

Veritas
Investments Limited

Investors in Hospitality Businesses



ANNUAL REPORT 2018



THE
BETTER BAR COMPANY
SINCE 1998





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Doolan Brothers, Newmarket

Chairman's Report

REPORT TO SHAREHOLDERS



On behalf of the Board we present Veritas Investment Limited's Annual Report for the year ended 30 June 2018. We reported our FY18 results on 29 August 2018 and advised the market that our revised forecast of underlying net profit after tax from continuing operations excluding significant items (Underlying NPAT), of \$1.5 million, for the year was met.

Veritas' (Veritas, or the Group) preliminary results for FY18 reflects a year of significant challenge, restructuring, asset sales and refinancing. The Board has taken a proactive approach to clean up the balance sheet, deal with write-offs and asset impairments, to position the Group to move forward with our new finance partner, Pacific Dawn Limited (a wholly-owned subsidiary of Nomura Asia Holding N.V.). The Board considers that the Group has a clear strategy and direction for its future, with an objective of becoming the number one hospitality operator in New Zealand.

The Group reported an audited net profit of \$4,497,876 for the year ended 30 June 2018, compared to a net loss of \$(792,999) in FY17, an improvement of \$5,290,875. This is after significant items net of tax of \$(1,796,100), compared to \$(143,988) in FY17. Included in these significant items are restructuring and advisory costs of \$(836,931), goodwill write-off of \$(613,087) and fixed asset write-off of \$(613,088).

Profits from discontinued operations were \$4,836,447, compared to \$(2,227,975) in FY17. This included a gain on sale of the Mad Butcher franchisor business of \$6,294,334. The remaining discontinued operations incurred a net loss of \$(1,457,887).

The net loss after tax from continuing operations was \$(338,571), compared to a net profit of \$1,434,976 in FY17. Veritas' Underlying NPAT was \$1,457,530, compared to \$1,578,965 in FY17. This is a decrease of \$(121,435) or 7.7%.

Veritas' Underlying NPAT of \$1.5 million for FY18 is in line with the guidance range provided to the market on 19 March 2018 of \$1.5-\$1.7 million. Revenue was \$23.8 million compared to the guidance range of \$23-\$24 million and EBITDA prior to significant items was \$3.9 million compared to the guidance range of \$4.2-\$4.6 million.

Operating cash flows were \$(1,420,847), however they were \$3,743,872 prior to the significant items, refinancing costs and discontinued operations.

The Better Bar Company

The Better Bar Company's (The BBC) revenue was \$23.8 million compared to \$23.6 million for FY17. This is a pleasing result as The BBC enjoyed the benefit of very strong trading last year from the Lions tour.

EBITDA was \$3.7 million compared to \$5.9 million for FY17. This result reflects increased staff costs brought about by changes to minimum wage legislation and a more competitive employment market, additional provisions for maintenance (much of which had previously been deferred due to banking restrictions) and increased operating and property expenses. EBITDA prior to significant items was \$5.1 million in the year, compared to \$5.9 million in FY17.

As part of the balance sheet clean up, The BBC wrote-down goodwill of \$613,087 and impaired fixed assets of \$613,088 at two of its outlets. Whilst these outlets remain profitable, increased competition in their respective areas has meant that the carrying values exceeded their potential

recoverable value. The Directors believe it is prudent to take these impairments. The Board are considering the future potential of the two outlets, which may result in their redevelopment, rebranding and format, or possible sale.

Appointment of Group Chief Executive

The Board is pleased to announce the appointment of the current Chief Executive of The BBC, Geoff Tuttle, as Chief Executive of the Veritas Group, effective 29 August 2018. Geoff has a proven track record in managing and developing hospitality outlets and his appointment will be key to driving growth not only in the current Veritas Group but through identifying suitable growth opportunities in the hospitality sector.

Audited accounts – Qualification

The Veritas Group's FY18 Financial Statements have been audited. The auditors have raised two qualifications in regards to the discontinued operations. The first is that following the sale of the Mad Butcher business and closure of four company owned

stores, the Directors were unable to gain access to underlying books and records and consequently the auditors were unable to obtain sufficient appropriate audit evidence to support the trading results, closure costs and gain on sale of the business. Secondly the auditors disclaimed their opinion for the FY17 financial statements and therefore did not express an opinion. The auditors were unable to obtain sufficient appropriate audit evidence to support the opening carrying value of trade and other receivables and their consequent treatment.

In the auditors' opinion, except for the matters described in their Basis for qualified opinion, the financial statements of the Veritas Group present fairly the financial position, its financial performance and its cash flows. In effect the auditors have issued an unqualified opinion on the continuing operations.

No dividend

The Board has resolved that no dividend will be declared for the year ended 30 June 2018.

Directors

During the year Sharon Hunter and Michael Morton resigned. We wish to thank Sharon and Michael for their service to the Group. Craig Norris and Carl Carrington have been appointed as new Directors of Veritas and will both stand for re-election at this year's AGM.

I would like to extend my thanks to the Board and senior management team for their leadership and support of the Group and the Board appreciates the continued support from our shareholders.

Regards



Tim Cook
Chairman,
Veritas Investments Limited



DIRECTORS' PROFILES



TIM COOK CMInstD

**Independent
Chairman**

Tim has been a Director of Veritas since December 2011. He is also Chairman of MyWave Limited, MyWave Holdings Limited and The Auckland Heart Group, NZ's largest private cardiology practice. He is a Director of SaferSleep NZ Limited, SaferSleep USA and Distil Skincare Limited.

He chairs the Remuneration Committee for Veritas.

His earlier management career includes senior retail and operational management roles in the supermarket, retail, franchising, food and fashion industry sectors.

From 2006 to 2011 he was a Director of the NZX Main Board listed Charlie's Group Limited, representing Collins Asset Management which was the cornerstone shareholder at 19.69%. He was a member of the Finance and Audit Committee and Chairman of the Remuneration Committee. He was heavily involved in its sale to Asahi Group for \$129 million in 2011.

The Cav.



JOHN MOORE

B.Com (Hons), LLB (Hons)
– University of Queensland

Independent Director

John is an experienced investment banker and corporate adviser who has worked in Australia, Hong Kong, Singapore and New Zealand.

He started his career with CS First Boston in Australia in 1993, before moving to Ord Minnett / Jardine Fleming, transferring to Hong Kong in 1997. Joining ABN AMRO in Hong Kong in 1997, he then had various roles in both Equity Capital Markets and Mergers & Acquisitions for ABN AMRO, including being responsible for NZ ECM (2001 – 2003) and holding senior positions in the group's investment banking operations in Asia between 2004 and 2009.

He has been based in New Zealand since 2009 and, from 2010 to early 2014, was Head of ECM for Craigs Investment Partners.

He has experience working with a range of New Zealand companies, including working on the IPOs of Freightways, Skellerup, Summerset, Moa, SLI Systems and the Fonterra Shareholders Fund, as well as transactions for Veritas (the acquisition of Mad Butcher Holdings and the associated equity raising), Goodman Property, Contact Energy and Arrium.

In May 2014, he established Miro Capital Advisory Limited, an advisory firm focused on providing capital markets advice to small and medium sized companies in New Zealand, both listed and unlisted. Miro Capital is an NZX Sponsor firm as well as being an accredited NXT Market Advisor.

He chairs the Audit Committee for Veritas and has been a Director since December 2014.



CRAIG NORRIS

MComm (Auckland), CA (CAANZ)

Non-Independent Director

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.

He has been a Director of Veritas since June 2018.



CARL CARRINGTON

BE (Chem & Mats), MBA (Cranfield), CMInstD

Independent Director

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 CEO of pan-iwi owned Aotearoa Fisheries.

He is currently a Director and Acting CEO of Hop Revolution Limited and a Director of McCashins Brewery.

He chairs the Investment Committee for Veritas and has been a Director of Veritas since July 2018.

Corporate

GOVERNANCE STATEMENT

This corporate governance statement outlines Veritas Investment Limited (“Veritas” or the “Group”) compliance with the recommendations set by the NZX Corporate Governance Code during the year ended 30 June 2018. The documents referred to are published on our website as part of the Directors Manual 2018 under “Board”. All of the documents have been reviewed subsequent to balance date and updated and some have been included for the first time.



Principle 1: Code of Ethical Behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.

Recommendation 1.1 Code of Ethical Behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

The Veritas Code of Conduct (the “Code”) is fundamental to the way that Veritas does business. The purpose of the Code is to set up a framework of standards by which Veritas’ Directors and employees are expected to conduct their professional lives.

Recommendation 1.2 Financial dealing policy

An issuer should have a financial product dealing policy which applies to employees and directors.

Veritas is committed to ensuring compliance with all regulatory market requirements at all times. Veritas’ Securities Trading Policy and Procedures is a critical part of this commitment and of ensuring all members of the Veritas Group are aware of their obligations and legal requirements for trading in Veritas securities.

Principle 2: Board composition and Performance

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Recommendation 2.1 Written Board Charter

The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.

The Veritas Board Charter sets out how the Board exercises and discharges its powers and responsibilities, including through committees established by the Board, to protect and enhance the value of the assets of the Company in the interests of the Company and its shareholders. The Charter defines and prescribes the relationship between the Board, the Chief Executive Officer (CEO), and the executive team.

The Board has statutory responsibility for the affairs and activities of the Group, which in practice is achieved through delegation to the CEO of the day-to-day leadership and management of the Group.

Attendance at Board meetings

Directors attended the following total number of meetings during the financial year:

Tim Cook	11 of 11
Sharon Hunter	5 of 5
<i>Sharon resigned at the AGM on 6 December 2017</i>	
John Moore	11 of 11
Michael Morton	10 of 11

Recommendation 2.2 Nominating and appointing directors to the board.

Every issuer should have a procedure for the nomination and appointment of directors to the board.

The procedures for the nomination and appointment of Directors are covered by the Veritas’ Remuneration Committee (RC). One third of the Directors stand for re-election at each AGM (as per the Board Charter and the NZX Main Board Listing rules). From time to time Veritas will seek new Directors for its Board. The potential candidates are recruited based on the specific skill set they can bring to the Board. The candidate will be interviewed by the Chairman and a sub-committee of the Board established for that purpose. They will be subject to checks on their character, education, criminal and bankruptcy history.

Recommendation 2.3 Written agreements with each director

An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.

The Directors enter in to a written agreement establishing the terms of their appointment, including the Group’s expectations for the role of director.

Recommendation 2.4 Information on directors

Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests.

Profiles of each Director’s experience are included in the “Directors’ Profiles” section of this Annual Report.

Directors who have held office during the year or after year end consist of:

- Tim Cook (Independent Chairman)
- John Moore (Independent Director)
- Sharon Hunter (Independent Director) - *resigned 6 December 2017*
- Michael Morton (Executive Director) - *resigned 25 June 2018*
- Craig Norris (Non-Independent Director) - *appointed 25 June 2018*
- Carl Carrington (Independent Director) - *appointed 16 July 2018*

CORPORATE GOVERNANCE STATEMENT

Recommendation 2.5 Diversity Policy

An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.

Veritas is committed to creating and maintaining an inclusive and collaborative workplace culture by recognising the values of a diverse and skilled workforce. This commitment extends to all areas of its business and is encompassed in the Group's diversity policy. As the Group believes in diversity we will always employ the best person for any job opportunity.

As at 30 June 2018, the gender balance of the Group's Directors and officers was as follows:

	2018	2017
Male	5	5
Female	-	1
TOTAL	5	6

Recommendation 2.6 Director training

Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.

Directors on their own account attend to their training needs. The Group is committed to support their training, particularly on any issues specific to the Group's business.

Recommendation 2.7 Performance

The board should have a procedure to regularly assess director, board and committee performance.

As per Veritas' Board Charter the Board reviews its performance as a whole on an annual basis. Performance reviews of individual Directors will be undertaken as required and determined by the Board.

Recommendation 2.8 Chairman and CEO

The Chairman and the CEO should be different people.

Veritas Board Charter states that the Chairman is separate from the CEO.

Principle 3: Board committees

The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

Recommendation 3.1 Audit committee

An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should not also be the chair of the board.

