

NIVEUS

INVESTMENTS LIMITED

(Registration number: 1996/005744/06)

UNAUDITED
CONDENSED INTERIM RESULTS
for the six months ended 30 September 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 September 2019 R'000	Unaudited 30 September 2018* R'000	Unaudited 31 March 2019* R'000
ASSETS			
Non-current assets	267 290	443 770	269 428
Property, plant and equipment	42 918	51 219	43 336
Investment properties	181 246	263 622	153 900
Goodwill	–	8 214	–
Intangible assets	150	8 364	185
Interest in associates and joint ventures	10 000	43 555	41 471
Other financial assets	24 750	66 623	24 014
Deferred taxation	6 471	–	6 522
Finance lease receivables	1 755	–	–
Loans receivable	–	2 173	–
Current assets	231 541	236 695	264 960
Trade and other receivables	15 019	114 395	19 836
Other	1 264	1 754	1 948
Cash and cash equivalents	215 258	120 546	243 176
Assets of disposal group classified as held for sale	75 778	–	36 777
Total assets	574 609	680 465	571 165
EQUITY AND LIABILITIES			
Equity	452 691	546 087	453 161
Equity attributable to equity holders of the parent	361 755	428 537	364 040
Non-controlling interest	90 936	117 550	89 121
Non current liabilities	35 860	63 310	37 842
Deferred taxation	34 247	63 310	37 842
Lease liabilities	1 613	–	–
Current liabilities	63 730	71 068	65 419
Liabilities of disposal group classified as held for sale	22 328	–	14 743
Total equity and liabilities	574 609	680 465	571 165
Net asset value per share (cents)	304	360	305

* Restated

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited Six months ended 30 September 2019 R'000	Unaudited Six months ended 30 September 2018* R'000
	% Change		
Revenue		3 478	4 069
Property rental income**		5 302	4 960
Group revenue	(2,8)	8 780	9 029
Operating expenses		(16 486)	(24 671)
EBITDA		(7 706)	(15 642)
Depreciation and amortisation		(450)	(1 208)
Share of losses of associates and joint ventures		(1 176)	(2 393)
Investment income		4 762	6 699
Fair value adjustment of other financial assets		654	(24 469)
Impairment of investment in associate		(10 986)	–
Finance costs		(83)	–
Loss before taxation		(14 985)	(37 013)
Taxation		(1 342)	9 103
Loss for the period from continuing operations		(16 327)	(27 910)
Net result from discontinued operations		5 135	23 711
Loss for the period		(11 192)	(4 199)
Attributable to:			
Equity holders of the parent		(9 095)	2 672
Non-controlling interest		(2 097)	(6 871)
		(11 192)	(4 199)

* Restated

** Reclassified from Revenue in the prior period

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

Reconciliation of headline earnings	% Change	Unaudited Six months ended 30 September 2019 R'000		Unaudited Six months ended 30 September 2018 R'000	
		Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent			(9 095)		2 672
IAS 16 Losses on disposal of plant and equipment		65	49	2 472	2 250
IAS 16 Impairment of assets		40	28	720	317
IAS 27 Gains on disposal of subsidiaries		–	–	(30 174)	(30 174)
IAS 28 Impairment of investment in associate		10 986	6 391	–	–
Headline loss	89,5		(2 627)		(24 935)

	% Change	Unaudited Six months ended 30 September 2019		Unaudited Six months ended 30 September 2018*	
Earnings per share (cents)	(440,4)		(7,6)		2,2
– Continuing operations			(11,6)		(22,4)
– Discontinued operations			4,0		24,6
Headline earnings per share (cents)	89,5		(2,2)		(20,9)
– Continuing operations			(6,2)		(20,4)
– Discontinued operations			4,0		(0,5)
Diluted earnings per share (cents)	(441,3)		(7,6)		2,2
– Continuing operations			(11,6)		(22,3)
– Discontinued operations			4,0		24,5
Diluted headline earnings per share (cents)	89,4		(2,2)		(20,9)
– Continuing operations			(6,2)		(20,4)
– Discontinued operations			4,0		(0,5)
Actual number of share in issue at end of period ('000)			119 163		119 163
Weighted average number of shares in issue ('000)			119 163		119 163
Weighted average number of shares in issue (diluted) ('000)			119 163		119 477

* Restated

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September 2019 R'000	Unaudited Six months ended 30 September 2018 R'000
Loss for the period	(11 192)	(4 199)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation differences	7 007	20 473
Total comprehensive income	(4 185)	16 274
Attributable to:		
Equity holders of the parent	(2 088)	23 145
Non-controlling interest	(2 097)	(6 871)
	(4 185)	16 274

