the Company's level of bank borrowings from ANZ Bank New Zealand Limited (**ANZ**) which totalled $27.0 million as at 31 January 2018

- the MBL business has contracted significantly since the 2013 MB Acquisition:
  - the number of stores has reduced from 40 to 30 at present and is forecast to reduce to 26 stores by 30 June 2018 (a 35% reduction in total)
  - total store revenue has decreased from $139 million in the 2014 financial year to a forecast of $80 million in the 2018 financial year (a 43% decrease)
  - MBL revenue has decreased from $10.9 million in the 2014 financial year to a forecast of $4.7 million in the 2018 financial year (a 56% decrease)
  - MBL EBITDA has decreased from $6.3 million in the 2014 financial year to a forecast of $2.5 million in the 2018 financial year (excluding losses from the MBL Stores) (a 61% decrease)
- we consider the sale price of $8.0 million for the MB Transaction Business to be fair to the Non-associated Shareholders as it is within our assessment of the fair market value of the MB Transaction Business of $7.2 million to $9.4 million
- we consider the terms and conditions of the Mad Butcher Transaction to be in line with market terms and conditions and are therefore fair to the Non-associated Shareholders. Given Mr Morton's role of chief executive officer of MBL, Veritas has given limited warranties and indemnities to Yogg
- we consider the Mad Butcher Transaction overall to be reasonable from the perspective of the Non-associated Shareholders:
  - Veritas undertook a thorough sale process in respect of the MBL business. The offer from Mr Morton was the highest received and had the least onerous terms and conditions
  - if the Mad Butcher Transaction does not proceed and Veritas subsequently decides to sell the MBL business in the near future, we consider it unlikely that new bidders would emerge and, even if they did, it is unlikely that they would be prepared to offer a price in excess of that offered by Yogg under the Mad Butcher Transaction
  - the consequences of the Mad Butcher Transaction not proceeding may be more dire for the Non-associated Shareholders than if the transaction did proceed. The repayment date for the tranches of bank debt due for repayment on 30 November 2017 was extended by ANZ to 28 February 2018 and then subsequently to 27 April 2018 to allow the Board to continue discussions with external parties on a number of scenarios in respect of asset sales (including the Mad Butcher Transaction) and the recapitalisation and / or refinancing of Veritas with alternative banking arrangements. If the Mad Butcher Transaction does not proceed and ANZ decides to not extend the repayment date beyond 27 April 2018, Veritas will need to obtain alternative sources of funding within a very short timeframe to enable the repayment of the ANZ loans. If Veritas cannot obtain sufficient financing to meet its repayment obligations to ANZ, then, in a worst case scenario, ANZ may place Veritas into receivership and appoint receivers to the Company or the Board may need to appoint liquidators to manage the wind-up and realisation of Veritas' assets
  - under either a receivership or liquidation scenario, we estimate that there would be no financial return to the Company's shareholders as Veritas' net tangible assets (**NTA**) as at 30 June 2017 was negative $22.6 million. Accordingly, the non approval of the Mad Butcher Transaction Resolution may result in a significant diminution of the value of the Non-associated Shareholders' investment in Veritas.

2.3 Rationale for the Mad Butcher Transaction

The MBL business was acquired on 8 May 2013 for $40 million, following shareholder approval of the 2013 MB Acquisition on 29 April 2013.

The Company's financial position changed significantly in the 2015 financial year due to the acquisitions of a 50% shareholding and joint venture interest in Kiwi Pacific Foods Limited (**Kiwi Pacific**), the Nosh Food Market (**Nosh**) business and assets and The Better Bar Company (**Better Bar**) business and assets. Veritas' total assets increased by $45.8 million, of which $30.7 million represented goodwill arising from the acquisition of Better Bar.

The acquisitions were funded by interest bearing debt (**IBD**) provided by ANZ, resulting in Veritas' financial leverage increasing from nil (ie a net cash position) as at 30 June 2014 to 72% as at 30 June 2015.

By 30 June 2016, the Company borrowings from ANZ amounted to $33.3 million, its total equity was $8.0 million and its NTA was negative $22.6 million.

ANZ renewed Veritas' banking facilities on 14 October 2016. In negotiating the renewed banking facilities, Veritas gave a commitment to sell or close down the Nosh business by March 2017.

On 24 February 2017, the business and assets of Nosh were sold to Gosh Holdings Limited (**Gosh**) for a gross consideration of $4.0 million, with Gosh assuming Nosh's trade creditor liabilities. Veritas initiated legal proceedings against Gosh in June 2017 due to Gosh's failure to meet the committed payment schedule of the creditors of the Nosh business. Judgement has been granted in Veritas' favour for $1.9 million. However, Gosh was placed into receivership on 14 July 2017.

The tranches of bank debt due for repayment to ANZ on 30 November 2017 were extended until 28 February 2018, by agreement with ANZ. ANZ agreed to the extension to allow the Board to continue discussions with external parties on a number of scenarios including:

- asset sales – including the Mad Butcher Transaction and the potential sale or merger of the Better Bar business
- the recapitalisation and / or refinancing of Veritas with alternative banking arrangements
- some combination of these options.

Veritas announced on 20 February 2018 that ANZ agreed to extend the date of repayment of the Company's banking facilities that were due to be repaid on 28 February 2018 until 27 April 2018. ANZ agreed to the extension to allow the Board to seek shareholder approval of the Mad Butcher Transaction and to continue discussions with external parties on a number of potential transactions (including asset sales, mergers and refinancing).

2.4 Process Undertaken by Veritas

The Mad Butcher Transaction has arisen following a contestable sale process undertaken by Veritas in respect of the MBL business (the **Sale Process**).

Following a strategic review of its operations, the Board decided to undertake the Sale Process. Bancorp Corporate Finance Limited (**Bancorp**) was engaged by Veritas in June 2017 to manage the Sale Process.

The Sale Process involved Bancorp engaging with a select group of reputable and creditworthy parties covering corporate food retailers, trade suppliers, financial investment groups and diversified franchisor owners. Upon signing non disclosure agreements, interested parties were provided with information regarding MBL and invited to submit indicative proposals. Selected prospective purchasers were then permitted to undertake a due diligence review of the Company's operations utilising a virtual dataroom, following which they submitted their final proposals.

Veritas obtained non-binding indicative proposals and conditional binding proposals for the MBL business from 3 bidders (including Mr Morton).

We understand that Mr Morton declared his interest in acquiring the MBL business on 3 October 2017 and from that date excluded himself from participating in parts of Board meetings which concerned the sale of the MBL business.

The purchase price offered by Mr Morton was the highest offer received by Veritas for the MBL business. Furthermore, given Mr Morton's role as the chief executive officer of MBL, minimal warranties were required to be given by Veritas for the sale of the business.

On 30 October 2017, Veritas and Mr Morton signed a non-binding heads of agreement (the **Heads of Agreement**), with negotiations of the definitive legal documentation for the transaction commencing soon after. Negotiations with Mr Morton were led by Veritas directors Tim Cook and John Moore.

The Sale Agreement was signed on 20 December 2017 and announced to the market on that date.

Based on our discussions with the Board and Bancorp, we consider the Sale Process to be thorough and effectively undertaken so as to optimise the possibility of Veritas realising the full market value of the MBL business.

2.5 Terms of the Mad Butcher Transaction

MBL and Yogg have entered into the Sale Agreement whereby Yogg will acquire the MB Transaction Business under the terms and conditions set out below.

Business Being Sold

Yogg will acquire the MB Transaction Business, which consists of all of MBL's business and assets except for:

- the 4 MBL Stores located at Henderson, Onehunga, Shirley and Silverdale
- the franchise relationship with the Point Chevalier Mad Butcher store (whose franchisee was placed into liquidation on 19 November 2017)
- all receivables of MBL other than receivables comprising franchise fees, supplier rebates, advertising revenue from franchisees and store advances.

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

Yogg will not assume any of MBL's obligations to trade creditors but will assume MBL's obligations in respect of accrued employees' entitlements.

Subject to shareholder approval, the Mad Butcher Transaction will take economic effect as at 1 December 2017. All economic benefits and risks in the MBL business will transfer to Yogg with effect on that date. This will be achieved through a purchase price adjustment described below.

Consideration

The Mad Butcher Transaction gross consideration is $8.0 million, to be paid in cash.

The gross consideration is allocated in the Sale Agreement as follows:

- the repayment of amounts owing by the Morton Stores to MBL (estimated to be in the vicinity of $0.70 million)
- receivables other than from the Morton Stores and the MBL Stores (estimated to be in the vicinity of $0.45 million)
- fixed assets (estimated to be in the vicinity of $0.09 million)
- goodwill (being the residual, estimated to be in the vicinity of $6.76 million).

Yogg is not assuming any of MBL's obligations to trade creditors. Accordingly, MBL will nominate an amount which is expected to be sufficient to discharge MBL's trade creditor liability as at completion of the Mad Butcher Transaction (**Completion**). Such amount will be held by MBL's solicitors under escrow in a trust account, to be applied in discharging MBL's trade creditor liabilities in a timely manner. The amount is estimated to be in the vicinity of $2.6 million.

To enable the transfer of the economic benefits and risks in the MBL business to Yogg 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 MBL 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.

Conditions

The Mad Butcher Transaction is subject to only one condition - being the approval of the Company's shareholders by way of ordinary resolution.

Veritas' financier, ANZ, whose consent is required for the Mad Butcher Transaction, approved the Mad Butcher Transaction on 20 December 2017.

Warranties

The Sale Agreement contains limited warranties and indemnities from Veritas and MBL in favour of Yogg relating only to:

- the title to the assets being sold (including that the assets are free from encumbrance)
- the fact that as at the signing of the Sale Agreement, having made reasonable enquiry, the Boards of Veritas and MBL (excluding Michael Morton) are not actually aware of there being any material information relating to the MBL business that has not been disclosed to Yogg or Michael Morton.

Given Michael Morton's position as the chief executive officer of MBL and director of Veritas and MBL, the Sale Agreement contains a reciprocal warranty given by Yogg and Michael Morton relating only to the fact that as at the signing of the Sale Agreement, having made reasonable enquiry, Michael Morton is not actually aware of there being any material information relating to the MBL business that has not been disclosed to the Boards of Veritas or MBL (excluding Michael Morton).

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

Completion

If the Company's shareholders approve the Mad Butcher Transaction, Completion is scheduled to occur in early 2018.

Michael Morton will resign from the boards of each Veritas group company with effect on Completion, except for Veritas.

Guarantees

Veritas guarantees the performance of MBL's obligations.

Mr Morton and WBM (as trustees of the Michael Morton No.2 Family Trust) guarantee the performance of Yogg's obligations.

2.6 Value of the MB Transaction Business

Our assessment of the value of the MB Transaction Business is set out in section 4.