Veritas' Audit Committee (AC) has a written charter and comprises a majority of Independent Directors. The Chairman of the AC is not the Chairman of the Board.

Current members: John Moore (Chairman), Tim Cook, Craig Norris.

The role of the AC is defined in the AC Charter. The purpose of the AC is to assist the Board to fulfil its statutory and fiduciary responsibilities, by providing objective, non-executive review of the effectiveness of the external reporting of financial information, and the internal control environment of the Company, including obtaining an understanding of the tax and financial risks which face the Company.

Attendance at Audit Committee meetings

Directors attended the following total number of meetings:

John Moore	3 of 3
Sharon Hunter	2 of 2
Tim Cook	3 of 3

Recommendation 3.2 Employees attend audit committee

Employees should only attend audit committee meetings at the invitation of the audit committee.

Veritas employees only attend AC meetings at the invitation of the AC. The Chief Financial Officer is the Secretary to the AC.

Recommendation 3.3 Remuneration committee

An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee

Veritas' Remuneration Committee (RC) operates under a written charter. Veritas RC is made up of independent directors.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Current members: Tim Cook (Chairman), Carl Carrington.

The RC, amongst other things, approves performance criteria and remuneration for the CEO and the CFO, and recommends incentive payment or other adjustments to executive remuneration to the Board, taking into account the executive's performance review with the Board.

Recommendation 3.4 Nomination committee

An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors

Veritas does not have a separate nomination committee. The RC and the Board as a whole undertakes the role of nominations committee given the size of the Group.

Recommendation 3.5 Other committees

An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.

The Board has a separate Investment Committee (IC) which has a written charter. A number of the Board meetings incorporated IC discussions. For the financial year ended 30 June 2018, the IC had no formal meetings. It has been agreed that these formal meetings will be held as and when required.

Members of the IC are Carl Carrington (Chairman), John Moore and Craig Norris.

Veritas has no other committees.

Recommendation 3.6 Protocols for takeover offer

The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. It should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.

The Veritas Board has established a takeover protocol that has been approved by the Board which outlines all the appropriate procedures if a takeover offer is received.

Principle 4: Reporting and disclosure

The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Recommendation 4.1 Continuous disclosure

An issuer's board should have a written continuous disclosure policy.

Veritas is committed to notifying the market through full and fair disclosure to the NZX of any material information related to its business required by applicable listing rules.

Veritas' Market Disclosure Policy assists the Board with the need to keep Veritas investors and markets informed through a timely, clear and balanced approach which communicates both positive and negative news.

Veritas has appointed its CFO as the Disclosure Officer. The CEO and the executive team are required to provide all material information to the Disclosure Officer.

The following disclosure is required under Rule 10.4.5(g) of the NZX Main Board Listing Rules in relation to the exercise by NZX of its powers set out in Rule 5.4.2(c), as announced to the market on 19 October 2017.

On 26 May 2017, NZX formally notified Veritas of its intention to refer an alleged breach of the NZX Main Board Listing Rule 10.1.1 to the NZ Markets Disciplinary Tribunal (NZMDT). The alleged breach related to Veritas' entry into a Committed Term Sheet with ANZ New Zealand Bank Limited on 8 September 2016 (CTS), which contained certain undertakings on Veritas to sell, close or wind-down its subsidiary Nosh Group Limited ("Nosh", now Old NGL Limited) by specified dates. Details of the relevant undertakings in the CTS were not announced to the market at that time.

In December 2016, the Financial Markets Authority alerted NZX to the terms of the CTS, as a result of which NZX contacted Veritas and sought disclosure of the relevant undertakings. The disclosure was made to the market on 14 December 2016 and as a consequence, the market traded for 68 days without the knowledge that Veritas was required to sell, or close and wind down, Nosh. During that period, a total of 106 trades took place, for a value of \$372,791.

NZX determined that Veritas had breached Rule 10.1.1 by failing to immediately disclose the undertakings immediately. Under its settlement agreement with NZX, Veritas accepted NZX's view that it breached Rule 10.1.1, albeit that Veritas did not hold that view at the time

CORPORATE GOVERNANCE STATEMENT

of the relevant conduct. Accordingly, the breach of the listing rules was not intentional. The Group acted quickly to release the information when required to do so by NZX, and has cooperated with the NZX's investigation. The NZX has confirmed that no particular measurable harm can be identified as arising from the breach.

The NZX considers that a public censure is appropriate in this case due to the public interest in the events that this matter relates to and that a public censure would also have educative benefits for the broader market. The following penalties were agreed as part of Veritas' settlement with NZX, as approved by NZMDT:

- A public censure of VIL by NZMDT, which was issued on 19 October 2017;
- Payment by VIL of \$55,000 to the NZX Discipline Fund (plus GST, if any) by way of penalty;
- Payment by VIL of the costs of the NZMDT (plus GST, if any); and
- Payment by VIL of \$9,000 (plus GST, if any) being the costs of NZX.

Recommendation 4.2 Make key documents available

An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

Veritas' Code of Conduct, Board and Committee Charters, other policies and key governance documents are available on Veritas' website.

Recommendation 4.3 Financial reporting

Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks. It should explain how it plans to manage those risks and how operational or non-financial targets are measured.

The AC plays a central role in Veritas' commitment to transparent reporting of its financial and non-financial performance. The AC Charter clearly defines the roles of the Board, the AC, officers and external auditors.

Financial reporting

Management are responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies, and internal controls designed to ensure compliance with accounting standards and applicable laws and regulations.

Veritas external auditor, PricewaterhouseCoopers (PwC), is responsible for planning and carrying out each external audit in line with applicable auditing and review standards. PwC is accountable to shareholders through the AC and the Board respectively. The Board retains overall responsibility for financial reporting.

The AC makes sure that it and the full Board are sufficiently informed about good-practice financial reporting and Veritas operations to know whether financial reporting is fit for purpose. This means it represents a balanced viewpoint, is factual and complete, and is effectively implemented.

Non-Financial reporting

Veritas has not adopted environmental, social and governance reporting.

Principle 5: Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

Recommendation 5.1 Director remuneration

An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.

Director's remuneration is disclosed in the Shareholder and Statutory Information section of the Annual Report and in note 22 to the Financial Statements.

Recommendation 5.2 Remuneration policy for directors and officers

An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.

Veritas' Board and officer remuneration policy which is published on Veritas' website sets out policies which are designed to be fair, simple and transparent.

Remuneration of directors

Directors are entitled to remuneration from Veritas for directors' fees, professional services provided and reasonable travel, accommodation, and other expenses incurred in the course of performing duties or exercising powers as directors. No Directors are entitled to any retirement benefits. Details of Director's remuneration are disclosed in

CORPORATE GOVERNANCE STATEMENT CONTINUED

the “Shareholder and Statutory Information” section of the Annual Report and in note 22 to the Financial Statements.

Remuneration of Veritas employees including officers

Veritas provides the opportunity for the employees to receive, where performance merits, a total remuneration package for equivalent market-matched roles. Veritas Remuneration Committee reviews the annual performance for all officers of the Group. The review takes into account external benchmarking to ensure competitiveness with comparable market peers, along with consideration of an individual's performance, skills, expertise and experience.

Total remuneration is made up of two components being: fixed remuneration and short-term performance-based cash remuneration. The Group is investigating the establishment of a long-term performance-based equity remuneration plan which will be put to the shareholders for approval.

Fixed Remuneration

Fixed remuneration consists of base salary.

Short-Term Incentive

Short-term incentives (STI) are at-risk payments designed to motivate and reward for performance, typically in that financial year. The target value of an STI payment is set annually, usually as a percentage of the officer's base salary. The relevant percentage ranges from 10% to 20%.

The information in regard to employee remuneration is disclosed in the “Shareholder and Statutory Information” section of the Annual Report and in note 22 to the Financial Statements.

Recommendation 5.3 CEO remuneration

An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance based payments.

Michael Morton was the interim CEO of the Group until completion of the sale of the Mad Butcher franchisor business on 23 March 2018. Details of the remuneration arrangements with Michael Morton in his executive capacity during the financial year are disclosed in the “Shareholder and Statutory Information” section of the Annual Report and in note 22 to the Financial Statements.

Geoff Tuttle was appointed CEO effective 29 August 2018.

Principle 6: Risk management

Directors should have a sound understanding of the key risks faced by the business, and should regularly verify there are appropriate processes to identify and manage these.

Recommendation 6.1 Risk management framework

An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. A framework should also be put in place to manage any existing risks and to report the material risks facing the business and how these are being managed.

Veritas has a number of risk management policies, as well as related internal compliance systems that are designed to:

- (a) optimise the return to, and protect the interests of, stakeholders;
- (b) safeguard Veritas assets and improve its reputation;
- (c) improve Veritas operating performance; and
- (d) fulfil Veritas strategic objectives.

The risk management approach focuses on management of the following material business risks:

- 1. Operating risks;
- 2. Financial risks;
- 3. Organisational risks; and
- 4. Corporate risks.

The Board is ultimately responsible for overseeing the effectiveness of the risk management system, and the adequacy of the internal compliance and controls, which it believes should be monitored and managed on a continuing basis. Veritas has in place number of mechanisms and internal controls intended to identify and manage areas of material business risk.

The AC is responsible for oversight, monitoring, and reviews. The CEO is responsible for promoting a culture of proactively managing risks, and reporting to the AC.

Recommendation 6.2 Health and safety risks

An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

Veritas has appointed an internal health and safety representative who receives appropriate training on an ongoing basis. Veritas maintains an incident report and the Board receives reports on a monthly basis at the Board meeting.

Due to the size and nature of Veritas business and associated health and safety risks Veritas does not currently report externally on Health & Safety.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Principle 7: Auditors

The board should ensure the quality and independence of the external audit process.

Recommendation 7.1 Establish a framework

The board should establish a framework for the issuer's relationship with its external auditors.

Veritas External Auditor Independence Policy sets out the work that the external auditor is required to do and specifies the services that the external auditor is not permitted to do. This ensures the ability of the auditor to carry out their role is not impaired and could not be reasonably perceived to be impaired.

All non-audit work that the external auditor performs must be approved by the Chairman of the AC. The approval details what work is to be performed and how auditor independence and objectivity are maintained.

PwC has been the external auditor of Veritas for four years. The tenure and reappointment procedure of the external auditor is detailed in the External Auditor Independence Policy.

Veritas is committed to having financial reports externally audited to meet international accounting standards.

Recommendation 7.2 External auditor attend Annual Meeting

The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.

Veritas external auditors have attended the Annual General Meeting (AGM), where they have been available to answer shareholders' questions about the audit. Veritas expects the auditor to attend the Company's 2018 AGM.

Recommendation 7.3 Internal audit

Internal audit functions should be disclosed.

Veritas does not have an internal audit function.

Principle 8: Shareholder rights and relations

The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

Recommendation 8.1 Website

An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

The Board and Financial Reports section of Veritas' website contains financial and operational information and key corporate governance information.

Recommendation 8.2 Investor communications

An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

Veritas communicates with shareholders through multiple channels throughout the year: continuous market disclosure, half-year and full-year reporting, and the AGM. In addition during the year two Special Shareholders Meetings (SSM) were convened for shareholders to vote on significant transactions for the Group.

Veritas provides for the option for investors to receive communications electronically, to and from both Veritas and its share registrar.

Shareholders can directly access our CEO and CFO who respond directly to shareholder phone calls and emails.

Recommendation 8.3 Shareholder right to vote

Shareholders should have the right to vote on major decisions which may change the nature of the Group in which they are invested in.

Major decisions that may change the nature of Veritas business are presented as resolutions at the shareholder meetings and voted on by shareholders.

Recommendation 8.4 One vote per share

Each person who invests money in a Group should have one vote per share of the Group they own equally with other shareholders.

Veritas shareholders receive one vote per share, which is equal with all other shareholders.

Recommendation 8.5 Notice of Annual Meeting

The board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible and at least 28 days prior to the meeting.

Each year, the Veritas Board endeavours to provide notice of the annual meeting as soon as practical by mail and email.