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 30 September 2019 R'000	Unaudited Six months ended 30 September 2018* R'000
Balance at beginning of period as previously stated	473 474	1 400 212
Restatement	(20 848)	(20 313)
Restated balance at beginning of period	452 626	1 379 899
Total comprehensive income	(4 185)	16 274
Equity-settled share-based payments	–	(10 414)
Effects of changes in holding	4 250	(8 221)
Business combinations and disposals	–	9 035
Capital reductions and dividends	–	(840 486)
Balance at end of period	452 691	546 087

* Restated

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 September 2019 R'000	Unaudited Six months ended 30 September 2018 R'000
Cash flows from operating activities	1 643	2 821
Cash generated from operations	310	15 883
Net interest	4 822	5 233
Taxation paid	(3 489)	(18 295)
Cash flows from investing activities	(35 010)	(146 911)
Additions to property, plant and equipment	(905)	(2 375)
Proceeds on disposal of property, plant and equipment	359	1 075
Additions to investment properties	(27 600)	–
Investment in associates	(6 875)	(11 052)
Disposal of subsidiaries	–	565
Investment in financial assets	–	(37 398)
Short-term receivable advanced	–	(96 403)
Other	11	(1 324)
Cash flows from financing activities	2 788	(7 109)
Transactions with non-controlling shareholders	4 250	(7 109)
Principal paid on lease liabilities	(1 462)	–
Decrease in cash and cash equivalents	(30 579)	(151 200)
Cash and cash equivalents		
At beginning of period	252 717	259 534
Foreign exchange differences	6 466	12 212
At end of period	228 604	120 546
Bank balances and deposits	215 258	120 546
Classified as held for sale	13 346	–
	228 604	120 546

SEGMENTAL ANALYSIS

	Unaudited Six months ended 30 September 2019 R'000	Unaudited Six months ended 30 September 2018* R'000
Revenue	3 478	4 069
Property	3 478	4 069
EBITDA	(7 706)	(15 642)
Head office and other	(7 815)	(14 826)
Property	109	(816)
Profit before tax	(14 985)	(37 013)
Head office and other	(10 285)	(20 724)
Property	(4 700)	(16 289)
Headline earnings	(2 627)	(24 935)
Gaming and entertainment**	4 784	(2 681)
Head office and other	(10 301)	(17 578)
Property	2 890	(4 676)

* Restated

** Included in discontinued operations

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation and accounting policies

The interim results for the six months ended 30 September 2019 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, No. 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 2019. The Company adopted IFRS 16 in the current period, which resulted in the Company recognising the following in terms of the transitional provisions of IFRS 16:

- a finance lease asset and lease liability at the beginning of the period of R1,7 million
- an operating lease right-of-use asset at the beginning of the period of R6,3 million
- an operating lease liability at the beginning of the period of R7,0 million
- a deferred tax asset at the beginning of the period of R0,2 million
- a reduction in equity attributable to holders of the parent of R0,2 million
- a reduction in equity attributable to non-controlling interests of R0,3 million

As required by the Listings Requirements of the JSE Limited, the Group reports headline earnings in accordance with Circular 4/2018 – Headline Earnings, as issued by the South African Institute of Chartered Accountants. These financial statements were prepared under the supervision of the financial director, Mr AF Pereira CA(SA).

Restatement of prior period results

The Company noted during the current period that certain deferred tax liabilities in respect of its investment in La Concorde Holdings were understated due to the reversal thereof during a previous financial year. It was found that these reversals were erroneously recognised and were consequently corrected as follows:

Statement of financial position

as at 30 September 2018 and 31 March 2019:

Deferred tax liability increased by	R20,3 million
Retained earnings decreased by	R16,5 million
Non-controlling interest decreased by	R3,8 million

The opening balance retained earnings in the current period decreased by R16,5 million and non-controlling interest by R3,8 million. Earnings and headline earnings in the current and prior comparative periods were unaffected.

Discontinued operations and disposal groups held for sale

On 15 June 2018 the Group disposed of the entire share capital of Niveus Invest 1 Proprietary Limited, the owner of the Grand Oasis Casino in Kuruman, Northern Cape, for consideration of R93,5 million. The results of these operations are classified under discontinued operations in the prior comparative period.

The Group disposed of its entire interests in Niveus Invest 13 Proprietary Limited and Slots and Keno Limited, effective 1 April 2018 and 31 May 2018, for total consideration of R5 million. The results of these operations are classified under discontinued operations in the prior comparative period.