We assess the fair market value of the MB Transaction Business to be acquired by Yogg to be in the range of $7.2 million to $9.4 million as at the present date.

The gross consideration to be paid by Yogg under the Mad Butcher Transaction of $8.0 million is marginally below the midpoint of our valuation range of $8.3 million.

2.7 Impact on Veritas' Financial Position

The gross consideration of $8.0 million from the Mad Butcher Transaction is expected to result in approximately $5.4 million of net proceeds, which will largely be used to repay ANZ debt.

Application of Proceeds from the Mad Butcher Transaction	
	$000
Gross consideration	8,000
Payment of creditors	(2,090)
Mad Butcher Transaction costs	(530)
Available to repay ANZ	5,380

Source: Veritas

Following the completion of the Mad Butcher Transaction, the repayment of creditors, the likely closure of the MBL Stores and the write-off of certain retained MBL assets, Veritas estimates that it will record a gain on sale in the vicinity of $4.6 million.

2.8 Alternatives to the Mad Butcher Transaction

If the Mad Butcher Transaction does not proceed, there are 2 potential alternative outcomes for Veritas in respect of MBL:

- continue to operate the MBL business
- undertake the sale process again.

However, if Veritas maintains ownership of the MBL business in the near or long term, this will have significant ramifications with respect to the funding provided to the Company by ANZ.

As stated in section 2.3, ANZ extended the due date for the repayment of tranches of bank debt due on 30 November 2017 to 28 February 2018 so as to enable the Board to continue its discussions in respect of asset sale transactions (including the Mad Butcher Transaction) and refinancing options.

If the Mad Butcher Transaction does not proceed, there is a risk that ANZ may not agree to an extension of the timing of the repayment of the ANZ loans. In such circumstances, Veritas will need to obtain alternative sources of funding within a very short timeframe to enable the repayment of the ANZ loans. This may prove difficult to obtain.

Even if Veritas was able to secure adequate financing in the near term in order to undertake the sale process again, we consider it unlikely that the Company would be able to secure a purchaser of the MBL business at a price much higher than the Mad Butcher Transaction value:

- the Sale Process undertaken in 2017 was a thorough sale process which targeted a wide population of potential purchasers and was able to generate competitive tension between bidders
- the offer from Mr Morton was the highest received and had the least onerous terms and conditions
- if Veritas was to look to renegotiate with the Sale Process under-bidders, the Company would be in a weak negotiating position and therefore would be unlikely to negotiate a price close to the price it agreed with Yogg

- we consider it unlikely that new bidders would emerge under a new sale process
- even if they did, it is unlikely that they would be prepared to offer a price in excess of that offered by Yogg.

2.9 Main Advantage to the Non-associated Shareholders of the Mad Butcher Transaction

The main advantage of the Mad Butcher Transaction to the Non-associated Shareholders is that the net proceeds of the sale will be used to repay ANZ borrowings, which in turn should be beneficial to the Company's refinancing initiatives.

Following the Mad Butcher Transaction, Veritas would hold only one investment – the Better Bar business. The Company's strategic focus may change to solely operating hospitality businesses (rather than being a wider investment company) and it may seek to pursue mergers and acquisitions in the sector.

In addition, Veritas would be a more attractive acquisition target as it would hold a single sector investment compared with its current portfolio of a hospitality business and a meat franchisor business which have limited synergies between them.

2.10 Main Disadvantage to the Non-associated Shareholders of the Mad Butcher Transaction

The main disadvantage of the Mad Butcher Transaction to the Non-associated Shareholders is that the consideration to be paid by Yogg is marginally below the midpoint of our assessed fair market value range of the MB Transaction Business.

However, the price arose from negotiations following the contestable Sale Process and was the highest offer received by Veritas.

2.11 Advantages to the Morton Associates of the Mad Butcher Transaction

The Mad Butcher Transaction will enable the Morton Associates to buy back a business for $8.0 million that they sold to Veritas in May 2013 for $40.0 million. However, the MBL business has contracted significantly since its acquisition in May 2013.

The purchase price of $8.0 million is within our assessed fair market value range of the MB Transaction Business. The price was arrived at through the Sale Process and was the highest offer received by Veritas.

As discussed in section 2.13, if the Mad Butcher Transaction does not proceed, there is a risk that Veritas may be placed into receivership or liquidators may be appointed to the Company. Under either scenario, there is unlikely to be any financial return to Veritas' shareholders. As the largest shareholder in the Company, the Morton Associates stand to suffer the largest financial loss under such a scenario. The approval of the Mad Butcher Transaction may negate this scenario occurring.

2.12 Likelihood of the Mad Butcher Transaction Resolution Being Approved

The Mad Butcher Transaction Resolution is an ordinary resolution. The Morton Associates are not permitted to vote on the resolution.

The 10 largest Non-associated Shareholders collectively hold 43.93% of the Company's shares, which equate to 68.13% of the voting rights in respect of the Mad Butcher Transaction Resolution. Accordingly, their votes will largely determine the outcome of whether the resolution will be approved.

2.13 Implications if the Mad Butcher Transaction Resolution is not Approved

If the Mad Butcher Transaction Resolution is not approved, then the Mad Butcher Transaction will not proceed and Veritas will retain ownership of the MBL business.

As discussed in section 2.3, ANZ has extended the repayment date of the Company's banking facilities that fall due on 28 February 2018 to 27 April 2018. It is not possible at this point in time to opine on whether ANZ will agree to any further extension of the timing of the repayment of the ANZ loans beyond 27 April 2018.

In the event that ANZ does not renew the Company's banking facilities, Veritas will need to obtain alternative sources of funding within a very short timeframe to enable the repayment of the ANZ loans. This may prove difficult to achieve. However, the Board has stated that it is currently in discussions with a number of parties concerning a number of potential transactions (including asset sales, mergers and refinancing).

If Veritas cannot obtain sufficient financing to meet its repayment obligations to ANZ, ANZ may place Veritas into receivership and appoint receivers to the Company or the Board may appoint liquidators to manage the wind-up and realisation of Veritas' assets.

Under either scenario, we estimate that there would be no financial return to the Company's shareholders as Veritas' NTA as at 30 June 2017 was negative $22.6 million.

2.14 Voting For or Against the Mad Butcher Transaction Resolution

Voting for or against the Mad Butcher Transaction Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Non-associated Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Profile of MBL

3.1 History

MBL is a retail butchery store franchisor that was founded in 1971 by Sir Peter Leitch when he purchased a butchery in Mangere, Auckland called Rosella Meats and rebranded it as Mad Butcher.

Mad Butcher is positioned between the large supermarket chains and the local butcher. 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. Mad Butcher has been able to compete on price due to its purchasing power, high carcass yield, systems and supply chain efficiencies.

Expansion of the Mad Butcher brand began in Auckland throughout the early 1980s and reached into the regions in the mid 1990s with 2 owner-operated stores opening in Rotorua.

During 1998, having opened 8 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.

Interests associated with Michael Morton acquired 15% of MBH in 2001, a further 15% of MBH in 2003 and gained full control in 2007 by acquiring the remaining MBH shares from Sir Peter Leitch.

Veritas (through MBL) acquired the Mad Butcher business from MBH for $40 million on 8 May 2013. Consideration was in the form of $20 million of cash and $20 million of new Veritas shares (15,384,615 shares issued at $1.30 per share).

Sir Peter Leitch maintains an involvement in Mad Butcher, fronting some promotional campaigns as the brand ambassador in accordance with the *Brand Ambassador Agreement* dated 15 February 2013.

3.2 New Zealand Retail Butchery Industry

Retail butchery has a long history in New Zealand. The arrival of supermarkets and retail chains in the mid 1970s 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. Fresh meat, fish and poultry retailing accounts for a further 660+ outlets. The number of retail butcheries has been in decline since the 1970s when there were more than 5,000 outlets. Independent butchers tend to offer differentiated products or services or cater for a specific demographic.

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 2 main supermarket operators – Progressive Enterprises and Foodstuffs. The total retail grocery market is estimated to comprise approximately $19 billion 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 3 main groups:

- supermarkets – this category is dominated by Progressive Enterprises (Countdown) and Foodstuffs (New World, Pak'n Save and Four Square). Other smaller chains such as Farro Fresh 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 2 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 Mad Butcher). 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. estimates that there are 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 and the state of the economy. 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.

3.3 Operations

Business Model

MBL generates revenue through the following channels:

- carcass sales margin – margin on beef and lamb carcasses which are purchased by MBL from suppliers and on-sold to Mad Butcher stores
- supplier rebates – negotiated rebates received from approved third party suppliers on products purchased by Mad Butcher stores
- advertising fees – franchisee contributions for marketing, branding and promotional campaigns
- management fees – franchise and management fees payable by each franchised store for use of MBL's intellectual property and systems.

Carcass sales margin and supplier rebates represent MBL's largest revenue streams. Franchisees are direct debited by MBL for carcass sales within 7 days of delivery and supplier rebates are remitted directly by the supplier (rather than by the franchisee) to MBL.

MBL controls the rights to the intellectual property associated with the Mad Butcher brand and the Mad Butcher franchise system.

MBL provides the following services to 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
- training and support.

The commercial relationship between MBL 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 of operational procedures, leases and insurance, termination, franchisees and franchisor non-competition and the franchisor's fees and charges.

Supply Chain Management and Product Procurement

Franchisees are restricted to purchasing products from a list of more than 30 suppliers approved by MBL.

Controlling purchasing enables MBL 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 MBL.

Other than carcass purchases, all other suppliers deal directly with the franchisees. Franchisees place orders and pay the suppliers directly and the suppliers pay MBL a rebate on the total purchase volume.

MBL 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 MBL on behalf of the franchisees. This includes the centralised control of retail pricing to ensure consistency throughout the network.

Brand Management

MBL 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

MBL offers franchisees training and operational support. Historically, MBL has also provided temporary support to stores where trading conditions or other circumstances have created a trading issue (eg MBL may waive advertising costs). Under extreme circumstances, MBL 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 MBL managers. The operational and employment manuals are periodically updated to accommodate procedural changes or amendments due to regulation and law changes.

Benchmarking and Reporting

MBL 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 in respect of staffing, food handling and store layout.

3.4 Products

MBL franchisees primarily generate their revenue through the sale of chicken, beef and lamb products. The product portfolio also includes pork and small goods, as well as basic staples such as eggs and milk.

In addition to its own chicken, beef and lamb 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.

