

Niveus Investments Limited

Reg. no: 1996/005744/06

Incorporated in the Republic of South Africa

JSE share code: NIV

ISIN code: ZAE000169553

REVIEWED ABRIDGED CONSOLIDATED RESULTS
for the year ended 31 March 2013

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 March 2013 R'000	Audited 31 March 2012 R'000
ASSETS		
Non-current assets	569 750	507 614
Property, plant and equipment	453 215	150 019
Investment properties	3 700	3 700
Goodwill	49 730	48 230
Interest in associates and joint ventures	15 141	284 670
Other intangible assets	26 184	5 596
Deferred taxation	15 553	9 649
Non-current receivables	6 227	5 750
Current assets	1 533 308	49 643
Inventory	816 753	865
Trade and other receivables	456 590	37 639
Restricted cash	15 000	-
Bank balances and deposits	244 965	11 139
Total assets	2 103 058	557 257
EQUITY AND LIABILITIES		
Equity	1 444 738	24 879
Equity attributable to equity holders of the parent	860 241	25 409
Non-controlling interests	584 497	(530)
Non-current liabilities	229 528	185 856
Deferred taxation	34 797	37
Borrowings	192 693	185 166
Operating lease equalisation liability	2 038	653
Current liabilities	428 792	346 522
Total equity and liabilities	2 103 058	557 257
Net asset value per share (cents)	764	43

Net tangible asset value per share (cents)	696	(48)
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ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 31 March 2013 R'000	Audited 31 March 2012 R'000
Cash flows from operating activities	216 962	84 371
Cash flows from investing activities	(37 193)	(57 614)
Cash flows from financing activities	69 092	(20 877)
Increase in cash and cash equivalents	248 861	5 880
Cash and cash equivalents		
At beginning of year	11 139	5 259
Foreign exchange difference	(35)	-
At end of year	259 965	11 139
Restricted cash	15 000	-
Bank balances and deposits	244 965	11 139
Cash and cash equivalents	259 965	11 139

ABRIDGED CONSOLIDATED INCOME STATEMENT

	Reviewed 31 March 2013 R'000	Audited 31 March 2012 R'000
Revenue	200 525	6 982
Net gaming win	655 611	417 982
Group revenue	856 136	424 964
Other income	9 023	977
Other operating expenses	(691 357)	(292 984)
EBITDA	173 802	132 957
Depreciation and amortisation	(71 857)	(47 597)
EBIT	101 945	85 360
Investment income	5 514	559
Finance costs	(16 273)	(21 529)
Share of losses of associates and joint ventures	(14 722)	(2 252)
Negative goodwill	259 781	-
Profit before taxation	336 245	62 138
Taxation	(30 868)	(20 743)
Profit for the year from continuing operations	305 377	41 395
Discontinued operations	(16 178)	-
Profit for the year	289 199	41 395
Attributable to:		
Equity holders of the parent	290 414	40 323
Non-controlling interests	(1 215)	1 072
	289 199	41 395

Reconciliation of headline earnings

	Reviewed 31 March 2013 R'000	Audited 31 March 2012 R'000
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	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		290 414		40 323
IAS 16 (Gains)/losses on disposal of plant and equipment	301	107	(331)	(238)
IAS 16 Impairment of plant and equipment	2 880	2 074	361	260
IFRS 3 Impairment of goodwill	343	343	-	-
IFRS 3 Negative goodwill	(259 781)	(259 781)	-	-
IAS 27 Loss from disposal of subsidiary	9 555	9 555	-	-
Remeasurements included in equity-accounted earnings of associates	(147)	(147)	-	-
Headline profit		42 565		40 345
Earnings per share (cents)				
Basic and diluted	301,3	68,8		
- Continuing operations	318,1	68,8		
- Discontinued operations	(16,8)	-		
Headline	44,2	68,8		
- Continuing operations	50,7	68,8		
- Discontinued operations	(6,5)	-		
-Basic	301,3	68,8		
-Headline	44,2	68,8		
weighted average number of shares in issue ('000)	96 373	58 633		
Actual number of share in issue at end of year (net of treasury shares) ('000)	112 619	58 633		

SEGMENTAL ANALYSIS

a) Information on reportable segments

	Reviewed 31 March 2013 R'000	Audited 31 March 2012 R'000
Revenue		
Beverages	175 565	-
Gaming and Entertainment	24 960	6 982
Total	200 525	6 982
Net gaming win		
Gaming and Entertainment	655 611	417 982
Total	655 611	417 982

