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")

REVIEWED GROUP CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 MARCH 2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 March 2015 R'000	Audited 31 March 2014 R'000
ASSETS		
Non-current assets	1 338 005	1 200 750
Property, plant and equipment	1 150 507	1 023 845
Investment properties	6 813	3 900
Goodwill	60 360	49 730
Intangible assets	77 279	78 450
Interest in associates and joint arrangements	21 693	15 272
Deferred taxation	16 991	17 996
Loans receivable	4 362	11 557
Current assets	1 514 756	1 533 880
Other	1 382 470	1 310 440
Cash and cash equivalents	132 286	223 440
Total assets	2 852 761	2 734 630
EQUITY AND LIABILITIES		
Equity	1 985 645	1 902 357
Equity attributable to equity holders of the parent	1 295 018	1 173 574
Non-controlling interests	690 627	728 783
Non-current liabilities	391 526	277 034
Deferred taxation	120 591	107 629
Borrowings	261 033	163 225
Finance lease liabilities	-	2 404
Accruals	5 823	420
Operating lease equalisation liability	4 079	3 356
Current liabilities	475 590	555 239
Total equity and liabilities	2 852 761	2 734 630
Net asset value per share (cents)	1 107	1 016
Net tangible asset value per share (cents)	1 002	918

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 March 2015 R'000	Year ended 31 March 2014 R'000
Revenue	1 205 348	1 154 982
Net gaming win	999 695	818 421
Group revenue	2 205 043	1 973 403
Other income	32 603	12 540
Other operating expenses	(1 917 810)	(1 773 760)
EBITDA	319 836	212 183
Depreciation and amortisation	(129 820)	(107 588)
EBIT	190 016	104 595
Investment income	5 801	11 136
Share of profits of associates and joint arrangements	1 474	331
Asset impairments	(4 837)	(6 412)
Impairment of investments	(903)	-
Finance costs	(24 217)	(16 496)
Profit before taxation	167 334	93 154
Taxation	(73 326)	(34 044)
Profit for the year	94 008	59 110
Attributable to:		
Equity holders of the parent	80 286	61 471
Non-controlling interests	13 722	(2 361)
	94 008	59 110

	Reviewed Year ended 31 March 2015 R'000		Audited Year ended 31 March 2014 R'000	
Reconciliation of headline earnings	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		80 286		61 471
IAS 16 losses/(gains) on disposal of plant and equipment	76	(37)	(679)	(475)
IAS 16 impairment of plant and equipment	4 837	3 585	6 412	4 230
IAS 40 fair value adjustment to investment property	-	-	(200)	(163)
IAS 28 impairment of investment in joint arrangement	903	419	-	-
Headline earnings		84 253		65 063

	Reviewed Year ended 31 March 2015	Audited Year ended 31 March 2014
Earnings per share (cents)	69,0	54,1
Headline earnings per share (cents)	72,4	57,2
Diluted earnings per share (cents)	67,8	52,8
Diluted headline earnings per share (cents)	71,2	55,9
Weighted average number of shares in issue ('000)	116 402	113 677
Actual number of shares in issue at end of year ('000)	116 957	115 512
Weighted average number of shares in issue (diluted) ('000)	118 367	116 330

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Reviewed Year ended 31 March 2015 R'000	Audited Year ended 31 March 2014 R'000
Profit for the year	94 008	59 110
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences	2 875	2 773
Total comprehensive income	96 883	61 883
Attributable to:		
Equity holders of the parent	83 030	63 927
Non-controlling interests	13 853	(2 044)
	96 883	61 883

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed Year ended 31 March 2015 R'000	Audited Year ended 31 March 2014 R'000
Balance at beginning of year	1 902 357	1 856 025
Stated capital		
Shares issued	30 754	46 657
Current operations		
Total comprehensive income	96 883	61 883
Equity-settled share-based payments	6 194	5 647
Effects of changes in holding	(12 550)	(19 450)
Capital reductions and dividends	(37 993)	(48 405)
Balance at end of year	1 985 645	1 902 357

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed Year ended 31 March 2015 R'000	Audited Year ended 31 March 2014 R'000
Cash flows from operating activities	130 264	219 772
Cash flows from investing activities	(292 620)	(235 051)
Cash flows from financing activities	71 202	(21 246)
Decrease in cash and cash equivalents	(91 154)	(36 525)
Cash and cash equivalents		
At beginning of year	223 440	259 965
At end of year	132 286	223 440
Bank balances and deposits	132 286	223 440
Cash and cash equivalents	132 286	223 440