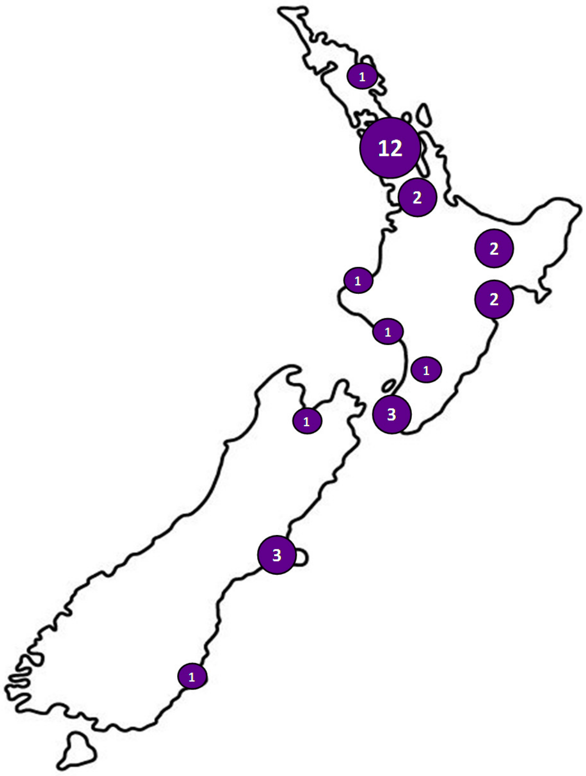
In recent years, a small range of grocery products have been added to Mad Butcher stores. These include household staples such as milk and bread and complementary items such as toppings and marinades. Sales from non-meat products represent approximately 10% of total store sales.

3.5 Mad Butcher Stores

There are currently 30 retail stores operating under the Mad Butcher brand across New Zealand:

- 26 are independently owned and operated by franchisees (including 5 which are owned by Mr Morton)
- 4 are owned and operated by MBL.

The current retail network is a function of its heritage, with 12 of the stores located in Auckland.



Source: MBL

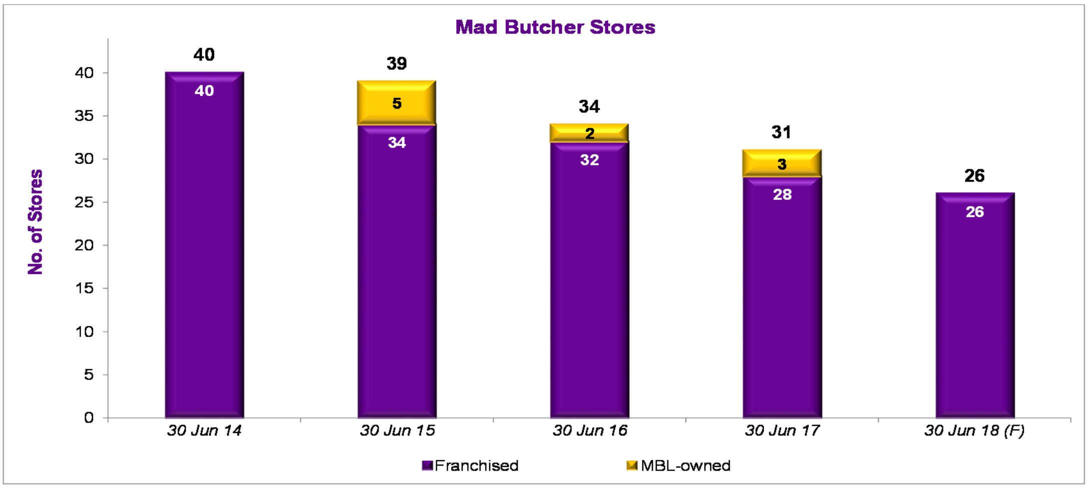
Store	Year Opened	Location
Papakura	1983	Auckland
Kahikatea Drive	1996	Hamilton
Fenton Street	1997	Rotorua
Te Ngae	1997	Rotorua
Glen Eden	1997	Auckland
Quayside	1998	Whangarei
Pukekohe	1999	Auckland
Chartwell	1999	Hamilton
Glen Innes	2001	Auckland
Manukau[2]	2002	Auckland
Shirley[1]	2003	Christchurch
Albany	2003	Auckland
Riccarton	2003	Christchurch
Botany	2003	Auckland
Lower Hutt	2004	Wellington
Palmerston North	2004	Palmerston North
Henderson[1]	2005	Auckland
Whanganui	2005	Wanganui
Porirua	2005	Wellington
Hastings	2005	Hastings
Napier[2]	2006	Napier
Upper Hutt[2]	2007	Wellington
Northcote	2009	Auckland
Onehunga[1]	2010	Auckland
Ferry Road	2011	Christchurch
Dunedin[2]	2012	Dunedin
Silverdale[1]	2012	Auckland
Mt Roskill[2]	2013	Auckland
New Plymouth	2013	New Plymouth
Nelson	2014	Nelson

1 MBL Store
2 Morton Store

The Mad Butcher network has downsized from 40 stores as at 30 June 2014 after a store expansion program did not succeed with several closures in the Auckland region:

- 1 franchised store was closed in the 2015 financial year (Massey)
- 5 stores were closed in the 2016 financial year (Mt Wellington, Glenfield, Kapiti, Colombo Street and Invercargill, of which 3 were owned by MBL and 2 were franchised)
- 3 franchised stores were closed in the 2017 financial year (Tauranga, Mangere and Papanui)
- 1 franchised store has closed in the 2018 financial year (Pt Chevalier).

The forecast for the 2018 financial year assumes that the 4 MBL Stores will be closed during the year, resulting in there being 26 Mad Butcher stores as at 30 June 2018.



Morton Stores

Mr Morton owns 5 Mad Butcher stores:

- Mt Roskill (acquired on 11 November 2013)
- Manukau (acquired on 14 August 2015)
- Upper Hutt (acquired on 26 September 2007)
- Napier (acquired on 13 February 2017)
- Dunedin (acquired on 10 April 2017).

Mr Morton sold the Whanganui store in the 2016 financial year.

MBL Stores

As master franchisor, from time to time MBL will buy a store from a franchisee who chooses to exit from the business. If it is beneficial to keep these stores open, these are run on normal business terms and are held for sale until a new franchisee is confirmed.

MBL currently owns 4 stores:

- Henderson
- Onehunga
- Silverdale
- Shirley.

Changes in MBL Stores in the last 4 years have been:

- purchased 5 stores in the 2015 financial year
- closed down 3 stores in the 2016 financial year
- purchased 2 stores in the 2017 financial year and sold one store
- purchased one store in the 2018 financial year (to date).

MBL is considering a range of options for the 4 MBL Stores, with a high likelihood that they will be closed in the second half of the 2018 financial year.

3.6 Key Issues Affecting MBL

The main industry and specific business factors and risks that MBL faces include:

- the retail butchery market is highly competitive and currently dominated by supermarkets. Retail butcher chains such as 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 is key to the ongoing success of 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
- the butchery industry is exposed to biosecurity risks in the event of an outbreak of animal disease. Butchery businesses would be negatively impacted to a significant extent in the event of such an outbreak
- the butchery industry is exposed to the risk of food safety issues arising. In the event products become contaminated or tampered with, butchery businesses could suffer significant reputational damage and their financial performance could be adversely affected
- the Mad Butcher stores currently comprise 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 MBL. MBL's ability to attract and retain quality franchisees will impact its financial performance
- the loss of, or failure to attract key personnel who MBL is dependent upon, may adversely affect MBL's operations
- the inability to adequately fund MBL's operations may cause it to adopt alternative funding options or a modified growth strategy.

3.7 Identified Growth Opportunities

As part of the Sale Process, MBL identified a number of growth opportunities for its business.

Store Expansion

The 3 largest metropolitan centres (Auckland, Wellington and Christchurch) currently account for 18 of the 30 stores (60%), providing considerable opportunity to expand into other regions where Mad Butcher is currently underrepresented. MBL believes that the Mad Butcher franchise model is most profitable in catchments of more than 15,000 people.

Acquisition Opportunities

Acquisition opportunities involving competitor chains or individual stores on the basis of additional coverage offered by store footprint and the ability to grow revenue through the adoption of the Mad Butcher's franchise system and the introduction of Mad Butcher product lines.

Product Expansion

Some stores offer a limited range of convenience grocery products such as milk, bread, toppings and marinades. MBL 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.

Online Sales

MBL has invested in its online presence to generate greater levels of sales via its website (www.madbutcher.kiwi). MBL considers there is scope to grow the online channel through greater advertising of its online product offerings.

3.8 Directors and Senior Management

The directors of MBL are Veritas' directors:

- Tim Cook
- John Moore
- Michael Morton.

MBL's senior management team consists of:

- Michael Morton, chief executive officer
- Melissa Mobbs, financial controller
- Dan Adams, operations manager
- Barry McKay, operations supervisor
- Steve Reid, operations supervisor
- Shandall Mafile'o, office manager.

3.9 Financial Performance

A summary of MBL's recent financial performance is set out below. This excludes operating losses incurred by the MBL Stores and non-recurring expenditure items.

Summary of MBL Financial Performance

	Year to 30 Jun 14 (Actual) $000	Year to 30 Jun 15 (Actual) $000	Year to 30 Jun 16 (Actual) $000	Year to 30 Jun 17 (Actual) $000	Year to 30 Jun 18 (Forecast) $000
Mad Butcher stores					
No. of stores	40	39	34	31	26
Sales	139,055	137,088	126,972	104,676	79,772
Product contribution % [1]	4.6%	4.9%	4.6%	4.2%	4.2%
Advertising spend %	2.0%	1.4%	2.4%	1.7%	1.3%
MBL					
Revenue	10,851	12,124	9,342	7,167	4,745
Expenses	(4,526)	(5,765)	(4,767)	(3,517)	(2,275)
EBITDA	6,325	6,359	4,575	3,650	2,470
Depreciation	(69)	(148)	(117)	(25)	(51)
EBIT	6,256	6,211	4,458	3,625	2,419

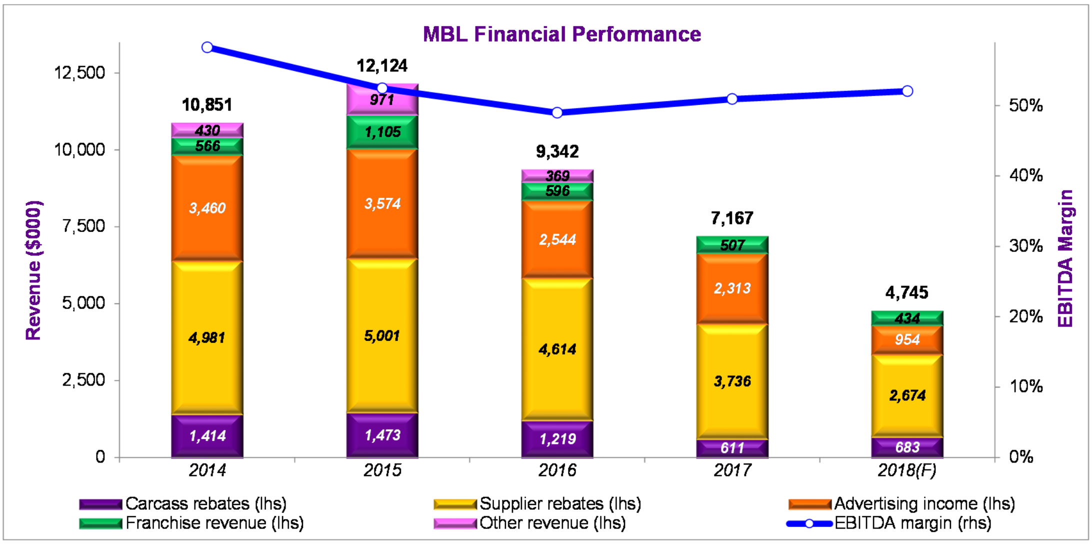
1 Carcass rebates + supplier rebates as a % of sales

EBIT: Earnings before interest and tax

Source: Veritas audited financial statements, MBL management accounts and 2018 forecast

MBL earns revenue through 4 channels:

- carcass revenue – a 7% margin on bulk purchases which are on-sold to stores
- supplier rebates
- advertising levies charged to franchisees
- franchise management fees.



