



Veritas

Investments Limited

Investors in Food, Franchise
and Hospitality Businesses

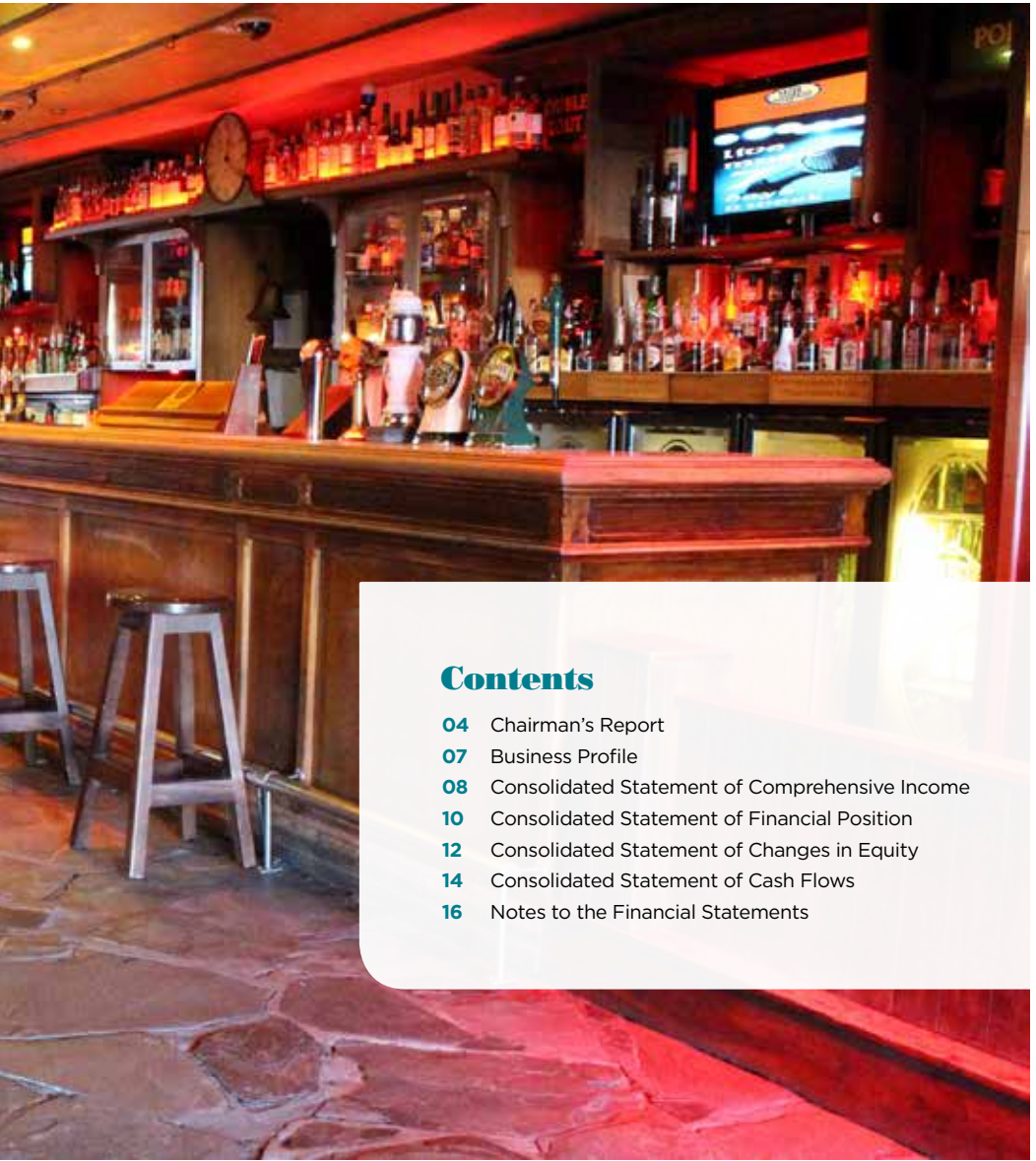
INTERIM REPORT 2016

For the half year ended 31 December 2016





Danny Doolans, Auckland.



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Chairman's Report

REPORT TO SHAREHOLDERS



On behalf of the Veritas Board, we present the unaudited interim report for Veritas Investments Limited (“Veritas”) for the six months ended 31 December 2016. This six month period showed the benefits from the actions we undertook in 2016 to improve the profits and cashflows.

Net profit after tax (NPAT) for the period to 31 December 2016 increased to \$1,205,546 compared to a net loss of \$(4,815,958) in 2015, an improvement of \$6,021,504.

