**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

The definitions and interpretations commencing on page 6 of this Circular apply throughout this Circular including this front cover.

This Circular is issued in compliance with the Takeover Regulations for the purpose of providing information to Gameco Shareholders with respect to the Offer.

**ACTION REQUIRED BY GAMECO SHAREHOLDERS**

1. If you are in any doubt as to the action you should take, please consult your accountant, attorney, banker, Broker or other professional adviser immediately.
2. If you have disposed of all your Gameco Shares, this Circular should be handed to the purchaser of those Gameco Shares, or to the agent through whom you disposed of those Gameco Shares.
3. Full particulars of the action required by Gameco Shareholders (including the procedure for acceptance of the Offer) is set out on page 3 of this Circular.

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TSOGO SUN

**TSOGO SUN HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)
Registration number: 1989/002108/06
Share code: TSH
ISIN: ZAE000156238

**NIVEUS INVEST 19 LIMITED**

(Incorporated in the Republic of South Africa)
Registration number: 2015/269000/06

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# COMBINED OFFER CIRCULAR TO GAMECO SHAREHOLDERS

*Regarding:*

**the offer by Tsogo to all Gameco Shareholders, in terms of section 117(1)(c)(v) of the Companies Act, to acquire the entire issued ordinary share capital of Gameco (other than those Gameco Shares to be acquired by Tsogo in terms of the HCI Transaction) for the Offer Consideration.**

*and incorporating:*

- **a Form of Acceptance, Surrender and Transfer for use by Certificated Shareholders, who wish to accept the Offer;**
- **the report of the Independent Expert in relation to the Offer;**
- **the Independent Board's opinion and recommendation in relation to the Offer; and**
- **extracts of historical financial information in respect of Tsogo and Gameco.**

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| | |
|---|---|
| **Offer opens at 09:00 on** | **Wednesday,15 November 2017** |
| **Offer closes at 12:00 on** | **Friday, 29 December 2017** |

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**Corporate finance adviser to Tsogo**

Investec Specialist Bank

**Corporate finance adviser to Gameco**

PSG CAPITAL

**Corporate law adviser to Tsogo**

TABACKS ATTORNEYS AND CORPORATE LAW ADVISORS

**Corporate law adviser to Gameco**

ENSAFRICA

**Independent reporting accountant to Tsogo**

pwc

**Independent reporting accountant to Gameco**

Grant Thornton

**Independent Expert to Gameco**

KPMG

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Date of issue: 14 November 2017

*This Circular is available in English only and copies hereof may be obtained from the registered office of Tsogo at the address as set out in the "Corporate information and advisers" section of this Circular and from the Tsogo website (www.tsogosun.com), during normal business hours on Business Days from Tuesday, 14 November 2017 until the Closing Date, both days inclusive.*

# TSOGO CORPORATE INFORMATION AND ADVISERS

**Directors**
JA Copelyn* *(Chairman)*
J Booysen *(Chief Executive Officer)*
RB Huddy (*Chief Financial Officer)*
MA Golding*
VE Mphande*
Y Shaik*
BA Mabuza# *(Lead Independent Director)*
MSI Gani#
JG Ngcobo#
** Non-executive*
*# Independent non-executive*

**Corporate finance adviser**
Investec Bank Limited
(registration number 1969/004763/06)
100 Grayston Drive
Sandton, 2196
(PO Box 785700, Sandton, 2146)

**Independent reporting accountant**
PricewaterhouseCoopers Inc.
(registration number 1998/012055/21)
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

**Company secretary and registered office**
GD Tyrrell
Tsogo Sun Holdings Limited
(registration number 1989/002108/06)
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055
(Private Bag X200, Bryanston, 2021)

**Date and place of incorporation**
1989, South Africa

**Corporate law adviser**
Taback and Associates Proprietary Limited
(registration number 2000/010434/07)
13 Eton Road
Parktown, 2193
(PO Box 3334, Houghton, 2041)

**Transfer secretaries**
Link Market Services South Africa Proprietary Limited
(registration number 2000/007239/07)
13th Floor, Rennie House
19 Ameshoff Street
Braamfontein
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

# GAMECO CORPORATE INFORMATION AND ADVISERS

**Directors**
JA Copelyn
FA Du Plessis
MN Joubert
CE Kristal
MM Loftie-Eaton
JG Ngcobo
Y Shaik
WP van der Merwe
A van der Veen

**Corporate finance adviser**
PSG Capital Proprietary Limited
(registration number 2006/015817/07)
1st Floor
Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

**Transfer Secretaries**
Computershare Investor Services Proprietary Limited
(registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

**Independent Expert**
KPMG Services Proprietary Limited
(registration number 1999/012876/07)
MSC House
1 Mediterranean Street
Cape Town City Centre
Cape Town, 8001
(PO Box 4609, Cape Town, 8000)

**Company secretary**
HCI Managerial Services Proprietary Limited
(registration number 1996/017874/07)
4 Stirling Road
Zonnebloem
Cape Town
7925
(PO Box 5251, Cape Town, 8000)

**Corporate law adviser**
Edward Nathan Sonnenbergs Incorporated
(registration number 2006/018200/21)
1 North Wharf Square
Loop Street
Foreshore
Cape Town, 8001
(PO Box 2293, Cape Town, 8000)

**Independent reporting accountant**
Grant Thornton
Chartered Accountants (SA)
Registered Auditors
(Practice number 903485)
Wanderers Office Park
52 Corlett Drive
Illovo, 2196
(Private Bag X28, Benmore, 2010)

**Registered office**
La Concorde
57 Main Street
Paarl, 7646
(PO Box 528, Suider Paarl, 7624)

**Date and place of incorporation**
30 July 2015, South Africa

# IMPORTANT INFORMATION

This Circular has been prepared for the purposes of complying with the Companies Act and the Companies Regulations. The information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa. The release, publication and distribution of this Circular in jurisdictions other than South Africa may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than South Africa should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities laws of any such jurisdiction. This Circular is not intended to, and does not constitute, or form part of, an offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any foreign jurisdiction. This Circular does not constitute a prospectus or a prospectus equivalent document. Gameco Shareholders are advised to read this Circular, which contains the full terms of the Offer, with care. Any decision to accept the Offer should be made only on the basis of the information in this Circular.

# ACTION REQUIRED BY GAMECO SHAREHOLDERS

**GENERAL**

This Circular is important and requires your immediate attention.

If you have disposed of all your Gameco Shares, this Circular should be handed to the purchaser of those Gameco Shares, or to the Broker, banker, CSDP, or other agent through whom you disposed of those Gameco Shares.

Please take careful note of the following provisions regarding the action to be taken by Gameco Shareholders. If you are in any doubt as to what action you should take, you should consult your accountant, Broker, legal adviser, or other professional adviser immediately.

**OFFER**

The options available to Gameco Shareholders are:

- to accept the Offer in respect of all or some of your Gameco Shares; or
- to reject the Offer.

If you wish to reject the Offer, you do not need to take any further action.

If you wish to accept the Offer, you must do so in the manner described below, depending on whether you are a Certificated Shareholder or a Dematerialised Shareholder.

**1. CERTIFICATED SHAREHOLDERS**

**1.1** If you are a Certificated Shareholder and wish to accept the Offer, you must complete the Form of Acceptance, Surrender and Transfer attached to this Circular in accordance with its instructions and forward it, together with the relevant Documents of Title in respect of your Gameco Shares to the Transfer Secretaries. The Form of Acceptance, Surrender and Transfer may be delivered by hand or sent by mail to the Transfer Secretaries as follows:

| ***If delivered by hand*** | ***If sent by mail*** |
|---|---|
| Computershare Investor Services Proprietary Limited | Computershare Investor Services Proprietary Limited |
| Rosebank Towers | PO Box 61763 |
| 15 Biermann Avenue | Marshalltown, 2107 |
| Rosebank, 2196 | |

so as to be received by the Transfer Secretaries by no later than 12:00 on the Closing Date.

**1.2** If a Form of Acceptance, Surrender and Transfer and the relevant Documents of Title are not received by 12:00 on the Closing Date, the Offer will be deemed to have been declined. No late acceptances will be considered. Acceptances of the Offer that are sent by registered mail are sent at the risk of the Certificated Shareholders concerned. Accordingly, Certificated Shareholders should take note of the postal delivery times so as to ensure that acceptances of the Offer are received timeously. It is therefore recommended that such acceptances be sent by registered mail or delivered by hand to the Transfer Secretaries.

**1.3** No receipts will be issued for Documents of Title that have been surrendered, unless specifically requested by the Certificated Shareholders concerned. Gameco Shareholders requiring receipts must prepare a receipt and forward it together with their surrendered Documents of Title.

**1.4** If Documents of Title relating to any Gameco Shares have been destroyed or lost, Certificated Gameco Shareholders should nevertheless return the Form of Acceptance, Surrender and Transfer duly signed and completed, together with (1) evidence satisfactory to Tsogo that the Documents of Title to the relevant Gameco Shares have been destroyed or lost and (2) an indemnity acceptable to Tsogo against any damage, expense, loss or payment that it, or any of its duly authorised representatives, may incur or suffer by reason of, or arising from, the payment of the Offer Consideration to such person. An acceptable form of indemnity may be obtained from the Transfer Secretaries.

**1.5** Tsogo reserves the right, in its absolute and sole discretion:

1.5.1 to treat as invalid, Forms of Acceptance, Surrender and Transfer not accompanied by the relevant Documents of Title (or, if applicable, evidence satisfactory to Tsogo that the Documents of Title to the relevant Gameco Shares have been destroyed or lost and an indemnity acceptable to Tsogo, as contemplated in paragraph 1.4);

1.5.2 to treat as invalid, Forms of Acceptance, Surrender and Transfer that have not been completed in accordance with the instructions set out therein;

1.5.3 to require proof of the authority of the person signing the Form of Acceptance, Surrender and Transfer, where such proof has not been lodged with, or recorded by, the Transfer Secretaries; or

1.5.4 to condone the non-compliance by any Certificated Shareholder with any of the terms of the Offer.

**1.6** If a Form of Acceptance, Surrender and Transfer is treated as invalid due to non-compliance with the instructions contained therein, then the Certificated Shareholder that submitted that Form of Acceptance, Surrender and Transfer will be deemed to have declined the Offer, unless that Certificated Shareholder resubmits a properly completed Form of Acceptance, Surrender and Transfer to the Transfer Secretaries, which must be received before 12:00 on the Closing Date.

**1.7** If you accept the Offer in respect of all or some of your Gameco Shares and surrender the relevant Documents of Title, you will not be able to trade such Gameco Shares from the date of your acceptance of the Offer and surrender of the relevant Documents of Title in respect thereof.

## 2. DEMATERIALISED SHAREHOLDERS

**2.1** If you are a Dematerialised Shareholder, you will be contacted by your duly appointed Broker or CSDP in the manner stipulated in the custody agreement entered into between you and your Broker or CSDP, as the case may be ("**Custody Agreement**"), in order to ascertain whether or not you wish to accept the Offer. If you wish to accept the Offer, you must notify your Broker or CSDP of your acceptance of the Offer in the time and manner stipulated in the Custody Agreement in order to constitute a valid acceptance.

**2.2** If you are a Dematerialised Shareholder and wish to accept the Offer, but have not been contacted by your Broker or CSDP, it would be advisable for you to contact and furnish your Broker or CSDP with instructions in regard to the acceptance of the Offer. These instructions must be provided in the manner and by the cut-off date and time stipulated in your Custody Agreement.

**2.3** You must **not** complete the attached Form of Acceptance, Surrender and Transfer.

**2.4** If you notify your Broker or CSDP of your desire to accept the Offer, you will **not** be able to trade your Gameco Shares from the date on which you notify your Broker or CSDP of your acceptance of the Offer.

## TAKEOVER REGULATION PANEL APPROVAL

Shareholders should take note that the Takeover Regulation Panel does not consider commercial advantages or disadvantages of affected transactions when it regulates and approves such transactions.

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# IMPORTANT DATES AND TIMES

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis,* to this section (unless specifically defined where used or the context indicates a contrary intention).

| | |
|---|---|
| Record Date in order for Gameco Shareholders to be eligible to receive this Circular on | Monday, 13 November 2017 |
| Firm intention to make the Offer is announced on SENS | Monday, 13 November 2017 |
| Posting date for this Circular | Tuesday, 14 November 2017 |
| Opening Date of the Offer, at 09:00 on | Wednesday, 15 November 2017 |
| Last day to trade to take up the Offer | Friday, 22 December 2017 |
| Offer Consideration Settlement Date | Every Monday[3] during the Offer Period |
| Record date, being the final date upon which Gameco Shareholders must be recorded in the Register in order to be eligible to accept the Offer | Friday, 29 December 2017 |
| Closing Date of the Offer, at 12:00 on | Friday, 29 December 2017 |
| Last payment date | Tuesday, 2 January 2018 |
| Results of the Offer announced on SENS on | Tuesday, 2 January 2018 |

***Notes:***

1. *The above dates and times are subject to amendment at the discretion of Tsogo. Any such amendment will be released on SENS and published in the South African press.*
2. *The abovementioned dates and times are South African dates and times. All references to days are to Business Days.*
3. *The Offer Consideration will be settled by the Transfer Secretaries every Monday on the applicable Offer Consideration Settlement Date which shall be within six (6) Business Days of acceptance. If the Offer Consideration Settlement Date is a public holiday, then settlement of the Offer Consideration will be made on the first Business Day following the public holiday. The final settlement of the Offer Consideration will be made by no later than close of business on Tuesday, 2 January 2018.*

In this Circular, unless otherwise stated or clearly indicated by the context, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and vice versa, words importing one gender include the other genders and references to a person include references to a body corporate and *vice versa*:

| | |
|---|---|
| "**Assignment Agreement**" | the assignment agreement dated 27 June 2017 between HCI and Niveus (as amended), in terms of which Niveus will assign to HCI all of its rights and obligations in terms of the Clawback, including its obligation to make payment of the Clawback Amount to Tsogo in the event no EBTs are legally operating in the KwaZulu-Natal province on or prior to 31 March 2020, against transfer by Niveus to HCI of 8 214 286 Gameco Shares with an aggregate value of R80 000 000; |
| "**Authorised Dealer**" | an authorised dealer of the South African Reserve Bank, designated as such in terms of the Exchange Control Regulations; |
| "**Broker**" | any person registered as a "broking member (equities)" in terms of the Rules of the JSE made in accordance with the provisions of the Financial Markets Act; |
| "**Business Day**" | a day other than a Saturday, Sunday or official public holiday in South Africa; |
| "**Cash-based Alternative**" | the Cash-based Alternative consideration offered by Tsogo in respect of the Gameco Shares to be acquired by it from the Gameco Shareholders (other than HCI) in terms of the Offer, being:<br>(i) 20% in Consideration Shares in the ratio of one Consideration Share for every 2.875 Gameco Shares; and<br>(ii) 80% of R9.796 per Gameco Share in cash; |
| "**Certificated Shareholders**" | Gameco Shareholders who hold Certificated Shares; |
| "**Certificated Shares**" | Gameco Shares represented by a share certificate or other physical Document of Title, which have not been Dematerialised; |
| "**Circular**" | this combined Offer Circular to Gameco Shareholders, including the annexures and the Form of Acceptance, Surrender and Transfer attached hereto, setting out the details of the Offer and incorporating all disclosures required to be made by Tsogo (as offeror) and Gameco (as offeree regulated company) in terms of the Takeover Regulations; |
| "**Clawback**" | the rights and obligations as between Niveus and Tsogo set out in the Clawback provisions of the Transaction Agreement, including but not limited to the right of Tsogo to clawback the Clawback Amount from Niveus (or HCI, as assignee of Niveus under the Assignment Agreement) in the event that no EBTs are legally operating in the KwaZulu Natal Province prior to or on 31 March 2020; |
| "**Clawback Amount**" | the consideration which Niveus will be liable to deliver to Tsogo in terms of the Clawback determined in terms of the Transaction Agreement; |
| "**Closing Date**" | the Closing Date of the Offer, being at 12:00 on Friday, 29 December 2017 or such later date as Tsogo may, at its discretion and subject to the prior approval of the Takeover Regulation Panel, elect, which later date will be released on SENS and published in the South African press; |
| "**Common Monetary Area**" | South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland; |
| "**Companies Act**" | the Companies Act, 2008, as amended; |
| "**Companies Regulations**" | the Companies Regulations 2011, promulgated in terms of the Companies Act; |
| "**Consideration Shares**" | ordinary par value shares of R0.02 each in the authorised but unissued share capital of Tsogo to be issued by Tsogo to Gameco Shareholders who have validly accepted the Offer; |
| "**CSDP**" | a Central Securities Depository Participant, being a "participant" as defined in the Financial Markets Act; |