The key trends in MBL's revenues are:

- each revenue category has decreased each year since the 2015 financial year due to store closures and lower franchisee numbers
- carcass rebates decreased in the 2017 financial year due to a transition in the bulk meat procurement process and a volume substitution to discount poultry from beef and lamb.

The forecast for the 2018 financial year is based on actual results for the 6 months ended 31 December 2017 and forecast results for the 6 months ended 30 June 2018. The forecast is based on the following principal assumptions:

- 31 stores as at 1 July 2017 reducing to 26 stores by 30 June 2018:
  - Mad Butcher Pt Chevalier was placed into liquidation in November 2017
  - the 4 MBL Stores are planned to be closed during the financial year
- total store sales of $79.8 million
- product contribution of 4.2%
- advertising income of $1.0 million
- advertising and promotion costs of $1.2 million
- franchise revenue of $0.4 million
- operating expenses of $1.1 million.

In addition to the operations of the franchisor business, MBL has incurred losses from operating a number of MBL Stores and has recorded significant non-recurring expenditure over the period in respect of the impairment / write-off of accounts receivable and the loss on sale of MBL Stores.

These losses and costs are reported below the EBITDA line set out in the previous table.

MBL Stores Losses and Non-recurring Expenditure

	Year to 30 Jun 14 (Actual) $000	Year to 30 Jun 15 (Actual) $000	Year to 30 Jun 16 (Actual) $000	Year to 30 Jun 17 (Actual) $000	Year to 30 Jun 18 (Forecast) $000
MBL Stores losses (pre tax)	(189)	(462)	(1,608)	(1,398)	(794)
Non-recurring expenditure:					
– impairment of accounts receivable	-	-	(2,176)	-	(1,197)
– loss on sale of MBL Stores	-	-	(1,551)	(130)	-
Total losses / costs	(189)	(462)	(5,335)	(1,528)	(1,991)

Source: Veritas audited financial statements, MBL management accounts and 2018 forecast

The Company has forecast that the 4 MBL Stores will incur losses of $0.8 million in the 2018 financial year prior to their closure.

MBL wrote-off $1.2 million of bad debts in November 2017, representing amounts owing by certain franchisees.

3.10 Financial Position

A summary of MBL's recent financial position is set out below. This excludes the assets and liabilities of the MBL Stores.

Summary of MBL Financial Position

	As at 30 Jun 14 (Actual) $000	As at 30 Jun 15 (Actual) $000	As at 30 Jun 16 (Actual) $000	As at 30 Jun 17 (Actual) $000	As at 31 Dec 17 (Actual) $000
Total assets	2,881	4,670	1,859	2,527	1,845
Total liabilities	(1,222)	(1,469)	(1,302)	(1,680)	(1,345)
Total equity	1,659	3,201	557	847	500

Source: Veritas audited financial statements and MBL management accounts

MBL's main assets are trade receivables in the form of suppliers' rebates and amounts owing by Mad Butcher stores in resect of advertising income and franchise fees.

MBL wrote off $2.2 million of bad debts in the 2016 financial year and $1.2 million of bad debts in November 2017.

MBL's main liabilities are trade creditors and taxation payable.

4. Valuation of the MB Transaction Business

4.1 Standard of Value

We have assessed the fair market value of the MB Transaction Business.

Fair market value is defined as the price that a willing but not anxious buyer, with access to all relevant information and acting on an arm's length basis, would be prepared to pay to a willing but not anxious seller in an open, unrestricted and stable market.

4.2 Basis of Valuation

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

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

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

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

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

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

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

4.3 Valuation Approach

We have assessed the fair market value of the MB Transaction Business using the capitalisation of earnings method.

The capitalisation of earnings method that we have applied derives an assessment of the value of the core operating business, prior to considering how the business is financed or whether it has any significant surplus assets.

This ungeared business value is commonly referred to as the enterprise value and represents the market value of the net operating assets that generate the operating income of the business.

The net operating assets of a business consists of:

operating working capital (inventories + trade debtors - trade creditors)

+ fixed assets

+ intangible assets (brand names + licences + know-how + general business goodwill).

The enterprise value differs from the value of the MB Transaction Business as Yogg is not assuming MBL's obligations in respect of any trade creditors. Accordingly, an adjustment needs to be made to the assessed enterprise value to derive the value of the MB Transaction Business:

assessed MBL enterprise value

+ value of MB Transaction Business trade creditors not assumed by Yogg

= value of the MB Transaction Business acquired by Yogg

4.4 Capitalisation of Earnings Valuation

Overview

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

Future Maintainable Earnings

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

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

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

The table in section 3.9 sets out MBL's EBITDA for the past 4 years and its forecast EBITDA for the 2018 financial year. The EBITDA figures effectively represent the EBITDA of the MB Transaction Business rather than MBL as they exclude MBL Stores losses and non-recurring expenditure which are reported below the EBITDA line.

MBL's EBITDA (before losses incurred by the MBL Stores and non-recurring expenditure) has steadily decreased from $6.4 million in the 2015 financial year to $3.7 million in the 2017 financial year and MBL is forecasting EBITDA of $2.5 million in the 2018 financial year.

Given the significant reduction in the number of Mad Butcher stores since the MBL business was acquired in May 2013, we consider the forecast EBITDA for the 2018 financial year to be the most appropriate basis to assess MBL's maintainable EBITDA as it best represents the MB Transaction Business model going forward.

However, the 2018 forecast includes rebate income, advertising income and franchise revenue from the 4 MBL Stores which the Company is highly likely to close in the second half of the 2018 financial year. Therefore, in order to assess MBL's future maintainable EBITDA, the net revenue received by MBL in the 2018 financial year from the 4 MBL Stores needs to be deducted from the 2018 forecast. This net revenue from the 4 MBL Stores amounts to $0.25 million.

Accordingly, we assess MBL's future maintainable EBITDA to be $2.2 million.

Assessment of the MBL Future Maintainable EBITDA	
	$000
2018 forecast EBITDA	2,470
2018 net revenue from the 4 MBL Stores	(249)
MBL future maintainable EBITDA	2,221

Earnings Multiple

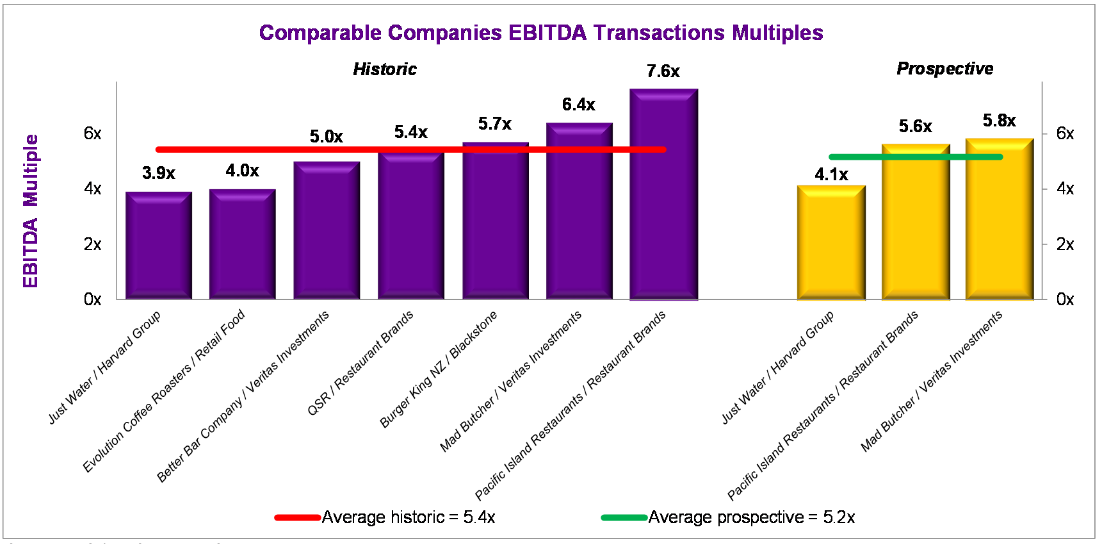
Actual sales of comparable businesses can provide reliable support for the selection of an appropriate earnings multiple. In addition, we can infer multiples from other evidence such as minority shareholding trades for listed companies in New Zealand and overseas with similar characteristics to MBL or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

However, there are a limited number of companies that are truly comparable with MBL who operate retail butchery store franchisor businesses.

Transaction Multiples

There is no publicly available data on recent transactions involving New Zealand retail butchery store franchisor businesses. In the absence of such information, we have reviewed recent transactions involving New Zealand food and beverage distributors / retailers and New Zealand businesses involved in franchised operations.

This data is set out in Appendix I and is summarised in the graph below.



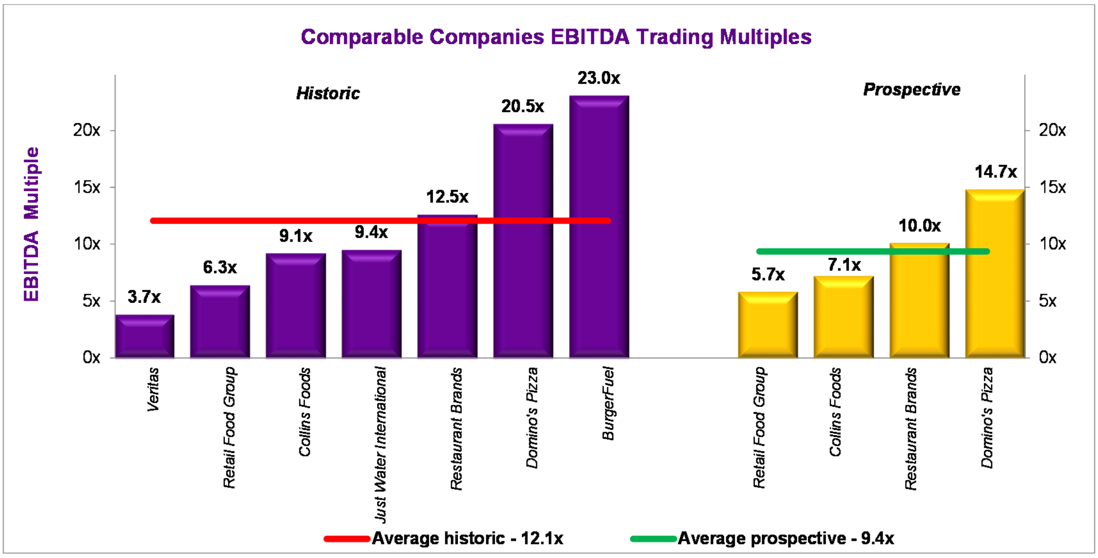
Source: S&P Capital IQ, independent expert's reports, media coverage

The analysis shows that the transactions have been in an EBITDA multiple range of 3.9x to 7.6x (historic) and 4.1x to 5.8x (prospective) at an average of 5.4x (historic) and 5.2x (prospective).

