

Niveus Investments Limited
Incorporated in the Republic of South Africa

Registration number: 1996/005744/06

JSE share code: NIV ISIN code: ZAE000169553
("the Company" or "the Group" or "Niveus")

UNAUDITED GROUP INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2016 R'000	Unaudited 30 September 2015 R'000	Audited 31 March 2016 R'000
ASSETS			
Non-current assets	883 480	1 406 640	1 428 016
Property, plant and equipment	707 675	1 212 986	1 204 622
Investment properties	7 056	6 813	6 978
Goodwill	57 386	60 360	57 386
Intangible assets	16 307	75 034	73 637
Interest in associates and joint ventures	33 290	30 775	35 400
Deferred taxation	29 677	13 175	25 650
Loans receivable	32 089	7 497	24 343
Current assets	296 019	1 590 115	1 548 041
Other	151 970	1 444 757	1 386 970
Cash and cash equivalents	144 049	145 358	161 071
Assets of disposal group classified as held for sale	1 704 332	-	-
Total assets	2 883 831	2 996 755	2 976 057
EQUITY AND LIABILITIES			
Equity	2 047 978	1 984 530	2 079 228
Equity attributable to equity holders of the parent	1 390 022	1 305 028	1 381 267
Non-controlling interest	657 956	679 502	697 961
Non-current liabilities	186 641	417 680	245 422
Borrowings	74 347	286 254	92 983
Deferred revenue	-	-	10 900
Deferred taxation	84 321	117 208	129 372
Operating lease equalisation liability	5 694	5 457	5 235
Other payables	22 279	8 761	6 932
Current liabilities	437 532	594 545	651 407
Liabilities of disposal group classified as held for sale	211 680	-	-
Total equity and liabilities	2 883 831	2 996 755	2 976 057
Net asset value per share (cents)	1 166	1 095	1 159
Net tangible asset value per share (cents)	1 116	993	1 061

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Unaudited Six months	Unaudited Six months ended	Unaudited Year ended
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	ended 30 September 2016 R'000	30 September 2015 Restated R'000	31 March 2016 Restated R'000
Revenue	46 036	25 390	71 991
Net gaming win	646 009	555 435	1 166 767
Group revenue	692 045	580 825	1 238 758
Other income	6 727	9 561	6 430
Operating expenses	(520 281)	(506 904)	(984 316)
	178 491	83 482	260 872
Depreciation and amortisation	(61 759)	(62 280)	(134 184)
Share of losses of associates	(2 359)	(483)	(1 366)
Investment income	3 555	1 384	3 988
Fair value adjustment of remaining investment	-	-	(1 094)
Impairment of assets	(385)	(504)	(9 384)
Impairment of goodwill	-	-	(8 190)
Gain/(loss) on disposal of subsidiaries	-	529	(6 781)
Finance costs	(16 054)	(14 664)	(29 989)
Profit before taxation	101 489	7 464	73 872
Taxation	(36 703)	(36 998)	(50 147)
Profit/(loss) for the period from continuing operations	64 786	(29 534)	23 725
Net result from discontinued operations	(71 200)	(4 310)	32 882
(Loss)/profit for the period	(6 414)	(33 844)	56 607
Attributable to:			
Equity holders of the parent	25 350	(27 942)	44 721
Non-controlling interest	(31 764)	(5 902)	11 886
	(6 414)	(33 844)	56 607