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| "**Dematerialise**" | the process by which securities held in certificated form are converted to or held in electronic form as uncertificated securities and recorded as such in a sub-register of securities holders maintained by a CSDP and "Dematerialised" shall bear the corresponding meaning; |
| "**Dematerialised Shareholder**" | a Gameco Shareholder who holds Dematerialised Shares; |
| "**Dematerialised Shares**" | Gameco Shares which have been Dematerialised; |
| "**Documents of Title**" | valid share certificates, certified transfer deeds, balance receipts or any other proof of ownership of Gameco Shares, reasonably acceptable to Tsogo; |
| "**EBT**" | electronic bingo terminal; |
| "**Emigrant**" | any emigrant from the Common Monetary Area; |
| "**Exchange Control Regulations**" | the Exchange Control Regulations, 1961, as amended, issued under section No. 9 of the Currency and Exchanges Act, 1933, as amended; |
| "**Financial Markets Act**" | the Financial Markets Act, 2012, as amended; |
| "**Firm Intention Announcement**" | the firm intention announcement released on SENS on Monday, 13 November 2017 by Tsogo and Gameco setting out the terms of a firm intention to propose the Offer to Gameco Shareholders; |
| "**Form of Acceptance, Surrender and Transfer**" | the Form of Acceptance, Surrender and Transfer attached to and forming part of this Circular; |
| "**Galaxy**" | Galaxy Gaming and Entertainment Proprietary Limited, registration number 2007/026773/07, a private company registered and incorporated with limited liability according to the laws of South Africa and a wholly owned Subsidiary of Gameco; |
| "**Gameco**" | Niveus Invest 19 Limited, registration number 2015/269000/06, a public company registered and incorporated with limited liability according to the laws of South Africa; |
| "**Gameco Board**" | the Board of Directors of Gameco whose names appear in the "Gameco Corporate information and advisers" section of this Circular; |
| "**Gameco Shareholders**" | the holders of Gameco Shares (other than HCI) registered as such in the Register during the Offer Period; |
| "**Gameco Shares**" | ordinary shares of no par value in the issued share capital of Gameco; |
| "**HCI**" | Hosken Consolidated Investments Limited, registration number 1973/007111/06, a public company registered and incorporated with limited liability according to the laws of South Africa, the controlling company of Tsogo and a Related Party to Tsogo; |
| "**HCI Transaction**" | the acquisition by Tsogo of a 50.8% shareholding interest in Gameco from HCI for 81 272 918 Tsogo shares at a ratio of one Tsogo share for every 2.875 Gameco Shares acquired, having an aggregate value of approximately R2.2 billion based on the VWAP of Tsogo shares on the JSE for the 30 trading days prior to the date of the announcement of the Transaction on SENS on 14 March 2017; |
| "**Independent Board**" | those Directors of Gameco whom the Gameco Board has indicated are Independent Directors, being Directors who have no conflict of interest in relation to the Offer and are able to make impartial decisions in relation to the Offer without fear or favour, namely F-A Du Plessis, WP van der Merwe and MN Joubert; |
| "**Independent Expert**" or "**KPMG**" | KPMG Services Proprietary Limited, registration number 1999/012876/07, a private company registered and incorporated with limited liability according to the laws of South Africa, particulars of which appear in the "Gameco Corporate Information and Advisers" section of the Circular; |
| "**Independent Expert's Report**" | the report of the Independent Expert in respect of the Offer, set out in **Annexure 1** to this Circular; |

| | |
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| "**JSE**" | JSE Limited, registration number 2005/022939/06, a public company registered and incorporated with limited liability according to the laws of South Africa and licensed to operate an exchange in accordance with the Financial Markets Act; |
| "**Last Practicable Date**" | Friday, 3 November 2017, being the last practicable date prior to the finalisation of this Circular; |
| "**Listings Requirements**" | the Listings Requirements of the JSE, from time to time; |
| "**Niveus**" | Niveus Investments Limited, registration number 1996/005744/06 a public company registered and incorporated with limited liability according to the laws of South Africa, a subsidiary of HCI and a Related Party to Tsogo; |
| "**Niveus Invest**" | Niveus Invest 1 Proprietary Limited, registration number 2012/190286/07; |
| "**Offer**" | the Offer by Tsogo to all Gameco Shareholders, in terms of section 117(1)(c)(v) of the Companies Act, to acquire the entire ordinary share capital of Gameco other than those Gameco Shares to be acquired by Tsogo in terms of the HCI Transaction (being 226 340 462 Gameco Shares in the aggregate), for the Offer Consideration; |
| "**Offer Consideration**" | the consideration to be paid by Tsogo to those Gameco Shareholders who have validly accepted the Offer in respect of each of their Gameco Shares for which the Offer is accepted, being the Share-based Alternative or, at the election of the Gameco Shareholder accepting the Offer, the Cash-based Alternative; |
| "**Offer Consideration Settlement Date**" | the dates of settlement of the Offer Consideration in respect of those Gameco Shares for which the Offer has, prior to the relevant settlement date, been accepted, being every Monday or if the Monday is a public holiday, then the first business day following the public holiday during the Offer Period, as follows:<br><br>**Monday, 20 November 2017;**<br>**Monday, 27 November 2017;**<br>**Monday, 4 December 2017;**<br>**Monday, 11 December 2017;**<br>**Monday, 18 December 2017;**<br>**Wednesday, 27 December 2017; and**<br>**Tuesday, 2 January 2018;** |
| "**Offer Period**" | the period from 09:00 on the Opening Date to 12:00 on the Closing Date; |
| "**Opening Date**" | the opening date of the Offer being 09:00 on Wednesday, 15 November 2017; |
| "**Register**" | the securities register of Gameco Shareholders maintained by Gameco in terms of the Companies Act, including the register of Certificated Shareholders and the sub-registers of Dematerialised Shares maintained by the relevant CSDPs in accordance with the Companies Act; |
| "**Related Party**" | a "related party" as that term is defined in the Listings Requirements; |
| "**SENS**" | the Stock Exchange News Service of the JSE; |
| "**Share-based Alternative**" | the share-based consideration offered by Tsogo in respect of the Gameco Shares to be acquired by it from the Gameco Shareholders in terms of the Offer, being one Consideration Share for every 2.875 Gameco Shares; |
| "**South Africa**" | the Republic of South Africa; |
| "**Takeover Regulation Panel**" | the Takeover Regulation Panel established in terms of the Companies Act; |
| "**Takeover Regulations**" | the takeover regulations issued in terms of section 120 of the Companies Act; |
| "**Transaction**" | collectively, the HCI Transaction, the Offer and the Clawback; |
| "**Transaction Agreement**" | the agreement dated 27 June 2017, as amended, amongst HCI, Niveus and Tsogo, relating to, *inter alia,* the HCI Transaction and the Offer; |

| | |
|---|---|
| "**Transfer Secretaries**" | Computershare Investor Services Proprietary Limited, registration number 2004/003647/07, a private company registered and incorporated with limited liability according to the laws of South Africa and the Transfer Secretaries of Gameco; |
| "**Tsogo**" | Tsogo Sun Holdings Limited, registration number 1989/002108/06, a public company registered and incorporated with limited liability according to the laws of South Africa and the offeror in terms of the Offer; |
| "**Tsogo Board**" | the Board of Directors of Tsogo whose names appear in the "Tsogo Corporate information and advisers" section of this Circular; |
| "**Tsogo Directors**" | the Directors for the time being of Tsogo; |
| "**Tsogo Shareholders**" | holders of ordinary par value shares of R0.02 each in the issued share capital of Tsogo; |
| "**Vukani**" | Vukani Gaming Corporation Proprietary Limited, registration number 2007/026773/07, a private company registered and incorporated with limited liability according to the laws of South Africa and a wholly owned Subsidiary of Gameco; |
| "**VWAP**" | volume weighted average traded price. |

**TSOGO SUN HOLDINGS LIMITED**
(Incorporated in the Republic of South Africa)
Registration number: 1989/002108/06
Share code: TSH
ISIN: ZAE000156238

**NIVEUS INVEST 19 LIMITED**
(Incorporated in the Republic of South Africa)
Registration number: 2015/269000/06

**Directors**
JA Copelyn* *(Chairman)*
J Booysen *(Chief Executive Officer)*
RB Huddy *(Chief Financial Officer)*
MA Golding*
VE Mphande*
Y Shaik*
BA Mabuza# *(Lead Independent Director)*
MSI Gani#
JG Ngcobo#

**Directors**
JA Copelyn
FA Du Plessis
MN Joubert
CE Kristal
MM Loftie-Eaton
JG Ngcobo
Y Shaik
WP van der Merwe
A van der Veen

**Non-executive*
*#Independent non-executive*

## CIRCULAR TO GAMECO SHAREHOLDERS

**1. INTRODUCTION**

**1.1** As contemplated in the announcements released on SENS on 14 March 2017, 11 May 2017 and on 27 June 2017, Tsogo has entered into the Transaction Agreement with HCI and Niveus, in terms of which Tsogo agreed to, *inter alia*:

1.1.1 acquire from HCI a 50.8% shareholding interest in Gameco in exchange for 81 272 918 Consideration Shares in terms of the HCI Transaction; and

1.1.2 make an Offer to Gameco Shareholders to acquire all of their Gameco Shares other than the Gameco Shares acquired by Tsogo in terms of the HCI Transaction, on the terms of the Offer.

**1.2** Gameco Shareholders were notified in the Firm Intention Announcement of Tsogo's intention to make the Offer.

**1.3** The Offer is an "affected transaction" as defined in section 117 of the Companies Act and, as such, the Offer is regulated by the Companies Act and the Takeover Regulations.

**2. PURPOSE OF THIS CIRCULAR**

The purpose of this Circular is to:

**2.1** set out the terms on which the Offer is made to Gameco Shareholders;

**2.2** provide Gameco Shareholders with information on Gameco and Tsogo;

**2.3** inform Gameco Shareholders of the manner in which the Offer may be accepted and the manner in which the Offer will be implemented; and

**2.4** provide Gameco Shareholders with the Independent Expert's Report and the opinion and recommendation of the Independent Board, with regard to the Offer.

**3. BACKGROUND INFORMATION ON TSOGO**

**3.1** Tsogo is a leading gaming, hotel and entertainment business with a vision to provide quality hospitality and leisure experiences at every one of its destinations. Tsogo is headquartered in Fourways, South Africa, and its shares are listed and admitted to trading on the main board of the JSE. Tsogo's portfolio comprises:

3.1.1 14 gaming and entertainment destinations in six provinces of South Africa;

3.1.2 108 hotels, with more than 18 400 rooms across all sectors of the market, from luxury to budget, with operations in South Africa, Nigeria, Kenya, Zambia, Mozambique, the United Arab Emirates and the Seychelles;

3.1.3 theatres, cinemas, restaurants and bars; and

3.1.4 over 320 conference and banqueting facilities, including the Sandton Convention Centre.

**3.2** Twelve of Tsogo's casinos are wholly owned, accounting for 96.9% of the Tsogo Group's total gaming income for the year ended 31 March 2017.

**3.3** As a result of their geographic distribution, casinos in South Africa mainly compete with providers of other leisure and entertainment activities for patronage, such as shopping centres, restaurants and sporting and concert venues, rather than with other casinos.

### 4. RATIONALE FOR THE OFFER

**4.1** It was a term of the Transaction Agreement that Tsogo would make the Offer.

**4.2** The Offer enables Gameco Shareholders to realise value for their investment in Gameco and will provide Gameco Shareholders with a more diversified exposure in the gaming, leisure and property market through the Consideration Share component of the Offer Consideration.

## THE OFFER

### 5. TERMS OF THE OFFER

**5.1 The Offer**

Tsogo hereby offers to acquire from Gameco Shareholders all of their Gameco Shares (other than those Gameco Shares acquired by Tsogo in terms of the HCI Transaction), for the Offer Consideration.

**5.2 Offer Period**

The Offer will be open for acceptance from 09:00 on Wednesday, 15 November 2017 and will remain open until the Closing Date; provided that Tsogo may, at its discretion, but subject to the prior approval of the Takeover Regulation Panel and the Gameco Board, elect to make any changes to the dates referred to in this Circular (including extending the Closing Date), in which event, the amended dates will be published on SENS and the South African press.

**5.3 Acceptance of the Offer**

5.3.1 The Offer is open for acceptance from 09:00 on the Opening Date and Gameco Shareholders are encouraged to tender their acceptances without delay in accordance with the procedures set out below.

5.3.2 Gameco Shareholders may elect to accept the Offer in respect of all or some of their respective Gameco Shares.

5.3.3 **Certificated Shareholders**

5.3.3.1 Certificated Shareholders who wish to accept the Offer, must complete the Form of Acceptance, Surrender and Transfer attached to this Circular in accordance with its instructions and forward it, together with the relevant Documents of Title in respect of those Gameco Shares for which the Certificated Shareholder wishes to accept the Offer, to the Transfer Secretaries. The Form of Acceptance, Surrender and Transfer may be delivered by hand or sent by mail to the Transfer Secretaries as follows:

| ***If delivered by hand*** | ***If sent by mail*** |
|---|---|
| Computershare Investor Services Proprietary Limited<br>Rosebank Towers<br>15 Biermann Avenue<br>Rosebank, 2196 | Computershare Investor Services Proprietary Limited<br>PO Box 61763<br>Marshalltown, 2107 |

so as to be received by the Transfer Secretaries by no later than 12:00 on the Closing Date.

5.3.3.2 If a Form of Acceptance, Surrender and Transfer and the relevant Documents of Title are not received by 12:00 on the Closing Date, the Offer will be deemed to have been declined. No late acceptances will be considered. Acceptances of the Offer that are sent by mail are sent at the risk of the Certificated Shareholders concerned. Accordingly, Certificated Shareholders should take note of the postal delivery times so as to ensure that acceptances of the Offer are received timeously. It is therefore recommended that such acceptances be delivered by hand to the Transfer Secretaries.

5.3.3.3 No receipts will be issued for Documents of Title that have been surrendered, unless specifically requested by the Certificated Shareholders concerned. Certificated Shareholders requiring receipts must prepare a receipt and forward it together with their surrendered Documents of Title.

5.3.3.4 If Documents of Title relating to any Gameco Shares have been destroyed or lost, Certificated Shareholders should nevertheless return the Form of Acceptance, Surrender and Transfer, duly signed and completed, together with (1) evidence satisfactory to Tsogo that the Documents of Title to the relevant Gameco Shares have been destroyed or lost, and (2) an indemnity acceptable to Tsogo, against any damage, expense, loss or payment that it, or any of its duly authorised representatives, may incur or suffer by reason of, or arising from, the settlement of the Offer Consideration. An acceptable form of indemnity may be obtained from the Transfer Secretaries.

5.3.4 Tsogo reserves the right, in its absolute and sole discretion:

5.3.4.1 to treat as invalid, Forms of Acceptance, Surrender and Transfer not accompanied by the relevant Documents of Title (or, if applicable, evidence satisfactory to Tsogo that the Documents of Title to the relevant Gameco Shares have been destroyed or lost and an indemnity acceptable to Tsogo, as contemplated in paragraph 5.3.3.4 above);

5.3.4.2 to treat as invalid, Forms of Acceptance, Surrender and Transfer that have not been completed in accordance with the instructions set out therein;

5.3.4.3 to require proof of the authority of the person signing the Form of Acceptance, Surrender and Transfer, where such proof has not been lodged with, or recorded by, the Transfer Secretaries; or

5.3.4.4 to condone the non-compliance by any Certificated Shareholder with any of the terms of the Offer.

5.3.5 If a Form of Acceptance, Surrender and Transfer is treated as invalid due to non-compliance with the instructions contained therein, then the Certificated Shareholder that submitted that Form of Acceptance, Surrender and Transfer will be deemed to have declined the Offer, unless that Certificated Shareholder concerned resubmits a properly completed Form of Acceptance, Surrender and Transfer to the Transfer Secretaries, which must be received before 12:00 on the Closing Date.