Compliance with NZX Corporate Governance Code

The Board considers that, as at 30 June 2018, the Company had not implemented certain recommendations set by the NZX Corporate Governance Code. Details are provided below:

Reference	Recommendation	Alternative Governance Practice and Reason for the Practice	Applicable Period
Recommendation 2.5	An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity.	Veritas did not have a written diversity policy at 30 June 2018. This has now been rectified. However we have not set measurable objectives for achieving diversity. This is because Veritas is committed to creating and maintaining an inclusive and collaborative workplace culture by recognising the values of a diverse and skilled workforce. This commitment extends to all areas of its business. As the Group believes in diversity we will always employ the best person for any job opportunity.	At all relevant times.
Recommendation 3.4	An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.	Veritas has not established a nomination committee, as this was not considered necessary given the size of the Group. Veritas' RC and the Board as a whole undertakes the role of a nomination committee given the size of the Group.	At all relevant times.
Recommendation 3.6	The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. It should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.	<p>The Veritas Board has established a takeover protocol that has been approved by the Board which outlines the appropriate procedures if a takeover offer is received.</p> <p>The protocol, however, does not include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.</p> <p>The Veritas Board proposes to review the takeover protocol during the current financial year to bring it into compliance with the NZX Corporate Governance Code recommendation.</p>	At all relevant times.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Recommendation 4.2	An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.	Veritas' Code of Conduct, Board and Committee Charters, and other policies and key governance documents were not available on Veritas' website during the last financial year. However, this was rectified after balance date.	At all relevant times.
Recommendation 5.2	An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.	Veritas had not implemented a remuneration policy relating to remuneration of directors and officers (and therefore, the relative weightings of remuneration components and relevant performance criteria are not set out) at 30 June 2018. This has now been rectified.	At all relevant times.
Recommendation 6.2	An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.	Due to the size and nature of Veritas business and associated health and safety risks, Veritas does not currently report externally on Health & Safety.	At all relevant times.
Recommendation 8.5	The board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible and at least 28 days prior to the meeting.	During the financial year, 28 days' notice of Veritas' AGM was not able to be provided. Veritas will endeavour to provide as long a notice of its next AGM as possible.	Last financial year.



Directors' **RESPONSIBILITY STATEMENT**

The Board of Directors have pleasure in presenting the financial statements and audit report for Veritas Investments Limited for the year ended 30 June 2018.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly the financial position of the Group as at 30 June 2018 and financial performance and cash flows for the year ended on that date.

The Directors believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The Board of Directors of the Group authorised these financial statements presented on pages 25 to 54 for issue on 29 August 2018. This Annual Report is dated 19 September 2018.

For and on behalf of the Board



Tim Cook
Chairman, Veritas Investments Limited



John Moore
**Independent Director
Audit Committee Chairman**





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Doolan Brothers, Lynfield.



Independent auditor's report

to the shareholders of Veritas Investments Limited

The financial statements comprise:

- the consolidated statement of financial position as at 30 June 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the financial statements of Veritas Investments Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for qualified opinion

During the year the Group disposed of the Mad Butcher Business and closed their Mad Butcher stores. Details of the transactions are disclosed in notes 5 and 13. The results arising from the Business and stores that were disposed of or closed have been recognised as discontinued operations in the consolidated statement of comprehensive income for the year ended 30 June 2018.

Following the sale of the Mad Butcher Business and closure of the Mad Butcher stores, the Directors were unable to gain access to the underlying books and records and, consequently, we were unable to obtain sufficient appropriate audit evidence to support the trading profits, impairment of assets and the calculated gain on sale of the Mad Butcher Business and the reported trading losses and closure costs of the Mad Butcher stores.

In addition, our opinion for the comparative period was disclaimed in respect of a lack of sufficient appropriate audit evidence to support the recoverability of certain trade and other receivables held in relation to the Mad Butcher cash generating unit. We were unable to obtain sufficient appropriate audit evidence to support the opening carrying values of these trade and other receivables.

Consequently, we were unable to determine whether any adjustments between the reported gain on sale (\$6.3 million) or trading profits from discontinued operations (\$0.8 million) were necessary for the year ended 30 June 2018, and whether any adjustment to the carrying values of certain trade and other receivables in relation to the Mad Butcher Business at 30 June 2017 were necessary and the consequential impact on the consolidated statement of comprehensive income and consolidated statement of changes in equity for the period then ended 30 June 2018.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

With the exception of the matters referred to above, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of tax compliance services and providing due diligence services. The provision of these other services has not impaired our independence as auditor of the Group.

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: \$128,000 which represents approximately 5% of profit before tax from continuing operations, excluding significant items.

We chose profit before tax from continuing operations, excluding significant items, as the benchmark because, in our view, it is the benchmark against which the performance of the Group is measured by users.

We have determined that there are three key audit matters:

- Goodwill and property, plant and equipment impairment
- Refinancing and warrant accounting
- Going concern

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Except for the effects of the matter described in the *Basis for qualified opinion*, we tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Goodwill and property, plant and equipment impairment

As disclosed in note 6, the Group has a goodwill carrying value of \$30.0 million. The goodwill arose from the acquisition of the Better Bar Company. The goodwill was allocated to Cash Generating Units (CGU's), being the individual bars, and each CGU is tested annually by management for impairment. Management utilised the value in use methodology to estimate the value of the CGUs. This value in use was used in the impairment assessment of the goodwill and property, plant and equipment of each CGU.

The determination of the value of each CGU is underpinned by the cash flow forecasts which include estimates and assumptions by management, particularly in the revenue growth rates and the discount rate.

Management performed a sensitivity analysis of the key assumptions using reasonably possible scenarios and assessing the impact on the value of each CGU. Management concluded that recognition of a goodwill impairment was appropriate for the Lynfield bar (\$0.6 million) and an additional impairment of property, plant and equipment (\$0.6 million) was recognised for the Lynfield and Newmarket bars following the assessment. No other impairment was identified in the carrying value of goodwill or property, plant and equipment for each remaining CGU.

How our audit addressed the key audit matter

We undertook the following procedures:

- Gained an understanding of the CGUs and how the business activities are managed.
- Tested the mathematical accuracy of the value in use calculations and compared these to the relevant carrying value of the CGUs.
- Assessed the reasonableness of the key estimates and assumptions applied in the cash flow forecasts and performed the following procedures:
 - We considered the historical performance of each CGU including revenue, gross profit margin, operating expenses, EBITDA growth, CAPEX and working capital;
 - We compared the discount rate used to other similar businesses; and
 - We compared the long term growth rate to the long term inflation forecasts.
- Engaged an auditor's valuation expert to review the discount rate and the long term growth rate used by management in the model.
- Performed a sensitivity analysis on particular assumptions, annual sales growth rates, the terminal growth rate and the discount rate, using reasonably possible scenarios to see if there was any material impact on the value of each CGU.
- Performed lookback procedures to compare actual versus budgeted financial performance for individual CGUs.
- Reviewed the disclosure in the financial statements against the requirements of the accounting standards.

From our procedures, we have no material matters to report.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="277 432 794 465"><i>Refinancing and warrant accounting</i></p> <p data-bbox="277 474 794 831">On 28 June 2018, the Group entered into a new funding facility with Pacific Dawn Limited of \$27.5 million (notes 1, 18 and 19). On that date, \$22.5 million was drawn down and used to repay existing debt owing to ANZ and to pay for the costs of the transaction. As part of the refinancing, the Group also granted warrants to Pacific Dawn Limited for 19.9% of the ordinary shares in the Company for no consideration.</p> <p data-bbox="277 860 794 954">The accounting for the refinancing and warrants includes judgement, specifically over the:</p> <ul data-bbox="293 958 794 1406" style="list-style-type: none"> • Determination of borrowing costs that are considered to be directly attributable to the transaction, and therefore capitalised; • Classification of the warrant as a liability or equity based on conditions in the warrant deed. In particular the impact of a clause to maintain Pacific Dawn Limited's 19.9% shareholding in the event of a future ordinary share capital raising; and • Estimation of the fair value of the warrants. <p data-bbox="277 1435 794 1469">Management's judgement resulted in:</p> <ul data-bbox="293 1473 794 2038" style="list-style-type: none"> • Capitalisation of \$2.5 million of borrowing costs considered to be directly attributable to the refinancing; • Classifying the warrant as equity based on their conclusion that the possibility of an ordinary share capital raising is considered to be highly remote. Additionally a fixed number of shares will be issued when the warrants are exercised which supports the classification as equity; and • A fair value assessment of the warrant of \$0.8 million (see notes 18 and 19), which was dependent on date the warrant was issued and available information at that date. 	<p data-bbox="801 474 1471 508">We undertook the following procedures:</p> <ul data-bbox="817 512 1471 1615" style="list-style-type: none"> • Obtained management's assessment of costs incurred and tested that these relate directly to arranging the financing by testing a sample to underlying supporting documentation. • Scanned the trial balance and considered results of other audit tests including unrecorded liabilities procedures to assess the completeness of costs incurred. • Obtained and reviewed the new executed facility agreement and warrant deed. • Consulted with an accounting expert to consider the classification of the warrant. • Assessed the likelihood of further ordinary shares being issued by: <ul data-bbox="912 1039 1471 1279" style="list-style-type: none"> ◦ considering the commerciality of such a transaction through discussions with management and the Directors; and ◦ by considering the current economic position of the Group including taking into account the undrawn available funding for future acquisition growth. • Obtained and reviewed management's valuation of the warrants issued. We engaged an auditor's valuation expert to: <ul data-bbox="912 1406 1471 1615" style="list-style-type: none"> ◦ review the reasonableness of management's methodology for fair valuing the warrant; and ◦ develop a point estimate based on the facts and circumstances of the Group and compared this to the Company's valuation. <p data-bbox="801 1677 1471 1749">From our procedures, we have no material matters to report.</p>

Key audit matter	How our audit addressed the key audit matter
<p><i>Going concern</i></p> <p>At the date of signing the prior year financial statements for the year ended 30 June 2017, the Group's bank facility agreement with the ANZ was due for renewal in October 2017 and it had not been renewed. The financial statements for that year were prepared on a going concern basis.</p> <p>On 28 June 2018, the Group entered into a new funding facility with Pacific Dawn Limited of \$27.5 million (notes 1, 18 and 19) for a period of three years. \$22.5 million was drawn down and used to repay existing debt owing to ANZ.</p> <p>The new facility contains a number of covenants (note 18). There is judgement required in assessing the ability of the Group to meet future covenant compliance requirements, which forms part of the Directors' considerations over the adoption of the going concern assumption in preparing the financial statements for the year ended 30 June 2018.</p> <p>The Directors considered:</p> <ul style="list-style-type: none"> • The Group's budget for 2019; • The Group's long term strategic plan; and • Associated forecasted operating cash flows. <p>The Directors consider that the forecasts are achievable and therefore that the covenants will be met. The Directors concluded that the Group is a going concern and no material uncertainties exist.</p>	<p>We considered the basis and impact of our disclaimer opinion issued for the year ended 30 June 2017 as it related to the going concern assumption. The basis of the disclaimer was that we were unable to obtain sufficient appropriate audit evidence over the ability of the Company to secure funding when the ANZ loan term expired. The signed facility agreement with Pacific Dawn Limited has addressed the prior year matter.</p> <p>We also assessed the Group's ability to continue to operate as a going concern. Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Reviewed the new executed facility agreement and assessed the ability of the Group to comply with the covenant requirements; • Recalculated covenant compliance at balance date and assessed forecast compliance for a period of 12 months from the date of signing of the financial statements; • Assessed and stress tested key underlying assumptions in the Group's budget and forecasted operating cash flows; • Reviewed the Group's long term strategic plan; • Performed look back procedures on the accuracy of forecasts over the last 3 years as an indicator of the reliability of management's forecasts; and • Considered the adequacy of disclosure in the financial statements. <p>From our procedures, we have no material matters to report.</p>

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Lisa Crooke.

For and on behalf of:

A handwritten signature in dark ink, appearing to read 'Lisa Crooke', written over a light blue horizontal line.

