



Veritas
Investments Limited

Interim Report

FOR THE HALF YEAR ENDED
31 DECEMBER

2013



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Chairman's Report

March 2014

Veritas
INVESTMENTS

DEAR SHAREHOLDERS

On behalf of the Veritas Board, it is my pleasure to provide the interim report for Veritas Investments Limited ("Veritas") for the six months ended 31 December 2013.

After completing the reverse acquisition of the Mad Butcher franchisor business in May 2013, the Board has quickly set about its work, particularly by implementing and operating the Mad Butcher business within the governance of a listed company, as well as looking strategically at future acquisitions and growth opportunities.

As noted in our preliminary interim results announcement to NZX on 27 February 2014, despite a tougher retail market than expected, performance for the first six months of the 2014 financial year has been in line with forecasts and the Board has reconfirmed the financial forecast for the full 2014 financial year contained in Veritas' Investment Statement dated 28 March 2013.

NEW ACQUISITION

On 20 December 2013 we announced the acquisition of 50% of Kiwi Pacific Foods Limited, a manufacturer and supplier of meat patties for local and international markets. Kiwi Pacific Foods Limited is a 50/50 joint venture with Antares Restaurant Group, which operates the Burger King franchise in New Zealand. Following an initial settling in period we expect this to be a positive contributor to the Group from the 2015 financial year.

BOARD COMPOSITION

At the last Annual General Meeting, Phil Newland did not seek re-election. We have

now appointed Sharon Hunter as the third Independent Director. Sharon is well respected in the business community, and we were delighted that she joined the Board in February 2014.

ACCOUNTS

The enclosed financial accounts for the six months ended 31 December 2013 reflect the trading of Veritas and its subsidiary, Mad Butcher Limited. They do not include any contribution from Kiwi Pacific Foods Limited due to materiality given that it was purchased immediately before the half year end. It should also be noted that half year comparatives are prior to ownership of Kiwi Pacific Foods Limited by Veritas and only include the Mad Butcher business, therefore these figures have limited value for direct comparison purposes.

DIVIDEND

The Board has approved an interim dividend of 3.94 cents per share and an increase in Veritas' forecast dividend for the 2014 financial year from 60 percent of net profit after tax (NPAT) to 70% of NPAT. 70% is at the top of Veritas' dividend policy range. The record date for the interim dividend is 14 March 2014, with payment to occur on 28 March 2014.

We appreciate the on-going support from both institutional and private shareholders.

Regards



Mark Darrow
Chairman

Business Profile

AS AT 31 DECEMBER 2013

Nature of Business	Listed investment company
Share Capital	37,342,332 Ordinary Shares
Share Registrar	Link Market Services Level 7, Zurich House 21 Queen Street, Auckland
Directors	Independent Directors Mark Darrow (Chairman) Sharon Hunter (appointed February 2014) Stefan Preston Non Independent Directors Tim Cook Shane McKillen Michael Morton
Registered Office	c/- Collins Asset Management Limited Level 3, 4 Viaduct Harbour Avenue Auckland 1141
Date of Incorporation	23 January 2004
Auditors	KPMG 18 Viaduct Harbour Avenue Auckland 1010
Accountants	PWC 188 Quay Street Auckland 1142
Solicitors	Harmos Horton Lusk Limited Level 37, Vero Centre 48 Shortland Street PO Box 28, Auckland 1010 Jackson Russell Level 13, AIG Building 41 Shortland Street PO Box 3451, Auckland 1010
Investor Enquiries	Veritas Investments Limited c/- PO Box 5408 Auckland 1141 investor@veritasinvestments.co.nz

Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

NOTES	6 months to 31 Dec 2013 UNAUDITED \$	6 months to 31 Dec 2012 UNAUDITED \$	12 months to 30 Jun 2013 AUDITED \$
Revenue	14,517,667	14,693,019	29,865,428
Expenses			
Carcass purchases	9,406,273	9,828,035	20,110,286
Advertising and marketing costs	1,182,650	1,209,006	2,376,963
Employee benefits expense	437,248	338,514	553,180
Other expenses	708,627	191,721	919,076
	(11,734,798)	(11,567,276)	(23,959,505)
Earnings before interest, tax, depreciation, amortisation and non-trading transaction impact	2,782,869	3,125,743	5,905,923
Non-trading transaction impact	-	-	4,800,506
Depreciation and amortisation expense	24,980	26,981	102,238
Finance expense / (income)	(52,405)	58,911	110,355
Other losses / (gains) - net	-	-	(30,469)
	27,425	(85,892)	(4,982,630)
Profit / (loss) before income tax	2,810,294	3,039,851	923,293
Income tax expense	(770,000)	(851,000)	(1,770,634)
Total comprehensive income for the period	2,040,294	2,188,851	(847,341)
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE GROUP DURING THE PERIOD:			
Weighted average no. of shares	36,938,267	15,384,615	18,568,830
Earnings per Share (cents per share)	5.52	14.23	(4.56)

