



# Veritas

Investments Limited

Investors in Hospitality Businesses

## INTERIM REPORT 2018

For the half year ended 31 December 2018



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Doolan Brothers, Newmarket.

## Acting 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 2018.

Revenue increased by 2.5% to \$12,503,229 in the period. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) before significant items, increased by 9.1% to \$2,781,428 in the period. We are pleased with the increase in revenue. Despite the company incurring cost increases in wages and rent, the increase in EBITDA before significant items is particularly pleasing reflecting good overall cost control.

Net profit after tax (NPAT) for the period to 31 December 2018 was \$615,259, compared to the NPAT of \$152,554 in the previous corresponding period, an increase of \$462,705.

There were significant losses consisting of acquisition costs of \$(119,349) in the first half of FY19, compared to restructuring and advisory costs of \$(749,090) in the first half of FY18. Operating cash flows were \$1,501,815 compared to \$1,965,612 in the previous period.

### Acquisition

The company announced the conditional purchase of Citizen Park, a bar in Kingsland, Auckland on 14 December 2018. This acquisition was approved at a special shareholders meeting on 30 January 2019 and settlement occurred on 25 February 2019. The company will integrate Citizen Park into our operations over the course of this year and welcomes the staff on board.

The Group will continue to seek out acquisition opportunities for other sites that are established, profitable and where we can obtain some synergy benefits from integrating the businesses into our operating model. During the six months the company has revised its operating policies including staff mentoring, health and safety, culture and staff engagement with a view to support the business and to help integrate any businesses we acquire.

### Dividend

The Board has resolved that no dividend will be declared for the period ended 31 December 2018.

### Accounts

The enclosed financial accounts for the six months ended 31 December 2018 reflect the trading of the Veritas Group.

I would like to extend my thanks to the Board and all staff for what has been a demanding and busy period. In particular I would like to thank Tim Cook, our previous Chairman, for his tireless efforts to restructure the Group and in arranging our refinancing to enable us to continue operating and to grow the business. We look forward to a period of sustainable growth under a strong management team.

Regards

A handwritten signature in black ink, appearing to read 'John Moore', written in a cursive style.

John Moore  
**Acting Chairman**

## Consolidated Statement of COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2018

	Note	6 months to 31 Dec 2018 Unaudited \$	6 months to 31 Dec 2017 Unaudited \$	12 months to 30 June 2018 Audited - Qualified \$
Revenue	9	12,503,229	12,195,959	23,805,840
Changes in inventories of finished goods		(2,950,544)	(2,959,083)	(5,805,620)
Employee benefits expense		(3,202,062)	(3,173,774)	(6,381,839)
Depreciation and amortisation expenses		(241,187)	(238,043)	(485,385)
Interest income		69	2,120	2,660
Interest expense		(1,531,133)	(798,574)	(1,522,524)
Other expenses		(3,569,195)	(3,514,788)	(7,684,962)
<i>Significant items:</i>				
Restructuring and advisory costs		-	(749,090)	(836,931)
Acquisition costs	4	(119,349)	-	-
Gain on sale and leaseback expense		-	-	(139,000)
Fixed assets impairment		-	-	(613,088)
Goodwill impairment		-	-	(613,087)
<b>Operating profit / (loss) before income tax from continuing operations</b>		<b>889,828</b>	<b>764,727</b>	<b>(273,936)</b>
Income tax (expense) / benefit	5	(251,458)	(214,908)	(64,635)
<b>Profit / (loss) for the period from continuing operations</b>		<b>638,370</b>	<b>549,819</b>	<b>(338,571)</b>
<b>Profit / loss for the period from discontinued operations (attributable to equity holders of the Parent Company) net of tax</b>				
Trading losses of Mad Butcher stores		-	(395,509)	(690,265)
Closure of Mad Butcher stores		-	-	(642,349)
Trading profits of Mad Butcher business		-	837,187	823,631
Impairments of the Mad Butcher business assets		-	(838,943)	(886,702)
Gain / (loss) on sale of the Mad Butcher business		(23,111)	-	6,294,334
Loss on disposal of Nosh and costs		-	-	(62,202)
<b>Profit / (loss) for the period from discontinued operations net of tax</b>		<b>(23,111)</b>	<b>(397,265)</b>	<b>4,836,447</b>
<b>Profit / (loss) for the period</b>		<b>615,259</b>	<b>152,554</b>	<b>4,497,876</b>

