



**VERITAS INVESTMENTS LIMITED**

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

15 January 2019

***Important Dates:***

- **Meeting time/date:** 2:00pm, Wednesday, 30 January 2019
- **Venue:** Doolan Brothers Newmarket, 414 Khyber Pass Road, Newmarket, Auckland 1023
- **Last date for receipt of Voting/Proxy Forms:** 2:00pm, Monday, 28 January 2019 (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 Wednesday, 30 January 2019 commencing at 2:00pm (“**Special Meeting**”).

The Special Meeting is called for the Shareholders to consider certain special business relating to The Better Bar Company Limited’s (“**TBBC**”) proposed acquisition of the business and assets of Kingsland Trading Co Limited, trading as “Citizen Park” (“**Vendor**”). TBBC, which is a wholly-owned subsidiary of Veritas, is currently the sole operating business within Veritas’ investment portfolio.

### ***Special Business – Proposed Acquisition of the Business and Assets of Kingsland Trading Co Limited, trading as “Citizen Park”***

On 14 December 2018, Veritas announced TBBC’s entry into a conditional agreement to purchase the business and assets of the Vendor. TBBC is a wholly-owned subsidiary of Veritas.

Subject to satisfaction of the conditions under the Sale and Purchase Agreement for the proposed transaction, TBBC will acquire the business and assets of the Vendor for \$2.7 million plus stock (the estimated value of which is \$30,000) (the “**Citizen Park Acquisition**”).

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

The Notice of Meeting set out in section 3 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 Citizen Park Acquisition.

**The Directors of Veritas fully support the Citizen Park Acquisition and unanimously recommend that Shareholders vote in favour of the Resolution to be put to them for the Citizen Park Acquisition at the Special Meeting.**

Should you have questions, please contact your investment adviser.

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## IMPORTANT DATES

Announcement of the Citizen Park Acquisition	14 December 2018
Special Meeting of Shareholders	30 January 2019
Expected settlement of the Citizen Park Acquisition	Second half of February 2019

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.

### **Forward-looking statements**

This Notice of Meeting and Explanatory Memorandum contains certain statements that relate to the future. Such statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and which may cause actual results, performance or achievements of the Company to differ materially from those expressed or implied by such statements.

### **Defined terms**

Capitalised terms used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary, in section 5 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. MESSAGE FROM THE BOARD

Dear Shareholder,

On behalf of the Directors of Veritas, we are putting forward a proposal to approve The Better Bar Company Limited's proposed acquisition of the business and assets of Kingsland Trading Co Ltd, trading as "Citizen Park".

As announced on 14 December 2018, through The Better Bar Company, Veritas is seeking to acquire all of the business and assets of Citizen Park for \$2.7 million plus stock.

The proposed acquisition is conditional on a number of conditions precedent, including Veritas shareholder approval, which is being put to Shareholders at the special meeting to be held in Doolan Brothers Newmarket on 30 January 2019. If the resolution is not approved, or if any of the conditions to the acquisition are not satisfied or waived, then the proposed acquisition will not proceed and the Board will continue to investigate other potential acquisition opportunities for the Group.

The Directors fully support the proposed acquisition of Citizen Park and recommend that Shareholders vote in favour of the resolution put to them in this Notice of Meeting and Explanatory Memorandum.

Yours faithfully,

**On behalf of the Board of Veritas Investments Limited**

John Moore  
Director

## 2. DETAILS OF, AND RATIONALE FOR, THE CITIZEN PARK ACQUISITION

### *Introduction*

The Board of Veritas has been considering a number of growth opportunities in the hospitality sector, to deliver on Veritas' objective of becoming the number one hospitality operator in New Zealand.

Through a careful selection and due diligence process led by the Board's Investment Committee and management, Citizen Park was identified as a suitable business to add to TBBC's existing portfolio of gastropubs and Irish bars. TBBC, which is a wholly-owned subsidiary of Veritas, is currently the sole operating business within Veritas' investment portfolio.

The acquisition of Citizen Park fits well within Veritas' acquisition criteria. The business is established, profitable and has a good reputation within the community. The purchase price reflects Citizen Park's existing earnings and reputation, but we believe that we can enhance the earnings of the business by driving synergies with our existing businesses. These synergies include, for example, increased rebates expected from bringing Citizen Park into our existing supply agreements and cost savings generated by utilising the Group's existing back office functions such as payroll, stocktaking and accounting. The Board of Veritas considers that acquisitions of this type also have potential to deliver longer term benefits to the Group, as becoming a larger hospitality Group could put the Group in a more favourable negotiating position with its key suppliers.