5.3.6 If a Certificated Shareholder accepts the Offer in respect of all or some of such Certificated Shareholder's Gameco Shares and surrenders the relevant Documents of Title, such Shareholder will not be able to trade such Gameco Shares from the date of the acceptance of the Offer and surrender of the relevant Documents of Title in respect thereof.

5.3.7 **Dematerialised Shareholders**

5.3.7.1 Dematerialised Shareholders will be contacted by such Shareholder's duly appointed Broker or CSDP in the manner stipulated in the Custody Agreement entered into between such Shareholder and its Broker or CSDP, as the case may be, in order to ascertain whether or not such Shareholder wishes to accept the Offer. If a Dematerialised Shareholder wishes to accept the Offer, such Shareholder must notify its Broker or CSDP of its acceptance of the Offer in the time and manner stipulated in its Custody Agreement, in order to constitute a valid acceptance.

5.3.7.2 If a Dematerialised Shareholder who wishes to accept the Offer, but has not been contacted by such Shareholder's Broker or CSDP, it would be advisable for such Shareholder to contact and furnish its Broker or CSDP with instructions in regard to the acceptance of the Offer. These instructions must be provided in the manner and by the cut-off date and time stipulated in such Shareholder's Custody Agreement.

5.3.7.3 A Dematerialised Shareholder must **not** complete the attached Form of Acceptance, Surrender and Transfer.

5.3.7.4 If a Dematerialised Shareholder notifies its Broker or CSDP of its desire to accept the Offer, it will **not** be able to trade its Gameco Shares from the date on which it notifies its Broker or CSDP of its acceptance of the Offer.

5.3.8. **Taxation**

Acceptances of the Offer may have an impact on Gameco Shareholders' personal tax position in relation thereto. Accordingly, Gameco Shareholders should seek the advice of their tax advisers in this regard.

**5.4 Election by Gameco Shareholders to receive the Cash-based Alternative of the Offer Consideration**

Gameco Shareholders who accept the Offer in respect of all or a portion of their Gameco Shares and who wish to elect to receive the Cash-based Alternative instead of the Share-based Alternative of the Offer Consideration in respect of their Gameco Shares for which they have accepted the Offer, will be required to make such election as set out below, depending on whether they are Dematerialised Shareholders or Certificated Shareholders. In the absence of such election, the Gameco Shareholder concerned will receive the Share-based Alternative of the Offer Consideration.

5.4.1 **Dematerialised Shareholders**

5.4.1.1 Dematerialised Shareholders must inform their CSDP or Broker within the time and in the manner stipulated in the Custody Agreement with their CSDP or Broker as to whether they wish to elect to receive the Cash-based Alternative instead of the Share-based Alternative of the Offer Consideration in respect of their Gameco Shares for which they wish to accept the Offer.

5.4.1.2 If a Dematerialised Shareholder fails to inform such Shareholder's CSDP or Broker of its election in terms of paragraph 5.4.1.1 above, or if such shareholder's CSDP or Broker fails to communicate such election to the Transfer Secretaries prior to the relevant Offer Settlement Date in respect of such Shareholder's acceptance of the Offer, such Shareholder will receive the Share-based Alternative of the Offer Consideration.

5.4.2 **Certificated Shareholders**

Certificated Shareholders must indicate their election to receive the Cash-based Alternative instead of the Share-based Alternative of the Offer Consideration in respect of their Gameco Shares for which they wish to accept the Offer in the appropriate box of the Form of Acceptance, Surrender and Transfer, failing which such Shareholders will receive the Share-based Alternative of the Offer Consideration.

**5.5 Settlement of the Offer Consideration**

5.5.1 **Certificated Shareholders**

Tsogo will procure the settlement of the Offer Consideration to those Certificated Shareholders who have elected to accept the Offer and who have surrendered their Documents of Title and furnished duly signed Forms of Acceptance, Surrender and Transfer in accordance with the instructions contained therein, at the risk of the Gameco Shareholder concerned, on the first Offer Consideration Settlement Date after such acceptance. To the extent that the Offer was validly accepted on a particular Offer Consideration Settlement Date, then the Offer Consideration shall be settled on the next Offer Consideration Settlement Date. Settlement of the Offer Consideration in respect of acceptances received on the Closing Date, will be made on Tuesday, 2 January 2018.

5.5.2 **Dematerialised Shareholders**

5.5.2.1 Dematerialised Shareholders who accept the Offer will have their accounts at their CSDP or Broker updated on the first Offer Consideration Settlement Date after such acceptance.

5.5.2.2 Acceptances duly received and verified by the Transfer Secretaries on the Closing Date will be settled on Tuesday, 2 January 2018.

**5.6 Fractions**

No fractions of Consideration Shares will be issued and any fraction of a Consideration Share to which any Gameco Shareholder is entitled to will, if it comprises 0.5 or more of a Consideration Share be rounded up to the nearest whole Consideration Share and otherwise will be rounded down to the nearest whole Consideration Share.

**5.7 Ownership, risk and benefit**

Ownership of, all risk in, as well as all benefits attaching to, the Gameco Shares, the subject of the Offer, will be acquired by Tsogo free of all counterclaims, encumbrances, *liens*, pre-emptive rights and any other third-party rights and interest of any nature whatsoever, and together with all rights now and hereafter attaching to such Gameco Shares.

**5.8 No set-off of the Offer Consideration**

The settlement of the Offer Consideration, to which any Gameco Shareholder is entitled under the Offer, will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which Tsogo may otherwise be, or claim to be, entitled against such Gameco Shareholder.

**5.9 Tsogo's intention to invoke the provisions of section 124 of the Companies Act**

If 90% or more of the Gameco Shares which are the subject of the Offer, is acquired by Tsogo in terms of the Offer, Tsogo intends to invoke the provisions of section 124 of the Companies Act to acquire the remaining Gameco Shares in respect of which the Offer has not been accepted, on the same terms and conditions, *mutatis mutandis,* as the Offer.

Section 124 is attached to this Circular as **Annexure 9**.

**5.10 Listing of Gameco**

In the event that 20% or more of the issued share capital of Gameco is held by Gameco Shareholders other than Tsogo on the first Business Day after the Closing Date, Tsogo has in terms of the Transaction Agreement, irrevocably undertaken to make application to the JSE to list the Gameco Shares on the main board of the JSE, within a period of 12 months from the first Business Day after the Closing Date.

**5.11 Other terms**

5.11.1 The Offer may be amended, varied or revised in such manner as Tsogo, in its sole discretion may determine; provided that no such amendment, variation or revision shall be made unless:

5.11.1.1 the prior consent of the Takeover Regulation Panel shall have been obtained;

5.11.1.2 the prior consent of the Gameco Board has been obtained, which consent shall not be unreasonably withheld;

5.11.1.3 there is no diminution in the value of the Offer Consideration;

5.11.1.4 an announcement containing the amended, varied or revised Offer is made prior to the Closing Date or such other date which is approved by the Takeover Regulation Panel; and

5.11.1.5 in writing and signed by a duly authorised representative of Tsogo.

5.11.2 If the Offer is amended, varied or revised, the benefit of such improved Offer will automatically accrue to any Gameco Shareholder who has accepted the Offer prior to such amendment, variation or revision.

5.11.3 The acceptance by or on behalf of a Gameco Shareholder of the Offer in its pre-amendment, varied or revised form will be deemed to be an acceptance of any improved Offer pursuant to any such amendment, variation or revision and will constitute an irrevocable authority and power of attorney in *rem suam*, of a Tsogo Director or duly authorised representative of Tsogo to accept such amended, varied or revised Offer on behalf of such Gameco Shareholder and to execute on behalf of and in the name of such Gameco Shareholder all such further documents (if any) as may be required to give effect to such acceptance.

5.11.4 Notwithstanding anything to the contrary contained in this Circular, Tsogo reserves the right to condone, in its sole discretion, the non-observance by any Gameco Shareholder of any of the terms or conditions of the Offer.

## 6. EXCHANGE CONTROL REGULATIONS

**6.1** The settlement of the Offer Consideration for both Certificated Shareholders and Dematerialised Shareholders will be made subject to the Exchange Control Regulations.

**6.2** The following is a summary of the Exchange Control Regulations. Gameco Shareholders who are not resident in, or who have registered addresses outside, South Africa must satisfy themselves as to the full observance of the laws of the relevant jurisdiction concerning the receipt of the Offer Consideration, including obtaining any required governmental or other consents, observing any other required formalities and paying any issue, transfer or other taxes due in that jurisdiction. If a Gameco Shareholder is in any doubt, such Shareholder should consult its professional advisers without delay.

**6.3 Emigrants from the Common Monetary Area**

In the case of Gameco Shareholders who are Emigrants and whose Gameco Shares form part of their blocked assets and to whom paragraph 6.4 below does not apply, the Offer Consideration will:

6.3.1 in the case of Certificated Shareholders whose Documents of Title are restrictively endorsed in terms of the Exchange Control Regulations, be forwarded to the Authorised Dealers in foreign exchange in South Africa controlling such Certificated Shareholder's blocked assets in terms of the Exchange Control Regulations to be issued directly to the blocked Rand accounts of the Certificated Shareholder concerned. The Form of Acceptance, Surrender and Transfer makes provision for details of the Authorised Dealer concerned to be given. If the information regarding Authorised Dealers is not given, the Offer Consideration will be held in a designated account by the Transfer Secretaries for the Certificated Shareholder concerned, pending receipt of the necessary information or instructions; and

6.3.2 in the case of Dematerialised Shareholders, be issued to their Brokers or CSDPs, which will arrange for the Offer Consideration to be settled directly to the blocked Rand accounts of the Dematerialised Shareholders concerned with their Authorised Dealers in foreign exchange in South Africa.

**6.4 All other non-residents of the Common Monetary Area**

The Offer Consideration accruing to non-resident Gameco Shareholders whose registered addresses are outside the Common Monetary Area and who are not Emigrants from the Common Monetary Area, or who are emigrants to whom paragraph 6.3 above applies, will:

6.4.1 in the case of Certificated Shareholders whose Documents of Title have been endorsed "non-resident" under the Exchange Control Regulations, be issued to their accounts at their CSDP or Broker (in terms of section 33(2) of the Financial Markets Act, Consideration Shares may not be issued in Certificated form and accordingly Certificated Shareholders would need to open an account with a Broker or CSDP in order to receive Consideration Shares in Dematerialised form), unless such Certificated Shareholder requests that the Offer Consideration be settled with an Authorised Dealer. The Form of Acceptance, Surrender and Transfer makes provision for the details of an Authorised Dealer to be provided; and

6.4.2 in the case of Dematerialised Shareholders, be issued to their duly appointed Brokers or CSDPs and credited to such Dematerialised Shareholder in accordance with the provisions of the custody agreements with their Brokers or CSDPs.

**6.5 Information not provided**

If the information regarding the Authorised Dealer is not given or instructions are not given as required, the Consideration Shares will be held by the Transfer Secretaries for the benefit of those Gameco Shareholders concerned, pending receipt of the necessary information or instructions.

**7. RESTRICTED JURISDICTIONS**

**7.1** To the extent that the distribution of this Circular in certain jurisdictions outside of South Africa may be restricted or prohibited by the laws of such foreign jurisdiction then this Circular is deemed to have been provided for information purposes only and neither Tsogo nor Gameco accepts any responsibility for any failure by Gameco Shareholders to inform themselves about, and to observe, any applicable legal requirements in any relevant foreign jurisdiction.

**7.2** Gameco Shareholders who are in doubt as to their position should consult their professional advisers.

**8. CONFIRMATION OF FINANCIAL RESOURCES**

**8.1 Cash component of the Cash-based Alternative**

Tsogo confirms that it has sufficient cash resources and/or facilities to satisfy, in full, the cash component of the Cash-based Alternative and the Takeover Regulations Panel has been furnished with irrevocable unconditional guarantees in compliance with Takeover Regulations 111(4) and (5) from ABSA Bank Limited and FirstRand Bank Limited in this regard, issued for the benefit of each Gameco Shareholder that accepts the Offer and elects the Cash-based Alternative, as a *stipulatio alteri* (contract for the benefit of a third party), the benefit of which may be accepted by those Gameco Shareholders at any time prior to the expiry of the guarantee.

**8.2 Consideration Shares component of the Offer Consideration**

8.2.1 Tsogo has sufficient shares in its authorised but unissued share capital available to settle the Consideration Share component of the Offer Consideration.

8.2.2 All necessary approvals have been obtained for the issue of the Consideration Share component of the Offer Consideration.

## INFORMATION REGARDING GAMECO

**9. FINANCIAL INFORMATION IN RELATION TO GAMECO**

**9.1 Extracts of historical financial information**

9.1.1 The carve-out historical financial information of Gameco for the financial year ended 31 March 2017 is set out in **Annexure 2** to this Circular.

9.1.2 There have been no material variations in the accounting policies of Niveus and Gameco subsequent to its latest published financial results for the year ended 31 March 2017.

9.1.3 No Gameco Shares have been dealt for value during the period prior to the Last Practicable Date.

**9.2 *Pro forma* financial effects of the Offer on a Gameco shareholder assuming the Cash-based Alternative**

The *pro forma* financial effects of the Offer on a Gameco Shareholder are the responsibility of the Tsogo and Gameco Directors and have been prepared for illustrative purposes only to provide information on the *pro forma* financial effects of the Offer on a Gameco Shareholder had the Transaction been effective on 1 April 2016 for earnings effects and on 31 March 2017 for the effect on net assets. Due to their nature, the *pro forma* financial effects may not fairly present a Gameco Shareholder's financial position, changes in equity, and results of operations or cash flows after the implementation of the Offer.

The *pro forma* financial effects have been prepared in accordance with the Listings Requirements and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants using accounting policies that comply with International Financial Reporting Standards and that are consistent with those applied to the audited results of Tsogo for the financial year ended 31 March 2017.

| Per Gameco or equivalent Gameco Share | Before | *Pro forma* after the Offer* | % change |
|---|---|---|---|
| Basic earnings per share (cents)[1] | 48.7 | 17.2 | n/m |
| Headline earnings per share (cents)[1] | 48.9 | 14.1 | n/m |
| Net asset value per share (Rand)[2] | 1.5 | 8.5 | n/m |
| Net tangible asset value per share (Rand)[2] | 1.4 | 8.0 | n/m |
| Number and weighted average number of Gameco or equivalent Gameco Shares in issue (million) | 460 | – | – |

** The "Pro forma after the Offer" reflects the pro forma impact on a Gameco shareholder, assuming Gameco Shareholders elect the Cash-based Alternative.*

***Note:***

1. *Earnings effects include 20% of the proportionate share (1:2.875) of Tsogo's pro forma after the Transaction earnings and exclude any return Gameco Shareholders may receive on the cash portion (R9.796 x 80%) of the Offer Consideration due to the uncertainty of the returns that may be received.*
2. *Net asset effects represent 20% of the proportionate share (1:2.875) of Tsogo's pro forma after the Transaction net assets plus the cash portion of R7.84 (R9.796 x 80%) of the Offer Consideration.*
3. *The pro forma financial effects of Gameco Shareholders electing the Share-based Alternative are as follows:*

| | | |
|---|---|---|
| *(a)* | *EPS (cents per share)* | *85.9* |
| *(b)* | *HEPS (cents per share)* | *70.3* |
| *(c)* | *NAV (Rand per share)* | *3.2* |
| *(d)* | *NTAV (Rand per share)* | *1.0* |

*Shareholders should exercise caution in reading these financial effects as the effects of the Cash-based Alternative do not consider the effects of potential earnings on the cash portion of the consideration and the pro forma effect on NAV does not consider the market value per Tsogo Share.*

## 10. GAMECO DIRECTORS' SERVICE CONTRACTS

**10.1** There are no material particulars of an abnormal nature in respect of Gameco Directors' service contracts which require specific disclosure, nor were any Directors' service contracts entered into or amended during the period beginning six months prior to the Opening Date and ending on the Last Practicable Date.