	Note	6 months to 31 Dec 2018 Unaudited \$	6 months to 31 Dec 2017 Unaudited \$	12 months to 30 June 2018 Audited - Qualified \$
<b>Total comprehensive income / (losses) for the period attributable to the owners of the parent arises from:</b>				
Continuing operations		638,370	549,819	(338,571)
Discontinuing operations		(23,111)	(397,265)	4,836,447
		<b>615,259</b>	<b>152,554</b>	<b>4,497,876</b>

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

	cents	cents	cents
Basic EPS from continuing operations	1.47	1.27	(0.78)
Basic EPS from discontinued operations	(0.05)	(0.92)	11.17
<b>Basic EPS from profit / (loss) for the period</b>	<b>1.42</b>	<b>0.35</b>	<b>10.39</b>
<b>Diluted EPS from profit / (loss) for the period</b>	<b>1.14</b>	<b>0.35</b>	<b>8.32</b>

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

## Consolidated Statement of FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 Dec 2018 Unaudited \$	31 Dec 2017 Unaudited \$	30 June 2018 Audited - Qualified \$
<b>ASSETS</b>				
Cash and cash equivalents		1,323,383	884,004	1,174,155
Restricted cash		105,000	225,000	75,000
Trade and other receivables	6	157,180	293,804	208,919
Inventories		378,294	374,036	327,527
Current tax asset		-	-	1,020
Assets from operations classified as held for sale	7	-	2,295,496	7,891
<b>Total current assets</b>		<b>1,963,857</b>	<b>4,072,340</b>	<b>1,794,512</b>
Property, plant and equipment		3,007,348	3,528,307	2,759,281
Deferred tax asset		1,026,915	762,847	1,268,881
Intangible assets		29,980,079	30,593,166	29,980,079
<b>Total non-current assets</b>		<b>34,014,342</b>	<b>34,884,320</b>	<b>34,008,241</b>
<b>TOTAL ASSETS</b>		<b>35,978,199</b>	<b>38,956,660</b>	<b>35,802,753</b>

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

	Note	31 Dec 2018 Unaudited \$	31 Dec 2017 Unaudited \$	30 June 2018 Audited - Qualified \$
<b>LIABILITIES</b>				
Trade and other payables		3,091,051	2,684,003	3,077,934
Liabilities from operations classified as held for sale	7	-	1,632,596	-
Liabilities of discontinued stores	7	156,002	298,467	185,228
Borrowings - current	8	1,257,038	26,360,000	847,409
Total current liabilities		4,504,091	30,975,066	4,110,571
Borrowings - non-current	8	18,361,483	609,583	19,194,816
<b>TOTAL LIABILITIES</b>		<b>22,865,574</b>	<b>31,584,649</b>	<b>23,305,387</b>
<b>NET ASSETS</b>		<b>13,112,625</b>	<b>7,372,011</b>	<b>12,497,366</b>
<b>EQUITY</b>				
Share Capital		34,136,660	34,136,660	34,136,660
Share Capital Reserve		780,033	-	780,033
Retained Losses		(21,804,068)	(26,764,649)	(22,419,327)
<b>TOTAL EQUITY</b>		<b>13,112,625</b>	<b>7,372,011</b>	<b>12,497,366</b>

For and on behalf of the Board of Directors, who authorised these Financial Statements on 27 February 2019.



John Moore  
Acting Chairman



Carl Carrington  
Director



## Consolidated Statement of CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2018

	SHARE CAPITAL \$	SHARE CAPITAL RESERVE \$	RETAINED EARNINGS \$	TOTAL EQUITY
<b>Balance at 1 July 2017</b>	<b>34,136,660</b>	<b>-</b>	<b>(26,917,203)</b>	<b>7,219,457</b>
Profit for the period	-	-	152,554	152,554
Total comprehensive income for the period	-	-	152,554	152,554
<b>Transactions with owners</b>				
Dividends paid	-	-	-	-
Total contributions by / (distributions to) owners	-	-	-	-
<b>Balance at 31 December 2017 - Unaudited</b>	<b>34,136,660</b>	<b>-</b>	<b>(26,764,649)</b>	<b>7,372,011</b>
<b>Balance at 1 July 2017</b>	<b>34,136,660</b>	<b>-</b>	<b>(26,917,203)</b>	<b>7,219,457</b>
Profit for the year	-	-	4,497,876	4,497,876
Total comprehensive income for the year	-	-	4,497,876	4,497,876
<b>Transactions with owners</b>				
Warrants issued	-	780,033	-	780,033
Dividends paid	-	-	-	-
Total contributions by / (distributions to) owners	-	780,033	-	780,033
<b>Balance at 30 June 2018</b>				
<b>- Audited - Qualified</b>	<b>34,136,660</b>	<b>780,033</b>	<b>(22,419,327)</b>	<b>12,497,366</b>