Chartered Accountants
29 August 2018

Auckland

Consolidated Statement of COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Revenue	7	23,805,840	23,629,533
Changes in inventories of finished goods		(5,805,620)	(5,793,773)
Employee benefits expense		(6,381,839)	(6,107,769)
Depreciation and amortisation expense	14	(485,385)	(586,878)
Interest income		2,660	16,462
Interest expense		(1,522,524)	(1,740,236)
Other expenses	9	(7,684,962)	(7,204,432)
Significant items:			
Restructuring and advisory costs	8	(836,931)	(172,761)
Gain on sale and leaseback expense	9	(139,000)	-
Fixed assets impairment	14	(613,088)	-
Goodwill impairment	6	(613,087)	-
Operating profit before income tax		(273,936)	2,040,146
Income tax (expense) / benefit	10	(64,635)	(605,170)
Profit / (loss) for the year from continuing operations		(338,571)	1,434,976
Profit / (loss) for the year from discontinued operations (attributable to equity holders of the Parent Company) net of tax			
Trading losses of Mad Butcher stores	13	(690,265)	(1,006,692)
Closure of Mad Butcher stores	13	(642,349)	(126,350)
Trading profits of the Mad Butcher Business	13	823,631	2,626,832
Impairment of the Mad Butcher Business assets	13	(886,702)	-
Gain on sale of the Mad Butcher Business	13	6,294,334	-
Trading losses of Nosh Group	13	-	(1,142,662)
Loss on disposal of Nosh and costs	13	(62,202)	(2,579,103)
Profit / (loss) for the year from discontinued operations		4,836,447	(2,227,975)
Profit / (loss) for the year		4,497,876	(792,999)
Total comprehensive profit / (losses) for the year attributable to the owners of the Parent Company arises from:			
Continuing operations		(338,571)	1,434,976
Discontinued operations		4,836,447	(2,227,975)
		4,497,876	(792,999)
Earnings per share / (losses) (EPS) from continuing and discontinued operations attributable to equity holders of the Parent Company during the year:		Cents	Cents
Basic EPS from continuing operations	20	(0.78)	3.31
Basic EPS from discontinued operations		11.17	(5.14)
Basic EPS from profit / (loss) for the year	20	10.39	(1.83)
Diluted EPS from profit / (loss) for the year	20	8.32	(1.83)

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

Consolidated Statement of FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
ASSETS			
Cash and cash equivalents	23	1,174,155	611,729
Restricted cash	23	75,000	225,000
Trade and other receivables	11	208,919	274,814
Inventories	12	327,527	327,859
Current tax asset	15	1,020	-
Assets from operations classified as held for sale	13	7,891	2,975,615
Total current assets		1,794,512	4,415,017
Property, plant and equipment	14	2,759,281	3,659,713
Deferred tax asset	15	1,268,881	919,673
Intangible assets	6	29,980,079	30,593,166
Total non-current assets		34,008,241	35,172,552
TOTAL ASSETS		35,802,753	39,587,569
LIABILITIES			
Trade and other payables	17	3,077,934	2,587,872
Liabilities from operations classified as held for sale	13	-	998,162
Liabilities of discontinued operations	13	185,228	315,558
Borrowings	18	847,409	27,556,937
Total current liabilities		4,110,571	31,458,529
Borrowings	18	19,194,816	909,583
Total non-current liabilities		19,194,816	909,583
TOTAL LIABILITIES		23,305,387	32,368,112
NET ASSETS		12,497,366	7,219,457
EQUITY			
Share Capital	19	34,136,660	34,136,660
Share Capital Reserve	19	780,033	-
Retained Losses		(22,419,327)	(26,917,203)
TOTAL EQUITY		12,497,366	7,219,457

For and on behalf of the Board of Directors, who authorised these Financial Statements on 29 August 2018.



Tim Cook
Chairman



John Moore
Director

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

Consolidated Statement of CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Note	SHARE CAPITAL \$	SHARE CAPITAL RESERVE \$	RETAINED LOSSES \$	TOTAL EQUITY \$
Balance at 1 July 2016		34,136,660	-	(26,124,204)	8,012,456
Loss for the year		-	-	(792,999)	(792,999)
Total comprehensive loss for the year		-	-	(792,999)	(792,999)
Transactions with owners:					
Dividends paid	21	-	-	-	-
Total contributions by / (distributions) to owners		-	-	-	-
Balance at 30 June 2017		34,136,660	-	(26,917,203)	7,219,457
Profit for the year		-	-	4,497,876	4,497,876
Total comprehensive profit for the year		-	-	4,497,876	4,497,876
Transactions with owners:					
Warrants issued	19	-	780,033	-	780,033
Dividends paid	21	-	-	-	-
Total contributions by / (distributions) to owners		-	780,033	-	780,033
Balance at 30 June 2018		34,136,660	780,033	(22,419,327)	12,497,366

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

Consolidated Statement of CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Receipts from customers		23,948,735	24,224,127
Payments to suppliers and employees		(18,715,431)	(17,354,943)
Interest received		2,660	14,939
Interest paid		(1,522,524)	(1,735,949)
Taxes (paid) / received	15	30,432	170,488
Cash flows from continuing operations prior to significant items		3,743,872	5,318,662
Cash outflows from significant items		(929,348)	(102,671)
Cash outflows from refinancing costs		(1,677,742)	-
Cash flows from continuing operations		1,136,782	5,215,991
Discontinued operations		(2,557,629)	(1,109,397)
Cash flows from discontinued operations		(2,557,629)	(1,109,397)
Net cash inflows/(outflows) from operating activities	27	(1,420,847)	4,106,594
Sale of property, plant and equipment and other intangible from discontinued operations		-	159,762
Sale of the Mad Butcher Business assets	5, 13	7,997,834	-
Distribution received from Kiwi Pacific Foods		-	410,000
Purchase of Mad Butchers stores		-	(282,206)
Purchase of property, plant and equipment and other intangibles		(198,041)	(466,530)
Purchase of property, plant and equipment and other intangibles from discontinued operations		-	(23,969)
Net cash inflows/(outflows) from investing activities		7,799,793	(202,943)
Repayment of borrowings		(28,864,520)	(4,849,194)
Bond payment		-	(300,000)
Refund of bond payment		150,000	150,000
Bank borrowings drawn down		22,898,000	-
Net cash outflows from financing activities		(5,816,520)	(4,999,194)
Net increase / (decrease) in cash and cash equivalents		562,426	(1,095,543)
Cash and cash equivalents at beginning of the year		611,729	1,694,037
Restatement of Mad Butcher's cash as a discontinued asset		-	13,235
Cash and cash equivalents at end of the year		1,174,155	611,729
Cash and bank balances	23	1,174,155	611,729
		1,174,155	611,729

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

Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. General Information

Veritas Investments Limited is an investment company with shareholdings in New Zealand businesses in the hospitality sector.

Entities reporting

These financial statements are for Veritas Investments Limited ("Veritas") and its subsidiaries (together "the Group").

The Group is considered a for profit-oriented entity for financial reporting purposes.

Statutory base

Veritas Investments Limited is 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 financial statements of the Group have been prepared in accordance with the requirements of Part 7 and the NZX Listing Rules as applicable to the NZX Main Board.

Veritas Investments is domiciled and incorporated in New Zealand. Its registered office is at Ground Floor, Building B, Ascot Business Park, 95 Ascot Avenue, Greenlane, Auckland 1051.

There have been no changes made to accounting policies unless otherwise stated.

Going Concern

The Group reported a profit of \$4,497,876 during the year, mainly due to a gain on sale of the Old Butcher Limited (previously Mad Butcher Limited) business ("Mad Butcher Business") of \$6,294,334. The Group's net cash outflows from operating activities were \$(1,420,847), however cash inflows from continuing operations prior to refinancing costs and significant items were \$3,743,872.

On 28 June 2018 the Group entered into a new funding facility with Pacific Dawn Limited, a wholly-owned subsidiary of Nomura Asia Holding N.V. (together with its related and associated entities, "Nomura"), to provide NZ\$27.5 million of credit facilities to the Veritas Group. \$22.5 million was drawn down and used to repay the existing debt owing to the ANZ Bank and to pay for the costs of the drawdown, which have been capitalised against the borrowing. At 30 June 2018 the Group has current liabilities of \$4.1 million, which is higher than its current assets of \$1.8 million. The current liabilities will be repaid from cash flows generated by the business during the next 12 months as they fall due. During the year the banking covenants have been met.

\$5 million of the credit facilities with Nomura are undrawn and will be used to fund the future acquisition growth of the business.

The new facility with Nomura contains a number of covenants as disclosed in note 18. Based on the Group's budget for 2019 and its longer term strategic plan and forecasts the Group expects that it will meet these covenants. However if future earnings are significantly below those forecast it is possible that the covenants would not be met and that an Event of Default would result. This is considered unlikely.

Whilst future events, cash flows and profitability are always inherently uncertain, the Directors consider that there is a reasonable expectation that the above covenants can be met. Taking all factors into account, the expected financial performance of the Group and the positive operating cash flows, it is the considered view of the Board that the Group is a going concern and no material uncertainty exists.

Subsequent to the year end the Group obtained a waiver for clause 17.1 (q) of the facility agreement with Nomura which sets out that an event of default occurs if the auditors of the Group qualify their audit.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, which is the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting Standards.

During the year the Board made the decision to sell the Mad Butcher Business. Accordingly the results of the Mad Butcher Business have been reclassified as a discontinued operation and the comparative balances have been restated. The loss for the year, the total equity balance and the net cash inflows from operating activities have not been restated, however all other comparative balances in the statement of comprehensive income, the statement of financial position and the statement of cash flows may have changed.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets and liabilities as identified in the specific accounting policies below.

(b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of all subsidiaries of Veritas Investments Limited ("Parent") as at the reporting date. Veritas Investments Limited and its subsidiaries together are referred to in these financial statements as the "Group" or the consolidated entity.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are included in the consolidated financial statements using the acquisition method of consolidation. They are fully consolidated from the date on which control is transferred to the Parent. They are de-consolidated from the date that control ceases or they cease to be part of the Group.

The results of the entities acquired or disposed of during the year are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be a financial asset or financial liability is recognised in accordance with NZ IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised direct in the profit and loss component of the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(c) Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-making body. The chief operating decision-making body responsible for allocating resources and assessing performance of operating segments is the Board of Directors.

(d) Functional and presentation currency

The presentation currency of the Group is New Zealand Dollars (\$). Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rate at balance date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax and discounts, to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be reliably measured.

Revenue consists of bar sales, gaming income and door cover charges. Bar sales are recognised when the Group sells to the customer and are usually in cash and the recorded revenue is the amount of the sale, net of any applicable discounts. Gaming income is recognised in revenue in the period to which it relates. Door cover charges are recognised when they are received.

(f) Interest bearing liabilities

Interest bearing loans and borrowings are initially measured at fair value, less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Short term deposits with an original maturity of greater than three months are also included within cash and cash equivalents if the term deposit can be terminated at an earlier date, without incurring penalties.

Restricted cash comprises deposits held by the ANZ Bank on behalf of Veritas.

(h) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Collectability of trade receivables is reviewed on an on-going basis and a provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables. Financial difficulties of the debtor, or amounts significantly overdue are considered objective evidence of impairment. The amount of the loss is recognised in the profit and loss component of the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited to the profit and loss component of the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(i) Inventories

Raw materials and finished goods are stated at the lower of cost, determined on a weighted average basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Supplier rebates are recognised against inventories when the goods are received by the bars.

(j) Goods and Service Tax ("GST")

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(k) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributed to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at balance date.

Deferred tax assets and liabilities are recognised for temporary differences at the balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

The income tax expense or revenue attributable to amounts recognised directly in equity are also recognised directly in equity.

(l) Property, plant and equipment

Property, plant and equipment is initially recorded at cost, including costs directly attributable to bring the asset to its working condition, less accumulated depreciation and any accumulated impairment losses. Any expenditure that increases the economic benefits derived from the asset is capitalised. Expenditure on repairs and maintenance that does not increase the economic benefits is expensed in the period it occurs.

Depreciation of property, plant and equipment is calculated using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives. The rates are as follows:

Fixtures plant and office equipment	8 - 50%
Vehicles	12 - 30%
Computer equipment	20 - 50%
Lease improvements	4 - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss component of the statement of comprehensive income.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

(m) Other intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

An intangible asset is derecognised on disposal, or when no future economic benefit is expected from use. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

(n) Goodwill

Goodwill represents the excess of the consideration transferred in an acquisition over the fair value of the Group's interest of the net identifiable assets, liabilities and contingent liabilities of the acquire.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each cash generating unit (CGU) or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(o) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time and value of money and the risks specific to the asset for which the estimates of future cash have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(p) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group by suppliers in the ordinary course of business prior to the end of the financial year that are unpaid and arise when the Group become obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within normal business trading terms.

