

NIVEUS INVESTMENTS LIMITED

(Previously HCI GROWTH LIMITED and GLOBAL PAYMENT TECHNOLOGIES HOLDINGS PROPRIETARY LIMITED)

(Incorporated in the Republic of South Africa)

Registration number: 1996/005744/06

Share code: NIV ISIN: ZAE000169553

PRE-LISTING STATEMENT

The definitions commencing on page 10 apply throughout this Pre-listing Statement including this front cover.

This Pre-listing Statement is prepared and issued in terms of the Listings Requirements of the JSE relating to the listing of the entire issued share capital of Niveus Investments on the JSE.

Proposed Listing Date on the JSE from the commencement of business on

Monday, 10 September 2012

This Pre-listing Statement is not an invitation to the general public to subscribe for or purchase Niveus Investments Shares, but is issued in compliance with the Listings Requirements and with the Companies Act for the purposes of providing information to the public with regard to Niveus Investments.

This Pre-listing Statement has been prepared on the assumption that the Pro-rata Repurchase and Distribution, which is subject to the ordinary and special resolutions proposed in the notice of General Meeting forming part of the HCI Circular to HCI Shareholders (which is posted together with this Pre-listing Statement), will be implemented. This Pre-listing Statement should be read in conjunction with the HCI Circular.

The Listing is conditional on:

- the passing, by HCI Shareholders at the General Meeting, of the requisite resolutions required to approve the Pro-rata Repurchase and Distribution.

At the Listing Date, the authorised share capital of Niveus Investments will comprise 500 000 000 ordinary shares with no par value. Niveus Investments will have an issued share capital comprising 107 119 087 ordinary shares, with a share capital value at R718.8 million. There will be no other class of shares authorised or issued by Niveus Investments at the Listing Date. All the Niveus Investments Shares rank *pari passu* in all respects, and all have equal rights to participate in capital, dividends and profit distributions by Niveus Investments. The Niveus Investments Shares are fully paid-up and freely transferrable. Niveus Investments does not have any shares held in treasury.

Approval of Niveus Investments' application for the listing of 107 119 087 ordinary shares in the "Investment Entities" sector of the JSE, under the abbreviated name "NIVEUS" JSE code "NIV" and ISIN: ZAE000169553 has been granted by the JSE, subject to fulfilment of the passing of the ordinary and special resolutions referred to in the HCI Circular. It is anticipated that the Listing will become effective from the commencement of business on or about Monday, 10 September 2012.

Niveus Investments Shares will only be traded in electronic form and as such, all HCI Shareholders who elect to receive Niveus Investments Shares in certificated form will have to Dematerialise their Certificated Niveus Investments Shares should they wish to trade in such shares.

The Directors, whose names are given in the "Corporate information" section of this Pre-listing Statement, collectively and individually, accept responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Pre-listing Statement contains all information required by law and the Listings Requirements.

Each of the investment bank and sponsor, legal advisers, reporting accountants and auditors, and Transfer Secretaries have consented in writing to act in the capacities stated and to their names being included in this Pre-listing Statement and have not withdrawn their consent prior to the publication of this Pre-listing Statement. The reporting accountants and auditors have consented to the inclusion of their reports in the form and context in which they appear and have not withdrawn such consent prior to the publication of this Pre-listing Statement.

Copies of this Pre-listing Statement are available in English only and may be obtained during normal business hours from the date of this Pre-listing Statement from the registered office of Niveus Investments, and the offices of the investment bank and sponsor, the addresses of which are set out in the "Corporate Information" section of this Pre-listing Statement.

Investment bank

Out of the Ordinary®



Legal advisers



Sponsor

Out of the Ordinary®



Reporting accountants and auditors



chartered accountants
& business advisers

Date of issue: 30 July 2012

CORPORATE INFORMATION AND ADVISERS

Directors of Niveus Investments

J Copelyn* (*Non-executive Chairman*)
A van der Veen (*Chief Executive Officer*)
M Loftie-Eaton (*Chief Financial Officer*)
M Golding*
M Molefi**
Y Shaik**
J Ngcobo**

* Non-executive Directors

** Independent non-executive Directors

Holding company

Hosken Consolidated Investments Limited
(Registration number 1973/007111/06)
Block B, Longkloof Studios
Darters Road
Gardens
Cape Town, 8001
(PO Box 5251, Cape Town, 8000)

Investment bank and sponsor

Investec Bank Limited
(Registration number 1969/004763/06)
100 Grayston Drive
Sandown
Sandton, 2196
(PO Box 785700, Sandton, 2146)

Reporting accountants and auditors

PKF (Jhb) Inc.
(Registration number 1994/001166/21)
42 Wierda Road West
Wierda Valley
Sandton, 2169
(Private Bag X10046, Sandton, 2146)

Date of incorporation

15 May 1996

Place of incorporation

Republic of South Africa

Company Secretary and registered office

HCI Managerial Services Proprietary Limited
(Registration number 1996/017874/07)
Block B, Longkloof Studios
Darters Road
Gardens
Cape Town, 8001
(PO Box 5251, Cape Town, 8000)

Administrator

Johnnic Holdings Management Services Limited
(Registration number 1969/014373/06)
Block B, Longkloof Studios
Darters Road
Gardens
Cape Town, 8001
(PO Box 5251, Cape Town, 8000)

Legal advisers

Edward Nathan Sonnenbergs Inc.
(Registration number 2006/018200/21)
1 North Wharf Square
Loop Street
Foreshore
Cape Town, 8001
(PO Box 2293, Cape Town, 8000)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

IMPORTANT INFORMATION

This Pre-listing Statement is important and requires your immediate attention

This Pre-listing Statement has been prepared on the assumption that the resolutions set out in the notice of General Meeting forming part of the HCI Circular (which is posted together with this Pre-listing Statement), will be passed at the General Meeting to be held on Thursday, 30 August 2012 and that the Pro-rata Repurchase and Distribution will be implemented.

The Issuer Regulations Division of the JSE has agreed to the listing of the entire issued ordinary share capital of Niveus Investments in the "Investment Entities" sub-sector of the "Financials" sector of the JSE under the name "Niveus Investments Limited" with effect from the commencement of business on or about Monday, 10 September 2012.

On the commencement of the Listing, the authorised share capital of Niveus Investments will comprise 500 000 000 ordinary shares with no par value. The issued share capital will comprise approximately 107 119 087 ordinary shares. All Niveus Investments Shares will rank *pari passu*.

In accordance with the terms set out in the HCI Circular, HCI Shareholders shall have the election to tender up to 3.07% of their HCI Shares to HCI in exchange for a distribution *in specie* of 11.95191 Niveus Investments Shares per HCI Share tendered, plus such additional HCI Shares that they may wish to tender in terms of the Excess Applications, subject to the limitation that the total number of shares repurchased in terms of the Pro-rata Repurchase and Distribution shall not exceed 3.07% of the HCI Shares.

The Niveus Investments Shares will only be traded in electronic form on the JSE and, accordingly, all Niveus Investments Shareholders who hold Niveus Investments Shares in certificated form will have to Dematerialise their Certificated Niveus Investments Shares should they wish to trade on the JSE.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Many of the statements included in this Pre-listing Statement are forward-looking statements that involve risks and uncertainties. Forward-looking statements may generally be identified by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. Other than statements of historical acts, all statements, including, among others, statements regarding the future financial position of Niveus Investments, business strategy, projected levels of growth in its market, projected costs, estimates of capital expenditures and plans and objectives of management for future operation, are forward-looking statements. The actual future performance of Niveus Investments could differ materially from these forward-looking statements. Important factors that could cause actual results to differ materially from these expectations include those risks set out in Part E of this Pre-listing Statement headed "Risk Factors", as well as other matters not yet known to the Directors or not currently considered material by them. Forward-looking statements should not be relied on and are deemed to be of no force and effect. Any reliance placed on forward-looking statements should be circumscribed and qualified by the contents of the cautionary statements made in this Pre-Listing Statement. Moreover, unless the Board is required by law or the Listings Requirements to update these statements, they will not update any of these statements after the date of this Pre-listing Statement, either to equate them to actual results or to changes in their expectations.

SPECIAL NOTE REGARDING DATE OF INFORMATION PROVIDED

Unless the context clearly indicates otherwise, all information provided in this Pre-listing Statement is provided as at the Last Practicable Date.

NAME CHANGE

As at the Last Practicable Date, the Company is in the process of changing its name from HCI Growth Limited to Niveus Investments Limited. On 27 June 2012, the Company received a confirmation notice of name reservation (Form COR 9.4) from the Commission confirming that the name, Niveus Investments Limited, has been reserved for use by the Company. The Niveus Investments Shareholders adopted the requisite special resolution to change the name from HCI Growth Limited to Niveus Investments Limited, which special resolution, along with the required supporting documentation, was filed with the Commission on 17 July 2012. The name change will take effect from the date on which the Commission issues the amended registration certificate to the Company, confirming that the name change has been registered.

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SALIENT INFORMATION

The following information is only a summary of the more detailed information contained in the main body of this Pre-listing Statement, and it may not contain all the information that Prospective Investors should consider before deciding to invest in the Niveus Investments Shares. Prospective Investors should read the entire Pre-listing Statement, including the "Risk Factors" and the historical financial information and other information about Niveus Investments.

OVERVIEW

Niveus Investments is a focused investment entity holding four principal unlisted investments across a diversified range of sectors as summarised below. An extract of revenue and EBITDA from the most recently available historical financial information, being the audited annual results for the financial year ended 31 March 2012 are set out below:

Business	Description	Sector	Financial information (R'000)		
			Year ended 31 March 2012	Year ended 31 March 2011	
Vukani Gaming	<ul style="list-style-type: none"> Group of companies principally engaged in the offering of LPM gaming services 	Gaming and leisure	Revenue	424 964	334 506
			EBITDA	133 429	93 218
			Directors valuation	813 110	
HCI KVV	<ul style="list-style-type: none"> Holding company for Niveus Investments' interest in KVV Holdings Limited, being 39.9% as at the Last Practicable Date; Leading wine and spirits producer in South Africa 	Beverages	Revenue	743 743 ¹	677 766 ²
			Operating loss	(42 738) ¹	(21 865) ²
			Directors valuation	250 396	
HCI Bingo	<ul style="list-style-type: none"> Holding company of Niveus Investments' wholly owned Subsidiary Galaxy Bingo; Operates licensed bingo centres around South Africa 	Gaming and leisure	Revenue	109 786	82 952
			EBITDA	4 409	(6 268)
			Directors valuation	59 408	
Formex	<ul style="list-style-type: none"> Engaged in the manufacturing of automotive components 	Automotive manufacturing	Revenue	455 578	440 757
			EBITDA	22 186	17 083
			Directors valuation	23 400	
Cash	<ul style="list-style-type: none"> Niveus Investments will have approximately R74 million of excess cash available on Listing to fund the expansion of its existing businesses and to pursue other opportunities 				

Notes:

- Based on the 12-month results of HCI KVV to December 2011 which have been obtained by adding the six-month results to December 2011 to the 12-month results to June 2011 and subtracting the six-month results to December 2010.
- Based on the 12-month results of HCI KVV to June 2011.
- Based on the over-the-counter share price of KVV Holdings Limited as at the Last Practicable Date, being R9.15 per share.

The Company employs a decentralised management structure to afford substantial autonomy to the underlying investment companies where industry experts can manage the daily operations whilst receiving guidance and support from the centralised investment company.

Niveus Investments' operating principles are:

- autonomy of the individual Subsidiaries;
- leadership and support from an experienced team of executives and the Administrator;
- strong financial management and operating systems at Subsidiary level; and
- diversification of investments across various sectors.

KEY INVESTMENT HIGHLIGHTS

Niveus Investments' key investment highlights include:

• **Track record of Niveus Investments' management and the HCI Group**

The management of Niveus Investments, the Administrator and the HCI Group have a successful track record of creating value for shareholders.

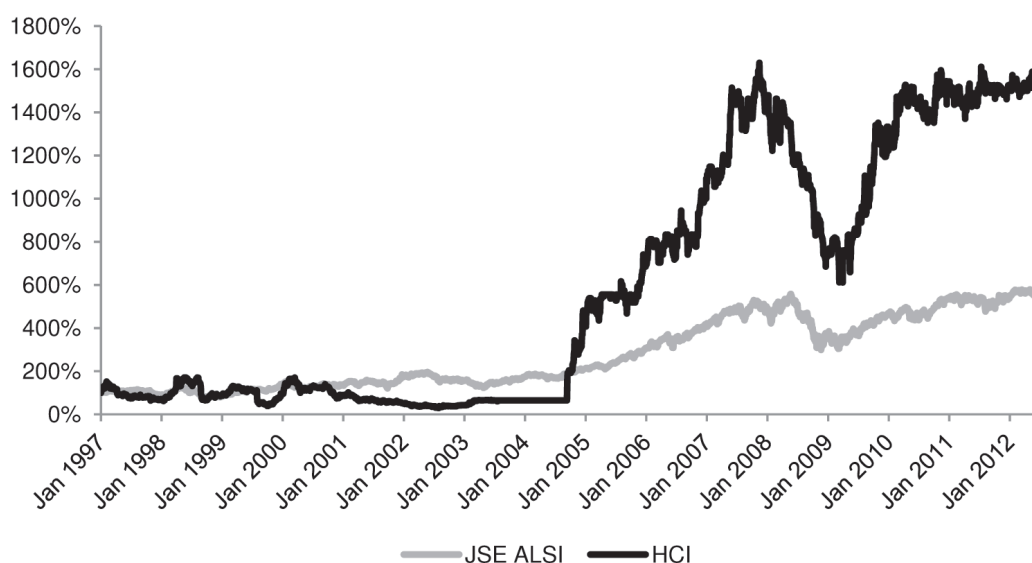
In terms of the Administration Agreement, the Administrator, a wholly owned subsidiary of HCI and the employer of the executive directors of Niveus Investments, has undertaken to provide various services to Niveus Investments, including company secretarial support, the provision of cash management services to the Company and its Subsidiaries as well as developing and advising the Company in relation to appropriate capital management strategies, including interacting with key stakeholders.

A further service to be provided to Niveus Investments is procuring the appointment of the Chief Executive Officer and Financial Director of Niveus Investments during the term of the Administration Agreement. The aforementioned executives shall be required to perform investment management and advisory services to Niveus Investments in their capacity as executive directors of Niveus Investments. To the extent that the employment of any of the executive directors of Niveus Investments is terminated for any reason during the term of the Administration Agreement, the Administrator shall procure the appointment of a replacement Chief Executive Officer or Financial Director (as the case may be) by nominating such replacement director for appointment, which appointment shall be subject to the approval of Niveus Investments Shareholders. Such replacement directors shall be required to perform at least those investment management services provided by the executive being replaced, and shall accordingly be a person who has the necessary skills and experience to perform such services.

The Administrator has nominated for appointment, and HCI, as the sole shareholder of Niveus Investments has appointed, Mr Andre van der Veen as the Chief Executive Officer of Niveus Investments and Ms Muriel Loftie-Eaton as the Financial Director of Niveus Investments, whom shall be required to perform the investment management and advisory services to Niveus Investments in their capacities as executive directors of Niveus Investments.

The appointed executives form part of a greater group of employees and executives in the HCI Group who are employed by the Administrator or other entities within the HCI Group, who have significant experience in managing investments of a long-term nature for HCI. As a result of such employees and executives' involvement in managing HCI's investments over the last 10 years, HCI's headline earnings have increased from a loss of R209 million in 2001 to a headline profit of R1 020 million in 2012, and the HCI Share price has increased from R2.00 in 2002 to over R80.00 in 2012.

The track record of management is highlighted by the relative performance of HCI versus the JSE All Share Index since January 1997. HCI has increased by over 1 500% over this period, while the JSE All Share Index has increased by 470%.



STRATEGIES FOR GROWTH

Niveus Investments' intention is to focus on growing and fully developing the existing investments. Some of these are start-ups, turnarounds and some are businesses with a mature business model but which have significant growth potential. In addition, Niveus Investments will consider new investment prospects opportunistically with a long-term view and no predetermined exit strategy. The growth and acquisition opportunities will be funded through existing cash generated, to the extent that there is surplus cash available after meeting the targeted dividend policy, by utilising the approximately R74 million cash reserve which is being made available for the purpose of the Listing and capital from debt and equity raisings to the extent required. Niveus Investments' strategy is to invest in businesses across various sectors with asymmetrical risk/reward profiles.

Potential future value will be created by:

- **Optimising value of established businesses**

Niveus Investments intends to continue its ongoing processes to unlock value in its existing investments: improving margins, growing market share, and seeking to maximise shareholder returns in the long term.

- **Organic expansion**

Niveus Investments intends to expand its existing markets by taking advantage of opportunities and leveraging its management expertise and experience to expand its market share.

- **Growing through strategic acquisitions**

Niveus Investments will seek to grow through investing in businesses with asymmetrical risk/reward profiles with the potential to enhance the current portfolio of investments whilst growing free cash flow and return on investment. Strategic acquisitions and other growth opportunities will be funded out of the approximately R74 million of excess cash on balance sheet on Listing, existing cash to the extent that there is surplus cash available after meeting the targeted dividend policy or alternatively out of debt and/or equity capital which will be raised for the specific acquisition opportunity. The executives nominated for appointment by the Administrator in terms of the Administration Agreement will play an active role in seeking attractive investment opportunities for the Company, having regard to their respective backgrounds in the relevant industries in which the Subsidiaries operate.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The summarised *pro forma* consolidated statement of comprehensive income and summarised *pro forma* statement of financial position of Niveus Investments for the year ended 31 March 2012 is set out below:

R'000	31 March 2012
Revenue	470 932
Net gaming win	519 396
Total	990 328
Expenses	(945 605)
Depreciation and amortisation	(65 030)
Other operating expenses	(850 749)
Finance costs	(29 826)
Profit before tax	44 723
Profit from continuing operations	23 462
Profit attributable to:	
Equity holders of the parent	24 560
Minority interest	(1 122)
	24 448
Earnings per share (cents)	22.93
Diluted earnings per share (cents)	22.93
Headline earnings per share (cents)	38.39
Diluted headline earnings per share (cents)	38.39

**31 March
2012**

R'000

ASSETS

Non-current assets	654 022
Investments in associates	310 416
Current assets	249 367
Cash and cash equivalents	105 054
Non-current liabilities	260 350
Current liabilities	175 348
Intercompany loans	10 527
Total net assets	463 865
NAV per share (cents)	433.53
TNAV per share (cents)	383.28

This information set out above has been extracted from the audited and reviewed *pro forma* consolidated financial statements included in Annexure 2 to this Pre-listing Statement. This information should be read in conjunction with such *pro forma* consolidated financial statements and the related notes.

RATIONALE AND FUTURE PROSPECTS

Through creating a focused investment entity with a diversified range of significant investments, the Listing is intended to provide HCI Shareholders with the opportunity to obtain direct exposure to investments which offer an alternative risk and return profile to their current shareholding in HCI and which have attractive growth prospects over the medium to long term.

The investments which form part of Niveus Investments have, in the past, been overlooked by investors because of their size relative to other larger and higher profile HCI investments. The Listing will provide visibility and additional information regarding these investments which will allow investors to better assess the valuation of the underlying investments and may potentially unlock value for Niveus Investments Shareholders.

The Board will focus on growing Niveus Investments' existing portfolio of assets. To the extent that there is surplus cash available after meeting the targeted dividend payment of 50% of headline earnings and considering the growth of the existing portfolio, the Board will consider additional investment opportunities as and when appropriate opportunities arise. The executives nominated for appointment by the Administrator in terms of the Administration Agreement will play an active role in seeking attractive investment opportunities for the Company, having regard to their respective backgrounds in the relevant industries in which the Subsidiaries operate.

THE PRO-RATA REPURCHASE AND DISTRIBUTION

This Pre-listing Statement has been prepared on the assumption that the resolutions set out in the notice of General Meeting forming part of the HCI Circular (which is posted together with this Pre-listing Statement), will be passed at the General Meeting to be held on Thursday, 30 August 2012 and that the Pro-rata Repurchase and Distribution will be implemented.

In terms of the Pro-rata Repurchase and Distribution, and subject to HCI Shareholders' approval, HCI Shareholders shall have the election to tender one HCI Share for every 11.95191 Niveus Investments Shares received, up to 3.07% of their HCI Shareholding. In addition, HCI Shareholders may elect to tender such additional HCI Shares in terms of the Excess Applications, provided that HCI shall not repurchase more than 3.07% of its entire issued share capital, net of treasury shares. In aggregate, a total of 48 203 587 Niveus Investments Shares are available for distribution.

RISK FACTORS

The section of this Pre-listing Statement entitled "Risk Factors" describes certain risk factors that should be considered together with the other information in this Pre-listing Statement before making a decision to invest in Niveus Investments Shares. Although information has been provided in this Pre-listing Statement in relation to Niveus Investments Shares, an investor should use his or her own judgement and seek advice from an independent financial adviser as to the appropriateness of an investment in the Company.

IMPORTANT DATES AND TIMES

2012

Release of the abridged Niveus Investments Pre-listing Statement on SENS on	Friday, 31 August
Listing of Niveus Investments Shares on the JSE with effect from the commencement of business under the JSE code: NIV on	Monday, 10 September
Commencement of trade in Niveus Investments Shares on	Monday, 10 September
HCI Shares trade excluding the entitlement to the Pro-rata Repurchase and Distribution on	Monday, 10 September
Record Date to participate in the Pro-rata Repurchase and Distribution being the date on which HCI Shareholders must be recorded in the Register in order to elect to participate in the Pro-rata Repurchase and Distribution on	Friday, 14 September
Last date on which the HCI Shareholders can make an election to participate in the Pro-rata Repurchase and Distribution by 12:00 on	Friday, 14 September
Effective date of the Pro-rata Repurchase and Distribution	Monday, 17 September
Niveus Investments Share certificates posted to Certificated HCI Shareholders who elected to participate in the Pro-rata Repurchase and Distribution (provided their Form of Election, Surrender and Transfer and Documents of Title are received by HCI on or prior to 12:00 on the Record Date) on or about	Monday, 17 September
Niveus Investments Shares credited to the accounts (held at the relevant CSDP or Broker) of those Dematerialised HCI Shareholders who elected to participate in the Pro-rata Repurchase and Distribution (and the relevant number of HCI Repurchase Shares debited from their accounts) on or about	Monday, 17 September

Notes:

1. The above dates and times are subject to amendment at the discretion of HCI. Any such amendment will be released on SENS and published in the South African press.
2. All dates and times indicated above are South African Standard Times.

DEFINITIONS

In this Pre-listing Statement and the annexures attached hereto, unless otherwise stated or clearly indicated by the context, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and *vice versa*, words importing one gender include the other genders and references to a person include references to a body corporate and *vice versa*:

“Administration Agreement”	the written agreement, as amended from time to time, between Niveus Investments and Johnnic Holdings Management Services Limited, appointing Johnnic Holdings Management Services Limited to perform certain administrative functions on behalf of Niveus Investments and setting out the terms of such appointment;
“Administrator”	Johnnic Holdings Management Services Limited (Registration number 1969/014373/06), a public company duly registered and incorporated with limited liability in accordance with the Company laws of South Africa, and a wholly owned Subsidiary of HCI;
“Associate”	an associate as defined in the Listings Requirements;
“BBBEE Act”	the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003), as amended;
“BEE”	black economic empowerment, as defined in the BBBEE Act;
“Board” or “Directors”	the Board of Directors of Niveus Investments on the Listing Date whose names appear on page 14 of this Pre-listing Statement;
“Broker”	any person registered as a “broking member (equities)” in accordance with the provisions of the Securities Services Act;
“Business Day”	a day other than a Saturday, Sunday or official public holiday in South Africa;
“Certificated Niveus Investments Share(s)”	Niveus Investments Share(s), other than Dematerialised Niveus Investments Share(s), represented by a share certificate or other physical document of title, which have not been surrendered for Dematerialisation in terms of the requirements of Strate;
“Certificated Niveus Investments Shareholder(s)”	Niveus Investments Shareholder(s) who hold Certificated Niveus Investments Share(s);
“Commission”	the South African Companies and Intellectual Property Commission established in terms of Section 185 of the Companies Act;
“Common Monetary Area”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Companies Act”	the Companies Act, 2008 (Act No. 71 of 2008), as amended;
“CSDP”	a person that holds in custody and administers securities or an interest in securities and that has been accepted as such by a central securities depository as a participant in terms of section 34 of the Securities Services Act;
“Dematerialisation”	the process by which certificated securities are converted to or held in electronic form as uncertificated securities and recorded as such in a sub-register of Shareholders maintained by a CSDP;
“Dematerialised Niveus Investments Share(s)”	those Niveus Investments Share(s) which have been Dematerialised in terms of the requirements of Strate through a CSDP or Broker and are held in electronic form on the sub-registers of Niveus Investments;
“Dematerialised Niveus Investments Shareholder(s)”	those Niveus Investments Shareholders who hold Dematerialised Niveus Investments Shares;
“DTI”	Department of Trade and Industry;
“EBT”	electronic bingo terminal;
“EPS”	earnings per share;

“Excess Applications”	the right of HCI Shareholders to tender additional HCI Shares in terms of the Pro-rata Repurchase and Distribution, as detailed in the HCI Circular; to the extent that other HCI Shareholders do not elect, or elect to tender less, than their <i>pro rata</i> entitlement in terms of the Pro-rata Repurchase and Distribution;
“Exchange Control Regulations”	the Exchange Control Regulations, as amended, developed in terms of section 9 of the Currency and Exchanges Act, 1933 (Act No. 9 of 1933), as amended;
“Foreign Shareholder”	a HCI Shareholder who is a non-resident of South Africa as contemplated in the Exchange Control Regulations;
“Formex”	Formex Industries Proprietary Limited (Registration number 1987/005556/07), a private company duly registered and incorporated with limited liability in accordance with the Company laws of South Africa;
“Galaxy Bingo”	Galaxy Bingo International South Africa Proprietary Limited (Registration number 1997/019569/07), a private company duly registered and incorporated with limited liability in accordance with the Company laws of South Africa;
“General Meeting”	the general meeting of HCI Shareholders to be held in the boardroom, at Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, South Africa, on Thursday, 30 August 2012 at 10:00 for the purpose of considering and voting on the special and ordinary resolutions set out in the notice of General Meeting forming part of the HCI Circular;
“GGR”	gross gaming revenue;
“GPT”	Global Payment Technologies Proprietary Limited (Registration number 1996/005744/07), a private company duly registered and incorporated with limited liability in accordance with the Company laws of South Africa, and which has been converted to a public company, changed its name to HCI Growth Limited and as at the Last Practicable Date, is in the process of changing its name from HCI Growth Limited to Niveus Investments Limited;
“HCI”	Hosken Consolidated Investments Limited (Registration number 1973/007111/06), a public company duly registered and incorporated in accordance with the Company laws of South Africa, the issued ordinary share capital of which is listed on the JSE;
“HCI Bingo”	HCI Gaming and Entertainment Proprietary Limited (Registration number 2007/026773/07), a private company duly registered and incorporated with limited liability in accordance with the Company laws of South Africa, and the holding company of Niveus Investments’ investment in Galaxy Bingo;
“HCI Board” or “HCI Directors”	the directors of HCI as at the Last Practicable Date and as disclosed in the “Corporate information and advisers” of the HCI Circular;
“HCI Circular”	the bound document dated 30 July 2012, relating to the Pro-rata Repurchase and Distribution, including the annexures, notice of General Meeting, form of proxy and Form of Election, Surrender and Transfer attached thereto, which is posted together with this Pre-listing Statement;
“HCI Group”	HCI and its Subsidiaries and Associates;
“HCI KVV”	HCI-KVV Holdings Proprietary Limited (Registration number 2010/022470/07), a private company duly registered and incorporated with limited liability in accordance with the Company laws of South Africa, and the holding company of Niveus Investments’ investment in KVV Holdings Limited;
“HCI Repurchase Share(s)”	for each HCI Shareholder, such number of HCI Shares to be repurchased by HCI, being one HCI Share for every 11.95191 Niveus Investments Shares received in terms of the Pro-rata Repurchase and Distribution, subject to a maximum, prior to Excess Applications, of 3.07% of their shareholding in HCI;

“HCI Restructuring”	the internal restructurings implemented by HCI whereby HCI Bingo, HCI KVV and Formex were transferred into Niveus Investments (Niveus Investments previously held and continues to hold all of the issued share capital in Vukani Gaming);
“HCI Share(s)”	ordinary share(s) having a par value of 25 cents each in the issued share capital of HCI, all of which shares are listed on the JSE, being 1 32 976 996 shares, which is gross of 1 777 634 treasury shares, as at the Last Practicable Date;
“HCI Shareholder(s)”	the registered holder(s) of HCI Share(s) as appearing on the main and sub-registers of HCI;
“HCI Treasury”	HCI Treasury Proprietary Limited (Registration number 1997/020390/07), a private company duly registered and incorporated with limited liability in accordance with the Company laws of South Africa and a wholly owned subsidiary of HCI;
“HEPS”	headline EPS;
“IFRS”	the International Financial Reporting Standards;
“Income Tax Act”	the Income Tax Act, 1962 (Act No. 58 of 1962), as amended;
“Independent Reporting Accountants” or “PKF Inc”	PKF (Jhb) Inc, Registered Accountants and Auditors, Chartered Accountants (SA) (Registration number 1994/001166/21), a private company duly registered and incorporated with limited liability in accordance with the Company laws of South Africa, being the reporting accountants and auditors of Niveus Investments;
“JSE”	JSE Limited (Registration number 2005/022939/06), a public company duly registered and incorporated in accordance with the Company laws of South Africa, and licensed as an exchange under the Securities Services Act;
“KVV Holdings Limited”	KVV Holdings Limited (Registration number 2009/012871/06), a public company duly registered and incorporated in accordance with the Company laws of South Africa, the issued ordinary share capital of which is traded over-the-counter;
“Last Practicable Date”	the last practicable date prior to the finalisation of this Pre-listing Statement, being Wednesday, 25 July 2012;
“Listing” or “Niveus Investments Listing”	the listing of the Niveus Investments Shares on the JSE on the Listing Date;
“Listing Date”	on or about Monday, 10 September 2012;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time;
“LPM”	limited payout machine;
“Memorandum of Incorporation” or “MOI”	the memorandum of incorporation of Niveus Investments;
“NAV”	net asset value;
“Niveus Investments” or “the Company”	Niveus Investments Limited (Registration number 1996/005744/07), a public company duly registered and incorporated in accordance with the Company laws of South Africa, the issued ordinary share capital of which will be listed on the JSE on or about Monday, 10 September 2012. The Company was previously named Global Payment Technologies Proprietary Limited, and as at the Last Practicable Date, is in the process of changing its name from HCI Growth Limited to Niveus Investments Limited;
“Niveus Investments Group” or “the Group”	Niveus Investments and its Subsidiaries and Associates;
“Niveus Investments Shares”	ordinary no par value share(s) in the issued share capital of Niveus Investments;
“Niveus Investments Shareholder(s)”	the registered holder(s) of Niveus Investments Share(s) as appearing on the main and sub-registers of Niveus Investments following the Pro-rata Repurchase and Distribution;

“NTAV”	net tangible asset value;
“Own-name Dematerialised Niveus Investments Shareholder(s)”	those Niveus Investments Shareholder(s) that have Dematerialised their Niveus Investments Share(s) through a CSDP and have instructed such CSDP to hold their Niveus Investments Share(s) in their own name on the sub-register maintained by the CSDP and forming part of the Register;
“Participant”	a central securities depository participant, in terms of the Securities Services Act;
“Pre-listing Statement”	this bound document, dated 30 July 2012, relating to the Listing of Niveus Investments on the JSE with effect from commencement of business on the Listing Date;
“Pro-rata Repurchase and Distribution”	the pro-rata offer by HCI to repurchase up to 3.07% of each HCI Shareholders’ HCI Shares subject to a maximum of 4 033 129 HCI Shares, in exchange for a distribution <i>in specie</i> of 11.95191 Niveus Investments Shares for each HCI Repurchase Share;
“Prospective Investors”	investors who are currently invested, or who intend to make a future investment in Niveus Investments;
“Rand” or “R”	South African Rand, the official currency of South Africa;
“Register”	the securities register of Niveus Investments Shareholders maintained by Niveus Investments in terms of the Companies Act;
“Restructuring Agreements”	the various agreements entered into on or about 23 July 2012 to implement the HCI Restructuring;
“Securities Services Act”	the Securities Services Act, 2004 (Act No. 36 of 2004), as amended;
“SENS”	the Securities Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“Strate”	Strate Limited (Registration number 1998/022242/06), a public company duly registered and incorporated in accordance with the Company laws of South Africa, and a registered central securities depository responsible for the electronic custody and settlement system for transactions that take place on the JSE and off-market trades;
“Subsidiary”	a subsidiary as defined in the Companies Act;
“Takeover Regulations”	Chapter 5 (Fundamental Transactions and Takeover Regulations) of the Companies Regulations, 2011 promulgated under the Companies Act;
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company duly registered and incorporated with limited liability in accordance with the Company laws of South Africa;
“Vukani Gaming”	Vukani Gaming Corporation Proprietary Limited (Registration number 1995/000842/07), a private company duly registered and incorporated with limited liability in accordance with the Company laws of South Africa; and
“VWAP”	volume weighted average price.

NIVEUS INVESTMENTS LIMITED

(Previously HCI GROWTH LIMITED and GLOBAL PAYMENT TECHNOLOGIES HOLDINGS PROPRIETARY LIMITED)

(Incorporated in the Republic of South Africa)

Registration number: 1996/005744/06

Share code: NIV ISIN: ZAE000169553

PRE-LISTING STATEMENT

Directors of Niveus Investments

Executive A van der Veen (*Chief Executive Officer*)
M Loftie-Eaton (*Chief Financial Officer*)

Non-executive J Copelyn (*Chairman*)
M Golding
M Molefi*
Y Shaik*
J Ngcobo*
* Independent

PART A: THE BUSINESS OF NIVEUS INVESTMENTS

1. NATURE OF BUSINESS

Niveus Investments is a focused investment entity holding investments across a number of diversified sectors.

The Group holds four investments, namely:

- Vukani Gaming;
- HCI KVV;
- HCI Bingo; and
- Formex.

The Company employs a decentralised management structure to afford substantial autonomy to the underlying investment companies where industry experts can manage the daily operations whilst receiving guidance and support from the centralised investment company.

Niveus Investments' operating principles are:

- autonomy of the individual Subsidiaries;
- leadership and support from an experienced team of executives and the Administrator;
- strong financial management and operating systems at a Subsidiary level; and
- diversification of investments across various sectors.

2. KEY INVESTMENT HIGHLIGHTS

Niveus Investments' key investment highlights include:

- **Track record of Niveus Investments' management and the HCI Group**

The management team of Niveus Investments, the Administrator and the HCI Group have a successful track record of creating value for shareholders.

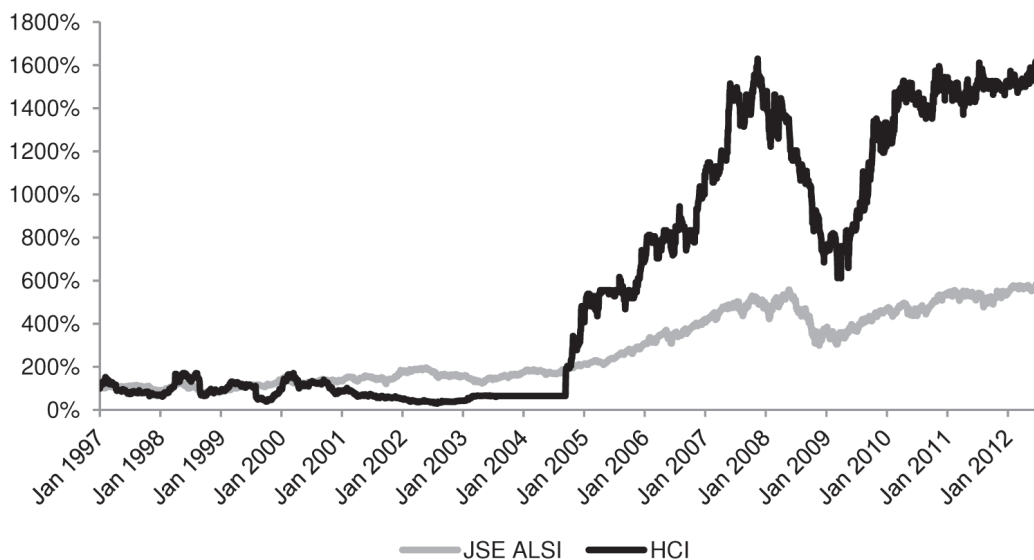
In terms of the Administration Agreement, the Administrator, a wholly owned subsidiary of HCI and the employer of the executive Directors of Niveus Investments, has undertaken to provide various services to Niveus Investments, including company secretarial support, the provision of cash management services to the Company and its Subsidiaries as well as developing and advising the Company in relation to appropriate capital management strategies, including interacting with key stakeholders.

A further service to be provided to Niveus Investments is procuring the appointment of the Chief Executive Officer and Financial Director of Niveus Investments during the term of the Administration Agreement. The aforementioned executives shall be required to perform investment management and advisory services to Niveus Investments in their capacity as executive Directors of Niveus Investments. To the extent that the employment of any of the executive Directors of Niveus Investments is terminated for any reason during the term of the Administration Agreement, the Administrator shall procure the appointment of a replacement Chief Executive Officer or Financial Director (as the case may be), whom shall perform at least those investment management services provided by the executive being replaced, and shall accordingly be a person who has the necessary skills and experience to perform such services.

The Administrator has agreed that it will appoint Mr Andre van der Veen as the Chief Executive Officer of Niveus Investments and Ms Muriel Loftie-Eaton as the Financial Director of Niveus Investments, whom shall be required to perform the investment management and advisory services to Niveus Investments in their capacities as executive Directors of Niveus Investments.

The appointed executives form part of a greater group of employees and executives in the HCI Group who are employed by the Administrator or other entities within the HCI Group, who have significant experience in managing investments of a long-term nature for HCI. As a result of such employees and executives' involvement in managing HCI's investments over the last 10 years, HCI's headline earnings have increased from a loss of R209 million in 2001 to a headline profit of R1 020 million in 2012, and the HCI Share price has increased from R2.00 in 2002 to over R80.00 in 2012.

The track record of management is highlighted by the relative performance of HCI versus the All Share Index since January 1997. HCI has increased by over 1 500% over this period, while the JSE All Share Index has increased by 470%.



3. INVESTMENT POLICY

The main investment criteria for Niveus Investments for new investments are as follows:

- Niveus Investments will seek to invest in established businesses across a variety of sectors which display asymmetrical risk/reward profiles;
- in line with the aforementioned asymmetrical payoff profile, Niveus Investments will also consider investing in turnaround opportunities which will allow value to be unlocked for shareholders over the medium to long term; and
- Niveus Investments selects businesses with strong management teams, which it can incubate, capitalise and grow within the Niveus Investments stable, turning them into sustainable mature businesses with strong cash flows.

Niveus Investments has no pre-determined exit strategy and intends to invest in businesses with strong, sustainable cash flows with a focus on growth over the long term.

It is intended that Niveus Investments will fund investments through the approximately R74 million of excess cash on balance sheet on Listing, a combination of internally generated cash and either debt or equity financing.

Niveus Investments intends to derive income solely from its investments.

4. **STRATEGIES FOR GROWTH**

Niveus Investments' current investments cover a broad range of sectors, namely gaming and leisure, beverages and automotive. The Group is well positioned to benefit from the growth of these industries.

Niveus Investments' intention is to focus on growing and fully developing the existing investments. Some of these are start-ups, turnarounds and some are businesses with a mature business model but which have significant growth potential. In addition, Niveus Investments will consider new investment prospects opportunistically with a long-term view and no predetermined exit strategy. The growth and acquisition opportunities will be funded through existing cash generated, to the extent that there is surplus cash available after meeting the targeted dividend policy, by utilising the approximately R74 million cash reserve which is being made available for the purpose of the Listing. Niveus Investments' strategy is to invest in businesses across various sectors with asymmetrical risk/reward profiles.

Potential future value will be created by:

- **Optimising value of established businesses**

Niveus Investments intends to continue its ongoing processes to unlock value in its existing investments: improving margins, growing market share, and seeking to maximise shareholder returns in the long term.

- **Organic expansion**

Niveus Investments intends to expand its existing markets by taking advantage of opportunities and leveraging its management expertise and experience to expand its market share.