Citizen Park is a popular gastro pub located in the suburb of Kingsland, on the outskirts of Auckland CBD. Kingsland is a growing suburb that sits between Mount Eden and Grey Lynn. Kingsland is also home to Eden Park, and sporting events held there bring a lot of trade to the area, as it plays host to half a million sports fans and other patrons annually. The main commercial hub in Kingsland sits along New North Road where there is a good mix of cafés, bars and restaurants and holds a monthly craft and vintage market. Kingsland is well-served by trains and buses, and is only 5 kilometres from Auckland CBD. The Kingsland train station is located in the heart of Kingsland village, and trains run regularly into the city and the western suburbs of Auckland. The Company, based on the findings of Market View, an independent market research company, estimates that hospitality makes up approximately 25% of retail spend in the Kingsland suburb. Further information relating to the Company's due diligence investigations for the Citizen Park Acquisition is provided in the section headed "Due Diligence" below.

Citizen Park itself was developed in an old but iconic Honda motorcycle shop in 2013. The renovations were inspired by inner city New York-style bars and eateries. It has an even split of indoor and outdoor dining with the outdoor area covered by a retractable roof, meaning it is suitable all year round. It has a casual, laid back feel for dining. The menu is American inspired, with dishes such as ribs, wings, Sloppy Joes, steaks and waffles. There are also many Asian style dishes keeping the offering in tow with current trends.

The demographic of patrons at Citizen Park mostly falls into the 25-40 age range, as verified by market research undertaken by TBBC's operational due diligence. There is a mix of professionals and students in Kingsland, and with some industrial locations situated nearby there is also some trade generated from blue collar workers too.

The Company, based on monitoring of venues in the Kingsland area as part of its operational due diligence and also independent research carried out by Market View, believes that the venue has a strong local following and is one of the most successful vendors in the Kingsland hub.

### ***Business being acquired***

Under the Citizen Park acquisition, all of the Vendor's business and operational assets will be acquired by TBBC. The Group's financier, Pacific Dawn Limited, has consented to the proposed acquisition.

Subject to satisfaction or waiver of the conditions described in the section headed "Conditions" below, the Citizen Park Acquisition is expected to complete during the second half of February 2019.

### ***Purchase price***

The purchase price of \$2.7 million plus stock (estimated to be \$30,000), to be paid in cash, is allocated as follows:

- Plant and equipment – \$491,138, being the book value of the fixed assets of the Business verified during TBBC's due diligence;
- Stock – estimated to be \$30,000, being the estimated market value of stock (the actual value of which will be confirmed by stocktake at Completion); and
- Goodwill – being the balance of the purchase price, \$2,208,862.

The purchase price will be fully funded by TBBC's \$5 million acquisition and capital expenditure facility with Pacific Dawn Limited. The key terms of TBBC's facility with Pacific Dawn Limited were described in Veritas' Notice of Special Meeting of Shareholders and Explanatory Notes dated 6 June 2018, for the meeting held on 25 June 2018.

### ***Vendor***

The Vendor is a New Zealand incorporated company which is owned by the Vendor's Guarantors and their associated interests (as to 94%), Ross Birch (as to 3%) and Frank Fox (as to 3%). Neither the Vendor nor the holder of any ownership interest in the Vendor is an Associated Person of Veritas.

### ***Due Diligence***

The Company undertook a thorough due diligence process to determine whether Citizen Park is a suitable business to add to its existing portfolio of gastropubs and Irish bars, including through engagement of external advisers where appropriate.

The due diligence process was led by the Veritas Board's Investment Committee, who were supported by senior management. The Investment Committee comprises:

- **Carl Carrington:** Carl is the chair of the Investment Committee for Veritas and has been a Director of Veritas since July 2018. Carl has significant hospitality experience. His senior management experience is primarily in the food & beverage sector with 14 years in DB Breweries, Lion Nathan and Heineken joint venture businesses in New Zealand, Asia and Australia including five years as Managing Director of the Heineken-Lion joint venture in Australia. His most recent senior management experience has been six years as Chief Executive Officer of pan-iwi owned Aotearoa Fisheries. He is currently a Director and acting Chief Executive Officer of Hop Revolution Limited and a Director of McCashins Brewery;
- **John Moore:** John is a member of the Investment Committee and is the chair of the Audit Committee for Veritas and has been a Director of Veritas since December 2014. John is an experienced investment banker and corporate adviser who has worked in Australia, Hong Kong, Singapore and New Zealand; and

- **Craig Norris:** Craig is a member of the Investment Committee and has been a Director of Veritas since June 2018. Craig has a substantial background in investment banking, mergers and acquisition and corporate advisory work. He is currently a private investor with hospitality and tourism interests, and prior to that was a Managing Director in principal investment at JP Morgan based in Hong Kong. He has worked in significant financial institutions and banks in London and New York.

The Investment Committee's Charter forms part of Veritas' Directors Manual, which is available to view on Veritas' website ([www.veritasinvestments.co.nz](http://www.veritasinvestments.co.nz)).