(q) Employee Entitlements

Liabilities for wages, salaries and annual leave are recognised in the provision for employee benefits and measured at the amounts expected to be paid when the liabilities are settled. The employee benefit liability expected to be settled within twelve months from balance date is recognised in current liabilities.

(r) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating leases - Group as lessee

Where the Group is the lessee, leases where the lessor retains substantially all the risks and benefits of ownership of assets are classified as operating leases. Net rental payments and incentives, excluding contingent payments, are recognised as an expense in profit or loss on a straight-line basis over the period of the lease.

(s) Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is computed based on the weighted average number of ordinary shares outstanding during the period. Diluted EPS is computed based on the weighted average number of ordinary shares plus the effect of dilutive potential ordinary shares outstanding during the period.

(v) Discontinued operations / assets held for sale

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of financial performance and statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Where operations have been shut the remaining assets are held for realisation and have been written down to their expected recoverable value.

(w) Non-GAAP reporting measures

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

- EBITDA before significant items (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 year (a GAAP measure) from continuing operations, less tax, excluding significant items.

	2018 \$	2017 \$
Profit / (loss) for the year (after tax)	4,497,876	(792,999)
Significant items (net of tax):		
Restructuring and advisory costs	602,590	143,988
Gain on sale and leaseback expense	139,000	-
Fixed assets impairment	441,423	-
Goodwill impairment	613,087	-
Discontinued items (net of tax):		
Trading losses of Mad Butcher stores	690,265	1,006,692
Impairment of and loss on sale of Mad Butcher stores	642,349	126,350
Trading profits of the Mad Butcher Business	(823,631)	(2,626,832)
Impairment of the Mad Butcher Business assets	886,702	-
Gain on sale of the Mad Butcher Business	(6,294,334)	-
Trading losses of Nosh Group	-	1,142,662
Loss on disposal of Nosh including sales costs	62,202	2,579,103
Total comprehensive income from continued operations after tax, excluding significant items	1,457,530	1,578,965

3. Critical Accounting Estimates, Judgements And Assumptions

In application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the Group's critical judgements and estimates:

Carrying value of goodwill

Impairment reviews are performed by the Group to assess the carrying value of goodwill. These reviews include making assumptions in relation to the future performance and growth as well as determining the period of expected benefits and appropriate discount rates in the value in use models. Refer to Note 6 for key assumptions made.

The carrying value of the Group's assets principally rely on the operating performance and an expectation of continued growth in bar sales, which supports the current assessment that there are no impairments. If those growth expectations change, or the expected profitability of the Group otherwise changes, there may be impairments of the Group and/or Group's assets in future periods.

Going concern

The Directors have disclosed in note 1 the uncertainties in relation to the going concern assumption and the basis on which the Directors have concluded that the Group is a going concern.

Tax

The Group has recognised in note 15 the deferred tax benefit of tax losses on the basis of the going concern assumption and the satisfaction of shareholder continuity requirements of the tax legislation.

Interest bearing liabilities

The Directors have disclosed in note 18 the capitalisation of \$2,457,775 in financing costs against borrowings, which will be amortised to interest expense over the three year life of the facility.

Warrants

The Directors have disclosed in note 19 the treatment of the warrants issued to Nomura during the year. These have been recognised at their fair valuation, based on the market price of the Company's shares on the date of the Special Shareholders Meeting, discounted for the restrictions in their use. The cost of the warrants has been capitalised to borrowings and credited to the share capital reserve. The fair valuation of the warrants is sensitive to the market price of the Company's shares and the amount of the discount being applied for their restricted use.

Trade and other receivables

Where trade and other receivables are outstanding beyond their normal trading terms, the likelihood of the recovery of these trade receivables is assessed by management. The Group reviews the standing of each trade receivable balance to determine what provision, if any, is required.

Assets from operations classified as held for sale

From time to time Mad Butcher acquired stores from a franchisee who chooses to exit from the business. During the year one store was purchased and was classified as held for sale, see note 5.

Impairment reviews are performed by the Group to assess the carrying value of the assets from operations held for sale. These reviews include making assumptions on what sales price would be achieved on each asset, less the cost to sell, to assess the likelihood of recovery of these assets held for sale. The Board have reviewed the recent history of sales prices achieved for similar assets and based on this analysis have determined that an additional impairment provision is not required.

4. New Standards, Amendments and Interpretation

Standards, amendments and interpretations not effective in the current year

Relevant standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group are:

Standard / interpretation	Effective for annual reporting period beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 9 'Financial Instruments' - Addresses measurement and recognition of financial assets and liabilities	1 January 2018	30 June 2019
NZ IFRS 15 'Revenue from Contracts with Customers' - Establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers	1 January 2018	30 June 2019
NZ IFRS 16 'Leases' - Addresses measurement and recognition of leases and will require all leases to be on balance sheet, except for certain short term, low value assets	1 January 2019	30 June 2020

The financial statement impact of adoption of NZ IFRS 9 is not expected to have a material measurement impact on the financial statements reported by the Group, however there will be additional disclosure requirements.

The financial statement impact of adoption of NZ IFRS 15 is not expected to have a material measurement impact on the financial statements reported by the Group, however there may be additional disclosure requirements.

The Group intends to adopt NZ IFRS 16 on its effective date. The Group is yet to assess the full impact of the new standard, however as per note 24, the value of operating lease commitments is \$10.9 million. The total value of the future lease payments to the final expiry dates of the leases is \$24.2 million and the net present value of this is \$14.5 million. Approximately this value will be recognised "on balance sheet" increasing property, plant and equipment, and current and term liabilities. Interest expense and depreciation expense will increase, but this will be offset by a decrease in operating expenses. While there may be a timing issue in recognition of future earnings we do not expect this to be significant and there will be no change to the cash flows or on-going earnings on a sustainable basis.

Standards, amendments and interpretations effective in the current year

The Group has complied with NZ IAS 7 'Statement of Cash Flows' during the year which resulted in additional disclosure requirements. There have been no other new standards, amendments and interpretations that are effective in the current year, which have a material impact on the measurement basis of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. Acquisitions and Disposals

Mad Butcher stores

As master franchisor, from time to time the Mad Butcher brought stores from a franchisee who chooses to exit from the business. If it was beneficial to keep these stores open, these were run on normal business terms and were held for sale until a new franchisee was confirmed. During the year one store (2017: two) was purchased for a total consideration of \$1 (2017: \$282,206) and was classified as held for sale. During the year no stores (2017: one) were sold and four (2017: nil) stores have been closed.

	2018	2017
Owned stores held at the start of the year	3	2
Owned stores purchased during the year	1	2
Owned stores sold during the year	-	(1)
Owned stores closed during the year	(4)	-
Owned stores held at the end of the year	-	3

Four Mad Butcher stores were closed on 25 March 2018 and the trade creditors and staff have been paid amounts owed. Two of the companies have been placed into liquidation. The assets have been written down to their realisable value.

Mad Butcher business

On 16 March 2018, the Veritas shareholders voted in a Special Shareholders Meeting to approve the sale of the Mad Butcher Business from the Old Butcher Limited (previously the Mad Butcher Limited) to Yogg Limited, a company owned by interests associated with Michael Morton (General Manager of the Mad Butcher business, acting CEO of Veritas, a shareholder in Veritas and a previous Director of Veritas) for \$7,997,834. This included \$7,251,771 for the purchase of the business and \$746,063 for the repayment of all amounts owing by Michael Morton's stores to the Old Butcher Limited. The effective date for the transaction was 1 December 2017 with settlement occurring on 23 March 2018.

6. Intangible Assets

	Goodwill \$	Total \$
Year ended 30 June 2018		
Opening balance net book value	30,593,166	30,593,166
Impairment of goodwill	(613,087)	(613,087)
Closing net book value	29,980,079	29,980,079
At 30 June 2018		
Cost	30,593,166	30,593,166
Accumulated impairment	(613,087)	(613,087)
Net book value	29,980,079	29,980,079
Year ended 30 June 2017		
Opening balance net book value	30,593,166	30,593,166
Closing net book value	30,593,166	30,593,166
At 30 June 2017		
Cost	30,593,166	30,593,166
Accumulated impairment	-	-
Net book value	30,593,166	30,593,166

Goodwill arose on the acquisition of The Better Bar Company Limited (The BBC) and has been allocated to its eight CGUs. A CGU is a bar or a group of bars that share operational facilities. For all CGUs on an annual basis, the recoverable amount of the goodwill is determined based on value in use calculations for each CGU to which the goodwill relates. Goodwill was tested for impairment in June of each year.

The value in use calculations are initially based on financial budgets and business plans approved by the Directors. Cash flows beyond this period are extrapolated using the estimated growth rates below. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates.

During the year the Directors resolved to impair goodwill of \$613,087 at one of the Group's CGUs, based on the performance of the site deteriorating, due to increased competition in the locality. While all efforts are being made to improve the profitability of the site, the Directors are considering a number of options for its future.

The carrying values of the Group's assets principally rely on the operating performance and the expectation of continued growth in bar sales, which supports the current assessment that there are no impairments. If those growth expectations change, or the expected profitability of the Group otherwise changes, there may be impairments of the Group assets in future periods. Management believe that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount. These values represent past experience and are consistent with external sources of information.

The key assumptions used for the value in use calculations in all models are as follows:

	2018	2017
Pre tax discount rate	13.9%	13.9%
Cash flow forecast period	3 years	3 years
Terminal growth rate	1.0%	2.0%
Annual sales growth rate	0% - 1%	0% - 1%

Based on the sensitivity analysis performed the discount rate would need to increase to 19%, or the terminal growth rate would need to decrease to a negative amount, before there would be an impairment of the Group's total goodwill amount.

Goodwill has been allocated to the following bars:

	2018 \$	2017 \$
Danny Doolans	11,701,241	11,701,241
O'Hagan's	6,083,170	6,083,170
The Cav	4,853,300	4,853,300
Doolan Brothers Botany	3,702,035	3,702,035
Doolan Brothers Ellerslie	3,234,170	3,234,170
Other	406,163	1,019,250
	29,980,079	30,593,166

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Revenue

	2018 \$	2017 \$
Revenue	23,805,840	23,624,324
Other	-	5,209
	23,805,840	23,629,533

8. Segment Reporting

The Group is organised into the following business segments, predominantly reflecting trading divisions in the Group:

The BBC

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

Operations held for sale

This segment includes the business activities of Nosh, the Mad Butcher Business and the owned Mad Butcher stores held for sale.

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 it is 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 before significant items as included in the management reports that are reviewed by the Board. Segment EBITDA before significant items 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.

Statement of Comprehensive Income

	2018			2017		
	Revenue \$	EBITDA \$	EBITDA before significant items \$	Revenue \$	EBITDA \$	EBITDA before significant items \$
The BBC	23,805,840	3,707,710	5,072,885	23,624,324	5,919,570	5,919,570
Other	-	(1,976,397)	(1,139,466)	5,209	(1,568,772)	(1,396,011)
Group	23,805,840	1,731,313	3,933,419	23,629,533	4,350,798	4,523,559

Significant and other items

Restructuring and advisory costs	(836,931)	(172,761)
Gain on sale and leaseback expense	(139,000)	-
Fixed assets impairment	(613,088)	-
Goodwill impairment	(613,087)	-
Depreciation and amortisation	(485,385)	(586,878)
Finance expense (net of income)	(1,519,864)	(1,723,774)

Profit /(loss) before income tax from continuing operations

(273,936)

2,040,146

Balance Sheet

	2018		2017	
	Segment Assets \$	Segment Liabilities \$	Segment Assets \$	Segment Liabilities \$
The BBC	34,442,267	22,614,038	35,577,010	21,946,512
Other	1,352,595	506,121	1,034,944	9,107,880
Operations held for sale	7,891	185,228	2,975,615	1,313,720
Group	35,802,753	23,305,387	39,587,569	32,368,112

The Group incurred professional fees of \$836,931 (2017: \$172,761) in regard to refinancing activities that were not directly attributable and therefore were not capitalised to borrowing costs in note 18.