- **Growing through strategic acquisitions**

Niveus Investments will seek to grow through investing in businesses with asymmetrical risk/reward profiles with the potential to enhance the current portfolio of investments whilst growing free cash flow and return on investment. Strategic acquisitions and other growth opportunities will be funded out of the approximately R74 million of excess cash on balance sheet on Listing, existing cash to the extent that there is surplus cash available after meeting the targeted dividend policy or alternatively out of debt and/or equity capital which will be raised for the specific acquisition opportunity. The executives nominated for appointment by the Administrator in terms of the Administration Agreement will play an active role in seeking attractive investment opportunities for the Company, having regard to their respective backgrounds in the relevant industries in which the Subsidiaries operate.

5. **INCORPORATION AND HISTORY**

Niveus Investments was incorporated and registered in South Africa in 1996 as a private limited liability company under the Companies Act, 1973 (Act No. 61 of 1973), under the name White Rose Proprietary Limited and with registration number 1996/005744/07. The Company's name was changed a number of times until it was changed from Global Payment Technologies Proprietary Limited to HCI Growth Limited with effect from 14 December 2011 and was converted from a private company to a public company with effect from 9 December 2011, which resulted in its registration number changing to 1996/005744/06.

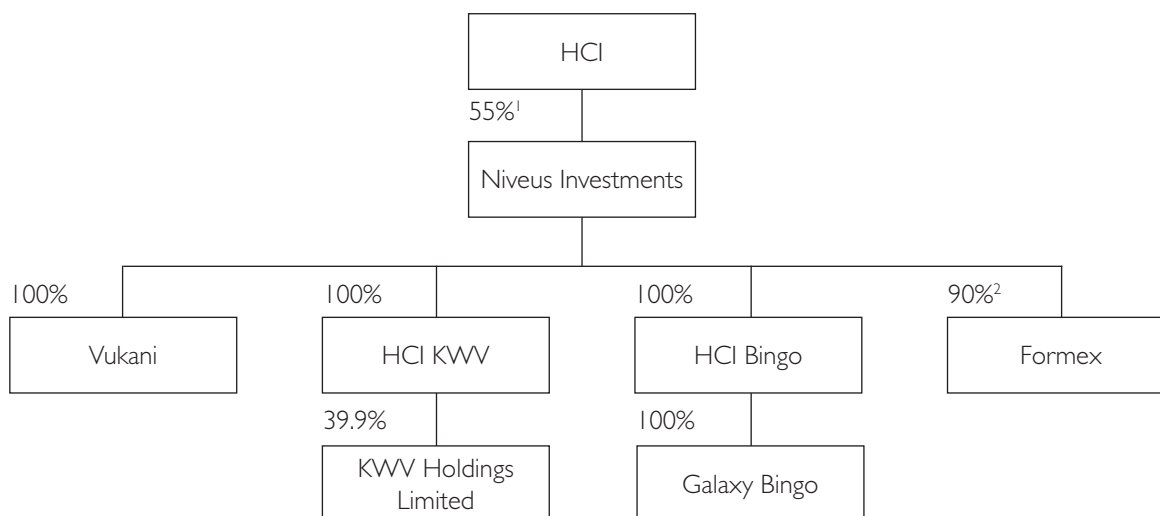
As at the Last Practicable Date, the Company is in the process of changing its name from HCI Growth Limited to Niveus Investments Limited. On 27 June 2012, the Company received a confirmation notice of name reservation (Form COR 9.4) from the Commission confirming that the name, Niveus Investments Limited, has been reserved for use by the Company. The Niveus Investments Shareholders adopted the requisite special resolution to change the name from HCI Growth Limited to Niveus Investments Limited, which special resolution, along with the required supporting documentation, was filed with the Commission on 17 July 2012. The name change will take effect from the date on which the Commission issues the amended registration certificate to the Company, confirming that the name change has been registered.

The business of the Company, and its principal activity, is to act as an investment entity with a number of investments across a broad range of sectors which present the opportunity for growth and attractive returns to investors.

The registered address and head office of the Company is Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, 8001, South Africa.

6. GROUP STRUCTURE

Following the implementation of the Pro-rata Repurchase and Distribution, as detailed in the HCI Circular, Niveus Investments will be a listed investment entity holding interests in Vukani Gaming, HCI KVV, HCI Bingo and Formex, as set out in the diagram below:



Notes:

1. HCI will retain at least 55% of Niveus Investments post the Pro-rata Repurchase and Distribution.
2. The 10% minority stake in Formex is held by the management team of Formex.
3. The group structure shown above only reflects material subsidiaries of Niveus Investments.

(a) Vukani Gaming

Vukani Gaming is a group of companies principally engaged in the offering of LPM gaming services. To date the most prominent business within Vukani Gaming is that of VSlots which was established in 1994 and is the largest operator of LPMs in South Africa. VSlots manages a network of sites and is licensed as a LPM route operator in Swaziland and all of the provinces across South Africa, except the Northern Cape.

The industry offers attractive prospects:

- there are significant barriers to entry due to the licensing requirements for each site and the significant capital requirements to purchase the LPMs and subsequently roll them out;
- there is a large, dispersed number of site owners which minimises concentration risk and ensures that once a network of site owners is established it is unlikely to change within a short period of time; and
- there is a limited number of licences available for each province.

As at 30 June 2012, the number of installed Vukani Gaming LPMs has increased to in excess of 4 000. The combination of the Eastern Cape, which is nearing its capacity of 1 000 LPMs, and the Western Cape, which had reached 733 LPMs, by 30 June 2012, are the greatest contributors to Vukani Gaming's total GGR. KwaZulu-Natal is also expected to be a large contributor to Vukani Gaming's GGR over the coming three years as the LPM rollout approaches capacity in this province. The management of Niveus Investments expects that the planned increase in the number of LPMs, as well as a focus on improving the quality of the gaming offering, will see an increasing trend of profitability for the Vukani Gaming business. The degree of this projected growth will be determined by the extent to which the rollout of LPMs is efficiently managed.

One of the factors that could positively impact earnings for Vukani Gaming in the near future is an increase in the maximum bet, which currently stands at R5 and which has been maintained at this level since the inception of the industry. Niveus Investments' management is of the view that, based on findings of the Portfolio Committee, this limit may be increased to as much as R30 per bet which will increase GGR per machine, particularly in peak times when there is a shortage of machines at certain sites.

The growth strategy for Vukani Gaming will be focused on the continued improvement of GGR per machine and the rollout of machines in the various provinces, particularly where licences have only recently been awarded. The table below illustrates the number of LPM machines per province as at 30 June 2012 and the number of machines which Vukani Gaming is permitted to roll out per province in terms of its licences.

Province	Number of LPMs at 30 June 2012	Number of LPMs in terms of the license
Mpumalanga	495	Unlimited
Western Cape	733	1 000
Eastern Cape	914	1 000
Limpopo	565	1 500
KwaZulu-Natal	742	2 000
Gauteng	364	1 000
Free State	183	1 000
North West	90	380
Swaziland	–	Unlimited
Total	4 086	> 7 880

The revenue and EBITDA earned by Vukani Gaming for the years ended 31 March 2012 and 31 March 2011 as per the audited annual financial statements are set out below:

R'000	31 March 2012	31 March 2011
Revenue	424 964	334 506
EBITDA	133 429	93 218

(b) HCI KVV

HCI KVV is the holding company for Niveus Investments' interest in KVV Holdings Limited. At the Last Practicable Date, HCI KVV's shareholding was 39.9% of KVV Holdings Limited.

KVV Holdings Limited is one of the leading wine and spirits producers in South Africa. The Company sources wines and grapes from the best and most sought after viticultural regions in South Africa. In addition, the Company owns several internationally renowned brands such as Roodeberg, KVV Wines, Laborie, Golden Kaan, Cathedral Cellar, Cafe Culture, Wild Africa Cream and the KVV 3, 5, 10, 15 and 20-year old brandies.

The primary activities of KVV include:

- the purchase of grapes and wine;
- distilling wine for processing and maturation;
- selling products in the form of wine, brandy and other distillates;
- the sale, marketing and distribution of branded wine and brandy products; and
- the making and managing of investments in associated businesses.

In a global market where growth in wine sales are moderate, and a local market where the consumption of brandy is in a steady decline, it is clear that KVV must seek new growth through a diversified alcoholic brand portfolio. Even though the Company offers a number of strong heritage brands, such as Roodeberg, KVV, Cathedral Cellar and the KVV brandies, organic growth has to be supplemented by innovation and new markets.

The revenue and operating loss attributable to KVV Holdings Limited for the six months ended 31 December 2011 (as per the unaudited interim results) and the year ended 30 June 2011 (as per the audited annual financial statements) is set out below:

R'000	31 December 2011	30 June 2011
Revenue	426 075	677 766
Operating loss	(15 546)	(21 865)

Note: As at the Last Practicable Date, Niveus Investments owned an effective 39.9% interest in KVV Holdings Limited. Accordingly KVV Holdings Limited will be accounted for as an associate in Niveus Investments' financial statements, and the revenue and operating loss reflected above will not be consolidated in Niveus Investments' results.

(c) HCI Bingo

HCI Bingo is the holding company for Niveus Investments' interest in Galaxy Bingo. Galaxy Bingo is wholly owned by HCI Bingo which in turn is wholly owned by Niveus Investments. Galaxy Bingo was incorporated in early 1997 with the purpose of operating licensed bingo centres around South Africa.

The business is still in the early stages of growth and offers the opportunity to contribute meaningfully to Niveus Investments. The Bingo Industry is currently subject to national regulatory uncertainty. Further information in this regard is provided in paragraph 27. As a result of the aforementioned regulatory uncertainty the most significant threat and opportunity for the bingo industry is the future of EBTs.

Games of bingo are offered through both EBTs and paper bingo games at Galaxy Bingo's licensed bingo centres. The centres also offer food and beverages and cater for large groups for functions, team-building events and parties.

At present, HCI Bingo is licensed in Gauteng and KwaZulu-Natal. In Gauteng, HCI Bingo operates four sites, namely the Marco Polo in Legacy Corner adjacent to Nelson Mandela Square in Sandton City, Greenstone at the Greenstone Shopping Centre, Boksburg at the East Rand Mall and Vereeniging at the River Square Shopping Centre. In KwaZulu-Natal, HCI Bingo holds several bingo licences, none of which are operational as yet, although one site is currently under development in Amanzimtoti.

During the course of 2011 and into 2012, management focused on improving the operational efficiency of the business through a programme including cost savings, improving client service, upgrading the quality of sites and the training of staff. Even though the business made a loss for the 2011 financial year, a turnaround has been successfully implemented with the business having turned cash positive in 2012 and is expected to show marked improvement in future. Capital expenditure is expected to remain significant as new sites are developed.

The revenue and EBITDA earned by HCI Bingo for the years ended 31 March 2012 and 31 March 2011 as per the audited annual financial statements are set out below:

R'000	31 March 2012	31 March 2011
Revenue	109 786	82 952
EBITDA	4 409	(6 268)

(d) Formex

Formex is a company of highly skilled mechanical, industrial and metallurgical engineers involved in the development, manufacturing and supply of pressed components for the catalytic converter and original equipment manufacturers ("OEM") markets.

The Company is divided into two principal divisions, namely:

Formex Pressings

Formex Pressings is a technologically competitive entity focusing on the development, manufacturing and supply of pressed components for the automotive catalytic converter and OEM markets. Products of the Formex Pressings division include:

- OEM-carbon steel pressed components;
- catalytic converters – stainless steel cones and assemblies;
- fuel tanks; and
- high volume pressings, utilising transfer and progression type tooling.

The Company operates out of modern factory facilities and offices based in Korsten and Markman in Port Elizabeth, South Africa.

Formex Tubing

Formex Tubing is a market leader in the manufacturing and supply of tubular and exhaust-related components. Products of the Formex Tubing division include:

- stainless steel tube manufacture;
- tube manipulation and assembly, including multi radius pipe bending, pipe cutting and forming; and
- the manufacture of complete exhaust systems, mufflers and catalytic converters.

Formex Tubing was recently nominated as a Finalist in the President's Award for Export Achievement.

Both Formex Pressings and Formex Tubing are engaged in several automotive export programmes, serving its multinational client base which include such customers as Fiat, BMW, Ford Motor Company of South Africa, VW South Africa and Toyota.

Management is in the process of implementing a restructuring programme for the Formex group. Currently the Group is operating two divisions from three sites: Formex Pressings at the Korsten and Markman plants in Port Elizabeth and Formex Tubing in Ga-Rankuwa. The operations are in the process of being centralised at the Markman plant in Port Elizabeth. Management is confident that a significant cost saving from the reduction in overheads will be realised by this consolidation. A further saving will arise from labour costs as many products that are currently being produced at the more labour intensive plant at Korsten will in future be produced at the automated Markman plant. This restructuring will result in Formex being much better positioned to conclude new contracts by being able to price more competitively.

The revenue and EBITDA earned by Formex for the years ended 31 March 2012 and 31 March 2011 as per the audited annual financial statements are set out below:

R'000	31 March 2012	31 March 2011
Revenue	455 578	440 757
EBITDA	22 186	17 083

7. ADMINISTRATION AND INVESTMENT MANAGEMENT

Niveus Investments has appointed the Administrator to act in the capacity as an administrator to the Company, on the terms set out in the Administration Agreement. In terms of the Administration Agreement, the Administrator will provide a number of services to Niveus Investments including, *inter alia*:

- the provision of all company secretarial services required to ensure that Niveus Investments and its Subsidiaries maintain their corporate existence and comply with all applicable laws and regulations, including but not limited to:
 - arranging the calling and holding of general meetings in respect of the Company and its Subsidiaries;
 - providing reports and information regarding the state of affairs of the Company and its Subsidiaries for meetings of the Board of the Company, or the board of directors of the Subsidiaries of the Company, from time to time;
 - distributing all documents, notices and records and/or other information to the Shareholders as may be required in relation to the Company and/or its Subsidiaries;
 - keeping and maintaining or procuring the keeping and maintaining of all documents and records related to the Company and its Subsidiaries;
 - providing such data and assistance as may be required by the auditors from time to time so that all statutory returns as may be required of the Company and/or its Subsidiaries are correctly completed and timeously filed; and
 - ensuring that the Company and its Subsidiaries comply with all other statutory and regulatory reporting and/or filings as may be required or desirable in terms of all applicable laws and regulations;
- ensure the safe-keeping of all original documentation as may be reasonably required for the purpose of the performance of the Administrator's obligations under the Administration Agreement;
- assist the Company in managing expenditure, budgeting, and taxation matters and, where appropriate, recommending third parties to provide some or all of these services;
- causing Andre van der Veen to serve as Chief Executive Officer of the Company and Muriel Loftie-Eaton to serve as Financial Director of the Company;
- if the employment of the Chief Executive Officer and/or the Financial Director of the Company is terminated at any time, cause another Chief Executive Officer and/or Financial Director to be appointed on such terms and conditions as the Administrator, the Company and the Chief Executive Officer and/or Financial Director, as the case may be, shall agree at that time, provided that any Chief Executive Officer and/or Financial Director proposed to the Company by the Administrator shall perform at least those investment management and advisory services listed in the relevant executive service agreements, which are annexed to the Administration Agreement;
- develop and advise the Company in relation to appropriate capital management strategies, including interacting with key stakeholders;
- monitor the performance of the Company's Subsidiaries;

- procure that HCI Treasury, the treasury company within the HCI Group, provides cash management services to the Company and its Subsidiaries;
- identify, secure, research, conduct and/or procure the provision of financial, technical and legal due diligence in relation to the evaluation and recommendation of potential investments; and
- perform all such other duties as may be reasonably necessary or incidental to the above or as may be agreed between the Company and the Administrator.

The Administrator is an investment entity in the HCI Group which employs the executives to be nominated as executive Directors of Niveus Investments. The executive Directors form part of a group of executives and senior employees who have a successful track record of value creation for stakeholders, and who will seek to develop strategic partnerships for Niveus Investments with companies and/or other entities in order to create and unlock value for Niveus Investments' Shareholders over the medium to long term. The services to be provided by the executives in their capacity as executives of Niveus Investments include the following:

- providing investment advisory services in relation to the Company's portfolio of investments;
- developing and advising the Company on appropriate investment strategies to be employed by the Company;
- monitoring the performance of the Company's portfolio of investments and, in particular, the performance of the Company's Subsidiaries;
- advising the Company in relation to the acquisition, development and disposal of investments held by the Company;
- propose possible investments to the Company for consideration by the Board; and
- on instruction by the Company, assist the Company by negotiating, implementing and executing transactions which the Board have resolved to conclude, within the parameters agreed by the Board in respect of such transaction.

The Board shall consider the advice and recommendations of the executives prior to making an investment or realisation decision. Once the Directors resolve that Niveus Investments should participate in an investment or the realisation or refinancing thereof, the executives shall ordinarily be responsible to negotiate, implement and execute transactions relating thereto.

The fee payable by Niveus Investments to the Administrator will be 50 basis points of the "Enterprise Value" of Niveus Investments as well as a further fee on a cost recovery basis. "Enterprise Value" is defined in the Administration Agreement as the market capitalisation of the Company plus the aggregate value of the Group's indebtedness less any cash and cash equivalents held by the Group.

The Administration Agreement, which is available for inspection, shall commence on the Listing Date and continue indefinitely until terminated in accordance with its terms. The Administration Agreement has a 3 year notice period for termination, but may be terminated with immediate effect subject to the payment of a termination fee equal to 3 years of fees related to the agreement.

Upon termination of the Administration Agreement, the Company and the executives may agree that the Company shall employ them, at its own cost, on such terms and conditions as they may agree at that time.

The Administrator is a wholly owned subsidiary of HCI. HCI will continue to hold an investment of at least 55% in Niveus Investments following the implementation of the Pro-rata Repurchase and Distribution.

The executives nominated and appointed by the Administrator form part of a greater group of employees and executives in the HCI Group who are employed by the Administrator or other entities in the HCI Group, and who have significant experience in managing investments of a long-term nature for HCI. As a result of such employees and executives' involvement in managing HCI's investments over the last 10 years, HCI's headline earnings have increased from a loss of R209 million in 2001 to a profit of R1 020 million in 2012, and the HCI Share price has increased from R2.00 in 2002 to over R80.00 in 2012.

8. MAJOR AND CONTROLLING SHAREHOLDERS

Niveus Investments has been a wholly owned subsidiary of HCI since incorporation. The registered office of HCI is Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, 8001. There has been no change in controlling shareholders of Niveus Investments and its underlying Subsidiaries in the past five years, other than where the various investments were acquired by Niveus Investments more recently, such as HCI KVV which acquired its stake in KVV Holdings Limited during 2011. Following the Listing, HCI will retain at least a 55% shareholding in Niveus Investments.

Based on the signed irrevocable undertakings, the major Niveus Investments Shareholders following the implementation of the Listing will be as follows:

Name	Number of Niveus Investments Shares on Listing Date	Percentage of issued Niveus Investments Share capital on Listing Date
HCI ¹	58 915 498	55.0%
MJA Golding ²	11 951 910	11.2%
JA Copelyn ²	11 951 910	11.2%

Notes:

1. Following the Listing, HCI will retain a minimum 55% shareholding in Niveus Investments.
2. The maximum number of shares that MJA Golding and JA Copelyn may hold if they tender 1 000 000 HCI Shares each in terms of the Pro-rata Repurchase and Distribution and in terms of Excess Applications.

Save as indicated above and as at the Last Practicable Date, the Directors are not aware of any shareholder or Director who will be, directly or indirectly, beneficially interested in 5% or more of the issued share capital of Niveus Investments.

There has been no change in control of Niveus Investments in the five-year period preceding the date of this Pre-listing Statement, other than as set out in this Pre-listing Statement.

9. RATIONALE AND FUTURE PROSPECTS

Through creating a focused growth entity with a diversified range of significant investments, the Listing is intended to provide HCI Shareholders with the opportunity to obtain direct exposure to investments which offer an alternative risk and return profile to their current shareholding in HCI and which have attractive prospects over the medium to long term.

The investments which form part of Niveus Investments have, in the past, been overlooked by investors because of their size relative to other larger and higher profile HCI investments. The Listing will provide visibility and additional information regarding these investments which will allow existing investors in HCI to potentially unlock value and to better assess their value in future.

The Board will focus on growing Niveus Investments' existing portfolio of assets. Niveus Investments will seek to grow through investing in businesses with asymmetrical risk/reward profiles with the potential to enhance the current portfolio of investments whilst growing free cash flow and return on investment. Strategic acquisitions will be funded out of the approximately R74 million of excess cash available on Listing, existing cash to the extent that there is surplus cash available after meeting the targeted dividend policy or alternatively out of debt and/or equity capital which will be raised for the specific acquisition opportunity. The executives nominated for appointment by the Administrator in terms of the Administration Agreement will play an active role in seeking attractive investment opportunities for the Company, having regard to their respective backgrounds in the relevant industries in which the Subsidiaries operate.

The Listing will potentially allow the Group to achieve the following:

- enhance HCI Shareholder value by providing greater visibility of Niveus Investments' portfolio of investments;
- provide Niveus Investments with a further source from which capital can be raised, to facilitate future expansion; and
- afford institutions, private clients, and members of the public the opportunity to participate directly in the equity of Niveus Investments.

10. BLACK ECONOMIC EMPOWERMENT

BEE is a central part of the South African Government's economic transformation strategy. A multi-faceted approach to BEE has been adopted which aims to increase the number of black people that manage, own and control South Africa's economy. The three core elements of the South African Government's BEE policy are: direct empowerment through ownership and control of enterprises and assets; human resource development and employment equity; and indirect empowerment through preferential procurement policies aimed at ensuring that black people benefit from South African tenders.

Several industries have taken the initiative to set their own specific targets related to, *inter alia*, the three core areas of BEE. These initiatives have been incorporated in transformation charters. Each transformation charter contains a scorecard against which industry members are measured on their BEE progress. The scores achieved are important in competing and tendering for business from the public and private sectors. The scorecards have a cascading effect, with each commercial enterprise requiring a measure of BEE compliance from enterprises with which they do business, in order that they too can reach their BEE targets.

Niveus Investments is committed to enhancing its BEE credentials and initiatives to maximise the BEE scorecard points achieved by the Group, including maximising the “bonus points”, in terms of the Codes.

BEE is a crucial requirement in terms of many of the licences held by Niveus Investments. Maximising the BEE scorecard points is a clear indication of Niveus Investments’ commitment to BEE, and is an important element for the sustained growth of Niveus Investments’ investment portfolio. HCI will continue to retain a minimum 55% investment in Niveus Investments and is a key strategic BEE shareholder in the Group.

II. REGULATORY ENVIRONMENT

Other than the Companies Act, Niveus Investments is subject to certain legislation and regulations. Some of the principal South African legislation regulating the different industries in which Niveus Investments operates is highlighted in Annexure II.

Niveus Investments is not impacted by any government protection or investment encouragement law.

PART B: MANAGEMENT AND CORPORATE GOVERNANCE

12. DIRECTORS AND SENIOR MANAGEMENT

The names, ages, business addresses, functions, qualifications, occupations, nationalities and brief CVs of the Directors of Niveus Investments are set out below:

John Anthony Copelyn (61) (BA Hons BProc)

South African

Mr John Copelyn is the non-executive Chairman of Niveus Investments. He was appointed to the Board in 1998.

He first joined the investment company HCI as Chief Executive Officer in 1997 from which he has built a reputation as one of South Africa's foremost businessmen. He was previously general secretary of various unions in the clothing and textile industries from 1974 before becoming a member of parliament in 1994. He currently holds various directorships and is non-executive Chairman of e.tv and Tsogo Sun Holdings Limited.

Date appointed

15 May 1998

Committee memberships

Remuneration Committee

Social and Ethics Committee
(Chairman)

Business address

Block B, Longkloof Studios
Darters Road, Gardens
Cape Town, 8001

Marcel Jonathan Anthony Golding (52) (BA Hons)

South African

Mr Marcel Golding is a non-executive Director.

He joined HCI as Chairman in 1997. Prior to this he was a member of parliament and deputy general secretary of the National Union of Mineworkers. He is Chairman of Golden Arrow Bus Services Proprietary Limited, KWV Holdings Limited and HCI Coal Proprietary Limited, as well as the CEO of e.tv.

Date appointed

15 May 1998

Committee memberships

None

Business address

Block B, Longkloof Studios
Darters Road, Gardens
Cape Town, 8001

Lynette Moretlo Molefi (43) (BSc, MB ChB)

South African

Ms Moretlo Molefi is an independent non-executive Director.

She is a businesswoman with interests in the health sector. She was previously the director of the Telemedicine programme at the Medical Research Council of SA; consultant for Aspen Pharmacare and COO of Safika Health. She currently serves as a board member of the International Society for Telemedicine and eHealth and Vice-president of SA Telemedicine Association. She was appointed to the Board of HCI in December 2006.

Date appointed

25 January 2012

Committee memberships

Audit Committee
Remuneration Committee
Social and Ethics Committee

Business address

502 Milnerton Street
Kyalami Estates, 1686

Yunis Shaik (54) (BProc)

South African

Mr Yunis Shaik is an independent non-executive Director and fulfils the role of lead independent Director on the Board.

He is an admitted attorney of the High Court of South Africa and presently in private practice. He is a former deputy general secretary of the Southern African Clothing and Textile Workers Union and a director of Workers' College. He has served as a senior commissioner to the CCMA in KwaZulu-Natal. He was appointed to the HCI Board in August 2005 and as lead independent non-executive Director of the HCI board in August 2010.

Date appointed

25 January 2012

Committee memberships

Audit Committee (Chairman)
Remuneration Committee

Business address

52 Troon Road
Greenside, 2093

Jabulani Geffrey Ngcobo (61)

South African

Mr Jabulani Ngcobo is an independent non-executive Director.

He was the regional secretary for Africa of the International Textile Garment and Leather Workers Federation from 1999 to 2006. Prior to this appointment he held the position of general secretary of the Southern African Clothing and Textile Workers Union for six years from 1994 to 1999. He also serves on the boards of Tsogo Sun Holdings Limited and HCI Coal Proprietary Limited.

Date appointed

25 January 2012

Committee memberships

Audit Committee

Business address

Capstone Textiles
168 Van Eck Road
Hammersdale, 3700

Andre van der Veen (41) (CA(SA), CFA, ACMA)

South African

Mr Andre van der Veen is the Chief Executive Officer of Niveus Investments.

He previously held positions in investment banking at Nedcor Investment Bank, Greenwich and Mettle. He joined HCI following HCI's acquisition of Mettle in 2004. At HCI he was responsible for the acquisition, management and ultimately disposal of a number of investments which included Clover, Tylon, Johnson Crane Hire, Johnson Access, African Unity Insurance and Mettle. He was CEO of Johnnic Holdings Limited where he managed the restructuring of the Group which included the sale of the Group's interest in Suncoast Casino to Tsogo Sun. During his tenure, he also managed the Group's current investments in Vukani Gaming, Formex, HCI Bingo and Montauk Energy Capital LLC. He is currently the non-executive Chairman of HCI Coal Proprietary Limited which he started five years ago and the acting CEO of KVV Holdings Limited following HCI's acquisition of its interest in KVV Proprietary Limited. He is also a non-executive director of Tsogo Sun Holdings Limited.

Date appointed

14 December 2011

Committee memberships

None

Business address

La Concorde
57 Main Street
Paarl, 7646

Muriel Loftie-Eaton (33) (CA(SA))

South African

Ms Muriel Loftie-Eaton is the Chief Financial Officer of Niveus Investments.

She has built up several years of investment management experience as a member of various executive and audit committees of HCl's subsidiaries. She qualified as a chartered accountant at PricewaterhouseCoopers Incorporated ("PWC") where she attained the position of Senior Manager in 2007. She subsequently worked for Adato Capital Holdings Limited (previously Quince Capital Limited) as a Financial Manager prior to joining HCl in a Managerial role.

Date appointed

25 January 2012

Committee memberships

None

Business address

La Concorde
57 Main Street
Paarl, 7646

The names, ages, functions, qualifications, occupations, nationalities and brief CVs of the directors and senior management of Vukani Gaming, a major subsidiary, are set out below:

Willem Jacobus Bodenstein (50) (BCom (Acc) (CA(SA))

South African

Willem Jacobus Bodenstein is the Chief Executive Officer of Vukani Gaming.

He has worked in the LPM industry since 2006, first as Chief Operating Officer and for the last two years as Chief Operating Officer overseeing the company's 882% growth during this period.

He started his career in 1980 at Taylor & Geerling as a trainee accountant and completed a BCom (Acc) at the University of Pretoria as well as his articles in 1984. Thereafter he joined the SA Woolboard as financial manager for two years before completing his national service for two years.

He worked as a financial manager in the clothing and electrical motor manufacturing industries before joining the steel tube industry in 1989, first as financial manager, and thereafter as managing director of Bosal Africa Proprietary Limited.

He has extensive manufacturing and international trade experience with a focus on Africa and the Middle East.

Pieter Engelbrecht (33) (CA(SA))

South African

Mr Pieter Engelbrecht is the Chief Financial Officer of Vukani Gaming.

He qualified as a chartered accountant at PWC whereafter he joined PWC in Canada and the USA for two short-term secondments. Upon his return, he joined Mettle Investments Proprietary Limited, a former subsidiary of HCl in a managerial role. In 2007 he was appointed by HCl as the Financial Manager of one of the HCl Group's listed subsidiaries. Prior to joining Vukani Gaming, he held the position of group financial manager of HCl.

Bandile Mogiba (44) (PTD, FDE (RAU), BA (Unisa))

South African

Mr Bandile Mogiba is the deputy CEO of Vukani Gaming.

He worked for the Mpumalanga Department of Education from 1990 to 1997, and then joined the Mpumalanga Gambling Board in 1997 where he commenced his managerial role from middle management to senior management level in 1994, with a focus on regulatory compliance. He joined Vukani Gaming in 1996 as the General Manager for Vukani Gaming Mpumalanga Proprietary Limited and was appointed as the deputy CEO of Vukani Gaming in 2009.

Vimbai Nyatsambo (27) (BSoc Sc)

South African

Ms Vimbai Nyatsambo is an independent non-executive Director of Vukani Gaming.

She grew up in Johannesburg and moved to Cape Town in 2004 to study at the University of Cape Town (UCT). Her first degree was a BSoc Sc in Industrial Sociology and Politics. Her second Degree was an Honours in Social Development. She holds directorship in various companies including Vukani Gaming. She has had extensive involvement in community development and empowerment. As the Programme Co-ordinator/Director of Education for Education without Borders (Gugulethu), she ensures the quality and sustainability of the after school programmes that give learners a chance to improve their marks and develop critical thinking and life skills. She strongly believes in empowering those who don't have access to basic opportunities and is committed to creating opportunities that allow people to live lives that they value.

Elias Mphande (53)

South African

Mr Elias Mphande is an independent non-executive Director of Vukani Gaming.

He was the national organising secretary of the Southern African Clothing and Textile Workers Union from 1990 to 1995. He subsequently served as Chief Executive Officer of AUTA (1996 to 2000), marketing director of Viamax Fleet Solutions, a subsidiary of Transnet (2001 to 2005) and Chief Executive Officer of the Vukani Group (2006 to 2010). He served as chairman of Golden Arrow Bus Services Proprietary Limited for four years until 2010. He was appointed to the HCI Board in September 2010 as a non-executive Director. He also serves on the Board of Tsogo Sun Holdings Limited, Vukani Gaming and e.tv.

Although Formex has generated losses in the financial year to 31 March 2012, its revenue contribution results in it being viewed as a major subsidiary in terms of the Listings Requirements. Accordingly, the names, ages, business addresses, functions, qualifications, occupations, nationalities and brief CVs of the Directors and senior management of Formex, are set out below:

Johan Swart (43) (BEng Mechanical)

South African

Mr Johan Swart is the Chief Executive Officer of Formex.

He has many years of senior management experience at various automotive companies, including his position as Plant Manager at the Ford engine plant in Port Elizabeth.

Date appointed

November 2003

Business address

Aloes Industrial Park
Markman Industrial Township
Port Elizabeth, 6001

Hennie Venter (43) (BEng Industrial, MBA)

South African

Mr Hennie Venter is Operations Director of Formex.

He was previously operations manager at the Ford engine plant and prior to that held various positions at Daimler Chrysler for a period of seven years. His time at Daimler Chrysler included several overseas assignments in Europe.

Date appointed

March 2005

Business address

Aloes Industrial Park
Markman Industrial Township
Port Elizabeth, 6001

Andre Swart (46) (CA(SA))

South African

Mr Andre Swart is a member of the senior management team at Formex.

He held various positions at Goodyear over a 10-year period, including that of Financial Director, before taking up a Financial Director role at Crown Chickens for two years. Thereafter, he took up the role of Financial Director at Magister before joining Formex.

Date appointed

March 2011

Business address

Aloes Industrial Park
Markman Industrial Township
Port Elizabeth, 6001

Mr Shawn Govender is a member of the senior management team at Formex.

He was previously Operations Director at Johnson Controls and Group Manufacturing Executive in the Seardel Investment Group. Prior to this, he held various positions at the Ford engine plant in Port Elizabeth.

Date appointed

May 2011

Business address

Aloes Industrial Park
Markman Industrial Township
Port Elizabeth, 6001

13. APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

13.1 The relevant provisions of the MOI relating to the qualification, remuneration, borrowing powers and appointment of the Directors are set out in Annexure 7 to this Pre-listing Statement.

13.2 None of the Directors has declared:

- any bankruptcies, insolvencies, or individual voluntary compromise arrangements;
- details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the Companies Act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company where the Director is or was a director with an executive function of such company at the time of or within the 12 months preceding any such event(s);
- any compulsory liquidations, administrations or partnership voluntary arrangements of any partnership where the Director is or was a partner at the time of or within the 12 months preceding such event(s);
- any receiverships of any asset(s) of the Director or of a partnership of which the person is or was a partner at the time of or within the 12 months preceding such event(s);
- any details of any public criticism of the Director by statutory or regulatory authorities, including recognised professional bodies, and whether the Director has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; and/or
- any offence involving dishonesty.

The Directors have submitted to the JSE duly completed declarations in compliance with Schedule 21 of the Listings Requirements.

Niveus Investments and the independent non-executive Directors, being Mr Yunis Shaik, Mr Jubalani Ngcobo, and Ms Lynette Molefi, have specifically applied their minds to the requirements of King III related to independence and are satisfied that they are independent.

13.3 Terms of office of Directors

The executive Directors have no fixed-term service contract and their conditions of employment are governed by an engagement letter or, in relation to Mr A van der Veen and Ms M Loftie-Eaton, an executive services contract attached as an Annexure to the Administration Agreement. Subject to employment contracts, at least one-third of the Directors shall retire at each annual general meeting. No person has any right to appoint any Director other than in the terms of the MOI as set out in Annexure 7 to this Pre-listing Statement. In terms of the Administration Agreement, the Administrator is required to nominate and procure the appointment of an appropriately qualified Chief Executive Officer and Financial Director from time to time to perform certain investment management and advisory services in their capacity as Directors of Niveus Investments.

13.4 The borrowing powers of Niveus Investments have not been exceeded since the date of incorporation until the Last Practicable Date.

13.5 Remuneration of Directors

There was no remuneration or benefits paid by Niveus Investments to the executive and non-executive Directors for the year ended 31 March 2012. No remuneration payable to any of the Directors will be varied as a result of the Listing.

13.6 Borrowing powers and borrowings

Extracts from the MOI reflecting the borrowing powers of the Directors and the manner in which such borrowing powers may be varied are set out in Annexure 7 to this Pre-listing Statement. The borrowing powers of Directors of Subsidiaries of Niveus Investments are restricted by the limits imposed by Niveus Investments and by the Memoranda of Incorporation of the particular Subsidiaries.

The Directors may exercise all the powers of Niveus Investments to effect borrowings. In terms of the MOI, the borrowing powers of Niveus Investments are unlimited.

14. DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF NIVEUS INVESTMENTS

The Directors held no direct beneficial interests in Niveus Investments as at the Last Practicable Date, however, as Niveus Investments is a wholly owned Subsidiary of HCI prior to the Pro-rata Repurchase and Distribution, through their shareholding in HCI, the Directors held indirect beneficial interests in Niveus Investments. On the Last Practicable Date, the Directors direct and indirect beneficial interests in HCI are disclosed below:

Directors	Direct and indirect beneficial	Percentage holding (%)
Executive		
A van der Veen	1 063 018	0.8
M Loftie-Eaton	–	–
Non-executive		
JA Copelyn	6 020 883	4.5
MJA Golding	9 521 194	7.2
M Molefi	–	–
Y Shaik	17 500	–
J Ngcobo	–	–
Total	16 622 595	12.5

The Directors' expected direct shareholdings in Niveus Investments (excluding their indirect beneficial interest in Niveus Investments as a result of their shareholding in HCI) after the Pro-rata Repurchase and Distribution but before Excess Applications are set out below:

Directors	Direct beneficial	Percentage holding (%)
Executive		
A van der Veen	390 046	0.4
M Loftie-Eaton	–	–
Non-executive		
JA Copelyn	2 209 204	2.1
MJA Golding	3 493 551	3.3
M Molefi	–	–
Y Shaik	6 421	–
J Ngcobo	–	–
Total	6 099 222	5.8

15. **DIRECTORS' INTERESTS IN TRANSACTIONS**

The Directors have no indirect or direct beneficial interests in any transaction effected during the current or immediately preceding financial year, or during an earlier financial year which remains in any respect outstanding or unperformed.

No Director has been paid any monies to induce him or her to become a director between the date of incorporation and the Last Practicable Date.

The MOI provides that any Director who has an interest in a contract or arrangement with Niveus Investments is obliged to declare that interest in terms of the Companies Act and shall not be entitled to vote on a resolution relating thereto.

The Directors' only interest in the Pro-rata Repurchase and Distribution is as a result of their shareholdings in HCI.

16. **CORPORATE GOVERNANCE**

Niveus Investments has adopted the corporate governance principles of HCI, which has long espoused high standards of ethical behaviour and corporate governance. Niveus Investments is committed to the principles of openness, integrity and accountability in its dealings with all stakeholders and supports the Code of Corporate Practices and Conduct as recommended by the King III Report on Corporate Governance. Extracts of the corporate governance policies adopted by Niveus Investments are set out in Annexure 12 to this Pre-listing Statement.

PART C: FINANCIAL INFORMATION – HISTORICAL FINANCIAL INFORMATION, PRO FORMA FINANCIAL INFORMATION AND DIVIDEND POLICY

17. HISTORICAL FINANCIAL INFORMATION

The *pro forma* historical financial information for Niveus Investments for the year ended 31 March 2012 is presented in Annexure 2. The preparation of the historical financial information is the responsibility of the Directors.

18. PROFILE OF INVESTMENTS

Niveus Investments has a well-balanced and diversified portfolio of investments across various industries. The Niveus Investments Shares will be issued at a value of R7.12 per Niveus Investments Share. Considering the value of an HCI Share of R85.07, which is based on the 60-day VWAP up to and including 5 July 2012, this implies a ratio of 11.95191 Niveus Investments Shares for every one HCI Repurchase Shares tendered by the relevant HCI Shareholder in terms of the Pro-rata Repurchase and Distribution.

The Directors, in considering the value of R7.12 per Niveus Investments Share and the resultant ratio of 11.95191 Niveus Investments Shares for every one HCI Repurchase Shares tendered, have taken a number of factors into account, including, *inter alia*, the discounts applied to comparable investment entities traded on the JSE. Accordingly, the Directors are of the view that the relative value per Niveus Investments Share is fair. An overview of the Directors' valuation of the entities comprising Niveus Investments (based on value as at the Last Practicable Date), which has been used to determine the relative switch ratio of 11.95191, is provided below:

Subsidiary	Cost of investment (R'000)	Directors' valuation of investment (R'000)
Vukani Gaming	5 107 ³	813 110
HCI KVV	286 608	250 396 ⁴
HCI Bingo	— ⁵	59 408
Formex	— ⁵	23 400
Cash balance	74 254	74 254
Total	291 715	1 220 568
Claims and liabilities of Niveus Investments		(173 543)
Total		1 047 025
Niveus Investments Shares in issue		107 119 087
Directors' value per share		R9.77
Issue price per Niveus Investments Share		R7.12

Notes:

- All of Niveus Investments' investments are wholly owned subsidiaries, with the exception of HCI KVV which holds a 39.9% interest in KVV Holdings Limited and Formex, in which Niveus Investments holds a 90% interest. HCI KVV is a wholly owned Subsidiary of Niveus Investments.
- The Directors' valuation is based on the directors assessment of the historical performance, and anticipated future performance of the investments
- The shares in Vukani Gaming were subscribed for by GPT on 21 May 2001 and 1 August 2003 for a total of R5 107 000. The balance of the funding in the business was contributed by way of loan accounts which have all substantially been repaid.
- The valuation of HCI KVV is based on the market price.
- The intercompany loan accounts in HCI Bingo and Formex exceeded the equity value in these entities which resulted in Niveus Investments acquiring them for zero cost.

