

NIVEUS

INVESTMENTS LIMITED

Reg. no: 1996/005744/06

UNAUDITED

GROUP INTERIM RESULTS

for the six months ended 30 September 2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2015 R'000	Unaudited 30 September 2014 R'000	Audited 31 March 2015 R'000
ASSETS			
<i>Non-current assets</i>	1 406 640	1 260 170	1 338 005
Property, plant and equipment	1 212 986	1 079 072	1 150 507
Investment properties	6 813	6 813	6 813
Goodwill	60 360	49 730	60 360
Intangible assets	75 034	76 248	77 279
Interest in associates and joint ventures	30 775	17 037	21 693
Deferred taxation	13 175	18 022	16 991
Loans receivable	7 497	13 248	4 362
<i>Current assets</i>	1 590 115	1 468 485	1 514 756
Other	1 444 757	1 345 963	1 382 470
Cash and cash equivalents	145 358	122 522	132 286
Total assets	2 996 755	2 728 655	2 852 761
EQUITY AND LIABILITIES			
<i>Equity</i>	1 984 530	1 931 745	1 985 645
Equity attributable to equity holders of the parent	1 305 028	1 248 853	1 295 018
Non-controlling interest	679 502	682 892	690 627
<i>Non-current liabilities</i>	417 680	343 504	391 526
Deferred taxation	117 208	111 303	120 591
Borrowings	286 254	223 373	261 033
Finance lease liabilities	–	66	–
Other payables	8 761	4 210	5 823
Operating lease equalisation liability	5 457	4 552	4 079
<i>Current liabilities</i>	594 545	453 406	475 590
Total equity and liabilities	2 996 755	2 728 655	2 852 761
Net asset value per share (cents)	1 095	1 068	1 107
Net tangible asset value per share (cents)	993	973	1 002

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Unaudited Six months ended 30 September 2015 R'000	Unaudited Six months ended 30 September 2014 R'000	Audited Year ended 31 March 2015 R'000
Revenue	574 059	548 488	1 205 348
Net gaming win	555 435	482 811	999 695
Group revenue	1 129 494	1 031 299	2 205 043
Other income	18 528	193	32 603
Other operating expenses	(1 054 408)	(884 705)	(1 917 810)
	93 614	146 787	319 836
Depreciation and amortisation	(76 704)	(61 996)	(129 820)
Investment income	1 634	2 919	5 801
Share of profits of associates and joint ventures	(990)	992	1 474
Gain on disposal of subsidiaries	529	–	–
Asset impairments	(504)	(763)	(4 837)
Impairment of investments	–	–	(903)
Finance costs	(15 647)	(10 180)	(24 217)
Profit before taxation	1 932	77 759	167 334
Taxation	(35 776)	(28 547)	(73 326)
(Loss)/profit for the period	(33 844)	49 212	94 008
Attributable to:			
Equity holders of the parent	(27 942)	40 640	80 286
Non-controlling interest	(5 902)	8 572	13 722
	(33 844)	49 212	94 008

	Unaudited Six months ended 30 September 2015 R'000		Unaudited Six months ended 30 September 2014 R'000		Audited Year ended 31 March 2015 R'000	
Reconciliation of headline earnings	Gross	Net	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		(27 942)		40 640		80 286
IAS 16 losses/(gains) on disposal of plant and equipment	1 372	330	(170)	(98)	76	(37)
IAS 16 impairment of plant and equipment	504	363	763	549	4 837	3 585
IAS 27 gain from disposal of subsidiaries	(529)	(529)	–	–	–	–
IAS 28 impairment of investment in joint venture	–	–	–	–	903	419
Headline earnings		(27 778)		41 091		84 253

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

	Unaudited Six months ended 30 September 2015 R'000	Unaudited Six months ended 30 September 2014 R'000	Audited Year ended 31 March 2015 R'000
Earnings per share (cents)	(23,9)	35,1	69,0
Headline earnings per share (cents)	(23,7)	35,5	72,4
Diluted earnings per share (cents)	(23,8)	34,2	67,8
Diluted headline earnings per share (cents)	(23,7)	34,6	71,2
Weighted average number of shares in issue ('000)	117 103	115 851	116 402
Actual number of shares in issue at end of period ('000)	119 163	116 957	116 957
Weighted average number of shares in issue (diluted) ('000)	117 351	118 910	118 367