The underlying NPAT from continuing operations and before significant items, (underlying NPAT) improved by 29% to \$2,513,762 in 2016 compared to \$1,941,386 in 2015. There were no significant losses in 2016 compared to \$(4,223,033) in 2015. Operating cash flow improved by 128% to \$1,833,467, from \$804,894 in 2015.

Net revenue for the period was \$15,912,862 compared to \$19,133,865

in 2015, a decrease of 17% due to the closure of underperforming Mad Butcher stores and the sale of three bars in Hamilton. Total losses from discontinued operations were \$(1,308,216) in 2016 compared to \$(2,534,311) in 2015.

Specific commentary is provided below for each business unit. The Group as a whole experienced competitive market conditions during the first half of FY17.

Mad Butcher

The market has been competitive with supply shortages creating challenges around product choice and pricing. The Board's focus is on ensuring profitability within each store and we are working closely with franchisees to support and maximise their performance. During the first half of FY17, we purchased two stores and sold one store.

The brand continues to be a major contributor to Veritas' profitability generating EBITDA¹ of \$2,132,915 in the period compared to \$1,916,933 in 2015.

¹ EBITDA is earnings before interest, tax, depreciation, amortisation and significant items.

There are currently 32 Mad Butcher stores in the Group, 29 of which are franchised and three are company owned. The Board are exploring a range of options for these company owned stores.

Better Bar Company

The Better Bar Company exceeded its targets for the period. Some redevelopment of existing sites was completed in the period, including the creation of additional space in the two high profile Viaduct Harbour outlets in Auckland, Danny Doolans and O'Hagan's.

A focus on improving the customer experience through enhanced menu and entertainment options and good cost control has led to improved results, with the bars earning EBITDA of \$3,081,255 in the period compared to \$2,654,912 in 2015.

Nosh

Subsequent to balance date the Group sold the Nosh business to Gosh Holdings Limited with full settlement on 24 February 2017. Accordingly the results of the business have been reclassified

as a discontinued operation. The half year accounts do not include any amount for the loss on sale, which is expected to be in the range of \$2.2m - \$2.6m after tax.

Kiwi Pacific Foods

All material matters pertaining to the closure and wind up of the business will be completed by 31 March 2017.

Updated Outlook and Market Guidance

Our previous market guidance was for the Group to achieve Revenue of \$50m - \$55m, EBITDA of \$7.4m - \$8.0m and Underlying NPAT of \$3.0m - \$3.6m for FY17. Given the reclassification and subsequent sale of Nosh as a discontinued operation, the Board is restating the guidance for the full year to Revenue of \$26m - \$31m, EBITDA of \$7.9m - \$8.5m and Underlying NPAT of \$3.7m - \$4.3m for FY17.

Dividend

The Board has resolved that no interim dividend will be declared for the period ended 31 December 2016.

CHAIRMAN'S REPORT CONTINUED

Accounts

The enclosed financial accounts for the six months ended 31 December 2016 reflect the trading of Veritas and its subsidiaries for the full period.

I would like to extend my thanks to the Board and all staff for what has been an incredibly demanding and busy period. We appreciate the on-going support from our shareholders.

Regards



Tim Cook
Chairman



Business PROFILE

AS AT 31 DECEMBER 2016

Nature of Business

Listed Investment Company

Share Capital

43,306,618 Ordinary Shares

Share Registrar

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

Directors

Independent Directors

Tim Cook (Chairman)
Sharon Hunter
John Moore

Non Independent Directors

Michael Morton

Registered Office

c/- Mad Butcher Limited
Ground Floor, Building B
95 Ascot Avenue
Greenlane
Auckland
PO Box 17474, Auckland 1546

Investor Enquiries

investor@veritasinvestments.co.nz

Date of Incorporation

23 January 2004

Auditors

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland 1142

Solicitors

Harmos Horton Lusk
Level 37, Vero Centre
48 Shortland Street
PO Box 28, Auckland 1010

Bankers

ANZ
ASB

Quantitative Breakdown of Directors and Officers

	As at 31 December 2016	As at 30 June 2016	As at 31 December 2015
Male	6	5	6
Female	1	1	1
Total	7	6	7

Consolidated Statement of COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2016