19. LOAN PAYABLE AND MATERIAL LOANS

The Group currently has the following material loans outstanding:

Entity	Niveus Investments
Lender	Investec Bank Limited
Amount	R185 000 000
Rate of interest	JIBAR plus 2.5%
Terms and conditions of repayment	Interest is payable semi-annually in arrears Capital repayments on the facility will commence in year three with five equal semi-annual capital payments equal to 6% of the facility amount and a final bullet payment of 70% of the facility at the end of year five
Security provided	Secured by a R185 000 000 guarantee from HCI and HCI Securities Proprietary Limited The aforementioned loan arose as part of the HCI Restructuring whereby Niveus Investments repaid the intercompany loan due to HCI Treasury
Entity	Formex
Lender	Industrial Development Corporation
Amount	R40 000 000
Rate of interest	Fixed annual rate of 7.3%
Terms and conditions of repayment	Instalments are payable monthly of R500 000 increasing to R1 000 000 at the end of September 2012
Security provided	Fourth Mortgage bond over Erf Korsten for R5 000 000 Second Mortgage bond over Erven 238 & 239 Garankuwa for R5 000 000 General Notarial covering bond over all movable assets for R30 000 000
Entity	Formex
Lender	Industrial Development Corporation (preference shares)
Amount	R30 000 000
Rate of interest	Real after tax rate of return of 8%
Terms and conditions of repayment	Dividends are paid biannually at 86% of prime The preference shares may be redeemed at the discretion of Formex. However, if it is not yet redeemed on 30 September 2014 then it will be redeemed by paying three tranches of R10 000 000 commencing on 30 September 2014. Dividends are paid six monthly at 86% of prime with a balloon payment payable with the last payment to ensure a real after tax rate of return of 8%
Security provided	Guarantee by Formex Tubing Proprietary Limited, a wholly owned subsidiary of Formex

Other than the aforementioned loans, the Group does not have any other material borrowings outstanding as at the Last Practicable Date.

Any loans due in the next twelve months will be repaid out of cash generated by the Group.

20. **DIVIDENDS AND DIVIDEND POLICY**

Niveus Investments has not declared any dividends between the date of incorporation and the Last Practicable Date.

Following the Listing, the Directors intend to declare an interim and final dividend in respect of Niveus Investments Shares on an annual basis. The dividend policy will be to declare dividends equal to 50% of headline earnings. This policy will be subject to the Directors exercising due care in assessing the cash requirements of the Group.

In accordance with the MOI, all unclaimed ordinary share dividends will be held in trust, provided that ordinary share dividends unclaimed for a period of three years from the date they were declared may be forfeited for the benefit of Niveus Investments. Ordinary share dividends shall be declared payable to shareholders of Niveus Investments as at a date subsequent to the date of declaration or date of confirmation of the ordinary share dividend, whichever is later. There is no fixed date on which entitlement to ordinary share dividends arises and the date of payment will be determined by the Directors at the time of declaration, subject to the Listings Requirements. There are no current arrangements under which future ordinary share dividends are waived or agreed to be waived. Relevant extracts of the MOI relating to dividends are set out in Annexure 7 to this Pre-listing Statement.

21. **MATERIAL CHANGES**

The material changes in the assets, liabilities and trading position of Niveus Investments and its Subsidiaries that have taken place between 31 March 2012 and the Last Practicable Date relate to the HCI Restructuring.

Prospective Investors are referred to paragraph 40 and the HCI Circular which more fully sets out the details of the HCI Restructuring.

Other than the aforementioned specific changes, no other material changes in the financial or trading position of Niveus Investments and its subsidiaries have taken place between 31 March 2012 and the Last Practicable Date.

22. **WORKING CAPITAL STATEMENT**

The Directors have considered the working capital position of Niveus Investments and its Subsidiaries and are of the opinion that, for a period of 12 months after the date of this Pre-listing Statement:

- (a) Niveus Investments and its Subsidiaries will be able in the ordinary course of business to pay its debts;
- (b) the assets of Niveus Investments and its Subsidiaries will be in excess of the liabilities of Niveus Investments and its Subsidiaries;
- (c) the share capital and reserves of Niveus Investments and its Subsidiaries will be adequate for ordinary business purposes; and
- (d) the working capital of Niveus Investments and its Subsidiaries will be adequate for ordinary business purposes.

PART D: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

A brief discussion of the results of operations for Niveus Investments' major investments for the financial year ended 31 March 2012 is set out below.

The following discussion and analysis should be read together with the rest of the Pre-listing Statement, including the *pro forma* historical financial information in Annexure 2 to this Pre-listing Statement.

23. YUKANI GAMING

Vukani Gaming achieved an EBITDA of R133 million for the 2012 financial year which was in line with forecasts. The LPM roll outs for the year were slower than anticipated but game and LPM changes ensured better than expected GGR results. Net profit after tax of R43 million was reported for the year ended 31 March 2012, which excludes the equity accounted earnings loss of KVV Holdings Limited of R2 million.

The Western Cape province remains the province with the highest average income per LPM. The cost base of the business grew by 11% against a growth in turnover of 27%. Capital expenditure incurred was R80 million and mainly related to new machine purchases either for replacement or to fulfil new site roll-out requirements. Disappointingly a limited number of LPMs were installed in the Free State province despite a judgement in Vukani's favour which compelled the Free State Gaming Board to issue Vukani's licence and to proceed with assessment and approval of site licences.

Vukani has licences for more than 7 880 LPMs of which 3 963 have been installed. It is not expected that the full licence allocation will be installed in all provinces due the limited availability of qualifying sites in the smaller provinces.

24. KVV HOLDINGS LIMITED

KVV Holdings Limited's financial results for the period from 1 July to 31 December 2011 were disappointing but in line with the assessment made at the time that the Company's 2011 year-end results were published. KVV Holdings Limited made a headline earnings loss of R6.5 million for this period despite an 18.3% increase in revenue and a 19.7% increase in the volume of products sold. The loss was mainly due to a higher investment in advertising and promotion activities, investment in new product development, a deterioration in the mix of products sold and high restructuring costs. A detailed commentary on KVV Holdings Limited is available on its website at www.kvv.co.za.

25. GALAXY BINGO

EBITDA of R5 million was achieved for the 2012 financial year which exceeded expectations due to higher GGR achieved from new and refurbished sites. The year under review was focused on initiating and completing the renovation of existing sites. The renovations and relocations have had a positive impact on the business with above inflationary growth achieved in the refurbished sites.

Currently Galaxy Bingo operates four sites in Gauteng and it has licences for 11 sites in KwaZulu-Natal. It is expected that other provinces will also issue Requests For Proposal's in the near future for bingo licences. The roll-out of the KwaZulu-Natal licences has been delayed due the inability of the KwaZulu-Natal Gaming and Betting Board to meet and due to legal challenges from, *inter alia*, the casino operators in KwaZulu-Natal. The province's position on EBT's remains unclear following the release of the Gambling Review Commission's report. The findings of the Gambling Review Commission relating to EBT's remains the most significant risk to the business as bingo seats playing EBT's are proving to be significantly more profitable than those playing the paper format.

26. FORMEX

A loss of R32 million was reported for the March 2012 financial year and included impairments of R38 million for writing down assets to their anticipated realisation values detailed below, of which R6 million is attributable to discontinued operations. R20 million of this impairment related to goodwill.

The EBITDA of R22 million was lower than forecast due to factors which included the increasing labour cost of the manual operations and inefficient production scheduling due to customer demand, neither of which customers were willing to compensate Formex for. However, EBITDA in the second half of the year was significantly higher than the first half due to the implementation of cost saving initiatives and higher sales due to the recovery experienced by the automotive industry.

However, demand for automotive products remain lower than anticipated and South Africa remains an expensive production location compared to other developing countries. The new export incentive scheme is intended to assist local companies to be more competitive and its speedy implementation is important to ensure that the local market is allocated work by the global automotive companies. With margin optimisation of the current book of business largely completed, increased volumes remain the most important driver of improved profitability and cash flow.

PART E: RISK FACTORS

Investing in the Niveus Investments Shares carries a level of inherent risk. Accordingly, before investing in Niveus Investments Shares, investors should carefully consider the risks described below in addition to the other information in this Pre-listing Statement. Although information has been provided in this Pre-listing Statement in relation to the Niveus Investments Shares, an investor should use his or her own judgment and seek advice from an independent financial adviser before making such a decision.

The Group's businesses, financial position, results of operations, growth, strategies and dividend policy could be materially adversely affected by a number of risks, including those set out below. These risks could also have an adverse effect on the trading price of the Niveus Investments Shares. The risks described below are not considered to be exhaustive; additional risks not presently known to Niveus Investments or that the Directors currently deem immaterial may also adversely affect the Group's business, financial position, results of operations, growth, strategies and dividend policy.

This Pre-listing Statement contains "forward-looking" statements that involve risks and uncertainties. Niveus Investments' actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such differences include those discussed below.

27. RISKS RELATED TO NIVEUS INVESTMENTS' BUSINESS

Suitability of investment

Investors are not to construe the contents of this Pre-listing Statement as financial, tax or legal advice. Prior to acquiring Niveus Investments Shares investors should consult with their financial, tax and legal advisers to determine the appropriateness and consequences of an investment in the Company.

Investments in unlisted entities

Investments in unlisted entities, such as those that the Company has made and is likely to make, are intrinsically riskier than investments in listed entities as such unlisted entities may be smaller, more vulnerable to changes in markets and technology, relatively illiquid and dependent on the skills and commitment of a small management team. Information on the financial and operational performance of unlisted entities is likely to be more difficult to obtain and may be less reliable than would be the case for listed entities.

Investments may be illiquid, long-term in nature, difficult to value and subject to legal and other restrictions on transfer. There can be no assurances that the Company will be able to liquidate a particular Investment at the time and on the terms it desires.

General risks of investments

The businesses of the entities in which the Company invests may be adversely affected by global or local economic, political, environmental or other factors beyond the control of those entities, the Administrator, the executives nominated for appointment by the Administrator or the Company.

Litigation

A number of Niveus Investments' investments are the subject of litigation as disclosed in Annexure 9. The nature of litigation is inherently uncertain and an adverse outcome in the litigation proceedings could have a significantly unfavourable impact on Niveus Investments and its future prospects.

Certain of Niveus Investments' businesses operate in highly regulated industries

The Group's businesses operate in highly regulated industries, particularly Vukani Gaming and HCI Bingo as they relate to the gaming and entertainment industry regulations and HCI KVV as it relates to the alcohol industry regulations. No assurance can be given that the South African Government and/or industry regulatory bodies will not implement new regulations or amend existing regulations, or otherwise take actions which could have a material adverse effect on the Group's business, financial conditions, results of operations and on prospects.

Regulatory risk for Bingo

Significant regulatory uncertainty still exists for Galaxy Bingo relating to its EBT's. Galaxy Bingo is of the opinion that EBT's may be legally operated under Bingo licences and this view is supported by the Gauteng Gambling Board. However, the National Regulator and the DTI's Gaming Review Commission appear to have a different opinion and the outcome is still to be determined. Should the conclusion be that EBT's are not allowed, this will have a significantly negative impact on the business and management will have to review the business model.

BEE requirements to retain licences held by the Group

Licences held by Vukani Gaming and HCI Bingo impose requirements related to the companies' BEE rating. To the extent Vukani Gaming or HCI Bingo are unable to maintain the necessary BEE rating, or the existing BEE regulations are amended, Vukani Gaming and/or HCI Bingo may be adversely impacted which may include the loss of licences and consequently the loss of business for a period of time.

Certain investments are currently loss-making

Certain of the investments held by Niveus Investments are currently loss-making. Such investments may be unprofitable for an extended period of time and there are no assurances that the Company will be able to restore profitability to such investments in the anticipated timeframes.

Failure to retain and attract key personnel and qualified employees could impede Niveus Investments' ability to execute its business plan and growth strategy, and thereby lead to poor performance

The Group's performance depends to a large extent on the efforts and abilities of its key personnel and employees. The Group believes that its success will continue to depend, in part, upon its ability to continue to attract, retain and motivate the necessary personnel, including executive officers and certain other key employees. Between them, the key executives of Niveus Investments have years of investment management experience across a variety of businesses. These executives, along with other key personnel, have the knowledge and understanding of the investment portfolio of Niveus Investments that cannot be readily duplicated in the short term. They generally have substantial experience and expertise relating to investing and growing businesses over an extended duration. The competition for qualified personnel in the investment management industry is strong and there can be no assurance that Niveus Investments will be successful in retaining such personnel or attracting replacement personnel. Failure to attract and retain such personnel, including any member of Niveus Investments' senior management team, could have a material adverse effect on the Company's business by impairing its ability to execute its business plan and growth strategy, causing it to lose clients and reduce its revenues.

The subsidiaries of Niveus Investments conduct their business in South Africa which is subject to certain political, social and economic conditions

Niveus Investments is incorporated in and has its head office, operations, customers and investors located in South Africa. Accordingly, the country's political, social and economic conditions are relevant to investors in assessing a proposed investment in Niveus Investments Shares. In general, South Africa faces many challenges in overcoming substantial inequalities in levels of social and economic development among its people. The South African Government has taken a number of noteworthy steps towards addressing the social and economic problems in South Africa, although certain problems still exist. While South Africa features a highly developed financial and legal infrastructure at the core of its economy, it has high levels of unemployment, poverty and crime. Particular considerations include how the South African Government will ultimately address such tensions and problems, to what extent its efforts will be successful, the political, social and economic consequences of such efforts and the effect on South African businesses of the continuing integration of the South African economy with the economies of the rest of the world. The economic direction of South Africa may be influenced by the extent to which the South African Government, organised labour and business are able to agree upon common goals and the means of achieving them. While Niveus Investments is of the view that the economic sentiment is positive for the future, these social and economic problems may have a negative impact on the South African economy and in turn may have an adverse effect on Niveus Investments' South African operations and on its business and financial performance as a whole.

As discussed in paragraph 10 of this Pre-listing Statement headed "Black Economic Empowerment", BEE is a central part of the South African Government's economic transformation strategy.

PART F: SHARE CAPITAL

28. SHARE CAPITAL

The authorised and issued share capital of Niveus Investments on Listing Date is as follows:

	R'000
Authorised	
500 000 000 ordinary shares of no par value	
Issued	
107 119 087 ordinary shares of no par value	718 847

None of the Niveus Investments Shares are held as treasury shares by the Group.

No Niveus Investments Shares will be listed on any securities exchange other than the JSE. Niveus Investments has not created or issued any debentures.

There are no founders' or deferred shares. Other than the Niveus Investments Shares which are expected to be listed on the JSE, no securities have been issued by Niveus Investments nor listed on any other stock exchange.

The authorised but unissued securities of Niveus Investments are under the control of the Directors and/or shareholders in general meeting as per the requirements of the Companies Act and the Listings Requirements. There are no resolutions, authorisations or approvals currently in place by virtue of which securities will be created and/or issued.

Refer to paragraph 40 for details regarding the issue of Niveus Investments Shares to HCI as part of the HCI Restructuring to establish Niveus Investments.

28.1 Niveus Investments share incentive schemes

No share incentive schemes have been implemented as at the Last Practicable Date. Andre van der Veen and Muriel Loftie-Eaton will continue to be employed by the Administrator with their services being recovered by means of the Administration Agreements and will be incentivised in terms of HCI's incentive schemes.

28.2 Rights attaching to Niveus Investments Shares

All Niveus Investments Shares have equal rights to participate in the capital and profits of Niveus Investments. Any variation in the rights attaching to Niveus Investments Shares will require a special resolution of Niveus Investments Shareholders in general meeting in accordance with the MOI.

In accordance with the MOI, at any general meeting of Niveus Investments Shareholders, every Niveus Investments Shareholder present in person or by authorised representative shall have one vote on a show of hands, provided that a proxy shall, irrespective of the number of Niveus Investments Shareholders that proxy represents, have only one vote. On a poll, every Niveus Investments Shareholder present in person or by proxy shall have one vote for each ordinary share held.

At the Listing Date, all the Niveus Investments Shares will rank *pari passu* in every respect. There are no preferential conversion or exchange rights of any kind attached to Niveus Investments Shares.

29. ALTERATIONS TO SHARE CAPITAL IN THE PAST THREE YEARS

Other than the sub-division of Niveus Investments' share capital as part of the HCI Restructuring, there have been no other consolidations or sub-divisions of securities during the preceding three years.

30. NIVEUS INVESTMENTS SHARES ISSUED OTHERWISE THAN FOR CASH

Other than the Niveus Investments Shares which were issued in terms of the HCI Restructuring as set out in the HCI Circular, no Niveus Investments Shares were, within the three years preceding the date of this Pre-listing Statement, issued, or agreed to be issued, by Niveus Investments or any of its Subsidiaries to any person, other than for cash.

31. **OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF NIVEUS INVESTMENTS SHARES**

The Group is not party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any Niveus Investments Shares.

32. **PREVIOUS OFFERS**

There have been no *bona fide* offers for sale or sales of any Niveus Investments Shares or any of its Subsidiaries which have been acceptable to the Board of HCI during the three years prior to the date of issue of this Pre-listing Statement.

PART G: PARTICULARS OF THE LISTING

33. LISTING OF NIVEUS INVESTMENTS SHARES ON THE JSE

The Issuer Regulations Division of the JSE has agreed to the listing of the entire issued ordinary share capital of Niveus Investments in the "Investment Entities" sub-sector of the "Financials" sector of the JSE under the abbreviated name "NIVEUS", symbol "NIV" and ISIN: "ZAE000169553" with effect from the commencement of business on or about Monday, 10 September 2012.

This Pre-listing Statement has been prepared on the assumption that the resolutions set out in the notice of General Meeting forming part of the HCI Circular (which is posted together with this Pre-listing Statement), will be passed at the General Meeting to be held on Thursday, 30 August 2012 and that the Pro-rata Repurchase and Distribution will be implemented.

As a result of the Pro-rata Repurchase and Distribution, Niveus Investments' spread of shareholders will only be determinable after the Listing Date. The JSE has granted Niveus Investments dispensation from the spread requirements as set out in paragraph 4.28(f) of the Listings Requirements on the Listing Date on the condition that HCI and Niveus Investments undertake to ensure that the spread requirements are fulfilled within six months following the Listing Date.

34. EXCHANGE CONTROL REGULATIONS

Currency and shares are not freely transferable from South Africa to any jurisdiction falling outside the geographical borders of South Africa, other than jurisdictions falling within the Common Monetary Area, and must be dealt with in terms of the Exchange Control Regulations of the South African Reserve Bank as described more fully in Part H of this Pre-listing Statement. The Exchange Control Regulations also regulate the acquisition by former residents and non-residents of Niveus Investments Shares. Investors who are residents outside of the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable investing in the Niveus Investments Shares.

35. DEMATERIALISATION OF NIVEUS INVESTMENTS SHARES

Once listed, the Niveus Investments Shares will be available to investors in Dematerialised form only. Accordingly, all investors must appoint a CSDP, directly or through a broker, to receive and hold the Niveus Investments Shares in Dematerialised form on their behalf. Should a Niveus Investments Shareholder require a physical share certificate for its Niveus Investments Shares, it will have to materialise its Niveus Investments Shares by contacting and informing its CSDP to do so. It is noted that there are risks associated with holding shares in certificated form, including the risk of loss or tainted script, which are no longer covered by the JSE Guarantee Fund. All Niveus Investments Shareholders who elect to convert their Niveus Investments Shares from Dematerialised form into Certificated form will have to Dematerialise their Niveus Investments Shares should they wish to trade them under the terms of Strate (see paragraph 36 below headed "Strate" in this Pre-listing Statement).

36. **STRATE**

Niveus Investments Shares may only be traded on the JSE in electronic form (Dematerialised Niveus Investments Shares) and will be trading for electronic settlement in terms of Strate immediately following the Listing.

Strate is a system of "paperless" transfer of securities. If you have any doubt as to the mechanics of Strate please consult your Broker, other appropriate adviser or the Strate website at <http://www.strate.co.za>.

Some of the principal features of Strate are as follows:

- electronic records of ownership replace share certificates and physical delivery of certificates;
- trades executed on the JSE must be settled within five Business Days;
- all investors owning Dematerialised Niveus Investments Shares or wishing to trade their securities on the JSE are required to appoint either a Broker or a Participant to act on their behalf and to handle their settlement requirements; and
- unless investors owning Dematerialised Niveus Investments Shares specifically request their Participant to register them as an own-name shareholder (which entails a fee), their Participant's or Broker's nominee company, holding shares on their behalf, will be the shareholder (member) of the relevant company and not the investor. Subject to the agreement between the investor and the Participant or Broker (or the Participant's or Broker's nominee company), generally in terms of the rules of Strate, the investor is entitled to instruct the Participant or Broker (or the Participant's or Broker's nominee company), as to how it wishes to exercise the rights attaching to the Niveus Investments Shares and/or to attend and vote at meetings of Niveus Investments Shareholders.

PART H: TAX AND EXCHANGE CONTROL

37. TAXATION ISSUES

The following summary describes certain tax consequences of the purchase, ownership and disposal of the Niveus Investments Shares. It is not an exhaustive description of all the possible tax consequences of any purchase, ownership or disposal. This summary is based on the laws as in force and as applied in practice on the date of this Pre-listing Statement and is subject to changes to those laws and practices subsequent to the date of this Pre-listing Statement. In the case of persons who are non-residents of South Africa for fiscal purposes, it should be read in conjunction with the provisions of any applicable double tax convention between South Africa and their country of tax residence. Investors should consult their own advisers as to the tax consequences of the purchase, ownership and disposal of Niveus Investments Shares in light of their particular circumstances, including, in particular, the effect of any state, regional, local or other tax laws.

37.1 Residence-based system of taxation

Since 1 January 2001 South Africa has moved from a largely source-based to a residence-based system of taxation.

Residents of South Africa are taxed on their world-wide income and capital gains, whereas non-residents are taxed only on income and certain capital gains sourced in South Africa or deemed to be from a source in South Africa.

37.1.1 **Individuals**

An individual will be a resident of South Africa for tax purposes if:

- such individual is ordinarily a resident in South Africa. This term is not defined in the Income Tax Act, and therefore its meaning is determined according to guidelines established by the courts. Generally, a person's ordinary residence will be "the country to which he would naturally and as a matter of course return from his wanderings; as contrasted with other lands it might be called his usual or principal residence and it would be described more aptly than other countries as his real home" (Cohen v CIR 13 SATC 362); or
- the requirements of the physical presence test are met. This is determined with reference to the number of days spent by the individual in South Africa during a six-year period. A natural person would meet the physical presence test if he is physically present in South Africa:
 - for a period or periods exceeding 91 days in aggregate during the relevant year of assessment, as well as for a period or periods exceeding 91 days in aggregate during each of the five years of assessment preceding such year of assessment; and
 - for a period or periods exceeding 915 days in aggregate during those five preceding years of assessment. Should a person meet both tests, he will be deemed to be a resident from a tax perspective with effect from the first day of the relevant year of assessment in which the two tests have been met. A day includes a part of day, but excludes any day that the person is in transit through South Africa between two places outside South Africa and such person has not formally entered South Africa.

37.1.2 **Legal persons (company, close corporation and trust)**

A resident with regards to legal persons is defined in the Income Tax Act as any person which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa subject to the *proviso* referred to in 37.1.3 below.

Reference can be made to 'Income Tax Interpretation Note 6 – Resident: Place of Effective Management' – issued on 26 March 2002 which details the approach adopted by the South African Revenue Service ("Interpretation Note"). The South African Revenue Service has indicated that the place of effective management is the place where the Company is managed on a regular or day-to-day basis by the Directors or senior managers of the Company, irrespective of where the overriding control is exercised, or where the Board of Directors meets. If the management functions are executed at a single location, the location will be the place of effective management. Per the Interpretation Note the following facts and circumstances must be considered to determine the effective management of a company:

- where the centre of top-level management is located;
- location of and functions performed at the headquarters;
- where the business operations are actually conducted;
- where controlling shareholders make key management and commercial decisions in relation to the Company;
- legal factors such as the place of incorporation, formation or establishment, the location of the registered office and public officer;
- where the directors or senior managers reside;
- the frequency of the meetings of the Company's directors or senior managers and where they take place;
- the experience and skills of the directors and managers;
- the actual activities and physical location of senior employees;
- the scale of onshore as opposed to offshore operations; and
- the nature of powers conferred upon representations of the entity.

The approach adopted by the South African Revenue Services may differ from the interpretation attached to this concept by the Organisation for Economic Co-operation and Development ("OECD"), in the sense that the OECD has indicated that one should consider the place where key management and commercial decisions are taken as opposed to the operational execution of decisions.

During September 2011, SARS released a Discussion Paper on the Interpretation Note ("the Discussion Paper"). The purpose of the Discussion Paper is to invite taxpayers and tax practitioners to comment and raise any concerns in relation to the concept of effective management in South Africa so as to provide a potential framework for possible amendments to the Interpretation Note.

The Discussion Paper notes that the Interpretation Note has been subject to criticism in a number of areas.

In particular, the "general approach" followed in the Interpretation Note, namely to focus on the place where strategic decisions and policies are executed and implemented, as opposed to the place where those decisions are taken or adopted, is criticised. It is acknowledged in the Discussion Paper that the Interpretation Note has caused uncertainty by "adopting an approach that appears to conflict with the weight of international authority insofar as the general approach focuses on the place where strategic decisions are 'executed and implemented' rather than on the place where the decision-making, in substance, takes place". Accordingly, it is indicated that in order to more closely align the approach of the Interpretation Note with international norms, current references to "implementation of strategy" are to be deleted.

A proposal made in the Discussion Paper is to refine, without abandoning, the general approach of the Interpretation Note. In particular, the general approach would continue focusing on the "second level of management" although it is to be clarified that the primary emphasis is to be upon top personnel calling the shots and exercising "realistic positive management".

The Discussion Paper does not indicate when amendments to the Interpretation Note can be expected and we are not aware of further developments in this regard.

37.1.3 **General proviso regarding treaty resident persons**

The Income Tax Act excludes from the definition of resident all persons (legal or natural) that are deemed to be exclusively resident in another country in terms of a double tax convention for the avoidance of double taxation.

37.2 **Dividend income**

Broadly speaking, a "dividend" is defined as, most relevantly any amount transferred or applied by a company that is a resident for the benefit or on behalf of any person in respect of any share in that company, whether that amount is transferred or applied by way of a distribution made by that company or as consideration for the acquisition of any share in that company, but does not include any amount so transferred or applied to the extent that the amount so transferred or applied, *inter alia*, results in a reduction of contributed tax capital ("CTC") of the Company.

A reduction of CTC can, however, have the effect of being deemed to be a dividend if distributed disproportionately within a class of shareholders.

37.3 Dividends Tax

The secondary tax on companies regime was replaced with Dividends Tax, which constitutes a withholding tax imposed at shareholder level. The Dividends Tax legislation became effective from 1 April 2012.

Dividends Tax is imposed in respect of any dividend paid by a company and is levied at a rate of 15%. This rate may be reduced to as low as 5% under the provisions of certain double tax agreements. In addition, the Dividends Tax Legislation includes a number of exemptions, including exemptions for local intercompany dividends and dividends paid to certain exempt entities.

As set out above, the definition of a "dividend" is any amount transferred or applied by a company for the benefit of any shareholder by virtue of any share held by that shareholder in that company, whether by way of a distribution, or as consideration for the acquisition of any share in that company.

The "dividend" definition contains four exclusions. Firstly, amounts resulting in a reduction of CTC (as described below) do not constitute a dividend. Secondly, dividends do not include capitalisation issues. Thirdly, an open market purchase (i.e. general buy back) by a listed company of its own shares on the exchange operated by the JSE does not constitute a dividend. Lastly, dividends do not include redemptions of a participatory interest in a foreign collective investment scheme.

CTC, essentially will comprise amounts received or accrued by a company as consideration for the issue of its shares. This would therefore typically be share capital and share premium (excluding any portion thereof which comprises capitalised reserves).

37.4 Reduction of CTC

A *pro rata* distribution by a company of CTC does not constitute a dividend for Dividends Tax purposes. Instead, such a distribution will constitute a return of capital and will reduce the base cost of the shareholder by the amount of such distribution on the date that it is received by or accrues to such shareholder. If the return of capital exceeds the base cost of the shareholder in the relevant share, the excess amount will be treated as a capital gain.

37.5 Capital Gains Tax ("CGT")

South African resident shareholders – Individuals

A disposal of shares by an individual shareholder who is resident in South Africa for tax purposes will give rise to a gain (or loss) for the purposes of CGT (on the basis that the individual holds such shares on capital account). The capital gain (or loss) on disposal of the shares is equal to the difference between the disposal proceeds and the base cost. A shareholder's base cost in the shares will generally be the consideration paid for those shares, and costs directly incurred in the buying or selling thereof such as securities transfer tax, transfer costs brokerage or legal adviser's fees. The base cost in the shares may be increased by one-third of any interest incurred to finance the cost of acquiring the shares, if the shares are listed on the JSE, to the extent that such amounts are not otherwise allowable for deduction in the determination of taxable income. A capital gain on a disposal of shares, together with other capital gains, less allowable capital losses in a year of assessment, is subject to tax at the individual's marginal tax rate (maximum 40%) to the extent that it exceeds the annual exclusion (R30 000 for the years of assessment ending 28 February 2013). 25% of the net capital gain is currently included in taxable income although the 2012 Budget speech announced the increase of the inclusion rate to 33.3%, resulting in a maximum effective tax rate on capital gains of 13.32%. On the death of a taxpayer, there is a deemed disposal of the shares at market value, unless the shares are bequeathed to, or in favour of, a surviving spouse. Deemed disposals to a surviving spouse, who is a South African resident, are treated, in practical effect, as taking place at no gain or loss. The annual exclusion where death occurs during the year of assessment ending 28 February 2013 is R300 000. Where a taxpayer emigrates (i.e. gives up South African tax residence) there will also be a deemed disposal of the shares at market value and this will trigger CGT.

South African resident shareholders – Corporates

A disposal of shares by a South African resident corporate shareholder may give rise to a capital gain (or loss) for the purposes of CGT (on the basis that the Company holds such shares on capital account). The capital gain (or loss) on disposal of the shares is equal to the difference between the disposal proceeds and the base cost. A shareholder's base cost in the shares will generally be the consideration paid for the shares, and costs directly incurred in the buying or selling thereof such as securities transfer tax, transfer costs brokerage or legal adviser's fees. The base cost in the shares may be increased by one-third of any interest incurred to finance the cost of acquiring the shares, if the shares are listed on the JSE, to the extent that such amounts are not otherwise allowable for deduction in the determination of taxable income. A capital gain on a disposal of shares

by a corporate shareholder; together with other capital gains, less allowable capital losses in a year of assessment, is subject to tax at the normal tax rate for companies (currently 28%). 50% of the net capital gain is currently included in taxable income although the 2012 Budget speech announced the increase of the inclusion rate to 66%, resulting in a maximum effective tax rate on capital gains of 18.5%.

Non-South African resident shareholders – individuals and corporates

A disposal of shares by a non-South African resident would give rise to a gain (or loss) for the purposes of CGT to the extent that the gains are realised pursuant to the disposal of any interest in immovable property situated in South Africa or the shares are attributable to a permanent establishment of the non-resident. An interest in immovable property situated in South Africa includes shares if:

- 80% or more of the market value of the shares, at the time of disposal, is attributed directly or indirectly to immovable property held otherwise than as trading stock; and
- the shareholder (alone or together with any connected person in relation to that shareholder), directly or indirectly holds at least 20% of the shares.

Currently not more than 80% of the market value of the shares of the Group is attributable to immovable property and consequently the Distribution by HCI should not fall within the ambit of the South African CGT legislation, provided the non-resident shareholder does not have a permanent establishment in South Africa.

Deemed capital gain

The proceeds from the disposal of shares may be on capital or revenue account. The nature of the proceeds will depend on the intention of the shareholder. The proceeds will be deemed to be of a capital nature if the shareholder had been the owner of the shares for a continuous period of at least three years and the exclusions in this regard do not apply.

37.6 Estate duty

Where a person who is ordinarily resident in South Africa holds shares at the date of his or her death, the market value of such shares will be included in the estate. Estate duty is levied at a flat rate of 20% on the dutiable amount of the deceased estate to the extent that it exceeds R3.5 million per estate. In determining the dutiable amount of an estate, deductions are, *inter alia*, allowed for the value of bequests and property left to a surviving spouse, and estate liabilities, including Capital Gains Tax paid on the deemed disposal of the shares on date of death.

37.7 Securities transfer tax

Securities transfer tax ("STT") of 0.25% of the applicable taxable amount is payable in respect of every "transfer" of securities issued by a company incorporated in South Africa. "Transfer" includes any cancellation or redemption of a security, but does not include the issue of a security or any event that does not result in a change in beneficial ownership of a security. A purchase of shares from or through the agency of a JSE-registered broker is subject to STT of 0.25% of the purchase consideration. The STT is payable by the broker, which may recover it from the transferee. Where Shares are not purchased from or through the agency of a broker, but the change in beneficial ownership is effected by a Participant, STT of 0.25% of the greater of the declared purchase consideration or the JSE closing price of shares on the date of the transaction is payable by the Participant, which may recover it from the transferee.

In any other case of a change in beneficial ownership of shares, STT of 0.25% of the greater of the declared purchase consideration or the JSE closing price of Shares is payable by the transferee through the broker which holds the shares in custody.

37.8 Corporate tax

The corporate tax rate is 28% of taxable income.

37.9 Value-added tax

The transfer of shares is not subject to value-added tax as it constitutes a financial service which is an exempt supply.

38. EXCHANGE CONTROL

Currency and shares are not freely transferable from South Africa to any jurisdiction falling outside the geographical borders of South Africa, other than jurisdictions falling within the Common Monetary Area and must be dealt with in terms of the South African Exchange Control Regulations as described below. The South African Exchange Control Regulations also regulate the acquisition by former residents and non-residents of Niveus Investments Shares.

Recipients of Niveus Investments Shares who are residents outside the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an application to be made in response to the Pro-rata Repurchase and Distribution.

The following summary is intended as a guide and is therefore not comprehensive. If investors are in any doubt regarding South African Exchange Control Regulations, they should please consult their professional advisers.

Emigrants from the Common Monetary Area

- A former resident of the Common Monetary Area who has emigrated from South Africa may use blocked Rand accounts to acquire Niveus Investments Shares.
- All payments in respect of subscriptions for or purchases of the Niveus Investments Shares by non-residents using blocked Rand accounts must be made through an authorised dealer in foreign exchange.
- Any Niveus Investments Shares issued pursuant to the use of emigrant blocked funds, will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios.
- Share certificates issued in respect of the Niveus Investments Shares acquired with blocked Rand will be endorsed "non-resident" in accordance with the South African Exchange Control Regulations. Share certificates will be placed under the control of the authorised dealer through whom the payment was made.
- Shares issued to a Dematerialised Niveus Investments Shareholder whose registration as a shareholder has been marked as being an "emigrant", will be similarly marked as being held by an "emigrant".

Recipients of Niveus Investments Shares resident outside the Common Monetary Area

- A person who is not resident in the Common Monetary Area, including an immigrant not using blocked Rand, should obtain advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to receive Niveus Investments Shares in terms of the Pro-rata Repurchase and Distribution.
- All share certificates issued to non-residents of South Africa will be endorsed "non-resident" in accordance with the South African Exchange Control Regulations.
- All Niveus Investments Shares issued to Dematerialised Niveus Investments Shareholders, whose registration has been so endorsed will be endorsed "non-resident" in accordance with the South African Exchange Control Regulations. The Participant or broker through whom the Company's shareholders have Dematerialised their shares will ensure that they adhere to the South African Exchange Control Regulations.

39. TAX CONSEQUENCES IN RESPECT OF THE DISTRIBUTION AND REPURCHASE

The tax consequences to HCI and HCI Shareholders are set out in the HCI Circular in respect of the Pro-rata Repurchase and Distribution. The summary contained in the HCI Circular does not constitute tax advice and any HCI Shareholder who is uncertain of their tax consequences should consult their own tax advisers.

PART I: ADDITIONAL INFORMATION

40. HCI RESTRUCTURING

HCI has completed the implementation of the internal restructurings necessary to transfer HCI Bingo, HCI KWV and Formex into Niveus Investments (Niveus Investments previously held and continues to hold all of the issued share capital in Vukani Gaming).

Below is a summary of the aforesaid HCI Restructurings that took place in respect of Niveus Investments (in no particular order):

40.1 Preparation of Niveus Investments

GPT adopted a new Memorandum of Incorporation, converted to a public company, changed its name to "HCI Growth Limited", converted its par value shares to no par value shares, and subdivided its shares in order to create sufficient shares for the HCI Restructuring and Listing. The Company is in the process of changing its name to "Niveus Investments Limited" as at the Last Practicable Date.

Vukani Gaming obtained a loan from Investec Bank Limited of R185 000 000, which funds were used to repay a portion of a loan owing to HCI Treasury.

40.2 Cession of loan claims

HCI Treasury ceded the following loan claims to HCI:

40.2.1 R312 488 814 owing by HCI KWV to HCI Treasury;

40.2.2 R98 709 990 owing by HCI Bingo to HCI Treasury; and

40.2.3 R26 165 611 owing by Galaxy Bingo to HCI Treasury. HCI then ceded this claim against Galaxy Bingo to HCI Bingo on loan account, resulting in HCI having a net claim against HCI Bingo of R124 875 601.

40.3 Sale of HCI KWV to Niveus Investments

HCI KWV was a wholly owned subsidiary of HCI. In December 2011, the shares in HCI KWV were sold by HCI to Niveus Investments for a nominal value. At the date of the sale, HCI KWV had a net asset value of zero as it held an investment in KWV Holdings Limited and was funded with an intercompany loan of the same value from HCI.

HCI sold its claims against HCI KWV, referred to in paragraph 40.2.1, to Niveus Investments in exchange for Niveus Investments Shares. The sale of the loan claims resulted in HCI KWV owing the loan payable to Niveus Investments rather than HCI.

40.4 Mandatory offer by HCI KWV

Pursuant to the Takeover Regulations, HCI KWV made a mandatory offer to acquire all the shares in KWV Holdings Limited that it did not already own. The mandatory offer closed on 22 March 2012, resulting in HCI KWV holding 35.52% of the issued share capital of KWV Holdings Limited (net of treasury shares).

40.5 Acquisition of KWV Holdings Limited shares held by KWV Employee Empowerment Trust

Subsequent to the aforementioned mandatory offer, the KWV Employee Empowerment Trust agreed to sell 50% of its KWV Holdings Limited shareholding, namely 3 020 345 KWV Holdings Limited shares to HCI KWV. As a result, HCI KWV holds 27 365 648 shares in KWV Holdings Limited, representing 39.9% of the issued share capital of KWV Holdings Limited (net of treasury shares).

Furthermore, HCI acquired a pre-emptive right from the KWV Employee Empowerment Trust to acquire remaining 3 020 344 KWV Holdings Limited shares held should such shares be sold.

40.6 Sale of Formex to Niveus Investments

HCI sold its shares in and claims against Formex to Niveus Investments for a nominal amount.

HCI also subscribed for shares in Niveus Investments, which proceeds were partially used to advance a further loan to Formex, which loan Formex used to repay its loan, with a face value of R162 338 790, owing to HCI.

40.7 Sale of HCI Bingo to Niveus Investments

HCI sold its shares and claims against HCI Bingo to Niveus Investments for a nominal amount.

HCI also sold its claims against HCI Bingo to Niveus Investments in exchange for shares in Niveus Investments.

The following is a summary of the number of Niveus Investments Shares issued as a result of the HCI Restructuring:

Description	Value	Number of shares
Opening balance		58 633 000
Acquired the HCI KVV loan account in exchange for the issue of Niveus Investments Shares ¹	312 488 814	22 481 174
Acquired the HCI Bingo loan account in exchange for the issue of Niveus Investments Shares ²	124 875 601	8 983 842
Cash subscription in exchange for the issue of Niveus Investments Shares ³	236 593 275	17 021 072
		107 119 087

Notes:

1. Cession by HCI to Niveus Investments of the loan owing by HCI KVV to HCI resulting in such loan being owed to Niveus Investments. In exchange, Niveus Investments issued new Shares to HCI.
2. Cession by HCI to Niveus Investments of the loan owing by HCI Bingo to HCI resulting in such loan being owed to Niveus Investments. In exchange, Niveus Investments issued new Shares to HCI.
3. HCI subscribed for new Shares in Niveus Investments for cash to the value of R236.6 million.