Geographical

Veritas and its subsidiaries operate within New Zealand, and derived no revenue from foreign countries for the year ended 30 June 2018 (2017: nil).

Information about major customers

No single customer contributed 10% or more to the Group's revenue for the year ended 30 June 2018 (2017: nil).

Capital expenditure (including software)

	2018 \$	2017 \$
Capital expenditure for each reporting segment for the year:		
The BBC	198,041	466,530
	198,041	466,530

9. Other Expenses

	2018 \$	2017 \$
Other expenses include:		
Advertising and marketing costs	1,191,270	1,188,810
Property expenses including lease costs	3,655,254	3,564,072
Professional and other advisory costs	485,710	662,410
Equipment hire	20,789	17,037
Insurance	190,766	93,504
Travel expenses	25,758	20,299
Other	2,115,415	1,658,300
	7,684,962	7,204,432
Gain on sale and leaseback expense	139,000	-

During the year the Group revised its accounting treatment of a gain on sale and leaseback recognised in earnings in previous years. The nature of the revision is to defer income to future years. As the adjustment is not material, prior years earnings have not been restated and a charge has been made to the current year earnings.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Remuneration to auditors included:

	2018 \$	2017 \$
Audit of the financial statements	125,000	225,575
Other fees paid to Auditors*	149,400	-
Other fees paid to Auditors - tax compliance services	43,000	31,790
Other fees paid to Auditors - tax compliance services prior year	-	40,000
Total remuneration paid or payable to auditors	317,400	297,365

*Other fees relate to providing due diligence services.

10. Tax Expense

	2018 \$	2017 \$
The income tax expense consists of the following:		
Profit / (loss) before income tax from continuing operations	(273,936)	2,040,146
Income tax expense calculated at 28% (2016: 28%)	(76,702)	571,241
Non-deductible expenses	263,256	40,788
Tax in respect of prior years	(99,783)	10,835
Non-assessable income	(22,136)	(17,694)
Tax expense / (benefit)	64,635	605,170
Current tax expense	413,843	562,318
Deferred tax charge / (benefit)	(349,208)	42,852
Tax expense / (benefit)	64,635	605,170
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2016: 28%)	1,074,396	1,106,352

The imputed portions of any dividend recommended after 30 June 2018 will be imputed out of the existing imputation credits. Included within the net profit from discontinued operations for the year of \$4,836,447 is a tax benefit of \$445,295.

11. Trade and Other Receivables

	2018 \$	2017 \$
Trade receivables	80,828	141,811
Prepayments	128,091	133,003
Provision for doubtful debts	-	-
Total current	208,919	274,814

The fair value of trade and other receivables approximates their carrying value. Non current trade receivables relate to customers where the terms of payment have been renegotiated.

Aging of trade and other receivables

The aging analysis of trade receivables is as follows:

	2018 \$	2017 \$
Current	80,828	141,811
Total	80,828	141,811

Provision for doubtful debts

	2018 \$	2017 \$
Opening balance	-	3,192
Receivables written off during the year	-	(3,192)
As at 30 June 2018	-	-

12. Inventories

	2018 \$	2017 \$
Raw materials	81,620	75,724
Finished goods	245,907	252,135
	327,527	327,859

13. Discounted Operations Held for Sale

	2018 \$	2017 \$
Assets from operations classified as held for sale:		
Mad Butcher stores	24	745,673
Mad Butcher Business	7,867	2,229,942
	7,891	2,975,615

Consisting of:

Working capital	7,891	2,430,565
Non-current assets	-	545,050
	7,891	2,975,615

Liabilities from operations classified as held for sale:

Mad Butcher stores	-	390,220
Mad Butcher Business	-	607,942
	-	998,162

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2018 \$	2017 \$
Liabilities from discontinued operations:		
Discontinued stores provision for make good and onerous leases	185,228	315,558
	185,228	315,558

Trading profit / (loss) for the year from operations classified as held for sale and discontinued operations:

Mad Butcher stores (see a below)	(690,265)	(1,006,692)
Mad Butcher Business (see b below)	823,631	2,626,832
Nosh Group (see c below)	-	(1,142,662)
	133,366	477,478

	2018 \$	2017 \$
(a) Mad Butcher stores		
Revenue	2,700,661	6,515,864
Expenses	(3,659,362)	(7,914,047)
Loss before tax	(958,701)	(1,398,183)
Tax benefit	268,436	391,491
Trading loss for the year	(690,265)	(1,006,692)
Loss on sale and impairment of Mad Butcher stores, including sales costs	(766,909)	(129,728)
Tax benefit	124,560	3,378
Net loss on sale or closure of Mad Butcher stores	(642,349)	(126,350)

As master franchisor, from time to time Mad Butcher brought stores 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. During the current year one store was purchased, no stores were sold and four stores were closed. Refer note 5.

The assets of the stores held for sale have been written down to their realisable value and have been separately disclosed as assets held for sale. The liabilities of the discontinued stores have been separately disclosed as liabilities from discontinued stores.

	2018 \$	2017 \$
(b) Mad Butcher Business		
Revenue	4,334,190	7,167,035
Expenses	(3,190,258)	(3,541,551)
Profit before tax	1,143,932	3,625,484
Tax expense	(320,301)	(998,652)
Profit for the year	823,631	2,626,832

	2018 \$	2017 \$
Impairment of the Mad Butcher Business assets	(1,212,086)	-
Tax benefit	325,384	-
Loss for the year	(886,702)	-

During the year the Group wrote-off \$1,945,722 of bad debts, of which \$1,212,086 had not been provided for.

Gross proceeds from sale of the Mad Butchers Business	7,997,834	-
Net assets sold	(1,265,993)	-
Costs on sale	(460,349)	-
Profit before tax	6,271,492	-
Tax benefit	22,842	-
Gain on sale of the Mad Butcher Business	6,294,334	-

(c) Nosh Group

Revenue	-	13,284,630
Expenses	-	(14,871,661)
Loss before tax	-	(1,587,031)
Tax benefit	-	444,369
Loss for the year	-	(1,142,662)

Loss on sale of Nosh including sales costs	(86,391)	(3,534,624)
Tax benefit	24,189	955,521
Net loss on sale	(62,202)	(2,579,103)

14. Property, Plant and Equipment

	Fixtures, Plant, Office Equipment \$	Computer Equipment \$	Lease Improvements \$	Total \$
Year ended 30 June 2018				
Opening balance net book value	1,240,007	5,545	2,414,161	3,659,713
Impairment of fixed assets	(208,046)	-	(405,042)	(613,088)
Additions	169,700	6,520	21,821	198,041
Depreciation charge	(231,334)	(3,512)	(250,539)	(485,385)
Closing net book value	970,327	8,553	1,780,401	2,759,281

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Fixtures, Plant, Office Equipment \$	Computer Equipment \$	Lease Improvements \$	Total \$
At 30 June 2018				
Cost	2,279,049	33,328	3,279,729	5,592,106
Accumulated depreciation and impairment	(1,308,722)	(24,775)	(1,499,328)	(2,832,825)
Net book value	970,327	8,553	1,780,401	2,759,281
Year ended 30 June 2017				
Opening balance net book value	1,312,824	10,945	2,467,885	3,791,654
Additions	235,353	2,428	220,728	458,509
Disposals	(3,572)	-	-	(3,572)
Depreciation charge	(304,598)	(7,828)	(274,452)	(586,878)
Closing net book value	1,240,007	5,545	2,414,161	3,659,713
At 30 June 2017				
Cost	2,109,349	26,808	3,257,908	5,394,065
Accumulated depreciation	(869,342)	(21,263)	(843,747)	(1,734,352)
Net book value	1,240,007	5,545	2,414,161	3,659,713

During the year the Directors resolved to impair fixed assets of \$613,088 at two of the Group's sites, based on the performance of the sites deteriorating, due to increased competition in the localities. While all efforts are being made to improve the profitability of the sites, the Directors are considering a number of options for their future.

15. Tax Balances

	2018 \$	2017 \$
Income tax payable / (receivable)		
Opening balance	-	846,417
Tax expense	413,843	562,318
Cash tax (paid) / received	30,432	170,488
Reclassification of tax losses to deferred tax asset	-	570,293
Offset against losses from discontinued operations	(445,295)	(2,149,516)
Balance at 30 June 2018	(1,020)	-
Deferred tax asset		
Opening balance	919,673	392,232
Tax (expense) / benefit	349,208	(42,852)
Reclassification of tax balance from current tax payable	-	570,293
Balance at 30 June 2018	1,268,881	919,673

	2018 \$	2017 \$
The deferred tax asset consists of:		
Provision for annual leave	62,597	99,036
Provision for doubtful debts	-	265,741
Provision for store closures	106,833	106,356
Tax losses	756,192	422,999
Property, plant and equipment	171,665	-
Other provisions	171,594	25,541
	1,268,881	919,673

16. Subsidiaries and Joint Ventures

Subsidiary	Activity	Interest 2018	Interest 2017
Operating subsidiaries			
The Better Bar Company Limited	Hospitality Business	100%	100%
Dormant subsidiaries			
Old Butcher Limited	Management of Franchise business	100%	100%
Old NGL Limited (In liquidation)	Speciality Food Retailer	100%	100%

17. Trade and Other Payables

	2018 \$	2017 \$
Trade payables	1,413,372	1,542,005
Accrued expenses	693,578	590,587
GST payable	358,624	184,412
Employee entitlements	223,560	270,868
Provision for lease obligations	388,800	-
	3,077,934	2,587,872

The fair value of trade and other payables approximates their carrying value.

Provision for lease obligations

Opening balance	-	-
Charged to earnings for the year	388,800	-
Closing balance	388,800	-

The lease obligations are maintenance and make good obligations.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Borrowings

	2018 \$	2017 \$
Non-current		
Bank borrowings	20,833,333	909,583
Refinancing costs capitalised	(1,638,517)	-
Total non-current	19,194,816	909,583
Current		
Bank borrowings	1,666,667	27,556,937
Refinancing costs capitalised	(819,258)	-
Total current	847,409	27,556,937
Total borrowings	20,042,225	28,466,520
Opening balance	28,466,520	33,315,714
Repaid in cash during the year	(28,864,520)	(4,849,194)
Bank borrowings drawn down in cash during the year	22,898,000	-
Refinancing costs capitalised incurred in cash	(1,677,742)	-
Refinancing costs capitalised for warrants issued	(780,033)	-
Closing balance	20,042,225	28,466,520

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 year. 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 year had an effective interest rate of 5.75% (2017: 5.74%). Bank borrowings at 30 June 2018 mature in June 2021. They are secured by the GSA over all of the assets of the Group. Items classified as current at June 2018 include loans maturing within 12 months. The refinancing costs capitalised of \$2,457,775 will be amortised to interest expense over the period of 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:

	2018 \$	2017 \$
6 months or less	22,500,000	28,466,520

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.

The Group has the following undrawn borrowing facilities:

Expiring within three years	5,000,000	360,000
Total	5,000,000	360,000

19. Share Capital and Share Capital Reserve

	2018		2017	
	Shares	\$	Shares	\$
Issued and paid-up capital - ordinary shares				
Balance at beginning of the year	43,306,618	34,136,660	43,306,618	34,136,660
Balance at end of year	43,306,618	34,136,660	43,306,618	34,136,660

All ordinary shares carry equal rights in respect of voting and the receipt of dividends. They do not have a par value.

	2018		2017	
	Warrants	\$	Warrants	\$
Share Capital Reserve - issued warrants				
Balance at beginning of the year	-	-	-	-
Warrants issued	10,759,072	780,033	-	-
Balance at end of year	10,759,072	780,033	-	-

As part of the re-financing of the ANZ Bank debt the Group has granted warrants to Nomura which give Nomura the ability to acquire up to 10,759,072 shares or 19.9% of the ordinary shares in the Company for no consideration. The warrants may not be exercised during the first year after they are granted, and expire on the date that is three years after their grant date. The warrants do not carry dividend rights or voting rights. The warrants do not entitle the holder to share in any surplus assets of the Company on liquidation. The warrants are freely transferrable and a holder can exercise some or all of their warrants. The Company, at its discretion, may elect to cash settle the warrants for the volume weighted average market price during the 20 business days prior to the notice of exercise. Additional warrants will be issued at no cost to Nomura in the event of a share raising to maintain their 19.9% ownership of all the shares on issue, except for a share raising in connection with a merger or acquisition. During the year the Group recognised a charge of \$780,033 for the issue of the warrants which has been capitalised to the borrowings and credited to share capital reserve.