EBITDA		
Gaming and Entertainment	188 345	132 987
Beverages	(4 496)	-
Head office	(10 047)	(30)
Total	173 802	132 957
Profit before tax		
Gaming and Entertainment	106 541	81 625
Beverages	(23 873)	(2 252)
Head office	253 577	(17 235)
Total	336 245	62 138
Headline profit - continuing operations		
Gaming and Entertainment	73 630	60 183
Beverages	(18 105)	(2 252)
Head office	(7 357)	(17 586)
	48 168	40 345
Headline profit - discontinued operations		
Vehicle component manufacturing	(5 603)	-
Total	42 565	40 345

b) Information on geographical areas

	Reviewed 31 March 2013 R'000	Audited 31 March 2012 R'000
Revenue		
Republic of South Africa	118 916	6 982
International	81 609	-
Total	200 525	6 982

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed 31 March 2013 R'000	Audited 31 March 2012 R'000
Balance at beginning of year	24 879	(14 729)
Share capital and premium		
Shares issued	745 457	-
Current operations		
Total comprehensive income	289 295	41 565
Common control reserve	(207 643)	-
Effects of changes in holding	-	(10)
Minority interest on acquisition of subsidiaries	595 270	-
Capital reductions and dividends	(2 520)	(1 947)
Balance at end of year	1 444 738	24 879

ABRIDGED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Reviewed 31 March 2013 R'000	Audited 31 March 2012 R'000
Profit for the year	289 199	41 395
Other comprehensive income:		
Foreign currency translation differences	96	170
Total comprehensive income	289 295	41 565
Attributable to:		
Equity holders of the parent	290 510	40 493
Non-controlling interests	(1 215)	1 072
	289 295	41 565

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation and accounting policies

The results for the year ended 31 March 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure of IAS 34: Interim Financial Reporting, the AC 500 series of interpretation as issued by the Accounting Practices Board, the requirements of the South African Companies Act, 2008 and the Listings Requirements of the JSE Limited. The accounting policies of the group are consistent with those applied for the year ended 31 March 2012. As required by the Listings Requirements of the JSE Limited, the group reports headline earnings in accordance with Circular 3/2012: Headline Earnings as issued by the South African Institute of Chartered Accountants. These financial statements were prepared under the supervision of the financial director, Ms Muriel Loftie-Eaton CA(SA).

Acquisitions and disposal

During the year under review, Niveus acquired a 100% interest in the Galaxy Bingo Group and a 90% interest in Formex Industries Proprietary Limited ("Formex") with effect from 1 July 2012. As the acquisitions were made from Niveus' holding company, Hosken Consolidated Investments Limited ("HCI"), they were accounted for as common control acquisitions due to HCI retaining control of Niveus. The transactions were made at nominal values and therefore resulted in debit entries of R84 million and R226 million to the common control reserve for Galaxy Bingo and Formex respectively due to their negative equity positions at the date of acquisition. Furthermore, a R102,5 million shareholders' loan to Formex was acquired from HCI at a nominal value due to the loan being impaired to zero. This resulted in a credit to the common control reserve of R102,5 million. The investment in Formex was sold to HCI for a cash consideration of R23,4 million in January 2013 resulting in a consolidated loss of R9,6 million on the sale recorded in the income statement.

The interest in KVV Holdings Limited ("KVV") was increased from 35,5% to 39,9% in July 2012 subsequent to the purchase of an additional 3 million KVV shares for a cash consideration of R26 million. In December 2012, Niveus purchased a further 8 million KVV shares for R7 million cash and the issue of 5,5 million Niveus shares. Niveus is now the holder of 51,6% KVV shares and the transaction resulted in the acquisition of control. The R260 million difference between the fair value of the investment of R375 million and the net asset value attributable to Niveus of R635 million (based on provisional amounts) is recorded as negative goodwill in the income statement which is added back for headline earnings per share ("HEPS"). In terms of IFRS 3: Business Combinations, Niveus has a maximum of 12 months from the acquisition date to complete the acquisition accounting. The allocation of the purchase consideration to the identifiable assets and subsequent amendment to the recorded goodwill will therefore be reported in the following year, retrospectively for the year ending 31 March 2013.

The acquired entities contributed revenue of R323 million and loss before tax of R19 million since the date of acquisition. If these acquisitions had occurred on 1 April 2012, the contribution to revenue would have been R967 million and to loss before tax R26 million.

Shares issued

In July 2012, the company issued 8,98 million shares at R13,90 per share for the acquisition of a R124,8 million loan claim against Galaxy Bingo at face value, issued 22,48 million shares at R13,90 per share for the acquisition of a R312,5 million loan claim against HCI-KWV Holdings limited at face value and 17 million shares at R13,90 per share for R236,6 million cash. On 10 September 2012, the company listed its 107 million issued shares on the main board of the Johannesburg Stock Exchange under the Investment Entities sector. In December 2012, Niveus issued 5,5 million shares for the acquisition of a further interest in KWV.