The Niveus Investments' consolidated financial statements will be prepared using predecessor accounting as a result of common control. Common control is defined as a business combination in which all of the combining entities (Subsidiaries) are ultimately controlled by the same party both before and after the business combination, and control is not transitory. As a result, no goodwill arises from the HCI Restructuring.

Refer to Annexure 1 for an indicative HCI Group structure following the HCI Restructuring and the implementation of the Pro-rata Repurchase and Distribution, and the HCI Circular which more fully sets out the details of the Pro-rata Repurchase and Distribution.

41. INFORMATION ON SUBSIDIARIES

Details of Niveus Investments' Subsidiaries are set out in paragraph 6 and Annexure 2, containing the *pro forma* historical financial information, to this Pre-listing Statement.

42. PRINCIPAL IMMOVABLE PROPERTY OWNED OR LEASED

Details of the principal immovable properties owned or leased by Niveus Investments are set out in Annexure 10 to this Pre-listing Statement. None of the Directors have any material interest in any of the immovable properties owned or leased by Niveus Investments.

43. PROPERTY AND SUBSIDIARIES ACQUIRED OR TO BE ACQUIRED

Except for the acquisitions that have resulted from the HCI Restructuring, as disclosed in paragraph 40 and the HCI Circular, no other material acquisitions have been made between the date of incorporation and the Last Practicable Date.

Except for the HCI Restructuring, there are currently no proposed acquisitions by Niveus Investments or its Subsidiaries of any securities, business undertakings of any other companies or any immovable property or fixed assets or any options to acquire such property or fixed assets.

Niveus Investments and its subsidiaries has not acquired any material property or made any material acquisitions other than as disclosed in paragraph 40 in the three years preceding the Last Practicable Date.

44. DISPOSAL OF PROPERTY

As at the date of this Pre-listing Statement, there are no disposals of any material properties by Niveus Investments or the Group nor were there any proposed disposals of material properties, in the three-year period preceding the date of this Pre-listing Statement.

45. INTERESTS OF PROMOTERS AND DIRECTORS

No amounts were paid or have accrued as payable between the date of incorporation and the Last Practicable Date, or are proposed to be paid to any promoter or Director.

No promoter or Director had any material beneficial interest, direct or indirect, in the promotion of Niveus Investments or in any property acquired or proposed to be acquired by Niveus Investments out of the proceeds of the issue or between the date of incorporation and the Last Practicable Date.

46. MATERIAL CONTRACTS

Other than the Administration Agreement and the Restructuring Agreements, there were no material contracts entered into, otherwise than in the ordinary course of business by the Group, during the two years preceding the date of this Pre-listing Statement.

There were no contracts entered into at any time prior to the two years preceding the date of this Pre-listing Statement other than in the ordinary course of business that contain obligations or settlements material to the Group as at the date of this Pre-listing Statement.

There were no existing or proposed contracts relating to royalties or secretarial or technical fees payable by the Group.

47. MATERIAL CAPITAL COMMITMENTS

Formex has committed to the purchase of a press, the outstanding purchase price of which is USD223 000.

There were no other material capital commitments for the Group as at the Last Practicable Date.

48. CONTINGENT LIABILITIES

Other than those liabilities which may arise as a result of the litigation detailed in Annexure 9, there were no material contingent liabilities for the Group as at the Last Practicable Date.

49. LEASE PAYMENTS

Vukani Gaming's lease commitments are summarised below:

Due within 1 year	9 084 000
Due within 2 to 5 years	7 683 000
Total	16 767 000

HCI Bingo's lease commitments are summarised below:

Due within 1 year	12 622 419
Due within 2 to 5 years	56 249 106
Due later than 5 years	26 139 668
Total	95 011 193

Furthermore, HCI Bingo rents EBT's. These terminals are based on the levels of turnover; therefore the business is not technically committed to a fixed amount.

Formex's lease commitments, which relate to factory and certain plant and equipment, are summarised below:

Due within 1 year	2 618 000
Due within 2 to 5 years	3 894 000
Total	6 512 000

There were no other material lease commitments for the Group as at the Last Practicable Date.

50. LOANS RECEIVABLE AND MATERIAL LOANS

50.1 Loans receivable, material intercompany finance and other transactions

Niveus Investments has not advanced any material loans to its Subsidiaries.

No material loans were made or security furnished by Niveus Investments and/or any of its Subsidiaries to or for the benefit of any Director, manager or Associate of Niveus Investments as at the Last Practicable Date.

There are no material loans receivable from entities outside of the Group.

51. LITIGATION STATEMENT

Other than the litigation detailed in Annexure 9, there are no legal or arbitration proceedings which may have, or have had in the past 12 months, a material effect on the financial position of Niveus Investments or its Subsidiaries. Niveus Investments and its Subsidiaries are not aware of any other such proceedings that are pending or threatened.

52. EXPENSES

The estimated expenses (excluding Value-Added Tax) that will be incurred by HCI and Niveus Investments for the Listing are set out in the table below. These estimated costs include the preliminary expenses incurred by Niveus Investments since incorporation.

	Estimated amount (Rand)
Investment bank and sponsor – Investec Bank	3 500 000
Legal and other advisory fees – Edward Nathan Sonnenbergs	1 000 000
Printing and related costs – Ince Proprietary Limited	200 000
Independent reporting accountants' fees – PKF Inc	80 000
JSE documentation fees	64 523
JSE listing fees	211 909
Estimated total excluding VAT	5 057 432

53. COMMISSIONS

No commission or consideration, including underwriting commission in respect of the allotment or issue of shares, has been paid by Niveus Investments between the date of incorporation and the Last Practicable Date.

There have been no commissions, discounts, brokerages or other special terms granted between the date of incorporation and the Last Practicable Date in connection with the issue or sale of any securities, stock or debentures in the capital of Niveus Investments, where this has not been disclosed in any audited annual financial statements.

54. CONSENTS

Each of the investment bank and sponsor, independent experts, legal advisers, independent reporting accountants and Transfer Secretaries have consented in writing to act in the capacities stated and to their names being included in this Pre-listing Statement and have not withdrawn their consent prior to the publication of this Pre-listing Statement.

None of the advisers of Niveus Investments had an interest in the issued ordinary share capital of Niveus Investments as at the Last Practicable Date.

PKF Inc, whose report is included in this Pre-listing Statement, has given and has not withdrawn its consent to the inclusion of its name and report in this Pre-listing Statement in the form and context in which it appears.

55. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Niveus Investments, the offices of the investment bank sponsor and the offices of the Transfer Secretaries during normal business hours (excluding Saturdays, Sundays and South African public holidays) from Friday, 30 July 2012 up to and including Monday, 10 September 2012:

- the Memorandum of Incorporation of Niveus Investments;
- the Memorandum of Incorporation of Vukani Gaming;
- the Memorandum of Incorporation of HCI KWV;
- the Memorandum of Incorporation of HCI Bingo;
- the Memorandum of Incorporation of Formex;
- the Administration Agreement;
- the Restructuring Agreements;
- copies of service agreements with Directors, managers or secretaries entered into during the last three years;
- the annual financial statements of Niveus Investments for the financial periods ended 31 March 2010, 31 March 2011 and 31 March 2012;
- the annual financial statements of Vukani Gaming, HCI KWV, HCI Bingo, and Formex for the preceding three years ended 31 March 2010, 31 March 2011 and 31 March 2012;
- the annual financial statements of KWV for the preceding two years ended 30 June 2010 and 30 June 2011, as well as the interim financial statements for the period ended 31 December 2011;
- the signed independent reporting accountants' limited assurance report on the *pro forma* financial information of Niveus Investments;
- written consents of the investment bank and sponsor; independent expert, legal advisers, independent reporting accountants and Transfer Secretaries to the inclusion of their names in this Pre-listing Statement in the context and form in which they appear;
- a copy of the HCI Circular and the documents set out in the HCI Circular as enclosed with this Pre-listing Statement; and
- a signed copy of this Pre-listing Statement (available in English only).

There are no trust deeds or agreements affecting the governance of Niveus Investments or the interests of Niveus Investments Shareholders.

56. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors, whose names are given on page 14 of this Pre-listing Statement, collectively and individually, accept full responsibility for the accuracy of the information given in this Pre-listing Statement, including the extraction of the historical financial information relating to Niveus Investments, Vukani Gaming, HCI KWV, HCI Bingo and Formex from the respective historical financial information and certify that to the best of their knowledge and belief that there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Pre-listing Statement contains all information required by the Listings Requirements.

SIGNED AT CAPE TOWN ON BEHALF OF THE BOARD OF DIRECTORS OF NIVEUS INVESTMENTS

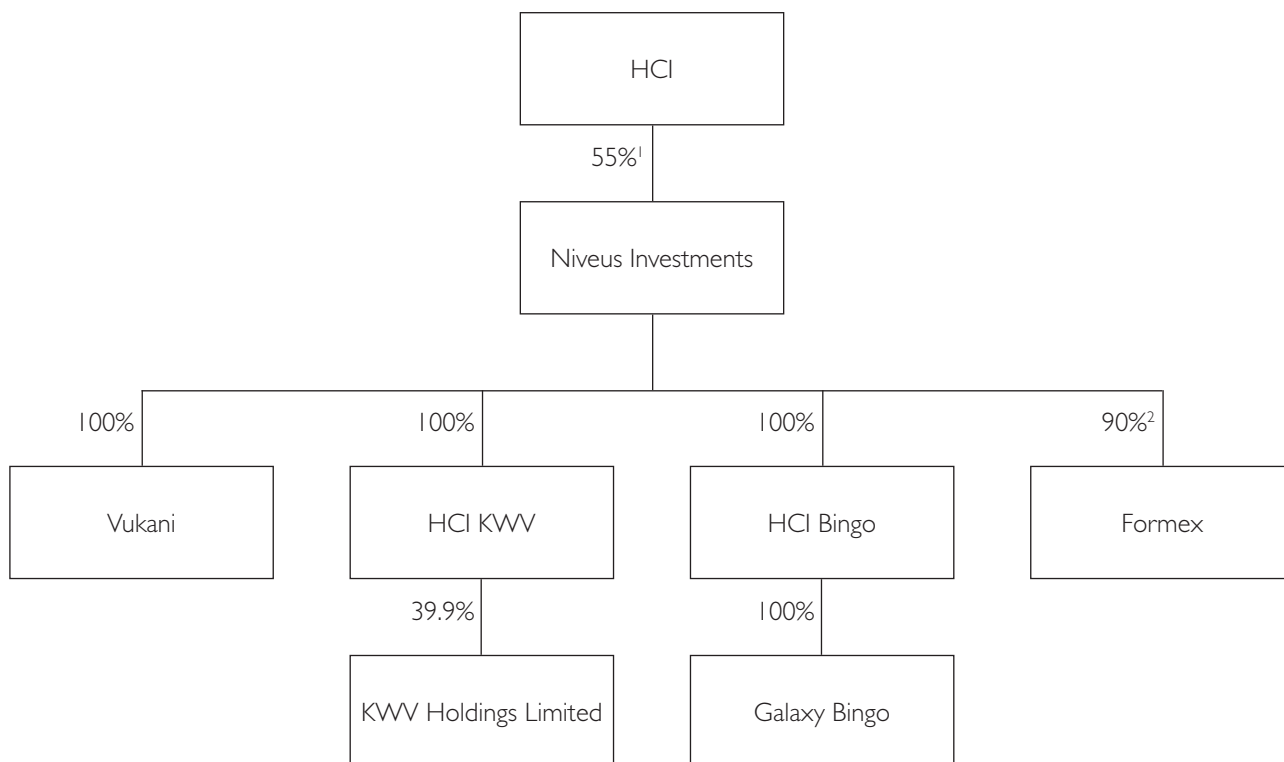
Andre van der Veen

Chief Executive Officer

Cape Town
25 July 2012

NIVEUS INVESTMENTS POST THE PRO-RATA REPURCHASE AND DISTRIBUTION

The following organogram sets out HCI's shareholding in Niveus Investments post the Pro-rata Repurchase and Distribution.



Notes:

1. HCI will retain at least 55% of Niveus Investments post the Pro-rata Repurchase and Distribution.
2. The 10% minority stake in Formex is held by the management team of Formex.
3. The group structure shown above only reflects material Subsidiaries of Niveus Investments.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF NIVEUS INVESTMENTS

The unaudited *pro forma* financial information is the responsibility of the Directors of Niveus Investments and has been prepared for illustrative purposes only. Due to its nature, the unaudited *pro forma* financial information may not fairly present Niveus Investments' consolidated financial position, or results of operations. The unaudited *pro forma* financial information has been prepared to illustrate the impact of the restructuring of Niveus Investments and the Listing for the financial year ended 31 March 2012 had the restructuring and Listing occurred on 1 April 2011 for statement of comprehensive income purposes and on 31 March 2012 for statement of financial position purposes. No adjustments have been made to the *pro forma* financial information in respect of post balance sheet events except as provided for in IFRS or in respect of the particular corporate action for which the *pro forma* financial information is presented or in respect of any post balance sheet corporate action where it would be misleading not to make an adjustment.

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION

	31 March 2012 R'000						31 March 2012 R'000
	Niveus Investments Ltd Unadjusted (1)	Galaxy Bingo (2), (4), (6)	Formex Industries (3), (5), (6)	Cession of loan/Cash subscription (6), (9)(c)		Adjustments (6), (9)(a-c), (11)	Niveus Investments Ltd Adjusted
ASSETS							
Non-current assets	507 614	40 085	80 577	–		25 746 ^{9(a)}	654 022
Property, plant and equipment	150 019	40 085	80 577	–			270 681
Investment property	3 700	–	–	–			3 700
Goodwill	48 230	–	–	–			48 230
Investment in associates	284 670	–	–	–		25 746 ^{9(a)}	310 416
Intangible assets	5 596	–	–	–			5 596
Deferred taxation	9 649	–	–	–			9 649
Long-term receivables	5 750	–	–	–			5 750
Current assets	49 643	13 026	106 844	74 254	^{9(c)}	5 600 ^{9(b)}	249 367
Inventories	865	225	44 719	–			45 809
Trade and other receivables	37 536	6 166	54 699	–			98 401
Taxation receivable	103	–	–	–			103
Bank balances and deposits	11 139	6 635	7 426	74 254		5 600 ^{9(b)}	105 054
Non-current assets held for sale	–	–	1 972	–		–	1 972
Total assets	557 257	53 111	189 393	74 254		31 346	905 361
EQUITY AND LIABILITIES							
Equity	24 879	(84 811)	(252 662)	236 593	^{9(c)}	539 866	463 865
Share capital	44 888	–	100	236 593	^{9(c)}	437 266 ^{9(ab)}	718 847
Common control reserve	–	–	–	–		(234 973) ^{9(c)}	(234 973)
Foreign currency translation reserve	170	–	–	–			170
Accumulated losses	(19 649)	(84 811)	(240 688)	–		325 499	(19 649)
Equity attributable to equity holders of the parent	25 409	(84 811)	(240 688)	236 593	^{9(c)}	527 792	464 395
Non-controlling interest	(530)	–	(12 074)	–		12 074	(530)
Non current liabilities	185 203	–	75 147	–		–	260 350
Deferred taxation	37	–	–	–			37
Long-term borrowings	185 166	–	75 147	–			260 313
Current liabilities	347 175	137 922	361 110	(162 339)	^{9(c)}	(508 520) ^(9a-d)	175 348
Trade and other payables	50 352	13 472	58 983	–			122 807
Current portion of long-term borrowings	4 284	–	17 498	–			21 782
Loans from group companies	292 097	124 450	264 839	(162 339)	^{9(c)}	(508 520)	10 527
Taxation payable	442	–	–	–			442
Provisions	–	–	1 952	–			1 952
Bank overdrafts	–	–	17 838	–			17 838
Non-current liabilities held for sale	–	–	5 798	–		–	5 798
Total equity and liabilities	557 257	53 111	189 393	74 254		31 346	905 361
Net asset value per share (cents)	43.34						433.53
Net tangible asset value per share (cents)	(48.47)						383.28

SUMMARISED GROUP STATEMENT OF COMPREHENSIVE INCOME

	31 March 2012 R'000					31 March 2012 R'000
	Niveus Investments Ltd Unadjusted (1)	Galaxy Bingo (2),(5)	Formex Industries (3),(5)	Cession of loan/Cash subscription	Adjustments (8),(11)	Niveus Investments Ltd Adjusted
Revenue	6 982	8 372	455 578	–	–	470 932
Net gaming win	417 982	101 414	–	–	–	519 396
Income	424 964	109 786	455 578	–	–	990 328
Expenses	(291 535)	(105 377)	(433 392)	–	(6 740)	(837 044)
EBITDA	133 429	4 409	22 186	–	(6 740)	153 284
Depreciation and amortisation	(47 708)	(6 346)	(10 976)	–	–	(65 030)
Operating profit	85 721	(1 937)	11 210	–	(6 740)	88 254
Investment income	559	179	73	–	–	811
Finance costs	(21 529)	(4)	(12 203)	–	3 910	(29 826)
Share of profits of associates and joint ventures	(2 252)	–	–	–	–	(2 252)
Negative goodwill on acquisition of subsidiary	–	–	–	–	–	–
Investment surplus	–	–	–	–	–	–
Fair value adjustments of investment properties	–	–	–	–	–	–
Impairment reversals	–	–	–	–	–	–
Asset impairments	(361)	–	(11 903)	–	–	(12 264)
Fair value adjustments financial instruments	–	–	–	–	–	–
Impairment of goodwill and investments	–	–	(20 000)	–	20 000	–
Profit before taxation	62 138	(1 762)	(32 823)	–	17 170	44 723
Taxation	(20 743)	–	–	–	(518)	(21 261)
Profit for the year from continuing operations	41 395	(1 762)	(32 823)	–	16 652	23 462
Discontinued operations	–	–	986	–	–	986
Profit for the year	41 395	(1 762)	(31 837)	–	16 652	24 448
Attributable to:						
Equity holders of the parent	40 323	(1 762)	(28 653)	–	14 652	24 560
Minority interest	1 072	–	(3 184)	–	2 000	(112)
	41 395	(1 762)	(31 837)	–	16 652	24 448

	31 March 2012 R'000					31 March 2012 R'000
	Niveus Investments Ltd Unadjusted (1)	Galaxy Bingo (2), (5)	Formex Industries (3), (5)	Cession of loan/Cash subscription	Adjustments (8), (11)	Niveus Investments Ltd Adjusted
Reconciliation of headline earnings						
Earnings attributable to equity holders of the parent	40 323	(1 762)	(28 653)	–	14 652	24 560
IAS 16 (gains)/losses on disposal of plant & equipment	(238)	–	14	–	–	(224)
IAS 16 impairment of plant and equipment	260	–	16 563	–	–	16 823
IFRS 3 impairment of goodwill	–	–	18 000	–	(18 000)	–
Re-measurements included in equity-accounted earnings of associates and joint ventures	(37)	–	–	–	–	(37)
Headline profit	40 308	(1 762)	5 924	–	(3 348)	41 122
Basic earnings per share (cents)						
Earnings	68.77	(3.01)	(48.87)	–	13.68	22.93
Continuing operations	68.77	(3.01)	(48.87)	–	13.68	22.93
Discontinued operations	–	–	–	–	–	–
Headline earnings	68.75	(3.01)	10.10	–	(3.13)	38.39
Continuing operations	68.75	(3.01)	10.09	–	(3.13)	38.38
Discontinued operations	–	–	0.01	–	–	0.01
Weighted average number of shares in issue	58 633 000 ⁽⁵⁾	58 633 000 ⁽⁵⁾	58 633 000 ⁽⁵⁾	75 654 072 ⁽⁵⁾	107 119 087 ⁽⁵⁾	107 119 087
Actual number of share in issue at end of year (net of treasury shares)	58 633 000 ⁽⁵⁾	58 633 000 ⁽⁵⁾	58 633 000 ⁽⁵⁾	75 654 072 ⁽⁵⁾	107 119 087 ⁽⁵⁾	107 119 087
Diluted earnings per share (cents)						
Earnings	68.77	(3.01)	(48.87)	–	13.68	22.93
Continuing operations	68.77	(3.01)	(48.87)	–	13.68	22.93
Discontinued operations	–	–	–	–	–	–
Headline earnings	68.75	(3.01)	10.10	–	(3.13)	38.39
Continuing operations	68.75	(3.01)	10.09	–	(3.13)	38.38
Discontinued operations	–	–	0.01	–	–	0.01
Weighted average number of shares in issue	58 633 000 ⁽⁵⁾	58 633 000 ⁽⁵⁾	58 633 000 ⁽⁵⁾	75 654 072 ⁽⁵⁾	107 119 087 ⁽⁵⁾	107 119 087

Notes to the pro forma consolidated financial statements:

- (1) Extracted from the audited results of Niveus Investments Limited for the year ended 31 March 2012 as presented in Annexure 4. These include the consolidated results of Vukani Gaming and the equity accounted results for KVV Holdings Ltd. The extracts of the historical information included in the pro forma consolidated financial statements have been extracted directly from the audited results of Vukani Gaming, HCI Bingo, Formex and KVV. PKF Inc. are the auditors of Vukani Gaming, HCI Bingo and Formex, whereas PricewaterhouseCoopers Inc are the auditors of KVV Inc.
- (2) Extracted from the audited results of HCI Gaming and Entertainment Proprietary Limited and its wholly owned subsidiary, Galaxy Bingo International South Africa Proprietary Limited for the year ended 31 March 2012 and including the effect of the relevant consolidation journal entries.
- (3) Extracted from the audited results of Formex Industries Proprietary Limited for the year ended 31 March 2012 and including the adjustment to account for the 10% minority shareholders in Formex Industries Proprietary Limited.
- (4) The pro forma consolidated financial statements have been prepared by using predecessor accounting as a result of common control. Common control is defined as a business combination in which all of the combining entities (subsidiaries) are ultimately controlled by the same party both before and after the business combination, and control is not transitory.

The following is the relevant accounting policy note applicable to acquisitions of subsidiaries under common control:

“Common control is defined as a business combination in which all of the combining entities (subsidiaries) are ultimately controlled by the same party both before and after the business combination, and control is not transitory.

The cost of an acquisition of a subsidiary under common control is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. On acquisition the carrying values of assets and liabilities are not restated to fair value. The acquirer incorporates assets and liabilities at their pre-combination carrying amounts. Any excess/deficit of the purchase price over the pre-combination recorded ultimate holding company's net asset value of the subsidiary is adjusted directly to equity in the form of a common control reserve. Under this approach comparatives are not restated.

The principles of when control arises are the same as those for interests in subsidiaries where purchase price accounting is applied."

- (5) The *pro forma* adjustments to the statement of comprehensive income have been calculated on the assumption that the acquisition of the entire share capital of Formex and HCI Bingo by Niveus Investments and the alterations described in (8) and (9) were implemented on 01 April 2011. The *pro forma* consolidated financial statements have been prepared by using predecessor accounting as a result of common control. Common control is defined as a business combination in which all of the combining entities (subsidiaries) are ultimately controlled by the same party both before and after the business combination, and control is not transitory.

The following is the relevant accounting policy note applicable to acquisitions of subsidiaries under common control:

"Common control is defined as a business combination in which all of the combining entities (subsidiaries) are ultimately controlled by the same party both before and after the business combination, and control is not transitory.

The cost of an acquisition of a subsidiary under common control is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. On acquisition the carrying values of assets and liabilities are not restated to fair value. The acquirer incorporates assets and liabilities at their pre-combination carrying amounts. Any excess/deficit of the purchase price over the pre-combination recorded ultimate holding company's net asset value of the subsidiary is adjusted directly to equity in the form of a common control reserve. Under this approach comparatives are not restated.

The principles of when control arises are the same as those for interests in subsidiaries where purchase price accounting is applied."

- (6) The *pro forma* adjustments to the statement of financial position have been calculated on the assumption that the acquisition of the entire share capital of Formex and HCI Bingo by Niveus Investments and the alterations described in (9) were implemented on 31 March 2012 and that predecessor accounting has been applied for the respective acquisitions. The resultant common control reserve equals the net deficit of the acquired businesses as at 31 March 2012 minus the loan owing by Formex described in (7).
- (7) Loans from group companies and the common control reserve adjusted for a loan from HCI Ltd to Formex of R102,5 million transferred to Niveus Investments for Rnil value.
- (8) The adjustments in the statement of comprehensive income relating to the separate listing and distribution of Niveus Investments shares involve the following:
- (a) The reversal of management fees of R4.4 million charged by HCI Managerial Services to Niveus Investments, which will not be recurring subsequent to listing;
 - (b) The reversal of R14.7 million finance costs charged by HCI Treasury to Niveus Investments on an intercompany loan, the majority of which was settled on 19 December 2011. This amount relates to the portion that was settled only. At 31 March 2012 R5 million of this loan was outstanding, attracting interest at prime +2%;
 - (c) The addition of R10.8 million finance costs deemed to have been incurred on a loan granted by Investec Bank to repay the HCI Treasury loan. This amount substitutes the interest charged by HCI Treasury for the period 01 April 2011 to 19 December 2011 on the loan described in (8)(b). Interest incurred on the Investec Bank loan subsequent to 19 December 2011 is already included in the statement of comprehensive income of Niveus prior to any adjustments;
 - (d) The addition of R2.7 million in cost recoveries received for the services of Andre van der Veen as CEO of KVV Holdings. This amount was previously received by HCI Managerial Services Proprietary Limited, a wholly owned subsidiary of HCI. In terms of the Administration Agreement, following the Listing, Andre van der Veen will be employed by a wholly owned subsidiary of HCI with his employment costs being recovered from Niveus Investments;
 - (e) The addition of R3.4 million in further salary cost recoveries for the services of Andre van der Veen and Muriel Loftie-Eaton which was previously not recovered from Niveus, due to the individuals' other responsibilities within the HCI Group. In terms of the Administration Agreement, following the Listing, Andre van der Veen and Muriel Loftie-Eaton will be employed by a wholly owned subsidiary of HCI with their employment costs being recovered from Niveus Investments;
 - (f) The addition of R5.7 million in management fees for services rendered by the Administrator. These fees were not charged during the year ended 31 March 2012;
- Items (a) to (f) were all considered to be taken into account in the determination of taxable income.
- (g) The addition of R4.7 million in transaction costs, which are non-deductible for taxation purposes. These transaction costs relate to the restructuring and listing of Niveus only;
 - (h) The reversal of R20 million impairment of goodwill and the resultant adjustment of R2m to non-controlling interest as disclosed in the Formex statement of comprehensive income. This impairment was conservatively recognised early by HCI in the year ending 31 March 2011. Due to the application of predecessor accounting, this impairment should not be recognised by Niveus in the year ending 31 March 2012 as the asset did not exist in the financial statements of Niveus' ultimate parent company as at 1 April 2011 (the beginning of the financial year).
- (9) The following alterations to the ordinary no par value share capital, which occurred on or about 18 July 2012, have been assumed to have taken place on 1 April 2011 in the statement of comprehensive income and on 31 March 2012 in the statement of financial position:
- (a) The issue of 22 481 174 (R312.5 million) shares to HCI as consideration for the loan to HCI-KVV Holdings. An additional R25.7 million was lent to HCI-KVV subsequent to year-end to fund the acquisition of a further 3.8% interest in KVV Holdings Limited.
 - (b) The issue of 8 983 842 (R124.9 million) shares to HCI as consideration for the loan to HCI Bingo. An additional R5,6 million was lent to HCI Bingo for the expansion of its Bingo operations subsequent to year-end.
 - (c) The issue of 17 021 072 (R236.6 million) shares to HCI for cash. R162.3 million of this cash was loaned by Niveus Investments to Formex and used to settle the loan owing to HCI Treasury, while the balance of R74.3 million of excess cash has been retained by Niveus Investments.
- (10) The accumulated losses of Galaxy Bingo and Formex Industries have been eliminated.
- (11) All adjustments in the statement of comprehensive income are considered to have a continuing effect, except for adjustments detailed in (8)(g) and (h).
- (12) None of the financial statements used in the compilation of the *pro forma* consolidated financial statements were the subject of a modified audit report.

**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT
ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF NIVEUS
INVESTMENTS**

The Directors
Niveus Investments Limited
Block B, Longkloof Studios
Darters Road
Gardens
Cape Town, 8001

25 July 2012

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE
PRO FORMA FINANCIAL INFORMATION OF NIVEUS INVESTMENTS LIMITED ("NIVEUS" OR
"THE COMPANY")**

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in Annexure 2 of the pre-listing statement of Niveus to be dated on or about 30 July 2012 ("the pre-listing statement"). Terms used herein and defined in the pre-listing statement have the meaning assigned to them in the pre-listing statement unless otherwise indicated.

The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("the JSE") Listings Requirements, for illustrative purposes only, to provide information about how the acquisitions of HCI Bingo and Formex and the listing of Niveus might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* statement of financial position being reported on.

Directors' responsibility

The Directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the Circular and for the financial information from which it has been prepared. Their responsibility includes determining that:

- the *pro forma* financial information has been properly compiled on the basis stated;
- the basis is consistent with the accounting policies of Niveus; and
- the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the pre-listing statement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Niveus, considering the evidence supporting the *pro forma* adjustments, and discussing the adjusted *pro forma* financial information with the Directors and management of the Company in respect of the corporate actions that are the subject of this pre-listing statement.

In arriving at our conclusion, we have relied upon financial information prepared by the directors and management of Niveus and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information, and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that in term of section 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Niveus; and
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

Consent

This report on the *pro forma* financial information is included solely for the information of the Niveus Shareholders. We consent to the inclusion of our report on the *pro forma* financial information and the references thereto, in the form and context in which they appear.

Yours faithfully

PKF (Jhb) Inc

Duncan Church
Registration number 1994/001166/21
Registered Auditors
Chartered Accountants (SA)
42 Wierda Road West
Wierda Valley
Sandton

HISTORICAL FINANCIAL INFORMATION OF NIVEUS INVESTMENTS

Introduction

The historical financial information of Niveus Investments Limited set out below has been extracted from the audited financial statements of Niveus Investments (previously HCI Growth Limited) for the periods ended 31 March 2012, 2011 and 2010. The financial statements were audited by PKF Inc. and reported on without qualification.

The presentation of the historical financial information of Niveus Investments Limited within this Pre-listing Statement is the responsibility of the Directors of Niveus Investments.

Business and operations

The main business of the Company is that of an investment holding company.

The subsidiaries are involved in various operating activities including:

- managing limited payout gaming machines;
- gaming machine rentals and after sales support;
- distribution and management of point of sale terminals and touch screen gaming terminals; and
- investments in associate which includes the purchase, processing and maturation of grapes, wine and distilling wine, which products are sold as wine, brandy and other distillates.

Going concern

The Directors believe that the Company and the HCI Group has or has access to adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going-concern basis.

Subsidiaries

The following companies, all incorporated in the Republic of South Africa, are Subsidiary companies.

Name	Principal activity	Interest (%)
Cherry Moss Trade and Invest 188 (Pty) Ltd	Managing sports betting and supply chain operations	100
Vukani Gaming Corporation (Pty) Ltd	Managing limited gambling machines route operations	100
Vukani Gaming Eastern Cape (Pty) Ltd	Managing limited gambling machines route operations	85
Vukani Gaming Northern Cape (Pty) Ltd	The entity was semi-dormant during the reporting period	100
Vukani Gaming Limpopo (Pty) Ltd	Managing limited gambling machines route operations	85
Vukani Gaming Mpumalanga (Pty) Ltd	Managing limited gambling machines route operations	100
Vukani Gaming KwaZulu-Natal (Pty) Ltd	Managing limited gambling machines route operations	100
Vukani Gaming Free State (Pty) Ltd	Managing limited gambling machines route operations	100
Vukani Gaming North West (Pty) Ltd	Managing limited gambling machines route operations	40*
Vukani Gaming Equipment (Pty) Ltd	Dormant	100
Vukani Gaming Western Cape (Pty) Ltd	Managing limited gambling machines route operations	100
Vukani Gaming Gauteng (Pty) Ltd	Managing limited gambling machines route operations	69.4
Luck Holdings (Pty) Ltd	Investment holding company	100
Luck At It KZN (Pty) Ltd	Managing limited gambling machines route operations	100
Luck At It Mpumalanga (Pty) Ltd	Investment property	100
HCI-KWV Holdings (Pty) Ltd	Investment holding company	100**

* During the year under review the Company acquired an additional 5% of the issued share capital of the Company for an amount of R10 000.

** The Company acquired a 100% share in this entity on 7 December 2011 from its holding company, Hosken Consolidated Investments Limited, in a common control transaction, for an amount of R1 000.

Borrowing powers

The Company has unlimited borrowings powers.

Dividend

No dividend was declared by the Company during the year under review.

Events subsequent to reporting date

As at the Last Practicable Date, the Company is in the process of changing its name from HCI Growth Limited to Niveus Investments Limited. On 27 June 2012, the Company received a confirmation notice of name reservation (Form COR 9.4) from the Commission confirming that the name, Niveus Investments Limited, has been reserved for use by the Company. The Niveus Investments Shareholders adopted the requisite special resolution to change the name from HCI Growth Limited to Niveus Investments Limited, which special resolution, along with the required supporting documentation, was filed with the Commission on 17 July 2012. The name change will take effect from the date on which the Commission issues the amended registration certificate to the Company, confirming that the name change has been registered.

The Company is in the process of changing its name to Niveus Investments Limited.

Subsequent to year-end the Group has diluted its investment in two Subsidiaries, as detailed below, in terms of gaming licence bid undertakings to achieve agreed PDI shareholding percentages:

- Vukani Gaming Eastern Cape Proprietary Limited 85% to 60%
- Vukani Gaming Free State Proprietary Limited 100% to 45%

The Directors are not aware of any other matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which significantly affect the financial position of the Company or the results of its operations.

Directorate

The following changes to the Directors occurred during the year under review:

VE Mphande	resigned 25 January 2012
MM Loftie-Eaton	appointed 25 January 2012
ML Molefi	appointed 25 January 2012
JG Ngcobo	appointed 25 January 2012
Y Shaik	appointed 25 January 2012
A van der Veen	appointed 14 December 2011
CB Mogjiba	resigned 25 January 2012
K Moloko	appointed 25 January 2012 and resigned 19 June 2012

Authorised and issued share capital

During the year under review the Company changed its authorised and issued share capital from Shares of R0,01 each to Shares with no par value as detailed in note 17.

The authorised share capital was increased from 100 000 shares to 500 000 000 shares on 12 December 2011.

Following the sub-division, in a 1:1000 ratio, the issued share capital of the Company was increased to 58 633 000 shares from 58 633 shares on 12 December 2012 (Refer note 17).

Holding company

The Company is a subsidiary of Hosken Consolidated Investments Limited, a company incorporated in South Africa and listed on the Johannesburg Securities Exchange.

Name change and conversion to public company

On 12 December 2011 the Company:

- changed its name from Global Payment Technologies Holdings Proprietary Limited to HCI Growth Limited.
- converted from a private to a public company.

Audit committee

The audit committee of Hosken Consolidated Investments Limited currently performs the audit committee function of HCI Growth Limited.

R'000	Notes	2012	2011	2010
ASSETS				
Non-current assets		507 614	183 535	189 405
Property, plant and equipment	5	150 019	118 404	121 332
Investment property	6	3 700	3 700	3 500
Intangible assets	7	5 596	1 800	1 900
Goodwill	8	48 230	48 230	48 230
Investment in subsidiaries	9	–	–	–
Investment in associate	10	284 670	–	–
Loan	11	–	–	–
Deferred taxation	12	9 649	11 401	14 443
Interest free loans receivable	13	5 750	–	–
Current assets		49 643	36 605	33 278
Inventories	14	865	713	1 614
Trade and other receivables	15	37 536	30 025	19 646
Cash and cash equivalents	16	11 139	5 259	11 377
Taxation receivable		103	608	641
Total assets		557 257	220 140	222 683
EQUITY AND LIABILITIES				
Capital and reserves		24 879	(14 729)	(36 793)
Stated capital	17	44 888	–	–
Share capital	17	–	1	1
Share premium	17	–	44 887	44 887
Foreign currency translation reserve		170	–	–
Accumulated losses		(19 649)	(59 877)	(81 681)
Non-controlling interest		(530)	260	–
Non-current liabilities		185 203	28	501
Interest bearing liability	18	185 166	–	501
Deferred taxation	12	37	28	–
Current liabilities		347 175	234 841	258 975
Loans from group company	19	292 097	211 352	241 602
Trade and other payables	20	50 352	22 946	16 080
Current portion of interest bearing liability	18	4 284	–	1 293
Taxation payable		442	543	–
Total equity and liabilities		557 257	220 140	222 683
Net asset value per share (cents)		43.34	(25.56)	(62.75)
Net tangible asset value per share (cents)		(64.92)	(130.34)	(172.88)

R'000	Notes	2012	2011	2010
Revenue	21	424 964	334 506	270 806
Cost of		(162 493)	(124 412)	(98 283)
Gross profit		262 471	210 094	172 523
Other income		977	671	99
Operating expenses		(178 088)	(159 232)	(155 178)
Profit/(loss) from operations	2	85 360	51 533	17 444
Interest received		559	561	1 028
Interest paid		(21 529)	(12 796)	(500)
Reversal of impairments	23	–	–	–
Share of loss from associate		(2 252)	–	–
Profit before taxation		62 138	39 298	17 972
Taxation	24	(20 743)	(17 234)	(2 930)
Profit for the year		41 395	22 064	15 042
Other comprehensive income		–	–	–
– Share of other comprehensive income of associate		170	–	–
Total comprehensive income for the year		41 565	22 064	15 042
<i>Attributable to:</i>				
Equity holders of the parent		40 493	21 804	15 042
Non-controlling interest		1 072	260	–
		41 565	22 064	15 042
Earnings per share (cents)		68.77	37.19	25.65
Diluted earnings per share (cents)		68.77	37.19	25.65
Headline earnings per share (cents)		68.75	38.66	36.32
Diluted headline earnings per share (cents)		68.75	38.66	36.32
Dividends per share (cents)		–	–	–

	Share capital R'000	Share premium R'000	Stated capital R'000	Accumulated losses R'000	Foreign currency translation reserve R'000	Non-controlling interest R'000	Total R'000
GROUP							
Balances at 31 March 2009	1	44 887	-	(96 723)	-	-	(51 835)
Total comprehensive income for the year	-	-	-	15 042	-	-	15 042
Balances at 31 March 2010	1	44 887	-	(81 681)	-	-	(36 793)
Total comprehensive income for the year	-	-	-	21 804	-	260	22 064
Balances at 31 March 2011	1	44 887	-	(59 877)	-	260	(14 729)
Conversion of par value to no par value shares	(1)	(44 887)	44 888	-	-	-	-
Total comprehensive income for the year	-	-	-	40 323	170	1 072	41 565
Dividend paid	-	-	-	-	-	(1 947)	(1 947)
Additional investment in subsidiary	-	-	-	(95)	-	85	(10)
Balances at 31 March 2012	-	-	44 888	(19 649)	170	(530)	24 879

	Notes	Group		
		2012 R'000	2011 R'000	2010 R'000
Cash flows from operating activities		84 371	65 907	57 065
Cash generated/(utilised) by operations	25	119 598	91 730	64 589
Interest received		559	561	1 028
Interest paid		(17 209)	(12 796)	(500)
Taxation paid	26	(18 577)	(13 588)	(8 052)
Cash flows from investing activities		(57 614)	(39 982)	(25 628)
Interest free loan granted		(4 000)	–	–
Acquisition of property, plant and equipment		(50 561)	(40 340)	(32 100)
Proceeds on disposal of property, plant and equipment		739	358	8 572
Additional investment in subsidiary		(10)	–	–
Dividends paid to non-controlling shareholders		(375)	–	–
Acquisition of intangible assets		(3 907)	–	–
Acquisition of investment property		–	–	(2 100)
Cash flows from financing activities		(20 877)	(32 043)	(31 205)
Loan from group company repaid		(206 007)	(30 249)	(27 574)
Increase/(decrease) in interest bearing liability		185 130	(1 794)	(3 631)
Decrease in loans to subsidiaries		–	–	–
Net increase/(decrease) cash and cash equivalents		5 880	(6 118)	232
Cash and cash equivalents at beginning of year		5 259	11 377	11 145
Cash and cash equivalents at end of year	16	11 139	5 259	11 377

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

1. BASIS OF PREPARATION

These financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") on the historic cost basis except in the case of financial instruments which are measured using the fair value and amortised cost models and investment property which is measured using the fair value model.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 2.