SEGMENTAL ANALYSIS

	Reviewed Year ended 31 March 2015 R'000	Audited Year ended 31 March 2014 R'000
Revenue		
Gaming and entertainment	49 963	44 770
Beverages	1 155 385	1 110 212
Total	1 205 348	1 154 982
Net gaming win		
Gaming and entertainment	999 695	818 421
EBITDA		

Gaming and entertainment	266 064	216 035
Beverages	92 152	26 075
Head office	(38 380)	(29 927)
Total	319 836	212 183
Profit before tax		
Gaming and entertainment	127 276	117 946
Beverages	61 678	(448)
Head office	(21 620)	(24 344)
Total	167 334	93 154
Headline earnings		
Gaming and entertainment	93 304	83 395
Beverages	26 958	1 050
Head office	(36 009)	(19 382)
Total	84 253	65 063

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation and accounting policies

The results for the year ended 31 March 2015 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. The adoption of new standards that are applicable for this financial year had no impact on the figures presented. Details of the standards adopted will be provided in the annual financial statements. 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 financial statements were prepared under the supervision of the financial director, Ms MM Loftie-Eaton CA(SA).

Shares issued

On 29 July 2014, a gross dividend of 28 cents per ordinary share, with a net dividend of 23,8 cents per share after Dividend Withholding Tax of 15%, or the option to elect a capitalisation issue alternative of 1 share for every 76 shares held, was approved at the general meeting. A gross cash dividend of R1,6 million was paid and 1 445 185 capitalisation shares were issued on 18 August 2014.

COMMENTARY

In the face of reduced consumer spending and cost pressure in the general business environment we are pleased that our gaming businesses continued to show growth in earnings and margins. During the year we invested R309 million in capital expenditure, including losses from new operations and support structures, in the gaming businesses, with a significant portion thereof invested in KwaZulu-Natal ("KZN") where the Group is facing material regulatory hurdles.

As indicated last year, the potential returns in the gaming sector remain good but the risk of regulatory interference and uncertainty has increased. The recent statements from the Department of Trade and Industry ("DTI") are not investment friendly for the bingo industry and also reflect a fixation with legalised gambling when illegal gambling is growing at an unprecedented rate. The DTI also incorrectly believes that gaming outside formal casinos is more harmful to society and that the investment by casino operators needs to be protected. Illegal gaming is now one of the largest risks to the Group, and the communities they operate in. The inability of the DTI, SAPS and SARS to stop these operations is concerning. Numerous complaints have been lodged in multiple jurisdictions, by the gaming boards as well as the Group, but action remains very limited and slow.

KWV Holdings Limited ("KWV") increased its profits substantially from the previous year but it is expected that profits in 2016 will be lower following a relative strengthening in the rand and sustained pressure in the South African brandy category.

Bingo and casino operations

The EBITDA contribution of these businesses declined from R33 million in the comparative year to R10 million in the current financial year. EBITDA for sites that are operationally fully developed (including the Kuruman casino that opened in December) was R86 million. This was reduced to R10 million by head office costs, development costs and losses from sites that are not yet operationally complete. It is estimated that the head office costs associated with fully developed sites is less than R15 million.

A significant portion of the cost and losses were incurred in KZN, where the provincial finance authorities have revoked licences issued to the Group in 2010. If the Group is unsuccessful in appeal and ultimately loses its bingo licences the Group will be required to impair assets to the value of R35 million and may be liable for rent and the retrenchment costs of 300 staff members.

Other costs include development costs for the new licences in the Eastern Cape and the costs of various bids in other provinces. Bingo licences in Uitenhage and King Williams Town, awarded to the Group, have been challenged by another bidder.

Vukani

Vukani continued to grow earnings despite slower than expected machine roll-out in the second half of the financial year. The suspension of the KZN Gaming Board members, the delay in appointment of the Northern Cape Gambling Board as well as reaching licence capacity in the Eastern Cape contributed to the slow machine roll-out. The installed machine base increased from 4 643 in the prior year to 5 052 at March 2015 (4 932 September 2014). The average Gross Gaming Revenue ("GGR") per machine per month increased from R16 848 in March 2014 to R17 832 with total GGR growing 16% year on year.