Senior management input was received from Geoff Tuttle (CEO of Veritas) and John Hames (CFO of Veritas).

There were three areas of due diligence – operational, financial and legal. As part of the operational due diligence, TBBC undertook a number of site visits of Citizen Park, including “mystery shopper” type visits, and consulted independent research firm Market View. For financial due diligence, PwC was engaged to review the scope of the diligence exercise and output prepared by Veritas' management, and prepared a brief report to the Board on its conclusions. Legal due diligence investigations and reporting were undertaken by TBBC's external legal advisers, Harmos Horton Lusk Limited.

The Investment Committee and the Board of Veritas were provided with reports summarising the key due diligence findings for the Citizen Park opportunity, and discussed them in depth. These reports and discussions enabled the Board of Veritas to consider the merits of the Citizen Park Acquisition on an informed basis and, as a result, unanimously recommend that Shareholders support the sale.

### **Conditions**

TBBC negotiated a number of conditions for the Citizen Park Acquisition in order to manage, and try to mitigate, the risks identified during due diligence. The Sale and Purchase Agreement for the Citizen Park Acquisition is subject to the following conditions:

- TBBC, DB Breweries Limited and the Vendor entering into acceptable arrangements for the transfer of DB's existing supply agreement to the Vendor;
- the landlord of the business premises consenting to the assignment and variation of the lease to TBBC. The key variation sought for the lease is an extension of the term of the lease to 2031, and no other material changes are sought. The lease is on standard commercial terms and is typical for a business such as Citizen Park;
- consents being obtained from relevant authorities to enable TBBC to have the full use and benefit of Citizen Park from Completion, including a temporary authority for trading of alcohol and a food licence to permit sale of food;
- key employees of Citizen Park agreeing to transfer their employment to TBBC; and
- approval of the Company's shareholders by way of ordinary resolution (which is being sought at the Special Meeting).

All of the conditions are expressed to be for the benefit of TBBC, and may be waived at TBBC's sole discretion (although the Company will not permit TBBC to waive the requirement for approval of the Citizen Park Acquisition by the Company's shareholders). Efforts are being made to satisfy all of the conditions, although it is too early to indicate whether any of the other conditions will be waived.

Each condition above must be fulfilled or waived by 31 January 2019 or a later date agreed between TBBC and the Vendor.

No fee is payable if either party fails to satisfy any of the conditions outlined above.



### **Warranties**

The Sale and Purchase Agreement contains negotiated warranties and indemnities from the Vendor in favour of TBBC. The warranties and indemnities are subject to certain time and monetary limitations, and are supported by personal guarantees provided by the Vendor's Guarantors (on a several basis, and not on a joint and several basis). TBBC considers these warranties and indemnities to be standard for this type of transaction.

### **Completion**

Completion is due to occur on the later of 1 February 2019 and the date that is 15 business days after all of the conditions to the Citizen Park Acquisition on the Sale and Purchase Agreement are satisfied or waived. Completion is expected to occur during the second half of February 2019.

### ***If the Citizen Park Acquisition does not proceed***

As described above, the Citizen Park Acquisition will not complete without the approval of Shareholders and satisfaction or waiver of the other conditions described in the section headed "Conditions" above. If the Citizen Park Acquisition does not proceed, the Board will continue to investigate other potential acquisition opportunities to grow the Group.

### ***If the Citizen Park Acquisition proceeds***

If the Citizen Park Acquisition does proceed, then, on an annualised basis (noting that Completion, if it occurs, will take place during the current financial year of Veritas):

- the Group's revenue is expected to increase by approximately \$3.0 million;
- the Group's EBITDA is expected to increase by approximately \$650,000 to \$850,000;
- the earnings per Share in the Company is expected to increase by approximately 1 cent per Share; and
- the net profit after tax of the Company is expected to increase by approximately \$450,000.

The expected increases to the Group's revenue and EBITDA are estimates based on actual and normalised earnings of the Business for its last financial year ended 31 March 2018, as advised by the Vendor to TBBC during due diligence. The normalisation was tested during TBBC's financial due diligence for the Citizen Park Acquisition.

The expected increases to the Company's earnings per Share and net profit after tax are estimates based on TBBC's calculations of what its earnings would be using the Business' earnings and EBITDA figures advised by the Vendor, minus TBBC's interest expense rate and tax rate for the Citizen Park Acquisition.

As mentioned above under the heading "Introduction", the expected increases to earnings are intended to be driven by synergies with the Group's existing businesses and by utilising the Company's current supply agreements and relationships with suppliers.

The Company does not expect TBBC to incur additional material operational costs as a result of the Citizen Park Acquisition, other than normal inflationary costs such as increases to minimum wage and rent increases. No additional material investment is expected to be required immediately, other than ordinary capital expenditure.