Note	6 months to 31 Dec 2016 Unaudited \$	6 months to 31 Dec 2015 Unaudited \$	12 months to 30 June 2016 Audited \$
Revenue	15,912,862	19,133,865	33,997,366
Changes in inventories of finished goods	(2,969,394)	(4,010,470)	(6,118,185)
Employee benefits expense	(3,539,396)	(3,953,407)	(7,203,618)
Depreciation and amortisation expenses	(293,863)	(462,487)	(766,616)
Interest income	12,387	30,088	47,462
Interest expense	(862,960)	(902,409)	(1,733,890)
Other expenses	(4,816,165)	(7,216,484)	(11,579,392)
Share of joint venture's profit, net of tax	-	19,190	19,190
<i>Significant items:</i>			
- Restructuring costs	-	-	(220,159)
- Litigation costs in respect of Kiwi Pacific Foods arbitration	-	(279,459)	(315,362)
- Impairment of carrying value of Kiwi Pacific Foods	-	(2,750,000)	(2,900,000)
- Impairment of carrying value of accounts receivable	-	(1,191,000)	(2,175,877)
- Loss on disposal of Hamilton bars	-	(466,740)	(471,795)
Profit / (loss) before income tax from continuing operations	3,443,471	(2,049,313)	579,124
Income tax (expense) / benefit	5 (929,709)	(232,334)	(1,177,584)
Profit / (loss) for the period from continuing operations	2,513,762	(2,281,647)	(598,460)
Loss for the period from discontinued operations (attributable to equity holders of the Parent Company)			
Trading losses (net of tax)	(1,210,897)	(1,464,652)	(3,043,045)
Loss on sale of Mad Butcher store (net of tax)	(73,601)	-	-
Transaction costs regarding Nosh disposal (net of tax)	(23,718)	-	-
Loss on closure of warehouse (net of tax)	-	(26,366)	(33,085)
Gain on disposal of Nosh Constellation Drive (net of tax and transaction costs)	-	176,120	199,850
Impairment of discontinued stores and operations (net of tax)	-	(1,219,413)	(1,116,882)
Profit / (loss) for the period	1,205,546	(4,815,958)	(4,591,622)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	6 months to 31 Dec 2016 Unaudited \$	6 months to 31 Dec 2015 Unaudited \$	12 months to 30 June 2016 Audited \$
Total comprehensive income / (losses) for the period attributable to the owners of the parent arises from:			
Continuing operations	2,513,762	(2,281,647)	(598,460)
Discontinuing operations	(1,308,216)	(2,534,311)	(3,993,162)
	1,205,546	(4,815,958)	(4,591,622)

**Earnings per share from continuing and
discontinued operations attributable to
equity holders of the Parent company
during the period:**

(basic and diluted)	cents	cents	cents
From continuing operations	5.80	(5.27)	(1.38)
From discontinued operations	(3.02)	(5.85)	(9.22)
From profit / (loss) for the period	2.78	(11.12)	(10.60)

Consolidated Statement of FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	31 Dec 2016 Unaudited \$	31 Dec 2015 Unaudited \$	30 June 2016 Audited \$
ASSETS				
Cash and cash equivalents		213,632	1,583,044	1,694,037
Restricted cash		375,000	75,000	75,000
Trade and other receivables	6	2,358,854	2,603,370	1,421,175
Inventories		344,154	412,638	278,633
Assets from operations classified as held for sale	7	8,053,713	10,238,771	7,547,503
Assets of discontinued operations held for realisation		217,477	-	644,359
Investment held for realisation		-	-	386,011
Total current assets		11,562,830	14,912,823	12,046,718
Property, plant and equipment		3,906,325	4,313,525	3,859,968
Trade and other receivables		-	469,832	-
Deferred tax asset		310,224	598,635	392,232
Investment in joint venture	11	-	1,447,346	-
Intangible assets		30,613,726	30,651,517	30,609,500
Total non-current assets		34,830,275	37,480,855	34,861,700
TOTAL ASSETS		46,393,105	52,393,678	46,908,418

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

	Note	31 Dec 2016 Unaudited \$	31 Dec 2015 Unaudited \$	30 June 2016 Audited \$
LIABILITIES				
Trade and other payables		2,955,991	3,970,284	2,191,782
Income tax payable		68,996	732,096	846,417
Liabilities from operations classified as held for sale	7	3,290,793	2,851,663	1,786,781
Liabilities of discontinued stores		396,941	1,693,629	757,377
Borrowings - current	8	29,263,667	15,906,666	16,561,666
Total current liabilities		35,976,388	25,154,338	22,144,023
Borrowings - non-current	8	1,198,715	19,410,274	16,751,939
TOTAL LIABILITIES		37,175,103	44,564,612	38,895,962
NET ASSETS		9,218,002	7,829,066	8,012,456
EQUITY				
Share capital		34,136,660	34,177,606	34,136,660
Retained Earnings / (Losses)		(24,918,658)	(26,348,540)	(26,124,204)
TOTAL EQUITY		9,218,002	7,829,066	8,012,456

For and on behalf of the Board of Directors, who authorised these Financial Statements on 27 February 2017.