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



	<b>SHARE CAPITAL \$</b>	<b>SHARE CAPITAL RESERVE \$</b>	<b>RETAINED EARNINGS \$</b>	<b>TOTAL EQUITY</b>
<b>Balance at 1 July 2018</b>	34,136,660	780,033	(22,419,327)	12,497,366
Profit for the period	-	-	615,259	615,259
Total comprehensive income for the period	-	-	615,259	615,259
<b>Transactions with owners</b>				
Dividends paid	-	-	-	-
Total contributions by / (distributions to) owners	-	-	-	-
<b>Balance at 31 December 2018 - Unaudited</b>	<b>34,136,660</b>	<b>780,033</b>	<b>(21,804,068)</b>	<b>13,112,625</b>

## Consolidated Statement of CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2018

Note	6 months to 31 Dec 2018 Unaudited \$	6 months to 31 Dec 2017 Unaudited \$	12 months to 30 June 2018 Audited - Qualified \$
Receipts from customers	12,504,717	12,130,792	23,948,735
Payments to suppliers and employees	(9,730,020)	(8,836,731)	(18,715,431)
Interest received	69	2,120	2,660
Interest paid	(1,121,504)	(798,574)	(1,522,524)
Taxation received/(paid)	-	-	30,432
Cash flows from operating activities prior to significant items	1,653,262	2,497,607	3,743,872
Cash outflows from significant items	-	(589,141)	(929,348)
Cash outflows from acquisitions costs	(119,349)	-	-
Cash outflows from refinancing costs	-	-	(1,677,742)
<b>Cash flows from continuing operations</b>	<b>1,533,913</b>	<b>1,908,466</b>	<b>1,136,782</b>
Discontinued operations	(32,098)	57,146	(2,557,629)
<b>Cash flows from discontinued operations</b>	<b>(32,098)</b>	<b>57,146</b>	<b>(2,557,629)</b>
<b>Net cash (outflows) / inflows from operating activities</b>	<b>14</b>	<b>1,501,815</b>	<b>(1,420,847)</b>
Sale of Mad Butcher assets	-	-	7,997,834
Purchase of property plant and equipment and other intangibles from discontinued operations	-	(89,763)	-
Purchase of property plant and equipment and other intangibles	(489,254)	(106,637)	(198,041)
<b>Net cash used in investing activities</b>	<b>(489,254)</b>	<b>(196,400)</b>	<b>7,799,793</b>

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

	6 months to <b>31 Dec 2018</b> Unaudited \$	6 months to <b>31 Dec 2017</b> Unaudited \$	12 months to <b>30 June 2018</b> Audited - Qualified \$
Repayment of borrowings	(833,333)	(1,894,937)	(28,864,520)
Bond payment	(30,000)	-	-
Refund of bond payment	-	-	150,000
Bank borrowings drawn	-	398,000	22,898,000
<b>Net cash (outflows) / inflows from financing activities</b>	<b>(863,333)</b>	<b>(1,496,937)</b>	<b>(5,816,520)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>149,228</b>	<b>272,275</b>	<b>562,426</b>
Cash and cash equivalents at beginning of period	1,174,155	611,729	611,729
<b>Cash and cash equivalents at end of period</b>	<b>1,323,383</b>	<b>884,004</b>	<b>1,174,155</b>
Cash and bank balances	1,323,383	884,004	1,174,155
Overdraft	-	-	-
	<b>1,323,383</b>	<b>884,004</b>	<b>1,174,155</b>

## **Notes to the FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 DECEMBER 2018

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### **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 2013. 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 New Zealand businesses in the hospitality sector. Veritas is domiciled and incorporated in New Zealand. Its registered office is 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 ended 31 December 2018 and 31 December 2017 are unaudited. The comparative information for the year ended 30 June 2018 is audited, however the auditors issued a qualified opinion concerning the discontinued operations. 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 2018.

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

In preparing the financial statements, the Directors have assessed the Group’s ability to continue as a going concern. In determining this assessment, the Directors conducted a comprehensive review of the financial position of the Group, the carrying value of its assets, the level of debt and facilities the Group has at 31 December 2018 and its forecast financial results for the next 12 months subsequent to the date of issue of these financial statements. The Directors concluded 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) before significant items 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.