1.1 Standards in issue, not yet effective

At the date of approving these financial statements, the following standards and interpretations were in issue but not yet effective:

Standard	Details of Amendment	Annual periods beginning on or after
IFRS 1: First-time Adoption of International Financial Reporting Standards	<ul style="list-style-type: none"> Standard amended to provide guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS compliant financial statements, or presenting IFRS compliant financial statements for the first time. 	1 July 2011
	<ul style="list-style-type: none"> Standard amended to remove the fixed date of 1 January 2004 relating to the retrospective application of the derecognition requirements of IAS 39, and relief for first-time adopters from calculating day one gains on transactions that occurred before the date of adoption. 	1 July 2011
IFRS 7: Financial Instruments: Disclosures	<ul style="list-style-type: none"> Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations. 	1 July 2011 1 January 2013
IFRS 9: Financial Instruments	<ul style="list-style-type: none"> New standard that forms the first part of a three part project to replace IAS 39 Financial Instruments: Recognition and Measurement. 	1 January 2015
IFRS 10: Consolidated Financial Statements	<ul style="list-style-type: none"> New standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess. 	1 January 2013

Standard	Details of Amendment	Annual periods beginning on or after
IFRS 11: Joint Arrangements	<ul style="list-style-type: none"> New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities. 	1 January 2013
IFRS 12: Disclosure of Interests in Other Entities	<ul style="list-style-type: none"> New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. 	1 January 2013
IFRS 13: Fair Value Measurement	<ul style="list-style-type: none"> New guidance on fair value measurement and disclosure requirements. 	1 January 2013
IAS 1: Presentation of Financial Statements	<ul style="list-style-type: none"> New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity. 	1 July 2012
IAS 12: Income Taxes	<ul style="list-style-type: none"> Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale. 	1 July 2012
IAS 19: Employee Benefits	<ul style="list-style-type: none"> Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans. 	1 January 2013
IAS 27: Consolidated and separate financial statements	<ul style="list-style-type: none"> Consequential amendments resulting from the issue of IFRS 10, 11 and 12. 	1 January 2013
IAS 28: Investments in Associates	<ul style="list-style-type: none"> Consequential amendments resulting from the issue of IFRS 10, 11 and 12. 	1 January 2013
IAS 32: Financial Instruments: Presentation	<ul style="list-style-type: none"> Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the net related credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations. 	1 January 2013
Interpretations		Annual periods beginning on or after
IFRIC 20: Stripping costs in the Production Phase of a Surface Mine.		1 January 2013

The Directors anticipate that the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Company.

2. SIGNIFICANT JUDGEMENTS

Management estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. This forms the basis of making the judgements on carrying values of assets and liabilities that are not otherwise readily apparent. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

2.1 **Asset lives and residual values**

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing assets lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

2.2 **Goodwill**

Goodwill is tested for impairment at each reporting date. The recoverable amounts of cash-generating units to which a portion of goodwill relates, have been estimated based on value in use calculations. Value in use calculations have been based on an appropriate discount rate. Based on value in use calculations, no impairment of goodwill is required.

2.3 **Impairment of trade and other receivables**

The Group assesses its trade and other receivables for impairment at each reporting date. In determining whether an impairment should be recognised in profit and loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from each receivable.

2.4 **Deferred tax asset**

The Group recognises the future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income.

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

3. **ACCOUNTING POLICIES**

3.1 **Basis of consolidation**

The Group financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the Company and its subsidiaries, which have been consolidated.

The results of any subsidiaries acquired or disposed of during the year are included from the dates effective control was acquired and up to the dates effective control ceased. The assets and liabilities of companies acquired are included in the consolidated statement of financial position at their estimated fair values to the Group as at the date of acquisition.

All material intragroup transactions and balances are eliminated on consolidation.

3.2 **Property, plant and equipment**

Property, plant and equipment is initially recorded at cost. Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life.

The useful life applicable to each category of property, plant and equipment is estimated as follows:

Computer equipment	3 years
Computer software	3 years
Furniture and fittings	6 years
Gaming machines	6 years
Motor vehicles	4 years
Office equipment	3 years
Site data loggers and modems	6 years
Bases	6 years
Chairs	6 years
Site leasehold improvements	The period of a standard site management agreement (normally 8 years)
Signage	10 years

The profit or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or expense.

3.3 Investment property

Investment property is held for capital appreciation and to generate rental income. The fair value model has been applied.

Investment property is initially recognised at cost and subsequently remeasured to fair value. Fair value adjustments are credited to profit and loss under the line item other income.

3.4 Intangible assets

3.4.1 Goodwill

Goodwill on acquisition comprises the excess of the fair value of the purchase consideration excluding any associated costs, which are expensed, for the initial acquisition in subsidiary undertakings over the fair value of the net identifiable assets acquired. The costs of integrating and reorganising acquired businesses are charged to the post acquisition statement of comprehensive income.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.4.2 "Bid Costs"

Costs incurred during the bidding process, including finance costs, for a gaming licence are expensed until such time as the awarding of the licence becomes probable. At this date further expenses incurred are capitalised and amortised over the period of the licence. Where the licence is granted for an indefinite period the capitalised amount is not amortised, but tested for impairment on an annual basis or more frequently when changes in estimated future benefits are identified.

The useful life of the "Bid costs" is estimated as follows:

Vukani Gaming Gauteng (Pty) Ltd	20 years
Vukani Gaming Eastern Cape (Pty) Ltd	15 years
Vukani Gaming North West (Pty) Ltd	20 years

3.5 Impairment of assets

The carrying amounts of property, plant and equipment and intangible assets are reviewed annually for an indication whether or not the relevant asset is impaired. If any such indication exists, and where the carrying amounts exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its realisable value less costs to sell and its value in use.

Impairment losses and reversals are recognised directly in profit and loss under the line item "other operating expenses", unless such reversals relate to previously recognised revaluation reserves in equity.

3.6 **Taxation**

Current Tax

The charge for current tax is based on the financial results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred taxation is provided on the comprehensive basis computed as the difference between the tax base and carrying amounts of assets and liabilities. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on the rates that have been enacted or substantially enacted by the reporting date.

Secondary Tax on Companies

Secondary Tax on Companies is provided in respect of dividend payments net of dividends received or receivable and is recognised as a taxation charge for the year.

3.7 **Investments in subsidiaries**

Investments in subsidiaries are stated at cost, less accumulated impairment losses.

3.8 **Investment in associates**

The Group recognises its share of associates' results as a one line entry before tax in the statement of comprehensive income, after taking account of the share of interest, tax and minority interests.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition reserve movements is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3.9 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and direct labour costs and overheads, which are incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the estimated selling price less estimated costs to completion and marketing, selling and distribution costs. Cost is determined on the weighted average method.

Where necessary, provisions are made for obsolete, slow moving and defective inventories.

3.10 **Translation of foreign currencies**

Transactions

Foreign currency transactions are recorded, on initial recognition, by applying the exchange rate ruling at the date of the transaction.

At each reporting date:

- foreign currency monetary items are reported using the closing rate;
- non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate ruling at the date of the transaction, and
- non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

Entities with a different functional currency

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in the translation reserve and recognised in profit or loss on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

3.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

3.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

3.12.1 **Net gaming win**

Net gaming win comprises the net slot machine win derived by limited payout route operations from gambling patrons. In terms of accounting standards, betting transactions concluded under gaming operations meet the definition of derivatives and therefore income from gaming operations represents the net position arising from financial instruments. The net gaming win is measured as the net cash received from betting transactions from gaming operations. Due to the short term nature of the Group's gaming operations all income is recognised in profit and loss immediately, at fair value.

VAT and other taxes, including gaming levies, that are charged on limited payout winnings are included in net gaming win and are treated as direct costs as these are borne by the Group and not customers.

3.12.2 **Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.12.3 **Rendering of services**

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

3.12.4 **Interest income**

Interest income is recognised using the effective interest method.

When a receivable is impaired the Group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate, and continuing to unwind the discount as interest income.

3.13 **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

3.14 **Employee benefits – defined contribution plans**

Contributions to a defined contribution plan in respect of service are recognised as an expense in the relevant period.

3.15 **Financial instruments**

Initial recognition and measurement

All financial instruments are recognised on the statement of financial position. Financial instruments are initially recognised when the Company or a subsidiary becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Transaction costs are included in the initial measurement of the financial instrument. Transaction costs are not included in the initial recognition of financial assets carried at fair value through profit and loss.

Subsequent to initial recognition financial instruments are measured as set out below.

Financial assets

The Group's principal financial assets are trade and other receivables and cash and cash equivalents.

Trade and other receivables

Trade and other receivables originated by the Group are stated at their nominal value less impairments. An estimate of impairment is made on a review of each outstanding amount at the reporting date. Irrecoverable amounts are written off during the period in which they are identified.

Cash and cash equivalents

Cash and cash equivalents are measured at their fair value. For the purpose of the cash flow statement, cash and cash equivalents comprise bank and call deposits.

Financial liabilities

The Group's principal financial liabilities are interest bearing liabilities, non-interest bearing liabilities, other financial liabilities and trade and other payables.

Interest bearing liabilities

Interest bearing liabilities are recognised at amortised cost, namely original debt less principal payments and amortisation.

Non-interest bearing liabilities

Non-interest bearing liabilities are recognised at amortised cost, namely original debt less principal payments and amortisation.

Trade and other payables

Trade and other payables are stated at their nominal value.

Other financial liabilities

The accounting policy for bank overdraft and other short-term borrowings is dealt with under cash and cash equivalents set out above.

Derecognition

Financial assets (or a portion thereof) are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. In derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the statement of comprehensive income.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and amounts paid for it are included in the statement of comprehensive income.

Fair value methods and assumptions

The fair value of financial instruments, not traded in an organised financial market, is determined using a variety of methods and assumptions that are based on market conditions and risk existing at the reporting date, including independent appraisals and discounted cash flow methods. The fair value determined is adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their nominal amounts.

Set-off

Where a legally enforceable right to set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are set-off.

3.16 Related party transactions

All subsidiaries of the Group are related parties. Details of Subsidiaries are contained in the Directors' report. All transactions entered into with subsidiaries have been eliminated on consolidation.

Transactions with other related parties are set out in note 28. There were no other material contracts with related parties. All transactions with other related parties were under terms no more favourable than those with third parties.

4. **ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION**

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
Group 2012				
<i>Non-current assets</i>	5 750	–	501 864	507 614
Property, plant and equipment	–	–	150 019	150 019
Goodwill	–	–	48 230	48 230
Investment in associate	–	–	284 670	284 670
Intangible asset	–	–	5 596	5 596
Deferred taxation	–	–	9 649	9 649
Interest free loans receivable	5 750	–	–	5 750
Investment property	–	–	3 700	3 700
<i>Current assets</i>	41 211	–	8 432	49 643
Inventories	–	–	865	865
Trade and other receivables	30 072	–	7 464	37 536
Cash and cash equivalents	11 139	–	–	11 139
Taxation	–	–	103	103
Total assets	46 961	–	510 296	557 257
<i>Non-current liabilities</i>	–	185 166	37	185 203
Deferred tax	–	–	37	37
Interest bearing liability	–	185 166	–	185 166
<i>Current liabilities</i>	–	341 307	5 868	347 175
Loan	–	292 097	–	292 097
Trade and other payables	–	44 926	5 426	50 352
Current portion of interest bearing liability	–	4 284	–	4 284
Taxation payable	–	–	442	442
Total liabilities	–	526 473	5 905	532 378

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
Group 2011				
<i>Non-current assets</i>	–	–	183 535	183 535
Property, plant and equipment	–	–	118 404	118 404
Goodwill	–	–	48 230	48 230
Intangible asset	–	–	1 800	1 800
Deferred taxation	–	–	11 401	11 401
Investment property	–	–	3 700	3 700
<i>Current assets</i>	27 405	–	9 200	36 605
Inventories	–	–	713	713
Trade and other receivables	22 146	–	7 879	30 025
Cash and cash equivalents	5 259	–	–	5 259
Taxation	–	–	608	608
Total assets	27 405	–	192 735	220 140
<i>Non-current liability</i>				
Deferred tax	–	–	28	28
<i>Current liabilities</i>	–	229 510	5 331	234 841
Loan from group company	–	211 352	–	211 352
Trade and other payables	–	18 158	4 788	22 946
Taxation payable	–	–	543	543
Total liabilities	–	229 510	5 359	234 869

	Loans and receivables R'000	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
Group 2010				
<i>Non-current assets</i>	–	–	189 405	189 405
Property, plant and equipment	–	–	121 332	121 332
Goodwill	–	–	48 230	48 230
Intangible asset	–	–	1 900	1 900
Deferred taxation	–	–	14 443	14 443
Investment property	–	–	3 500	3 500
<i>Current assets</i>	25 899	–	7 379	33 278
Inventories	–	–	1 614	1 614
Trade and other receivables	14 522	–	5 124	19 646
Cash and cash equivalents	11 377	–	–	11 377
Taxation	–	–	641	641
Total assets	25 899	–	196 784	222 683
<i>Non-current liabilities</i>				
Interest bearing liabilities	–	501	–	501
<i>Current liabilities</i>	–	255 170	3 805	258 975
Loan from group company	–	241 602	–	241 602
Trade and other payables	–	12 275	3 805	16 080
Current portion of interest bearing liabilities	–	1 293	–	1 293
Total liabilities	–	255 671	3 805	259 476

	2012	2011	2010
	R'000	R'000	R'000
5. PROPERTY, PLANT AND EQUIPMENT			
Cost			
Computer equipment	4 442	3 857	3 335
Computer software	7 134	5 791	4 439
Furniture and fittings	8 856	8 309	7 245
Gaming machines	210 082	146 541	121 540
Motor vehicles	6 957	6 457	5 857
Office equipment	3 441	3 190	2 241
Site data loggers and modems	5 544	4 411	4 411
Site leasehold improvements	13 264	17 301	11 605
Gaming bases	6 686	6 668	5 636
Gaming chairs	6 922	4 949	3 396
ATMs	4 845	4 695	5 845
Photoplays	10 728	11 164	11 459
Signage	4 571	1 705	–
	293 472	225 038	187 009
Accumulated depreciation and impairments			
Computer equipment	(3 553)	(2 665)	(1 767)
Computer software	(5 479)	(3 894)	(2 210)
Furniture and fittings	(5 486)	(4 087)	(3 009)
Gaming machines	(90 896)	(60 522)	(36 188)
Motor vehicles	(4 728)	(4 232)	(3 065)
Office equipment	(2 656)	(2 023)	(1 422)
Site data loggers and modems	(4 415)	(1 593)	(1 000)
Site leasehold improvements	(3 937)	(12 367)	(9 549)
Gaming bases	(4 022)	(2 957)	(1 877)
Gaming chairs	(2 812)	(1 813)	(1 031)
ATMs	(4 845)	(3 319)	(1 461)
Photoplays	(9 457)	(6 881)	(3 099)
Signage	(1 167)	(282)	–
	(143 453)	(106 635)	(65 678)
Carrying amount at end of year			
Computer equipment	889	1 192	1 568
Computer software	1 655	1 897	2 229
Furniture and fittings	3 370	4 222	4 237
Gaming machines	119 186	86 019	85 352
Motor vehicles	2 229	2 225	2 792
Site data loggers and modems	1 129	1 167	3 411
Office equipment	785	2 818	819
Site leasehold improvements	9 327	4 934	2 056
Gaming bases	2 664	3 711	3 759
Gaming chairs	4 110	3 136	2 365
ATMs	–	1 376	4 384
Photoplays	1 271	4 283	8 360
Signage	3 404	1 423	–
	150 019	118 403	121 332

5. **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Movements for the year:

	Computer equipment	Computer software	Furniture and fittings	Gaming machines	Motor vehicles	Office equipment	Site loggers and modems	Site leasehold improvement	Gaming bases	Gaming chairs	ATMs	Photoplay	Signage	Total
2012														
Carrying value at beginning of year	1 192	1 897	4 222	86 019	2 225	1 167	2 818	4 934	3 711	3 136	1 376	4 283	1 424	118 404
Additions	587	1 343	444	63 839	1 420	257	1 133	6 102	18	1 974	—	—	2 864	79 981
Scrapping/impairment	—	—	—	(124)	—	—	—	(158)	—	—	—	(79)	—	(361)
Reallocations	—	—	95	—	—	—	—	(95)	—	—	—	—	—	—
Disposals	—	—	(25)	(28)	(423)	(4)	—	—	—	—	72	—	—	(408)
Depreciation	(890)	(1 585)	(1 366)	(30 520)	(993)	(635)	(2 822)	(1 456)	(1 065)	(1 000)	(1 448)	(2 933)	(884)	(47 597)
Carrying value at end of year	889	1 655	3 370	119 186	2 229	785	1 129	9 327	2 664	4 110	—	1 271	3 404	150 019
2011														
Carrying value at beginning of year	1 568	2 229	4 237	85 352	2 792	819	3 411	2 056	3 759	2 365	4 384	8 360	—	121 332
Additions	609	1 372	1 286	25 001	1 048	1 033	—	5 701	1 032	1 553	—	—	1 705	40 340
Scrapping/impairment	—	—	(30)	—	—	—	—	(3)	—	—	(1 000)	(209)	—	(1 242)
Reallocations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Disposals	(59)	(9)	—	—	(77)	(15)	—	—	—	—	(73)	(80)	—	(313)
Depreciation	(926)	(1 695)	(1 271)	(24 334)	(1 538)	(670)	(593)	(2 819)	(1 080)	(782)	(1 935)	(3 788)	(282)	(41 713)
Carrying value at end of year	1 192	1 897	4 222	86 019	2 225	1 167	2 818	4 935	3 711	3 136	1 376	4 283	1 423	118 404
2010														
Carrying value at beginning of year	1 372	1 323	3 587	106 790	12 312	800	9 579	2 916	4 251	2 181	761	—	—	145 872
Additions	1 218	2 011	1 718	14 089	27	587	1 153	1 997	615	764	1 129	6 792	—	32 100
Scrapping/impairment	—	—	—	(4 651)	—	—	(5 059)	(608)	—	—	—	(924)	—	(11 242)
Reallocations	(141)	2	177	(8 555)	(2)	10	45	—	(1)	—	3 547	4 918	—	—
Disposals	(99)	—	(182)	—	(5 654)	(33)	—	—	—	—	—	(44)	—	(6 012)
Depreciation	(782)	(1 107)	(1 063)	(22 321)	(3 891)	(545)	(2 307)	(2 249)	(1 106)	(580)	(1 053)	(2 382)	—	(39 386)
Carrying value at end of year	1 568	2 229	4 237	85 352	2 792	819	3 411	2 056	3 759	2 365	4 384	8 360	—	121 332

	2012	2011	2010
	R'000	R'000	R'000
6. INVESTMENT PROPERTY			
At cost	3 500	3 500	3 500
At fair value	3 700	3 700	3 500

The fair value model is applied to the measurement of investment property

The property consists of Erf 1282 Middelburg, Mpumalanga, in extent 1 788m²

The valuation was performed by Elmine Grobler Valuators on 28 February 2011 based on a property rental capitalisation rate of 11.3%.

7. INTANGIBLE ASSET

“Bid costs”

Cost	5 907	2 000	2 000
Accumulated amortisation	(311)	(200)	(100)
Carrying value	5 596	1 800	1 900

Reconciliation of movement:

Carrying value at beginning of year	1 800	1 900	2 000
Additions	3 907	–	–
Amortisation	(111)	(100)	(100)
Carrying value at year-end of year	5 596	1 800	1 900

The average remaining useful life of the “bid costs” is 18 years.

8. GOODWILL

Cost at acquisition

Luck At It Holdings (Pty) Ltd	48 230	48 230	48 230
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Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets, liabilities and contingent liabilities acquired

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to two cash-generating units as follows:

Luck At It KwaZulu-Natal	28 950	28 950	28 950
Vukani Gaming Corporation Mpumalanga	19 280	19 280	19 280
	48 230	48 230	48 230

The recoverable amount of the cash-generating units has been determined on a value-in-use calculation, using cash flow projections which cover a five-year period.

A growth rate of 4.5% has been applied and cash flows have been discounted at 21%

The following assumptions have been applied when reviewing goodwill impairment:

- asset values have been based on the carrying amounts for the financial period;
- future expected profits have been estimated using historical information and approved budgets extending over five years;
- sales growths and gross margins were based on historical performance and known future prospects;
- costs were assumed to grow in line with expansion and expected inflation; and

- cash flows have been extended into perpetuity as management have no reason to believe that the Group will not continue past the budget period.

The recoverable amounts of the cash generating units were determined to be higher than the relevant portion of goodwill and therefore no impairment was necessary.

	Company		
	2012	2011	2010
	R'000	R'000	R'000
9. INVESTMENT IN SUBSIDIARIES			
Details of the investment in subsidiaries are set out below:			
9.1 Vukani Gaming Corporation (Pty) Ltd			
Percentage ownership: 100%			
Number of ordinary shares: 5 107 053 ordinary shares of R1 each			
Nature of business: Investment holding company			
Investment at cost	5 107	5 107	5 107
Accumulated impairment	–	–	–
	5 107	5 107	5 107
9.2 Cherry Moss Trade and Invest 188 (Pty) Ltd			
Percentage ownership: 100%			
Number of ordinary shares: 100 ordinary shares of R1 each			
Nature of business: Entertainment equipment rental and supply chain operations			
Investment at cost*	–	–	–
	–	–	–
* R100 investment rounded to zero			
9.3 HCI KVV Holdings (Pty) Ltd			
Percentage ownership : 100%			
Number of ordinary shares : 1 000 ordinary shares of R1 each			
Nature of business : Investment holding company (currently owning 35.52% interest in KVV Holdings Limited)			
Investment at cost	1	–	–
Total investment in subsidiaries	5 108	5 107	5 107

	Company		
	2012	2011	2010
	R'000	R'000	R'000
10. INVESTMENT IN ASSOCIATE			
Touchmart (Pty) Ltd			
28.1% interest (acquired on 29 October 2008)			
100 ordinary shares at cost*			
*R100 investment rounded to zero	–	–	–
Loan advanced	–	–	2 500
Impairment of loan	–	–	(1 719)
Share of loss	–	–	(781)
	–	–	–
The loan is unsecured, interest free and has no fixed terms of repayment.			
Directors' valuation	–	–	–
KWV Holdings Limited			
35.52% interest			
24 345 303 ordinary shares at cost	286 752	–	–
Equity accounted share of loss for the period	(2 252)	–	–
Equity accounted share of other comprehensive income	170	–	–
	284 670	–	–
The summarised financial information in respect of the associate is as follows:			
Total assets	1 509 594	–	–
Total liabilities	(250 741)	–	–
Net assets	1 258 853	–	–
Revenue	426 075	–	–
Group's share of associate's loss for the period	(2 252)	–	–
Group's share of associate's other comprehensive income	170	–	–
	284 670	–	–
The above information is as per the unaudited interim results of KWV Holdings Limited for the six months ended 31 December 2011. The Group's share of the loss for the period and share of other comprehensive income has been adjusted, using management accounts, for the period prior to acquisition.			
11. LOANS TO SUBSIDIARIES			
Vukani Gaming Corporation (Proprietary) Limited			
Amount owing	–	–	–
Less: Impairment provision	–	–	–
Cherry Moss Trade and Invest 188 (Pty) Ltd			
Amount owing	–	–	–
Less: Impairment provision	–	–	–
	–	–	–

	2012	2011	2010
	R'000	R'000	R'000
12. DEFERRED TAXATION			
The deferred tax asset comprises timing differences arising from:			
Revaluation of investment property	(37)	(28)	–
Straight-lining of leases	131	55	27
Provisions and accruals	1 886	1 638	1 263
Assessable loss	7 632	9 708	13 153
	9 612	11 373	14 443
Analysis of movements:			
Opening balance	11 373	14 443	12 603
Credited to profit and loss	(1 761)	(3 070)	1 840
Closing balance	9 612	11 373	14 443
Disclosed as follows:			
Deferred tax asset	9 649	11 401	14 443
Deferred tax liability	(37)	(28)	–
	9 612	11 373	14 443
13. INTEREST FREE LOANS RECEIVABLE			
Moody Blue Trade and Invest 124 (Pty) Ltd	2 250	–	–
The loan			
Unsecured loan	3 500	–	–
Total receivables	4 000	–	–
Current portion included in trade and other receivables	(500)	–	–
The loan is unsecured, interest free, and is repayable in monthly instalments of R72 917.			
	5 750	–	–
14. INVENTORIES			
Consumables and maintenance spares	865	713	1 614

	2012	2011	2010
	R'000	R'000	R'000
15. TRADE AND OTHER RECEIVABLES			
Trade receivables	12 681	5 879	4 439
Short-term loans	17 391	13 875	7 604
Prepayments	6 160	7 402	4 486
Other receivables	550	142	229
Value added taxation	754	477	638
Loan receivable from Moody Blue Trade and Invest 124 (Pty) Ltd	–	2 250	2 250
	37 536	30 025	19 646

The short-term loans are unsecured, interest free and are repayable in weekly instalments over periods ranging from 4 to 52 weeks.

The short-term loans comprise amounts due from "site owners" resulting from initial costs incurred to get the gaming site approved by the gaming board.

The loan receivable from Moody Blue Trade and Invest 124 (Pty) Ltd has been classified as a non-current receivable in the current year. (Refer note 13)

Allowances for impairment:

(Trade and loans receivable)

Opening balance	3 366	2 641	4 002
Impairments recognised in profit and loss	1 557	1 407	830
Reversals of impairments recognised in profit and loss	(638)	(682)	(2 191)
Closing balance	4 285	3 366	2 641

The following factors were considered in determining the amount of the impairments:

- An individual account by account assessment based on past credit history
- Any prior knowledge of debtor insolvency or other risk.

Trade receivables and short-term loans receivable past due date but not impaired:

Amounts in 14 to 21 days	18	38	267
Amounts in 21 to 28 days	111	19	84
Amounts in 28 to 35 days	20	44	417
Amounts in 35 to 42 days	2 259	933	3 360
	2 408	1 034	4 128

Maximum exposure to credit losses on trade and other receivables	31 376	22 623	15 160
--	--------	--------	--------

	2012	2011	2010
	R'000	R'000	R'000
16. CASH AND CASH EQUIVALENTS			
Bank and call deposits	11 139	5 259	11 377
	11 139	5 259	11 377
17. STATED CAPITAL/SHARE CAPITAL			
Authorised			
500 000 000 ordinary shares of no par value (2011: 100 000 ordinary shares of R0.01 each)	–	1	1
Issued			
58 633 000 ordinary shares of no par value (2011: 58 633 ordinary shares of R0.01 each)	44 888	1	1
Share premium	–	44 887	44 887
	44 888	44 888	44 888
18. INTEREST-BEARING LIABILITY			
Secured			
Finance lease liabilities			
Total capital owing			
– ABSA Vehicle Finance	–	–	1 794
	–	–	1 794
Current portion included in current liabilities			
– ABSA Vehicle Finance	–	–	(1 293)
	–	–	(1 293)
Non-current liability	–	–	501
ABSA Vehicle Finance			
The liability is repayable in monthly instalments of R115 862 (2009: R532 000) and bears interest at 1.5% below the prime overdraft rate. Secured over motor vehicles with a carrying value of R2.6 million (2009: R12.1 million).			
		Group	
	2012	2011	2010
	R'000	R'000	R'000
Present value of finance lease repayments			
Due within 1 year	–	–	1 293
Total repayments	–	–	1 442
Unearned finance charges	–	–	(149)
Due within 1 to 5 years	–	–	501
Total repayments	–	–	507
Unearned finance charges	–	–	(6)
Total	–	–	1 794
Total repayments	–	–	1 949
Unearned finance charges	–	–	(155)
Term loan – Investec Bank Limited			
Total capital owing	186 054	–	–
Interest capitalised	4 284	–	–
Raising fee	(888)	–	–
	189 450	–	–
Current portion included in current liabilities	(4 284)	–	–
	185 166	–	–

Investec Bank Limited

A loan facility of R185 million was obtained from Investec Bank Limited on 19 December 2011.

Interest is charged by Investec on the facility at the three-month Johannesburg Inter-Bank Agreed Rate (jibar) plus a margin of 2.5%. Investec is entitled to increase the interest rate to adjust it for any capital adequacy, reserve assets or similar requirements pursuant to any changes in the application of interpretation of any law or regulation including the International Convergence Capital Measurements and Capital Standards or any similar regulation.

The interest payable under the facility is calculated on a daily basis and compounded quarterly.

The facility and interest thereon is payable on the following basis:

1. Interest is payable semi-annually in arrears, with the first payment date being 2 July 2012.
2. Capital repayments on the facility will commence in year three with five equal semi-annual capital payments equal to 6% of the facility amount and a final bullet payment of 70% of the facility at the end of year five.
3. The loan/facility is secured by a R185 million guarantee from the Company's ultimate holding company, Hosken Consolidated Investments Limited and HCI Securities (Pty) Ltd, a fellow subsidiary.

	Group		
	2012	2011	2010
	R'000	R'000	R'000
Present value of loan repayments			
Due within 1 year	4 284	–	–
Total repayments	15 815	–	–
Unearned finance charges	(11 531)	–	–
Due within 2 to 5 years	181 770	–	–
Total repayments	239 568	–	–
Unearned finance charges	(57 798)	–	–
Total	186 054	–	–
Total repayments	255 383	–	–
Unearned finance charges	(69 329)	–	–

19. LOANS FROM GROUP COMPANY

HCI Treasury (Pty) Ltd	5 353	211 352	241 602
The loan is unsecured, bears interest at prime plus 2% and has no fixed terms of repayment.			
HCI Treasury (Pty) Ltd	286 744	–	–
The loan is unsecured, interest free and has no fixed terms of repayment.			
	292 097	211 352	241 602

	2012	2011	2010
	R'000	R'000	R'000
20. TRADE AND OTHER PAYABLES			
Trade creditors – external	8 035	9 524	6 722
Trade creditors – external, for gaming machines	29 419	–	–
Trade creditors – group company – HCI Managerial Services (Pty) Ltd	660	5 696	–
Payroll accruals	4 138	3 602	3 050
Other accruals	6 812	2 938	3 721
Social responsibility accrual	–	–	1 832
Value added taxation	1 288	1 186	755
	50 352	22 946	16 080

	2012	2011	2010
	R'000	R'000	R'000
21. REVENUE			
Revenue comprises:			
Net gaming win	417 982	327 979	259 822
Other revenue	6 982	6 527	10 984
	424 964	334 506	270 806
22. PROFIT			
After charging:			
Auditors' remuneration	972	677	1 163
Depreciation (Refer note 5)	47 597	41 713	39 385
Directors' remuneration	5 107	1 487	–
Directors' emoluments	1 707	1 487	–
Directors' emoluments (paid by holding company recovered through management fee)	3 400	–	–
Key management personal remuneration (paid by holding company recovered through management fee)	4 430	4 459	–
Consulting fees	2 419	2 774	3 717
Impairment of property, plant and equipment	362	1 000	–
Impairment of trade receivables			
– Charged to provision	1 557	1 407	830
Lease charge – premises	5 115	4 233	3 212
Lease charge – equipment	197	203	242
Lease charge – motor vehicles	5 193	4 885	–
(Profit)/loss on disposal/scraping of property, plant and equipment	(331)	197	8683
Staff costs	61 318	53 946	52 163
Gaming levies	69 123	52 287	40 773
VAT on net gaming revenue	43 011	33 929	26 930
23. IMPAIRMENT REVERSALS			
Loan to subsidiaries (Refer note 11) – net reversal	–	–	–
	–	–	–

	2012	2011	2010
	R'000	R'000	R'000
24. TAXATION			
South African normal tax	18 786	14 164	4 769
– Current year	18 920	14 158	4 787
– Prior year	(134)	6	(18)
Deferred tax	1 762	3 070	(1 839)
– Current year	1 762	3 070	(1 242)
– Prior year	–	–	(597)
Secondary tax on companies	195	–	–
	20 743	17 234	2 930
Tax rate reconciliation	%	%	%
Applicable tax rate	28.00	28.00	28.00
Disallowable expenditure	0.64	0.62	3.55
Share of loss from associate	1.01	–	–
Exempt income/impairment reversal	–	–	–
Deferred tax not raised on estimated tax losses	3.63	24.05	(21.75)
Deferred tax on estimated tax loss previously not raised	–	(8.86)	6.50
Change in CGT rate	0.01	–	–
Prior year charges	(0.22)	–	–
Secondary tax on companies	0.31	–	–
Effective tax rate	33.38	43.81	16.30

Group companies have losses for taxation purposes amounting to an estimated R131 373 367 (2011: R132 508 390).

	2012	2011	2010
	R'000	R'000	R'000
25. CASH – GENERATED BY OPERATIONS			
Profit before taxation	62 138	39 298	17 972
<i>Adjustments for:</i>			
Revaluation of investment property	–	(200)	–
Depreciation	47 597	41 713	39 385
Interest paid	21 529	12 796	500
Interest received	(559)	(561)	(1 028)
Profit/(loss) on disposal/scraping of property, plant and equipment	(331)	197	8 683
Unrealised foreign exchange gain	(943)	–	–
Impairment of property, plant and equipment	361	1 000	–
Amortisation of intangible assets	111	100	100
Impairment reversals	–	–	–
Share of associate's loss	2 252	–	–
	132 155	94 343	65 612
Working capital changes	(12 557)	(2 613)	(1 023)
(Increase)/decrease in inventories	(152)	901	543
Increase in trade and other receivables	(11 334)	(10 379)	801
(Decrease)/increase in trade and other payables	(1 071)	6 865	(2 367)
	119 598	91 730	64 589
26. TAXATION PAID			
Payable at beginning of year	65	641	(2 642)
Charge per	(18 981)	(14 164)	(4 769)
Payable/(receivable)	339	(65)	(641)
	(18 577)	(13 588)	(8 052)
27. COMMITMENTS			
Operating leases			
Future operating lease charges	16 767	23 628	17 123
– Due within one year	9 084	9 600	6 445
– In second to fifth year	7 683	14 028	10 678
Commitment to grant loans/pay dividends			
Maximum exposure			
Due within one year	2 500	2 500	–
In second to fifth year	–	2 500	6 373
	2 500	5 000	6 373
In terms of agreements entered into with other shareholders, commitments to a maximum of R2 500 000 per annum until 2013 are payable either as a dividend or loan advances, subject to the roll out performance of the respective companies.			

28. RELATED PARTY TRANSACTIONS

Related parties

Ultimate holding company	Hosken Consolidated Investments Limited
Subsidiaries	Cherry Moss Trade and Invest 188 (Pty) Ltd Vukani Gaming Corporation (Pty) Ltd Vukani Gaming Western Cape (Pty) Ltd Vukani Gaming Eastern Cape (Pty) Ltd Vukani Gaming Limpopo (Pty) Ltd Vukani Gaming Mpumalanga (Pty) Ltd Vukani Gaming KwaZulu-Natal (Pty) Ltd Vukani Gaming Northern Cape (Pty) Ltd Vukani Gaming Free State (Pty) Ltd Vukani Gaming North West (Pty) Ltd Vukani Equipment Company (Pty) Ltd Vukani Gaming Gauteng (Pty) Ltd Luck Holdings (Pty) Ltd Luck At It KZN (Pty) Ltd Luck At It Mpumalanga (Pty) Ltd
Fellow subsidiaries	HCI Treasury (Pty) Ltd Three Blind Mice Communications (Pty) Ltd HCI Bingo (Pty) Ltd HCI Securities (Pty) Ltd HCI Managerial Services (Pty) Ltd Limtech Biometric Solutions (Pty) Ltd Gallagher Estate (Pty) Ltd
Associate	KWV Holdings Limited
Minority shareholder of subsidiary	Moody Blue Trade and Invest 124 (Pty) Ltd Yaounde Investments (Pty) Ltd Tuffsan Investments 1019 (Pty) Ltd Tshinas Entertainment and Leisure (Pty) Ltd

	2012 R'000	2011 R'000	2010 R'000
Balances with related parties			
HCI Treasury (Pty) Ltd (refer note 19)	292 097	211 352	241 602
Cherry Moss Trade and Invest 188 (Pty) Ltd (refer note 11)	–	–	–
Vukani Gaming Corporation (Pty) Ltd (refer note 11)	–	–	–
Yaounde Investments (Pty) Ltd	1 275	338	–
Touchmart (Pty) Ltd (refer note 10)	–	–	–
HCI Managerial Services (Pty) Ltd (refer note 20)	660	5 696	2 250
Moody Blue Trade and Invest 124 (Pty) Ltd (refer note 13)	2 250	2 250	–
Limtech Biometric Solutions (Pty) Ltd	12	12	–
HCI Bingo (Pty) Ltd	–	(174)	–
Transaction with related parties			
Rent paid			
– Gallagher Estate (Pty) Ltd	43	165	461
– Euphoria (Pty) Ltd	464	750	–
Goods and services			
– Three Blind Mice Communications (Pty) Ltd (Supply of electronic equipment)	2	83	(708)
– Limtech Biometric Solutions (Pty) Ltd (Site security installation)	215	225	522
– HCI Bingo (Pty) Ltd (Property rental and electricity)	(95)	(28)	109
– HCI Management Services (Pty) Ltd (salary recoveries)	8 037	4 444	6 070
Management fees			
– HCI Managerial Services (Pty) Ltd	4 364	4 459	–
Interest paid			
– HCI Treasury (Pty) Ltd	17 205	12 558	–
Dividend paid			
– Yaounde Investments (Pty) Ltd	1 572	–	171
– Tuffsan Investments 1019 (Pty) Ltd	375	–	–
Interest received			
– Vukani Gaming Corporation (Pty) Ltd	–	–	–
Securities provided			
– Refer note 18			
Acquisition of investment in subsidiary			
– Refer note 9 and directors' report			

29. RETIREMENT BENEFITS

The majority of the Group's employees are members of various pension and provident funds. These funds are independently administered defined-contribution funds of the operating entities and defined-contribution funds for the industries in which the Group's employees work. The Group's contributions are charged against income when incurred.

30. FINANCIAL RISK MANAGEMENT

Formalisation of a risk management framework is the responsibility of the Group and the Board of Directors. The framework ensures:

- efficient allocation of capital across various activities in order to maximise returns and diversification of income streams;
- risk taking within levels acceptable to the Company as a whole;
- efficient liquidity management and control of funding costs; and
- improved risk management and control.

Whilst the board is ultimately responsible for the management of risk, the Board relies on management to operate within the control structures and frameworks, established by the Board and has delegated the responsibility for implementation of the risk framework to functions within the operating units.

The nature of key risks to which the Company is exposed are categorised as follows:

30.1 Interest rate risk

The Group is exposed to interest rate risk through its variable rate cash balances and loans. Surplus cash flows exposed to interest rate risk are placed with institutions and facilities which yield the highest rate of return.

An interest rate sensitivity analysis is set out in note 30.6. This analysis indicates the financial assets and liabilities sensitive to interest rate fluctuations and the income statement and tax effects of possible changes in the rates to which the financial assets and liabilities are linked.

30.2 Liquidity risk

The Group maintains sufficient cash and ensures that funds remain available through an adequate amount of credit facilities. The Group manages its liquidity requirements by monitoring forecasted cash flows. The Group ensures that it has adequate liquid assets at all times in order to maintain its current ratio requirements.

A maturity analysis of financial liabilities is set out in note 30.7. This analysis sets out the expected repayment periods of the undiscounted value of financial liabilities.

30.3 Credit risk

Credit risk relates to potential exposure on trade receivables, loans and bank balances. The Company limits its counterparty exposure arising from bank balances by dealing only with well-established financial institutions of high credit standing.

Trade and loans receivable consist of a large widespread customer base. The financial position of customers/site owners is monitored on an ongoing basis.

At the reporting date, the Group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

30.4 Capital risk management

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total interest-bearing debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (ie ordinary shares, share premium, retained earnings and other reserves).

The debt-to-adjusted capital ratios at 31 March were as follows:

	Group		
	2012 R'000	2011 R'000	2010 R'000
Interest bearing borrowings	194 803	211 352	1 794
Less: cash and cash equivalents	(11 139)	(5 259)	(11 377)
Net debt position	183 664	206 093	(9 583)
Total equity	24 879	(14 729)	(36 793)
Debt-to-adjusted capital ratio	7,4:1	100:1	–

30.5 Foreign exchange risk

The Company has purchased gaming machines from foreign suppliers and is exposed to foreign exchange risk due to fluctuations in foreign currencies. At year-end, the exposure amounts to Euro 1 984 000.

The Company does not hedge foreign exchange fluctuations.

If the foreign exchange currency increased/decreased by 10%, the post-tax profit would increase/decrease by ± R1.4 million.

