NIVEUS

INVESTMENTS LIMITED

Reg. no: 1996/005744/06

UNAUDITED

GROUP INTERIM RESULTS

for the six months ended 30 September 2013

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2013 R'000	Unaudited 30 September 2012 R'000	Audited 31 March 2013 R'000
ASSETS			
Non-current assets	**606 309**	660 420	569 750
Property, plant and equipment	**487 352**	289 738	452 170
Investment properties	**3 700**	3 700	3 700
Goodwill	**49 730**	49 730	49 730
Interest in associates and joint ventures	**15 365**	294 122	15 141
Other intangible assets	**26 128**	6 625	27 229
Deferred taxation	**18 403**	9 412	15 553
Non-current receivables	**5 631**	7 093	6 227
Current assets	**1 433 409**	265 777	1 533 308
Other	**1 200 295**	127 265	1 273 343
Bank balances and deposits	**233 114**	138 512	259 965
Non-current assets held for sale	**–**	1 982	–
Total assets	**2 039 718**	928 179	2 103 058
EQUITY AND LIABILITIES			
Equity	**1 439 586**	475 724	1 444 738
Equity attributable to equity holders of the parent	**894 626**	500 645	860 241
Non-controlling interests	**544 960**	(24 921)	584 497
Non-current liabilities	**213 685**	263 385	229 528
Deferred taxation	**28 547**	37	34 797
Borrowings	**182 691**	262 676	192 693
Operating lease equalisation liability	**2 447**	672	2 038
Current liabilities	**386 447**	185 301	428 792
Non-current liabilities held for sale	**–**	3 769	–
Total equity and liabilities	**2 039 718**	928 179	2 103 058
Net asset value per share (cents)	**784**	467	764
Net tangible asset value per share (cents)	**717**	416	696

ABRIDGED CONSOLIDATED INCOME STATEMENT

	Unaudited Six months ended 30 September 2013 R'000	Unaudited Six months ended 30 September 2012 R'000	Audited Year ended 31 March 2013 R'000
Revenue	**443 343**	92 542	200 525
Net gaming win	**396 988**	292 742	655 611
Group revenue	**840 331**	385 284	856 136
Other income	**2 507**	–	9 023
Other operating expenses	**(764 080)**	(303 833)	(693 632)
EBITDA	**78 758**	81 451	171 527
Depreciation and amortisation	**(52 058)**	(31 376)	(71 898)
	26 700	50 075	99 629
Investment income	**6 514**	1 132	5 514
Finance costs	**(8 634)**	(10 447)	(16 273)
Share of profits of associates and joint ventures	**423**	(16 305)	(14 722)
Gain on bargain purchase	**–**	–	259 781
Other impairment reversals	**689**	–	5 539
Asset impairments	**(1 614)**	–	(2 880)
Impairment of goodwill, investments and receivables	**–**	(757)	(343)
Profit before taxation	**24 078**	23 698	336 245
Taxation	**(13 159)**	(14 070)	(30 868)
Profit for the year from continuing operations	**10 919**	9 628	305 377
Discontinued operations	**–**	(105)	(16 178)
Profit for the year	**10 919**	9 523	289 199
Attributable to:			
Equity holders of the parent	**15 396**	8 791	290 414
Non-controlling interests	**(4 477)**	732	(1 215)
	10 919	9 523	289 199

Reconciliation of headline earnings	**Unaudited Six months ended 30 September 2013 R'000**		Unaudited Six months ended 30 September 2012 R'000		Audited Year ended 31 March 2013 R'000	
	Gross	**Net**	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		**15 396**		8 791		290 414
IAS 16 (Gains)/losses on disposal of plant and equipment	**(807)**	**(532)**	1 186	1 096	238	107
IAS 16 Impairment of plant and equipment	**1 614**	**1 162**	–	–	2 880	2 074
IFRS 3 Impairment of goodwill	**–**	**–**	757	757	343	343
IFRS 3 Gain on bargain purchase	**–**	**–**	–	–	(259 781)	(259 781)
IAS 27 Loss from disposal of subsidiary	**–**	**–**	–	–	9 555	9 555
Re-measurements included in equity-accounted earnings of associates	**–**	**–**	–	(136)	(147)	(147)
Headline profit		**16 026**		10 508		42 565