Trading Multiples

In the absence of truly comparable listed companies, we have reviewed the historic and prospective EBITDA multiples for 9 New Zealand and Australia listed companies whose operations include food and beverage distribution and / or franchise operations. This data is set out in Appendix II.

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



Source: S&P Capital IQ, data as at 20 February 2018

The analysis shows that the historic EBITDA trading multiples range from 3.7x to 23.0x at an average of 12.1x and the prospective EBITDA trading multiples range from 5.7x to 14.7x at an average of 9.4x.

Conclusion

We are of the view that an appropriate EBITDA multiple for MBL would be significantly lower than that observed for the comparable companies on average. We consider MBL to be an inferior investment for a number of reasons:

- many of the comparable companies are significantly larger than MBL
- many have a more diverse range of operations
- they generally report much higher earnings margins
- they have greater growth prospects
- they are a much more liquid investment.

MBL is a relatively small business with limited growth opportunities in the near to medium term. We consider an appropriate prospective EBITDA multiple for MBL to be in the range of 3.0x to 4.0x.

Valuation Conclusion

We assess the MBL enterprise value to be in the range of \$6.7 million to \$8.9 million as at the present date based on the capitalisation of earnings method. The midpoint of the range is \$7.8 million.

Assessment of the MBL Enterprise Value

	Low \$000	High \$000
Future maintainable EBITDA	2,221	2,221
EBITDA multiple	3.0x	4.0x
MBL enterprise value	6,663	8,884

4.5 Value of the MB Transaction Business

Under the Mad Butcher Transaction, Yogg is acquiring the business and certain assets of MBL but is not assuming any of MBL's obligations to its trade creditors.

As stated in section 4.3, the assessed enterprise value represents the market value of MBL's net operating assets in the form of operating working capital (inventories plus trade debtors less trade creditors), fixed assets and intangible assets.

As such, the value of the MB Transaction Business does not fully correspond with the MBL enterprise value. Therefore an adjustment needs to be made to the assessed MBL enterprise value to derive the value of the MB Transaction Business by adding back the value of MBL's obligations to trade creditors and accruals associated with the MB Transaction Business that are not being assumed by Yogg. We are advised by Veritas that the normalised level of trade creditors and accruals amounts to \$0.5 million. The main trade creditors are AFFCO (carcass purchases), Lasso Media (advertising) and MediaWorks Radio (advertising).

We assess the fair market value of the MB Transaction Business to be in the range of $7.2 million to $9.4 million as at the present date.

Assessment of the Fair Market Value of the MB Transaction Business		
	Low $000	High $000
MBL enterprise value	6,663	8,884
Normalised trade creditors and accruals not assumed by Yogg	500	500
Fair market value of MB Transaction Business	7,163	9,384

4.6 Comparison with 2013 Valuation

An Independent Adviser's and Independent Appraisal Report prepared by Grant Samuel & Associated Limited dated 28 March 2013 (the **GS 2013 Report**) was included in the information provided to the Company's shareholders in respect of the 2013 MB Acquisition.

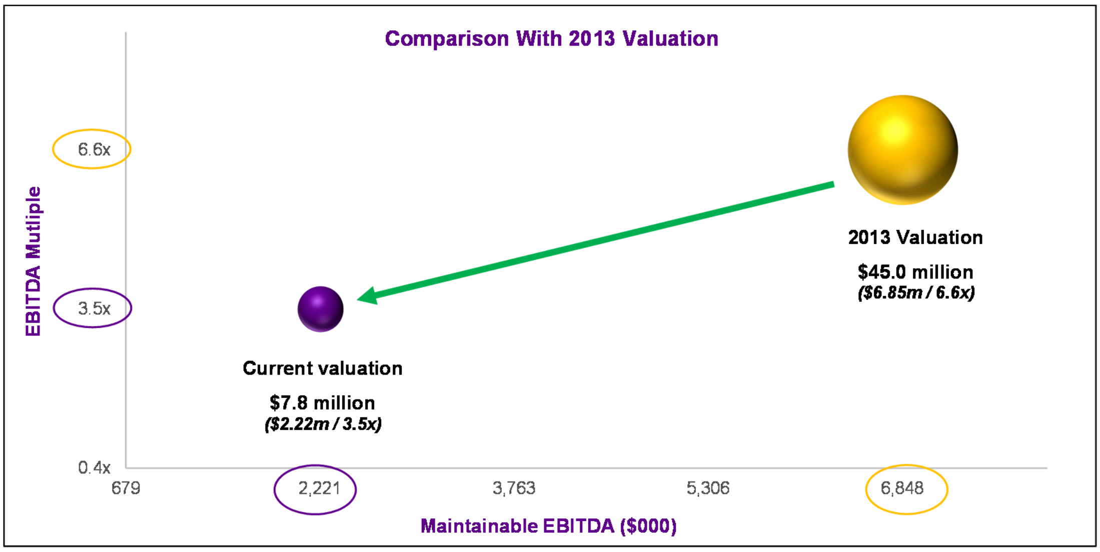
The GS 2013 Report assessed the enterprise value of the Mad Butcher business that was to be acquired under the 2013 MB Acquisition to be in the range of $42.0 million to $48.0 million (the **2013 Valuation**).

2013 Valuation			
	Low $000	Mid $000	High $000
2013 normalised EBITDA (actual)	6,139	6,139	6,139
EBITDA multiple	6.8x[1]	7.3x[1]	7.8x[1]
Assessed enterprise value of Mad Butcher business	42,000	45,000	48,000
2014 normalised EBITDA (forecast)	6,848	6,848	6,848
EBITDA multiple	6.1x[1]	6.6x[1]	7.0x[1]
Assessed enterprise value of Mad Butcher business	42,000	45,000	48,000

1 Rounded

Source: GS 2013 Report

The $7.8 million midpoint of our enterprise value range is $37.2 million lower than the $45.0 million midpoint of the 2013 Valuation range.



The significant difference in value is due to:

- the 2013 Valuation's future maintainable earnings of $6.8 million (based on forecast 2014 normalised EBITDA) was $4.6 million higher than our assessed level of future maintainable earnings of $2.2 million
- the 2013 Valuation midpoint EBITDA multiple of 6.6x was 3.1x higher than our midpoint EBITDA multiple of 3.5x.

The difference in future maintainable earnings is largely attributable to:

- the reduction in the number of Mad Butcher stores from 40 at the date of the 2013 Valuation to 26 in the 2018 forecast, resulting in significantly lower store revenue, MBL revenue and MBL EBITDA
- MBL has never achieved the 2013 Valuation future maintainable earnings of $6.8 million:
  - it recorded EBITDA of $6.3 million in the 2014 financial year (before $0.2 million of losses incurred by MBL Stores)
  - it recorded EBITDA of $6.4 million in the 2015 financial year (before $0.5 million of losses incurred by MBL Stores)
  - since then, its earnings have deteriorated significantly to the extent that it is forecasting EBITDA of $2.5 million for the 2018 financial year (before $0.8 million of losses incurred by MBL Stores and the write-off of $1.2 million of bad debts in November 2017).

The selection of an EBITDA multiple is a matter of judgement. It is possible that the significantly higher EBITDA multiple applied in the 2013 Valuation was based on the one or more assumptions at the time that MBL:

- had higher growth prospects
- was a more liquid investment
- was of a larger size.

5. Profile of Veritas

5.1 Background

The Company was incorporated on 23 January 2004 as Salvus Strategic Investments Limited (**Salvus**). It changed its name to Veritas Investments Limited on 12 March 2012.

Salvus listed its shares on the NZX Main Board on 8 July 2004, 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.

On 19 October 2011, Salvus' shareholders voted to realise the company's assets and a return of capital to shareholders. On 7 November 2011, the Board approved an initial return to shareholders by way of a cash distribution of $17 million.

At the Company's annual general meeting on 23 December 2011, Salvus' shareholders elected 3 new directors, thereby allowing the Company to continue as a listed shell and seek investments.

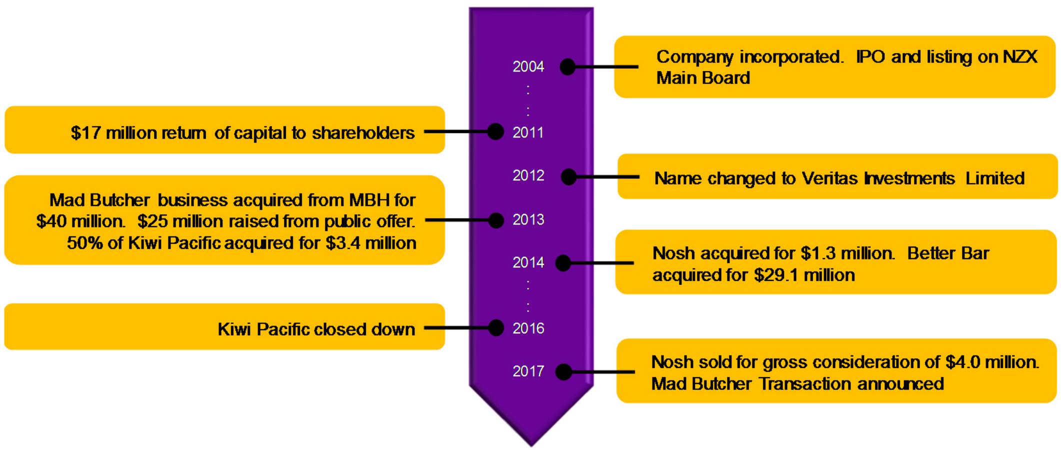
Veritas made 4 investments in 2013 and 2014:

- the Mad Butcher business for $40 million on 8 May 2013
- a 50% shareholding and joint venture interest in Kiwi Pacific for $3.4 million on 20 December 2013
- the Nosh business and assets for $1.3 million on 8 September 2014 (along with assuming $3.9 million of Nosh's trade creditor liabilities)
- the Better Bar business and assets for $29.1 million on 28 November 2014.