	6 months to <b>31 Dec 2018</b> Unaudited \$	6 months to <b>31 Dec 2017</b> Unaudited \$	12 months to <b>30 June 2018</b> Audited - Qualified \$
<b>Profit / (loss) for the period (after tax))</b>	<b>615,259</b>	<b>152,554</b>	<b>4,497,876</b>
<i>Significant items (net of tax):</i>			
Restructuring and advisory costs	-	539,345	602,590
Acquisition costs	85,931	-	-
Gain on sale and leaseback expense	-	-	139,000
Fixed assets impairment	-	-	441,423
Goodwill impairment	-	-	613,087
<i>Discontinued items (net of tax):</i>			
Trading losses of Mad Butcher stores	-	395,509	690,265
Impairment of and loss on sale of Mad Butcher stores	-	-	642,349
Trading profits of Mad Butcher business	-	(837,187)	(823,631)
Impairments of the Mad Butcher business assets	-	838,943	886,702
(Gain) / loss on sale of the Mad Butcher business	23,111	-	(6,294,334)
Loss on disposal of Nosh and costs	-	-	62,202
<b>Total comprehensive income from continuing operations after tax excluding significant items</b>	<b>724,301</b>	<b>1,089,164</b>	<b>1,457,530</b>

#### 4. Acquisitions and Disposals

The Group announced the purchase of Citizen Park business on 14 December 2018 and obtained approval for the purchase at a special meeting of the shareholders on 30 January 2019. Settlement occurred on 25 February 2019. Acquisition costs of \$119,349 have been expensed as a significant item.

## 5. Tax Expense / (Benefit)

	6 months to <b>31 Dec 2018</b> Unaudited \$	6 months to <b>31 Dec 2017</b> Unaudited \$	12 months to <b>30 June 2018</b> Audited - Qualified \$
The income tax expense consists of the following:			
Profit / (loss) before income tax from continuing operations	889,828	764,727	(273,936)
Income tax expense calculated at 28%	249,152	214,124	(76,702)
Non deductible expenses	2,306	784	263,256
Tax in respect of prior years	-	-	(99,783)
Non assessable income	-	-	(22,136)
Other	-	-	-
<b>Tax expense / (benefit)</b>	<b>251,458</b>	<b>214,908</b>	<b>64,635</b>
Current tax expense	251,458	214,908	413,843
Deferred tax benefit	-	-	(349,208)
<b>Tax expense / (benefit)</b>	<b>251,458</b>	<b>214,908</b>	<b>64,635</b>

## 6. Trade and Other Receivables

	31 Dec 2018 Unaudited \$	31 Dec 2017 Unaudited \$	30 June 2018 Audited \$
Trade and other receivables	157,180	293,804	208,919
Provision for doubtful debts	-	-	-
	<b>157,180</b>	<b>293,804</b>	<b>208,919</b>

## 7. Operations Classified as Held For Sale

	31 Dec 2018 Unaudited	31 Dec 2017 Unaudited	30 June 2018 Audited - Qualified
	\$	\$	\$
<i>Assets from operations classified as held for sale:</i>			
Mad Butcher stores	-	748,007	24
Mad Butcher business	-	1,547,489	7,867
	<b>-</b>	<b>2,295,496</b>	<b>7,891</b>
<i>Liabilities from operations classified as held for sale:</i>			
Mad Butcher stores	-	472,806	-
Mad Butcher business	-	1,159,790	-
	<b>-</b>	<b>1,632,596</b>	<b>-</b>
<i>Liabilities of discontinued stores:</i>			
Provision for make good and onerous leases	156,002	298,467	185,228
	<b>156,002</b>	<b>298,467</b>	<b>185,228</b>

## 8. Borrowings

	31 Dec 2018 Unaudited	31 Dec 2017 Unaudited	30 June 2018 Audited - Qualified
	\$	\$	\$
<b>Current</b>			
Bank borrowings	1,666,667	26,360,000	1,666,667
Refinancing costs capitalised	(409,629)	-	(819,258)
<b>Total current</b>	<b>1,257,038</b>	<b>26,360,000</b>	<b>847,409</b>
<b>Non-current</b>			
Bank borrowings	20,000,000	609,583	20,833,333
Refinancing costs capitalised	(1,638,517)	-	(1,638,517)
Total non-current	18,361,483	609,583	19,194,816
<b>Total borrowings</b>	<b>19,618,521</b>	<b>26,969,583</b>	<b>20,042,225</b>