ABRIDGED CONSOLIDATED INCOME STATEMENT *continued*

	Unaudited Six months ended 30 September 2013	Unaudited Six months ended 30 September 2012	Audited Year ended 31 March 2013
Earnings per share (cents)			
Basic	**13,6**	10,6	301,3
– Continuing operations	**13,6**	10,7	318,1
– Discontinued operations	**–**	(0,1)	(16,8)
Headline	**14,2**	12,7	44,2
– Continuing operations	**14,2**	12,8	50
– Discontinued operations	**–**	(0,1)	(5,8)
Diluted basic	**13,6**	10,6	301,3
– Continuing operations	**13,6**	10,7	318,1
– Discontinued operations	**–**	(0,1)	(16,8)
Diluted headline	**14,1**	12,7	44,2
– Continuing operations	**14,1**	12,8	50
– Discontinued operations	**–**	(0,1)	(5,8)
Weighted average number of shares in issue ('000)	**112 908**	82 876	96 373
Actual number of shares in issue at end of period ('000)	**114 132**	107 119	112 619
Weighted average number of shares in issue (diluted) ('000)	**113 553**	82 876	96 373

ABRIDGED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September 2013 R'000	Unaudited Six months ended 30 September 2012 R'000	Audited Year ended 31 March 2013 R'000
Profit for the period	**10 919**	9 523	289 199
Other comprehensive income:			
Foreign currency translation differences	**267**	30	96
Total comprehensive income	**11 186**	9 553	289 295
Attributable to:			
Equity holders of the parent	**15 430**	8 821	290 510
Non-controlling interests	**(4 244)**	732	(1 215)
	11 186	9 553	289 295

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 30 September 2013 R'000	Unaudited Six months ended 30 September 2012 R'000	Audited Year ended 31 March 2013 R'000
Balance at beginning of year	**1 444 738**	24 879	24 879
Stated capital			
Shares issued	**19 059**	673 958	745 457
Current operations			
Total comprehensive income	**11 186**	9 553	289 295
Equity-settled share-based payments	**874**	–	–
Common control reserve	**–**	(207 543)	(208 304)
Effects of changes in holding	**(16 000)**	–	7 169
Minority interest on acquisition of subsidiaries	**–**	(25 123)	588 762
Capital reductions and dividends	**(20 271)**	–	(2 520)
Balance at end of period	**1 439 586**	475 724	1 444 738

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 September 2013 R'000	Unaudited Six months ended 30 September 2012 R'000	Audited Year ended 31 March 2013 R'000
Cash flows from operating activities	**(23 285)**	96 074	216 908
Cash flows from investing activities	**(37 737)**	(66 661)	(37 193)
Cash flows from financing activities	**286**	97 942	69 146
(Decrease)/increase in cash and cash equivalents	**(60 736)**	127 355	248 861
Cash and cash equivalents			
At beginning of period	**259 965**	11 139	11 139
Foreign exchange difference	**267**	18	(35)
At end of period	**199 496**	138 512	259 965
Bank balances and deposits	**233 114**	138 512	259 965
Bank overdrafts included under current liabilities	**(33 168)**	–	–
Cash and cash equivalents	**199 496**	138 512	259 965

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SEGMENTAL ANALYSIS

Revenue	**Unaudited Six months ended 30 September 2013 R'000**	Unaudited Six months ended 30 September 2012 R'000	Audited Year ended 31 March 2013 R'000
Gaming and entertainment	**13 642**	7 469	24 960
Beverages	**429 701**	–	175 565
Vehicle component manufacturing	**–**	85 073	–
Total	**443 343**	92 542	200 525
Net gaming win			
Gaming and entertainment	**396 988**	292 742	655 611
Total	**396 988**	292 742	655 611
EBITDA			
Gaming and entertainment	**107 599**	86 134	186 070
Vehicle component manufacturing	**–**	(2 920)	–
Beverages	**(7 699)**	–	(4 496)
Head office	**(21 142)**	(1 763)	(10 047)
Total	**78 758**	81 451	171 527
Profit before taxation			
Gaming and entertainment	**60 878**	48 849	106 541
Vehicle component manufacturing	**–**	(7 177)	–
Beverages	**(17 913)**	(16 305)	(23 873)
Head office	**(18 887)**	(1 669)	253 577*
Total	**24 078**	23 698	336 245

** Profit before tax includes gain on bargain purchase*

NOTES AND COMMENTARY TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation and accounting policies

The results for the six months ended 30 September 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure of IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Board, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, 2008 (as amended) and the Listings Requirements of the JSE Limited. The accounting policies of the group are consistent with those applied for the year ended 31 March 2013. As required by the Listings Requirements of the JSE Limited, the group reports headline earnings in accordance with Circular 2/2013: Headline Earnings as issued by the South African Institute of Chartered Accountants. The interim financial statements have not been audited nor independently reviewed and were prepared under the supervision of the financial director, Ms Muriel Loftie-Eaton CA(SA).

Vukani

Vukani contributed R87 million to group gaming EBITDA. The EBITDA includes R15 million in share-based payment costs that are not expected to recur at the same rate in future. EBITDA is in line with budget, with the higher gross gaming revenue ("GGR") per limited payout machine ("LPM") compensating for LPM roll-out which is slower than anticipated. While the number of LPMs has not increased significantly since year-end, the approvals pipeline is better than previous periods. Additional LPM roll-out remains contingent on gaming and liquor board meetings, with the KwaZulu-Natal ("KZN") roll-out in particular being hampered by a significant backlog of applications at the liquor board. The delays previously experienced in the Gauteng Province appear to have subsided.