30.7 Liquidity risk – maturity analysis of financial liabilities

Expected settlement period of financial liabilities

Group	Carrying amount of financial liabilities R'000	< 3 months R'000	3 – 6 months R'000	6 – 12 months R'000	12 – 60 months R'000	Total undiscounted value of financial liabilities R'000
2012						
Non-current liabilities						
Interest bearing liability	185 166	–	–	–	185 166	185 166
Current liabilities						
Loan from group company	292 097	–	–	5 353	286 744	292 097
Current portion of interest bearing liability	4 284	–	–	4 284	–	4 284
Trade and other payables	44 926	44 926	–	–	–	44 926
	526 473	44 926	–	9 637	471 190	526 473
2011						
Non-current liabilities						
Loan from group company	2 11 352	2 11 352	–	–	–	2 11 352
Current liabilities						
Trade and other payables	18 158	18 158	–	–	–	18 158
	229 510	229 510	–	–	–	229 510
2010						
Non-current liabilities						
Interest bearing liabilities	501	–	–	–	546	546
Loan from Group company	241 602	241 602	–	–	–	241 602
Current liabilities						
Trade and other payables	12 275	12 275	–	–	–	12 275
Current portion of interest bearing liabilities	1 293	352	352	705	–	1 409
	255 671	254 229	352	705	546	255 832

31. SEGMENT REPORT

The following are the summarised results for the reportable operating segments:

Year ended	Audited 31 March 2012		Audited 31 March 2011		Audited 31 March 2010	
	Revenue R'000	Net gaming win R'000	Revenue R'000	Net gaming win R'000	Revenue R'000	Net gaming win R'000
Limited payout gaming	6 982	417 982	6 527	327 979	10 984	259 822
Beverages	–	–	–	–	–	–
Total	6 982	417 982	6 527	327 979	10 984	259 822

Year ended	Profit before tax Audited			Depreciation and amortisation Audited		
	31 March 2012 R'000	31 March 2011 R'000	31 March 2010 R'000	31 March 2012 R'000	31 March 2011 R'000	31 March 2010 R'000
Limited payout gaming	64 390	39 298	17 972	47 708	41 813	39 485
Beverages	(2 252)	–	–	–	–	–
Total	62 138	39 298	17 972	47 708	41 813	39 485

Year ended	Impairments Audited		
	31 March 2012 R'000	31 March 2011 R'000	31 March 2010 R'000
Limited payout gaming	361	1 000	11 242
Beverages	–	–	–
Total	361	1 000	11 242

Year ended	Assets Audited			Liabilities Audited		
	31 March 2012 R'000	31 March 2011 R'000	31 March 2010 R'000	31 March 2012 R'000	31 March 2011 R'000	31 March 2010 R'000
Limited payout gaming	272 587	220 140	222 683	245 634	234 869	259 476
Beverages	284 670	–	–	286 744	–	–
Total	557 257	220 140	222 683	532 378	234 869	259 476

Year ended	Fixed asset additions Audited		
	31 March 2012 R'000	31 March 2011 R'000	31 March 2010 R'000
Limited payout gaming	79 981	40 340	32 100
Beverages	–	–	–
Total	79 981	40 340	32 100

Amounts applicable to associates and joint ventures:

Year ended	Investment in associates and joint ventures Audited				Results Audited	
	31 March 2012	31 March 2011	31 March 2010	31 March 2012	31 March 2011	31 March 2010
	R'000	R'000	R'000	R'000	R'000	R'000
Limited payout gaming	–	–	–	–	–	–
Beverages	284 670	–	–	(2 252)	–	–
Total	284 670	–	–	(2 252)	–	–

32. DIRECTORS' EMOLUMENTS

Year ended 31 March 2012	Board fees R'000	Salary R'000	Other benefits R'000	Gains from share options, share appreciation and bonus plans R'000	Bonus R'000	Total R'000
Executive Director						
CB Mogiba	*	1 004 023	333 486	–	84 300	1 421 809
Non-executive Directors						
VE Mphande	*	240 000	–	–	–	240 000
JG Ngcobo	#					
MM Loftie-Eaton	#					
ML Molefi	#					
K Moloko	#					
JG Ngcobo	#					
A van der Veen	##					
Y Shaik	#					
JA Copelyn						
MJA Golding						
		1 244 023	333 486	–	84 300	1 661 809

* Resigned 25 January 2012

Appointed 25 January 2012

Appointed 14 December 2011

Year ended 31 March 2011	Board fees R'000	Salary R'000	Other benefits R'000	Gains from share options, share appreciation and bonus plans R'000	Bonus R'000	Total R'000
Executive Director						
CB Mogiba	–	864 600	336 761	–	80 800	1 282 160
Non-executive Directors						
VE Mphande	–	180 000	–	–	–	180 000
JA Copelyn						
MJA Golding						
	–	1 044 600	336 761	–	80 800	1 462 160
Year ended 31 March 2010						
Executive Directors						
CB Mogiba	–	810 000	186 744	–	93 125	1 089 869
VE Mphande	–	332 000	50 000	–	–	382 000
Non-executive Directors						
JA Copelyn						
MJA Golding						
KJ Slabbert						
	–	1 142 000	236 744	–	93 125	1 471 869

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF NIVEUS INVESTMENTS

The Directors
Niveus Investments Limited
Block B, Longkloof Studios
Darters Road
Gardens
Cape Town, 8001

25 July 2012

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF NIVEUS INVESTMENTS LIMITED ("NIVEUS") FOR THE YEARS ENDED 31 MARCH 2012, 31 MARCH 2011 AND 31 MARCH 2010

INTRODUCTION

At your request and for the purposes of the pre-listing statement to be dated on or about 30 July 2012 ("the pre-listing statement"), we present our report on the historical financial information of Niveus for the years ended 31 March 2012, 31 March 2011 and 31 March 2010 in compliance with the JSE Limited Listings Requirements.

RESPONSIBILITIES

Directors' responsibility for the financial statements

The Directors are responsible for the preparation, contents and presentation of the pre-listing statement and the fair presentation of the historical financial information in accordance International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the historical financial information of Niveus for the year ended 31 March 2012, included in the pre-listing statement, based on our audit of the financial information for the year then ended, and a review conclusion on the historical financial information for the years ended 31 March 2011 and 31 March 2010 included in the pre-listing statement based on our review of the financial information for the years then ended.

SCOPE OF THE AUDIT

We conducted our audit of the historical financial information for the year ended 31 March 2012 in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

AUDIT OPINION

In our opinion, the historical financial information of Niveus for the year ended 31 March 2012 presents fairly, in all material respects, for the purposes of the pre-listing statement, the financial position of Niveus at that date and the results of its operations and cash flows for the period then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the JSE Limited Listings Requirements.

SCOPE OF THE REVIEW

We conducted our review of the historical financial information for the years ended 31 March 2011 and 31 March 2010 in accordance with the International Standards on Review Engagements 2400, "Engagements to review financial statements". This standard requires that we plan and perform the review to obtain moderate assurance as to whether the historical financial information is free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit in respect of the years ended 31 March 2011 and 31 March 2010 and accordingly we do not express an audit opinion in respect of these periods.

REVIEW CONCLUSION

Based on our review nothing has come to our attention that causes us to believe that the historical financial information of Niveus for the years ended 31 March 2011 and 31 March 2010 is not fairly prepared, in all material respects, for the purposes of the pre-listing statement, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the JSE Limited Listings Requirements.

CONSENT

We consent to the inclusion of this report and the reference to our opinion in the pre-listing statement in the form and context in which it appears.

Yours faithfully

PKF (Jhb) Inc

Rudi Huiskamp
Registration number 1994/001166/21
Registered Auditors
Chartered Accountants (SA)

42 Wierda Road West
Wierda Valley
Sandton
2196

EXTRACTS OF THE AUDITED CONSOLIDATED FINANCIAL INFORMATION OF KVV FOR THE YEARS ENDED 30 JUNE 2010 AND 30 JUNE 2011, AND THE REVIEWED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

BASIS OF PREPARATION

Set out below are extracts of the audited consolidated financial information of KVV for the periods ending 31 December 2011, 30 June 2011 and 30 June 2010.

KVV was incorporated on 2 July 2009, as a subsidiary of Capevin Holdings Limited ("Capevin") (previously named KVV Limited prior to 7 August 2009) and it acquired the operational subsidiaries of the KVV group before it was unbundled to Capevin's shareholders on 18 August 2009. For accounting purposes KVV commenced business in July 2009 and accordingly, audited annual financial statements are only available for the two financial years ended on 30 June 2010 and 30 June 2011.

The illustrative results for 2009 set out in the statement of financial position and the statement of comprehensive income are unaudited and have been extracted from the KVV's 2010 annual report where they were disclosed in order to assist users in interpreting the results for KVV's 2010 financial year. An illustrative statement of cash flows as well as an illustrative statement of changes in equity were not prepared for the 2009 financial year and are consequently not available.

The financial information of KVV has been prepared in accordance with International Financial Reporting Standards. The published audited consolidated financial information of KVV for the years ended 30 June 2010 and 30 June 2011, including notes and commentary thereon, as well as the reviewed consolidated financial information of KVV for the period ended 31 December 2011, are available KVV's website: www.kvv.co.za.

The extracts of the financial information, including the notes for the interim period ended 31 December 2011, reproduced in this annexure are the responsibility of the Directors.

STATEMENT OF COMPREHENSIVE INCOME

For the interim period ended 31 December and the year ended 30 June

	Interim 2011 R'000 Reviewed	Annual 2011 R'000 Audited	Annual 2010 R'000 Audited	Annual 2009 R'000 Illustrative
CONTINUING OPERATIONS				
Revenue	426 075	677 766	728 994	693 494
Cost of sales	(279 680)	(454 191)	(451 998)	(439 564)
Gross profit	146 395	223 575	276 996	253 930
Other income	4 005	10 170	16 591	13 793
Other gains and losses – net	(10 137)	31 443	28 650	(19 453)
Operating expenses	(155 809)	(287 053)	(261 082)	(259 696)
Promotion, marketing and distribution	(106 485)	(201 317)	(169 317)	(167 159)
Operational and administrative expenses	(49 324)	(85 736)	(91 765)	(92 537)
Operating profit	(15 546)	(21 865)	61 155	(11 426)
Finance income	5 587	12 255	16 548	3 456
Finance costs	(63)	(638)	(2 018)	(34 588)
Share of profit/(loss) of associates and joint ventures	765	2 832	(1 892)	(5 227)
Profit before taxation	(9 257)	(7 416)	73 793	(47 785)
Taxation expense	2 891	4 468	(9 919)	6 675
Profit for the year: continuing operations	(6 366)	(2 948)	63 874	(41 110)
DISCONTINUED OPERATIONS				
Profits from discontinued operations	–	–	14 229	31 625
Profit for the year	(6 366)	(2 948)	78 103	(9 485)
(Attributable to equity holders of the Company)				
Change in foreign currency translation reserve	486	214	355	–
Total comprehensive income/(loss)	(5 880)	(2 734)	78 458	(9 485)
Earnings per share from continuing operations				
(Attributable to equity holders of the Company)				
– Attributable earnings	(9.3)	(4.3)	103	92.5
– Headline earnings	(9.5)	(25.7)	82.9	68.1

STATEMENT OF FINANCIAL POSITION

For the interim period ended 31 December and the year ended 30 June

	Interim 2011 R'000 Reviewed	Annual 2011 R'000 Audited	Annual 2010 R'000 Audited	Annual 2009 R'000 Illustrative
ASSETS				
Non-current assets	301 499	304 436	324 783	295 228
Property, plant and equipment	198 538	198 521	197 017	229 461
Intangible assets	20 633	19 679	35 485	888
Interest in associates and joint ventures	15 160	14 328	12 008	11 649
Loans and receivables	58 135	60 757	63 692	35 556
Deferred taxation	9 033	11 151	16 581	17 674
Current assets	1 208 095	1 151 595	1 185 424	994 351
Inventory	709 904	727 231	728 081	731 435
Trade and other receivables	325 510	243 142	266 420	232 006
Current income tax assets	1 053	3 924	9 499	21 324
Derivative financial instruments	1 363	756	2 077	6 630
Loans and receivables	9 969	7 778	10 511	–
Bank and cash balances	160 296	168 764	168 836	2 956
Assets held for sale	–	–	8 699	54 949
Total assets	1 509 594	1 456 031	1 518 906	1 344 528
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	1	1	1	–
Share premium	425 722	425 722	425 722	–
Reserves	833 130	839 012	864 923	1 058 044
Total equity	1 258 853	1 264 735	1 290 646	1 058 044
Non-current liabilities				
Deferred taxation	53 396	61 532	76 765	90 944
Current liabilities	197 345	129 764	151 495	195 540
Short-term portion of long-term borrowings	–	–	454	30 484
Borrowings	–	–	–	38 988
Trade and other payables	187 208	129 592	150 191	122 253
Derivative financial instruments	9 687	110	440	428
Current income tax liabilities	450	62	410	3 387
Total equity and liabilities	1 509 594	1 456 031	1 518 906	1 344 528
Net asset value per share	1 836.7	1 845.3	1 883.4	2 380.1
Tangible net asset value per share	1 806.6	1 816.6	1 831.7	2 378.1

STATEMENT OF CASH FLOWS

For the interim period ended 31 December and the year ended 30 June

	Interim 2011 R'000 Reviewed	Annual 2011 R'000 Audited	Annual 2010 R'000 Audited
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash from operations before changes in working capital	(7 916)	(16 215)	59 149
Changes in working capital	1 260	(841)	10 171
Cash generated from operations	(6 656)	(17 056)	69 320
Interest received	4 740	12 255	16 548
Finance costs	(305)	(1 614)	(4 095)
Taxation paid	74	(65)	(15 038)
Net cash inflow/(outflow) from operating activities	(2 147)	(6 480)	66 735
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(10 465)	(24 582)	(22 408)
Proceeds on disposal of property, plant and equipment	361	27 137	982
Proceeds on disposal of grape juice concentrate business	–	–	56 156
Acquisition of software	(1 725)	(407)	(1 694)
Acquisition of Wild Africa Cream liqueur	–	–	(20 446)
Acquisition of the Golden Kaan brand	–	(357)	(33 557)
Investments in joint venture	(271)	(4 799)	–
Capital repayment received from joint venture	–	–	12 441
Investments sold	–	17 605	11 172
Loan repayments received	3 859	12 496	9 175
Dividends received	1 920	2 947	777
Net cash inflow/(outflow) from investing activities	(6 321)	30 040	12 598
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds on rights offer	–	–	146 723
Repurchase of shares	–	125	(1 122)
Borrowings repaid	–	–	(30 484)
Dividends paid	–	(23 303)	–
Net cash inflow from financing activities	–	(23 178)	115 117
Net increase in cash and cash equivalents	(8 468)	382	194 450
Translation of foreign currency opening balances	–	–	(74)
Cash resources of subsidiaries on date of acquisition	–	–	(25 994)
Cash and cash equivalents at beginning of the year	168 764	168 382	–
Cash and cash equivalents at end of the year	160 296	168 764	168 382

STATEMENT OF CHANGES IN EQUITY

For the interim period ended 31 December and the year ended 30 June

	Interim 2011 R'000 Reviewed	Annual 2011 R'000 Audited	Annual 2010 R'000 Audited
Share capital			
Balance at beginning of the year	1	1	–
Shares issued	–	–	1
Balance at end of the year	1	1	1
Share premium			
Balance at beginning of the year	425 722	425 722	–
Subsidiaries acquired	–	–	279 000
Cash proceeds from rights offer	–	–	150 690
Expenses incurred in regard of rights offer	–	–	(3 968)
Balance at end of the year	425 722	425 722	425 722
Reserves			
Common control reserve			
Balance at beginning of the year	787 230	787 230	–
Acquisition of subsidiaries, associates and joint-venture companies from former holding company, below their book values	–	–	789 083
Transferred to retained earnings regarding share incentives	–	–	(1 853)
Balance at end of the year	787 230	787 230	787 230
Retained earnings			
Balance at beginning of the year	51 745	80 301	–
Acquisition of subsidiaries below their carrying values in the accounts of the former holding company	–	–	–
Net profit attributable to ordinary shareholders	(6 366)	(2 948)	78 103
Profit on sale of treasury shares	–	84	347
Transferred from common control reserve regarding share incentives	–	–	1 853
Equity accounted earnings transferred to equity reserve	(567)	(2 389)	(2)
Dividends paid	–	(23 303)	–
Balance at end of the year	44 812	51 745	80 301
Treasury shares			
Balance at beginning of the year	(2 923)	(2 965)	–
Treasury shares acquired via dividend <i>in specie</i>	–	–	(2 078)
Treasury shares acquired via rights offer	–	–	(1 122)
Treasury shares sold/(acquired) by the Group	–	42	235
Balance at end of the year	(2 923)	(2 923)	(2 965)
Equity reserve			
Balance at beginning of the year	2 389	2	–
Transfer of equity accounted earnings from retained earnings	567	2 389	2
Balance at end of the year	2 956	2 391	2
Currency translation reserve			
Balance at beginning of the year	569	355	–
Movement during the year	486	214	355
Balance at end of the year	1 055	569	355
Total reserves at end of the year	833 130	839 012	864 923
Equity at end of the year	1 258 853	1 264 735	1 290 646

NOTES TO THE INTERIM FINANCIAL REPORT

For the interim period ended 31 December 2011

1. BASIS OF PREPARATION

The interim consolidated financial statements for the half-year ended 31 December 2011 have been prepared in terms of IAS 34: Interim Financial Reporting and should be read in conjunction with the annual financial statements for the year ended 30 June 2011, which have been prepared in accordance with IFRS and in accordance with the Companies Act (No. 71 of 2008), as amended. The interim financial statements have not been audited or independently reviewed and were prepared under the supervision of the financial executive, DP Smit CA(SA).

The accounting policies used in the preparation of the interim financial statements are consistent with those applied in previous financial periods as well as the following statements, amendments and interpretations to IFRS that became effective during the current reporting period:

- Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards
- Amendments to IFRS 7: Financial Instruments: Disclosures
- Amendment to IAS 24: Related Party Disclosures
- Amendment to IFRIC 14: Prepayments of a Minimum Funding Requirement
- Improvements to IFRSs 2010
- Revision of AC 504: IAS 19 (AC 116) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment

The various changes in accounting standards had no material effect on the reported results for the period.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective yet and have not been early adopted:

- IFRS 9: Financial Instruments
- Amendment to IAS 12: Deferred Tax – Recovery of Underlying Assets
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interest in other Entities
- IFRS 13: Fair Value Measurement
- Amendment to IAS 27: Separate Financial Statements
- Amendment to IAS 28: Investments in Associates and Joint Ventures
- Amendment to IAS 19: Employee Benefits
- Amendment to IAS 1: Presentation of Financial Statements
- IFRIC 20: Stripping Costs in Production Phase Surface Mine
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

2. RESTATEMENT OF COMPARATIVE AMOUNTS

Certain amounts of the prior interim period to 31 December 2010 are restated in accordance with disclosure as per the annual report and in order to make them more comprehensive and to improve comparability. The major changes are:

- The KVV Research and Development Trust is now consolidated as per the latest interpretations of the consolidation requirements of IFRS.

Prior period results have been restated as follows:

	As reported previously R'000	Restatement R'000	Restated amounts R'000
Statement of changes in equity			
Common control reserve	777 207	10 762	787 969
Statement of financial position			
Borrowings	12 059	(10 762)	1 297
Statement of cash flows			
Cash resources of subsidiaries at beginning of period	158 359	10 762	169 121

3. EARNINGS AND DIVIDEND PER SHARE

	Unaudited six months ended 31 December		Audited year ended 30 June
	2011 '000	2010 '000	2011 '000
Number of shares			
Issued	68 538	68 538	68 538
Used in the calculation of earnings per share	68 537	68 537	68 537
	R'000	R'000	R'000
Reconciliation of headline earnings			
Net profit/(loss) attributable to ordinary shareholders	(6 366)	10 365	(2 948)
Adjusted for			
Profit on sale of property, plant and equipment	(135)	(4 588)	(16 595)
Impairments of non-current assets	–	–	14 355
Profit on sale of joint-venture company	–	–	(12 394)
Headline earnings	(6 501)	5 777	(17 582)
Adjusted for			
Retrenchment cost	9 271	–	–
Costs associated with Pioneer offer	–	–	6 264
Adjusted headline earnings	2 770	5 777	(11 318)
Earnings per share			
Attributable earnings	(9.3)	15.1	(4.3)
Headline earnings	(9.5)	8.4	(25.7)
Adjusted headline earnings	4.0	8.4	(25.7)
Dividend per share			
Dividend per share	–	–	–

4. SEGMENTAL ANALYSIS

	Unaudited six months ended 31 December		Audited year ended 30 June
	2011 '000	2010 '000	2011 '000
Functional analysis of sales	426 075	360 048	677 766
Wine	196 993	178 038	343 382
Spirits	175 182	162 763	296 750
Other	53 900	19 247	37 634
Regional analysis of sales	426 075	360 048	677 766
South Africa	229 594	204 941	374 795
Europe and the United Kingdom	131 431	98 273	202 046
Rest of the world	65 050	56 834	100 925
Operating profit of wine and spirits	(15 546)	5 327	(21 865)
Trading profit: South Africa	13 866	22 968	20 701
Trading profit: Europe and the United Kingdom	15 231	5 130	(1 620)
Trading profit: Rest of the world	10 813	4 853	3 177
Items not allocated to segments:			
Other income and other gains and losses	(6 132)	12 530	41 613
Operational and administrative expenses	(49 324)	(40 154)	(85 736)

5. ASSETS HELD FOR SALE

The Group sold its 50% interest in its joint venture company, Vititec (Proprietary) Limited ("Vititec"), as well as some assets that Vititec rented from KVV in the prior year.

Assets classified as held for sale

Property, plant and equipment	1 373
Investment in associates and joint ventures	2 606
	3 979

6. EVENTS FOLLOWING THE INTERIM PERIOD

Shortly before the end of the interim period, on 21 December 2011, HCI (Hosken Consolidated Investments) and KVV jointly announced a mandatory offer by HCI to all KVV shareholders. The offer resulted from the fact that HCI's indirect shareholding in KVV increased beyond 35% in December 2011.

A circular with details of the mandatory offer, required in terms of the Companies Act, was distributed to shareholders on 20 January 2012. Shareholders who wish to accept the offer have to submit the relevant documentation to the transfer secretary by Friday, 2 March 2012. The offer follows approval by the Competition Commission in April last year for the acquisition of control of KVV by HCI.

7. OPERATING RESULTS

The sales volumes for the six months under review increased by 19.7%, and revenues increased by 18.3%. Of the 18.3% increase in sales revenue 8.2% relates to contract bottling.

Total wine sales volumes remained flat and the increase in sales (10.6%) stemmed from price increases and the favourable movement in the exchange rate.

Sales of spirits were satisfactory when one considers that the South African brandy market is a declining category, with turnover growing by 7.6% (volume growth of 4.9%).

Other sales relate mainly to contract bottling. These sales have more than doubled and although this is low margin business, it improves the Group's cost base and capacity utilisation.

The above factors are also visible in the regional sales. Stable volumes in Europe, coupled with a weaker euro and increased prices, resulted in an increase of 33.7% in revenue. Volumes and revenues from South Africa were disappointing with the main source of growth being contract bottling. Sales to the rest of the world grew satisfactorily mainly due to growth in exports to the African market.

The reason for the slight decline in the Group's gross margins is the significant increase in contract bottling business. In general, the margins across product ranges and markets have performed satisfactorily and the focus on improving margins are starting to gain traction. Excluding contract bottling, the gross profit increased from 38.1% to 39.2%. The product mix sold affects margins and in future gross margins is not dependent on sales of lower margin products.

Rent received and dividend income form part of other income. The decrease in other income is due to a decline in rent received, stemming from the disposal of these assets.

Other gains and losses consist mainly of exchange rate profits and losses and profits on sale of assets. The prior period contained a one-off profit on sale of non-core assets of R4.8 million and exchange profits of R2.1 million. In contrast, in the current period there were negligible sale of assets and exchange rate losses amounted to R9.5 million. These losses were due to a strategic decision to hedge most of the budgeted sales for the 2012 financial year in advance. Of the total exchange rate loss on interim, R5.8 million relates to the mark-to-market adjustments on budgeted sales for the remainder of the year.

Continued investment in the Group's brands, distribution channels as well as in its new RTD business, is reflected in the 9.9% increase in selling and promotional expenses. Sales expenses are 27.7% of revenue, excluding contract bottling, as compared to 28.1% in the previous period.

Administrative and operational expenses increased by 23% due to retrenchment cost of R12.9 million and the restructuring process that was effected in the past six months. Excluding these costs, the Group's overhead expenses are being managed downward according to plan.

The headline earnings for the period under review amounted to a loss of R6.5 million (9.5 cents per share), compared to a profit of R5.8 million in the comparative six months. Adjusted headline earnings, as detailed in note 3, deteriorated from R5.8 million to R2.8 million.

8. **ASSETS AND FUNDING**

The Group's total assets and net asset value remain largely unchanged and it continues to hold substantial net cash resources of R160.3 million.

The Group's accounting policy is to state property, plant and equipment at historical cost less accumulated depreciation and not to revalue these assets to market value. As a result, the market value of appreciating assets like land and buildings and certain works of art are more than their carrying values in the financial statements.

The board considers the current accounting policy to be appropriate and does not intend revaluing properties on a regular basis, but in the light of the mandatory HCI offer it has been resolved to disclose the valuation of properties and works of art on a one-off basis.

Recent valuations, some of which were updated as part of the fair and reasonable reporting process, estimate the values of KVV's art collection at R40 million (carrying value negligible); and R152 million for non-operational properties (carrying value about R15.6 million). In addition, the most significant operational properties which are required if KVV is to continue as a going concern have also recently been valued at about R230 million, whereas their carrying values are R24 million.

If adjusted in the financial statements, the revaluation of the non-operational properties and works of art would result in an increase of about R2.52 (after tax) per share in the net asset value of the business. As previously indicated, the board has no intention to sell these assets in future.

The Group's investing activities show a cash outflow of R6.3 million, whereas there were significant inflows from the sale of assets and loan repayments in the comparative period.

9. **BUSINESS ENVIRONMENT**

KWV's export sales remain weighted towards conventional, developed economies in Europe and North America, where volumes are starting to stabilise again, although growth prospects remain limited and consumers continue to trade down.

South African consumers, in particular, are facing increasing inflation, which is likely to put further pressure on liquor consumption and margins. In addition, increases in excise duties continue to be significantly above inflation and will contribute to products being less affordable. Possible changes in legislation to implement more stringent controls over the marketing of alcohol could also affect sales negatively.

In this challenging environment, KWV remains committed to its strategy of product diversification, brand focus and a global footprint and will therefore maintain its levels of investment in advertising and promotions. KWV also continues to invest in its distribution and marketing infrastructure and will continue to fund the expansion of products like Ciao and Jimmijagga. The investment in these new products and markets will likely consume cash resources in the short term before the anticipated benefits start to realise. This requires a longer term view of the business and demands a strong focus on process optimisation and improved execution and implementation.

The Group's return on assets remains very low and it is not expected that this will improve substantially in the short term as the focus remains on the portfolio of products and not on the restructuring of the balance sheet.

ADDITIONAL INFORMATION REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS

1. MATERIAL LOANS RECEIVABLE

NOTE 8 – LOANS AND RECEIVABLES

The following represents extracts of material loans receivable from the most recently published financial information, being for the year ended 30 June 2011 and 30 June 2010.

	2011 R'000	2010 R'000
Eggers & Franke GmbH & Co. KG	3 688	3 442
<p>The loan amounts to €590 367 (2010: €822 952) is unsecured and bears interest at average European Central Bank interest rates of 3.125% (2010: 2.875%). It is repayable in quarterly instalments of €62 500.</p> <p>The loan is carried at an impaired amortisation valuation.</p>		
Edward Cavendish & Sons Ltd ("ECS")	2 125	3 289
<p>The loan amounts to £299 095 (2010: £682 354) and bears interest at 14.17% (2010: 14.17%). It is repayable in monthly instalments of £19 500 and the loan is guaranteed by ECS's holding company, Thierry's Wine Services.</p> <p>The loan is carried at impaired valuation as there is doubt with regard to its recoverability.</p>		
KVV employee empowerment trust	18 617	21 311
<p>The loan is interest free and repayable by November 2014. It has a nominal value of R24 190 401 (2010: R27 917 211) and is carried at amortised cost at a discount rate of 11% (2010: 11%).</p> <p>The trust is the owner of 16 228 468 (2010: 18 987 664) shares in Capevin Holdings Limited, the former holding company of the KVV group, and 6 040 689 (2010: 4 674 097) shares in KVV Holdings Limited, the current holding company of the KVV group. Of all cash dividends received on these shares 80% is used to repay the loan.</p>		
Orange River Wine Cellar Co-Op Ltd	6 105	8 161
<p>This loan is unsecured and bears interest at prime rate less 2% per annum. The loan is repayable in annual instalments of R2 000 000 plus interest.</p>		
Freewheel Trade And Invest 23 (Pty) Ltd	38 000	38 000
<p>This loan is secured by mortgage as well as cession of another mortgage over property sold by Freewheel to Robertson Winery. Interest is charged at a fixed amount of R300 000 (2010: R300 000) per month and the loan is repayable in June 2013.</p>		
	68 535	74 203

None of the loans made, as disclosed above, have been for the benefit of any director or manager, or any associate of any director or manager.

2. STAFF SHARE SCHEME

NOTE 26 – SHARE-BASED COMPENSATION BENEFITS SHARE-BASED COMPENSATION BENEFITS

26.1 Share appreciation rights ("SARS")

KVV offers phantom shares to selected employees. These phantom shares are linked to share price of KVV Holdings.

Exercise and expiry dates of SARs:

Each SAR will be exercisable in portions of $\frac{1}{3}$ (one-third) exercisable after the 2nd (second), 3rd (third) and 4th (fourth) years respectively from the date the right is granted. Each right will remain in force for a period not exceeding 4½ years (4 years and 6 months) from the grant date.

SARs granted in terms of the CEO scheme, differ from the above in that it is exercisable after the 1st (first), 2nd (second) and 3rd (third) years respectively from the date the right is granted.

Settlement of SARs

The difference between the strike price on the date the SAR is exercised and the exercise price (reduced by all dividends and/or distributions (net of taxation) to shareholders in the period between the granting of the SAR and the vesting thereof) will be settled in cash.

Note: The group has the discretion to choose to settle the net amount owed to any participant by transferring shares in KVV Holdings.

The strike price will be the weighted average market price of KVV Holdings Limited's share for the 2 (two) calendar months preceding the vesting of the offer, as determined from the Company's official trading platform.

26.2 SARs allotted during the year

	Exercise price	2011 Number	2010 Number
1 July 2009 ("Roll over")	R0.00	–	1 229 204
Employees of the Group had share options and phantom share rights linked to KVV Ltd (Capevin Holdings) before the unbundling of the Group. The fair value of these instruments were calculated as R7.7 million at 30 June 2009; and employees' rights were "rolled over" into SARs linked to KVV Holdings.			
1 October 2009 ("Rights offer")	R6.23	–	689 802
KVV Holdings issued a rights offer during October 2009. Participants were offered additional rights at the rights offer price in the ratio of 54 SARs for every 100 unexercised SARs they held.			
1 June 2010 ("Normal")	R10.00	–	450 000
Selected employees were offered SARs with an exercise price equal to the prevailing share price.			
27 October 2010 ("CEO scheme")	R0.00	201 343	–
The CEO of KVV was offered SARs with an exercise price of Rnil in exchange for a reduction in his remuneration.			
		201 343	2 369 006

26.3 SARs held by employees

Outstanding at 1 July	2 012 990	–
Allotted: ("Roll-over")	–	1 229 204
Allotted: ("Rights offer" and "Normal")	–	1 139 802
Allotted: ("CEO scheme")	201 343	–
Exercised/taken up in terms of contracts	(356 517)	(108 390)
Lapsed	(31 833)	(247 626)
Outstanding at 30 June 2010	1 825 983	2 012 990

Terms of the SARs outstanding at 30 June 2011 and the financial years in which they become payable:

				Total 2011	Total 2010
Unconditional during the year ended	@Rnil	@R6.23	@R10.00		
30 June 2011	30 551	–	–	30 551	218 759
30 June 2012	394 674	166 052	150 000	710 726	715 725
30 June 2013	335 749	166052	150000	651801	683 097
30 June 2014	116854	166051	150000	432905	395 409
	877 828	498 155	450 000	1 825 983	2 012 990

26.4 Recognition of SARs in the financial statements

	2011	2010
The fair value of services received in return for SARs granted are measured by reference to the fair value of the instruments granted. The estimate of this fair value is based on a binominal option valuation model.		
At 30 June the fair value of all outstanding SARs are estimated again. This value is apportioned between an amount related to past services rendered by employees and an amount relating to future services still to be received by the Group. A creditor is raised for the amount relating to past services and it is expensed.		
For the year ended 30 June the key inputs into this model were:		
Market price	R10.50	R10.27
Exercise price (various, as per note 26.3)		
Contractual life of phantom shares ($\frac{1}{3}$ (one-third) tranches after the 2nd, 3rd and 4th anniversaries of the grant date)		
Dividend yield	0.0%	0.0%
Expected volatility of the share price	30.0%	30.0%
Risk-free rate	8.59%	9.04%
	R'000	R'000
Total estimated value of qualifying share options granted as at year-end	13 451	14 601
Amount recognised as a liability	(8 872)	(6 810)
Estimated amount to be recognised in future years	4 579	7 791
Share-based payment expense relating to options, recognised for the year		
Actual amount paid (either in cash or in shares) to employees	3 613	970
Increase in accrual for share-based expense payable	2 062	4 442
	5 675	5 412

	R'000	R'000
26.5 Treasury shares owned by the Group		
Balance at 1 July	454 224	
Received as a dividend <i>in specie</i> from Capevin Holdings Ltd on the unbundling of the KVV group	–	
Acquired through participation in the rights offer of KVV Holdings Ltd	–	
Delivered to employees in terms of SARs exercised	(11 513)	
Balance at 30 June	442 711	
Fair value of shares	4 648	4 665

3. ISSUER'S SHARE OF NET PROFITS AND/OR LOSSES

Company's interest in subsidiary companies

	Issued share capital	Effective percentage interest		Company carrying amount	
		2011	2010	2011	2010
		R'000	%	%	R'000
Golden Kaan South Africa (Pty) Ltd*	0.1	100	100	–	–
KVV Intellectual Property (Pty) Ltd*	0.2	100	100	130 000	130 000
KVV International (Pty) Ltd*					
– Shares	0.5	100	100	57 664	57 664
– Loan				81 358	81 358
KVV International Holding GmbH (incorporated in Germany)	1 257	100	100	5 455	10 821
KVV Projects (Pty) Ltd*	0.1	100	100	–	–
KVV South Africa (Pty) Ltd*					
– Shares	10.1	100	100	325 010	325 010
– Loan				239 397	237 797

Company's interest in associate and joint venture

	Percentage interest		Company carrying amount	
	2011	2010	2011	2010
	%	%	R'000	R'000
Paarl Valley Bottling Company (Pty) Ltd*	28.09	28.09	9 494	9 225
Solamoyo Processing (Pty) Ltd*	40.00	–	4 834	–
Vititec (Pty) Ltd*	–	50.00	–	2 783
			14 328	12 008

* Incorporated in South Africa.

The main business of Paarl Valley Bottling Company (Pty) Ltd is the contract bottling of beverages, especially wine.

The main business of Solamoyo Processing (Pty) Ltd is the processing of waste water.

The main business of Vititec (Pty) Ltd is vine plant improvement and the propagation of vine plant material.

Company's interest in associate and joint venture

	2011 R'000	2010 R'000
Revenue	25 856	29 477
Profit before taxation	2 656	12 157
Taxation	(163)	(582)
Non-controlling interest	–	217
Net profit attributable to ordinary shareholders	2 493	11 792

As at year-end the Group's only associate is Paarl Valley Bottling Company (Pty) Ltd and its joint venture is Solamoyo Processing (Pty) Ltd. The group and its associated companies operate in the same market segment and therefore the financial results of associates and joint ventures are grouped together.

The Group's financial year-end differs from that of Paarl Valley Bottling Company (Pty) Ltd (31 January). For the purposes of these financial statements the results according to the management accounts to 30 June were used.

4. DIRECTORS' REMUNERATION AND BENEFITS

NOTE 25.2 – KEY MANAGEMENT PERSONNEL COMPENSATION

25.2 Key management personnel compensation (including executive directors' remuneration)

	2011	2010
Short-term benefits	15 694	14 593
Termination benefits	1 640	306
Share-based payments	2 992	532
	20 326	15 431

25.3 **Directors' remuneration**

						2011	2010
	Salaries and fees	Performance incentives	Retirement contributions	Realised gain relating to share incentive scheme	Other allowances	Total	Total
Executive							
MJ Loubser	2 126	–	444	1 126	265	3 961	4 109
Non-executive							
MJA Golding (Chairman)	48	–	–	–	–	48	–
JA Copelyn	38	–	–	–	–	38	–
MM du Toit	153	–	–	–	–	153	158
F-A du Plessis	119	–	–	–	–	119	107
NL Ellis	96	–	–	–	–	96	82
AE Jacobs	77	–	–	–	–	77	88
MN Joubert	67	–	–	–	–	67	–
KI Mampeule	112	–	–	–	–	112	96
JF Mouton	56	–	–	–	–	56	78
KR Moloko	71	–	–	–	–	71	–
PB Retief	83	–	–	–	–	83	107
AE vz Botha	112	–	–	–	–	112	120
A van der Veen	50	–	–	–	–	50	–
LA van Dyk	110	–	–	–	–	110	67
CH Wiese	–	–	–	–	–	–	19
Retired directors (pensions)	–	–	–	–	19	19	19
Total directors' emoluments	3 318	–	444	1 126	284	5 172	5 050
Less: Paid by subsidiaries						(5 172)	(5 050)

Unexercised phantom shares of executive director: MJ Loubser

Date granted	Number of unexercised phantom shares: 1-Jul-10	Exercise price per share	Market value at grant date	Phantom shares taken up	Proceeds per phantom share	Number of unexercised phantom shares: 30-Jun-11	Cumulative unrealised gain: 30-Jun-11
1-Jul-2009	324 737	R0.00	R6.23	91 438	R12.31	233 299	R 2 449 640
1-Oct-2009	212 143	R6.23	R8.00	–	–	212 143	R 905 851
27-Oct-2010	–	R0.00	R11.25	–	–	201 343	R 2 114 102
	536 880			91 438		646 785	R 5 469 592

These instruments were granted in lieu of share options and phantom shares foregone when the Group was unbundled from Capevin Holdings

Market value per share – 30 June 2011 R10.50

25.4 Prescribed officers remuneration

					2011	2010
	Salaries and fees	Retirement contri- butions	Share incentive scheme	Other allowances*	Total	Total
Executive	11 567	1 202	1 866	1 730	16 365	11 323
LM Barnard	955	175	34	251	1 415	283
CC Stewart **	2 003	76	1 470	97	3 646	2 462
EE Böhme	1 258	191	218	157	1 824	1 647
J Gradwell	909	132	–	135	1 176	213
GB Haarhoff	909	132	–	141	1 182	95
H Krige	723	101	69	144	1 037	926
BS Matthews	932	131	75	163	1 301	1 175
MG Modise	66	10	–	11	87	–
M Smit	–	–	–	–	–	1 329
RJ Rowe	2 049	–	–	340	2 389	2 143
FDB Steenkamp	875	126	–	140	1 141	83
W Swanepoel	888	128	–	151	1 167	87
JFC von Wielligh	–	–	–	–	–	880

* Comprising travel and medical allowances and products supplied to directors.

** Includes termination benefit of R1 639 662.

Note: Above remuneration was paid by subsidiaries.

EXTRACTS FROM THE MEMORANDUM OF INCORPORATION

Set out below are extracts from the Memorandum of Incorporation (MOI).

Relevant provisions of the MOI relating to the qualification, remuneration, borrowing powers and appointment of the Directors

Words that are defined in the Companies Act but not defined in this Annexure will bear the same meaning in this Annexure as in the Companies Act read where necessary with definitions in the Listings Requirements. For ease of reading, such terms have been capitalised in this Annexure.