20. Earnings Per Share (EPS)

	2018	2017
	\$	\$
Profit / (loss) for the year from continuing operations	(338,571)	1,434,976
Profit / (loss) for the year	4,497,876	(792,999)
Profit / (loss) for the year from continuing operations prior to significant items	1,457,530	1,578,965
Issued Ordinary Shares	43,306,618	43,306,618
Weighted average number of shares	43,306,618	43,306,618
Diluted Ordinary Shares	54,065,690	43,306,618
	cents	cents
Basic earnings per share / (losses) (EPS) from continuing operations	(0.78)	3.31
Diluted EPS from continuing operations	(0.63)	3.31
Basic EPS	10.39	(1.83)
Diluted EPS	8.32	(1.83)
Basic EPS from continuing operations prior to significant items	3.37	3.65
Diluted EPS from continuing operations prior to significant items	2.70	3.65

21. Dividend Paid or Authorised

Veritas paid dividends amounting to nil during the year (2017: nil).

22. Related Parties

All subsidiaries and joint ventures disclosed in note 16 are classified as related parties. Transactions and balances between these related parties are as follows:

Transactions With Key Management

Mad Butcher Business receives advertising and franchisee fees from the Mad Butcher stores. Michael Morton (Shareholder) owns five Mad Butcher stores (2017 five); Mt Roskill, Manukau, Upper Hutt, Napier and Dunedin. Total fees received for the year from these stores were \$224,451 (2017: \$389,728). Mad Butcher Limited waived certain fees during the year totalling nil (2017: \$19,404). The total receivable owing at balance date for these stores is nil (2017: \$703,908).

On 23 March 2018, the Group sold the Mad Butcher's Business to Yogg Limited, a company owned by interests associated with Michael Morton (General Manager of the Mad Butcher Business, former acting CEO of Veritas, Shareholder in Veritas and a former Director of Veritas) for \$7,997,834. This was approved by a Special Shareholders Meeting on 16 March 2018 at which time Michael Morton resigned as a Director of Veritas and from his position as acting CEO of Veritas. The gross payment included \$7,251,771 for the purchase of the business and \$746,063 for the repayment of all amounts owing by Michael Morton's stores mentioned above. The effective date for the transaction was 1 December 2017 with approval by the shareholders on 16 March 2018 and settlement on 23 March 2018.

The BBC provided kitchen services to a company owned by Geoff Tuttle, the General Manager of The BBC and a Shareholder of Veritas. The services were provided on an arms' length basis. Total transactions for the year were \$27,771 (2017: nil). An amount of \$2,358 was owing at balance date (2017: nil).

Corporate Advisory Limited of which Tim Cook (Chairman and Shareholder of the Group) is a Shareholder, supplied consulting services to the Group as and when required on a normal arms' length basis. Total transactions for the year were \$89,400 (2017: \$50,000). The amount owing at balance date was nil (2017: \$57,500).

Miro Capital Advisory Limited of which John Moore (Director and Shareholder of the Group) is a Director, supplied consulting services to the Group as and when required on a normal arms' length basis. Total transactions for the year were \$66,000 (2017: nil). The amount owing at balance date was nil (2017: nil).

Directors fees are disclosed in the Statutory Information section of the Annual Report. Any other remuneration paid to the Directors is disclosed above.

The remuneration of Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

Compensation of Key Management Personnel

The remuneration of key management during the year was as follows:

	2018 \$	2017 \$
Short-term benefits, consisting of salaries and bonuses	877,800	1,114,797

The remuneration of key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

23. Financial Instruments

Capital management

The Group manages its capital to ensure that entities in the Group are able to continue as a going concern (see note 1) while maximising the return to shareholders, and to optimise the debt and equity balances to reduce the cost of capital.

The Group is not subject to any externally imposed capital requirements with the exception of covenants discussed in note 18. The Group has agreed that future dividends will only be paid with the approval of the lender.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising issued capital, reserves and retained earnings) of the Group.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group does not have a credit rating status.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by net debt plus total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is shown in the consolidated statement of financial position.

As at 30 June 2018 the Group has negative working capital. This is managed on an on-going basis through cash flows from future profitability.

Financial risk management

The Group engages business in New Zealand and in the normal course of business is exposed to a variety of financial risk which includes:

- Market risk,
- Credit risk, and
- Liquidity risk.

The Group recognises the unpredictability of consumer and financial markets and seeks to minimise the potential adverse effects of market movements. The management of these risks is performed in accordance with the risk management and treasury policy approved by the Directors. This policy covers specific areas such as interest rate risk, credit risk and liquidity risk.

The Group hold the following financial instruments:

	2018 \$	2017 \$
Financial assets		
Cash and cash equivalents	1,174,155	611,729
Restricted cash	75,000	225,000
Trade and other receivables (excluding prepayments)	80,828	141,811
	1,329,983	978,540
Financial liabilities		
Bank borrowings	22,500,000	28,466,520
Trade and other payables (excluding GST and employee entitlements)	2,106,950	2,132,592
	24,606,950	30,599,112

Market risk

Interest rate risk

The Group's primary interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the business to cash flow interest rate risk. The Group's risk management and treasury policy allows the potential use of derivative financial instruments to manage interest rate risk. However, for the year ended 30 June 2018 the Group did not enter into any derivative financial instruments (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

As at 30 June 2018 the Group had \$22,500,000 drawn on a facility provided by the bank (2017: \$28,466,520).

If interest rates had moved by + / - 1% with all other variables held constant, Group profit before income tax, and equity for the year ended 30 June 2018 would have decreased / increased by \$243,000 (2017: \$310,000).

Credit risk

Exposure to credit risk arises from the potential default of the counterparty, with the maximum exposure equal to the carrying amount of the financial assets. The Group's credit risk arises from the Group's financial assets, which include cash and cash equivalents and trade and other receivables. Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the assets have been impacted as a result of one or more events that occurred after the initial recognition of the financial asset.

For banks and financial institutions, only independently rated parties with a minimum long term rating of A are accepted. The Group has a concentration of credit risk with its cash and cash equivalents, which are held with one bank. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets summarised above.

The Group's risk management and treasury policy also sets the maximum counterparty credit exposure to any individual bank or financial institution.

The quality of financial assets which are neither past due nor impaired are considered collectable.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligation to repay its financial liabilities as and when they fall due.

The Group maintains sufficient cash and the availability of funding for acquisitions through undrawn facilities as part of its management of liquidity risk.

The Group had access to the following borrowing facilities at the reporting date:

	2018 \$	2017 \$
Borrowing facilities (of which \$22,500,000 drawn, 2017: \$28,466,520)	27,500,000	28,916,520
	27,500,000	28,916,520

The following table details the Group's remaining contractual maturity of its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay, including loans repayable on demand. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rates, the undiscounted cash flow are derived from the interest rate at 30 June.

	0 - 3 Mths \$	3 - 12 Mths \$	Year 2 \$	Years 3 - 5 \$
As 30 June 2018				
Interest bearing liabilities	877,083	2,631,250	3,366,667	20,725,000
Trade and other payables	2,106,950	-	-	-
	2,984,033	2,631,250	3,366,667	20,725,000
As 30 June 2017				
Interest bearing liabilities	8,009,654	20,382,760	751,812	211,325
Trade and other payables	2,132,592	-	-	-
	10,142,246	20,382,760	751,812	211,325

Fair Value Estimation

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly or indirectly, and (iii) Level 3 measurements are valuations not based on observable market data (unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entity.

Assets and liabilities not measured at fair value but for which fair value is disclosed

Assets and liabilities held for sale

The Group has valued its non-current assets held for sale at their carrying value. The fair value less cost to sell is higher than the carrying value. The fair value is categorised in Level 2 and represents the consideration receivable for the assets and liabilities through a sale transaction in the subsequent period.

Financial assets and liabilities

Fair values analysed by level in the fair value hierarchy for other financial assets and liabilities not measured at fair value, for which the Group estimates their fair value approximates the carrying amounts, are as follows:

- Level 1 - Cash on hand and cash equivalents held at banks (note 23)
- Level 2 - Restricted cash (note 23), trade and other financial receivables (note 11), trade and other financial payables (note 17)
- Level 3 - Borrowings (note 18)

The fair values in Level 2 and 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount.

24. Operating Leases

Leases as lessee

Lease commitments expire as follows:

	2018 \$	2017 \$
Within one year	1,898,957	2,075,999
One to two years	1,770,678	2,028,803
Two to five years	4,308,425	5,714,308
More than five years	2,940,137	3,809,860
Total	10,918,196	13,628,969
The lease commitments are for the following business units:		
Old Butcher	28,608	1,005,610
The BBC	10,889,588	12,623,359
	10,918,196	13,628,969

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. Commitments

The Group has capital commitments of nil as at 30 June 2018 (2017: nil).

The Group has other commitments of nil as at 30 June 2018 (2017: nil).

26. Contingent Liabilities

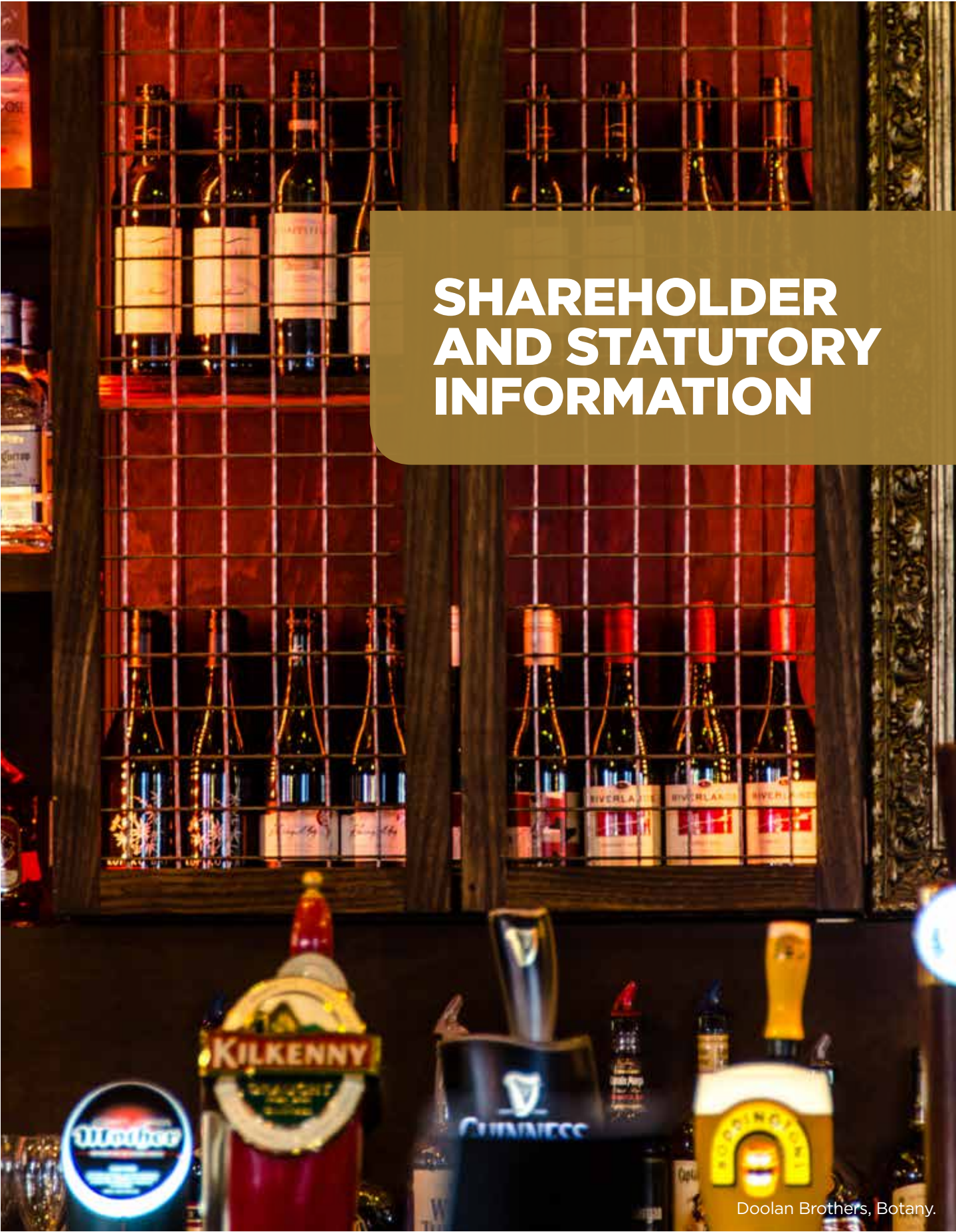
The Group has no contingent liabilities as at 30 June 2018 (2017: nil).