## 11. GAMECO DIRECTORS' REMUNERATION

**11.1** The remuneration of the Directors will not be varied as a result of the Offer or the HCI Transaction.

## 12. GAMECO DIRECTORS' INTERESTS IN GAMECO

**12.1** Direct and indirect beneficial interests of the Gameco Directors, including Gameco Directors that have resigned during the last 18 months, in the share capital of Gameco, as at the Last Practicable Date, are as follows:

| | Direct beneficial | Indirect beneficial | % of total issued share capital |
|---|---|---|---|
| JA Copelyn | – | 25 962 127 | 5.6 |
| A van der Veen | 3 150 553 | – | 0.7 |
| MM Loftie-Eaton | 712 729 | – | 0.2 |
| **Total** | **3 863 282** | **25 962 127** | **6.5** |

**12.2** There have been no changes in the Gameco Directors' interests in Gameco Shares during the period from 31 March 2017 up to and including the Last Practicable Date.

**12.3** There have been no changes in the Gameco Directors' interests in Tsogo Shares during the period from 31 March 2017 up to and including the Last Practicable Date.

## 13. INTENDED ACTION OF GAMECO DIRECTORS

The Gameco Directors holding Gameco Shares, in their personal capacities, intend to accept the Offer and dispose of their Gameco Shares to Tsogo.

## 14. CONTINUATION OF THE BUSINESS OF GAMECO

**14.1** Tsogo intends to continue to operate the business of Gameco as a going concern for the foreseeable future.

## 15. FINANCIAL INFORMATION IN RELATION TO TSOGO

### 15.1 Extracts of historical financial information

15.1.1 Extracts of the audited consolidated financial information of Tsogo for the years ended 31 March 2015, 2016 and 2017 are set out in **Annexure 5** to this Circular.

15.1.2 There have been no material variations in the accounting policies of Tsogo subsequent to its latest published financial results for the year ended 31 March 2017.

15.1.3 The trading history in Tsogo ordinary shares is set out in **Annexure 8** to this Circular.

### 15.2 *Pro forma* financial effects of the Transaction on Tsogo

15.2.1 The *pro forma* financial effects and notes thereto relating to the results of the Transaction are contained in the table below.

15.2.2 The *pro forma* financial effects of the Transaction are the responsibility of the Tsogo and Gameco Directors and have been prepared for illustrative purposes only to provide information about how the Transaction may have affected Tsogo's consolidated income statement had the Transaction been undertaken at the commencement of the financial year ended 31 March 2017, being 1 April 2016 and, in the case of Tsogo's consolidated balance sheet, had the Transaction been undertaken on 31 March 2017. Due to their nature, the *pro forma* financial effects may not fairly present Tsogo's financial position, changes in equity, and results of operations or cash flows after the implementation of the Transaction.

15.2.3 The *pro forma* financial effects have been prepared in accordance with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants using accounting policies that comply with International Financial Reporting Standards and that are consistent with those applied to the audited results of Tsogo for the year ended 31 March 2017.

15.2.4 The *pro forma* consolidated income statement and consolidated balance sheet of Tsogo are set out in **Annexure 6** to this Circular and the independent reporting accountants' limited assurance report on the *pro forma* financial information is included in **Annexure 7** to this Circular.

| | Before | *Pro forma* after the Transaction | % change |
|---|---|---|---|
| Basic earnings per share (cents) | 262.0 | 247.0 | (6.1) |
| Basic and diluted headline earnings per share (cents) | 212.4 | 202.1 | (4.8) |
| Basic and diluted adjusted headline earnings per share (cents) | 207.6 | 197.8 | (4.7) |
| Net asset value per share (Rand) | 11.3 | 9.2 | (18.6) |
| Net tangible asset value per share (Rand) | 4.4 | 2.9 | (34.1) |
| Number and weighted average number of shares in issue (million) | 957 | 1 054 | 10.1 |

***Notes:***

1. *The "Before" column is based on the consolidated financial results of Tsogo for the year ended 31 March 2017.*
2. *The "Pro forma after the Transaction" column reflects the pro forma impact of the Transaction on Tsogo, assuming Gameco Shareholders elect the Cash-based Alternative.*
3. *The effects on earnings, diluted earnings, headline earnings, and diluted headline earnings per share are calculated on the basis that the Transaction was effective 1 April 2016, while the effects on net asset value and net tangible asset value per share are calculated on the basis that the Transaction was effective 31 March 2017.*
4. *The detailed notes and assumptions to the pro forma financial effects are presented in **Annexure 6** to this Circular and the financial effects should be read in conjunction with the pro forma consolidated balance sheet and the pro forma consolidated income statement contained in **Annexure 6** to this Circular. The independent reporting accountant's assurance report on the Pro forma Financial Information is contained in **Annexure 7** to this Circular.*
5. *The increase in the weighted average and total number of shares in issue is congruent with the issue of 97 million new shares to HCI and Gameco Shareholders in terms of the Transaction. 81.2 million of the new shares are issued by Tsogo to HCI pursuant to the HCI Transaction and 15.7 million new shares are issued to the Gameco Shareholders pursuant to the Transaction, assuming all Gameco Shareholders elect the Cash-based Alternative.*

## 16. TSOGO'S AND TSOGO DIRECTORS' INTERESTS IN GAMECO

**16.1** As at the Last Practicable Date:

16.1.1 in terms of the HCI Transaction, Tsogo has agreed to acquire 233 659 638 shares in Gameco, constituting approximately 50.8% of the issued share capital of Gameco from HCI; and

16.1.2 the direct and indirect beneficial interests of the Tsogo Directors' (and their associates), including Tsogo Directors that have resigned during the last 18 months, in Gameco, as at 31 March 2017, are as follows:

| | Number of Shares held as at 31 March 2017 | | | |
|---|---|---|---|---|
| | **Direct beneficial** | **Indirect beneficial** | **Associates** | **% of total issued share capital** |
| **Executive Directors** | – | – | – | – |
| J Booysen (appointed with effect from 1 June 2017) | – | – | – | – |
| RB Huddy | – | – | – | – |
| MN von Aulock (resigned with effect from 1 June 2017) | – | – | – | – |
| **Non-Executive Directors** | | | | |
| JA Copelyn | – | 25 962 127 | – | 5.6 |
| **Total** | **–** | **25 962 127** | **–** | **5.6** |

**16.2** Pursuant to the implementation of the Transaction, Tsogo will become the beneficial owner of the Gameco Shares sold pursuant to acceptances of the Transaction.

## 17. TSOGO DIRECTORS' INTERESTS IN TSOGO

**17.1** The direct and indirect beneficial interests of the Tsogo Directors (and their associates), including Tsogo Directors that have resigned during the last 18 months, in the share capital of Tsogo, as at 31 March 2017, are as follows:

| | Number of Shares held as at 31 March 2017 | | | |
|---|---|---|---|---|
| | **Direct beneficial** | **Indirect beneficial** | **Associates** | **% of total issued share capital** |
| **Executive Directors** | | | | |
| J Booysen (appointed with effect from 1 June 2017) | 1 825 243 | – | – | 0.19 |
| RB Huddy | 1 048 543 | – | – | 0.11 |
| MN von Aulock (resigned with effect from 1 June 2017) | 3 339 806 | – | – | 0.35 |
| **Non-Executive Directors** | | | | |
| JA Copelyn | 167 775 | – | – | 0.02 |
| **Total** | **6 381 367** | **–** | **–** | **0.67** |

**17.2** There have been no changes in the Tsogo Directors' interests in Tsogo shares during the period from 31 March 2017 up to and including the Last Practicable Date.

## 18. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE OFFER

**18.1** Niveus, in terms of the Transaction Agreement, is irrevocably obliged to accept the Offer in respect of 20 535 720 shares in Gameco, constituting 4.5% of the issued share capital of Gameco.

**18.2** Gameco Shareholders (excluding HCI and Niveus) have provided Tsogo with irrevocable undertakings to accept the Offer in respect of 94 768 719 Gameco Shares, in the aggregate, constituting 20.6% of the issued share capital of Gameco.

## 19. AGREEMENTS RELATING TO THE OFFER

Except for the Transaction Agreement and the irrevocable undertakings referred to in paragraph 18 of this Circular, to the best of Gameco's and Tsogo's knowledge, no agreement exists between Tsogo (or any person acting in concert with it in relation to the Offer) and:

**19.1** Gameco;

**19.2** any Gameco Director or any person who was a director of Gameco within the period commencing 12 months prior to the Last Practicable Date;

**19.3** any Gameco Shareholders, or persons who were Gameco Shareholders within the period commencing 12 months prior to the Last Practicable Date;

**19.4** Gameco and any Tsogo Director or any person who was a director of Tsogo within the period commencing 12 months prior to the Last Practicable Date; or

**19.5** any Tsogo Shareholders, or persons who were Tsogo Shareholders within the period commencing 12 months prior to the Last Practicable Date,

that are considered to be material to a decision regarding the Offer to be taken by Gameco Shareholders or Tsogo Shareholders.

## 20. THE INDEPENDENT EXPERT'S REPORT

**20.1** The Independent Board appointed KPMG as an independent expert acceptable to the Takeover Regulation Panel, to provide appropriate external advice in the form of a fair and reasonable opinion in relation to the Offer.

**20.2** The Independent Expert's Report prepared in accordance with Regulation 90 of the Takeover Regulations is provided in **Annexure 1** to this Circular.

**20.3** Having considered the terms and conditions of the Offer, and based upon and subject to the terms and conditions set out in the Independent Expert's Report, the Independent Expert is of the opinion that the Offer Consideration is fair and reasonable to Gameco Shareholders.

## 21. THE INDEPENDENT BOARD OPINION

**21.1** The Independent Board, after due consideration of the terms and conditions of the Offer and the Independent Expert's Report, has determined that it will place reliance on the valuation performed by the Independent Expert for the purposes of reaching its own opinion regarding the Offer and Offer Consideration, as contemplated in Regulation 110(3)(b) of the Takeover Regulations. The Independent Board has formed a view of the range of the fair value of the Gameco Shares, which accords with the valuation range contained in the Independent Expert's Report.

**21.2** In forming its opinion, the Independent Board considered the factors which are difficult to quantify or are unquantifiable (as contemplated in Regulation 110(6) of the Takeover Regulations) as identified in the Independent Expert's Report.

**21.3** The Independent Board, after taking into consideration the opinion of the Independent Expert, is unanimously of the opinion that the terms and conditions of the Offer are fair and reasonable to Gameco Shareholders and, accordingly, recommends that Gameco Shareholders accept the Offer.

**21.4** The Independent Board confirms that Gameco has not received any other offers in respect of the Gameco Shares since the publication of the Firm Intention Announcement or within the six months prior to such publication.

## 22. TSOGO DIRECTORS' RESPONSIBILITY STATEMENT

The Tsogo Directors whose names are set out in the "Tsogo Corporate Information and Advisers" section of this Circular, after taking account of the fact that the Offer Consideration comprises wholly or partly Tsogo shares, individually and collectively:

**22.1** accept responsibility for the information in relation to Tsogo contained in this Circular;

**22.2** confirm that to the best of their knowledge and belief, the information in relation to Tsogo contained in this Circular is true; and

**22.3** confirm that, where appropriate, this Circular does not omit anything likely to affect the importance of the information in relation to Tsogo contained in this Circular.

No member of the Tsogo Board is excluded from this statement.

## 23. INDEPENDENT BOARD'S RESPONSIBILITY STATEMENT

The members of the Independent Board whose names are set out in the "Gameco Corporate Information and Advisers" section of this Circular, individually and collectively:

**23.1** accept responsibility for the information in relation to Gameco contained in this Circular;

**23.2** confirm that to the best of their knowledge and belief, the information in relation to Gameco contained in this Circular is true; and

**23.3** confirm that, where appropriate, this Circular does not omit anything likely to affect the importance of the information in relation to Gameco contained in this Circular.

No member of the Independent Board or Gameco Board is excluded from this statement.

**24. MATERIAL CHANGES**

There have been no material changes in the financial position of Gameco that has occurred since the release of Gameco's carve-out historical financial information in respect of the year ended 31 March 2017.

**25. CONSENTS**

The corporate finance adviser, the corporate law adviser and the independent reporting accountant to Tsogo, the corporate finance adviser, the corporate law adviser and the independent reporting accountant to Gameco, the Transfer Secretaries of Gameco and the Independent Expert, the names of all of whom are set out in the "Tsogo Corporate Information and Advisers" and the "Gameco Corporate Information and Advisers" sections of this Circular, respectively, have consented in writing to act in the capacities stated in this Circular and to their names being stated in this Circular and have not withdrawn their consent prior to the date of issue of this Circular.

**26. GOVERNING LAW AND JURISDICTION OF THE SOUTH AFRICAN COURTS**

This Circular, the Offer and any acceptance thereof:

**26.1** will be governed by and construed in accordance with South African law; and

**26.2** will be subject to the exclusive jurisdiction of the South African Courts of competent jurisdiction.

**27. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents will be available for inspection at the registered office of Tsogo and the office of the Transfer Secretaries, whose addresses are set out in the "Tsogo Corporate Information and Advisers" and the "Gameco Corporate Information and Advisers" sections of this Circular, respectively, during normal business hours from Tuesday, 14 November 2017 up to and including Friday, 29 December 2017:

**27.1** a copy of the approval letter from the Takeover Regulation Panel approving the Offer;

**27.2** a copy of the Transaction Agreement;

**27.3** copies of the letters of consent of the persons referred to in paragraph 25 above;

**27.4** copies of the irrevocable undertakings received referred to in paragraph 18 above;

**27.5** a signed copy of this Circular;

**27.6** a copy of the Independent Expert's report;

**27.7** the Takeover Regulation Panel's approval letter regarding dispensation from the requirements of Regulation 102(2) regarding the posting of this Circular and Regulation 106(6)(d)(i) regarding the disclosure in this Circular of a full set of financial statements;

**27.8** the Takeover Regulation Panel's approval letter regarding dispensation from the requirements of Regulation 106(7)(c)(i) regarding the disclosure in this Circular of a full set of financial statements;

**27.9** a copy of the memorandum of incorporation of each of Tsogo and Gameco;

**27.10** copies of:

27.10.1 the annual financial statements of Tsogo for the last three completed financial years;

27.10.2 Niveus annual financial statements for the last three completed financial years;

27.10.3 the Gameco carve-out accounts for the financial year ended 31 March 2017; and

**27.11** a copy of the prospectus, which accompanies this Circular, which Tsogo is required to issue in terms of the Companies Act.

**By order of the Tsogo Board**

**J Booysen**

14 November 2017

**By order of the Independent Board**

**FA Du Plessis**

14 November 2017

# THE INDEPENDENT EXPERT'S REPORT

The Independent Committee of the Board of Directors
Niveus Invest 19 Limited
57 Main Street
Paarl
7646

8 November 2017

Dear Sirs

**INDEPENDENT EXPERT'S REPORT IN RESPECT OF THE OFFER TO THE MINORITY SHAREHOLDERS OF NIVEUS INVEST 19 LIMITED BY TSOGO SUN HOLDINGS LIMITED**

**Introduction**

In an announcement by Niveus Investments Limited ("**Niveus**") released on the Stock Exchange News Service of the JSE Limited and published in the press on 27 June 2017, shareholders of Niveus ("**Niveus Shareholders**") were advised as follows:

All of the South African gaming interests of Niveus (other than its sports betting and lottery interests) are housed in Niveus Invest 19 Limited ("**Gameco**") and its subsidiaries and includes the following major businesses:

- Vukani Gaming Corporation Proprietary Limited ("**Vukani Gaming**") – Vukani Gaming and its subsidiaries are mainly engaged in offering limited pay-out machine ("**LPM**") gaming services and manages more than 5 500 LPMs at third-party sites throughout Southern Africa; and
- Galaxy Gaming and Entertainment Proprietary Limited ("**Galaxy Gaming**") - Galaxy Gaming operates licensed bingo centres. Bingo is offered through electronic bingo terminals ("**EBT**") and paper bingo games at Galaxy Gaming's licensed bingo centres. Galaxy Gaming and its subsidiaries operate 2 351 EBTs and 174 slot machines.

Niveus Shareholders were advised Niveus intends to distribute up to a maximum of 431 250 094 ordinary shares of no par value in the issued share capital of Gameco ("**Gameco Shares**") (comprising up to 93.75% of the total issued Gameco Shares) to Niveus Shareholders, by way of a distribution *in specie pro rata* to their respective shareholding in Niveus on the record date ("**Unbundling Record Date**") in the ratio of 3.6190 Gameco Shares for every one ordinary share of no par value in the issued share capital of Niveus ("**Shares**") held by any such Niveus shareholder on the Unbundling Record Date ("**Unbundling**").