The Kiwi Pacific business was closed in June 2016, with its assets sold down over the year in an orderly manner.

On 24 February 2017, the business and assets of Nosh were sold to Gosh for a gross consideration of $4.0 million, with Gosh assuming Nosh's trade creditor liabilities. Veritas initiated legal proceedings against Gosh in June 2017 due to Gosh's failure to meet the committed payment schedule of the creditors of the Nosh business. Judgement has been granted in Veritas' favour for $1.9 million. However, Gosh was placed into receivership on 14 July 2017.

The Company's key events are summarised below.



5.2 Nature of Operations

Veritas is a listed investment company focusing on investments in the food and beverage, franchise and hospitality sectors.

Its investment portfolio currently consists of:

- MBL – a retail butchery store franchisor business comprising the brand, franchise system and franchisor rights for Mad Butcher stores across New Zealand. MBL also currently owns and operates 4 Mad Butcher stores
- Better Bar – a chain of 8 bars and eating establishments located in Auckland and Hamilton. Better Bar's brands include *O'Hagan's*, *Danny Doolans*, *Doolan Brothers* and *The Cav*.

Speciality food store chain Nosh was acquired in August 2014 and divested in February 2017.

50% of Kiwi Pacific (a manufacturer and supplier of meat patties) was acquired in December 2013 and closed down in June 2016.

5.3 Directors and Senior Management

The directors of Veritas are:

- Tim Cook, independent chair
- John Moore, independent director
- Michael Morton, executive director.

Sharon Hunter resigned from the Board on 6 December 2017.

Veritas' senior management team consists of:

- Michael Morton, acting chief executive officer
- John Hames, chief financial officer
- Geoff Tuttle, general manager, Better Bars.

5.4 Capital Structure and Shareholders

Veritas currently has 43,306,618 fully paid ordinary shares on issue held by 587 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 8 February 2018 are set out below.

10 Largest Shareholders

Shareholder	No. of Shares	%
Michael Morton and WBM	15,384,615	35.52%
Collins Asset Management Limited (**Collins**)	6,166,684	14.24%
New Zealand Central Securities Depository Limited	3,554,670	8.21%
Timothy Burcher, Graham Jackson and Richard Sigley	2,847,235	6.57%
Geoffrey Tuttle and Carl Sowter	2,385,714	5.51%
Ambrosia Trustees Limited	1,538,462	3.55%
Bruce Blake	700,296	1.62%
Tim Cook	665,000	1.54%
Custodial Services Limited	451,481	1.04%
JBWere (NZ) Nominees Limited	400,000	0.92%
Subtotal	34,094,157	78.73%
Others (577 shareholders)	9,212,461	21.27%
Total	43,306,618	100.00%

Source: NZX Company Research

Mr Morton and WBM acquired their shareholding when Veritas acquired the Mad Butcher business from MBH on 8 May 2013.

Collins is a private equity and investment company. Veritas chair Tim Cook was previously the managing director of Collins.

Richard Sigley and Geoffrey Tuttle acquired their shareholdings when Veritas acquired Better Bar on 28 November 2014.

5.5 Financial Performance

A summary of Veritas' recent financial performance is set out below.

Summary of Veritas Financial Performance

	Year to 30 Jun 14[1] (Audited) $000	Year to 30 Jun 15 (Audited) $000	Year to 30 Jun 16[1] (Audited) $000	Year to 30 Jun 17 (Audited) $000
Revenue	10,858	45,690	33,449	30,797
EBITDA	6,294	8,070	3,196	8,001
Operating profit before income tax	6,101	5,112	579	5,666
Profit / (loss) from continuing operations	4,489	3,806	(598)	4,062
Profit / (loss) from discontinued operations	(136)	(470)	(3,993)	(4,855)
Profit / (loss) for the year	4,353	3,336	(4,592)	(793)

EBITDA: Earnings before interest, tax, depreciation and amortisation

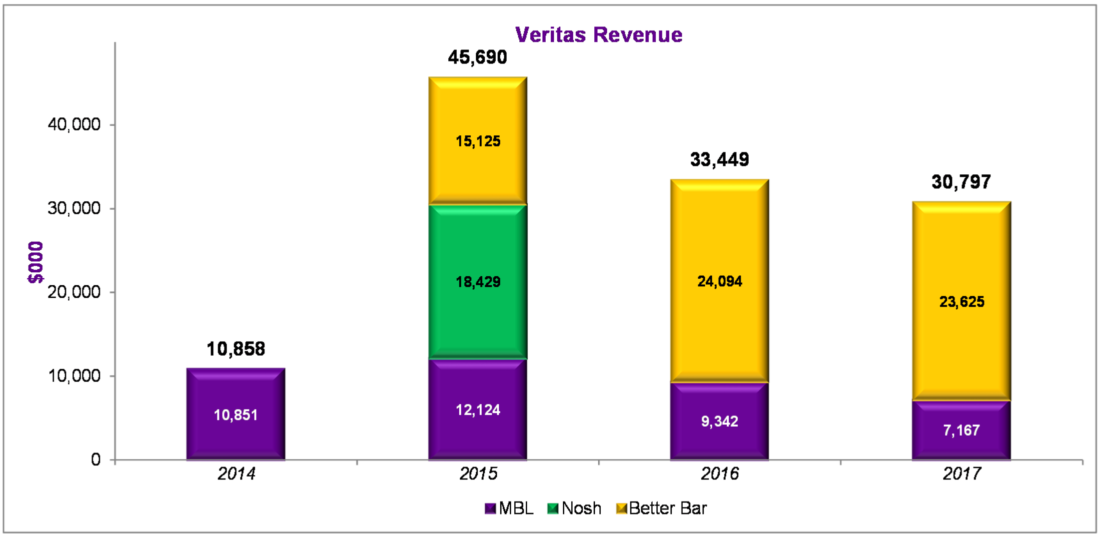
1 Restated

Source: Veritas audited financial statements

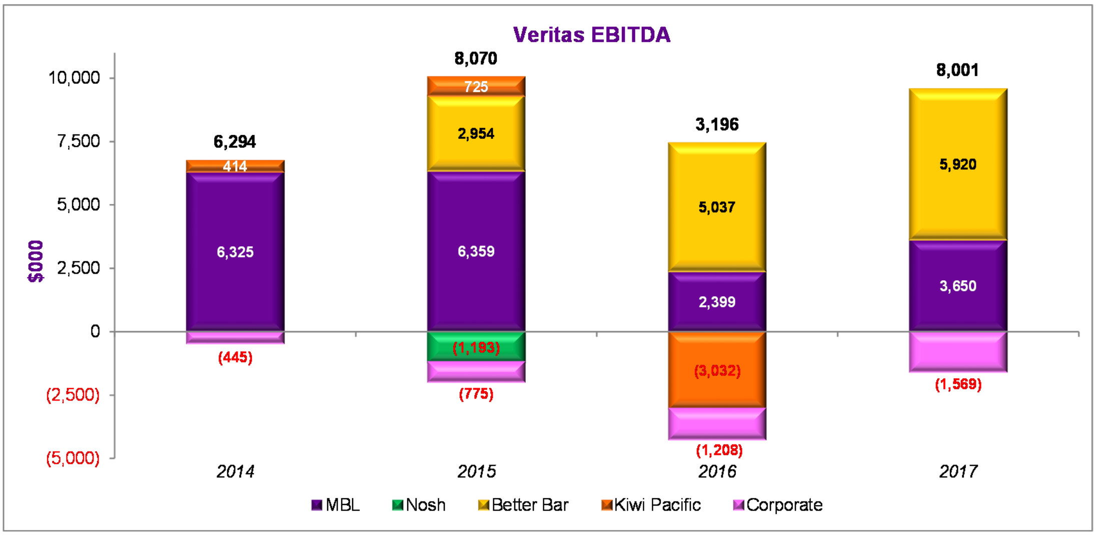
The increase in revenue in the 2015 financial year was mainly due to the acquisitions of Nosh in September 2014 and Better Bar in November 2014.

The decrease in revenue in the 2016 financial year was mainly due to $22.5 million of sales being reclassified as relating to discontinued operations (Nosh and Mad Butcher stores that have been sold).

Revenue in the past 2 financial years has consisted mainly of Better Bar sales.



Veritas' earnings from continuing operations (as measured by EBITDA) in the past 2 financial years have mainly been generated by Better Bar.



The financial results for continuing operations in the 2016 financial year included:

- a $2.9 million impairment of the carrying value of Kiwi Pacific
- $0.3 million of litigation costs in respect of Kiwi Pacific
- a $2.2 million impairment of the carrying value of MBL accounts receivable
- a $0.5 million loss on disposal of 3 unprofitable Hamilton bars in December 2015.

The $4.0 million of post tax losses from discontinued operations in the 2016 financial year included:

- $1.2 million of trading losses of Mad Butcher stores
- $1.8 million of trading losses of Nosh
- $1.1 million of impairment of and loss on sale of Mad Butcher stores.

The $4.9 million of post tax losses from discontinued operations in the 2017 financial year included:

- $1.0 million of trading losses of Mad Butcher stores
- $1.1 million of trading losses of Nosh
- a $2.6 million loss on the disposal of Nosh in February 2017.

5.6 Financial Position

A summary of Veritas' recent financial position is set out below.