Tim Cook
Chairman



Sharon Hunter
Director

Consolidated Statement of CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2016

	SHARE CAPITAL \$	RETAINED EARNINGS \$	TOTAL EQUITY \$
Balance at 1 July 2015	34,235,187	(21,060,491)	13,174,696
Loss for the period	-	(4,815,958)	(4,815,958)
Total comprehensive income for the period	-	(4,815,958)	(4,815,958)
Transactions with owners			
Costs of share cancellation	(57,581)	-	(57,581)
Dividends paid	-	(472,091)	(472,091)
Total contributions by / (distributions to) owners	(57,581)	(472,091)	(529,672)
Balance at 31 December 2015 - Unaudited	34,177,606	(26,348,540)	7,829,066
Balance at 1 July 2015	34,235,187	(21,060,491)	13,174,696
Loss for the year	-	(4,591,622)	(4,591,622)
Total comprehensive income for the year	-	(4,591,622)	(4,591,622)
Transactions with owners			
Costs of share cancellation	(98,527)	-	(98,527)
Dividends paid	-	(472,091)	(472,091)
Total contributions by / (distributions to) owners	(98,527)	(472,091)	(570,618)
Balance at 30 June 2016 - Audited	34,136,660	(26,124,204)	8,012,456

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
	\$	\$	\$
Balance at 1 July 2016	34,136,660	(26,124,204)	8,012,456
Profit for the period	-	1,205,546	1,205,546
Total comprehensive income for the period	-	1,205,546	1,205,546
Transactions with owners			
Dividends paid	-	-	-
Total contributions by / (distributions to) owners	-	-	-
Balance at 31 December 2016 - Unaudited	34,136,660	(24,918,658)	9,218,002

Consolidated Statement of CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2016

	Note	6 months to 31 Dec 2016 Unaudited \$	6 months to 31 Dec 2015 Unaudited \$	12 months to 30 June 2016 Audited \$
Receipts from customers		14,975,184	19,158,926	34,357,974
Payments to suppliers and employees		(10,681,020)	(14,712,367)	(26,173,389)
Interest received		12,387	30,088	47,462
Interest paid		(862,960)	(902,409)	(1,733,890)
Taxation received/(paid)		205,554	(655,626)	(513,256)
Cash outflows from significant items		-	(316,078)	(581,472)
Discontinued - operating cash flows		(1,815,678)	(1,797,640)	(3,987,818)
Net cash (outflows) / inflows from operating activities	15	1,833,467	804,894	1,415,611
Sale of property plant and equipment and other intangibles		-	978,727	1,379,053
Sale of property plant and equipment and other intangibles from discontinued operations		-	33,529	47,244
Distribution received from Kiwi Pacific Foods		410,000	-	911,335
Sale of associate		-	415,522	439,252
Purchase of Mad Butchers stores		(228,203)	-	-
Purchase of property plant and equipment and other intangibles		(344,446)	(222,618)	(242,164)
Purchase of property plant and equipment and other intangibles from discontinued operations		-	(1,005,432)	(1,093,712)
Net cash used in investing activities		(162,649)	199,728	1,441,008

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

	6 months to 31 Dec 2016 Unaudited \$	6 months to 31 Dec 2015 Unaudited \$	12 months to 30 June 2016 Audited \$
Dividends paid	-	(472,091)	(472,091)
Transaction costs of share cancellation	-	(57,581)	(98,527)
Repayment of borrowings	(2,851,223)	(5,548,555)	(8,929,186)
Bond payment	(300,000)	-	-
Bank borrowings drawn	-	3,824,861	5,179,531
Net cash (outflows) / inflows from financing activities	(3,151,223)	(2,253,366)	(4,320,273)
Net (decrease) / increase in cash and cash equivalents	(1,480,405)	(1,248,744)	(1,463,654)
Cash and cash equivalents at beginning of period	1,694,037	3,172,125	3,172,125
Restatement of Nosh's cash as a discontinued asset	-	(340,337)	(14,434)
Cash and cash equivalents at end of period	213,632	1,583,044	1,694,037
Cash and bank balances	213,632	1,583,044	1,694,037
Overdraft	-	-	-
	213,632	1,583,044	1,694,037

Notes to the FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2016

1. General Information

These interim financial statements are for Veritas Investments Limited (“Veritas”) and its subsidiaries (together “the Group”). Veritas Investments Limited, the parent, is a company registered in New Zealand under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of The Financial Markets Conduct Act 2015. The interim financial statements have been prepared in accordance with the requirements of the NZX Main Board Listing Rules. Veritas is an investment company with shareholdings in a range of New Zealand businesses in the food and beverage and hospitality sectors. Veritas is domiciled and incorporated in New Zealand. Its registered office is c/o Mad Butcher Limited, Ground Floor, Building B, Ascot Business Park, 95 Ascot Avenue, Greenlane 1051, Auckland. The Group is designated as a profit-oriented entity for financial reporting purposes. The Group has adopted the External Reporting Board A1 reporting framework and is a tier 1 entity under this framework.

