Niveus Investments Limited

Reg. no: 1996/005744/06

Incorporated in the Republic of South Africa

JSE share code: NIV

ISIN code: ZAE000169553

("the Company" or "the Group" or "Niveus")

UNAUDITED GROUP INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2014 R'000	Unaudited 30 September 2013 Restated R'000	Audited 31 March 2014 R'000
ASSETS			
Non-current assets	1 260 170	1 093 435	1 200 750
Property, plant and equipment	1 079 072	926 503	1 023 845
Investment properties	6 813	3 700	3 900
Goodwill	49 730	49 730	49 730
Intangible assets	76 248	74 103	78 450
Interest in associates and joint arrangements	17 037	15 365	15 272
Deferred taxation	18 022	18 403	17 996
Loans receivable	13 248	5 631	11 557
Current assets	1 468 485	1 433 409	1 533 880
Other	1 345 963	1 200 295	1 310 440
Bank balances and deposits	122 522	233 114	223 440
Total assets	2 728 655	2 526 844	2 734 630
EQUITY AND LIABILITIES			
Equity	1 931 745	1 849 884	1 902 357
Equity attributable to equity holders of the parent	1 248 853	1 118 378	1 173 574
Non-controlling interests	682 892	731 506	728 783
Non-current liabilities	343 504	290 513	277 034
Deferred taxation	111 303	105 375	107 629
Borrowings	223 373	177 786	163 225
Finance lease liabilities	66	4 905	2 404
Accruals	4 210	-	420
Operating lease equalisation liability	4 552	2 447	3 356
Current liabilities	453 406	386 447	555 239
Total equity and liabilities	2 728 655	2 526 844	2 734 630

Net asset value per share (cents)	1 068	980	1 016
Net tangible asset value per share (cents)	973	885	918

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Unaudited Six months ended 30 September 2014 R'000	Unaudited Six months ended 30 September 2013 Restated R'000	Audited Year ended 31 March 2014 R'000
Revenue	548 488	536 861	1 154 982
Net gaming win	482 811	396 988	818 421
Group revenue	1 031 299	933 849	1 973 403
Other income	193	(10 855)	12 540
Other operating expenses	(884 705)	(844 236)	(1 773 760)
EBITDA	146 787	78 758	212 183
Depreciation and amortisation	(61 996)	(53 514)	(107 588)
EBIT	84 791	25 244	104 595
Investment income	2 919	6 514	11 136
Share of profits of associates and joint arrangements	992	423	331
Impairment reversals	-	689	-
Asset impairments	(763)	(1 614)	(6 412)
Finance costs	(10 180)	(8 634)	(16 496)
Profit before taxation	77 759	22 622	93 154
Taxation	(28 547)	(12 692)	(34 044)
Profit for the period	49 212	9 930	59 110
Attributable to:			
Equity holders of the parent	40 640	14 885	61 471
Non-controlling interest	8 572	(4 955)	(2 361)
	49 212	9 930	59 110

Reconciliation of headline earnings	Gross	Net	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		40 640		14 885		61 471
IAS 16 gains on disposal of plant and equipment	(170)	(98)	(807)	(532)	(679)	(475)
IAS 16 impairment of plant and equipment	763	549	1 614	1 162	6 412	4 230
IAS 40 fair value adjustment to investment property	-	-	-	-	(200)	(163)
Headline earnings		41 091		15 515		65 063

Earnings per share (cents)	35,1	13,2	54,1
Headline earnings per share (cents)	35,5	13,7	57,2
Diluted earnings per share (cents)	34,2	13,1	52,8
Diluted headline earnings per share (cents)	34,6	13,7	55,9

Weighted average number of shares in issue ('000)	115 851	112 908	113 677
Actual number of shares in issue at end of period ('000)	116 957	114 132	115 512
Weighted average number of shares in issue (diluted) ('000)	118 910	113 553	116 330

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September 2014 R'000	Unaudited Six months ended 30 September 2013 Restated R'000	Audited Year ended 31 March 2014 R'000
Profit for the period	49 212	9 930	59 110
Other comprehensive income:			
Foreign currency translation differences	(2 467)	267	2 773
Total comprehensive income	46 745	10 197	61 883
Attributable to:			
Equity holders of the parent	38 161	14 919	63 927
Non-controlling interests	8 584	(4 722)	(2 044)
	46 745	10 197	61 883

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 30 September 2014 R'000	Unaudited Six months ended 30 September 2013 Restated R'000	Audited Year ended 31 March 2014 R'000
Balance at beginning of period	1 902 357	1 856 025	1 856 025
Stated capital			
Shares issued	30 754	19 059	46 657
Current operations			
Total comprehensive income	46 745	10 197	61 883
Equity-settled share-based payments	2 432	874	5 647
Effects of changes in holding	(12 550)	(16 000)	(19 450)
Capital reductions and dividends	(37 993)	(20 271)	(48 405)
Balance at end of the period	1 931 745	1 849 884	1 902 357