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

Statement of Financial Position

AS AT 31 DECEMBER 2013

	6 months to 31 Dec 2013 UNAUDITED \$	6 months to 31 Dec 2012 UNAUDITED \$	12 months to 30 Jun 2013 AUDITED \$
ASSETS			
Cash and cash equivalents	4,562,093	4,525	2,837,307
Restricted cash	75,000	-	75,000
Trade and other receivables	2,437,887	1,272,719	1,193,300
Total current assets	7,074,980	1,277,244	4,105,607
Property plant and equipment	126,995	419,767	101,734
Intangibles - computer software	87,971	-	31,255
Sundry receivables	100,962	-	-
Investment in associate	3,478,856	-	-
Total non-current assets	3,794,784	419,767	132,989
Total Assets	10,869,764	1,697,011	4,238,596
LIABILITIES			
Borrowings	-	949,232	-
Trade and other payables	1,932,237	827,736	1,502,587
Income tax payable	1,027,165	1,303,946	265,941
Total current liabilities	2,959,402	3,080,914	1,768,528
Borrowings	2,800,000	1,060,000	-
Total non-current liabilities	2,800,000	1,060,000	-
Total Liabilities	5,759,402	4,140,914	1,768,528
Net Assets / (Net Liabilities)	5,110,362	(2,443,903)	2,470,068
EQUITY			
Share capital	27,555,187	100	26,955,187
Retained earnings	(22,444,825)	(2,444,003)	(24,485,119)
Total Equity / (Deficit)	5,110,362	(2,443,903)	2,470,068

For and on behalf of the Board of Directors who authorised these financial statements for issue on 27 February 2014:



Mark Darrow (Chairman)
27 February 2014



Michael Morton (Director)
27 February 2014

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

Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	SHARE CAPITAL \$	RETAINED EARNINGS \$	TOTAL EQUITY \$
Balance at 1 July 2012	100	(1,056,488)	(1,056,388)
Total Comprehensive Income for the period			
Profit for the period		2,188,851	2,188,851
Transactions with owners			
Distributions to company shareholders		(1,826,364)	(1,826,364)
Dividend paid		(1,750,000)	(1,750,000)
Balance at 31 December 2012 - UNAUDITED	100	(2,444,001)	(2,443,901)
Balance at 1 July 2012	100	(1,056,488)	(1,056,388)
Total Comprehensive Income for the year			
Loss for the year		(847,341)	(847,341)
Transactions with owners			
Shares issued (net of issue costs)	23,333,466		23,333,466
Shares issued to acquire Veritas Investments Limited	3,621,621		3,621,621
Distribution to Mad Butcher Holdings Limited		(19,938,375)	(19,938,375)
Dividends paid		(2,642,915)	(2,642,915)
Total contributions by / (distributions to) owners	26,955,087	(22,581,290)	4,373,797
Balance at 30 June 2013 - AUDITED	26,955,187	(24,485,119)	2,470,068
Balance at 1 July 2013	26,955,187	(24,485,119)	2,470,068
Total Comprehensive Income for the period			
Profit for the period		2,040,294	2,040,294
Transactions with owners			
Shares issued	600,000		600,000
Balance at 31 December 2013 - UNAUDITED	27,555,187	(22,444,825)	5,110,362

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

Statement of Cash Flows

FOR THE HALF YEAR ENDED ENDED 31 DECEMBER 2013

NOTE	6 months to 31 Dec 2013 UNAUDITED \$	6 months to 31 Dec 2012 UNAUDITED \$	12 months to 30 Jun 2013 AUDITED \$
Cash from customers	13,273,080	14,338,659	29,776,384
Cash paid to suppliers and employees	(11,310,547)	(11,751,309)	(25,669,102)
Interest / dividends received	52,439	1,936	11,861
Interest paid	(34)	(60,847)	(121,747)
Tax paid	(3,377)	(517)	(881,000)
Net cash inflows from operating activities	2,011,561	2,527,922	3,116,396
Purchase of property plant and equipment	(106,957)	-	-
Acquisition of associate	(2,878,856)	-	-
Net cash inflows / (used in) investing activities	(2,985,813)	-	-
Proceeds from share Issue	-	-	23,333,466
Distributions to company shareholders	-	(1,826,364)	(19,938,375)
Dividend paid	-	(1,750,000)	(2,642,915)
Bank borrowings taken out / (repaid)	2,800,000	-	(1,060,000)
Franchisee advances repaid / (advanced)	(100,962)	20,000	20,000
Net cash inflows / (used in) financing activities	2,699,038	(3,556,364)	(287,824)
Net increase / (decrease) in cash and cash equivalents	1,724,786	(1,028,442)	2,828,572
Cash and cash equivalents at beginning of period	2,912,307	83,735	83,735
Cash and cash equivalents at end of period	4,637,093	(944,707)	2,912,307
Cash and bank balances	4,562,093	(944,707)	2,837,307
Restricted cash	75,000	-	75,000
	4,637,093	(944,707)	2,912,307