Pursuant to the completion of the Unbundling, Tsogo will make a voluntary offer to the Gameco minority shareholders (including Niveus but excluding Hosken Consolidated Investments Limited) ("**Minority Shareholders**"), in compliance with the Companies Act and the Companies Regulations, to acquire all of the Gameco Shares held by the Minority Shareholders ("**Tsogo Minority Offer**"), pursuant to the Unbundling, being 234 554 748 Gameco Shares in aggregate, in exchange for a consideration comprising:

1.1 the Share-based Alternative, being one Tsogo Considerations Share for every 2.875 Gameco Shares disposed of by such Minority Shareholders; or

1.2 the Cash-based Alternative comprising:
  - 20% in Tsogo shares (in the ratio of one Tsogo share for every 2.875 Gameco Shares); and
  - 80% in cash (at R 9.796 per Gameco share).

The full details of the Tsogo Minority Offer are contained in the combined offer Circular to be issued to Minority Shareholders ("**the Circular**"), which Circular is to be dated on or about 13 November 2017 and will include a copy of this letter.

**Scope**

A subcommittee of the Gameco Board of Directors comprising three Independent Directors ("**Independent Board**") was formed for purposes of considering the Tsogo Minority Offer in terms of section 117 of the Companies Act No. 71 of 2008 ("**Companies Act**") read with the Companies Regulations, 2011, promulgated under the Companies Act ("**Companies Regulations**").

KPMG Services Proprietary Limited ("**KPMG**") has been appointed by the Independent Board as the Independent Professional Expert to advise it on whether the terms and conditions of the Tsogo Minority Offer are fair and reasonable to Minority Shareholders.

**Responsibility**

The compliance with the Companies Act is the responsibility of the Independent Board. Our responsibility is to report on the terms and conditions of the Tsogo Minority Offer in compliance with the related provisions of the Companies Act.

We confirm that our fair and reasonable opinion has been provided to the Independent Board for the sole purpose of assisting the Independent Board in forming and expressing an opinion for the benefit of Minority Shareholders.

**Definition of the terms "fair" and "reasonable"**

A Transaction will generally be considered fair to a company's shareholders if the benefits received by the shareholders, as a result of the Transaction, are equal to or greater than the value surrendered by the shareholders.

The assessment of fairness is primarily based on quantitative issues. The Transaction may be considered fair if the consideration received per share by Minority Shareholders is considered to be equal to or greater than the value surrendered by Minority Shareholders in terms of the Transaction.

The assessment of reasonableness is generally based on qualitative considerations surrounding the Transaction. Hence, even though the consideration received by Minority Shareholders may be less than the value surrendered by Minority Shareholders, the entire Transaction may still be reasonable in certain circumstances after considering other significant qualitative factors.

**Information utilised and procedures performed**

**Key fairness considerations**

In arriving at our opinion we have undertaken the following procedures in evaluating the fairness of the Tsogo Minority Offer:

- Obtained an understanding of the structure of the Tsogo Minority Offer;
- Reviewed the terms and conditions of the Tsogo Minority Offer;
- Considered the Circular to Minority Shareholders, to be dated on or about 13 November 2017, in respect of the Tsogo Minority Offer;
- Reviewed certain publicly available information relating to Niveus, including company announcements and media articles;
- Considered the historical performance of the Gameco subsidiaries with reference to its audited financial statements for the financial years ended 31 March 2017, 2016 and 2015 and the unaudited management accounts for the periods ended 31 March 2015, 31 March 2016, 31 March 2017 and 30 June 2017;
- Held discussions with the Directors and management of the Gameco subsidiaries to establish its strategy and considered such other matters as we consider necessary, including assessing the prevailing economic, legal and market conditions in the gambling industry;
- Held discussions with the legal advisers regarding the likely outcome of the legal disputes pertaining to Electronic Bingo Terminals in KwaZulu-Natal;
- Reviewed Gameco's financial forecast for the three years ending 31 March 2020 and the basis of the assumptions therein including the prospects of the business. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management;
- Reviewed the reasonableness of material assumptions in the Gameco financial model;
- Assessed the assumptions made against our analysis of future macro-economic factors, as well as the overall industry outlook;
- Considered any further material adjustments to value based on matters arising in the period from 30 June 2017 to the date of this opinion;
- Considered the discount of subsidiary companies in typical pyramid/holding company structures;
- Reviewed the reasonableness of material assumptions in the financial forecast relating to:
  - Volume and price growth
  - Gross and trading profit margins
  - Working capital management
- Stress tested the material assumptions applied in the financial forecast which included, inter alia, discount rate, exchange rates, future growth in the business, gross and trading profit margins, working capital management and optimisation of the existing asset base;
- Evaluated the risks and expected returns associated with Gameco;
- Performed a high-level valuation of Tsogo on a capitalisation of EBITDA basis resulting in a value per share between R26.84 per share and R28.84 and compared it to the 30-day VWAP as at 14 March 2017 (the date of the initial Transaction announcement) amounting to R27 per share and the basis of the number of Consideration shares; and
- On the basis that all Minority Shareholders accept the Tsogo Minority Offer, determined the value surrendered by Minority Shareholders (between R 7.75 per share and R7.93 per share) and the value received (R9.73 per share) in case of the Share-based Alternative, or (R9.74 per share) in case of the Cash-based Alternative).

**Key qualitative considerations**

In arriving at our opinion, we have also considered the following key qualitative considerations in evaluating the reasonableness of the Tsogo Minority Offer:

- Consideration of the rationale for the Tsogo Minority Offer and the benefits thereof to Minority Shareholders as set out in the Circular and based on discussions with members of the Gameco Independent Board;
- The Share-based Alternative is an option available to Minority Shareholders in addition to the Cash-based Alternative and Minority Shareholders have the flexibility to choose either one;
- Limited tradeability of Gameco Shares; and
- Our understanding of the process followed and the options considered.

**Valuation**
KPMG performed a valuation of Gameco to determine whether the Tsogo Minority Offer represents fair value to Minority Shareholders. The discounted cash flow methodology was the primary valuation methodology employed. This was supplemented with another valuation methodology such as the capitalisation of maintainable earnings before interest, taxation, depreciation and amortisation ("**EV/EBITDA**") methodology.

The valuation was performed taking cognisance of risk and other market and industry factors affecting Gameco. Additionally, sensitivity analyses were performed considering key assumptions.

The valuation assumed that Gameco continues as a going concern.

Where appropriate adjustments were made to the financial forecast based on the information and procedures described above and our understanding of the markets in which Gameco.

Key value drivers to the primary valuation included the discount rate, exchange rates, future growth in the business segments, operating margins, cost saving initiatives, working capital management and optimisation of the existing asset base.

Prevailing market and industry conditions were also considered in assessing the risk profile of Gameco. Sensitivity analyses were performed on key value drivers in arriving at a valuation range.

The valuation above is provided solely in respect of this fair and reasonable opinion and should not be used for any other purposes.

**Opinion**
KPMG has considered the terms and conditions of the Tsogo Minority Offer and, based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Tsogo Minority Offer are fair to the Minority Shareholders.

Based on the qualitative considerations set out above, we are of the opinion that the terms and conditions of the Tsogo Minority Offer are reasonable in the circumstances.

Our opinion is necessarily based upon the information available to us up to 3 August 2017, including in respect of the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory, other approvals and consents required in connection with the Tsogo Minority Offer have been or will be timeously fulfilled and/or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or reaffirm.

**Limiting conditions**
This opinion is provided to the Independent Board in connection with and for the purposes of the Tsogo Minority Offer for the sole purpose of assisting the Independent Board in forming and expressing an opinion for the benefit of Minority Shareholders. This opinion is prepared solely for the Independent Board for use in the indicated manner and therefore should not be regarded as suitable for use by any other party or give rise to third party rights. This opinion does not purport to cater for each individual Minority Shareholder's perspective, but rather that of the general body of Minority Shareholders. Should a Minority Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual Minority Shareholder's decision as to whether to accept the Tsogo Minority Offer may be influenced by his particular circumstances.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management of the Gameco subsidiaries, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia,* the annual financial statements, and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

Where relevant, the forecasts of Gameco relate to future events and are based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Gameco will correspond to those projected. Where practicable, we compared the forecast financial information to past trends and third party estimates as well as discussing the assumptions inherent therein with the management of Gameco subsidiaries. On the basis of these enquiries and such other procedures we consider appropriate to the circumstances, we believe that the forecasts have been prepared with due care and consideration.

We have also assumed that the Tsogo Minority Offer will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives and advisers of Niveus and we express no opinion on such consequences. We have assumed that all agreements that will be entered into in respect of the Transaction will be legally enforceable.

**Independence, competence and fees**
We confirm that we have no direct or indirect interest in any Shares or the Tsogo Minority Offer. We also confirm that we have the necessary qualifications and competence to provide the fair and reasonable opinion on the Tsogo Minority Offer.

Furthermore, we confirm that our professional fees of approximately R100 000 are not contingent upon the success of the Transaction.

**Consent**
We consent to the inclusion of this letter and the reference to our opinion in the Circular to be issued to Minority Shareholders in the form and context in which it appears and in any required regulatory announcement or documentation.

Yours faithfully

**Jacques Pienaar**
*Director: Deal Advisory*

# CARVE-OUT HISTORICAL FINANCIAL INFORMATION FOR GAMECO FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | Audited 31 March 2017 R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | 638 625 |
| Property, plant and equipment | 6 | 457 394 |
| Investment properties | | 7 474 |
| Goodwill | | 48 230 |
| Intangible assets | | 14 278 |
| Interest in associates and joint ventures | | 57 071 |
| Deferred taxation | | 27 491 |
| Loans receivable | | 26 687 |
| **Current assets** | | 227 698 |
| Trade and other receivables | | 109 675 |
| Other | | 14 835 |
| Cash and cash equivalents | | 103 188 |
| **Total assets** | | 866 323 |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | 673 722 |
| Equity attributable to equity holders of the parent | | 689 762 |
| Non-controlling interest | | (16 040) |
| **Non-current liabilities** | | 4 553 |
| Deferred taxation | | 180 |
| Operating lease equalisation liability | | 4 373 |
| **Current liabilities** | | 188 048 |
| **Total equity and liabilities** | | 866 323 |
| Net asset value per share (cents) | | 150 |
| Net tangible asset value per share (cents) | | 136 |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | **Audited Year ended 31 March 2017 R'000** |
|---|---|
| Revenue | 73 979 |
| Net gaming win | 1 295 256 |
| Group revenue | 1 369 235 |
| Other Income | 3 679 |
| Operating expenses | (911 324) |
| Depreciation and amortisation | (121 032) |
| Share of losses of associates and joint ventures | (7 081) |
| Investment income | 4 453 |
| Fair value adjustments of investment properties | 403 |
| Impairment of assets | (1 778) |
| Finance costs | (749) |
| Profit before taxation | 335 806 |
| Taxation | (101 242) |
| Profit for the year | 234 564 |
| Other comprehensive income | – |
| Total comprehensive income for the year | 234 564 |
| Attributable to: | |
| Equity holders of the parent | 223 771 |
| Non-controlling interest | 10 793 |
| | 234 564 |
| Earnings per share (cents) | 48.6 |
| Weighted average number of shares in issue ('000) | 460 000 |
| Actual number of share in issue at end of year ('000) | 460 000 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | **Audited Year ended 31 March 2017 R'000** |
|---|---|
| Balance at beginning of year | 756 682 |
| Total comprehensive income | 234 564 |
| Capital reductions and dividends | (145 950) |
| Balance at end of year | 845 296 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Audited Year ended 31 March 2017 R'000 |
|---|---|
| Cash flows from operating activities | 373 364 |
| Cash generated from operations | 433 086 |
| Net interest | 4 339 |
| Taxation paid | (64 061) |
| Cash flows from investing activities | (195 190) |
| Property, plant and equipment: additions | (143 501) |
| Proceeds from disposal of assets | 10 688 |
| Investment in associates and joint ventures | (46 513) |
| Other | (15 864) |
| Cash flows from financing activities | (5 600) |
| Dividends paid | (5 600) |
| Increase in cash and cash equivalents | 172 574 |
| Cash and cash equivalents | |
| At beginning of year | (69 386) |
| At end of year | 103 188 |

## SEGMENTAL ANALYSIS

| | Audited Year ended 31 March 2017 R'000 |
|---|---|
| **Revenue** | |
| Gaming and entertainment | 73 979 |
| **Net gaming win** | |
| Gaming and entertainment | 1 295 256 |
| **EBITDA** | |
| Gaming and entertainment | 461 590 |
| **Profit before tax** | |
| Gaming and entertainment | 335 806 |
| **Headline earnings** | |
| Gaming and entertainment | 224 522 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Basis of preparation

The Directors are responsible for the preparation of the condensed carve-out financial information included in this report. The results for the year ended 31 March 2017 have been prepared in accordance with the recognition and measurement requirements of IFRS, IAS 34 – Interim Financial Reporting and the Listings Requirements.

The significant accounting policies applied are as set out in the accounting policies note below. As required by the Listings Requirements, the Gameco Group reports headline earnings in accordance with Circular 2/2015 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

The condensed carve-out financial information set out in this **Annexure 2** was prepared under the supervision of the financial Director, Ms MM Loftie-Eaton CA(SA) and have been audited by Grant Thornton Johannesburg Partnership (per MA da Costa) (refer to **Annexure 2** for the audit opinion).

In announcements released by Niveus on 14 March 2017, 11 May 2017, 29 May 2017 and 27 June 2017 relating to, inter alia the unbundling by Niveus of its interests in its gaming businesses currently held by its wholly owned Subsidiary, Gameco, Gameco carve-out financial information has been prepared. The carve-out financial information is presented to reflect the results of the gaming businesses separately from Niveus' other operations and thereby providing more transparency on the proposed Unbundling and Niveus Transaction.

The Gameco carve-out financial information has been prepared through the extraction from the Niveus consolidated group results, the historical financial information of the companies acquired by Gameco via the internal restructuring through which the entire shareholding of Vukani Gaming Corporation Proprietary Limited, Niveus Invest 1 Proprietary Limited and Galaxy Gaming and Entertainment Proprietary Limited were disposed of by Niveus Investments Limited to Gameco, representing the businesses to be disposed of by Niveus. The financial information of Gameco is presented on the basis that Gameco always existed and controlled the assets which are part of the Unbundling. Certain adjustments to the extracted historical financial information were made to reflect the results of the normal business activities of Gameco. These adjustments are detailed below:

- The elimination of intergroup management fees charged by Niveus, including the tax effects thereof. Gameco will not form part of the Niveus Group and these charges will therefore no longer be applicable.
- The elimination of debt and related interest charges, including the related tax effects thereof (Gameco will be unbundled on a debt-free basis).
- The elimination of Securities Transfer Tax on the internal restructuring (this is a once-off restructuring cost.)
- The elimination of all expenses relating to Niveus Managerial Services Proprietary Limited (after the Unbundling, Gameco will not form part of the Niveus Group and these charges will therefore no longer be applicable.)
- The elimination of IFRS 2 charges (the Niveus share option obligations will not form part of the Unbundling.)
- The inclusion of Niveus AG, the company that is currently the owner of the machines which will form part of the assets to be unbundled.

Gameco represents all the South African gaming interests, other than sports betting and lottery and includes the following major businesses and the machines used by the businesses:

Vukani Gaming: Vukani Gaming and its Subsidiaries are mainly engaged in offering LPM gaming services and manages more than 5 500 LPMs at third-party sites throughout Southern Africa; and

Galaxy Gaming: Galaxy Gaming operates licensed bingo centres. Bingo is offered through EBTs and paper bingo games at Galaxy Gaming's licensed bingo centres. Galaxy Gaming and its Subsidiaries operate 2 351 EBTs and 174 slot machines.

Niveus AG: Niveus AG is the owner of machines which will form part of the assets to be unbundled.

The financial information is presented for the 12 months ended 31 March 2017 and represents the most recent results relevant to the proposed Unbundling and the Niveus Transaction. Comparative information was therefore not included in this report.

## 1. ACCOUNTING POLICIES

### 1.1 Consolidation and equity accounting

The condensed carve-out financial statements include the financial information of the Subsidiaries, associated entities and joint arrangements.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) controlled by the Gameco Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Gameco Group until the date control ceases.

The Gameco Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a Subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Gameco Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Gameco Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Gameco Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the Subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Goodwill arose through various business combinations, is stated at cost less impairment losses, and is reviewed for impairment on an annual basis.