The current year operating expenses of R184 million include an additional R8 million in marketing expenses compared to the R199 million expenses incurred in the prior year, which included a one-off R31 million share-based payment expense. Operating expenses on a normalised basis therefore increased by 5%, which is largely inflation based.

Vukani contributed EBITDA of R260 million to the R266 million EBITDA reported for the gaming segment. This is up from R183 million in the prior year. Year-on-year EBITDA growth of 25% was achieved on a normalised operating expense basis.

At year-end the Group had nine operating sports betting licences, which did not make a significant contribution to GGR performance for the year and resulted in operating losses from this segment. The Group anticipates to operate close to breakeven levels towards the end of the 2016 financial year.

KWV

KWV reported attributable headline earnings of R48 million (R2 million March 2014). While the business has improved and its cost base is well controlled, the majority of the earnings were as a result of the depreciation of the rand and the resultant profits on foreign exchange hedges.

KWV is recognised as the foremost brandy producer in South Africa and this was reflected in numerous awards, including the recognition of KWV 12 year as the best brandy in the world.The volume of packed spirits sold remained flat, but the Group increased its market share in the brandy category to 13,8%. The brandy category is dominated by Distell, with nearly 70% market share, and until Distell increases prices in real terms, the category will remain marginally profitable at the lower end.

Wine sales in South Africa improved in the core Roodeberg, KWV and Laborie brands. The South African wine category is, however, under pressure internationally and the increase in bulk wine exports is further entrenching South African wine as a low-cost offering, at the expense of our premium offerings. In 2015, KWV was the only South African wine brand recognised as one of the World’s Top 50 Most Admired Wine Brands by Drinks International (33rd).

KWV will continue to hedge its foreign exchange exports and, following the appreciation of the exchange rate against its trading currencies, in particular the euro, expects the profits in 2016 to be lower than 2015. It is unlikely that it will be able to increase prices in foreign markets with local cost pressure expected to reduce overall margins.
KWV’s investment in sales and marketing will be maintained even if it reduces profitability in the short term.

Head office costs

Head office costs amounted to R38 million, with the cost of senior management and the 50 basis points management fee payable to Johnnic Holdings Management Services (“JHMS”) included in this amount along with administration costs, i.e. listing, legal and consulting fees and internal and external audit fees. Niveus conducted an administration restructuring agreement with JHMS, subject to shareholder approval, whereby 50 basis points management fee portion of the contract is cancelled, in exchange for the issue of 1,75 million Niveus shares and an annual payment of R3 million, increasing by the Consumer Price Index. If approved by shareholders, head office costs would be reduced by R13 million using the current year management fee payment as reference. Please refer to the detailed announcement released on SENS on 21 May 2015.

Auditors’ review

The Condensed Consolidated Results have been reviewed by the Company’s auditors, Grant Thornton (Jhb) Inc. Their unqualified review opinion is available for inspection at the registered office of the Company.

Dividend to Shareholders

The directors declared and approved a gross ordinary dividend for the year ended 31 March 2015 of 12 cents per share on Thursday, 21 May 2015. The dividend will be payable on Monday, 15 June 2015. There are 116 956 770 ordinary shares in issue, as at 21 May 2015.

The dividend meets the definition of a dividend in terms of the Income Tax Act (Act 58 of 1962). The dividend amount net of South African dividends tax of 15% is 10,2 cents per share to those shareholders that are not exempt from dividends tax. The Company's tax reference number is 9564/137/84/3.

Last day to trade cum dividend	Friday, 5 June 2015
Trading ex dividend commences	Monday, 8 June 2015
Record date	Friday, 12 June 2015
Payment date	Monday, 15 June 2015

Share certificates may not be dematerialised or rematerialised between Monday, 8 June 2015 and Friday, 12 June 2015, both days inclusive.

In the Company's prelisting statement it indicated its intention to pay dividends equating to 50% of headline earnings. In the light of the Group's growth and investment requirements, coupled with the uncertainty of the KZN Bingo licences, the directors resolved to amend the principle and will in future determine the dividends on an annual basis after considering capital requirements.

André van der Veen

Chief executive officer

21 May 2015

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CORPORATE INFORMATION

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

Company secretary: HCI Managerial Services Proprietary Limited

Transfer secretaries: Computershare Investor Services Proprietary Limited 70 Marshall Street, Johannesburg 2001

Sponsor: PSG Capital Proprietary Limited

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