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

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

1. GENERAL INFORMATION

These condensed interim financial statements have been approved for issue by the Board of Directors on 27 February 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements for the half-year ended 31 December 2013 have been prepared in accordance with New Zealand generally accepted accounting policies (NZ GAAP). They comply with NZ IAS 34 and IAS 34 *“Interim Financial Reporting”*.

These condensed interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial statements for the year ended 30 June 2013 which have been prepared in accordance with International Financial Reporting Standards (IFRS) and New Zealand equivalents to IFRS (NZ IFRS).

Reporting entity

Veritas Investment Limited (“Veritas”, or the “Company”) is a limited liability company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (“NZX”). The Company is an issuer in terms of the Financial Reporting Act 1993.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Consolidated financial statements are presented. The consolidated financial statements of the Company as at and for the half-year ended 31 December 2013 comprise the Company and its subsidiary, Mad Butcher Limited (“MBL”), together referred to as the “Group”.

The Group is engaged in coordinating the national marketing and product procurement for the individual Mad Butcher franchises, as well as providing support for the franchises.

Accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

The notes form part of and should be read in conjunction with these Financial Statements.

3. ASSOCIATES

On 20 December 2013 Veritas acquired 50% of Kiwi Pacific Foods Limited for \$3.4 million, comprising \$2.8 million in cash and \$0.6 million in VIL shares (434,783 shares issued). The \$2.8 million cash element of the acquisition was funded by a 3-year, \$3 million facility from ANZ Bank. KPF's net assets at acquisition were (in \$000s):

Land, Buildings, Plant & Machinery	1,140
Current Assets	2,605
Current Liabilities	(2,732)
	1,013

4. RELATED PARTY TRANSACTIONS

Veritas acquired the Mad Butcher Business from Mad Butcher Holdings Limited (MBH) on 8 May 2013. As at 31 December 2013, the Business owes \$nil to MBH. MBH is owned by a Director of Veritas.

Collins Asset Management Limited, a shareholder in Veritas, provides accounting, office and recruitment services to the Company. Veritas paid \$4,639 to Collins Asset Management Limited for those services in the 6 months to 31 December 2013. Collins Asset Management Limited holds 6,157,184 shares in the Company.

Mr Timothy Cook, a Director of Veritas Investment Limited and Collins Asset Management Limited, held 600,000 shares in the Company as at 31 December 2013.

5. COMMITMENTS

The Group has no capital commitments as at 31 December 2013 (31 December 2012: \$nil; 30 June 2013: \$nil).

6. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2013 (31 December 2012: \$nil; 30 June 2013: \$nil).

7. DIVIDEND PAID OR AUTHORISED

The Mad Butcher Business paid dividends amounting to \$2,642,915 during the year ended 30 June 2013 (6 months ended 31 December 2012: \$1,750,000). In connection with the transaction, a distribution of \$19.94m was made on 8 May 2013 (6 months to 31 December 2012: \$1.83m).

Dividends not recognised at the end of the half-year

Subsequent to 31 December 2013, the Directors have recommended the payment of an interim dividend of 3.94 cents per ordinary share. The aggregate amount of the proposed dividend, expected to be paid on 28 March 2014 but not recognised as a liability at 31 December 2013, is \$1.47 million.

8. RECONCILIATION OF NET PROFIT AFTER INCOME TAX TO CASH FLOW FROM OPERATIONS

	6 months to 31 Dec 2013 UNAUDITED \$	6 months to 31 Dec 2012 UNAUDITED \$	12 months to 30 Jun 2013 AUDITED \$
Profit / (Loss) for the period	2,040,294	2,188,851	(847,341)
Adjusted for non-cash:			
Depreciation and amortisation	24,980	26,981	102,238
Non-trading transaction impact			4,800,506
Other			(12,482)
Changes in assets and liabilities:			
(Increase) / decrease in receivables	(1,244,587)	(354,360)	(102,686)
(Decrease) / increase in trade payables	429,650	(184,034)	(636,319)
(Decrease) / increase in income tax payable	761,224	850,484	(187,520)
Net cash inflow from operating activities	2,011,561	2,527,922	3,116,396

The notes form part of and should be read in conjunction with these Financial Statements.

9. SEGMENT REPORTING

Activities from which reportable segments derive their revenues

Within the Mad Butcher Business, the CEO considers operations from the perspective of the contribution made by product sales, and franchise and advertising services rendered. Contribution excludes an allocation of employee benefits expense, other expenses, depreciation and amortisation, finance expense, bad debt expense and other expense / gains / losses as shown on the statement of comprehensive income. Separate profit before tax for product sales and franchise / advertising services activities is not disclosed as this would require an estimated allocation of these costs, which is not carried out in the Business profitability information reported to the CEO. Likewise, assets and liabilities by operating segment are not presented, because that information is not provided to the CEO. Product sales comprises the revenue of carcass sales by the Business to stores, plus the rebate income earned by the Business from suppliers of lamb, pork, poultry and meat products sold to stores.

Franchise services represent the franchise fees levied by the Business to stores. Advertising services represent the revenue from advertising provided to franchise stores, net of external media costs.

Other information

Geographical

The Group operates within New Zealand, and derived no revenue from foreign countries for the period ended 31 December 2013 (31 December 2012: \$nil; 30 June 2013: \$nil).

Information about major customers

No single customer contributed 10% or more to the Group's revenue for the period ended 31 December 2013 (31 December 2012: \$nil; 30 June 2013: \$nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Segment Information

	PRODUCT SALES \$	FRANCHISE SERVICES \$	ADVERTISING SERVICES \$	TOTAL EQUITY \$
Half-year ended 31 December 2012				
Carcass revenue	10,355,769			10,355,769
Carcass purchases	(9,828,035)			(9,828,035)
Carcass margin	527,734			
Suppliers rebates	2,474,845			2,474,845
Franchise fees		279,389		279,389
Advertising income			1,583,016	1,583,016
Advertising and marketing costs			(1,209,006)	(1,209,006)
Contribution	3,002,579	279,389	374,010	3,655,978
Employee benefits expense				(338,514)
Other expenses				(191,721)
Depreciation and amortisation expense				(26,981)
Finance expense - net				(58,911)
Profit before income tax - UNAUDITED				3,039,851

The notes form part of and should be read in conjunction with these Financial Statements.

	PRODUCT SALES \$	FRANCHISE SERVICES \$	ADVERTISING SERVICES \$	TOTAL EQUITY \$
Full-year ended 30 June 2013				
Carcass revenue	21,357,436			21,357,436
Carcass purchases	(20,110,286)			(20,110,286)
Carcass margin	1,247,150			
Suppliers rebates	4,636,928			4,636,928
Franchise fees		554,928		554,928
Advertising income			3,316,136	3,316,136
Advertising and marketing costs		(2,376,963)	(2,376,963)	
Contribution	5,884,078	554,928	939,173	7,378,179
Employee benefits expense				(553,180)
Other expenses				(919,076)
Depreciation and amortisation expense				(102,238)
Finance expense - net				(110,355)
Other gains - net				30,469
Profit before income tax and non-trading transaction impact				5,723,799
Non-trading transaction impact				(4,800,506)
Profit before income tax - AUDITED				923,293

The notes form part of and should be read in conjunction with these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	PRODUCT SALES \$	FRANCHISE SERVICES \$	ADVERTISING SERVICES \$	TOTAL EQUITY \$
Half-year ended 31 December 2013				
Carcass revenue	10,079,385			10,079,385
Carcass purchases	(9,406,273)			(9,406,273)
Carcass margin	673,112			
Suppliers rebates	2,459,239			2,459,239
Franchise fees		292,715		292,715
Advertising income			1,686,328	1,686,328
Advertising and marketing costs			(1,182,650)	(1,182,650)
Contribution	3,132,351	292,715	503,678	3,928,744
Employee benefits expense				(437,248)
Other expenses				(708,627)
Depreciation and amortisation expense				(24,980)
Finance income - net				52,405
Profit before income tax - UNAUDITED				2,810,294

To the shareholders of Veritas Investments Limited

We have completed a review of the interim financial statements on pages 4 to 14 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board. The financial statements provide information about the past financial performance of Veritas Investments Limited and its subsidiaries (the group) and its financial position as at 31 December 2013.

Directors' responsibilities

The Directors of Veritas Investments Limited are responsible for the preparation of interim financial statements which give a true and fair view of the financial position of the group as at 31 December 2013 and the results of its operations and cash flows for the six month period ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of group personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Subject to certain restrictions, partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditors of the group. The firm has no other relationship with, or interest in, the group.

Review opinion

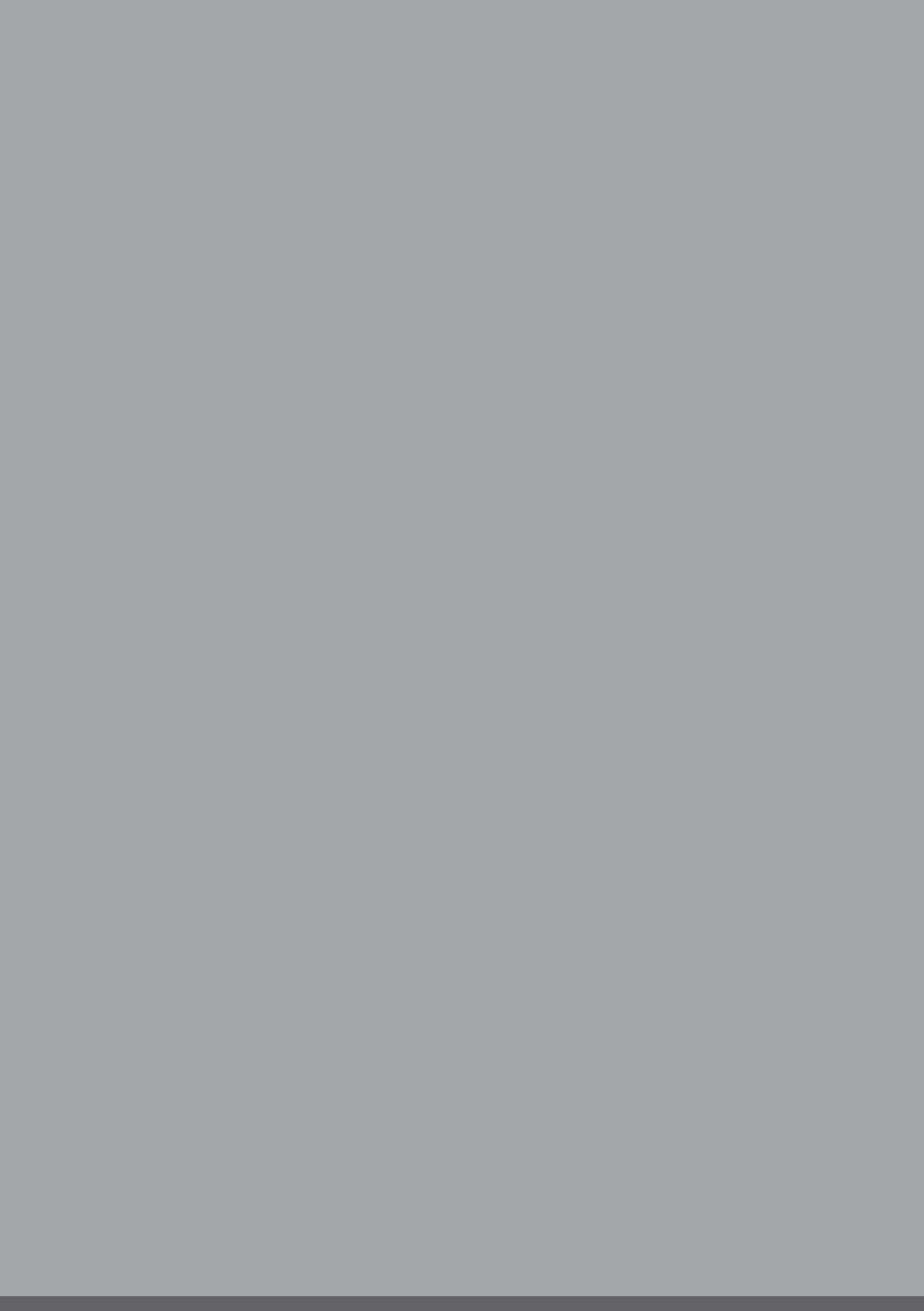
Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 4 to 14 do not give a true and fair view of the financial position of group as at 31 December 2013 and the results of its operations and cash flows for the six month period ended on that date in accordance with NZ IAS 34 Interim Financial Reporting.

Our review was completed on 27 February 2014 and our opinion is expressed as at that date.



Auckland

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