When the Gameco Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in the carrying amount recognised in profit or loss.

(ii) Transactions and non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the Subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Gameco Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

When the Gameco Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Gameco Group's net investment in the joint ventures), the Gameco Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Gameco Group and its joint ventures are eliminated to the extent of the Gameco Group's interest in the joint ventures. Unrealised losses are also eliminated unless the Transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Gameco Group.

(iv) Associates

Investments in associates are accounted for using the equity method of accounting. The Gameco Group's investment in associates includes goodwill identified on acquisition.

When the Gameco Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Gameco Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Associates' accounting policies have been changed, where necessary, to ensure consistency with the policies adopted by the Gameco Group.

Dilution gains or losses arising in investments in associates are recognised in the statement of profit or loss.

The Gameco Group recognises its share of associates' results in profit or loss, after accounting for interest, tax and non-controlling interests.

(v) Common control transactions
Acquisitions of Subsidiaries which do not result in a change of control of the Subsidiaries are accounted for as common control transactions. The excess of the cost of the acquisition over the Gameco Group's interest in the carrying value of the identifiable assets and liabilities of the acquired entity is carried as a non-distributable reserve in the consolidated results.

**1.2 Foreign exchange**

(i) Functional and presentation currency
Items included in the financial statements of each of the Gameco Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The condensed carve-out financial statements are presented in South African Rand, which is the Gameco Group's functional and presentation currency.

(ii) Transactions and balances
The financial statements for each Gameco Group company were prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date, with the resultant translation differences being recognised in profit or loss. Translation differences on non-monetary assets, such as equity investments classified as available-for-sale, are recognised in other comprehensive income.

**1.3 Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment losses.

Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. (Refer to note 1.9).

(i) Depreciation
No depreciation is provided on freehold land or assets in the course of construction. In respect of all other property, plant and equipment, depreciation is provided on a straight-line basis at rates calculated to write off the cost or valuation, less the estimated residual value of each asset over its expected useful life as follows:

| | |
|---|---|
| Computer and office equipment | 3 years |
| Plant and machinery | 6 – 50 years |
| Buildings | 40 years |
| Furniture and fittings | 5 – 10 years |
| Gaming machines | 7 years |
| Motor vehicles | 4 – 15 years |
| Gaming equipment and signage | 3 – 10 years |
| Site leasehold improvements | Lesser of estimated useful life or period of lease (normally 8 years) |

(ii) Profit or loss on disposal
The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the carrying amount of the asset. The profit or loss on disposal is recognised in profit or loss in the period in which they arise.

**1.4 Investment properties**

Investment properties are held for capital appreciation and are not occupied by the Gameco Group. Investment properties are recognised at fair value representing estimated market value. Changes in fair value are recognised in profit or loss in the period in which they arise.

Investment properties are valued every third year.

### 1.5 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost is usually determined as the amount paid by the Gameco Group.

Amortisation is recognised together with depreciation in profit or loss.

Intangible assets with indefinite lives are not amortised but are subject to annual reviews for impairment.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful economic lives, and only tested for impairment where there is a triggering event. The Directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business.

(i) Computer software

Where computer software is not an integral part of a related item of property, plant and equipment, the software is capitalised as an intangible asset.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. Direct costs associated with the production of identifiable and unique internally generated software products controlled by the Gameco Group that will probably generate future economic benefits are capitalised. Direct costs include software development employment costs (including those of contractors used) and an appropriate portion of overheads. Capitalised computer software, licence and development costs are amortised over their useful economic lives (five to eight years) that are reassessed on an annual basis.

Internally generated costs associated with maintaining computer software programs are expensed as incurred.

(ii) Bid costs and gaming licences

Costs incurred during the bidding process for a gaming licence are capitalised by the Gameco Group on the successful award of a gaming licence, and amortised over the exclusivity period applicable to each licence, which ranges from 15 to 20 years from date of commencement of those operations.

The costs associated with unsuccessful gaming licence applications are written off as and when related bids are determined to be unsuccessful.

### 1.6 Financial assets and financial liabilities

Financial instruments disclosed in the condensed carve-out financial statements include cash and cash equivalents, investments in money market funds, other investments, derivative instruments, debtors and short-term loans, trade and other payables and borrowings. Financial instruments are initially recognised at fair value, including transaction costs, when the Gameco Group becomes party to the contractual terms of the instruments. The transaction costs relating to the acquisition of financial instruments held at fair value through profit or loss are expensed.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and there is an intention to settle net, the relevant financial assets and liabilities are offset.

Interest costs are recognised using the effective-interest rate method. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective-interest calculation and taken to net interest payable over the life of the instrument.

Financial assets (or portions thereof) are derecognised when the Gameco Group realises the rights to the benefits specified in the contract, the rights expire or the Gameco Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable, as well as any prior adjustments to reflect fair value that had been recognised in other comprehensive income, is included in the statement of profit or loss.

Financial liabilities (or portions thereof) are derecognised when the Gameco Group's obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in the statement of profit or loss.

Subsequent to initial recognition, these instruments are measured as follows:

(i) Financial instruments at fair value through profit or loss

These instruments, consisting of investments in money market funds, financial instruments held-for-trading and those designated at fair value through profit and loss at inception, are carried at fair value. Derivatives are also classified as held-for-trading unless they are designated as hedges.

Realised and unrealised gains and losses arising from changes in the fair value of these financial instruments are recognised in the statement of profit or loss in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets (trade and other receivables), except for maturities of greater than 12 months after the statement of financial position date, which are classified as non-current assets.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Gameco Group will not be able to collect all amounts due according to the terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in profit or loss.

When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are recognised in profit or loss as bad debts recovered.

(iii) Financial liabilities at amortised cost

Trade payables and borrowings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

(iv) Cash and cash equivalents

Cash and cash equivalents are carried at cost and include cash in hand, bank deposits, other short-term highly liquid investments and bank overdrafts.

Bank overdrafts are included within cash and cash equivalents on the face of the statement of cash flows as they form an integral part of the Gameco Group's cash management.

(v) Fair value

Financial instruments that are measured at fair value in the statement of financial position, are disclosed by level of the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in an organised financial market is measured at the applicable quoted prices. The fair value of the financial instruments that are not traded in an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risk existing at reporting date, including independent appraisals and discounted cash flow methods. Fair values represent an approximation of possible value, which may differ from the value that will finally be realised.

## 1.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average or first-in first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of the business, less selling expenses.

Provision is made for slow-moving goods, and obsolete materials are written off.

## 1.8 Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where Subsidiaries hold shares in the holding company's equity share capital, the consideration paid to acquire these shares is deducted from total shareholders' equity as treasury shares. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. Shares issued to or held by share incentive plans within the Gameco Group are treated as treasury shares until such time when participants pay for and take delivery of such shares.

## 1.9 Impairment of assets

An asset is impaired if its carrying amount is greater than its estimated recoverable amount, which is the higher of its fair value less cost to sell or its value in use.

(i) Goodwill and intangible assets with indefinite lives

These assets are assessed annually for possible impairments. For purposes of impairment testing, goodwill is allocated to cash-generating units, being the lowest component of the business measured in the management accounts that is expected to generate cash flows that are largely independent of another business component. Impairment losses relating to goodwill are not reversed. Any impairment is recognised in the statement of profit or loss.

(ii) Other assets

The Gameco Group assesses at each reporting date whether there is objective evidence that other assets may be impaired.

*Subsidiaries, joint ventures and associated companies*

The carrying amounts of Subsidiaries, joint ventures and associated companies are reviewed, if there is objective evidence of impairment, and written down where necessary.

*Investment properties, property, plant and equipment and intangible assets with finite useful lives*

Where these assets are identified as being impaired, that is when the recoverable amount has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. Such written off amounts are accounted for in the statement of profit or loss.

*Financial instruments carried at amortised cost*

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Gameco Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in the statement of profit or loss.

*Financial assets carried at fair value*

If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss is removed from other comprehensive income and recognised in the statement of profit or loss.

Impairment losses on equity instruments that were recognised in the statement of profit or loss are not subsequently reversed through the statement of profit or loss – such reversals are accounted for in other comprehensive income.

**1.10 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

(i) Rendering of services

Revenue arising from services is recognised when the service is rendered.

(ii) Interest income

Interest income is recognised using the effective-interest method. When a receivable is impaired the Gameco Group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate, and continuing to unwind the discount as interest income.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iv) Net gaming win

Net gaming win comprises the slot machine win derived by limited pay-out route operations from gambling patrons and net bingo winnings derived from betting patrons. In terms of accounting standard IAS 39 betting transactions concluded under gaming operations meet the definition of derivatives and therefore income from gaming operations represents the net position arising from financial instruments. The net gaming win is measured as the net cash received from betting transactions from gaming operations. Due to the short-term nature of the Gameco Group's gaming operations, all income is recognised immediately in profit and loss at fair value.

VAT and other taxes, including gaming levies, that are charged on gaming and betting winnings are included in net gaming win and are treated as direct costs as these are borne by the Gameco Group and not customers.

**1.11 Leases**

(i) The Gameco Group is the lessee

Leases of property, plant and equipment where the Gameco Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

(ii) The Gameco Group is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised in profit or loss.

**1.12 Tax**

(i) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The Gameco Group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided in full, using the statement of financial position liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the condensed carve-out financial statements, except where the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from investment in Subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Gameco Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised. Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred tax is measured on a non-discounted basis.

(ii) Dividends withholding tax

Dividends paid by Gameco to shareholders that are not exempt are subject to dividends withholding tax at a rate of 20% (2016: 15%, 2015: 15%).

**1.13 Dividend distributions**

Dividend distributions to equity holders of the parent are recognised as a liability in the condensed carve-out financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when approved by the board. Dividends declared after the reporting date are not recognised, as there is no present obligation at the reporting date. Distributions of assets to the company's shareholders are accounted for at fair value.

### 1.14 Employee benefits

(i) Defined-contribution plans

For the defined-contribution plans, Subsidiaries of the Gameco Group pay contributions to both in-house pension funds managed by employer and employee-nominated trustees and public administered provident plans on a contractual basis. The Gameco Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. The rules of the funds do not allow for prepaid contributions.

(ii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Gameco Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(iii) Bonus plans

The Gameco Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. An accrual is maintained for the appropriate proportion of the expected bonuses, which would become payable at the year-end.

### 1.15 Earnings per share

Earnings per share is calculated on the weighted average number of shares in issue, net of treasury shares, in respect of the year and is based on profit attributable to ordinary shareholders. Headline earnings per share is calculated in terms of the requirements set out in Circular 02/2015 issued by SAICA.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed carve-out financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. This forms the basis of making the judgements on carrying values of assets and liabilities that are not otherwise readily apparent. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### 2.1 Estimated impairment of goodwill

The Gameco Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

### 2.2 Taxation

The Gameco Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Gameco Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

### 2.3 Asset lives and residual values

Changes in business landscape or technical innovations may impact the useful lives and estimated residual values of these assets. Similar assets are grouped together, but residual values and useful lives may vary significantly between individual assets in a category. Management reviews assets' residual values, useful lives and related depreciation charges annually at each reporting date (refer to note 4).

### 2.4 Impairment of trade and other receivables

The Gameco Group assesses its trade and other receivables for impairment at each reporting date. In determining whether an impairment should be recognised in profit and loss, the Gameco Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from each receivable.

## 3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED

The International Accounting Standards Board issued a number of standards, amendments to standards, and interpretations during the financial year ended 31 March 2017.

**3.1** The following new standards, interpretations and amendments to existing standards are not yet effective as at 31 March 2017. The Gameco Group is currently evaluating the effects of these standards and interpretations that have not been early adopted:

| Standard/ interpretation | Title | Effective for annual period ending |
|---|---|---|
| IFRS 9 | Financial Instruments | March 2019 |
| IFRS 2 | Share-based Payments | March 2019 |
| IFRS 15 | Revenue from Contracts with Customers | March 2019 |
| IFRS 16 | Leases | March 2020 |
| IAS 7 | Cash Flow Statement | March 2018 |
| IAS 12 | Income Taxes | March 2018 |
| IAS 40 | Transfers of investment property | March 2019 |
| IFRIC 22 | Foreign Currency Transactions and Advance Considerations | March 2019 |

## 4. 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 Gameco 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 year, is a decrease of R10 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 current period is a decrease of R8 million and an expected annual decrease for future periods of R7 million.

## 5. HEADLINE EARNINGS

| Reconciliation of headline earnings | Gross R'000 | Net R'000 |
|---|---|---|
| Earnings attributable to equity holders of the parent | | 223 771 |
| IAS 16 Gains on disposal of plant and equipment | (298) | (218) |
| IAS 16 Impairment of assets | 1 778 | 1282 |
| IAS 40 Fair adjustment to investment property | (403) | (313) |
| Headline earnings | | 224 522 |
| Headline earnings per share (cents) | | 48.8 |

## 6. PROPERTY, PLANT AND EQUIPMENT

| | 2017<br>R'000 |
|---|---|
| **Cost** | |
| Computer and office equipment | 37 964 |
| Plant and machinery | 4 456 |
| Land and buildings | 58 115 |
| Furniture and fittings | 51 368 |
| Gaming machines | 560 690 |
| Motor vehicles | 28 296 |
| Motor vehicles under finance lease | 1 180 |
| Gaming equipment and signage | 52 202 |
| Site leasehold improvements | 142 092 |
| | **936 363** |
| **Accumulated depreciation and impairments** | |
| Computer and office equipment | 32 350 |
| Plant and machinery | 1 036 |
| Furniture and fittings | 35 234 |
| Gaming machines | 284 084 |
| Motor vehicles | 11 639 |
| Motor vehicles under finance lease | 1 029 |
| Gaming equipment and signage | 36 439 |
| Site leasehold improvements | 77 158 |
| | **478 969** |
| **Carrying value** | |
| Computer and office equipment | 5 614 |
| Plant and machinery | 3 420 |
| Land and buildings | 58 115 |
| Furniture and fittings | 16 134 |
| Gaming machines | 276 606 |
| Motor vehicles | 16 657 |
| Motor vehicles under finance lease | 151 |
| Gaming equipment and signage | 15 763 |
| Site leasehold improvements | 64 934 |
| | **457 394** |
| **Movements in property, plant and equipment** | |
| *Balance at beginning of the year* | |
| Computer and office equipment | 10 094 |
| Plant and machinery | 1 662 |
| Land and buildings | 56 990 |
| Furniture and fittings | 22 241 |
| Gaming machines | 302 036 |
| Motor vehicles | 10 255 |
| Motor vehicles under finance lease | 1 360 |
| Gaming equipment and signage | 18 189 |
| Site leasehold improvements | 80 684 |
| | **503 511** |

| | 2017<br>R'000 |
|---|---|
| *Additions* | |
| Computer and office equipment | 2 304 |
| Plant and machinery | 2 198 |
| Land and buildings | 1 125 |
| Furniture and fittings | 1 373 |
| Gaming machines | 71 548 |
| Motor vehicles | 11 206 |
| Motor vehicles under finance lease | 1 543 |
| Gaming equipment and signage | 3 890 |
| Site leasehold improvements | 12 416 |
| | **107 603** |
| *Disposals* | |
| Computer and office equipment | (133) |
| Furniture and fittings | (1 425) |
| Gaming machines | (9) |
| Motor vehicles | (294) |
| Motor vehicles under finance lease | (390) |
| Site leasehold improvements | (4 825) |
| | **(7 076)** |
| *Depreciation* | |
| Computer and office equipment | (6 578) |
| Plant and machinery | (477) |
| Furniture and fittings | (5 617) |
| Gaming machines | (73 981) |
| Motor vehicles | (4 510) |
| Motor vehicles under finance lease | (2 362) |
| Gaming equipment and signage | (6 280) |
| Site leasehold improvements | (21 227) |
| | **(121 032)** |
| *Transfers* | |
| Computer and office equipment | (51) |
| Plant and machinery | 54 |
| Furniture and fittings | 258 |
| Gaming machines | (658) |
| Gaming equipment and signage | (27) |
| Site leasehold improvements | (1 144) |
| | **(1 568)** |
| *Exchange differences* | |
| Computer and office equipment | (4) |
| Furniture and fittings | (3) |
| Gaming machines | (22 259) |
| | **(22 266)** |
| *Impairments* | |
| Computer and office equipment | (18) |
| Plant and machinery | (17) |
| Furniture and fittings | (693) |
| Gaming machines | (71) |
| Gaming equipment and signage | (9) |
| Site leasehold improvements | (970) |
| | **(1 778)** |

| | 2017 R'000 |
|---|---|
| *Balances at end of the year* | |
| Computer and office equipment | 5 614 |
| Plant and machinery | 3 420 |
| Land and buildings | 58 115 |
| Furniture and fittings | 16 134 |
| Gaming machines | 276 606 |
| Motor vehicles | 16 657 |
| Motor vehicles under finance lease | 151 |
| Gaming equipment and signage | 15 763 |
| Site leasehold improvements | 64 934 |
| | **457 394** |

# INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF GAMECO FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

**Niveus Invest 19 Limited** ("**Gameco**")
4 Stirling Road
Zonnebloem
Cape Town
7925
(PO Box 5251, Cape Town, 8000)

10 August 2017

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE ON THE CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF GAMECO FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

**Opinion**

We have audited the condensed carve-out financial information (hereafter referred to as "**financial statements**") of Niveus Invest 19 Limited ("**Gameco**" or "**the Gameco Group**") set out in **Annexure 2** of the Niveus Circular to be issued on or about 16 August 2017 ("**the Circular**"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Gameco Group for the year ended 31 March 2017, are prepared, in all material respects, in accordance with the basis of preparation set out in the basis of preparation note and the requirements of the JSE Limited ("**JSE**") Listings Requirements ("**Listings Requirements**").