## 8. Borrowings continued

	31 Dec 2018 Unaudited	31 Dec 2017 Unaudited	30 June 2018 Audited - Qualified
	\$	\$	\$
Opening balance	20,042,225	28,466,520	28,466,520
Repaid in cash during the year	(833,333)	(1,894,937)	(28,864,520)
Bank borrowings drawn down in cash during the year	-	398,000	22,898,000
Refinancing costs capitalised incurred in cash	-	-	(1,677,742)
Refinancing costs capitalised for warrants issued	-	-	(780,033)
Amortisation of refinancing costs	409,629	-	-
<b>Closing balance</b>	<b>19,618,521</b>	<b>26,969,583</b>	<b>20,042,225</b>

### Bank borrowings

The financial covenants in place include a Gearing ratio limit, a Minimum EBITDA amount and a Minimum Fixed Charge Cover ratio. There have been no breaches of covenants or Events of Review for the current or prior periods. Under the General Security Agreement (GSA) there are a number of circumstances that would give rise to an Event of Default.

The borrowing in the period had an effective interest rate of 8.50% (June 2018 5.75%; December 2017 5.74%). Bank borrowings mature in June 2021. They are secured by the GSA over all of the assets of the Group. Items classified as current include loans maturing within 12 months. Refinancing costs capitalised of \$2,457,775 are being amortised to interest expense over the three year facility.

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 2018 Unaudited	31 Dec 2017 Unaudited	30 June 2018 Audited - Qualified
	\$	\$	\$
6 months or less	21,666,667	26,969,583	22,500,000

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.

	<b>31 Dec 2018</b> Unaudited	<b>31 Dec 2017</b> Unaudited	<b>30 June 2018</b> Audited - Qualified
	\$	\$	\$
The Group has the following undrawn borrowing facilities:			
Expiring within one year	-	360,000	-
Expiring beyond one year	5,000,000	-	5,000,000
<b>Total</b>	<b>5,000,000</b>	<b>360,000</b>	<b>5,000,000</b>

## 9. Segment Reporting

The Group is organised into the following business segments:

### 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.

### Other

Includes the activities of the Parent Company and the discontinued operations.

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 <b>31 December 2018</b> Unaudited		
	Revenue	EBITDA	EBITDA before significant items
	\$	\$	\$
<b>Statement of Comprehensive Income</b>			
The BBC	12,503,229	3,051,362	3,170,711
Other	-	(389,283)	(389,283)
<b>Group</b>	<b>12,503,229</b>	<b>2,662,079</b>	<b>2,781,428</b>

### Significant and other items

Restructuring and advisory costs	-
Acquisition costs	(119,349)
Gain on sale and leaseback expense	-
Fixed assets impairment	-
Goodwill impairment	-
Depreciation and amortisation	(241,187)
Finance expense (net of income)	(1,531,064)
<b>Profit / (loss) before income tax from continuing operations</b>	<b>889,828</b>

	31 December 2018 Unaudited	
	Segment Assets \$	Segment Liabilities \$
<b>Statement of Financial Position</b>		
The BBC	34,864,247	22,528,908
Other	1,113,952	180,664
Operations held for sale	-	156,002
<b>Group</b>	<b>35,978,199</b>	<b>22,865,574</b>

6 months to <b>31 December 2017</b> Unaudited			12 months to <b>30 June 2018</b> Audited - Qualified		
Revenue	EBITDA	EBITDA before significant items	Revenue	EBITDA	EBITDA before significant items
\$	\$	\$	\$	\$	\$
12,195,959	3,137,988	3,137,988	23,805,840	3,707,710	5,072,885
-	(1,338,764)	(589,674)	-	(1,976,397)	(1,139,466)
<b>12,195,959</b>	<b>1,799,224</b>	<b>2,548,314</b>	<b>23,805,840</b>	<b>1,731,313</b>	<b>3,933,419</b>
		(749,090)			(836,931)
		-			-
		-			(139,000)
		-			(613,088)
		-			(613,087)
		(238,043)			(485,385)
		(796,454)			(1,519,864)
		<b>764,727</b>			<b>(273,936)</b>

<b>31 December 2017</b> Unaudited		<b>30 June 2018</b> Audited - Qualified	
Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities
\$	\$	\$	\$
35,604,637	19,092,579	34,442,267	22,614,038
1,056,527	10,561,007	1,352,595	506,121
2,295,496	1,931,063	7,891	185,228
<b>38,956,660</b>	<b>31,584,649</b>	<b>35,802,753</b>	<b>23,305,387</b>

## 10. Subsidiaries and Joint Ventures

Subsidiary	Activity	Place of Business	Interest 31 Dec 2018	Interest 31 Dec 2017	Interest 30 June 2018
The Better Bar Company Limited	Hospitality Business	New Zealand	100%	100%	100%

## 11. Commitments

The Group has no capital commitments as at 31 December 2018 (30 June 2018 \$nil; 31 December 2017 \$nil).