2. Basis of Preparation

The financial statements for the six month periods ending 31 December 2016 and 31 December 2015 are unaudited. The comparative information for the year ending 30 June 2016 is audited. Certain comparative information has been restated to confirm to the current periods classification.

These interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (“NZ GAAP”), IAS 34: Interim Financial Reporting and NZ IAS 34: Interim Financial Reporting and consequently, do not include all the information required for full financial statements. These condensed Group interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2016.

The accounting policies adopted are consistent with those of the previous annual report.

On 14 December 2016 the Group announced that, under the terms of its banking facility, it was required to either sell or close Nosh Group Limited (Nosh). As per note 16 the Nosh business was sold subsequent to balance date. Accordingly the results of Nosh have been reclassified from continuing operations to discontinued operations /assets held for sale. The comparative balances have been restated.

The Directors disclosed in the 2016 Annual Report details impacting on the going concern assumption. During the period the Group signed a new banking facility with the ANZ based on a committed term sheet received. The new facility extended the term of the loans and reduced the principal repayments. It contained a number of milestones including plans for the sale or closure of Nosh, the preparation of a capital and strategic plan by 28 February 2017 and plans concerning the future of two company owned Mad Butcher stores. The ANZ will perform an interim review of the Group by 31 March 2017 including an independent review of the capital and strategic plan.

The ability of the Group to remain compliant with its banking covenants has been considered by the Directors in the adoption of the going concern assumption, during the preparation of the financial statements. The Directors forecast that the Group can trade at levels appropriate to meet its banking covenants for the period of 12 months from the date of authorisation of the financial statements. In reaching this conclusion the Directors have considered the ability to achieve the financial performance forecast and cash flow forecasts approved by the Board, including the supporting assumptions.

Having taken into account the financial position of the Group, the results for the period, the projected financial performance of the Group, compliance with its banking covenants and the subsequent sale of the Nosh business, it is the view of the Board that the Group is a going concern.

3. Non-GAAP Reporting Measures

Additional reporting measures have been referenced in the notes to the financial statements. The following non-GAAP measures are relevant to the understanding of the Group's financial performance.

*EBITDA (a non-GAAP measure) represents earnings before income taxes (a GAAP measure), excluding interest income, interest expense, depreciation and amortisation, excluding significant items, as reported in the financial statements.

*Total comprehensive income from continued operations after tax, excluding significant items (a non-GAAP measure) represents profit for the period (a GAAP measure) from continuing operations, less tax, excluding significant items.

3. Non-GAAP Reporting Measures continued

	6 months to 31 Dec 2016 Unaudited \$	6 months to 31 Dec 2015 Unaudited \$	12 months to 30 June 2016 Audited \$
Profit / (loss) for the period (after tax)	1,205,546	(4,815,958)	(4,591,622)
<i>Significant items (net of tax):</i>			
- Loss on closure of warehouse	-	26,366	33,085
- Restructuring costs	-	-	158,514
- Kiwi Pacific Foods litigation costs	-	279,459	227,061
- Impairment of carrying value of Kiwi Pacific Foods	-	2,750,000	2,900,000
- Impairment of carrying value of accounts receivable	-	857,520	1,566,631
- Loss on disposal of Hamilton bars net of transaction costs	-	336,053	339,692
- Gain on disposal of Nosh Constellation Drive net of transaction costs	-	(176,120)	(199,850)
- Impairment of discontinued stores	-	1,219,413	1,116,882
Total comprehensive loss from discontinued operations	1,210,897	1,464,653	3,043,045
Loss on sale of Mad Butcher store (net of tax)	73,601	-	-
Transaction costs regarding Nosh disposal (net of tax)	23,718	-	-
Tax expense in respect of prior year	-	-	207,464
Total comprehensive income from continued operations after tax excluding significant items	2,513,762	1,941,386	4,800,903

4. Acquisitions and Disposals

On 2 November 2015, Nosh Group Limited, a subsidiary of Veritas, sold its investment in Nosh Constellation Limited (“Nosh CD”) for a gain on sale of \$199,850 (December 2015 \$176,120) including transaction costs. The business is now a franchisee store and its results are not recorded as part of the Veritas Group, except for the transactions between it and Nosh Group Limited.