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September 2015 R'000	Unaudited Six months ended 30 September 2014 R'000	Audited Year ended 31 March 2015 R'000
(Loss)/profit for the period	(33 844)	49 212	94 008
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences	15 661	(2 467)	2 875
Total comprehensive (loss)/income	(18 183)	46 745	96 883
Attributable to:			
Equity holders of the parent	(12 708)	38 161	83 030
Non-controlling interest	(5 475)	8 584	13 853
	(18 183)	46 745	96 883

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 30 September 2015 R'000	Unaudited Six months ended 30 September 2014 R'000	Audited Year ended 31 March 2015 R'000
Balance at beginning of period	1 985 645	1 902 357	1 902 357
Stated capital			
Shares issued	57 643	30 754	30 754
Current operations			
Total comprehensive (loss)/income	(18 183)	46 745	96 883
Equity-settled share-based payments	(8 439)	2 432	6 194
Effects of changes in holding	-	(12 550)	(12 550)
Capital reductions and dividends	(32 136)	(37 993)	(37 993)
Balance at end of period	1 984 530	1 931 745	1 985 645

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 September 2015 R'000	Unaudited Six months ended 30 September 2014 R'000	Audited Year ended 31 March 2015 R'000
Cash flows from operating activities	(50 778)	(78 609)	130 264
Cash flows from investing activities	(92 643)	(136 997)	(292 620)
Cash flows from financing activities	73 472	29 050	71 202
Decrease in cash and cash equivalents	(69 949)	(186 556)	(91 154)
Cash and cash equivalents			
At beginning of period	132 286	223 440	223 440
At end of period	62 337	36 884	132 286
Bank balances and deposits	145 358	122 522	132 286
Bank overdrafts included under current liabilities	(83 021)	(85 638)	–
Cash and cash equivalents	62 337	36 884	132 286

SEGMENTAL ANALYSIS

	Unaudited Six months ended 30 September 2015 R'000	Unaudited Six months ended 30 September 2014 R'000	Audited Year ended 31 March 2015 R'000
Revenue			
Gaming and entertainment	25 390	27 928	49 963
Beverages	548 669	520 560	1 155 385
	574 059	548 488	1 205 348
Net gaming win			
Gaming and entertainment	555 435	482 811	999 695
EBITDA			
Gaming and entertainment	153 640	132 640	266 064
Beverages	7 110	35 874	92 152
Head office	(67 136)	(21 727)	(38 380)
	93 614	146 787	319 836
Profit before tax			
Gaming and entertainment	77 476	75 853	127 276
Beverages	(9 142)	21 439	61 678
Head office	(66 402)	(19 533)	(21 620)
	1 932	77 759	167 334
Headline earnings			
Gaming and entertainment	40 976	51 547	93 304
Beverages	(2 728)	8 893	26 958
Head office	(66 026)	(19 349)	(36 009)
	(27 778)	41 091	84 253

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation and accounting policies

The interim results for the six months ended 30 September 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, 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 2015. As required by the Listings Requirements, 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).

Shares issued

On 15 September 2015, 1 750 000 shares were issued to Johnnic Holdings Management Services Limited for R45 million in cash as approved by shareholders at the general meeting held on 9 September 2015. On 29 September 2015, 455 964 shares were issued to Group employees in terms of the Niveus Employee Share Scheme.

COMMENTARY

The resilience of the Group's gaming businesses was evident during the period under review. Gross gaming revenue ("GGR") increased by 15% mainly due to more gaming devices, while cost containment efforts continued to limit cost growth to below the Consumer Price Index ("CPI"). The performance was below our expectation and we hope that the efforts to improve business processes, together with litigation and interaction with the various gaming boards will be fruitful.

Illegal gambling is growing and we have seen no real effort from the respective gaming boards, SAPS, SARS or the DTI to curb its proliferation. In conjunction with Hosken Consolidated Investments Limited ("HCI"), we have embarked on a process of litigation against illegal establishments who pose as internet cafés and attempt to convince the courts and SAPS that they operate legally. We have contributed R2,5 million to the Group's efforts, but ultimately the only long-term solution will be decisive action by the various government departments that are tasked with upholding the law. We are disappointed that the DTI is focusing on curbing legal gambling, while illegal gambling is allowed to grow unabated.

Bingo and casino operations

The EBITDA contribution from the segment increased to R19 million from R8 million in the prior period. EBITDA for fully developed sites (including the Kuruman Casino) is R62 million for the six months ended September 2015 (R86 million for the 12 months ended March 2015). This is reduced to R19 million by head office costs, development costs and losses from sites that are not operationally complete (R10 million for the 12 months ended March 2015).