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 September 2014 R'000	Unaudited Six months ended 30 September 2013 R'000	Audited Year ended 31 March 2014 R'000
Cash flows from operating activities	(78 609)	(23 285)	219 772
Cash flows from investing activities	(136 997)	(37 737)	(235 051)
Cash flows from financing activities	29 050	286	(21 246)
Decrease in cash and cash equivalents	(186 556)	(60 736)	(36 525)
Cash and cash equivalents			
At beginning of period	223 440	259 965	259 965
Foreign exchange difference	-	267	-
At end of period	36 884	199 496	223 440
Bank balances and deposits	122 522	233 114	223 440
Bank overdrafts included under current liabilities	(85 638)	(33 618)	-
Cash and cash equivalents	36 884	199 496	223 440

SEGMENTAL ANALYSIS

	Unaudited Six months ended 30 September 2014 R'000	Unaudited Six months ended 30 September 2013 R'000	Audited Year ended 31 March 2014 R'000
Revenue			
Gaming and entertainment	27 928	13 642	44 770
Beverages*	520 560	523 219	1 110 212
Total	548 488	536 861	1 154 982
Net gaming win			
Gaming and entertainment	482 811	396 988	818 421
EBITDA			
Gaming and entertainment	132 640	107 599	216 035
Beverages	35 874	(7 699)	26 075
Head office	(21 727)	(21 142)	(29 927)
Total	146 787	78 758	212 183
Profit before tax			
Gaming and entertainment	75 853	60 878	117 946
Beverages*	21 439	(19 369)	(448)
Head office	(19 533)	(18 887)	(24 344)
Total	77 759	22 622	93 154

* The beverages revenue and profit before tax for the six months ended 30 September 2013 are restated.

Headline earnings			
Gaming and entertainment	51 547	41 638	83 395
Beverages	8 893	(7 236)	1 050
Head office	(19 349)	(18 887)	(19 382)
Total	41 091	15 515	65 063

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation and accounting policies

The results for the six months ended 30 September 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, 2008 (as amended) and the Listings Requirements of the JSE Limited. The accounting policies of the Group are consistent with those applied for the year ended 31 March 2014. As required by the Listings Requirements of the JSE Limited, the Group reports headline earnings in accordance with Circular 2/2013: Headline Earnings as issued by the South African Institute of Chartered Accountants. These interim financial statements have not been audited nor independently reviewed and were prepared under the supervision of the financial director, Ms MM Loftie-Eaton CA(SA).

Restatement of 30 September 2013 figures

The acquisition of a controlling interest in KWV Holdings Limited ("KWV") on 1 January 2013 qualified as a business combination in terms of IFRS 3: Business Combinations. Comparative figures as at 30 September 2013 were determined based on all information available at the acquisition date ("provisional accounting"). The provisional accounting was updated for the reporting period ending 31 March 2014 for new information obtained within the 12-month timeframe after the acquisition date. Changes to the updated results consist of adjustments to the fair values determined in the had the following retrospective impact on the 2013 interim results:

As at 30 September 2013:

- Property, plant and equipment increased by R439 million
- Trademarks (included in intangible assets) increased by R48 million
- Deferred tax liability increased by R77 million
- Equity attributable to equity holders of the parent increased by R224 million
- Non-controlling interest increased by R186 million
- Net asset value ("NAV") per share increased by 196 cents per share
- Net tangible asset value ("NTAV") per share increased by 168 cents per share

For the six months ended 30 September 2013:

- Depreciation and amortisation increased by R1,5 million
- Deferred taxation decreased by R0,5 million
- Profit attributable to equity holders of the parent decreased by R0,5 million
- Profit attributable to non-controlling interest decreased by R0,5 million
- Basic earnings per share ("EPS") decreased by 0,4 cents per share
- Headline earnings per share ("HEPS") decreased by 0,5 cents per share

Niveus voluntarily changed its accounting policy relating to the valuation of inventory to be in line with the change in accounting policy made by a major subsidiary of Niveus in terms of which excise duty is now included in the valuation of inventory, which was previously included in trade and other receivables. The voluntary change in accounting policy, which was effective for the results published for the year ended 31 March 2014, had the following retrospective impact on the 2013 interim results due to its application:

As at 30 September 2013:

- Inventory increased by R118 million
- Trade and other receivables decreased by R118 million
- No impact on NAV per share and NTAV per share

For the six months ended 30 September 2013:

- Revenue increased by R93 million
- Other income decreased by R13 million
- Other operating expenses increased by R80 million
- No impact on EPS and HEPS

Commentary

The Group’s results are largely dominated by the performance of the gaming business where the majority of the Group’s investment is focused.