	Unaudited Six months ended 30 September 2016 R'000		Unaudited Six months ended 30 September 2015 Restated R'000		Unaudited Year ended 31 March 2016 Restated R'000	
	Gross	Net	Gross	Net	Gross	Net
Reconciliation of headline earnings						
Continuing operations						
Earnings/(loss) attributable to equity holders of the parent		66 027		(25 480)		25 936
IAS 12 Change in tax rate	-	-	-	-	1 295	740
IAS 16 (Gains)/losses on disposal of plant and equipment	(751)	(563)	(760)	(547)	1 622	473
IAS 16 Impairment of assets	385	265	504	363	7 124	5 837
IAS 27 (Gain)/loss from disposal of subsidiaries	-	-	(529)	(529)	6 781	6 781
IAS 36 Impairment of goodwill	-	-	-	-	8 190	8 190
IFRS 3 Fair value adjustment of remaining investment	-	-	-	-	1 094	1 094
		65 729		(26 193)		49 051
Discontinued operations						
(Loss)/profit attributable to equity holders of the parent		(40 677)		(2 462)		18 785
IAS 12 Change in tax rate	-	-	-	-	452	258
IAS 16 Losses on disposal of plant and equipment	599	246	2 132	877	2 260	930
IFRS 5 Remeasurement to fair value less cost to sell	191 134	72 054	-	-	-	-
IAS 28 Impairment of investment in joint venture	85	35	-	-	400	177
		31 658		(1 585)		20 150
Total headline earnings/(loss)		97 387		(27 778)		69 201

	Unaudited Six months ended 30 September 2016	Unaudited Six months ended 30 September 2015 Restated	Unaudited Year ended 31 March 2016 Restated
Earnings per share (cents)	21,3	(23,9)	37,9
- Continuing operations	55,4	(21,8)	22,0
- Discontinued operations	(34,1)	(2,1)	15,9
Headline earnings per share (cents)	81,7	(23,7)	58,6
- Continuing operations	55,1	(22,3)	41,5
- Discontinued operations	26,6	(1,4)	17,1
Diluted earnings per share (cents)	21,1	(23,8)	37,8
- Continuing operations	54,9	(21,7)	21,9
- Discontinued operations	(33,8)	(2,1)	15,9
Diluted headline earnings per share (cents)	81,0	(23,7)	58,5
- Continuing operations	54,7	(22,3)	41,5
- Discontinued operations	26,3	(1,4)	17,0
Weighted average number of shares in issue ('000)	119 163	117 103	118 133
Actual number of shares in issue at end of period ('000)	119 163	119 163	119 163
Weighted average number of shares in issue (diluted) ('000)	120 258	117 351	118 390

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September 2016 R'000	Unaudited Six months ended 30 September 2015 Restated R'000	Unaudited Year ended 31 March 2016 Restated R'000
(Loss)/profit for the period	(6 414)	(33 844)	56 607
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences	(11 268)	15 661	24 213
Total comprehensive (loss)/income	(17 682)	(18 183)	80 820
Attributable to:			
Equity holders of the parent	14 264	(12 708)	68 648
Non-controlling interest	(31 946)	(5 475)	12 172
	(17 682)	(18 183)	80 820
Total comprehensive income attributable to equity holders of the parent arises from:			
- Continuing operations	54 995	(10 143)	49 911
- Discontinued operations	(40 731)	(2 565)	18 737
	14 264	(12 708)	68 648

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months	Unaudited Six months	Audited
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	ended 30 September 2016 R'000	ended 30 September 2015 R'000	Year ended 31 March 2016 R'000
Balance at beginning of the period	2 079 228	1 985 645	1 985 645
Shares issued	-	57 643	57 643
Total comprehensive (loss)/income	(17 682)	(18 183)	80 820
Equity-settled share-based payments	5 341	(8 439)	(5 214)
Effects of changes in holding	(1 043)	-	-
Business combination	-	-	811
Capital reductions and dividends	(17 866)	(32 136)	(40 477)
Balance at end of the period	2 047 978	1 984 530	2 079 228