The Group has no other commitments as at 31 December 2018 (30 June 2018 \$nil; 31 December 2017 \$nil).

## 12. Contingent Liabilities

The Group has no contingent liabilities as at 31 December 2018 (30 June 2018 \$nil; 31 December 2017 \$nil).

## 13. Operating Leases

### Leases as Lessee

	31 Dec 2018 Unaudited	31 Dec 2017 Unaudited	30 June 2018 Audited - Qualified
	\$	\$	\$
Lease commitments expire as follows:			
Within one year	1,829,533	2,045,032	1,898,957
One to two years	1,767,938	1,971,764	1,770,678
Two to five years	3,789,118	5,152,277	4,308,425
More than five years	2,575,691	3,276,159	2,940,137
<b>Total</b>	<b>9,962,280</b>	<b>12,445,232</b>	<b>10,918,196</b>

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

## 14. Reconciliation of Profit to Cash Flow from Operations

	6 months to <b>31 Dec 2018</b> Unaudited	6 months to <b>31 Dec 2017</b> Unaudited	12 months to <b>30 June 2018</b> Audited - Qualified
	\$	\$	\$
<b>Profit / (loss) for the year</b>	<b>615,259</b>	<b>152,554</b>	<b>4,497,876</b>
<i>Adjusted for:</i>			
Depreciation and amortisation	241,187	238,043	485,385
Depreciation and amortisation of discontinued operations	-	32,269	-
Gain on sale of Mad Butcher prior to costs	-	-	(6,731,841)
Refinancing costs	-	-	(1,677,742)
Fixed assets impairment	-	-	613,088
Goodwill impairment	-	-	613,087
Impairment of the Mad Butcher business assets	-	838,943	1,212,086
Non cash interest expense	409,629	-	-
Other non-cash charges	-	457,931	492,290
<b>Changes in assets and liabilities</b>			
Decrease / (increase) in receivables and prepayments	59,630	(18,990)	65,895
Decrease / (increase) in inventories	(50,767)	(46,177)	332
Increase / (decrease) in trade payables and accruals	(16,109)	96,131	(120,177)
Increase / (decrease) in income tax	242,986	214,908	(871,126)
<b>Net cash (outflows) / inflows from operating activities</b>	<b>1,501,815</b>	<b>1,965,612</b>	<b>(1,420,847)</b>

## 15. Subsequent Events

The Group announced the purchase of Citizen Park business on 14 December 2018 for \$2.7 million and obtained approval for the purchase at a special meeting of the shareholders on 30 January 2019. Settlement occurred on 25 February 2019.

# Business PROFILE

AS AT 31 DECEMBER 2018

## Nature of Business

Listed Hospitality Investment Company

## Share Capital

43,306,618 Ordinary Shares

## Share Registrar

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

## Directors

Tim Cook (Chairman) resigned 25 January 2019  
John Moore (Acting Chairman from 25 January 2019)  
Carl Carrington  
Craig Norris

## Registered Office

Ground Floor, Building B  
95 Ascot Avenue  
Greenlane  
Auckland  
PO Box 17474, Auckland 1546

## Investor Enquiries

[investor@veritasinvestments.co.nz](mailto:investor@veritasinvestments.co.nz)

## Date of Incorporation

23 January 2004

## Auditors

PricewaterhouseCoopers  
188 Quay Street  
Private Bag 92162  
Auckland 1142

## Solicitors

Harmos Horton Lusk Limited  
Level 33, Vero Centre  
48 Shortland Street  
PO Box 28, Auckland 1010

## Bankers

Pacific Dawn Limited  
BNZ

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## Quantitative Breakdown of Directors and Officers

	As at 31 December 2018	As at 30 June 2018	As at 31 December 2017
<b>Directors</b>			
Male	4	3	3
Female	-	-	-
<b>Total</b>	<b>4</b>	<b>3</b>	<b>3</b>
<b>Officers</b>			
Male	2	2	2
Female	-	-	-
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>

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Veritas  
Investments Limited