On 7 December 2015 The Better Bar Company Limited (“The BBC”), a subsidiary of Veritas, sold three of its Hamilton bars that were not trading to expectations for a total consideration of \$1,000,000. The loss on sale of these bars, including transaction costs was \$471,795 (December 2015 \$466,740).

As master franchisor, Mad Butcher may choose to purchase a store from a franchisee if they exit 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. During the period two stores were purchased for a total consideration of \$228,203 and are currently classified as held for sale (June 2016 nil, December 2015 nil). During the period one store was sold for a total consideration of \$208,172 resulting in a loss on sale after tax of \$73,601 (June 2016 nil, December 2015 nil).

5. Tax Expense / (Benefit)

	6 months to 31 Dec 2016 Unaudited \$	6 months to 31 Dec 2015 Unaudited \$	12 months to 30 June 2016 Audited \$
The income tax expense consists of the following:			
Profit / (loss) before income tax from continuing operations	3,443,471	(2,049,313)	579,124
Income tax expense calculated at 28%	964,172	(573,808)	162,155
Non deductible expenses	119	848,349	813,337
Joint venture results reported net of tax	-	(5,373)	(5,373)
Tax in respect of prior years	-	-	207,464
Non assessable income	(40,295)	-	-
Other	5,713	(36,834)	-
Tax expense / (benefit)	929,709	232,334	1,177,583
Current tax expense	847,701	565,814	1,304,659
Deferred tax benefit	82,008	(333,480)	(127,076)
Tax expense / (benefit)	929,709	232,334	1,177,583

6. Trade and Other Receivables

	31 Dec 2016 Unaudited \$	31 Dec 2015 Unaudited \$	30 June 2016 Audited \$
Trade and other receivables	2,857,194	3,794,370	1,919,515
Provision for doubtful debts	(498,340)	-	(498,340)
Impairment of carrying value of accounts receivable	-	(1,191,000)	-
	2,358,854	2,603,370	1,421,175

7. Operations Classified as Held For Sale

	31 Dec 2016 Unaudited \$	31 Dec 2015 Unaudited \$	30 June 2016 Audited \$
<i>Assets from operations classified as held for sale:</i>			
Mad Butcher stores	1,099,365	1,971,859	620,728
Nosh Group Limited	6,954,348	8,266,912	6,926,775
	8,053,713	10,238,771	7,547,503
<i>Liabilities from operations classified as held for sale:</i>			
Mad Butcher stores	657,879	326,425	224,274
Nosh Group Limited	2,632,914	2,525,238	1,562,507
	3,290,793	2,851,663	1,786,781

8. Borrowings

	31 Dec 2016 Unaudited \$	31 Dec 2015 Unaudited \$	30 June 2016 Audited \$
Current			
Bank overdraft	-	-	-
Bank borrowings	29,263,667	15,906,666	16,561,666
Total current	29,263,667	15,906,666	16,561,666
Non-current			
Bank borrowings	1,198,715	19,410,274	16,751,939
Total non-current	1,198,715	19,410,274	16,751,939
Total borrowings	30,462,382	35,316,940	33,313,605

Bank borrowings

The Group's banking facilities agreement includes a number of external bank covenants relating to the debt facilities. The financial covenants in place include an EBITDA Negative Variance to Forecast and a Fixed Charge Cover ratio. There have been no breaches of covenants or events of review for the current or prior period.

8. Borrowings continued

Bank borrowings mature in the period to November 2017 and had an effective interest rate for this period of 5.46% (June 2016 5.24%; December 2015 4.83%). They are secured by a General Security Agreement over all of the assets of the Group. Items classified as current at December 2016 include loans maturing within 12 months and facilities repayable on demand.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

	31 Dec 2016 Unaudited \$	31 Dec 2015 Unaudited \$	30 June 2016 Audited \$
6 months or less	30,462,382	35,316,940	33,313,605

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

All of the Group's borrowings are denominated in NZ dollars.

	31 Dec 2016 Unaudited \$	31 Dec 2015 Unaudited \$	30 June 2016 Audited \$
The Group has the following undrawn borrowing facilities:			
Expiring within one year	608,370	1,660,000	360,000
Total	608,370	1,660,000	360,000

The facilities expiring within one year are annual facilities subject to review at various dates.

The Group has \$29.2 million of current borrowings. Non-current borrowings of \$1.2 million expire in September 2019.