Qualification and appointment of Directors

22. ELECTION OF DIRECTORS AND ALTERNATE DIRECTORS AND CASUAL VACANCIES

- 22.1 The minimum number of Directors shall be 5 (five) and the maximum 15 (fifteen). Any failure by the Company at any time to have the minimum number of Directors, does not limit or negate the authority of the Board, or invalidate anything done by the Board or the Company.
- 22.2 At the Annual General Meeting held in each year $\frac{1}{3}$ (one third) of the Directors, or if their number is not a multiple of 3 (three), then the number nearest to, but not less than $\frac{1}{3}$ (one third) shall retire from office, provided that in determining the number of Directors to retire no account shall be taken of any Director who has been appointed as the managing director or any other executive Director for a fixed period and her/his contract provides that she/he is not subject to retirement during that fixed period. The Directors so to retire at each Annual General Meeting shall be those who have been longest in office since their last election. As between Directors of equal seniority, the Directors to retire shall, in the absence of agreement, be selected from among them by lot: Provided that notwithstanding anything herein contained, if, at the date of any Annual General Meeting any Director will have held office for a period of 3 (three) years since her/his last election or appointment she/he shall retire at such Meeting, either as one of the Directors to retire in pursuance of the foregoing or additionally thereto. A retiring Director shall act as a Director throughout the Meeting at which she/he retires. The length of time a Director has been in office shall be computed from the date of her/his last election. Retiring Directors shall be eligible for re-election. No Person other than a Director retiring at the Meeting shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any Annual General Meeting unless, not less than 7 (seven) days nor more than 14 (fourteen) days before the day appointed for the Meeting, there shall have been given to the Secretary notice in writing by some Holder duly qualified to be present and vote at the Meeting for which such notice is given of the intention of such Holder to propose such Person for election and also notice in writing signed by the Person to be proposed of her/his willingness to be elected. If at any Annual General Meeting, the place of any retiring Director is not filled, she/he shall if willing continue in office until the dissolution of the Annual General Meeting in the next year, and so on from year-to-year until her/his place is filled, unless it shall be determined at such Meeting not to fill such vacancy.
- 22.3 Each of the Directors and the Alternate Directors, other than a Director contemplated in clause 22.11, shall be elected (which in the case of a vacancy arising shall take place at the next Annual General Meeting), in accordance with clause 22.6, to serve for a term of 3 (three) years as a Director or Alternate Director. An Alternate Director shall serve in the place of 1 (one) or more Director(s) named in the resolution electing her/him during the Director's(s) absence or inability to act as Director. If a Person is an Alternate Director to more than 1 (one) Director or if an Alternate Director is also a Director, she/he shall have a separate vote, on behalf of each Director she/he is representing in addition to her/his own vote, if any.
- 22.4 There are no general qualifications prescribed by the Company for a Person to serve as a Director or an Alternate Director in addition to the requirements of the Companies Act. The Board must make recommendations to the Holders regarding the eligibility of Persons nominated for election as Directors, taking into account their past performance and contribution, if applicable. A brief *curriculum vitae* of each Person standing for election or re-election as a Director at a Meeting or the Annual General Meeting, must accompany the notice of the Meeting.
- 22.5 No Director shall be entitled to appoint any Person as an Alternate Director to himself/herself.

- 22.6 In any election of Directors and Alternate Directors, the election is to be conducted as follows:
- 22.6.1 a series of votes of those entitled to exercise votes regarding such election, each of which is on the candidacy of a single individual to fill a single vacancy, with the series of votes continuing until all vacancies on the Board at that time have been filled; and
 - 22.6.2 in each vote to fill a vacancy:
 - 22.6.2.1 each Voting Right entitled to be exercised may be exercised once; and
 - 22.6.2.2 the vacancy is filled only if a majority of the Voting Rights exercised support the candidate.
- 22.7 The election of Directors, save in the case of filling of casual vacancies by the Board in accordance with clause 22.11 below, shall be subject to the approval of Holders by way of an Ordinary Resolution at a Shareholders Meeting.
- 22.8 For as long as any Securities of the Company are listed on the JSE and/or if any Securities of the Company's Holding Company are listed on the JSE, then an election of Directors shall not be capable of being conducted by resolution in accordance with section 60 of the Companies Act.
- 22.9 No Person shall be elected as a Director or Alternate Director, if she/he is Ineligible or Disqualified and any such election shall be a nullity. A Person who is Ineligible or Disqualified must not consent to be elected as a Director or Alternate Director nor act as a Director or Alternate Director. A Person placed under probation by a court must not serve as a Director or an Alternate Director unless the order of court so permits.
- 22.10 No election of a Director shall take effect until he/she has delivered to the Company a written consent to serve.
- 22.11 Notwithstanding the provisions of clause 22.7 above, any casual vacancy occurring on the Board may be filled by the Board, but so that the total number of the Directors shall not at any time exceed the maximum number fixed, if any, but the Individual so appointed shall cease to hold office at the termination of the first Shareholders Meeting to be held after the appointment of such Individual as a Director unless she/he is elected at such Shareholders Meeting.
- 22.12 The continuing Directors (or sole continuing Director) may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to this MOI as the minimum, the continuing Directors or Director may act only for the purpose of summoning a Shareholders Meeting or filling vacancies not later than 3 (three) months from the date that the number falls below the minimum.
- 22.13 If there is no Director able and willing to act, then any Holder entitled to exercise Voting Rights in the election of a Director may convene a Shareholders Meeting for the purpose of appointing Directors.

23. **CESSATION OF OFFICE AS DIRECTOR OR ALTERNATE DIRECTOR**

A Director or Alternate Director shall cease to hold office as such:

- 23.1 immediately she/he becomes Ineligible or Disqualified or the Board resolves to remove her/him on such basis, and in the latter case the Director/Alternate Director has not within the permitted period filed an application for review or has filed such an application but the court has not yet confirmed the removal (during which period she/he shall be suspended);
- 23.2 when her/his term of office contemplated in clauses 22.2 and 22.3 expires;
- 23.3 when she/he dies;
- 23.4 when she/he resigns by written notice to the Company;
- 23.5 if there are more than 3 (three) Directors in office and if the Board determines that she/he has become incapacitated to the extent that the person is unable to perform the functions of a Director, and is unlikely to regain that capacity within a reasonable time, and the Director/Alternate Director has not within the permitted period filed an application for review or has filed such an application but the court has not yet confirmed the removal (during which period she/he shall be suspended);
- 23.6 if she/he is declared delinquent by a court, or placed on probation under conditions that are inconsistent with continuing to be a Director of the Company;
- 23.7 if she/he is removed by Ordinary Resolution;

- 23.8 if there are more than 3 (three) Directors in office and if she/he is removed by resolution of the Board for being negligent or derelict in performing the functions of a Director; and the Director/Alternate Director has not within the permitted period filed an application for review or has filed such an application but the court has not yet confirmed the removal (during which period she/he shall be suspended);
- 23.9 she/he/it files a petition for the surrender of her/his/its estate or an application for an administration order; or if she/he/it commits an act of insolvency as defined in the insolvency law for the time being in force, or if she/he/it makes any arrangement or composition with her/his/its creditors generally; or
- 23.10 she/he/it is otherwise removed in accordance with any provisions of this MOI.

Remuneration of Directors

24. REMUNERATION OF DIRECTORS AND ALTERNATE DIRECTORS AND MEMBERS OF BOARD COMMITTEES

- 24.1 The Directors or Alternate Directors or members of Board committees shall be entitled to such remuneration for their services as Directors or Alternate Directors or members of Board Committees as may have been determined from time to time by Special Resolution within the previous 2 (two) years. In addition, the Directors and Alternate Directors shall be entitled to all reasonable expenses in travelling (including hotels) to and from meetings of the Directors and Holders, and the members of the Board committees shall be entitled to all reasonable expenses in travelling (including hotels) to and from meetings of the members of the Board committees as determined by a disinterested quorum of Directors. The Company may pay or grant any type of remuneration contemplated in sections 30(6)(b) to (g) of the Companies Act to any Executive Directors.
- 24.2 A Director may be employed in any other capacity in the Company or as a director or employee of a company controlled by, or itself a subsidiary of, the Company and in that event, his/her appointment and remuneration in respect of such other office must be determined by a disinterested quorum of Directors.

26. GENERAL POWERS AND DUTIES OF DIRECTORS

- 26.3 The Board must appoint a Chief Executive Officer and an Executive Financial Director. The Board may from time to time appoint one or more of the Directors to the office of managing Director or manager (provided always that the number of Directors so appointed as managing Director or joint managing Directors and/or the holders of any other executive office including a Chairperson who holds an executive office but not a Chairperson who is a non-executive Director shall at all times be less than ½ (one half) of the number of Directors in office) for such period and at such remuneration (whether by way of salary or commission, or participation in profits or partly in one way and partly in another) and generally on such terms they may think fit, and it may be made a term of her/his appointment that she/he be paid a pension, gratuity or other benefit on her/his retirement from office.

27. BOARD COMMITTEES

- 27.1 The Directors may appoint any number of Board committees and delegate to such committees any authority of the Board. The Directors must appoint a remuneration committee and, if required, given the nature of the business and composition of the Board, a risk committee and a nominations committee. The members of such committees (other than the nominations committee which shall have as its members only non-executive Directors, the majority of whom must be independent (as defined in Listings Requirements 3.84(f)), and which must be chaired by the Chairperson of the Board), may include Persons who are not Directors as long as they are not Ineligible or Disqualified to be Directors, but such Persons shall not be able to vote.

28. PERSONAL FINANCIAL INTERESTS OF DIRECTORS

- 28.1 For the purposes of this clause 28, "Director" includes an Alternate Director; a Prescribed Officer; and a person who is a member of a committee of the Board, irrespective of whether or not the Person is also a member of the Board.
- 28.2 If, despite the requirements of JSE, there is only 1 (one) Director in office at any time, and since the Company is listed and that Director cannot as a result hold all of the Beneficial Interests of all of the issued Securities of the Company, that Director may not:
 - 28.2.1 approve or enter into any agreement in which the Director or a Related Person has a Personal Financial Interest; or

- 28.2.2 as a Director, determine any other matter in which the Director or a Related Person has a Personal Financial Interest,
- unless the agreement or determination is approved by an Ordinary Resolution after the Director has disclosed the nature and extent of that Personal Financial Interest to those entitled to vote on such Ordinary Resolution.
- 28.3 At any time, a Director may disclose any Personal Financial Interest in advance, by delivering to the Board, or Holders (if the circumstances contemplated in clause 28.2. are not applicable), a notice in writing setting out the nature and extent of that Personal Financial Interest, to be used generally by the Company until changed or withdrawn by further written notice from that Director:
- 28.4 If a Director (whilst the Company is not a company contemplated in clause 28.2), has a Personal Financial Interest in respect of a matter to be considered at a meeting of the Board, or knows that a Related Person has a Personal Financial Interest in the matter, the Director:
- 28.4.1 must disclose the Personal Financial Interest and its general nature before the matter is considered at the meeting;
- 28.4.2 must disclose to the meeting any material information relating to the matter, and known to the Director;
- 28.4.3 may disclose any observations or pertinent insights relating to the matter if requested to do so by the other Directors;
- 28.4.4 if present at the meeting, must leave the meeting immediately after making any disclosure contemplated in clauses 28.4.2. or 28.4.3;
- 28.4.5 must not take part in the consideration of the matter, except to the extent contemplated in clauses 28.4.2 or 28.4.3;
- 28.4.6 while absent from the meeting in terms of this clause 28.4:
- 28.4.6.1 is to be regarded as being present at the meeting for the purpose of determining whether sufficient Directors are present to constitute a quorum; and
- 28.4.6.2 is not to be regarded as being present at the meeting for the purpose of determining whether a resolution has sufficient support to be adopted; and
- 28.4.7 must not execute any document on behalf of the Company in relation to the matter unless specifically requested or directed to do so by the Board.
- 28.5 If a Director acquires a Personal Financial Interest in an agreement or other matter in which the Company has a material interest, or knows that a Related Person has acquired a Personal Financial Interest in the matter, after the agreement or other matter has been approved by the Company, the Director must promptly disclose to the Board, or to the Holders entitled to vote (if the Company is a company contemplated in clause 28.2), the nature and extent of that Personal Financial Interest, and the material circumstances relating to the Director or Related Person's acquisition of that Personal Financial Interest.
- 28.6 A decision by the Board, or a transaction or agreement approved by the Board, or by the Holders (if the Company is a company contemplated in clause 28.2), is valid despite any Personal Financial Interest of a Director or Person Related to the Director, only if:
- 28.6.1 it was approved following the disclosure of the Personal Financial Interest in the manner contemplated in this clause 28; or
- 28.6.2 despite having been approved without disclosure of that Personal Financial Interest, it has been ratified by an Ordinary Resolution following disclosure of that Personal Financial Interest or so declared by a court.

Borrowing powers

26. GENERAL POWERS AND DUTIES OF DIRECTORS

- 26.1 Subject to any provision of the Companies Act, the Listings Requirements and this MOI to the contrary, the powers of management granted to the Directors in terms of section 66(1) of the Companies Act are not limited.

- 26.2 The Directors may:
- 26.2.1 establish and maintain any non-contributory or contributory pension, superannuation, provident and benefit funds for the benefit of; and
- 26.2.2 give pensions, gratuities and allowances to and make payments for or towards the insurance of, any persons who are employees or ex-employees (including Directors or ex-Directors) of the Company, or of any company which is or was a subsidiary of the Company or is or was in any way allied to or associated with it or any such subsidiary, and the wives, widows, families and dependants of such persons.
- 26.3 The Board must appoint a Chief Executive Officer and an Executive Financial Director: The Board may from time to time appoint one or more of the Directors to the office of managing Director or manager (provided always that the number of Directors so appointed as managing Director or joint managing Directors and/ or the holders of any other executive office including a Chairperson who holds an executive office but not a Chairperson who is a non-executive Director shall at all times be less than ½ (one half) of the number of Directors in office) for such period and at such remuneration (whether by way of salary or commission, or participation in profits or partly in one way and partly in another) and generally on such terms they may think fit, and it may be made a term of her/his appointment that she/he be paid a pension, gratuity or other benefit on her/his retirement from office.
- 26.4 The Board may from time to time entrust to and confer upon a managing Director or manager for the time being such of the powers vested in the Directors as they may think fit, and may confer such powers for such time and to be exercised for such objects and upon such terms and with such restrictions as they may think expedient; and they may confer such powers either collaterally or to the exclusion of, and in substitution for, all or any of the powers of the Directors, and may from time to time revoke or vary all or any of such powers. A managing Director appointed pursuant to the provisions hereof shall not be regarded as an agent or delegate of the Directors and after powers have been conferred upon her/him by the Board in terms hereof she/he shall be deemed to derive such powers directly from this clause.

Dividends

32. DISTRIBUTIONS

- 32.1 The Company:
- 32.1.1 may make Distributions from time to time, provided that:
- 32.1.1.1 any such Distribution:
- 32.1.1.1.1 is payable to Shareholders registered as such at a date subsequent to the date of declaration or date of confirmation of the Distribution, whichever is the later;
- 32.1.1.1.2 made by the Company in general meeting, is not larger than that declared by the Directors;
- 32.1.1.1.3 is pursuant to an existing legal obligation of the Company, or a court order; or
- 32.1.1.1.4 has been authorised by the Board, by resolution, save in the case of:
- 32.1.1.1.4.1 a *pro rata* payment to all Shareholders (except one which result in Shareholders holding Shares in an unlisted entity which requires the sanction of an Ordinary Resolution); or
- 32.1.1.1.4.2 cash dividends paid out of retained income; or
- 32.1.1.1.4.3 capitalisation issues; or
- 32.1.1.1.4.4 scrip dividends incorporating an election to receive either capitalisation Shares or cash,
- it has been sanctioned by Ordinary Resolution;
- 32.1.1.2 it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed Distribution; and

- 32.1.1.3 the Board, by resolution, has acknowledged that it has applied the Solvency and Liquidity Test and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed Distribution;
 - 32.1.1.4 no obligation is imposed, if it is a distribution of capital, that the Company is entitled to require it to be subscribed again;
- 32.1.2 must before incurring any debt or other obligation for the benefit of any Holders, comply with the requirements in clause 32.1.1,
- and must complete any such Distribution fully within 120 (one hundred and twenty) Business Days after the acknowledgement referred to in clause 32.1.1.3, failing which it must again comply with the foregoing.
- 32.2 No notice of change of address or instructions as to payment given after the determination of a dividend or other Distribution by the Company in terms of clause 32.1.1.1, shall become effective until after the dividend or other Distribution has been made, unless the Board so determines at the time the dividend or other Distribution is approved.
- 32.3 All unclaimed:
- 32.3.1 monies (including, but not limited to Distributions other than dividends) due to the Holders shall be held in trust indefinitely until lawfully claimed; and
 - 32.3.2 dividends may be invested or otherwise be made use of by the Directors for the benefit of the Company until claimed, provided that any dividend (but not any other Distribution which shall be held by the Company until lawfully claimed) remaining unclaimed for a period of not less than 3 (three) years from the date on which it became payable may be forfeited by resolution of the Directors for the benefit of the Company.
- 32.4 The Company shall be entitled at any time to delegate its obligations in respect of unclaimed dividends or other unclaimed Distributions, to any one of the Company's bankers from time to time.
- 32.5 Notwithstanding any other provision of the MOI, if:
- 32.5.1 the Directors or the Company in general meeting, as the case may be, declare a dividend or resolve to make any other Distribution to Shareholders in their capacity as such (whether or not Shareholders are offered Shares in terms of a capitalisation issue in lieu of such dividend or Distribution); and
 - 32.5.2 any Shareholder ("Applicable Shareholder") would, but for this clause 32.5 be entitled to an aggregate dividend or aggregate Distribution ("Applicable Shareholder's dividend or distribution") of R30.00 or less in respect of all the Certificated Shares held by the Applicable Shareholder on the record date as stated in the dividend declaration,
 - 32.5.3 the Directors shall have the power to direct that each Applicable Shareholder shall (unless she/he delivers a written request to the contrary to the transfer office prior to the payment date as stated in the dividend declaration) irrevocably and unconditionally forfeit the entitlement to the applicable Shareholder's dividend or Distribution on the basis that an amount equal to the aggregate of the Applicable Shareholder's dividend or Distribution of each Applicable Shareholder shall vest in a charity nominated from time to time by the Directors.
- 32.6 Subject to the provisions of this clause 32, all dividends or other entitlements payable to Shareholders who hold Shares in Certificated form or who have not complied with the requirements to effect payments electronically will not be paid by way of a cheque, unless otherwise requested in writing, and such dividends and/or entitlements will be suppressed and retained by the Company in the Company's unclaimed dividend or Distribution (entitlement) account, whereafter the dividends and/or entitlements may be claimed by the Shareholder by submitting a written claim to the Company in the form prescribed by the Directors from time to time.

OTHER DIRECTORSHIPS AND PARTNERSHIPS HELD BY THE DIRECTORS AND SENIOR MANAGEMENT OF NIVEUS INVESTMENTS DURING THE PREVIOUS FIVE YEARS

Set out below is a summary of the directorships as well as the status of those directorships for each of the Directors during the previous five years:

Name	Directorships	Status
Director		
John Copelyn	2 Toman Close Hydepark Proprietary Limited 21 Impala Road Properties Proprietary Limited Ahead Investments Limited Almania Investments Proprietary Limited Ancestral Investments Proprietary Limited Aston Bay Holiday Resorts Proprietary Limited Avenpalm Investments Proprietary Limited Black Ginger 75 Proprietary Limited Blue Beacon Investments 240 Proprietary Limited Braylon Investments Proprietary Limited C & A Associated Consultants Proprietary Limited Catwalk investments 167 Proprietary Limited Catwalk Leisure Investments Proprietary Limited Chearsley Investments Proprietary Limited Cherry Moss Trade and Invest 188 Proprietary Limited Circumference Investments Proprietary Limited Curagen Investments Proprietary Limited Descarte Investments No 8 Proprietary Limited e.tv Proprietary Limited Equity Plus Trading Proprietary Limited Euphorbia Proprietary Limited Fabcos Investment Holdings Proprietary Limited FI Developments Proprietary Limited FI Equity Group Proprietary Limited First Ready Development 213 Proprietary Limited Flaghigh Investments Proprietary Limited Foothills Trading and Investment 8 Proprietary Limited Free-Flowing Property Holdings Proprietary Limited Fulela Trade and Invest 81 Proprietary Limited Fulela Trade and Invest 96 Proprietary Limited Gallagher Convention Centre Limited Gallagher Estate Holdings Limited GE Property and Marketing Proprietary Limited Gelprop Proprietary Limited Generation Y Proprietary Limited Glenny Buchner Investments Proprietary Limited	Active

Name	Directorships	Status
Director		
John Copelyn	HCI - Treasury Proprietary Limited	
<i>(continued)</i>	HCI-KWV Holdings Proprietary Limited	
	HCI Gaming and Entertainment Proprietary Limited	
	HCI Central Investments Proprietary Limited	
	HCI Food & Beverage Investments	
	HCI Growth Limited	
	HCI Invest1 Holdco	
	HCI Invest2 Holdco	
	HCI Invest3 Holdco	
	HCI Invest4 Holdco	
	HCI Invest5 Holdco	
	HCI Invest6 Holdco	
	HCI Invest7 Holdco	
	HCI Invest8 Holdco	
	HCI Invest9 Holdco	
	HCI Invest10 Holdco	
	HCI Khusela Coal Proprietary Limited	
	HCI Lifting Services Proprietary Limited	
	HCI Managerial Services Proprietary Limited	
	HCI Properties Proprietary Limited	
	HCI Property Investments Proprietary Limited	
	HCI Proprojects Proprietary Limited	
	HJS Advisory Services Proprietary Limited	
	Hollyberry Props 12 Proprietary Limited	
	Hosken Consolidated Investments Limited	
	House 22 Ronald Avenue Proprietary Limited	
	House 24 Ronald Avenue Proprietary Limited	
	IGI Investment Co Proprietary Limited	
	Industrial Development Corporation of South Africa Limited	
	International Payment Properties Proprietary Limited	
	JC Nominees Proprietary Limited	
	Johnnic Casino Holdings Limited	
	Johnnic Holdings Limited	
	Johnnic Management Services Proprietary Limited	
	Johnnic Properties Limited	
	Johnnic Property Developments Limited	
	Johnnic Property Holdings Limited	
	Johnnic Property Investments Limited	
	Johnnic Strategic Investments Holdings	
	Kariso Investments Proprietary Limited	
	KWV Holdings Limited	
	Lennings Limited	
	Leopont 261 Proprietary Limited	
	Leopont 262 Proprietary Limited	
	Levyman Proprietary Limited	

Name	Directorships	Status
Director		
John Copelyn (continued)	Limitless Angel Fund Proprietary Limited Lone Hill Estates Proprietary Limited Maclyn House Proprietary Limited Magicover Proprietary Limited Main Place Holdings Limited Main Street 614 Proprietary Limited Mercanto Investments Proprietary Limited Marilyn Investments Proprietary Limited Metsshelf Investments 9 Proprietary Limited Mirino Investments Proprietary Limited Mironetix Proprietary Limited Move On Up 104 Proprietary Limited Nexrealm Technologies Proprietary Limited Online Gaming Systems Limited Pearl Beach Investments Proprietary Limited Permasolve Investments Proprietary Limited Radius Trading Proprietary Limited Rivetprops 47 Proprietary Limited Rowan Tree 4 Proprietary Limited S A M Sisonke Proprietary Limited SA Amalgamated Union Fishing Proprietary Limited SA Amalgamated Union Invest Proprietary Limited Sabido Investments Proprietary Limited Sactwu Mining Investments (SPV) (P)Limited Sactwu Mining Investments Proprietary Limited Seardel Investment Corporation Limited Tangney Investments Proprietary Limited Tiradeprops 99 Proprietary Limited Tsogo Sun Holdings Limited Tylon Holdings Proprietary Limited Tylon Proprietary Limited Unit 1501 Twin Towers South Proprietary Limited Vectofon Proprietary Limited Vukani Gaming Corporation Proprietary Limited Vukani Gaming Equipment Proprietary Limited Vukani Gaming KZN Proprietary Limited W H Press House Proprietary Limited Winslet Investments Proprietary Limited Y Mag Proprietary Limited Yired Proprietary Limited Zastrovox Investments Proprietary Limited Zenzeleni Clothing Proprietary Limited	
	20 Sydney Street, Greenpoint Proprietary Limited Amalgamated Union Transport & Automated Business Systems Group Proprietary Limited	Resigned

Name	Directorships	Status
Director		
John Copelyn (continued)	Cape Town Film Studios Clover Industries Limited Clover SA (Pty) Ltd Dreamworld Management Company (Pty) Ltd Durban Add-ventures Limited Esat TV FI Funding and Investment Holdco FI Operations Formex Industries Generation Y Proprietary Limited Golden Arrow Bus Services (Pty) Ltd Hi-Reach Manlift Sabido Properties SAIL Group Sail Sport & Entertainment (Pty) Ltd Saram Investments (pty) Ltd The Millenium Casino Limited Three Blind Mice Communications (P) Ltd Tsogo Investment Holdings (Pty) Ltd Tsogo Sun KwaZulu-Natal (Pty) Limited Vukani Gaming Eastern Cape Proprietary Limited Vukani Gaming Free State Proprietary Limited Vukani Gaming Gauteng Proprietary Limited Vukani Gaming Limpopo Proprietary Limited Vukani Gaming Mpumalanga Proprietary Limited Vukani Gaming Northern Cape Proprietary Limited Vukani Gaming Western Cape Proprietary Limited Warwick Africa Workflow and imaging Solutions Yired	
	HCI Khusela Coal Plus (Pty) Ltd Fabulous Gaming and Leisure Diversified Investments Limited	Deregistered
Marcel Golding	21 Impala Road Properties (Pty) Ltd African Star ventures (Pty) Ltd Ancestral Investments (Pty) Ltd C & MA Shelf 73 (Pty) Ltd Cape Star Investments Cape Town Film Studios Catwalk Investments 167 (Pty) Ltd Celcom Group Cherry Moss Trade and Invest 188 Circumference Investments (Pty) Ltd Convergence Communications Descarte Investments No 8 (Pty) Ltd Dreamworld Management Company (Pty) Ltd	Active

Name	Directorships	Status
Director		
Marcel Golding (continued)	Ekapa Mining (Pty) Ltd Flaghigh Investments (Pty) Ltd Generation Y Geomer Holdings (Pty) Ltd Geomer Investments (Pty) Ltd Geomer Mining Investments (Pty) Ltd Golden Arrow Bus Services (Pty) Ltd H J S Advisory Services (Pty) Ltd HCI Central Investments Limited HCI Growth Limited HCI International Holdings Limited HCI Coal (Pty) Ltd HCI Managerial Services (Pty) Ltd HCI - Treasury (Pty) Ltd Hinellet Investments (Pty) Limited Hosken Consolidated Investments Ltd IGI Investment Company Limited Jacana Media (Pty) Ltd Jewelside Investments (Pty) Ltd Johnnic Holdings Just Wise Trading I4 KVV Holdings Limited Lalela Music Liraspan Investments Memar TV Move-on-up I04 S.A.M. Sisonke Sabido Productions Sabido Properties Super Stone Mining Tsogo Investment Holding Company Tsogo Sun Holdings Limited Vukani Gaming Corporation (Pty) Ltd Vukani Gaming Equipment Proprietary Limited Vukani Gaming KwaZulu-Natal Proprietary Limited Y Magazine (Pty) Ltd Yired (Pty) Ltd	
	Durban Add-Ventures FI Racing Retail Marc Group Trinergy Brand Connectors Tsogo Sun Hotels Gaming And Entertainment Vukani Gaming Eastern Cape Vukani Gaming Free State Vukani Gaming Gauteng	Resigned

Name	Directorships	Status
Director		
Marcel Golding (continued)	Vukani Gaming Limpopo Vukani Gaming Mpumalanga Vukani Gaming North West Vukani Gaming Northern Cape Vukani Gaming Western Cape	
	HCI Khusela Coal Plus (Pty) Ltd SA Amalgamated Union Investments (Pty) Ltd Fabulous Gaming and Leisure Diversified Investments Limited	Deregistered
Moretlo Molefi	HCI Growth Limited Hosken Consolidated Investments Limited Biodom Distributors Central Route Trading 560 cc Dermatus South Africa Ka-Nnete Investment Corporation Prospect SA Investment 114 cc Segamont & Momat Investment Bluecross Trading Seemahale Teleconms Syntell AMA Test-Test e.tv E SATTV Elberry Investments Kenda Holdings Mars Holdings Sabido Investments Sunpa Africa Telemed Africa Telemedicine Africa The Dawns Import and Export E-Medicine Zenzele Health Care	Active
	Heritage African Tours Dexter Holdings Mergent	Deregistered
Yunis Shaik	HCI Growth Limited Hosken Consolidated Investments Limited Sear del Investment Corporation Tsogo Investment Holding Company HCI International Holdings Limited Cellsaf Keldoron Properties 22 Nelesco 861 Sapura Holdings	Active

Name	Directorships	Status
Director		
Yunis Shaik (continued)	Tsimpilo Trading 2 In Line Trading 18 Sol Danka Orangeview Investments Rainswan Investments Silver Halo Investments Tsogo Sun Holdings Limited	
Jabulani Ngcobo	HCI Growth Limited Hosken Consolidated Investments Wesco Fabrics Wesco Fabrics International Crossley Carpet Aafyer Trade Investment KZN Tsogo Sun Holdings Zenzeleni Clothing HCI International Holdings Limited Property: Portion 35 (of 10) of the farm Kuisfortein New Hanover Sub 38 (of 37) of lot 313 Sea View	Active
Andre van der Veen	AIC Holding Company Business Systems Group (Africa) Fabcos Investment Holding Company Fabcos Investment Holding Company FI Developments FI Equity Group Formex Industries Galaxy Bingo International South Africa Tsogo Sun Holdings HCI Central Investments HCI Khusela Coal HCI Growth Limited HCI Lifting Services HCI Property Investments HCI Property Investments 2 Johnnic Holdings KVV Holdings Limited Mars Holdings Metshelf Investments 9 Nokuhle Coal Palesa Coal Purple Moss 1174 Rienjen Sage Wise 118 Syntell Tiradeprops 99	Active

Name	Directorships	Status
Director		
Andre van der Veen (continued)	Tsogo Investment Holding Company Rowan Tree 4 Skyprops 114 (Pty) Limited Skyprops 111 (Pty) Limited Business Systems Group (Africa) Syntell	
	African Unity Insurance Clover Industries Clover SA Durban Add-Ventures Funding And Investments Holdco Fulloutput 264 Hosken Consolidated Investments Johnson Access Johnson Crane Hire Ligitprops 109 Mettle Administrative Services Mettle Credit Services Mettle Factors Mettle Manco Mettle Motor Loans Mettle Property Finance Mettle Trade Debtor Finance Noah Financial Innovation Noah Financial Innovation Solidfeel Access Flooring Tsogo Sun KwaZulu-Natal Tylon Tylon Holdings Tsogo Sun Holdings FI Operations	Resigned
	African Roots Restaurant Baisch Engineering Formex Pressings Greenwich Capital HCI Khusela Coal Plus Mbali Coal Marketing Metway 19 Sage Wise 29 Tweefontein Coal Vlakfontein Coal Greenwich Techlab Video Streaming Technology Creative Flooring International	Deregistered
Muriel Loftie-Eaton	HCI Growth Limited	Active

LITIGATION STATEMENT

Set out below is a summary of all legal or arbitration proceedings, including any proceedings that are pending or threatened, of which Niveus Investments is aware, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

VUKANI GAMING CORPORATION PROPRIETARY LIMITED AND ITS SUBSIDIARIES

1. **Vukani Gaming Western Cape Proprietary Limited's ("Vukani WC") dispute with the Western Cape Gambling Board ("the WC Board") regarding the imposition of Level 2/2015 Licence Condition**
 - 1.1 The WC Board has imposed the achievement of Level 2 BBBEE status by 2015 as a condition of Vukani WC route operator licence. Vukani WC has considered the WC Board's reasons for the imposition of the licence condition and is of the view that the decision is subject to judicial challenge.
 - 1.2 Vukani WC and the WC Board have agreed that any challenge to the imposition of this licence condition will be held in abeyance pending a court ruling in review proceedings instituted by Tsogo Sun Casinos in Mpumalanga, in respect of a similar licence condition. No litigation proceedings have as yet been instituted by Vukani WC against the WC Board.
 - 1.3 It is not possible to determine when the Mpumalanga proceedings instituted by Tsogo Sun Casinos will be finally determined. Accordingly, it is not possible to determine when any proceedings will be instituted by Vukani WC against the WC Board.

2. **North Gauteng High Court, Pretoria, case number 28617/11: Vukani Gaming Limpopo Proprietary Limited ("Vukani Limpopo") versus the Limpopo Gambling Board ("Limpopo Gambling Board") and Others.**
 - 2.1 On 20 May 2011, Vukani Limpopo instituted review proceedings against the Limpopo Gambling Board, requesting the Court to review and set aside the latter's decision to impose, as a licence condition on Vukani Limpopo's route operator licence, the achievement of Level 2 BBBEE status by 2015.
 - 2.2 The parties have agreed to pend proceedings until such time as judgment is received in a similar matter by Tsogo Sun Casinos against the Mpumalanga Gambling Board.
 - 2.3 It is not possible to determine when the Mpumalanga proceedings instituted by Tsogo Sun Casinos will be finally determined. Accordingly, it is not possible to determine when any proceedings will be instituted by Vukani Limpopo against the Limpopo Gambling Board.

3. **Vukani Gaming Mpumalanga Proprietary Limited ("Vukani Mpumalanga")'s dispute with the Mpumalanga Gambling Board ("the Mpumalanga Board") regarding imposition of Level 2/2015 Licence Condition**
 - 3.1 The Mpumalanga Board has imposed the achievement of Level 2 BBBEE status by 2015 as a condition of Vukani Mpumalanga's route operator licence. Vukani Mpumalanga has considered the Mpumalanga Board's reasons for the imposition of the licence condition and is of the view that the decision is subject to judicial challenge.
 - 3.2 Vukani Mpumalanga and the Mpumalanga Board have agreed that any challenge to the imposition of this licence condition will be held in abeyance pending a court ruling in review proceedings instituted by Tsogo Sun Casinos in Mpumalanga, in respect of a similar licence condition. No litigation proceedings have as yet been instituted by Vukani Mpumalanga against the Mpumalanga Gambling Board.
 - 3.3 It is not possible to determine when the Mpumalanga proceedings instituted by Tsogo Sun Casinos will be finally determined. Accordingly, it is not possible to determine when any proceedings will be instituted by Vukani Mpumalanga against the Mpumalanga Board.

GALAXY BINGO PROPRIETARY LIMITED AND ITS SUBSIDIARIES

4. **KwaZulu-Natal High Court case number 7084/11: Afrisun KZN Proprietary Limited and Another versus the KwaZulu-Natal Gambling Board (“the KZN Board”) and Seven Others**
 - 4.1 The applicants instituted review proceedings, coupled with declaratory relief, in respect of an in principle decision by the KZN Board in respect of EBTs. Galaxy Bingo KZN Proprietary Limited (“**Galaxy Bingo KZN**”) is one of the seven other respondents.
 - 4.2 The parties to the litigation have settled the matter in terms of a settlement agreement. A condition precedent to that settlement agreement is the granting of an unopposed application by the KwaZulu-Natal Board to set aside its decision. The unopposed application is on the roll for hearing for 24 July 2012.
 - 4.3 The KwaZulu-Natal Board's decision taken on 28 July 2010 to approve, in principle, the operation of EBTs is accordingly set aside. The issue of EBTs has been overtaken by the promulgation of the 2010 KwaZulu-Natal Gambling Act, and therefore the settlement agreement would have no real impact on Galaxy Bingo KwaZulu-Natal.

DETAILS OF PRINCIPAL IMMOVABLE PROPERTIES LEASED OR OWNED

FORMEX:**Owned:*****Erf 4550 Korsten***

This represent a factory and office building where Formex is producing pressed parts for the automotive industry. The book value is R4 562 417.

Erf 238 & 239 Garankuwa

This represent a factory and office building where Formex is producing stainless steel Tubes for the automotive industry. The book value is R8 365 583.

Leased

Aloes Industrial Park, St Georges Street, Markman, Port Elizabeth

This premises is rented and it is used as a factory.

MATERIAL PROPERTY ACQUISITIONS/ DISPOSALS

Both owned properties mentioned above are in the process of being sold, although as at the Last Practicable Date, no agreements had been concluded.

REGULATORY ENVIRONMENT

Other than the Companies Act, Niveus Investments is subject to certain legislation and regulations. Some of the principal South African legislation regulating the different industries in which Niveus Investments operates is highlighted below.

It should be noted that all legislation is subject to amendment and it is not possible to predict the outcome or timing of amendments and/or modifications to the applicable legislation and regulations promulgated in terms thereof, or their impact. Further, the contents of this Annexure are by no means a comprehensive exposition of the importance of the relevant legislation, but are intended to be a brief overview thereof.

GAMBLING LEGISLATION

South African gambling law falls under the concurrent jurisdiction of both the national and provincial legislatures. The National Gambling Act, 2004 (Act No. 7 of 2004), establishes the broad framework for gambling in South Africa and imposes uniform norms and standards applicable to national and provincial gambling activities. Each of the provincial legislatures in South Africa has adopted its own specific gambling legislation that is applicable to the gambling operations conducted in each such province.

Certain of Niveus Investments' Subsidiaries have been issued with gambling licences by either the National Gambling Board or the relevant provincial gambling boards. Vukani Gaming holds a national manufacturer licence that entitles it to conduct the business of a gambling machine and equipment manufacturer. A number of Vukani Gaming's Subsidiaries have been licensed as route operators by the relevant provincial gambling boards. In addition, many of HCI Bingo's Subsidiaries hold bingo licences authorising them to conduct bingo games in the relevant provinces in which the licences were issued.

As a result, Niveus Investments, Vukani Gaming and HCI Bingo are obliged to comply with the national and provincial gambling legislation, as well as with the specific terms of their gambling licences.

The national and provincial gambling legislation relevant to the Subsidiaries of Niveus Investments that have been issued with gambling licences do not currently prescribe specific requirements relating to the BEE credentials of gambling licensees. The provincial legislation does, however, entitle gambling boards to impose licence conditions when issuing a licence to an applicant, and some statutes specifically provide for the imposition of licence conditions relating to BEE. It is also customary for applicants to be requested by the relevant gambling boards to make commitments relating to the applicant's BEE credentials during the licence term as part of the applications submitted to such provincial gambling boards. These commitments are then required to be adhered to on an ongoing basis during the licence term, failing which the relevant licensee runs the risk of being in breach of the licence conditions.

Certain provisions in the gambling legislation are also relevant to the direct and indirect shareholders of a gambling licensee. Importantly, any person who acquires a financial interest of 5% or more in a gambling licensee, whether directly or indirectly, must notify the relevant gambling board of such acquisition within a prescribed period of time and must make application to the board for its approval to hold such an interest. The 5% threshold may also be reduced if a gambling board prescribes a lower percentage in a licence condition to a particular licence.

During the Trade and Industry Portfolio Committee's consideration of the Interactive Gambling Regulations, it became aware of the potential challenges within the gambling industry due to technological advances. This led to it embarking on public hearings on the following:

1. the socio-economic impact of legalised gambling;
2. the impact of misleading advertising;
3. the regulation of cross-border gambling;
4. the current regulatory environment; and
5. interactive gambling.

As a result of the hearings, the Portfolio Committee concluded that the proliferations of gambling should be halted until a thorough review of the national gambling legislation was conducted. At that stage, the Department of Trade and Industry announced that it was establishing a Gambling Review Commission to investigate the socio-economic impacts of legalised gambling as well as the status of the gambling industry and new forms of gambling.

The Gambling Review Commission reported that traditional bingo had performed poorly and there was a need to attract customers without stimulating new demand. It also emphasised that a policy on bingo should be developed as a matter of urgency, including limits on the number of bingo licences and seats per province.

At the time of publishing their report, the Gambling Review Commission was of the opinion that EBTs in their current form should not be allowed in the country, as they created a third category of gaming machine with no limit on the stake or payout. In addition, they argued that EBTs were not a form of bingo, based on the “look, feel and sound” of the terminals.

The Bingo Association of South Africa responded that EBTs were not new and had been operational for the last six years. They argued that EBTs were legal based on the national legislation’s definition of bingo, were only a technological advancement of the game and had not contributed to the proliferation of gambling. EBTs had been approved and registered by the Gauteng Provincial Gambling Regulatory Authority, as a device on which bingo was played wholly electronically and therefore the device could be licensed.

The National Gambling Board proposed that electronic bingo should be regulated within the national regulatory framework. This framework should impose similar investment conditions on bingo, as with other gambling modes and must provide for limitations in terms of the number of bingo halls, seats and locations within which it can be offered. In addition, standards for electronic bingo must be developed.