During March 2019 the Company initiated the process to dispose of its online and retail sportsbetting interests. The assets and liabilities of these operations have therefore been classified as disposal groups held for sale as at 31 March 2019 and 30 September 2019 and the results of its operations classified as discontinued operations in the current and prior periods. Due to the classification of the operations' assets as held for sale, no depreciation or amortisation was recognised during the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company entered into a transaction with its holding company, Hosken Consolidated Investments Limited ("HCI"), during June 2019 to sell its interest in Alphawave Golf Proprietary Limited. Pursuant to the shareholder meeting of the Company held on 15 November 2019, the transaction became unconditional. The associate investment in Alphawave Golf of R25,7 million was classified as held for sale as at the reporting date.

The prior comparative period results were restated as required in respect of the above classifications.

The results of discontinued operations were as follows:

	Unaudited Six months ended 30 September 2019 R'000	Unaudited Six months ended 30 September 2018 R'000
Profit relating to discontinued operations		
Revenue	–	1 079
Net Gaming Win	40 376	36 997
Other income and operating costs	(35 185)	(39 826)
Investment income	321	249
Depreciation and amortisation	–	(1 979)
Asset impairments	(40)	(720)
Profit on disposal of business	–	30 174
Finance costs	(350)	(2 007)
Profit before taxation	5 122	23 967
Taxation	13	(256)
Profit from discontinued operations	5 135	23 711

COMMENTARY

Niveus' investments at the reporting date consisted significantly of its interests in La Concorde, online and retail sports betting operator, BETcoza, and golf ball tracking technology company, Alphawave Golf.

HCI offer and delisting

As announced to shareholders on 27 September 2019, the Company has entered into an agreement with a subsidiary of its holding company ("Offerco"), HCI, whereby Offerco will offer to purchase the issued shares of the Company that HCI and its subsidiaries do not yet own. As detailed in the circular to shareholders, published on 4 November 2019, the fair and reasonable opinion provided by the appointed independent expert confirmed the offer to be fair and reasonable.

We remain of the view that the offer provides shareholders with an attractive opportunity to exit, considering the limited trade in the Company's shares and marginal profitability of its remaining investments. Furthermore, the repatriation of foreign cash reserves by the Company is financially onerous due to the various taxes and levies imposed in the jurisdictions concerned. These items have not been accrued for in the financial statements as they have not yet been incurred.

La Concorde

The assets of La Concorde consist mainly of investment property, art and cash, as well as Hosken Passenger Logistics & Rail shares acquired during the acquisition and distribution of the Group's interest in that company. The La Concorde office building is nearly fully tenanted and improved utilisation of the Laborie estate's existing facilities is being planned. Further development of other properties is continuously being considered, however, the current zoning of these properties will naturally result in significant delays. The value of La Concorde's investment in Paarl Valley Bottling Company was reviewed based on forecast volumes and profitability and impaired to a value more reflective of its realisable value.

La Concorde issued a circular to shareholders on 20 November 2019 in respect of an odd-lot offer. The offer will open on 28 November 2019 and will allow La Concorde to repurchase the shares of holders of less than 9,500 shares at R3.25 per share. Holders of these shares are entitled to elect not to have their shares repurchased, however, this offer presents an opportunity to exit to shareholders that may otherwise not be able to locate buyers for their shares. The Company has furthermore been informed that HCI will extend an offer to purchase the shares of those holders who hold more than 9,500 shares at a similar price to that of the odd-lot offer.

BETcoza

The Company has been in a prolonged process of selling its interest in Betcoza, an online and retail sports betting business. Negotiations are ongoing and the company is not yet in a position to provide further information in this regard. The online business has increased registrations and its active user base, however market share is under pressure. The retail operations remain loss making although improved GGR margins in recent months have been encouraging. Profitability in the current period results was artificially enhanced as a result of the adoption of IFRS 16 and also IFRS 5 requiring the ceasing of depreciation and amortisation of assets upon classification of same as disposal groups held for sale.

Alphawave Golf

Niveus previously received an offer from HCI to acquire the Company's interest in Alphawave Golf. The final condition precedent to this sale was fulfilled subsequent to the reporting date and the transaction has become effective.

CHANGES IN DIRECTORATE

There were no changes during the current period.

DIVIDEND

The directors have resolved not to declare an interim dividend.

JA Copelyn

Chairman

21 November 2019

Paarl

LI Bethlehem

Chief executive officer

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: LI Bethlehem*, JA Copelyn†, MH Ahmed#, ML Molefi#, JG Ngcobo#, AF Pereira*, Y Shaik*, RD Watson#

(* executive † non-executive # independent non-executive)

Company secretary: HCI Managerial Services Proprietary Limited

Transfer secretaries: Computershare Investor Services Proprietary Limited

Sponsor: Investec Bank Limited

www.niveus.co.za