The Group's problems in KwaZulu-Natal ("KZN") have not been resolved and numerous court cases are underway to set aside the potential revocation of the licences. The Group is currently operating three sites in the province, but no electronic bingo terminals ("EBTs") are operational at these sites. The South Coast Mall site is complete, but the KwaZulu-Natal Gaming and Betting Board ("KZNGBB") has failed to issue a certificate to commence trading since construction was

completed in January. The Uitenhage and King William's Town licences remain contested by another bidder.

During the period under review, the Group commenced operations in Butterworth and was awarded the licence for Ngcobo. The Group submitted bids for bingo licences in Limpopo and awaits the announcement of successful bidders. The North West Gambling Board has also released a request for proposal ("RFP") for bingo.

The DTI is still campaigning against EBTs, despite the absence of evidence to indicate that EBTs affect the industry or consumers negatively.

Vukani

Vukani increased EBITDA to R138 million (September 2014: R125 million). The KZNGBB was not operational for most of the period, which impacted new licences in the province. In the Eastern Cape, the 1 000 limited payout machine ("LPM") limit has nearly been reached and the introduction of a second operator has limited the Group's growth in the province. During November, the Northern Cape Gambling Board licensed the first LPMs. The Group will actively roll out sites during the next month.

The installed machine base increased to 5 224 from 5 052 in March 2015. The average GGR per machine increased from R17 832 in March 2015 to R18 092 for the six months ended September 2015.

Operating expenses of R98 million reflect a 10% increase on the prior period. Included in the R98 million is R8 million relating to sports betting expenses. Excluding these, operational expenses remained substantially flat. It is expected that the Group will incur additional legal costs in the next six months and that a further contribution will be made to HCI to continue the action against illegal gambling.

The Group continues to develop its sports betting offering and is in the process of increasing its effective shareholding in Bet.co.za to 42,6%. In addition, the Group is refining its retail offering and is working to optimise the balance between owned operations and sports betting operations in partnership with Vukani site owners. The sports betting business will not break even by the financial year-end and is expected to lose R8 million in the retail segment for the financial year ending March 2016, as the fixed costs infrastructure required to manage the business is not covered by revenue. The Group currently operates in 21 sites, either on its own or in partnership with Vukani site owners.

KWV

KWV reported an attributable loss of R2,7 million. This includes mark-to-market losses on its foreign exchange hedges but, as reported previously, the Group remains a net beneficiary of currency depreciation.

The volume of brandy sales continued to decline as KWV has elected not to follow excessive discounting of brandy by Distell, the category volume leader with more than 70% market share. As a result, the Group lost market share during the period and will continue to do so, while lower-end brandy prices are substantially below economic levels. Importantly, the net contribution from brandy, however, remains stable despite the volume losses.

The strategy to premiumise KWV brandy and potentially the brandy category, remains the only long-term solution to arrest the decline of brandy. KWV was awarded the title of the world's best brandy and cognac producer at the 2015 International Spirit Challenge in London.

The Group's wine brands continue to grow and KWW's wine credentials were again affirmed when it was named best producer at the 2015 Veritas Awards for an unprecedented 5th consecutive time.

Head office costs

Head office costs amounted to R67 million. This includes R45 million, which was paid to JHMS as settlement of a variable-rate management contract and R8 million, which is a variable-rate portion payable on the settlement date. Future head office costs will comprise: remuneration costs of the Group executive directors, listing fees, internal and external audit fees, fixed management fee payable to JHMS and consulting costs that are not allocated to subsidiaries.

Dividend to shareholders

The directors declared and approved an interim gross ordinary dividend for the six months ended 30 September 2015 of 7 cents per share on Monday, 16 November 2015, out of income reserves. The dividend will be payable on Monday, 14 December 2015. There are 119 162 734 ordinary shares in issue, as at 19 November 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 5,95 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, 4 December 2015
Trading ex dividend commences	Monday, 7 December 2015
Record date	Friday, 11 December 2015
Payment date	Monday, 14 December 2015

Share certificates may not be dematerialised or rematerialised between Monday, 7 December 2015 and Friday, 11 December 2015, both days inclusive.

André van der Veen

Chief executive officer

19 November 2015

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CORPORATE INFORMATION

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")

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
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Sponsor: PSG Capital Proprietary Limited

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