Summary of Veritas Financial Position

	As at 30 Jun 14 (Audited) $000	As at 30 Jun 15 (Audited) $000	As at 30 Jun 16[1] (Audited) $000	As at 30 Jun 17 (Audited) $000
Current assets	6,637	11,355	12,047	4,324
Non current assets	3,935	45,058	34,861	35,264
Total assets	10,572	56,413	46,908	39,588
Current liabilities	(1,820)	(12,192)	(22,144)	(31,459)
Non current liabilities	(2,800)	(31,046)	(16,752)	(910)
Total liabilities	(4,620)	(43,238)	(38,896)	(32,369)
Total equity	5,952	13,175	8,012	7,219
NTA	5,887	(17,576)	(22,596)	(23,409)
Financial leverage[2]	n/a	72%	80%	79%

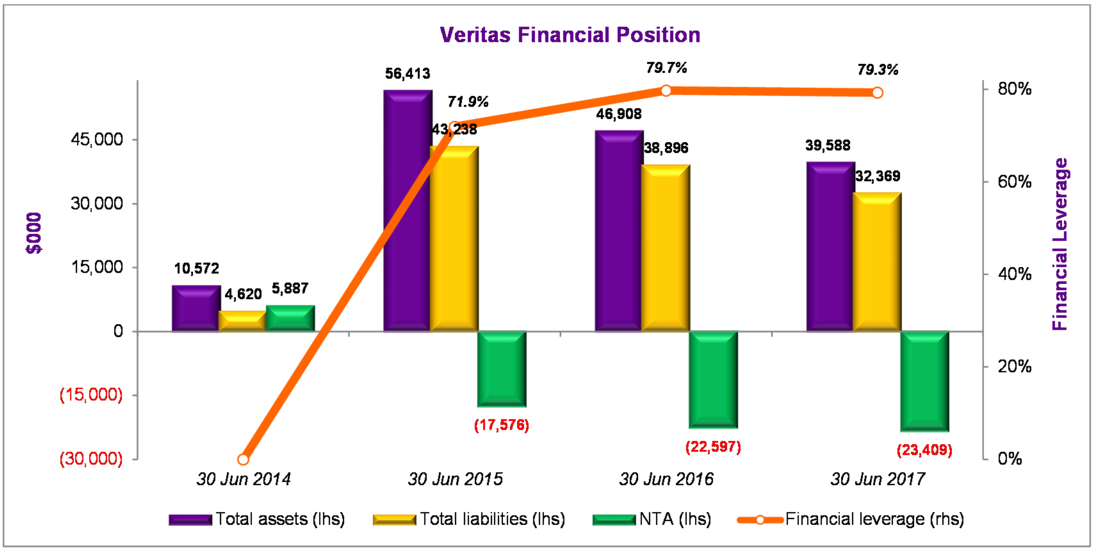
1 Restated
2 Net IBD / (net IBD + total equity)

n/a: Not applicable as cash exceeded IBD

Source: Veritas audited financial statements

The Company's financial position changed significantly in the 2015 financial year due to the acquisitions of Kiwi Pacific, Nosh and Better Bar. Total assets increased by $45.8 million, of which $30.7 million represented goodwill arising from the acquisition of Better Bar.

The acquisitions were funded by IBD provided by ANZ, resulting in Veritas' level of financial leverage increasing from nil (ie a net cash position) as at 30 June 2014 to 72% as at 30 June 2015. The Company's level of financial leverage has since increased to 79% by 30 June 2017.



Veritas' current assets comprise mainly trade and other receivables and assets from operations classified as held for sale. The $7.7 million decrease in current assets between 30 June 2016 and 30 June 2017 was mainly due to the sale of the Nosh business.

Non current assets consist mainly of intangible assets (including $30.6 million of goodwill attributable to Better Bar as at 30 June 2017) and property, plant and equipment.

Current liabilities as at 30 June 2017 consisted mainly of $3.2 million trade and other payables and $27.6 million of loans from ANZ and non current liabilities as at 30 June 2017 consisted of $0.9 million of loans from ANZ.

Veritas' total borrowings from ANZ amounted to $28.5 million as at 30 June 2017 and its financial leverage at that date was 79%. The majority of the ANZ debt was due to mature on 30 November 2017. Veritas announced on 30 November 2017 that ANZ had agreed to extend the maturity date of the debt to 28 February 2018.

While Veritas' net assets as at 30 June 2017 amounted to $7.2 million, its NTA amounted to negative $23.4 million. It had $9.0 million of tangible assets at that date and $32.4 million of liabilities.

5.7 Cash Flows

A summary of Veritas' recent cash flows is set out below.

Summary of Veritas Cash Flows

	Year to 30 Jun 14 (Audited) $000	Year to 30 Jun 15 (Audited) $000	Year to 30 Jun 16 (Audited) $000	Year to 30 Jun 17 (Audited) $000
Net cash inflow / (outflow) from operating activities	3,123	(783)	1,416	4,106
Net cash from / (used in) investing activities	(3,294)	(24,556)	1,441	(203)
Net cash from / (used in) financing activities	1,329	24,516	(4,320)	(4,999)
Net increase / (decrease) in cash held	1,158	(823)	(1,464)	(1,096)
Opening cash balance	2,837	3,995	3,172	1,694
Restatement of Nosh's cash[1]	-	-	(14)	-
Closing cash balance	3,995	3,172	1,694	598

1 Discontinued asset

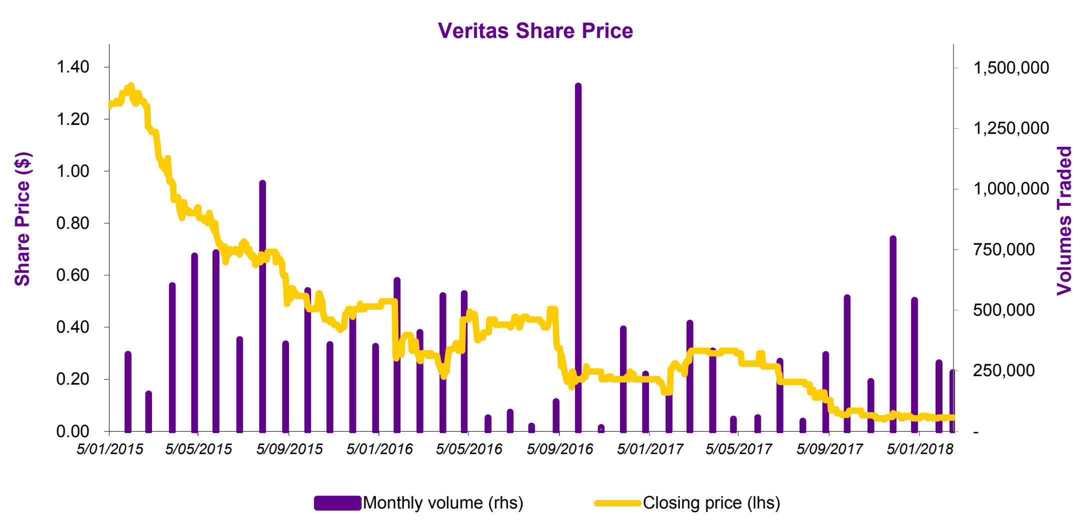
Source: Veritas audited financial statements

Investing activities cash flows included the acquisition of 50% of Kiwi Pacific in the 2014 financial year and the acquisition of Nosh and Better Bar in the 2015 financial year.

Financing activities cash flows represent the net draw down of debt in the 2014 and 2015 financial years and the net repayment of debt in the 2016 and 2017 financial years.

5.8 Share Price History

Set out below is a summary of Veritas' daily closing share price and monthly volumes traded from 5 January 2015 to 19 February 2018.



Source: NZX Company Research

During the period, Veritas' shares traded between $0.045 (on 17 November 2017) and $1.33 (on 3 February 2015) at a VWAP of $0.42.

Trading in the Company's shares is extremely thin. An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to 19 February 2018 is set out below.

Share Trading up to 19 February 2018					
Period	**Low ($)**	**High ($)**	**VWAP ($)**	**Volume Traded (000)**	**Liquidity**
1 month	0.050	0.053	0.049	440	1.0%
3 months	0.048	0.070	0.055	1,564	3.6%
6 months	0.045	0.150	0.062	2,706	6.2%
12 months	0.045	0.350	0.121	3,948	9.1%

Source: NZX Company Research

The shares traded on 108 days in the year to 19 February 2018.

6. Sources of Information, Reliance on Information, Disclaimer and Indemnity

6.1 Sources of Information

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

- the draft notice of special meeting
- the Heads of Agreement dated 30 October 2017
- the Sale Agreement dated 20 December 2017
- the Veritas annual reports for the years ended 30 June, 2014 to 2017
- information in respect of MBL in the Sale Process virtual data room
- the MBL management accounts for the 6 months ended 31 December 2017
- the MBL forecast for the year ended 30 June 2018
- data in respect of Veritas from NZX Company Research and S&P Capital IQ
- data in respect of comparable companies from S&P Capital IQ
- the GS 2013 Report.

During the course of preparing this report, we have had discussions with and / or received information from the Board, Veritas' legal advisers, Bancorp and ANZ.

The Board has confirmed that we have been provided for the purpose of this Appraisal Report with all information relevant to the Mad Butcher Transaction that is known to them and that all the information is true and accurate in all material respects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Appraisal Report.

In our opinion, the information to be provided by Veritas to the Non-associated Shareholders is sufficient to enable the Independent Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Mad Butcher Transaction.

6.2 Reliance on Information

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

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

6.3 Disclaimer

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

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

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

We have had no involvement in the preparation of the notice of special meeting of shareholders and explanatory memorandum issued by Veritas and have not verified or approved the contents of the notice of special meeting of shareholders and explanatory memorandum. We do not accept any responsibility for the contents of the notice of special meeting of shareholders and explanatory memorandum except for this report.

6.4 Indemnity

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

7. Qualifications and Expertise, Independence, Declarations and Consents

7.1 Qualifications and Expertise

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

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

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

7.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Veritas or the Morton Associates or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Mad Butcher Transaction.

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

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

7.3 Declarations

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

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

7.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of special meeting to be sent to the Non-associated Shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

Peter Simmons
Director
Simmons Corporate Finance Limited
20 February 2018

Appendix I

Comparable Company Transaction Multiples

Transaction Multiples

Date	Target	Bidder	Implied Enterprise Value ($m)	EBITDA Multiple	
				Historic	Prospective
Mar 2017	Pacific Island Restaurants	Restaurant Brands	150	7.6x	5.6x
Mar 2016	QSR	Restaurant Brands	89	5.4x	n/d
Nov 2014	Just Water International	Harvard Group	26	3.9x	4.1x
Nov 2014	Better Bar	Veritas	29	5.0x	n/d
May 2013	Mad Butcher	Veritas	40	6.4x	5.8x
Nov 2012	The Coffee Guy	Retail Food	6	n/d	n/d
Dec 2011	Burger King NZ	Blackstone	108	5.7x	n/d
Sep 2011	Evolution Coffee Roasters	Retail Food	4	4.0x	n/d
		Minimum		3.9x	4.1x
		Average		5.4x	5.2x
		Maximum		7.6x	5.8x

n/d: Not disclosed

Source: S&P Capital IQ, independent expert's reports, media coverage

Restaurant Brands / Pacific Island Restaurants

In March 2017, Restaurant Brands acquired 100% of the shares in Pacific Island Restaurants for $150 million. Pacific Island Restaurants is the sole *Taco Bell* and *Pizza Hut* franchisee in Hawaii, Guam and Saipan, with a network of 37 *Taco Bell* stores and 45 *Pizza Hut* stores.

Restaurant Brands / QSR

In April 2016, Restaurant Brands acquired 100% of the shares in QSR for $89 million. QSR is an Australian company which owns and operates 42 *KFC* stores in New South Wales, Australia.

Harvard Group / Just Water International

In November 2014, Harvard Group and its associates made a takeover offer for Just Water International at $0.15 per share, implying an enterprise value of $26 million. Just Water International supplies water-coolers, drinking water and filters for home and office use in New Zealand and Australia.

Better Bar Company / Veritas

In November 2013, Veritas completed the acquisition of the Better Bar business and assets for $29 million.