We remain concerned about the number of illegal gaming operations in the country and are engaging with the regulators to assist in addressing the problem which, if not addressed, will have a negative impact on our business.

The gaming industry has taken notice of the potential of sports betting and our competitors have started to acquire sports betting licences during the last 12 months. We have been involved in the industry for the last 24 months and have been operating our own sports betting site for the last 12 months. Plans to participate in the industry are in place and can be expanded if we are comfortable with our position in the market, the potential returns of the business and our risk management systems. We have been granted sports-betting licences in the Western Cape.

The number of LPMs at 30 September 2013 was 4 459, with an average GGR per LPM of R16 831 for the six months ended 30 September 2013. Operational overheads increased by R23 million from R80 million in the comparative period, mainly due to the provision for share-based payment costs and foreign exchange losses on unhedged foreign payables for LPM purchases.

Bingo

Trading in the key Gauteng market has exceeded the budget and the prior year's trading, with Gauteng sites continuing to grow faster than the provincial gaming growth rate. Our integrated product offering, including our Galaxy Grill concept, appears to have been well received by the market and our operational service is improving continuously.

Bingo contributed R18 million to group EBITDA and R7 million to net profit after taxation.

The group was granted two licences in the Eastern Cape, one of which is in Port Elizabeth. It is expected that trading under these licences will commence in the first quarter of 2014.

We await the finalisation of the licences in KZN where the gaming board has indicated that it intends to reduce the number of potential Bingo licences by 30%. To date we are the only active operator in KZN, located in Amanzimtoti.

Significant one-off costs are included in the current period that relate to bid costs and lease costs prior to opening sites. The group benefited from a revised equipment sourcing structure that reduced rental costs in the current period and will result in lower future costs.

The approval of electronic Bingo terminals ("EBTs") in KZN and the Eastern Cape has not been finalised by the respective gaming boards. The industry is actively engaging with the gaming boards to obtain the necessary approvals in this regard.

KWV

The change in year-end for KWV makes comparisons to the prior reported nine-month period difficult. At year-end the group had returned to profitability, but the interim results show a loss of R12 million. Compared to the six-month comparable results, volume growth of 5% and revenue growth of 25% were achieved.

The loss includes significant inventory write-offs and foreign exchange losses of R37 million, of which approximately R10 million relates to mark-to-market losses attributable to future periods for which the income has not been received. The net loss of R27 million represents additional income that the group could have earned had it not elected to hedge its export sales book. The benefit of the weaker exchange rate is reflected in group turnover.

Costs remain well controlled with most cost centres containing costs below budget.

The group is expected to continue with its hedging policy which will result in mark-to-market losses if the currency continues to depreciate. A substantial portion of the sales is hedged when pricing with customers is concluded to ensure that planned margins are achieved. This policy is appropriate given the group's low aggregate profitability which impedes the ability to absorb foreign exchange risk. The average hedge rate continues to follow the ZAR depreciation against key exchange rates, with the average hedge rate now considerably higher than at year-end. The group will be a net beneficiary if the currency continues to weaken.

During the period the group acquired an additional 2 million shares in KWV at a price of R8 per share, increasing the interest in KWV from 52% to 54%.

Head office

The head office EBITDA comprises costs relating mainly to directors' emoluments, management salaries and share-based payment provisions totalling R13 million, as well as management fees of R4,3 million paid to the management company.

Dividend and shares issued

On 22 July a gross dividend of 18 cents per ordinary share, with a net dividend of 15,3 cents per share after dividends withholding tax of 15%, or the option to elect a capitalisation issue alternative of 1 share for every 70 shares held, was declared. A gross cash dividend of R1,2 million was paid and 1,5 million capitalisation shares were issued on 12 August 2013.

A gross interim dividend of 7 cents per ordinary share was declared on 21 November 2013 to shareholders registered on 6 December 2013 and will be paid on 17 December 2013.

Comparative figures

The comparative figures are not comparable to the results for this period due to the acquisition of interest in the Galaxy Bingo Group, the acquisition of a controlling interest in KWV and further shares in KWV, as well as the acquisition and disposal of Formex Industries Proprietary Limited.

André van der Veen

21 November 2013

Cape Town

Niveus Investments Limited
Incorporated in the Republic of South Africa
Registration number: 1996/005744/06
JSE share code: NIV **ISIN code:** ZAE000169553
("the Company" or "the Group" or "Niveus")

Directors: JA Copelyn[†], MM Loftie-Eaton*, KI Mampeule[#], ML Molefi[#], JG Ngcobo[#], Y Shaik[#], A van der Veen*
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