

NZX Release

27 February 2018

Preliminary results announcement for first half of FY18

Veritas Investments Limited (NZX: VIL) announces that its unaudited net profit after tax (NPAT) for the six months to 31 December 2017 was \$152,554, compared to a net profit of \$1,205,546 in the previous corresponding period, a decline of \$1,052,992.

The Group announced on 20 December 2017 a conditional agreement to sell the Mad Butcher business to Yogg Limited. The results of its operations have therefore been reclassified to discontinued operations and assets held for sale in this interim period.

The Underlying NPAT from continuing operations and before significant items (Underlying NPAT) improved by 13% to \$1,089,164 in the reporting period, compared to \$965,065 in the previous corresponding period. There were significant losses consisting of restructuring and advisory costs of \$(539,345) after tax in the first half of FY18, compared to none in the first half of FY17. Operating cash flow improved by 7% to \$1,965,612, from \$1,833,467 in the previous period.

Net revenue for the period, which relates solely to The Better Bar Company was \$12,195,959 compared to \$11,972,399 in the six months to 31 December 2016, an increase of 2%. Total losses from discontinued operations were \$(397,265) in the first half of FY18 compared to a profit of \$240,481 in the first half of FY17.

A reconciliation of the VIL Group's Underlying NPAT to its reported result complying with generally accepted accounting practice (GAAP) is as follows.

Non-GAAP to GAAP profit reconciliation	Half year ended	
	31 Dec 2017 \$000	31 Dec 2016 \$000
NPAT from continuing operations before significant items (Non-GAAP Underlying NPAT)	1,089	965
Significant items (net of tax):		
Restructuring and advisory costs	(539)	-
NPAT from continuing operations (GAAP)	550	965
Trading losses of Mad Butcher Stores	(395)	(489)
Trading profits of Mad Butcher Business	837	1,549
Impairments and costs on sale of Mad Butcher business and stores	(839)	(74)
Trading losses of Nosh Group	-	(721)
Loss on disposal of Nosh including sales costs	-	(24)
NPAT (GAAP)	153	1,206

Commentary on Veritas' individual businesses is detailed below:

Mad Butcher

As announced on 20 December 2017 the Group has a conditional agreement to sell the Mad Butcher business to Yogg Limited. The notice for a special shareholders meeting to approve the sale, along with the independent appraisal report from Simmons Corporate Finance will be sent to the shareholders once the date for the shareholders meeting has been determined. The results of its operations have therefore been reclassified to discontinued operations and assets held for sale.

The Mad Butcher franchisor business generated revenue of \$2.3 million in the five months to 30 November 2017 compared to \$3.2 million in the comparative period. The proposed sale of the Mad Butcher business has an effective date of 1 December 2017 and accordingly no income has been recognised from that date. The results of the Mad Butchers business has been included as a discontinued operation. During the period the net profit after tax was \$837,187, compared to \$1,548,697 for the comparative period. In addition the Group wrote-off assets and incurred costs on sale of \$(838,943) after tax.

The Better Bar Company

The Better Bar Company exceeded its targets for the period, with the bars earning EBITDA of \$3,137,988 in the period compared to \$3,081,255 in 2016, or an improvement of 2%. All of the bars are profitable.

No interim dividend

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