27. Reconciliation of Profit / (Loss) to Cash Flow From Operations

	2018 \$	2017 \$
Profit / (loss) for the year	4,497,876	(792,999)
Adjusted for:		
Depreciation and amortisation	485,385	586,878
Depreciation and amortisation of discontinued operations	-	276,611
Gain on sale of Mad Butcher prior to costs	(6,731,841)	-
Loss on sale of Nosh Group	-	2,258,100
Refinancing costs	(1,677,742)	-
Fixed assets impairment	613,088	-
Goodwill impairment	613,087	-
Impairment of the Mad Butcher Business assets	1,212,086	-
Other non-cash charges	492,290	340,000
Changes in assets and liabilities		
Decrease / (increase) in receivables and prepayments	65,895	(957,830)
Decrease / (increase) in inventories	332	(49,226)
Increase / (decrease) in trade payables and accruals	(120,177)	731,178
Increase / (decrease) in income tax	(871,126)	1,713,882
Net cash inflows from operating activities	(1,420,847)	4,106,594

28. Events After Balance Date

There have been no events subsequent to balance date.



SHAREHOLDER AND STATUTORY INFORMATION

Doolan Brothers, Botany.

SHAREHOLDER AND STATUTORY INFORMATION CONTINUED

Quotation of shares

The Company's shares are listed and quoted on the main board of the equity security market operated by NZX Limited under the ticker code "VIL".

Changes to nature of business

At the beginning of the reporting period, Veritas' mandate was that of an investment company focusing on the food, beverage, franchise and hospitality sectors.

The Company disposed of the Mad Butcher franchisor business operated by Old Butcher Limited (previously Mad Butcher Limited) to Mad Butcher Holdings Limited (previously Yogg Limited) on 23 March 2018.

The sale of the Mad Butcher franchisor business has resulted in The Better Bar Company becoming the sole operating business within Veritas' investment portfolio – thereby shifting the focus of the Group to the hospitality sector. Veritas has the objective of becoming the number one hospitality operator in New Zealand.

Size of Shareholding as at 31 August 2018

Spread of shareholding	Number of shareholders	Number of ordinary shares	% of total ordinary shares on issue
1 – 1,000	184	71,695	0.17
1,001 – 5,000	176	551,126	1.27
5,001 – 10,000	79	643,312	1.49
10,001 – 50,000	84	2,080,253	4.81
50,001 – 100,000	27	1,962,662	4.54
100,001 plus	35	37,955,025	87.73
Total		43,306,618	100.00

Substantial Product Holders

The following shareholders have filed notices with the Company that they are Substantial Product Holders in the Company as at 31 August 2018 (there being a total of 43,306,618 shares on issue at that date).

Shareholder	Number of ordinary shares	%
Michael John Morton & WBM Trustee Limited	15,384,615	35.52
Collins Asset Management Limited	6,166,684	14.24
Timothy John Burcher & Graham Edward Jackson & Richard Christopher Guy Sigley	2,847,235	6.57
Geoffrey Eamon Tuttle & Carl David Sowter	2,385,714	5.51

Directors' Share Holdings as at 31 August 2018

Name	Beneficial Shareholding (number of ordinary shares)	Non-Beneficial Shareholding (number of ordinary shares)
Tim Cook	681,293	-
John Moore	110,000	-
Craig Norris	-	-
Carl Carrington	-	-

Top 20 Shareholders

The following table shows the names and holdings of the top 20 shareholders of the Company as at 31 August 2018.

Shareholder	Shares held	% of Total
1 Michael John Morton & WBM Trustee Limited	15,384,615	35.52
2 Collins Asset Management Limited	6,166,684	14.24
3 Timothy John Burcher & Graham Edward Jackson & Richard Christopher Guy Sigley	2,847,235	6.57
4 Geoffrey Eamon Tuttle & Carl David Sowter	2,385,714	5.51
5 Ambrosia Trustees Limited	1,538,462	3.55
6 HSBC Nominees (New Zealand) Limited	1,169,417	2.70
7 Timothy John Cook	681,293	1.57
8 National Nominees New Zealand Limited	628,348	1.45
9 Custodial Services Limited	570,385	1.32
10 JBWERE (NZ) Nominees Limited	550,000	1.27
11 Bruce Howden Blake	546,296	1.26
12 Brendon Craig Kerr	518,000	1.20
13 James Mark Sheppard	380,223	0.88
14 BNP Paribas Nominees NZ Limited	361,117	0.83
15 Ken & Arlene Eaves Trustee Company Limited	329,079	0.76
16 Rahul Krishan Lai	320,813	0.74
17 Richard George Anthony Kroon	272,629	0.63
18 Michael John Cooper	250,000	0.58
19 Timothy James Mahoney & Jeanette Marie Mcauslin & Patricia Mary Carter	217,392	0.50
20 John Charles Wilkinson & Howard Roger Hill & Henrietta Wilkinson	217,391	0.50

On 25 June 2018, the Company issued 10,759,072 warrants to Pacific Dawn Limited, under which the warrant holder is entitled to acquire up to 19.9% of the ordinary shares of Veritas for no consideration at any time between 28 June 2019 and 27 June 2021.

NZX Waivers

The Company applied for, and was granted, a waiver from NZX Main Board Listing Rule 8.1.7 on 31 May 2018, to permit adjustment to the number of shares to be issued on exercise of the warrants, if Veritas makes a bonus issue of shares, or consolidates or subdivides its shares, so as to maintain the right of the warrant holders to receive 19.9% of the capital of Veritas on exercise of the warrants. Also, if during the term of the warrants Veritas makes any other share issue, the warrant holders will remain entitled to 19.9% of capital, for no consideration, after that share issue. The preceding sentence does not however apply if the share issue is made as consideration for a merger of, or acquisition by, Veritas, or is made to fund an acquisition by Veritas. A copy of the waiver may be viewed at www.veritasinvestments.co.nz.

SHAREHOLDER AND STATUTORY INFORMATION CONTINUED

Directors Remuneration and other Benefits

The table below sets out the total remuneration received by each Director from the Group for the year ended 30 June 2018. See also note 22 to the Financial Statements for details of other benefits received by the Directors from the Company during the year.

Name	Directors Fees	Chairman Fees	Committee Chair Fees	Salary
Tim Cook		\$70,000	\$20,000	
Michael Morton **	\$40,000			\$233,800 *
Sharon Hunter ***	\$17,312			
John Moore	\$40,000		\$10,000	

* Salary from the Group business

** Resigned 25 June 2018

*** Resigned 6 December 2017

Indemnity and Insurance

Veritas has insured and indemnified all of its Directors and Officers against liabilities and costs referred to in sections 162(3), 162(4) and 162(5) of the Companies Act 1993. The insurance and indemnities do not cover liabilities arising from criminal activities.

Employees Remuneration

During the period, the number of employees, not being a Director or a member of the Group, who during the accounting period received remuneration and the value of other benefits exceeding NZ\$100,000 was as follows:

Range \$	No of Employees
160,000 - 169,999	1
270,000 - 279,999	1
360,000 - 369,999	1

Audit Fees

The amount paid to PwC, as auditor of the Group, is as set out in the notes to the financial statements.

Donations

No donations have been made by the Group for the year ended 30 June 2018.

Disclosure of Interests

Entries in the Interests Register made during the year and disclosed pursuant to sections 211(e), 140(1) and 148(2)(b) of the Companies Act 1993 are as follows:

Share Dealings by Directors

Directors conducted no share transactions in respect of the Group in the year ended 30 June 2018.

General disclosure of interests

General disclosure of interests as at 31 August 2018 given by Directors pursuant to section 140(2) of the Companies Act 1993.

Director	Company/Entity	Office
Tim Cook	The Heart Institute Limited	Chairman
	MyWave Limited	Chairman
	MyWave Holdings Limited	Chairman
	Safer Sleep Holdings (NZ) Limited	Director
	Safer Sleep Limited	Director
	Cook Executive Recruitment Limited	Director
	KJV Holdings Limited	Director
	Corporate Advisory Limited	Director
	Distil Skincare Limited	Director
	OldCD Limited (In liquidation)	Director
	Old Butcher Limited	Chairman
	Old NGL Limited (In liquidation)	Chairman
	The Better Bar Company Limited	Chairman
	Veritas Investments Limited	Chairman and Shareholder
	MB Silverdale Limited	Director
	Shakespeare Trust	Trustee
	Cook Investment Trust	Trustee
Craig Norris	Veritas Investments Limited	Director
	STAAH Holdings Limited	Chairman
	STAAH Limited	Chairman
	STAAH Technology Limited	Director
	STAAH Europe Limited (UK)	Director
	AbodeBooking Limited	Director
	SFXIT Limited	Director
	SGB130 Limited	Director
	Joujedno Limited	Director
	Crakel Limited	Director
	Great Union Holdings Limited (HK)	Director
	Flipwards Limited	Director and Shareholder
John Moore	Old Butcher Limited	Director

SHAREHOLDER AND STATUTORY INFORMATION CONTINUED

	Old NGL Limited (In liquidation)	Director
	MB Henderson Limited (In liquidation)	Director
	West Ham Enterprises Limited (In liquidation)	Director
	The Better Bar Company Limited	Director
	Veritas Investments Limited	Director and Shareholder
	Miro Capital Advisory Limited	Director
	Miro Capital Nominees Limited	Director
	Miro Capital Investments Limited	Director
	Port Charlotte Trustee Limited	Director and Shareholder
	Alba Trustee Limited	Director and Shareholder
	Alba Digital Limited	Director
	Islay No 2 Trustee Limited	Director and Shareholder
	The Moore / Rokela Trust	Trustee
	The New Hapkin Trust	Trustee and Beneficiary
Carl Carrington	Veritas Investments Limited	Director
	Hop Revolution Limited	Director
	Minaret Investments Limited	Director
	660 Main Rd Stoke Limited trading as McCashin's Brewery	Director
	Peninsular Trust	Trustee

Craig Norris was nominated as a director by Pacific Dawn Limited, the Company's lender.

Each Director of the Company has a Deed of Indemnity in place under which the Company indemnifies and effects insurance in respect of certain liabilities and obligations incurred by him in his capacity as a director of the Company.

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Corporate DIRECTORY

Nature of Business

Listed Investment Company

Independent Directors

Tim Cook (Chairman)

John Moore

Carl Carrington

Non-Executive Director

Craig Norris

Chief Executive Officer

Geoff Tuttle

Chief Financial Officer

John Hames

Registered Office

Ground Floor, Building B

95 Ascot Avenue

Greenlane

PO Box 17474, Auckland 1546

Share Registrar

Link Market Services Limited

Level 7, Zurich House

21 Queen Street, Auckland

Auditors

PricewaterhouseCoopers

Chartered Accountants

188 Quay Street, Auckland

Private Bag 92162, Auckland 1142

Solicitors

Harmos Horton Lusk Limited

Level 33, Vero Centre

48 Shortland Street

PO Box 28, Auckland 1010

Investor Enquiries

john@thebbc.co.nz

Bankers

Pacific Dawn Limited

Bank of New Zealand

Veritas
Investments Limited