Veritas
Investments Limited

NZX Release

29 August 2018

VIL Preliminary results announcement for FY18

Veritas Investments Limited's (Veritas, VIL 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 reports 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. This is 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 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 profit 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 net profit after tax for continuing operations prior to significant items[1] was $1,457,530, compared to $1,578,965 in FY17. This is a decrease of $(121,435) or 7.7%.

Veritas' underlying net profit after tax for continuing operations prior to significant items 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.

A reconciliation of the Group's reported results 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.

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GAAP to non-GAAP profit reconciliation	Year ended	
	30 June 2018	30 June 2017
	$000	$000
Underlying NPAT from continuing operations prior to significant items	1,458	1,579
Significant items (net of tax):		
Fixed assets impairment	(441)	-
Goodwill impairment	(613)	-
Gain on sale and leaseback expense	(139)	-
Restructuring and advisory costs	(603)	(144)
Net profit from continuing operations	(339)	1,435
Discontinued items (net of tax):		
Trading losses of the company-owned Mad Butcher stores	(690)	(1,007)
Impairment of the company-owned Mad Butcher stores	(642)	(126)
Trading profits of Mad Butcher business	824	2,627
Impairment of the Mad Butcher business assets	(887)	-
Gain on sale of the Mad Butcher business after costs	6,294	-
Trading losses of Nosh Group	-	(1,143)
Loss on disposal of Nosh including sales costs	(62)	(2,579)
Reported net profit / (loss) for the year	**4,498**	**(793)**

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 today of the current Chief Executive of The BBC, Geoff Tuttle, as Chief Executive of the VIL Group. 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 VIL Group but through identifying suitable growth opportunities in the hospitality sector.

Audited accounts – Qualification

The financial statements attached are 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 in 2017 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 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.

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About Veritas Investments Limited

Veritas Investments is an NZX Main Board-listed investment company focusing in the Beverage and Hospitality sectors. Veritas acquired The Better Bar Company group business in November 2014.

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 announcement. The Directors and management believe that these measures provide useful information as they are used internally to evaluate the performance of the Group, 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 announcement 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.