Mad Butcher / Veritas

In May 2013, Veritas completed the acquisition of the Mad Butcher business and assets for $40 million.

The Coffee Guy / Retail Food

In November 2012, Australian retail food brand manager and franchisor, Retail Food acquired mobile and portable coffee franchise system The Coffee Guy for $5.5 million. The Coffee Guy was established by Richard Karam in 2005 and over the last 7 years was purported to have grown to become the largest portable coffee franchise system in New Zealand. The historic EBIT multiple was 5.5x and analysts noted that the transaction was broadly in line with previous coffee acquisitions.

Burger King (New Zealand) / Blackstone Group

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

Evolution Coffee Roasters / Retail Food

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

Appendix II

Comparable Company Trading Multiples

Trading Multiples						
Company	**Market Capitalisation ($m)**	**Enterprise Value ($m)**	**EBITDA Multiple**		**PE Multiple**	
			Hist.	**Pros.**	**Hist.**	**Pros.**
New Zealand						
BurgerFuel	52	46	23.0x	n/a	50.2x	n/a
Cooks Global	31	35	n/m	n/a	n/m	n/a
Just Water International	44	45	9.4x	n/a	18.9x	n/a
Restaurant Brands	888	1,012	12.5x	10.0x	27.0x	19.8x
Veritas	2	30	3.7x	n/d	n/m	n/d
Minimum			3.7x	10.0x	18.9x	19.8x
Average			12.2x	10.0x	32.0x	19.8x
Maximum			23.0x	10.0x	50.2x	19.8x
Australia						
Collins Foods	611	763	9.1x	7.1x	21.8x	13.3x
Domino's Pizza	3,843	4,213	20.5x	14.7x	34.9x	25.2x
Oliver's Real Food	51	45	n/m	n/a	n/m	n/a
Retail Food Group	387	629	6.3x	5.7x	5.9x	6.2x
Minimum			6.3x	5.7x	5.9x	6.2x
Average			12.0x	9.2x	20.9x	14.9x
Maximum			20.5x	14.7x	34.9x	25.2x
All						
Minimum			3.7x	5.7x	5.9x	6.2x
Average			12.1x	9.4x	26.5x	16.1x
Maximum			23.0x	14.7x	50.2x	25.2x

n/a: not available
n/m: not meaningful

Source: S&P Capital IQ, data as at 20 February 2018

BurgerFuel

BurgerFuel operates as a franchisor of gourmet burger restaurants. As of 31 March 2017, it operated 86 restaurants in New Zealand, Australia, the United States and the Middle East. The company was founded in 1995 and is headquartered in Auckland.

Cooks Global Foods

Cooks Global Foods operates or franchises *Esquires Coffee Houses* in Canada, the United Kingdom, Ireland, Saudi Arabia, Kuwait, Bahrain, the United Arab Emirates, Pakistan, Portugal, Indonesia and China. It also owns Scarborough Fair and Grounded Responsible Coffee and supplies tea, coffee, beverages and fresh produce. The company operates 98 Coffee Houses. Cooks Global Foods was incorporated in 2008 and is based in Auckland.

Just Water International

Just Water International supplies water-coolers, drinking water and filters for the home and office customers in New Zealand. The company rents and services point-of-use water-coolers under the *Direct Connect* brand name and supplies micro-filtered water and filtered mineral spring water. It also sells water filters under the *Just Water Filter* brand name through online and appointed agents. Just Water International was founded in 1987 and is based in Auckland.

Restaurant Brands

Restaurant Brands operates quick service and takeaway restaurants. It operates the New Zealand franchises for *KFC*, *Pizza Hut*, *Starbucks Coffee* and *Carl's Jr.* The company operates 215 stores - 91 *KFC New Zealand*, 42 *KFC Australia*, 37 *Pizza Hut*, 25 *Starbucks* and 20 *Carl's Jr.* stores. Restaurant Brands was founded in 1997 and is based in Auckland.

Veritas

Veritas is profiled in section 5.

Collins Foods

Collins Foods operates, manages and administers restaurants primarily in Australia, Thailand, Japan, China, Germany and the Netherlands. Its restaurant brands comprise *KFC Restaurants*, *Sizzler Restaurants* and *Snag Stand* outlets. The company operates 195 franchised *KFC* restaurants in Australia and 13 franchised *KFC* restaurants in Germany and owns and operates 16 *Sizzler* restaurants in Australia. It is also involved in operating 68 franchised stores under the *Sizzler* brand primarily in Thailand, China and Japan and 5 corporate owned outlets and 1 franchised outlet under the *Snag Stand* name. Collins Foods was founded in 1968 and is based in Hamilton, Australia.

Domino's Pizza

Domino's Pizza operates retail food outlets. The company holds franchise rights for the *Domino's* brand and network in Australia, New Zealand, Belgium, France, the Netherlands, Japan and Germany. As of 15 August 2017, it operated a network of approximately 2,000 stores. Domino's Pizza is based in Brisbane, Australia.

Oliver's Real Food

Oliver's Real Food operates, manages and franchises a chain of quick service restaurants under the *Oliver's Real Food* name in Australia. As of 21 December 2017, the company operated 26 stores. Oliver's Real Food was founded in 2003 and is based in Wyong, Australia.

Retail Food Group

Retail Food Group owns, develops and manages multi-brand retail food franchises in Australia. The company operates a network of approximately 2,500 outlets across 12 brand systems spanning 83 territories. Retail Food Group was founded in 1989 and is based in Southport, Australia.

Veritas
Investments Limited

LODGE YOUR PROXY

Online
https://investorcentre.linkmarketservices.co.nz/voting/VIL

Scan & Email
meetings@linkmarketservices.co.nz

Fax
+64 9 375 5990

Deliver in person
Link Market Services Limited,
Level 11, Deloitte Centre
80 Queen Street, Auckland 1010

Mail
Use the enclosed reply paid envelope or address to:
Link Market Services Limited
PO Box 91976
Auckland 1142
New Zealand

SCAN THIS QR CODE WITH YOUR SMARTPHONE AND VOTE ONLINE

General Enquiries
+64 9 375 5998 | enquiries@linkmarketservices.com

PROXY FORM FOR THE 2018 SPECIAL MEETING OF SHAREHOLDERS

A Special Meeting of the Shareholders of Veritas Investments Limited will be held at Doolan Brothers Newmarket, 414 Khyber Pass Road, Newmarket, Auckland 1023 on Friday 16 March 2018 commencing at 11:30am.

APPOINTMENT OF PROXY

A shareholder of Veritas who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a shareholder of Veritas. Any corporation that is a shareholder of Veritas may appoint a person as its representative to attend the meeting and vote on its behalf, in the same manner as that in which it could appoint a proxy.

If you do not plan to attend the meeting in person but wish to appoint a proxy to attend and vote at that meeting on your behalf, please complete the reverse of this form and lodge it to Link Market Services to be received no later than 11:30am (New Zealand time) 14 March 2018 (being 48 hours before the commencement of the Special Meeting of Shareholders).

If you appoint a proxy you must either direct the proxy how to vote by ticking the "For", "Against" or "Abstain" box in respect of each resolution OR by ticking the "Proxy Discretion" box in respect of each resolution. If you do not mark any box, then your proxy may vote or abstain from voting as he or she sees fit.

Appointing the Chair of the Meeting or a Director as your proxy

The Chair of the Meeting or any Director is willing to act as proxy for any shareholder who appoints him/her for that purpose.

Please be advised that as a related party of Yogg Limited, Michael Morton and associated persons of Michael Morton (including Michael Morton and WBM Trustee Limited as trustees of the Michael Morton #2 Family Trust, and Julie Leitch and WBM Trustee Limited as trustees of the Yogg Trust) are disqualified from voting on Resolution 1 under Listing Rule 9.3.1. 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.

VOTING OF YOUR HOLDING

If you tick the 'Proxy Discretion' box for a particular resolution, you are directing your proxy to decide how to vote on that resolution on your behalf. If you tick the 'Abstain' box for a particular resolution, you are directing your proxy not to vote on that resolution. If a proxy does not vote on your behalf on a resolution, your votes will not be counted when calculating the majority of that resolution.

ATTENDING THE MEETING

If you propose to attend the Special Meeting of Shareholders, please bring this Proxy Form intact to the meeting. The barcode is required for registration at the meeting.

SIGNING INSTRUCTIONS FOR PROXY FORMS

Individual

This Proxy Form must be signed by the shareholder or his/ her/its attorney duly authorised in writing.

Joint holding

This Proxy Form must be signed by each, or on behalf of, the joint shareholders (or their duly authorised attorney).

Power of Attorney

If this Proxy Form is signed under a power of attorney, a copy of the power of attorney and a signed certificate of non-revocation of the power of attorney, under which it is signed, must be produced to Veritas with this Proxy Form.

Company

This Proxy Form must be signed by a director or a duly authorised officer acting under the express or implied authority of the shareholder, or an attorney duly authorised by the shareholder.

VOTE ONLINE

To appoint a proxy online please go to https://investorcentre.linkmarketservices.co.nz/voting/VIL. Holders will require their CSN/Holder Number and Authorisation Code (FIN) to complete a proxy appointment online.

Go online to *https://investorcentre.linkmarketservices.co.nz/voting/VIL* to vote or turn over to complete the Proxy Form.

PROXY FORM

STEP 1: APPOINT A PROXY TO VOTE ON YOUR BEHALF

Note: If you wish, you may appoint as your proxy 'the Chair of the Meeting' or any other Director. Please note that Michael Morton is not able to act as your discretionary proxy but may act as proxy under your express directions. Associated Persons of Michael Morton are also unable to act as your discretionary proxy but may act as proxy under your express directions.

I/We being a shareholder of Veritas Investments Limited

Hereby appoint ____________________________________ of ____

or failing him/her ____________________________________ of ____

as my/our proxy to vote for me/us on my/our behalf at the Special Meeting of Shareholders of Veritas Investments Limited to be held at 11:30am on 16 March 2018, and at any adjournment of that meeting, and to vote as my/our proxy thinks fit on any resolutions to amend any of the resolutions, or any resolution so amended and on any other resolution proposed at the Special Meeting of Shareholders (or any adjournment thereof).

STEP 2: ITEMS OF BUSINESS – PROXY VOTING INSTRUCTIONS

Tick (✓) in box to vote

ORDINARY BUSINESS		For	Against	Proxy Discretion	Abstain
1.	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.	☐	☐	☐	☐

STEP 3: SIGNATURE OF SHAREHOLDER(S)

Note: This section must be completed.

Shareholder 1	Shareholder 2	Shareholder 3

Contact Name _________________________ Daytime Telephone _______________________ Date ______________

Electronic Investor Communication:

If you received the Notice of Meeting and Proxy Form by mail and you wish to receive your future communications by email please provide your email address below:
