NZX Release

29 August 2017

VIL Preliminary results announcement for FY17

Veritas Investments Limited (NZX: VIL) reports an unaudited net loss of $(792,999) for the year ended 30 June 2017, compared to a net loss of $(4,591,622) in FY16. This is an improvement of $3,798,623 or 83%. This is after significant items net of tax of $(143,988), compared to $(5,399,362) in FY16. Losses from operations held for sale and discontinued operations were $(4,854,807), compared to $(3,993,162) in FY16.

The net profit after tax from continuing operations was $4,061,808, compared to a net loss of $(598,460) in FY16. This is an improvement of $4,660,268. Veritas' underlying net profit after tax for continuing operations prior to significant items[1] was $4,205,796, compared to $4,800,903 in FY16. This is a decrease of $(595,107) or 12%.

Veritas' underlying net profit after tax for continuing operations prior to significant items of $4.2 million for FY17 is in line with the guidance range provided to the market on 28 February 2017 of $3.7- $4.3 million. Revenue was $30.8 million compared to the guidance range of $26-$31 million and EBITDA prior to significant items was $8.2 million compared to the guidance range of $7.9-$8.5 million. Operating cash flow improved significantly over the previous year from $1.4 million to $4.1 million, an improvement of 190%.

A reconciliation of the Group's reported result complying with generally accepted accounting practice (GAAP), from our underlying NPAT is as follows:

[1] Underlying NPAT for continued operations is net profit after tax from continuing operations excluding significant items. Please refer to the Appendix to this announcement.

GAAP to non-GAAP profit reconciliation	Year ended 30 June 2017 $000	30 June 2016 $000
Underlying NPAT from continuing operations prior to significant items	4,206	4,801
Significant items (net of tax):		
Restructuring costs	(144)	(159)
Litigation costs in respect of Kiwi Pacific Foods arbitration	-	(227)
Impairment of carrying value of Kiwi Pacific Foods	-	(2,900)
Impairment of carrying value of accounts receivable	-	(1,567)
Loss on disposal of Hamilton bars	-	(340)
Tax expense in respect of prior year	-	(207)
Net profit from continuing operations	4,062	(598)
Discontinued items (net of tax):		
Loss on closure of warehouse	-	(33)
Gain on disposal of Constellation Drive net of transaction costs	-	200
Impairment of and loss on sale of Mad Butcher stores	(126)	(1,117)
Trading losses of Mad Butcher stores	(1,007)	(1,158)
Trading losses of Nosh Group	(1,143)	(1,807)
Trading losses of Nosh Constellation Drive	-	(78)
Loss on disposal of Nosh including sales costs	(2,579)	-
Reported net loss for the year	**(793)**	**(4,592)**

Commentary on Veritas' individual businesses is detailed below:

Mad Butcher

The market has been very competitive during the year. Three franchised stores closed, Tauranga, Mangere and Papanui, which has reduced and impacted the Mad Butcher's revenue and earnings. The company is focusing on improving the profitability within each franchise and is introducing a number of initiatives to assist with driving profitability.

The Mad Butcher generated EBITDA[2] of $3,650,453 in the year, compared to $2,398,843 in FY16. EBITDA prior to significant items was $3,650,453 in the year, compared to $4,574,720 in FY16.

[2] EBITDA is earnings before interest, tax, depreciation and amortisation.

There are currently 31 Mad Butcher stores in the Group, 28 of which are franchised and three are company owned. The Board is considering a range of options for these company owned stores, including their sale or potential closure, in conjunction with other strategic initiatives for the Mad Butcher.

The Better Bar Company

The Better Bar Company exceeded its forecast for the year, generating EBITDA of $5,919,570, compared to $5,037,290 in FY16. EBITDA prior to significant items was $5,919,570 in the year, compared to $5,509,085 in FY16. All bars in the Group are profitable with several significantly exceeding their forecasts. Those in the Viaduct/waterfront area of Auckland enjoyed very strong patronage from activities such as the Lions tour and increased tourism.

Nosh

Nosh Group Limited (now Old NGL Limited) sold its business and assets on 24 February 2017 to Gosh Holding Limited (now Nosh Group Limited (in receivership)) for a loss on sale of $2.6 million after tax. This compares with the guidance range of $2.2-$2.6 million. As a term of that sale the purchaser agreed to take over the business contracts, all leases, pay employee entitlements and pay existing trade creditors of Old NGL Limited. At the time the directors of Old NGL were led to believe that the purchaser would comply with those obligations but they have not.

Old NGL Limited commenced proceedings in the High Court against Nosh Group Limited, who were subsequently placed into receivership on 14 July 2017. Judgment has been granted in Old NGL Limited's favour for just over $1.9 million. The directors of Veritas now believe that any material payment of the judgment debt is unlikely and have today resolved to appoint Iain Shephard and Jessica Kellow of ShephardDunphy as liquidators of Old NGL Limited to affect an orderly wind-up of the company's affairs.

As the parent company of Old NGL Limited, Veritas Investments Limited is not exposed to any third party for any obligations of Old NGL Limited, other than under one lease, which has been fully provided for in the accounts.

Unaudited accounts – Going Concern basis

The financial statements attached are unaudited. They have been prepared under the going concern basis and the Directors have disclosed a number of uncertainties that exist in regard to this assumption in note 1.

The ANZ Bank have advised they do not intend to renew the banking facilities when they fall due in October and November 2017, and through to September 2019. These factors result in a material uncertainty which casts significant doubt over the Group's ability to continue as a going concern.

The Directors are working through a number of options which may include the potential sale or merger of the business units with external parties to the Group, or recapitalisation and/or refinancing of the Group with alternative banking arrangements, or some combination of all of these.

In preparing the financial statements, the Directors have assessed the Group's ability to continue as a going concern. In determining this assessment, the Directors conducted a comprehensive review of the financial position of the Group, the carrying value of its assets, the level of debt and facilities the Group has at 30 June 2017 and its forecast financial results for the next 12 months subsequent to the date of issue of these financial statements and the options for the Group noted above.

The Directors acknowledge that if the Group is unable to obtain alternative sources of funding, within the required timeframe to enable the repayment of the bank debt, or receive an extension of timing of debt repayments to the bank to enable the Group to execute any of the above options, then the going concern assumption would not be appropriate.

Whilst material uncertainties exist, the Directors consider that there is a reasonable expectation that the above options can be executed and that the ANZ will support the Group through this process. Taking this into account and 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.

No dividend

The Board has resolved that no dividend will be declared for the year ended 30 June 2017.

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About Veritas Investments Limited

Veritas Investments is an NZX Main Board-listed investment company focusing in the Food and Beverage, Franchise and Hospitality sectors. The shell company was taken over in December 2011 and made its first acquisition of the Mad Butcher franchisor business in May 2013 through a reverse acquisition transaction. In November 2014 Veritas acquired The Better Bar Company group business.

www.veritasinvestments.co.nz

APPENDIX

Non-GAAP profit measures

Veritas' standard profit measure under New Zealand GAAP is net profit. Veritas has used non-GAAP profit measures when discussing financial performance in this document. The Directors and management believe that these measures provide useful information as they are used internally to evaluate performance of business units, establish operational goals and allocate resources.

Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by Veritas in accordance with NZ IFRS.

Definitions:

Underlying NPAT:

Net profit after tax from continuing operations, excluding significant items.