The Trade and Industry Portfolio Committee recommended, *inter alia*, that the Minister should consider the following regarding LPMs:

- amending inconsistent legislation that hampers the roll-out of LPMs including a review of the Business Act and Liquor Act 2003 (Act No. 59 of 2003), (“Liquor Act”);
- increasing the maximum stake and payout on the LPM industry to R30 and R3000 respectively; and
- commissioning a socio-economic impact study on the LPM industry that would inform the further roll-out of LPMs and how the existing model should be restructured.

The Trade and Industry Portfolio Committee recommended, *inter alia*, that the Minister should consider the following regarding bingo:

- restricting the total number of licences and seats or gaming positions per bingo licence; and
- enforcing legislation that requires gambling areas to have separate entrance from public places such as shopping centres and clear signage should be in place to indicate that the public was entering a designated gambling site.

LIQUOR LEGISLATION

The Liquor Act regulates all manufacturing and distribution of liquor. KVV Holdings Limited is registered as both a distributor and manufacturer in terms of the Liquor Act and is therefore obliged to comply with its provisions.

The following criteria have been included in the Liquor Act as being relevant when assessing whether to award a manufacturing or distribution registration to an applicant:

- black economic empowerment commitments;
- contributions towards combating the abuse of liquor;
- the effects on competition in the industry; and
- the extent to which registration will impact upon the objects of the Liquor Act.

Certain categories of person are disqualified from registering as a manufacturer and/or distributor of liquor, including:

- minors;
- unrehabilitated insolvents;
- persons committed in terms of the Mental Health Act, 1973 (Act No. 18 of 1973);
- persons convicted of contravening the Liquor Act; and
- persons convicted of an offence that is at odds with the purpose of the Liquor Act.

Should any of the above disqualifications be true of a partner, member of a board or executive body of an applicant, the Minister of Trade and Industry may propose conditions to prevent such person from exercising any decision making authority in respect of proposed registered activities.

A liquor manufacturing or distribution registration may be transferred by a licensee to another person, subject to meeting certain conditions set out in the Liquor Act. Although the Liquor Act does not expressly regulate the acquisition of an interest in a person that is registered as a liquor manufacturer or distributor, there is a prescribed form which impliedly must be completed and submitted to the Minister by a person that acquires control of a person that is registered as a liquor manufacturer or distributor. Given that ultimate control of HCI KVV will not change as a result of the HCI Restructuring or the Pro-rata Repurchase and Distribution, no such submission is required in these circumstances.

CONSUMER PROTECTION ACT, 2008 (ACT NO. 68 OF 2008) (“CPA”)

Most of Niveus Investments' Subsidiaries are involved, in one way or another, in the provision of goods and services to consumers, and therefore the CPA (which largely came into effect on 1 April 2011) is relevant to their operations. The CPA establishes a comprehensive legal framework in so far as consumers' entitlements and suppliers' responsibilities are concerned.

A “consumer” is very broadly defined in the CPA to include a person to whom goods or services are marketed in the ordinary course of business, a person who has entered into a transaction with a supplier (being a person who markets any goods or services) in the ordinary course of the supplier's business (unless the transaction is exempted in terms of the CPA), and someone who is a user of those particular goods or a recipient or beneficiary of those particular services.

The CPA applies to every transaction occurring within South Africa, unless it is expressly exempted in terms of the CPA. Exempted transactions include:

- when goods or services are supplied to the state;
- where the consumer is a juristic person whose asset value or turnover exceeds the prescribed threshold value (currently R2 million);
- credit agreements that are regulated under the National Credit Act; and
- services supplied under an employment contract.

Thus, to the extent that the transactions entered into by the Niveus Investments subsidiaries are not exempted in terms of the CPA, compliance with the CPA is required.

Importantly, the CPA provides for a form of strict product liability by providing that any producer or importer, distributor or retailer of any goods is liable for any harm caused wholly or partly as a consequence of supplying any unsafe goods, a product failure, defect or hazard in any goods, or inadequate instructions or warnings provided to the consumer pertaining to any hazard arising from or associated with the use of any goods, irrespective of whether the harm resulted from any negligence on the part of the producer, importer, distributor or retailer, as the case may be. Therefore, even where the Niveus Investments Subsidiaries do not interface directly with a consumer but are the producer or manufacturer of a particular product (e.g. an alcoholic beverage), they will be bound by the product liability provisions in the CPA.

COMPETITION LAW

Competition policy aims to achieve a more effective and efficient economy in South Africa and to provide for markets in which consumers have access to, and can freely select, the quality and variety of goods and services they desire. To this end, the Competition Act, 1998 (Act No. 89 of 1998) (“Competition Act”) regulates the behaviour of market participants by prohibiting certain conduct and by preventing the creation of anti-competitive structures. Thus, broadly speaking, the Competition Act deals with both prohibited practices and merger control.

Prohibited practices include, among other things:

- agreements between competitors or decisions by associations of competitors that lead to a substantial prevention or lessening of competition which cannot be justified on efficiency grounds such as technological, efficiency or other pro-competitive gains (“Efficiency Grounds”);
- agreements between competitors or decisions by associations of competitors that involve conduct such as price fixing, market allocation or collusive tendering. Contraventions of this nature may attract administrative penalties of up to 10% of total turnover;
- agreements between parties in a vertical relationship that lead to a substantial prevention or lessening of competition that cannot be justified on the Efficiency Grounds;
- action that constitutes an abuse of a dominant position in a market. Forms of abuse include the charging of excessive prices; requiring or inducing a supplier or customer not to deal with a competitor; predatory pricing and engaging in exclusionary acts.

With regard to merger control, transactions that constitute a merger (as defined in the Competition Act) that meet the statutory monetary thresholds must be approved by the relevant competition authorities before they may be implemented. Neither the HCI Restructuring nor the Pro-rata Repurchase and Distribution require any notification to the Competition Authorities. Future mergers or acquisitions by Niveus Investments may, however, require approval by the Competition Authorities.

LABOUR RELATED LEGISLATION

Niveus Investments' Subsidiaries employ a number of full-time employees in the various business sectors in which they operate. Employment and labour relations are regulated in South Africa by the following legislation:

- the Labour Relations Act, 1995 (Act No. 66 of 1995) ("LRA") which governs a wide range of industrial relations law, including dispute resolution under the auspices of the Commission for Conciliation, Mediation and Arbitration ("the CCMA"), the Labour Court and the Labour Appeal Court. The LRA also contains extensive provisions regarding collective bargaining, trade unions and associated matters, as well as fairly detailed provisions governing retrenchment/restructuring exercises and the transfer of businesses as a going concern.
- the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997) ("BCEA") which provides for various minimum terms and conditions of employment which apply to all employment relationships (subject to certain, mostly salary-based exclusions) including the regulation of maximum hours of work, leave and severance pay, amongst others. Importantly, the BCEA applies to all employment contracts not expressly excluded by the Act, unless an employment contract provides for a term which is more favourable to the employee, in which case, that term will apply.
- the Employment Equity Act, 1998 (Act No. 55 of 1998), which regulates issues of unfair discrimination at the workplace, with emphasis also placed on affirmative action and equitable representation.
- the Skills Development Act, 1998 (Act No. 97 of 1998) and the Skills Development Levies Act, 1999 (Act No. 9 of 1999) which together create an institutional framework of skills development strategies, centred around learnership programmes which lead to recognised occupational qualifications, funded by a levy-grant scheme, which monthly levies must be paid by all employers in South Africa.
- the Unemployment Insurance Act, 2001 (Act No. 63 of 2001) and the Unemployment Insurance Contributions Act, 2002 (Act No. 4 of 2002) which together regulate the payment of compulsory monthly unemployment insurance levies by all employers and employees in South Africa to an unemployment insurance fund, and also regulate the provision of benefit payments in terms of this fund to all employees who are unemployed for any reason whatsoever, excluding their own resignation.
- the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993), which provides extensive prescriptions relating to employee health and safety issues at the workplace.
- the Compensation for Occupational Injuries and Diseases Act, 1993 (Act No. 130 of 1993) ("COIDA") which provides for a statutory fund from which employees can claim, should they suffer an injury or disease while at work. COIDA expressly provides that employees will have a claim only against this fund and not against their employer for instances of work-related diseases or injuries. All employers are required to register their employees for this protection and pay the relevant monthly levies.

BLACK ECONOMIC EMPOWERMENT

BEE is one of the strategic measures adopted by the Government of South Africa ("the Government") to redress the legacies of apartheid.

The Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) ("BEE Act")

The BEE Act provides the enabling framework that allows Government to implement detailed BEE policies and to provide a standard framework for the measurement of BEE across all sectors of the economy. The BEE Act also refers to "broad-based" BEE, which involves the economic empowerment of all black people (defined as Africans, Coloureds (including Chinese) and Indians who are citizens of South Africa), including women, youth, people with disabilities and people living in rural areas.

In line with its enabling nature, the BEE Act does not impose criminal sanctions, nor does it make it unlawful to trade, as a result of non-compliance or non-adherence to BEE. Rather, the BEE Act contemplates that Government and public entities, as well as entities doing business with Government and public entities, take account of BEE as a factor in determining who they do business with, or who they issue licences or concessions to.

Niveus Investments and its Subsidiaries that operate in the gambling sector (Vukani Gaming and HCI Bingo) will therefore need to comply with any BEE conditions that attach to any gambling licences issued by the relevant Gambling Boards, in order to avoid suspension or revocation of the licence.

The Codes

The BEE Act also allows for the development of Codes of Good Practice ("the Codes"). The Codes, which were published in February 2007, provide a standard framework, in the form of a "generic scorecard", for the measurement of Broad-Based BEE across all sectors of the economy. The generic scorecard is made up of seven elements (each of which have specific targets and timeframes within which to meet such targets.), namely:

- ownership in the hands of black people;
- management control by black people;
- employment equity;
- skills development;
- enterprise development; and
- socio-economic development initiatives.

Sector Charters/Sector Codes

Section 12 of the BEE Act allows for sector charters to be gazetted by the Minister of Trade and Industry (“DTI Minister”) for general information, provided that the DTI Minister is satisfied that the charter has been developed and agreed upon by major stakeholders in that sector; and advances the objectives of the BEE Act.

Niveus Investments and its relevant subsidiaries that operate in the agricultural sector (HCI KVV) may be required to comply with the Transformation Charter for Agriculture, published on 20 March 2008 (“the AgriBEE Charter”).

The AgriBEE Charter applies specifically to enterprises which derive the majority of its turnover from one or more of the following categories, namely:

- the primary production of agricultural products;
- the provision of inputs and services to enterprises engaged in the production of agricultural products;
- the beneficiation of agricultural products whether of a primary or semi-beneficiated form; and
- the storage, distribution and/or trading and allied activities related to non-beneficiated agricultural products.

It is important to note that the AgriBEE Charter has not yet been converted into a Sector Code. As such, it does not bind Government, and only companies that have contractually bound themselves to it would be bound to it *vis-à-vis* other parties to the AgriBEE Charter.

CORPORATE GOVERNANCE AND KING CODE

Niveus Investments has adopted the same corporate governance principles as HCl as at the Listing Date.

Niveus Investments subscribes to the Code of Corporate Practices and Conduct as set out in the King Report (King III) on Corporate Governance. The Board advocates sound governance practices by all entities which the Company is invested in and concurrently all the Subsidiaries endorse the Code of Corporate Practices and Conduct where applicable.

Niveus Investments subscribes to a set of values which seek to foster integrity, innovation, individual empowerment and personal accountability.

Niveus Investments is a diversified investment entity that currently holds significant investments in four entities as set out in paragraph 6 of this Pre-listing Statement. While the Board is responsible for the maintenance of sound corporate governance, it believes that its implementation is best managed at an investee level. Consequently each principal Group entity has its own governance structure that monitors operations and deals with governance and transformation related issues. Effective corporate governance forms part of the Company's investment assessment criteria.

KING III

The King III became effective on 1 March 2010. The Listings Requirements require all JSE-listed companies to provide a narrative of how it has applied the new recommendations contained in King III, in respect of financial years commencing on or after the effective date. Niveus Investments believes that in all material respects it complies with the major recommendations of the code to ensure sound corporate governance and structures are applied within the Group.

The following is an overview of the principles of King III and how they apply to Niveus Investments:

KEY

√ Compliant

Partially compliant

? Under review

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

√ Effective leadership based on an ethical foundation

√ Responsible corporate citizen

√ Effective management of Group's ethics

BOARDS AND DIRECTORS

√ The Board is the focal point for and custodian of corporate governance

√ Strategy, risk, performance and sustainability are inseparable

√ Directors act in the best interests of the Group

The Chairman of the Board is an independent non-executive Director (note 1)

√ Framework for the delegation of authority has been established

? The Board comprises a balance of power, with a majority of non-executive Directors who are independent

√ Directors are appointed through a formal process

? Formal induction and ongoing training of directors is conducted

√ The Board is assisted by a competent, suitably qualified and experienced company secretary

? Regular performance evaluations of the Board, its committees and the individual directors

√ Appointment of well-structured committees and oversight of key functions

KEY

- √ An agreed governance framework between the Group and its subsidiary Board is in place
 - √ Directors and executives are fairly and responsibly remunerated
 - √ Remuneration of Directors and senior executives is disclosed
 - ? The Group's remuneration policy is approved by its shareholders
-

AUDIT COMMITTEE

- √ Effective and independent
 - √ Suitably skilled and experienced independent non-executive Directors
 - √ Chaired by an independent non-executive Director
 - √ Oversees integrated reporting
 - √ A combined assurance model is applied to improve efficiency in assurance activities
 - √ Satisfies itself of the expertise, resources and experience of the Group's finance function, Chief Financial Officer and Company Secretary
 - √ Oversees internal audit
 - √ Integral to the risk management process
 - √ Oversees the external audit process
 - √ Reports to the Board and Shareholders on how it has discharged its duties
-

THE GOVERNANCE OF RISK

- √ The Board is responsible for the governance of risk and setting levels of risk tolerance
 - √ The Audit Committee assists the Board in carrying out its risk responsibilities
 - √ The Board delegates the risk management plan to management
 - √ The Board ensures that risk assessments and monitoring are performed on a continual basis
 - ? Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks
 - √ Management implements appropriate risk responses
 - ? The Board receives assurance of the effectiveness of the risk management process
 - √ Sufficient risk disclosure to stakeholders
-

THE GOVERNANCE OF INFORMATION TECHNOLOGY

- √ The Board is responsible for information technology (IT) governance
 - √ IT is aligned with the performance and sustainability objectives of the Group
 - √ Management is responsible for the implementation of an IT governance framework
 - √ The Board monitors and evaluates significant IT investments and expenditure
 - √ IT is an integral part of the Group's risk management
 - √ IT assets are managed effectively
 - √ The Audit Committee assists the Board in carrying out its IT responsibilities
-

KEY

COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

- √ The Board ensures that the Group complies with relevant laws
 - √ The Board has a working understanding of the relevance and implications of non-compliance
 - √ Compliance risk forms an integral part of the Group's risk management process
 - √ The Board has delegated to management the implementation of an effective framework and processes
-

INTERNAL AUDIT

- √ Effective risk-based internal audit
 - ? Written assessment of the effectiveness of the Group's system of internal controls and risk management
 - √ Internal audit is strategically positioned to achieve its objectives
-

GOVERNING STAKEHOLDER RELATIONSHIPS

- √ Appreciation that stakeholders' perceptions affect the Group's reputation
 - √ Management proactively deals with stakeholder relationships
 - √ There is an appropriate balance amongst the Group's various stakeholder groupings
 - √ Equitable treatment of stakeholders
 - √ Transparent and effective communication to stakeholders
 - √ Disputes are resolved effectively and timeously
-

INTEGRATED REPORTING AND DISCLOSURE

- √ Ensures the integrity of the Group's integrated report
 - ? Sustainability reporting and disclosure is integrated with the Group's financial reporting
 - ? Sustainability reporting and disclosure is independently assured
-

Note:

- I. The Chairman of the Board is not an independent non-executive Director because of his position as Chief Executive Officer of HCI. A lead independent Director has been appointed.

AS AT THE LISTING DATE

The Companies Act places certain duties on Directors and determines that they should apply the necessary care and skill in fulfilling their duties. To ensure that this is achieved, best practice principles, as contained in King III, are applied where applicable.

The following are the notable aspects of the Company's corporate governance:

The Board**Role and responsibilities**

The Board's paramount responsibility is the positive performance of Niveus Investments in creating value for its Shareholders. In so doing it should take account of the legitimate interests and expectations of other stakeholders. Niveus Investments' stakeholders include the present and potential beneficiaries of Niveus Investments products and services, clients, suppliers, employees, communities and the natural environment.

In terms of its formal charter, the Board's responsibilities include the appointment of the executive officers, approval of corporate strategy, risk management and corporate governance. The Board reviews and approves the business plans and monitors financial performance of the Group and implementation of the strategies. The Board is the guardian of the values and ethics of the Company and its investees and should ensure that the Company is and is seen to be a responsible corporate citizen. The Board is also responsible for formulating the Company's communication policy and ensuring that spokespersons of the Company adhere to it. This responsibility includes clear, transparent, balanced and truthful communication to shareholders and relevant stakeholders.

The Board has a fiduciary duty to act in good faith, with due care and diligence, and in the best interests of the Group and its stakeholders. It is the primary body responsible for the corporate governance values of the Group. While control is

delegated to the management committee in the day-to-day management of the Group, the Board retains full and effective control over the Company. A formal Board Charter, as recommended by the Code of Corporate Practices and Conduct, has been adopted. The Charter includes a Code of Ethics to which all Directors subscribe. The code deals with duties of care and skill, as well as those of good faith, including honesty and integrity and the need to always act in the best interests of the Company. Procedures exist in terms of which unethical business practices can be brought to the attention of the Board by Directors or employees.

Board members have full and unrestricted access to management and all Group information and property. They are entitled, at the cost of the Company, to seek independent professional advice in the fulfilment of their duties. Directors may meet separately with management without the attendance of executive Directors.

After evaluating their performance in terms of their respective charters, the Directors are of the opinion that the Board and the sub-committees have discharged all their responsibilities.

Composition of the Board

The roles of Chairman and Chief Executive Officer are separate and the composition of the Board ensures a balance of authority precluding any one Director from exercising unfettered powers of decision-making. The Directors are individuals of a high caliber with diverse backgrounds and expertise, facilitating independent judgment and broad deliberations in the decision-making process. The Board each year evaluates its composition to ensure an appropriate mix of skills and experience.

The Board comprises seven members of whom five are non-executive Directors. Three of the non-executive Directors are also independent Directors in terms of the definition stated below. Yunis Shaik was appointed as lead independent non-executive Director effective on the Listing Date. The independence of the Directors classified as "independent" was evaluated by weighing all relevant factors, including length of services on the Board, which may impair independence.

New Directors are subject to a 'fit and proper' test. An informal orientation programme is available to incoming Directors. No Director has an automatic right to a position on the Board. All Directors are required to be elected by Shareholders at an Annual General Meeting. The Company in general meeting may appoint any person to be a Director subject to the provisions of the MOI.

The names of the Directors, their age, qualifications and other detail appear in Part B of the Pre-listing Statement.

The boards of the Company's major Subsidiaries and operating divisions are similarly constituted with the necessary mix of skills, experience and diversity. There is also an appropriate mix between executive and non-executive appointments.

Term of office

In terms of the MOI, one-third of Directors must retire at every Annual General Meeting and are eligible for re-election. There is no mandatory retirement age for non-executive Directors.

Definition of independence

An independent non-executive Director is a non-executive Director who:

- is not a representative of a Shareholder who has the ability to control or significantly influence management of the Board;
- does not have a direct or indirect interest in the Company which exceeds 5% of the Shares in issue;
- does not have a direct or indirect interest which is material to his/her personal wealth;
- has not been employed by the Company or the Group of which it currently forms part in any executive capacity during the preceding three financial years; and
- free from any business or other relationship which could be seen by an objective outsider as interfering materially with the individual's capacity to act in an independent manner.

Directors' interests

It is not a requirement of the MOI or the Board Charter that Directors own shares in the Company. Directors' interests in Niveus Investments Shares are disclosed on page 29.

Board proceedings

The Board meets once every quarter. Should an important matter arise between scheduled meetings, additional meetings may be convened.

Before each Board meeting, an information pack, which provides background information on the performance of the Group for the year to date and any other matters for discussion at the meeting, is distributed to each Board member. At its meetings, the Board considers both financial and non-financial qualitative information that might have an impact on the Stakeholders in the Company.

Subsidiary Boards and Board committees

Niveus Investments' Subsidiaries each have suitably constituted board of directors with the necessary mix of skills, experience and diversity. There is also an appropriate mix between executive and non-executive appointments.

The Board has established four sub-committees to assist the Directors in their duties and responsibilities.

The membership of these sub-committees is detailed below:

- Executive Committee;
- Remuneration Committee;
- Social and Ethics Committee; and
- Audit and Risk Committee.

Each committee comprises of only members of the Board, except for the Social and Ethics Committee. All the committees are free to seek independent outside professional advice, as and when required, at the expense of the Company. Niveus Investments' Subsidiaries have established Board and committee structures which submit regular reports to the Company. This ensures the maintenance of high standards and best practice for corporate governance and internal control throughout the Group.

Company Secretary

The Company Secretary of Niveus Investments is HCI Managerial Services Proprietary Limited with Johnnic Holdings Management Services Limited being responsible for ensuring the provision of the company secretarial services in terms of the Administration Agreement. The Company Secretary was appointed on 1 July 2009. All Directors have unlimited access to the services of the Company Secretary, who is responsible to the Board for ensuring that proper corporate governance principles are adhered to.

In accordance with the JSE's Bulletin 4 of 2012 the Board has considered and satisfied itself of the competence, qualifications and experience of the Company Secretary. The specific steps the Directors took included evaluating the experience of the Company Secretary, including the relevant experience exhibited by the executives and employees of the Company Secretary. To this end, several of the members of the management of the Company secretary have an extensive history of providing such services to HCI Managerial Services Proprietary Limited, being the Company Secretary to HCI, as well as the applicable qualifications, as detailed in part B of the Pre-listing Statement.

As HCI is the majority shareholder of Niveus Investments, the independent Directors are responsible for ensuring the independence of the Company Secretary in accordance with the JSE's Bulletin 4 of 2012. To this end, the Administration Agreement, which sets out the services provided by the Company Secretary, and the remuneration due to the Company Secretary, is evaluated annually by the independent Directors to ensure the Company Secretary maintains an arms-length relationship and is suitably independent to perform the role as the gatekeeper of good governance and to adequately perform and carry out the roles and duties of a Company Secretary. Non-independent Directors are required to excuse themselves from participating in such deliberations and will not be permitted to participate in any vote related to the Company Secretary. The Company Secretary is not a Director of Niveus Investments.

Executive Committee

The committee's primary objectives are to assist the Board in the daily management of the Group, including the allocation and investing of the Group's resources.

The Niveus Investments Executive Committee comprises A van der Veen, M Loftie-Eaton, W Bodenstien and C du Toit.

Remuneration Committee

This committee is primarily responsible for overseeing the remuneration and incentives of the executive Directors. It takes cognisance of local best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the Company. The committee utilises the services of independent remuneration consultants to assist in providing guidance on the remuneration for executive management.

Functions and mandates of the Remuneration Committee include:

- make recommendations to the Board regarding Directors' fees and the remuneration and service conditions of executive Directors, including the Chief Executive;
- provide a channel of communication between the Board and management on remuneration matters;
- review the Group's remuneration policies and practices and proposals to change these and to make recommendations in this regard to the Board;
- review and approve the terms and conditions of executive Directors' employment contracts, taking into account information from comparable companies;
- determine and approve any grants to executive Directors and other senior employees; and
- review and approve any disclosures in the annual report or elsewhere on remuneration policies or Directors' remuneration.

The Remuneration Committee comprises J Copelyn (Chairman), L Molefi and Y Shaik. All the members of the committee are non-executive Directors. In line with the recommendations of King III, the Chief Executive attends the meetings of the committee at the request of the committee, but recuses himself from the meeting before any decisions are made in which he is affected.

The committee meets twice during the year.

Social and Ethics Committee

The committee's functions will be in line with the requirements of the Companies Act. In view of the fact that this committee is now codified, regular meetings will be scheduled.

A report by the Niveus Investments Social and Ethics Committee will be provided in the 2013 integrated report.

The Social and Ethics Committee comprises J Copelyn (Chairman) and L Molefi.

Audit and Risk Committee

The Audit and Risk Committee fulfils an oversight role regarding the Group's financial statements and the reporting process, including the system of internal financial control. The committee also assists the Board in discharging its responsibilities by considering reports and information generated by the Subsidiaries audit or finance committees to their respective boards.

The committee's objectives are to assist the Board in fulfilling its fiduciary duties with regard to:

- reviewing the interim, provisional and year-end financial statements, culminating in a recommendation to the Board to adopt them;
- reviewing legal matters that could have a significant impact on the Group's financial statements;
- reviewing the external audit reports on the annual financial statements;
- verifying the independence of the external auditor; namely PKF (Jhb) Incorporated;
- approving the audit fees and engagement terms of the external auditor; and
- determining the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditor.

The Audit and Risk Committee comprises L Molefi, J Ngcobo and Yunis Shaik (Chairman). All the members of the committee are independent non-executive Directors. All members act independently as described in section 94 of the Companies Act.

The committee meets twice during the year.

Finance function

The committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function.

Effectiveness of Company's internal financial controls

The committee report to the Board that they are of the opinion that based on enquiries made and the reports from the internal and external auditors, the risk management processes and systems of internal control of the Company and its Subsidiaries were effective as at the Listing Date. No material weakness in financial control of the Company and its Subsidiaries was reported for the period under review.

Auditor independence

HCI Shareholders previously appointed PKF Inc (current HCI auditors) as the auditors of Niveus Investments until the first Annual General Meeting of Niveus Investments Shareholders. PKF (Jhb) Inc was appointed as the individual registered auditor undertaking the Company's audit for the period under review.

Niveus Investments believes that the auditors have observed the highest level of business and professional ethics. The committee is satisfied that the auditors have at all times acted with unimpaired independence. The independent auditor will attend all Audit Committee meetings and the Annual General Meeting of Niveus Investments Shareholders. The partner responsible for the audit is required to rotate every (five) years. The committee meets with the auditors independently of senior management.

Expertise of the Financial Director

The Listings Requirements were amended with effect from 1 September 2008, requiring all listed companies to have a financial director; with which requirement the Company has complied. The committee has considered and has satisfied itself of the appropriateness of the expertise and experience of the Financial Director.

Companies Act

As required in terms of the Companies Act the committee is satisfied that it complied with and performed its functions and that the Company's external auditors are independent of the Company.

The committee comprises a minimum of three members and consists only of non-executive Directors who must act independently. The Chairman is an independent non-executive Director and attends the Annual General Meeting.

Risk management and internal control

The Board acknowledges that it is accountable for the process of risk management and the system of internal control of Niveus Investments. The Group operates in a highly regulated environment. Where necessary, compliance officers have been appointed at each of the Subsidiaries to ensure adherence to the various Acts and Codes that govern the day-to-day operations.

Each Subsidiary has its own board of directors responsible for the management, including risk management and internal control, of that company and its business. Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed.

CORPORATE SOCIAL INVESTMENT

It is the intention that, Niveus Investments' Corporate Social Investment ("CSI") projects are initiated, reviewed, monitored and managed through the HCI Foundation. Accordingly, Niveus Investments intends to invest more than the required 1% of net profit after tax into Socio Economic Development ("SED") initiatives through the HCI Foundation.

In addition, as a result of the indirect shareholding of the Southern African Clothing and Textile Workers Union ("SACTWU") in Niveus Investments, dividends to Shareholders are likely to result in additional contributions to CSI work through such direct and indirect Shareholders as SACTWU.

In an effort to provide Non-Governmental Organisations ("NGO") with more long term sustainable funding, the HCI Foundation is beginning to support fewer projects on a longer term basis and create meaningful partnerships with NGO's that have a proven track record. The HCI Foundation has four main focus areas that they support: education; welfare and social development and, health and housing, with a small budget allocated to discretionary projects that request funding on an *ad hoc* basis.

Programmes supported by the HCI Foundation include:

EDUCATION

HCI Foundation Bursary Programme

The HCI Foundation supports the bursary programme whereby the vision is to provide tertiary bursaries to academically deserving undergraduate students from previously disadvantaged backgrounds who require financial assistance.

The bursary office is piloting a mentorship programme in partnership with Seardel Investment Corporation Limited to assist students to derive the maximum benefit from the opportunity that tertiary study provides, with the aim of improving student pass rates.

Early Childhood Development

The three year partnership agreement with the Centre for Early Childhood Development is in its third year of implementation.

Other Education programmes supported are Edu-peg, Khululeka Community Education Development Centre, The Little Elephant Training Centre for Early Education and Sithuthukile Trust's.

WELFARE AND SOCIAL DEVELOPMENT

Programmes supported by the HCI Foundation in the Welfare and Social Development focus area fall into the categories; arts, culture and sport, community transport, disability, drug rehabilitation, emergency services, skills training and development, vulnerable and youth development. Supported programmes include:

The Clover Mama Afrika Project

The Clover Mama Afrika Project is a national social upliftment initiative, which assists and supports communities at grass roots level to help themselves and those around them, through enabling and empowering key community members. The project's main involvement is with women who look after abused, abandoned, orphaned and vulnerable children as well as the elderly in their own communities.

Over the six years of its existence, Clover Mama Afrika has improved the lives of thousands nationally, and continues to work towards a better future for underprivileged South African communities.

The Refugee Programme

The Refugee Support Programme developed out of the HCI Foundation's growing involvement in refugee issues and the belief that their integration into South African society can make a significant contribution to reducing the national skill shortage.

The HCI Foundation's programme aims to facilitate social and economic integration of refugees, by supporting existing refugee social programmes of NGOs and partnering in order to enhance impact. Central in this regard is a partnership being developed with a refugee student organisation doing advocacy work on behalf of refugee students.

Cape Town Bus Transport Museum

A 2010 partnership between the HCI Foundation and University of the Western Cape resulted in the Museum Preparatory Project, a graduate programme of directed research and engagement with scholars and academics in the field of transport/mobility studies and museum and heritage work.

Other welfare and social development programmes supported are Angus Gillis Foundation, The Promised Land, Girls and Boys Town, Harmony Home for the Aged, Eastern province Child and Youth Care Centre, Quad Para Association, Roundabout Water Solutions, Social Change Assistance Trust.

HEALTH

Humana People to People

The Humana People to People in SA provides development programmes that target women, orphaned and vulnerable children. The HCI Foundation contributed towards the training of a team of carers recruited from local communities; ensuring that children are registered with the Department of Social Services and accessing child support and foster grants; providing psycho-social support; assistance with accessing RDP housing; providing food parcels where there is little or no family income; and assisting children to obtain identity documents and birth certificates.

Umonde Community Based Organisation

Umonde Community based Organisation is based in Stutterheim in the Eastern Cape and provides support to people living with HIV/Aids. With very few local employment opportunities, this community has a high unemployment rate resulting in most residents being dependent on social grants for survival.

Other health programmes supported are Children's Haematology Oncology Clinics (CHOC), Epilepsy SA, Asbestos Interest Group, and Tygerberg Community Outreach Programme.

HOUSING

Masiphathisane Housing project

During the 2010 financial year, 80 housing units were built under the Masiphathisane Housing Project. Amongst this group of completed houses are homes built for people with physical disabilities. In these houses, designs were modified to meet individual need for access and general movement, and supporting features such as grab rails, tap handles, and flush handles were installed in the bathroom. Non-slip flooring was installed throughout to promote safety. Outdoor modifications included building of ramps for improved wheelchair access.

Green products such as solar water heaters, and solar lighting systems were also installed, and will be included as standard in the future roll out strategy for all new housing developments.

The lessons learned from the past three years of involvement in low-cost housing delivery demonstrate the urgent need for new homeowner's education. The transition from informal to formal housing brings new roles and responsibilities which require preparation and learning. Training in how to build and maintain their houses would increase beneficiary understanding of the responsibilities that home ownership brings, and enhance both the quality of life for homeowners and their families, and the value of their properties. As part of the drive to address this challenge, feasibility studies on how best to provide homeowner education have been initiated.

OVER THE COUNTER TRADING HISTORY OF KWV SHARES

Period	Volume traded (units)	Value traded (Rands)	Highest price traded (cents)	Lowest price traded (cents)	Closing price (cents)
Quarterly					
July 2010 – September 2010	415 715	4 339 022	1 125	1 030	1 030
October 2010 – December 2010	580 962	7 028 313	1 300	1 070	1 200
January 2011 – March 2011	599 453	6 880 944	1 260	1,050	1 055
April 2011 – June 2011	548 558	5 770 502	1 095	1 050	1 050
Monthly					
July 2011	331 473	3 479 243	1 100	1 000	1 000
August 2011	114 916	1 128 922	1 045	940	950
September 2011	126 764	1 045 211	860	700	800
October 2011	51 015	415 412	825	800	800
November 2011	175 301	1 467 923	860	825	830
December 2011	106 079	880 383	865	825	865
January 2012	264 168	2 330 564	900	860	900
February 2012	488 105	4 233 278	960	845	875
March 2012	571 939	5 063 784	925	875	875
April 2012	100 468	891 261	950	875	876
May 2012	85 955	773 440	950	876	950
June 2012	145 126	1 329 731	945	911	911
Daily					
25 June 2012	–	–	–	–	945
26 June 2012	564	5 330	945	945	945
27 June 2012	311	2 833	911	911	911
28 June 2012	831	7 570	911	911	911
29 June 2012	5 600	51 016	911	911	911
2 July 2012	61 764	563 705	915	911	915
3 July 2012	12 897	117 492	915	911	915
4 July 2012	12 601	115 011	915	911	915
5 July 2012	–	–	–	–	915
6 July 2012	2 239	20 487	915	915	915
9 July 2012	–	–	–	–	915
10 July 2012	2 310	21 137	915	915	915

Period	Volume traded (units)	Value traded (Rands)	Highest price traded (cents)	Lowest price traded (cents)	Closing price (cents)
11 July 2012	622	5 691	915	915	915
12 July 2012	238	2 178	915	915	915
13 July 2012	–	–	–	–	915
16 July 2012	10 059	92 040	915	915	915
17 July 2012	–	–	–	–	915
18 July 2012	4 000	36 600	915	915	915
19 July 2012	–	–	–	–	915
20 July 2012	31 836	291 299	915	915	915
23 July 2012	18 086	165 487	915	915	915
24 July 2012	1 643	15 033	915	915	915
25 July 2012	–	–	–	–	915

LIST OF SUBSIDIARY COMPANIES

Name of company	Registration number	Date of incorporation	Place of incorporation	Listed	Date on which it became a subsidiary	Main business
Formex Industries	1987/005556/07	05/11/1987	South Africa	No	05/11/1987	Manufacturing
Philmecc	2004/016557/07	15/06/2004	South Africa	No	15/06/2004	Manufacturing
Formex Tubing	1998/007378/07	20/4/1998	South Africa	No	20/4/1998	Manufacturing
HCI Gaming & Entertainment	2007/026773/07	18/09/2007	South Africa	No	18/09/2007	Gaming
Galaxy IT Supply (Bingo)	1997/005815/07	18/04/1997	South Africa	No	18/04/1997	Gaming
Galaxy Bingo Amanzimtoti	2006/023591/07	28/07/2006	South Africa	No	28/07/2006	Gaming
Galaxt Bingo Bluff	2006/023567/07	25/07/2006	South Africa	No	25/07/2006	Gaming
Galaxy Bingo Developments	1997/019595/07	17/11/1997	South Africa	No	17/11/1997	Gaming
Galaxy Bingo Durban CBD	2006/023746/07	28/07/2006	South Africa	No	28/07/2006	Gaming
Galaxy Bingo East Rand Mall	1997/019566/07	17/11/1997	South Africa	No	17/11/1997	Gaming
Galaxy Bingo Empangeni	2006/021556/07	11/07/2006	South Africa	No	11/07/2006	Gaming
Galaxy Bingo Gateway	2006/018287/07	12/06/2006	South Africa	No	12/06/2006	Gaming
Galaxy Bingo Hillcrest	2006/023667/07	28/11/2006	South Africa	No	28/11/2006	Gaming
Galaxy Bingo Gaming and Entertainment (International SA)	1997/019569/07	17/11/1997	South Africa	No	17/11/1997	Gaming
Galaxy Bingo Kokstad	2006/021500/07	10/07/2006	South Africa	No	10/07/2006	Gaming
Galaxy Bingo KwaZulu-Natal	2006/018152/07	12/06/2006	South Africa	No	12/06/2006	Gaming
Galaxy Bingo Ladysmith	2006/021537/07	11/07/2006	South Africa	No	11/07/2006	Gaming
Galaxy Bingo Midlands	2006/021491/07	11/07/2006	South Africa	No	11/07/2006	Gaming
Galaxy Bingo Pavilion	2006/021677/07	12/07/2006	South Africa	No	12/07/2006	Gaming

Name of company	Registration number	Date of incorporation	Place of incorporation	Listed	Date on which it became a subsidiary	Main business
Galaxy Bingo Pinetown	2006/018619/07	13/06/2006	South Africa	No	13/06/2006	Gaming
Galaxy Bingo South Coast	2006/018164/07	12/06/2006	South Africa	No	12/06/2006	Gaming
The Marco Polo Gaming (Galaxy Special Projects)	1997/019578/07	17/11/1997	South Africa	No	17/11/1997	Gaming
Galaxy Bingo Ubuntu KZN	2006/026033/07	17/08/2006	South Africa	No	17/08/2006	Gaming
Bingo Vision	1997/004060/07	20/03/1997	South Africa	No	20/03/1997	Gaming
Metro Bar and Grill Metro Bingo	1997/019591/07	17/11/1997	South Africa	No	17/11/1997	Gaming
Metro Bingo Johannesburg	1997/019596/07	17/11/1997	South Africa	No	17/11/1997	Gaming
The Glen Restaurant	2007/027541/07	25/09/2007	South Africa	No	25/09/2007	Gaming
HCI – KWV Holdings	2010/022470/07	16/11/2010	South Africa	No	16/11/2010	Investment holding
Luck Holdings	2001/009849/07	03/05/2001	South Africa	No	03/05/2001	Gaming
Luck At It Mpumalanga	2001/011716/07	03/05/2001	South Africa	No	03/05/2001	Gaming
Luck At It KZN	2000/017827/07	03/08/2000	South Africa	No	03/08/2000	Gaming
Luck At It Limpopo	2001/009856/07	23/05/2001	South Africa	No	23/05/2001	Gaming
Niveus Investments	1996/005744/06	15/05/1996	South Africa	No	15/05/1996	Investment holding
VBET Africa	2012/125136/07	17/07/2012	South Africa	No	17/07/2012	Gaming
VBetSA Eastern Cape	2012/125104/07	17/07/2012	South Africa	No	17/07/2012	Gaming
VBETSA Mpumalanga	2012/125114/07	17/07/2012	South Africa	No	17/07/2012	Gaming
VBETSA Limpopo	2012/125120/07	17/07/2012	South Africa	No	17/07/2012	Gaming
VBetSA Western Cape	2012/125109/07	17/07/2012	South Africa	No	17/07/2012	Gaming
Vukani Gaming Corporation	1995/000842/07	18/01/1995	South Africa	No	18/01/1995	Gaming
Vukani Gaming Eastern Cape	1997/009974/07	26/06/1997	South Africa	No	26/06/1997	Gaming

Name of company	Registration number	Date of incorporation	Place of incorporation	Listed	Date on which it became a subsidiary	Main business
Vukani Gaming Equipment Proprietary Limited	1997/008389/07	02/06/1997	South Africa	No	02/06/1997	Gaming
Vukani Gaming Free State	1997/009522/07	19/06/1997	South Africa	No	19/06/1997	Gaming
Vukani Gaming Gauteng Proprietary Limited	1997/004845/07	03/04/1997	South Africa	No	03/04/1997	Gaming
Vukani Gaming KwaZulu-Natal	1997/004658/07	02/04/1997	South Africa	No	02/04/1997	Gaming
Vukani Gaming Limpopo	1997/009399/07	13/06/1997	South Africa	No	13/06/1997	Gaming
Vukani Gaming Mpumalanga Proprietary Limited	1996/016417/07	12/11/1996	South Africa	No	12/11/1996	Gaming
Vukani Gaming North West Proprietary Limited	1997/009429/07	19/06/1997	South Africa	No	19/06/1997	Gaming
Vukani Gaming Northern Cape	1997/009676/07	23/06/1997	South Africa	No	23/06/1997	Gaming
Vukani Gaming Western Cape	1997/004824/07	03/04/1997	South Africa	No	03/04/1997	Gaming
Cherry Moss Trade and Invest 188	2008/003167/07	07/02/2008	South Africa	No	07/02/2008	Gaming