Our Group’s gaming offerings, in particular Bingo, has received significantly more attention from regulators and some casino groups during the last six months. This includes statements that Electronic Bingo Terminals (“EBTs”) should not be permitted in the current format. We see anti-EBT sentiment as the most significant risk to the bingo business, but remain hopeful that our numerous facts-based submissions to the National Gambling Board ("NGB"), DTI and provincial regulators will ultimately succeed in provinces where we have not been able to roll out EBTs. Our view remains that our product does not compete with casinos and that margin and gross gaming revenue (“GGR”) problems highlighted by certain industry groups are largely of their own making.

The economic conditions and consumer sentiment remained difficult if a basket of economic indicators is reviewed. We remain fortunate that our GGR has grown by more than 20% compared to the same period last year.

Vukani

Vukani contributed R125 million to Group gaming EBITDA compared to R87 million in the comparative period. The prior period included share-based payments of R15 million and forex losses of R3 million that did not recur at the same rate.

The number of active Limited Payout Machines (“LPMs”) at 30 September 2014 was 4 932 (March 2014: 4 643). The average GGR per LPM increased to R17 794 (March 2014: 16 848). Operational overheads amounted to R89 million.

It is not expected that the number of LPMs rolled out will increase significantly when we report our full-year results due to the limited number of gambling board meetings scheduled prior to 31 March 2015.

The Group was awarded one of the route operator licences in the Northern Cape and we have already submitted our first batch of site applications. However, the Northern Cape Gambling Board’s decision has been taken on review by another applicant; this may delay the roll-out of site licences.

The ongoing operation of illegal gambling outlets, mainly posing as internet entertainment lounges, is prevalent on a large scale across our country. Various gambling boards and the SAPS have been unable to close them and the operations will affect our LPM and Bingo businesses significantly if this continues unabated.

Bingo

Trading in Gauteng remains good with year-on-year gaming growth of more than 10%. Our operations in the Eastern Cape have performed in line with expectations, while our North West operations traded below expectations.

The KwaZulu-Natal Gaming and Betting Board (“KZNGB”) has not approved EBTs and we remain unsure when or if this will happen. We have one operational site in the province where we operate paper bingo and 33 LPMs. We have completed the construction of two additional sites during the period and are hopeful that the KZNGB will approve the operation of bingo and LPMs in these locations while we wait for the EBT approval process to be concluded. We aim to commence with the construction of a further three sites in KwaZulu-Natal by March 2015.

The Group was awarded three additional bingo licences in the Eastern Cape. Two of these licences were challenged by another applicant and we are currently assessing the potential impact on our construction timetable. The Group’s interest in these licences varies between 29% and 49%.

Kuruman Casino licence

Our development programme is substantially on track and the expected opening date of the casino is mid-December 2014. We have committed R90 million to the development of the casino and related infrastructure.

Sports betting

The Group continues to evaluate its offering in the sports betting sector. During the period the Group acquired a 25% interest in the online sports betting company bet.co.za, which remains subject to gambling board approval.

KWV

The headline earnings for the period under review amounted to a profit of R16,6 million (24,3 cents per share) compared to a loss of R13,0 million (18,9 cents per share) during the comparative period. The significant improvement is mainly due to the rand depreciating against major currencies.

Total revenue for the six months to September 2014 decreased by 0,5% from that of the six months to September 2013. KWV’s export portfolio benefited from a 10% weakening in the rand compared to the comparative period. If the exchange rate impact is adjusted, revenue is about 4,5% lower than in the comparative six months. The current period includes exchange rate profits of R7,4 million compared to a R37,6 million loss in the prior period, resulting in a R45 million swing between the two periods. The main contributor to the decline in revenue is a 6% decrease in sales volumes.

The brandy market in South Africa remains under pressure and continued losing market share to whisky and white spirits. This resulted in a volume decline despite increased market share for the KWV portfolio. KWV’s market share over the 12 months to September 2014 increased from 10% to 12%. This market share growth was achieved in a tough trading environment, often at the expense of gross profit margins.

Administrative and operational expenses increased by 2% from the comparative six-month period. The Group’s overhead expenses are being contained below inflationary increases.

It is expected that challenging trading conditions will persist in Europe and that the brandy category will remain under pressure.

Dividend

No interim dividend is proposed and the board will consider the Group’s cash position and forecast requirements at year-end when proposing the final dividend.

André van der Veen
Chief executive officer

20 November 2014
Paarl

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

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