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 September 2016 R'000	Unaudited Six months ended 30 September 2015 R'000	Audited Year ended 31 March 2016 R'000
Cash flows from operating activities	195 442	(50 778)	162 849
Cash generated from/(utilised by) operations	248 490	(9 530)	250 938
Net interest	12 174	(12 881)	(24 422)
Taxation paid	(40 874)	(28 367)	(63 667)
Cash flows from investing activities	(120 969)	(92 643)	(182 357)
Property, plant and equipment: additions	(102 386)	(77 583)	(151 242)
Other	(18 583)	(15 060)	(31 115)
Cash flows from financing activities	(36 978)	73 472	48 293
Divdends paid	(17 516)	(19 462)	(27 803)
Long-term funding (repaid)/recieved	(19 462)	47 784	27 003
Proceeds from share issue	-	45 150	45 150
Other	-	-	3 943
Increase/(decrease) in cash and cash equivalents	37 495	(69 949)	28 785
Classified as held for sale	(54 517)	-	-
Cash and cash equivalents			
At beginning of the period	161 071	132 286	132 286
At end of the period	144 049	62 337	161 071

SEGMENTAL ANALYSIS

	Unaudited Six months ended 30 September 2016 R'000	Unaudited Six months ended 30 September 2015 Restated R'000	Unaudited Year ended 31 March 2016 Restated R'000
Revenue			
Continuing operations			
Gaming and entertainment	46 036	25 390	71 991

Discontinued operations			
Beverages	566 898	548 669	1 224 214
	612 934	574 059	1 296 205
Net gaming win			
Gaming and entertainment	646 009	555 435	1 166 767
EBITDA			
Continuing operations	178 491	83 482	260 872
Gaming and entertainment	210 366	153 640	347 858
Head office	(26 502)	(67 136)	(79 220)
Property	(5 373)	(3 022)	(7 766)
Discontinued operations			
Beverages	81 725	10 132	75 111
	260 216	93 614	335 983
Profit before tax			
Continuing operations	101 489	7 464	73 872
Gaming and entertainment	132 984	77 476	160 220
Head office	(25 424)	(66 402)	(76 975)
Property	(6 071)	(3 610)	(9 373)
Discontinued operations			
Beverages	77 452	(5 532)	44 342
	178 941	1 932	118 214
Headline earnings			
Continuing operations	65 729	(26 193)	49 051
Gaming and entertainment	93 324	40 976	128 859
Head office	(25 212)	(66 026)	(76 304)
Property	(2 383)	(1 143)	(3 504)
Discontinued operations			
Beverages	31 658	(1 585)	20 150
	97 387	(27 778)	69 201

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation and accounting policies

The results for the six months ended 30 September 2016 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, 71 of 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 2016. 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 2/2015 - 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), and have neither been audited nor independently reviewed by the Group's auditors.

Change in accounting estimate

The review of the useful life of gaming machines resulted in an increase in the useful life due to the extended use of gaming machines than originally expected. The Group revised the useful life of gaming machines from six years to seven years effective 1 April 2016.

The effect of the change in the useful life of gaming machines on the depreciation expense for the six months is a decrease of R5 million and an expected annual decrease for future years of R10 million per annum.

Galaxy's site development costs were previously depreciated over the term of the initial lease, but the estimated depreciation period has been amended to include guaranteed renewal options, limited to a 10-year total depreciation term.

The effect of the change in the depreciation term for site development costs on the depreciation expense for the six months is a decrease of R4 million

and an expected annual decrease for future years of R7 million.

Discontinued operation

During May 2016, it was decided to dispose of the operating assets of KWV to the Vasari group. Revenue and expenses, and gains and losses relating to these assets, have been removed from the results of continuing operations and are shown as a single line item on the face of the consolidated statement of profit or loss ("Net result from discontinued operations"). The operating results of the discontinued operations and the effect of remeasurement of assets that were classified as held for sale were as follows:

	Unaudited Six months ended 30 September 2016 R'000	Unaudited Six months ended 30 September 2015 R'000	Unaudited Year ended 31 March 2016 R'000
Profit/(loss) relating to discontinued operations			
Revenue	566 898	548 669	1 224 214
Other income and operating costs	(485 173)	(538 537)	(1 149 103)
Share of losses of associates and joint ventures	-	(507)	(653)
Investment income	-	250	1 886
Depreciation and amortisation	(3 911)	(14 424)	(29 982)
Impairment of investment in joint ventures	(85)	-	(400)
Finance costs	(277)	(983)	(1 620)
Profit/(loss) before taxation	77 452	(5 532)	44 342
Taxation	(22 529)	1 222	(11 460)
Profit/(loss) from discontinued operations	54 923	(4 310)	32 882
Remeasurement of disposal group	(191 134)	-	-
Taxation	65 011	-	-
Net result from discontinued operations	(71 200)	(4 310)	32 882

	Unaudited Six months ended 30 September 2016 R'000	Unaudited Six months ended 30 September 2015 R'000	Unaudited Year ended 31 March 2016 R'000
Cash flows from discontinued operations			
Cash flows from operating activities	34 407	(65 728)	11 914
Cash flows from investing activities	(16 766)	(17 638)	(41 880)
Cash flows from financing activities	-	-	16 395
	17 641	(83 366)	(13 571)

Assets of disposal group classified as held for sale

Property, plant and equipment	488 060
Intangible assets	56 481
Investments in associates and joint ventures	5 463
Inventory	1 052 928
Trade and other receivables	212 416
Current income tax assets	7
Derivative financial instruments	25 594
Bank and cash balances	54 517
	1 895 466

Liabilities of disposal group classified as held for sale

Trade and other payables	(205 637)
Loans	(51)
Derivative financial instruments	(5 992)
	(211 680)

Net asset value of disposal group	1 683 786
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Fair value less cost to sell i.t.o. IFRS 5	1 492 652
Fair value of disposal group assets	1 704 332
Fair value of disposal group liabilities	(211 680)
Remeasurement of disposal group	(191 134)

COMMENTARY

While consumer spending is under pressure and competition for discretionary spending is increasing, the Group still managed to increase net gaming win by 16% compared to the prior period.

The Department of Trade and Industry ("dti") published the draft National Gambling Amendment Bill. Unfortunately, despite our extensive representations of the logical inconsistency of the position, the Bill persists with its view that electronic bingo terminals ("EBTs") should not "look and feel" like slot machines. It seems like the dti attempts to curtail gambling and targets gambling outside casinos. Evidence indicates that most of the increase in gambling occurred in casinos, in line with the growth in the number of slot machines on casino floors. The dti is taking no steps to curb this growth and holds the view that gambling in casinos has less negative social impact, despite evidence from the National Responsible Gambling Board indicating the contrary. The average gross gaming revenue ("GGR") per slot machine is appreciably higher than the average GGR per EBT. We will continue to present arguments in line with the above.

In addition, the draft Liquor Amendment Bill has provisions that may be detrimental to Vukani, mainly relating to the location of liquor outlets and the diminishment of the power of the provincial liquor authorities to adjudicate applications on a case-by-case basis, depending on their circumstances.

The Group continued with its own project to counter illegal gambling and we hope that the dti and South African Police Service will also take action against these illegal internet establishments in due course. The North Gauteng High Court ruled that certain internet cafes are facilitating illegal gambling and ordered the closure of the site that was the subject of the judgment.

Bingo and casino operations

The EBITDA contribution from the segment increased to R43 million from R19 million in the comparative period. EBITDA for fully developed sites increased to R75 million from R62 million in the comparative six months. The R75 million decreased by R32 million (consisting of: head office costs, development costs and losses from sites that are not complete) to a segment EBITDA of R43 million. If the development sites are closed and no further bid or legal costs are incurred, the cost of managing only the fully operational sites is estimated to be R15 million per annum. On a stand-alone basis, for the six months, the fully developed sites would therefore contribute R67,5 million to Group EBITDA.