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Gameco Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for opinion.

**Emphasis of matter – basis of accounting and restriction on distribution**

We draw attention to the basis of preparation note to the financial statements, which describes the basis of accounting. The financial statements are prepared for purposes of inclusion in the Circular for Niveus and Gameco to meet the requirements of the Listings Requirements. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Niveus and Gameco for the purpose stated above. Our opinion is not modified in respect of this matter.

**Responsibilities of the Directors for the financial statements**

The Directors are responsible for the preparation of the financial statements in accordance with the basis of preparation set out in the basis for preparation note and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Gameco Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Gameco Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gameco Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Gameco Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Gameco Group to cease to continue as a going concern.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**GRANT THORNTON**
Registered Auditors
Practice number: 903485E

**MA da Costa**
Partner
Registered Auditor
Chartered Accountant (SA)
@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

# INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF GAMECO

Date: 10 November 2017
The Board of Directors
Tsogo Sun Holdings Limited
Palazzo Towers East, Montecasino Boulevard
Fourways
2055

and

Niveus Invest 19 Limited
La Concorde
57 Main Street
Paarl
7646

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION**

**Introduction**

Tsogo Sun Holdings Limited ("Tsogo") is acquiring an interest in the gaming interests of Niveus Investments Limited, currently housed in Niveus Invest 19 Limited ("Gameco"), its subsidiaries and affiliates from Hosken Consolidated Investment Limited ("HCI") and make a unconditional voluntary offer to the minority shareholders of Gameco for their shares in Gameco (the "Minority Offer").

Tsogo and Gameco are issuing an offer Circular (the "Circular") to all Gameco Shareholders to acquire the entire ordinary share capital of Gameco other than those Gameco Shares to be acquired by Tsogo in terms of the HCI Transaction ("the Gameco Shareholders") ("the Offer"). In terms of the Offer those shareholders that accept the Offer will be paid either the cash alternative of consideration with 20% of the consideration paid in ordinary unissued Tsogo shares and the residual in cash ("the Cash-based Alternative") or 100% of the consideration paid in the ordinary share capital of Tsogo ("the Share-based Alternative). This Offer constitutes an affected transaction in terms of section 117 of the Companies Act and is issued in compliance with the Takeover Regulations for the purpose of providing information to Gameco Shareholders with respect to the Offer.

At your request and for the purposes of the Circular to be dated Monday, 13 November 2017, we present our assurance report on the compilation of the *pro forma* financial effects of the Offer on Gameco Shareholders by the Directors presented in paragraph 9 to the Circular ("the Gameco *Pro Forma* Financial Effects"). The Gameco *Pro Forma* Financial Effects have been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The Gameco *Pro Forma* Financial Effects have been compiled by the Directors to illustrate the impact of the Offer on the Gameco Shareholders as at 31 March 2017 and for the period then ended, as if the Offer had taken place at 31 March 2017 and 1 April 2016, respectively. As part of this process, information about the Gameco's financial position and financial performance has been extracted by the Directors from Gameco's financial statements for the year ended 31 March 2017 on which an audit report has been published.

**Directors' responsibility**

The Directors of Tsogo and Gameco are responsible for the compilation, contents and presentation of the Gameco *Pro Forma* Financial Effects on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph of the Circular. The Directors of Tsogo and Gameco are also responsible for the financial from which it has been prepared.

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountant's responsibility**

Our responsibility is to express an opinion about whether the Gameco *Pro Forma* Financial Effects have been compiled, in all material respects, by the Directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Gameco *Pro Forma* Financial Effects have been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Gameco *Pro Forma* Financial Effects, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Gameco *Pro Forma* Financial Effects.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Gameco *Pro Forma* Financial Effects have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the Gameco *Pro Forma* Financial Effects provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the Gameco *Pro Forma* Financial Effects reflect the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the Gameco *Pro Forma* Financial Effects have been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the Gameco *Pro Forma* Financial Effects.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Gameco *Pro Forma* Financial Effects have been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 9 of the Circular.

**PricewaterhouseCoopers Inc.**
Director: **BS Humphreys**
Registered Auditor
Sunninghill

# EXTRACTS OF THE AUDITED CONSOLIDATED FINANCIAL INFORMATION OF TSOGO FOR THE YEARS ENDED 31 MARCH 2015, 2016 AND 2017

The consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement and accounting policies and critical accounting estimates and judgements for the three years ended 31 March 2015, 31 March 2016 and 31 March 2017 presented below have been extracted, without adjustment, from the audited annual financial statements of Tsogo. The audited financial statement of Tsogo have been prepared in accordance with IFRS and have been reported on without qualification by PricewaterhouseCoopers Inc. The detailed notes to the annual financial statements can be viewed on the Tsogo website (https://www.tsogosun.com).

## CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH

| | 2017<br>Rm | 2016<br>(restated)*<br>Rm | 2015<br>Rm |
|---|---|---|---|
| Net gaming win | 7 483 | 7 361 | 6 976 |
| Rooms revenue | 3 078 | 2 784 | 2 453 |
| Food and beverage revenue | 1 434 | 1 353 | 1 203 |
| Property rental income | 445 | 133 | – |
| Other revenue | 782 | 652 | 711 |
| **Income** | **13 222** | **12 283** | **11 343** |
| Gaming levies and value added tax | (1 557) | (1 531) | (1 450) |
| Property and equipment rentals | (303) | (287) | (276) |
| Amortisation and depreciation | (846) | (812) | (733) |
| Employee costs | (3 044) | (2 871) | (2 816) |
| Other operating expenses | (3 530) | (3 382) | (3 026) |
| Gain on fair value adjustment of investment properties | 757 | 25 | – |
| **Operating profit** | **4 699** | **3 425** | **3 042** |
| Interest income | 43 | 35 | 79 |
| Finance costs | (1 066) | (892) | (760) |
| Share of profit of associates and joint venture | 38 | 29 | 25 |
| **Profit before income tax** | **3 714** | **2 597** | **2 386** |
| Income tax expense | (665) | (777) | (680) |
| **Profit for the year** | **3 049** | **1 820** | **1 706** |
| **Profit attributable to:** | | | |
| Equity holders of the company | 2 507 | 1 802 | 1 672 |
| Non-controlling interests | 542 | 18 | 34 |
| | **3 049** | **1 820** | **1 706** |
| Basic and diluted earnings per share (cents) | 262.0 | 188.3 | 164.9 |
| **Profit for the year** | **3 049** | **1 820** | **1 706** |
| **Other comprehensive income for the year, net of tax Items that may be reclassified subsequently to profit or loss:** | **(194)** | **332** | **(13)** |
| Cash flow hedges | (121) | 162 | (138) |
| Currency translation adjustments | (96) | 215 | 86 |
| Income tax relating to available-for-sale investments | (11) | – | – |
| Income tax relating to items that may subsequently be reclassified to profit or loss | 34 | (45) | 39 |
| **Items that may not be reclassified subsequently to profit or loss:** | 2 | 3 | 1 |
| Remeasurements of post-employment defined benefit liability | 3 | 4 | 1 |
| Income tax relating to items that may not subsequently be reclassified to profit or loss | (1) | (1) | – |
| **Total comprehensive income for the year** | **2 857** | **2 155** | **1 694** |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the company | 2 315 | 2 136 | 1 660 |
| Non-controlling interests | 542 | 19 | 34 |
| | **2 857** | **2 155** | **1 694** |

** Restatement in respect of IAS 40 Investment Properties – refer note 1b for details.*

## CONSOLIDATED BALANCE SHEET
## AS AT 31 MARCH

| | 2017<br>Rm | 2016<br>(restated)*<br>Rm | 2015<br>Rm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 556 | 14 370 | 13 470 |
| Investment properties | 4 969 | 108 | 121 |
| Goodwill | 2 106 | 2 106 | 2 106 |
| Other intangible assets | 4 461 | 4 476 | 4 490 |
| Investments in associates | 483 | 491 | 180 |
| Investment in joint venture | 126 | 129 | 131 |
| Available-for-sale financial assets | 1 272 | 252 | – |
| Non-current receivables | 60 | 68 | 88 |
| Derivative financial instruments | – | 74 | 22 |
| Deferred income tax assets | 121 | 185 | 180 |
| | **29 154** | **22 259** | **20 788** |
| **Current assets** | | | |
| Inventories | 115 | 125 | 108 |
| Trade and other receivables | 696 | 669 | 601 |
| Current income tax assets | 78 | 122 | 99 |
| Cash and cash equivalents | 2 424 | 2 492 | 3 048 |
| | **3 313** | **3 408** | **3 856** |
| Non-current assets held for sale | 66 | – | – |
| **Total current assets** | **3 379** | **3 408** | **3 856** |
| **Total assets** | **32 533** | **25 667** | **24 644** |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the company** | | | |
| Ordinary share capital and premium | 4 576 | 4 576 | 4 576 |
| Other reserves | 874 | (232) | (442) |
| Retained earnings | 5 321 | 3 974 | 2 926 |
| Total shareholders' equity | 10 771 | 8 318 | 7 060 |
| Non-controlling interests | 2 685 | 654 | 635 |
| **Total equity** | **13 456** | **8 972** | **7 695** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | 9 439 | 8 346 | 8 559 |
| Derivative financial instruments | 37 | 492 | 538 |
| Deferred income tax liabilities | 2 029 | 2 059 | 1 871 |
| Post-employment benefit liability | 4 | 6 | 10 |
| Deferred revenue and income | 29 | 24 | 21 |
| Long-term incentive liabilities | 19 | 34 | 36 |
| Provisions | 210 | 173 | 159 |
| Other non-current liabilities | 249 | 272 | 275 |
| | **12 016** | **11 406** | **11 469** |
| **Current liabilities** | | | |
| Interest-bearing borrowings | 5 098 | 3 394 | 3 700 |
| Trade and other payables | 1 867 | 1 767 | 1 659 |
| Current income tax liabilities | 96 | 128 | 121 |
| | **7 061** | **5 289** | **5 480** |
| **Total liabilities** | **19 077** | **16 695** | **16 949** |
| **Total equity and liabilities** | **32 533** | **25 667** | **24 644** |

** Restatement in respect of IAS 40 Investment Properties – refer note 1b for details.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH

| | Attributable to equity holders of the company | | | | | |
|---|---|---|---|---|---|---|
| | Ordinary share capital and premium Rm | Other reserves Rm | Retained earnings Rm | Total Rm | Non-controlling interests Rm | Total equity Non-controlling interests Rm |
| **Balance at 1 April 2014** | **4 771** | **19** | **5 000** | **9 790** | **732** | **10 522** |
| Total comprehensive income | – | (13) | 1 673 | 1 660 | 34 | 1 694 |
| Profit for the year | – | – | 1 672 | 1 672 | 34 | 1 706 |
| Cash flow hedges net of tax | – | (99) | – | (99) | – | (99) |
| Currency translation adjustments | – | 86 | – | 86 | – | 86 |
| Remeasurements of post-employment defined benefit liability net of tax | – | – | 1 | 1 | – | 1 |
| Shares repurchased and cancelled | (2) | – | (2 817) | (2 819) | – | (2 819) |
| Treasury shares acquired | (200) | – | – | (200) | – | (200) |
| Shares issued to share scheme participants | 8 | – | – | 8 | – | 8 |
| Share options lapsed | (1) | – | – | (1) | – | (1) |
| Recognition of share-based payments | – | 118 | – | 118 | – | 118 |
| Recognition of put liability with non-controlling interests | – | (493) | – | (493) | – | (493) |
| Transactions with non-controlling interests | – | (73) | – | (73) | (123) | (196) |
| Ordinary dividends | – | – | (939) | (939) | (8) | (947) |
| **Balance at 1 April 2015 as previously reported** | **4 576** | **(442)** | **2 917** | **7 051** | **635** | **7 686** |
| Recognition of fair value of investment properties net of deferred tax | – | – | 9 | 9 | – | 9 |
| **Balance at 1 April 2015 restated*** | **4 576** | **(442)** | **2 926** | **7 060** | **635** | **7 695** |
| Total comprehensive income | – | 331 | 1 805 | 2 136 | 19 | 2 155 |
| Profit for the year | – | – | 1 802 | 1 802 | 18 | 1 820 |
| Cash flow hedges net of tax | – | 117 | – | 117 | – | 117 |
| Currency translation adjustments | – | 214 | – | 214 | 1 | 215 |
| Remeasurements of post-employment defined benefit liability net of tax | – | – | 3 | 3 | – | 3 |
| Transfer from share-based payment reserve to retained earnings | – | (121) | 121 | – | – | – |
| Ordinary dividends | – | – | (878) | (878) | – | (878) |
| **Balance at 31 March 2016 restated*** | **4 576** | **(232)** | **3 974** | **8 318** | **654** | **8 972** |
| Total comprehensive income | – | (194) | 2 509 | 2 315 | 542 | 2 857 |
| Profit for the year | – | – | 2 507 | 2 507 | 542 | 3 049 |
| Cash flow hedges net of tax | – | (87) | – | (87) | – | (87) |
| Currency translation adjustments | – | (96) | – | (96) | – | (96) |
| Deferred tax on available-for-sale financial assets | – | (11) | – | (11) | – | (11) |
| Remeasurements of post-employment defined benefit liability net of tax | – | – | 2 | 2 | – | 2 |
| Settlement of Cullinan put liability with non-controlling interests | – | 493 | (187) | 306 | (306) | – |
| Consideration to HPF non-controlling interests in hotels assets | – | 968 | – | 968 | 353 | 1 321 |
| Acquisition of non-controlling interests from HPF | – | – | – | – | 1 592 | 1 592 |
| Acquisition of Mykonos and Blackrock casinos' non-controlling interests | – | (161) | – | (161) | (37) | (198) |
| Ordinary dividends | – | – | (975) | (975) | (113) | (1 088) |
| **Balance at 31 March 2017** | **4 576** | **874** | **5 321** | **10 771** | **2 685** | **13 456** |

** Restatement in respect of IAS 40 Investment Properties – refer note 1b for details.*

## CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 MARCH

| | 2017 Rm | 2016 Rm | 2015 Rm |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 4 776 | 4 376 | 3 866 |
| Interest received | 43 | 31 | 74 |
| Finance costs paid | (1 119) | (832) | (789) |
| Income tax paid | (627) | (657) | (537) |
| Dividends paid to shareholders | (975) | (878) | (939) |
| Dividends paid to non-controlling interests | (113) | – | (8) |
| Pre-acquisition dividend paid | (133) | – | – |
| Dividends received | 134 | 51 | 7 |
| **Net cash generated from operating activities** | **1 986** | **2 091** | **1 674** |
| **Cash flows from investment activities** | | | |
| Purchase of property, plant and equipment | (1 238) | (1 377) | (1 610) |
| Proceeds from disposals of property, plant and equipment | 1 | 9 | 5 |
| Acquisition, maintenance and development of investment properties | (92) | (27) | (7) |
| Proceeds from disposal of investment property | 144 | 19 | – |
| Purchase of intangible assets | (14) | (10) | (136) |
| Purchase of available-for-sale financial assets | (1 272) | (252) | – |
| Acquisition of subsidiary, net of cash acquired | 189 | (12) | – |
| Acquisition of businesses | (310) | – | (762) |
| Acquisition of interest in associate | – | (315) | (145) |
| Loans repaid by associates | 3 | 1 | (5) |
| Other loans and investments repaid | – | 17 | 4 |
| Other loans granted | (2) | – | – |
| **Net cash utilised for investment activities** | **(2 591)** | **(1 947)** | **(2 656)** |
| **Cash flows from financing activities** | | | |
| Borrowings raised | 4 156 | 485 | 5 155 |
| Borrowings repaid | (2 651) | (1 044) | (1 794) |
| Repayments of finance leases | – | (17) | (16) |
| Acquisition of non-controlling interests | (655) | – | (196) |
| Decrease in amounts due by share scheme participants | 6 | 9 | 15 |
| Shares repurchased | – | – | (2 819) |
| Treasury shares acquired | – | – | (200) |
| **Net cash generated from/(utilised for) financing activities** | **856** | **(567)** | **145** |
| **Net increase/(decrease) in cash and cash equivalents** | 251 | (423) | (837) |
| Cash and cash equivalents at beginning of the year, net of bank overdrafts | 479 | 883 | 1 715 |
| Foreign currency translation | (5) | 19 | 5 |
| **Cash and cash equivalents at end of the year, net of bank overdrafts** | **725** | **479** | **883** |

## 1. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated annual financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

### (a) Basis of preparation

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations as issued by the IFRS Interpretations Committee, and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ("FRSC"), the Listings Requirements of the JSE and the requirements of the South African Companies Act, No 71 of 2008 and have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments and investment property as described in the accounting policies below.