Discontinued operations

The R9,6 million loss on the sale of Formex is, together with the after tax loss of R6,6 million for the six-month period from July to December 2012, reported as a loss from discontinued operations in the current year results. As the interest in Formex was only obtained during the current financial year, comparative figures were not restated. The loss on the sale was added back for HEPS from discontinued operations.

Comparative figures

The comparative figures are not comparable to the results for this year due to the acquisition of interest in Galaxy Bingo, the acquisition of a controlling interest in KWV and the acquisition and disposal of Formex.

COMMENTARY

Vukani

Vukani is the largest contributor to EBITDA in the gaming segment. Of the gaming EBITDA of R188 million, Vukani contributed R177 million (March 2012: R133 million). The EBITDA growth year-on-year is in line with our forecast even though the machine roll-out is behind expectations due to continued difficulties in obtaining new machine approvals from the respective gaming boards. The frustrating delays in Gauteng approvals should be behind us with the appointment of the new chief executive officer of the Gauteng Gaming Board. During the period management increased the gross gaming revenue ("GGR") per machine by 10%. We continue to engage the other provincial gaming boards to approve new site applications but the process remains slow.

The closing number of machines amounted to 4 404 (September 2012: 4 293, and March 2012: 3 963). The average GGR per machine per month for the year amounted to R15 632 (R15 679 for the six months ended September 2012 and R14 159 for the year ended March 2012).

Operational costs increased by R26 million to R157 million, a 20% year-on-year increase. Of this increase, R12,5 million relates to once-off items which we do not expect to occur in the following year.

Bingo

The business growth remains impressive with all the Gauteng sites growing significantly faster than the provincial gaming growth rate. This growth enabled the Bingo business to become profitable with a profit before tax of R5 million. The Gauteng sites are now refurbished and the impact on GGR has been positive.

The group has submitted applications for bingo sites in the Eastern Cape following the release of a request for proposal ("RFP") by the Eastern Cape Gaming Board. We expect the results to be announced by the end of July.

We also opened a bingo site in KwaZulu-Natal where we are limited to paper bingo. The KwaZulu-Natal Gaming Board has not made an announcement on Electronic Bingo Terminals ("EBTs") as they await the finalisation of the National Gaming Board's review of gaming in South Africa. This appears to be the approach adopted by all the gaming boards, other than Gauteng.

KWV

The acquisition by Niveus of a controlling interest in KWV provides KWV with a stable controlling shareholder with a longer-term investment horizon. While the acquisition was made at a substantial discount to net asset value ("NAV") the upside in the business remains leveraging its brands and international presence. For the nine months ended 31 March 2013, KWV's profit after tax amounted to R7,4 million, which is a substantial turn-around from the R49,6 million loss for the 12-month period ended 30 June 2012.

The return to profitability is pleasing as it resulted from operating profits but remains tenuous if the group does not continue to execute its strategic plans. The year-on-year improvement is also impacted by the change in year-end which is seasonally skewed for nine months and by substantial once-off costs in the prior period. The current nine-month results included exchange rate losses on the currency hedge book of R16 million of which R11 million relates to future periods. The group is expected to continue with its hedging policy which will result in mark-to-market losses if the rand continues to depreciate. However, the long-term expectation is that the group will be a net beneficiary if the currency

continues to weaken.

As indicated, the future profitability of the group is predicated on volume growth rather than cost reduction, which is particularly difficult given the world economic conditions.

Auditor's review

These results have been reviewed by the company's auditors, PKF (Jhb) Inc. Their unqualified review opinion is available for inspection at the registered office of the company.

Dividend

While the company remains committed to its dividend policy, the board recommends providing shareholders with a scrip alternative in light of the group pursuing various growth opportunities. A detailed announcement will follow in due course.

Changes in directorate

During the year under review, the following amendments to the board was effected:

A van der Veen - appointed 14/12/2011
MM Loftie-Eaton - appointed 25/1/2012
Y Shaik - appointed 25/1/2012
LM Molefi - appointed 25/1/2012
NC Ngcobo - appointed 25/1/2012
K Moloko - appointed 25/1/2012 resigned 19/6/2012

André van der Veen

22 May 2013
Cape Town

Directors: JA Copelyn**, MJA Golding**, MM Loftie-Eaton*, KI Mampeule#, LM Molefi#, JG Ngcobo#, Y Shaik#, A van der Veen*
(* executive ** non-executive # independent non-executive)

Company secretary: HCI Managerial Services Proprietary Limited
Block B, Longkloof Studios, Darters Road, Gardens 8001
PO Box 5251 Cape Town 8000

Transfer secretaries: Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107

Sponsor: Investec Bank Limited

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