We are in discussions with the KwaZulu-Natal Gaming and Betting Board to settle the numerous court cases impeding the roll-out of EBTs in the province. Currently, four bingo sites are operational in the province, but they may only operate limited pay-out machines ("LPMs") and paper-based bingo.

The Group was awarded bingo licences in Hazyview, Tonga, Musina, Bochum, Moruleng and Tzaneen. Of these licences, only Moruleng is open. The Group's interest in these licences ranges from 29% to 51%. The Group also commenced trading in Ngcobo. Other licences that are undeveloped are King William's Town, Uitenhage, and two licences in KwaZulu-Natal. We are challenging the licence awards in Mahikeng and Klerksdorp as we believe the scoring was flawed.

The Group is now operating 1 886 EBTs (1 642 at 31 March 2016) and 174 slot machines. The average monthly income per EBT is R19 727 for the six months ending September 2016.

Galaxy's depreciation charge includes depreciation of some EBTs, but the bulk of the base remains rented. The depreciation charge for the period was R13,5 million (R16,5 million in the comparative period).

The Kuruman casino is still trading below our expectation, but the EBITDAR margin of 36% indicates that our cost structure is not out of line with other similar-sized casino operations.

Vukani

Vukani increased EBITDA to R170 million from R143 million, excluding the losses in the sports betting business that were previously reported in this segment. The installed base increased to 5 341 from 5 265 LPMs, despite the closure of sites with a total of 285 machines, as part of a capital optimisation programme. The increase in installed machines remains below target and is expected to improve in future.

The average GGR per machine increased to R19 989 from R18 492 at year-end and R18 092 at September 2015. The depreciation charge of R46 million is marginally lower than the comparative period, mainly due to the revision of the useful life of LPMs from six to seven years.

Excluding expenses associated with sports betting, operating expenses of R95 million increased by 6% from the comparative period.

The retail and online sports betting offerings have been combined in BET.co.za, which enabled us to reduce overall costs and provide customers with a

consistent experience. Sports betting remains an attractive business segment, but our execution has been poor in the past. The combined management team appears to be making progress to develop a sustainable business with uniform branding.

KWV

The Group concluded the sale of the operating assets of KWV for R1,15 billion and received the first tranche of the purchase consideration of R575 million on 14 October. The balance of the purchase price will be received in three tranches, supported by an Investec Bank payment guarantee.

The trading results of KWV, included in discontinued operations, decreased from a profit of R55 million to a loss of R71 million following the remeasurement of the book value of the operating assets to the purchase consideration. Attributable headline profits from discontinued operations increased to R32 million from a loss in the prior period.

The board of KWV will advise shareholders, in due course, about their future plans to use the cash reserves in the company.

Head office costs

Following the restructuring of the management agreement with Hosken Consolidated Investments Limited at an average share price of R26, head office costs reduced to R26 million from R67 million during the comparative period. Head office costs include share-based compensation costs of R17,8 million, which is significantly higher than the comparative period due to the increase in Niveus's share price. Excluding abnormal expenses, head office costs amounted to R13 million.

Dividend to shareholders

The directors declared and approved an interim gross ordinary dividend for the six months ended 30 September 2016 of 18 cents per share on Friday, 18 November 2016, out of income reserves. The dividend will be payable on Monday, 19 December 2016. As at 23 November 2016, there are 119 162 734 ordinary shares in issue.

The dividend meets the definition of a dividend in terms of the Income Tax Act, 58 of 1962. The dividend amount net of South African dividends tax of 15% is 15,3 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	Monday, 12 December 2016
Trading ex dividend commences	Tuesday, 13 December 2016
Record date	Thursday, 15 December 2016
Payment date	Monday, 19 December 2016

Share certificates may not be dematerialised or rematerialised between Tuesday, 13 December 2016 and Thursday, 15 December 2016, both days inclusive.

Andre van der Veen
Chief executive officer

23 November 2016
Paarl

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

Sponsor: PSG Capital Proprietary Limited

Website: www.niveus.co.za