The Group's interest expenses under the facilities provided by Pacific Dawn Limited will also increase as a result of the Citizen Park Acquisition, as will its gearing ratio (net debt to equity) from 59.9% to 61.4%. This increase in the gearing ratio is TBBC's estimate of what the gearing ratio would be at June 2019, assuming TBBC's ownership of the Business for the full 2019 financial year for TBBC. The key terms of TBBC's facility with Pacific Dawn Limited were described in Veritas' Notice of Special

Meeting of Shareholders and Explanatory Notes dated 6 June 2018, for the meeting held on 25 June 2018.

Overall, the Citizen Park Acquisition is expected to have a positive impact on the Group's ability to meet its banking covenants with Pacific Dawn Limited.

***Recommendation of Directors***

The Directors consider that the Citizen Park Acquisition is in the Company's best interests and of benefit to all Shareholders and, as a result, unanimously recommend that Shareholders support the sale.

### 3. 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 30 January 2019 at 2:00pm.

#### SPECIAL BUSINESS

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

#### Approval of the acquisition of Citizen Park by The Better Bar Company

**Resolution:** As an ordinary resolution under Listing Rule 9.1.1:

“That the Shareholders ratify, confirm and approve, including for the purposes of Rule 9.1.1 of the NZX Main Board Listing Rules, the acquisition of the business and assets of “Citizen Park” from Kingsland Trading Co Limited, as more particularly described in the Notice of Meeting and Explanatory Memorandum, and that the 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 acquisition.”

#### Directors’ Recommendation

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

#### 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’s share registrar, Link Market Services Limited, so as to be received **no later than 2:00pm on Monday, 28 January 2019**. Proxy appointment can be completed online at:

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

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.

John Moore, a director of Veritas and who will chair the special meeting, is willing to act as proxy. If you appoint Mr Moore as proxy but do not direct him how to vote on any particular matter then Mr Moore will vote your Shares in favour of the Resolution.

#### By order of the Board

**John Moore**

*Director*

Auckland

15 January 2019

## 4. EXPLANATION OF THE RESOLUTION

### Background

The purpose of the Special Meeting is to consider and, if thought fit, to approve the resolution seeking Shareholder approval of the Citizen Park Acquisition. A summary of the Citizen Park Acquisition is set out in section 3 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).

The Citizen Park Acquisition will not change the essential nature of the business of the Company.

However, the purchase price of \$2.7 million plus stock (estimated to be \$30,000) is expected to exceed 50% of the “average market capitalisation” of Veritas. Veritas’ indicative market capitalisation as at the close of trading on 14 January 2019 (being the last trading day before the date of this Notice of Meeting) was \$3,897,595.62, and the purchase price is more than 50% of that amount.

Accordingly, Shareholder approval by ordinary resolution is being sought for the Citizen Park Acquisition for the purposes of Listing Rule 9.1.1.

The Citizen Park Acquisition involves a purchase by TBBC and does not constitute a “major transaction” for Veritas under the Companies Act. The Directors intend to authorise, on behalf of Veritas, TBBC’s performance of its obligations in connection with the Citizen Park Acquisition subject to approval of Shareholders under the Resolution.

**Resolution required:** The Resolution is proposed as an ordinary resolution to satisfy NZX Main Board Listing Rule 9.1.1. 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.

**5. GLOSSARY**

<b>Board</b>	The board of Directors of the Company
<b>Citizen Park Acquisition</b>	The proposed acquisition of the business and assets of the Vendor, as detailed in this Notice of Meeting
<b>Company or Veritas</b>	Veritas Investments Limited
<b>Completion</b>	Completion under the Sale and Purchase Agreement, being completion of the acquisition of the business and assets of the Vendor
<b>Director</b>	A director of Veritas
<b>Listing Rules</b>	Listing Rules of the NZX Main Board in force from time to time, read subject to any applicable rulings or waivers
<b>NZX</b>	NZX Limited
<b>Resolution</b>	The resolution set out in the Notice of Meeting in section 3 of this document
<b>Sale and Purchase Agreement</b>	The agreement for sale and purchase relating to the Citizen Park Acquisition dated 14 December 2018 between the Vendor, TBBC and the Vendor's Guarantors
<b>Shareholder</b>	A registered holder of Shares from time to time
<b>Shares</b>	Fully paid ordinary shares in Veritas of the class quoted on the NZX Main Board
<b>TBBC</b>	The Better Bar Company Limited, which is a wholly-owned subsidiary of Veritas and the purchaser under the Sale and Purchase Agreement
<b>Vendor</b>	Kingsland Trading Co Limited, a New Zealand incorporated company (company number 3967320), which is the vendor under the Citizen Park Acquisition.
<b>Vendor's Guarantors</b>	Dean Raymond Lodge, Edward Wayne Mathews and Darren Peter Tolley