9. Segment Reporting

The Group is organised into the following business segments:

The Mad Butcher

This segment represents the activities of the Mad Butcher franchisor business, as well as three owned retail stores. The Mad Butcher franchisor comprises the brand, franchise system and franchisor rights for Mad Butcher stores across New Zealand. Mad Butcher stores are retail butchers.

Nosh

This segment includes the business activities of Nosh Group Limited. Nosh is a chain of specialty food stores based in New Zealand. During the period Nosh has been reclassified as a discontinued operation due to the subsequent sale.

The BBC

This segment includes the business activities of The Better Bar Company Limited which operates a chain of bars based in Auckland and Hamilton.

Kiwi Pacific Foods

This segment includes the 50% joint venture interest Veritas has in Kiwi Pacific Foods Limited. It produced and distributed meat patties to the Burger King Franchise in New Zealand and closed in June 2016. In the segment analysis that follows, Kiwi Pacific Foods, results are shown at EBITDA, in line with management reporting and consistent with other segment reporting. In the Statement of Comprehensive Income results are shown as net profit after tax.

Other

Includes the activities of the Parent Company.

The Board of Directors (“The Board”) continues to be the Chief Operating Decision Maker (“CODM”) for the Group as they are responsible for allocating resources and assessing performance across the Group. For each of the entities the Board reviews management reports on a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment EBITDA as included in the management reports that are reviewed by the Board. Segment EBITDA is used to measure performance as the Board believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

9. Segment Reporting continued

	6 months to 31 December 2016 Unaudited	
	Revenue \$	EBITDA \$
Statement of Comprehensive Income		
Mad Butcher	3,940,463	2,132,915
The BBC	11,967,190	3,081,255
Kiwi Pacific Foods	-	-
Other	5,209	(626,263)
Group	15,912,862	4,587,907
Restructuring costs		-
Litigation costs in respect of Kiwi Pacific Foods arbitration		-
Impairment of carrying value of Kiwi Pacific Foods		-
Impairment of carrying value of accounts receivable		-
Loss on disposal of Hamilton bars		-
Depreciation and amortisation		(293,863)
Finance (expense) / income - net		(850,573)
Share of joint venture's depreciation, finance and taxation expenses		-
Profit / (loss) before income tax from continuing operations		3,443,471

	31 December 2016 Unaudited	
	Segment Assets \$	Segment Liabilities \$
Statement of Financial Position		
Mad Butcher	2,126,591	1,956,227
The BBC	35,746,877	24,370,916
Kiwi Pacific Foods	-	-
Other	330,455	7,447,556
Operations held for sale	8,189,182	3,400,404
Group	46,393,105	37,175,103

6 months to 31 December 2015 Unaudited		12 months to 30 June 2016 Audited	
Revenue \$	EBITDA \$	Revenue \$	EBITDA \$
6,380,422	1,916,933	9,890,701	4,574,720
12,747,193	2,654,912	24,094,164	5,509,085
-	182,741	-	182,741
6,250	(618,341)	12,501	(987,634)
19,133,865	4,136,245	33,997,366	9,278,912
	-		(220,159)
	(279,459)		(315,362)
	(2,750,000)		(2,900,000)
	(1,191,000)		(2,175,877)
	(466,740)		(471,795)
	(462,487)		(766,616)
	(872,321)		(1,686,428)
	(163,551)		(163,551)
	(2,049,313)		579,124

31 December 2015 Unaudited		30 June 2016 Audited	
Segment Assets \$	Segment Liabilities \$	Segment Assets \$	Segment Liabilities \$
3,327,271	2,796,001	1,859,369	1,301,913
35,567,456	28,422,959	35,243,715	25,053,837
1,447,300	2,800,000	386,011	-
2,788,012	6,000,360	1,227,461	9,996,054
9,263,639	4,545,292	8,191,862	2,544,158
52,393,678	44,564,612	46,908,418	38,895,962

10. Subsidiaries and Joint Ventures

Subsidiary	Activity	Place of Business	Interest 31 Dec 2016	Interest 31 Dec 2015	Interest 30 June 2016
Mad Butcher Limited	Procurement and Management of Franchise Business	New Zealand	100%	100%	100%
Nosh Group Limited	Speciality Food Retailer	New Zealand	100%	100%	100%
The Better Bar Company Limited	Hospitality Business	New Zealand	100%	100%	100%
Joint Venture					
Kiwi Pacific Foods Limited	Food Processing Business	New Zealand	0%	50%	50%

11. Investment in Joint Venture

The 50% shareholding in Kiwi Pacific Foods Limited consists of:

	6 months to 31 Dec 2016 Unaudited \$	6 months to 31 Dec 2015 Unaudited \$	12 months to 30 June 2016 Audited \$
Opening investment in joint venture	-	4,178,156	4,178,156
Share of joint venture profit, net of tax	-	19,190	19,190
Impairment of asset	-	(2,750,000)	(2,900,000)
Distribution of capital gain on sale of land	-	-	(911,335)
Reclassification of investment to current assets	-	-	(386,011)
Closing investment in joint venture	-	1,447,346	-

Kiwi Pacific Foods Limited - Summarised financial information

	6 months to 31 Dec 2016 Unaudited \$	6 months to 31 Dec 2015 Unaudited \$	12 months to 30 June 2016 Audited \$
Financial Performance			
Total revenue	-	8,401,691	8,401,691
Net profit before tax	-	103,784	103,784
Net profit after tax and total comprehensive income	-	38,380	38,380

	31 Dec 2016 Unaudited \$	31 Dec 2015 Unaudited \$	30 June 2016 Audited \$
Financial Position			
Current assets	-	6,135,901	-
Non-current assets	-	1,052,428	-
Total assets	-	7,188,329	-
Current liabilities	-	4,968,431	-
Non-current liabilities	-	-	-
Total liabilities	-	4,968,431	-
Net assets	-	2,219,898	-

11. Investment in Joint Venture continued

Reconciliation of summarised financial information presented to the carrying amount of interests in joint venture:

	31 Dec 2016 Unaudited \$	31 Dec 2015 Unaudited \$	30 June 2016 Audited \$
Opening net assets	-	2,181,608	2,181,608
Profit for the period	-	38,380	38,380
Closing net assets	-	2,219,988	2,219,988
Interest in joint venture 50%	-	1,109,994	1,109,994
Excess consideration representing goodwill	-	3,087,352	3,087,352
Impairment of asset	-	(2,750,000)	(2,900,000)
Distribution of capital gain on sale of land	-	-	(911,335)
Reclassification of investment to current assets	-	-	(386,011)
Carrying value	-	1,447,346	-

12. Commitments

The Group has no capital commitments as at 31 December 2016 (30 June 2016 \$120,000; 31 December 2015 \$nil).

The Group has no other commitments as at 31 December 2016 (30 June 2016 \$350,000; 31 December 2015 \$nil).

13. Contingent Liabilities

The Group has no contingent liabilities as at 31 December 2016 (30 June 2016 \$nil; 31 December 2015 \$nil).

14. Operating Leases

Leases as Lessee

	31 Dec 2016 Unaudited \$	31 Dec 2015 Unaudited \$	30 June 2016 Audited \$
Lease commitments expire as follows:			
Within one year	2,906,840	2,877,057	2,872,459
One to two years	2,895,108	2,296,927	2,702,266
Two to five years	7,273,628	6,190,295	7,342,061
More than five years	4,709,093	6,371,638	5,625,675
Total	17,784,669	17,735,917	18,542,461

The Group leases various retail and hospitality outlets, offices and equipment under operating lease agreements. The leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

15. Reconciliation of Profit to Cash Flow from Operations

	6 months to 31 Dec 2016 Unaudited \$	6 months to 31 Dec 2015 Unaudited \$	12 months to 30 June 2016 Audited \$
Profit / (loss) for the year	1,205,546	(4,815,958)	(4,591,622)
Adjusted for:			
Depreciation and amortisation	293,863	462,487	766,616
Depreciation and amortisation of discontinued operations	-	275,079	427,778
Share of net profit of joint venture	-	(19,190)	(19,190)
Impairment of carrying value of Kiwi Pacific Foods	-	2,750,000	2,900,000
Impairment of carrying value of accounts receivable	-	1,191,000	2,175,877
Loss on disposal of Hamilton bars and transaction costs	-	466,740	471,795
Gain on disposal of Nosh Constellation Drive and transaction costs	-	(176,120)	(199,850)
Impairment of discontinued stores	-	1,219,413	1,116,882
Other	-	-	(177,718)
Decrease / (increase) in receivables, prepayments, other assets	(788,803)	(387,673)	360,608
Decrease / (increase) in inventories	(65,521)	(560,458)	42,026
Increase / (decrease) in trade payables and accruals	53,119	1,176,792	(1,617,951)
Increase / (decrease) in income tax payable	1,135,263	(777,218)	(239,640)
Net cash (outflows) / inflows from operating activities	1,833,467	804,894	1,415,611

16. Subsequent Events

The Nosh business was sold subsequent to balance date with full settlement on 24 February 2017. No provision has been made in these accounts for the loss on sale which is expected to be in the range of \$2.2 - \$2.6m after tax.



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