### (b) Changes in accounting policies and adoption of annual improvements

Prior to the acquisition of Hospitality Property Fund ("HPF") the Group accounted for its investment properties at cost. HPF's investment properties are accounted for at fair value, and therefore, on acquisition the Group changed its policy to comply with that of HPF for uniformity. The 31 March 2016 numbers in the income statement, statement of other comprehensive income, cash flow statement, balance sheet and statement of changes in equity have accordingly been restated. This change in accounting policy has been applied retrospectively and has increased earnings per share by 1.5 cents from 186.8 cents to 188.3 cents for the year ended 31 March 2016. This change in accounting policy had no effect on headline or adjusted headline earnings.

The Group has adopted all the new, revised or amended accounting standards as issued by the IASB which were effective for the Group from 1 April 2016, none of which had a material impact on the Group.

### (c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Group's CEO and the Group executive committee ("GEC"). The Group's CEO and the GEC review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Group's CEO and GEC which are used to make strategic decisions.

### (d) Basis of consolidation and business combinations

The consolidated financial statements include the financial information of subsidiary, associate and joint venture entities owned by the Group.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. Increases in fair value of assets that occur on the Group obtaining control, for nil consideration, of an entity previously accounted for as an associate or joint venture is transferred to a reserve called "Surplus arising on change in control".

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Control exists where the Group has the ability to direct or dominate decision-making in an entity, regardless of whether this power is actually exercised.

Goodwill arising on consolidation represents the excess of the costs of acquisition over the Group's interest in the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition. Where the fair value of the Group's share of separable net assets acquired exceeds the fair value of the consideration, the difference is recognised immediately in profit or loss.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests and direct costs incurred in respect of transactions with non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Associates and joint ventures

Associates are entities over which the Group has directly or indirectly significant influence but not control, generally accompanying a shareholding of 20% to 50%, where significant influence is the ability to influence the financial and operating policies of the entity. A joint venture is an entity over which the Group contractually shares control with one or more partners.

Investments in associates and joint ventures are accounted for using the equity method of accounting.

(iv) Goodwill

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis. Any impairment identified is recognised immediately in profit or loss and is not reversed.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis.

**(e) Foreign currency translation**

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in SA Rand which is the Group's presentation functional currency.

(ii) Transactions and balances

The financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the Transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with the resultant translation differences being credited or charged against income in the income statement. Translation differences on non-monetary assets such as equity investments classified as available-for-sale assets are included in other comprehensive income.

(iii) Foreign subsidiaries, associates and joint ventures – translation

Once-off items in the income and cash flow statements of foreign subsidiaries, associates and joint ventures expressed in currencies other than the SA Rand are translated to SA Rand at the rates of exchange prevailing on the day of the Transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each balance sheet date. All translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates are recognised as a separate component of other comprehensive income. For these purposes net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the parent or the foreign entity. When a foreign operation is disposed of, any related exchange differences in other comprehensive income are reclassified in profit or loss as part of the gain or loss on disposal.

**(f) Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Assets' residual values and useful lives are reviewed by management and adjusted, if appropriate, at each balance sheet date and triennially independent valuations are completed by external valuers. Land and buildings comprise mainly hotels and casinos.

(i) Assets in the course of construction
Assets in the course of construction are carried at cost less any impairment loss. Cost includes professional fees and for qualifying assets certain borrowing costs as determined below. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(ii) Depreciation
No depreciation is provided on freehold land or assets in the course of construction. In respect of all other property, plant and equipment, depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value, of each asset over its expected useful life as follows:

| | |
|---|---|
| Freehold properties | 20 – 50 years |
| Leasehold buildings improvements | Shorter of the lease term or 50 years |
| Casino equipment | 4 – 6 years* |
| Computer equipment and software | 2 – 10 years* |
| Furniture, fittings and other equipment | 3 – 15 years* |
| Vehicles | 5 years* |
| Theme park rides | 6 – 26 years* |
| Operating equipment | 2 – 3 years |

Operating equipment that meets the definition of property, plant and equipment (which includes gaming chips, kitchen utensils, crockery, cutlery, linen and uniforms) is recognised as an expense based on usage. The period of usage depends on the nature of the operating equipment and varies between two and three years.

(iii) Profit or loss on disposal
The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book amount of the asset.

(iv) Capitalisation of borrowing costs
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The Group considers a period of greater than 12 months to be substantial. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**(g) Investment property**

Property that is held for long-term rental yields or for capital appreciation or both, and where companies in the Group occupy no or an insignificant portion, is classified as investment property. Investment property also includes property that is being constructed or developed for future use. The nature of these properties is mostly hotels and includes furniture, fixtures and equipment and the underlying letting enterprise.

Investment property is stated at fair value net of any impairment losses. Gains or losses arising on changes in the fair value are recognised immediately in profit or loss.

Properties are initially recognised at cost on acquisition, which comprises the purchase price and includes expenditure that is directly attributable to the acquisition of the property. Subsequent costs are included in the property's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the Group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

**(h) Intangible assets**

Intangible assets are stated at cost less accumulated amortisation which is determined on a straight-line basis (if applicable) and impairment losses. Cost is usually determined as the amount paid by the Group, unless the asset has been acquired as part of a business combination. Intangible assets acquired as part of a business combination are recognised at fair value at the acquisition date.

Amortisation is included together with depreciation in the income statement. Intangible assets with indefinite lives are not amortised but are subject to annual reviews for impairment.

Intangible assets with finite lives are amortised over their estimated useful economic lives, and only tested for impairment where there is a triggering event. The Directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business.

Intangible assets acquired as part of a business combination are recognised separately when they are identifiable, and it is probable that economic benefits will flow to the Group.

(i) Computer software
Where computer software is not an integral part of a related item of property, plant and equipment, the software is capitalised as an intangible asset.

Capitalised computer software, licence and development costs are amortised over their estimated useful economic lives of two to 10 years which are reassessed on an annual basis.

(ii) Casino licences and bid costs
Costs incurred during the bidding process for a casino licence are capitalised to casino licences and bid costs by the individual casino on the successful award of the casino licence as these costs are directly attributable to the award of the licence. Payments made to gaming boards for enhancements of existing casino licences, such as additional gaming positions, are capitalised by the individual casino to the underlying casino licence.

Casino licences that do not have an expiry date are not amortised as they are considered to have an indefinite life and are tested annually for impairment on the same basis as goodwill (refer note d(iv)). Casino licences having an expiry date are amortised over the exclusivity period of the respective licence of 12 to 15 years.

Costs associated with unsuccessful casino licence applications are immediately impaired.

(iii) Other
Other comprises management contracts recognised on business combinations and trademarks.

**(i) Financial assets and financial liabilities**

Financial assets are recognised when the Group becomes a party to the contractual provisions of the respective instrument. Financial assets are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

Finance costs are charged against income in the year in which they accrue using the effective interest rate method. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to finance costs over the life of the instrument.

All financial instruments are recognised initially at fair value plus transaction costs unless accounted for at fair value through profit or loss whereby transaction costs are expensed.

The Group classifies its financial assets in the following categories: at fair value through profit loss, loans and receivables and available for-sale investments. Management determines the classification of its financial assets at initial recognition and determines subsequent measurement.

(i) Financial assets at fair value through profit or loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. All subsequent measurement adjustments are accounted for in profit or loss.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include loans, trade and other receivables and cash and cash equivalents. Such instruments are measured subsequently at amortised cost using the effective interest method.

(iii) Available-for-sale investments
Available-for-sale investments consist of equity investments only. All fair value movements are accounted for in other comprehensive income (unless impaired) and dividends are accounted for in profit or loss. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement as part of

interest income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other revenue when the Group's right to receive payments is established.

The Group classifies its financial liabilities in the following categories: at fair value through profit or loss and at amortised cost.

(i) Financial liabilities at fair value through profit or loss
The Group does not designate any financial liabilities at fair value through profit or loss. Only derivatives are included in this category. All fair value movements on these financial liabilities are recognised in profit or loss.

(ii) Financial liabilities at amortised cost
All other financial liabilities are included in this category and include borrowings (refer note 1(q)) and trade and other payables. All such financial liabilities are recognised at amortised cost using the effective interest rate method.

**(j) Fair value measurement**

Financial instruments carried at fair value, by valuation method, are defined as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or

Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**(k) Offsetting financial instruments**

Where a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, which are in determinable monetary amounts, the relevant financial assets and liabilities are offset. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the respective company or counterparty.

**(l) Impairment of financial assets**

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

**(m) Derivative instruments and hedge accounting**

The derivative instruments used by the Group, which are used solely for hedging purposes (i.e. to offset interest rate risks), comprise interest rate swap contracts. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the Group is required to document the relationship between the hedged item and the hedging instrument. The Group is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is reperformed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

Derivatives are designated as hedges of highly probable forecast transactions or commitments (cash flow hedge).

Certain derivative instruments, while providing effective economic hedges under the Group's policies, are not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in profit or loss. The Group does not hold or issue derivative financial instruments for speculative purposes.

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency or interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss. Amounts accumulated in other comprehensive income are recycled to the income statement in the period in which the hedged item affects profit or loss. However, where a forecast transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in other comprehensive income are included in the initial cost of the asset or liability.

Cash flow hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or when a hedge no longer meets the criteria for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss existing in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss within other operating expenses.

**(n) Inventories**

Inventories are valued at the lower of cost or net realisable value. Operating equipment utilised within 12 months is recognised as an expense based on usage. Provision is made for slow-moving goods and obsolete materials are written off. Cost is determined on the following basis:

- Consumable stores are valued at invoice cost on a first in, first out ("FIFO") basis.
- Food and beverage inventories and operating equipment are valued at weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

**(o) Non-current assets held for sale**

Non-current assets held for sale are those non-current assets of which the carrying amount will be recovered principally through sale rather than use. These non-current assets are available for immediate sale in their present condition, subject only to terms that are usual for the sale of such assets, and the sale is probable within a year as management is committed to a plan to dispose of the non-current assets, actively market them, and expect that these assets will be sold within a year.

**(p) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are shown in equity as a deduction, net of tax, from the proceeds and are included in the share premium account.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to the company's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to the company's equity holders. Company shares consolidated into the Group as part of the Gold Reef Share Scheme and the executive facility are accounted for as treasury shares.

**(q) Borrowings and finance costs**

Borrowings are recognised initially at fair value and are subsequently stated at amortised cost and include accrued interest and prepaid facility transaction costs.

Finance costs include all borrowing costs incurred on borrowing instruments together with related costs of debt facilities management. Such costs include facility commitment fees which are expensed in borrowing costs as incurred and facility raising fees which are amortised through borrowing costs over the life of the related facilities. Borrowing costs, other than borrowing costs capitalised (refer note f(iv)), are recognised in the income statement in the period in which they are incurred.

**(r) Impairment of non-financial assets**

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

**(s) Provisions**

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision is made for the potential jackpot payouts on slot machines and table progressives and is based on the meter readings.

The Group also recognises a provision for bonus plans and long-service awards.

**(t) Revenue recognition**

(i) Hotel, gaming, theme park and cinema revenues

Revenue includes the fair value of income derived from hotel trading, restaurant revenues, theme park entrance fees, banqueting and venue hire, parking revenues, ticket sales and other non-net gaming win and hotel entertainment revenues. Value added tax ("VAT") on these revenue transactions is excluded from revenue. Revenue is recognised on the accrual basis, as goods and services are provided to the customer.

(ii) Property rental income

Property rentals received are recognised on a straight-line basis over the term of the lease. Contingent (variable) rentals are included in revenue when the amounts can be reliably measured. Recoveries of costs from lessees, where the Group merely acts as agent and makes payment of these costs on behalf of lessees, are offset against the relevant costs.

(iii) Royalty and management fee income

Royalty income (which is included in other revenue) and management fee income are recognised on an accrual basis in accordance with the relevant agreements, as and when royalties become due and when services are provided.

(iv) Customer reward programmes

Provision is made for the estimated liability arising from the issue of benefits under the Group's customer reward programmes, based on the value of rewards earned by the programme members, and the expected utilisation of these rewards. The fair value attributed to these awards is deferred as a liability included in deferred revenue and income in the balance sheet, and released to profit or loss as the awards are redeemed. The expected utilisation is determined through consideration of historical usage and forfeiture rates.

(v) Interest income

Interest income is recognised using the effective interest method.

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established, and is included in other revenue.

**(u) Net gaming win**

Net gaming win comprises the net table and slot machine win derived by casino operations from gambling patrons. In terms of accounting standards, betting transactions concluded under gaming operations meet the definition of derivatives and therefore income from gaming operations represents the net position arising from financial instruments. The net gaming win is measured as the net cash received from betting transactions from casino operations. Due to the short-term nature of the Group's casino operations, all income is recognised in profit or loss immediately, at fair value.

In the casino industry, the nature of betting transactions makes it difficult to separate bets placed by customers and winnings paid to customers. It therefore follows that casinos experience practical difficulties reflecting output tax separately from input tax. Accordingly, South African Revenue Service ("SARS") allows casinos to account for VAT by applying the tax fraction to the net betting transaction. Provincial gaming levies are calculated on a similar basis by applying the tax fraction to the net betting transaction. Any change in either the VAT rate or the provincial gaming levies would be absorbed entirely by the Group and would have no impact on the customers. The Group thus treats VAT and other taxes levied on casino winnings as direct costs as these are borne by the Group and not customers, and have no effect on casino activities from the customers' perspective. These costs are included in net gaming win that is disclosed separately on the face of the income statement.

**(v) Leases**

(i) The Group is the lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged or credited to the income statement on a straight-line basis over the period of the lease.

(ii) The Group is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment (refer note f ) and investment property (refer note g) in the balance sheet.

**(w) Employee benefits**

(i) Defined contribution plans

A defined contribution plan is a pension or provident plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) Other post-employment obligations

The Group operates a defined benefit plan for a portion of the medical aid members. This fund is now closed to new entrants. The assets of the scheme are held separately from those of the Group and are administered by trustees. The liability recognised in the balance sheet in respect of the plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using reference to current market yields on South African government bonds.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in full as they arise outside the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise.

All other costs are recognised immediately in profit or loss.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value in a similar manner to all long-term employee benefits.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments and the performance of the respective employees. These criteria are only finalised after the Group's year end. The Group recognises the liability where an estimate can be made of the amount to be paid and it is contractually obliged to do so or there is a past practice that has created a constructive obligation and the Directors are of the opinion that it is probable that such bonuses will be paid. This liability is included in "Provisions" in the balance sheet.

(v) Share-based payments – equity-settled schemes

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received by the company and/or its subsidiaries in exchange for the grant of the options was recognised as an expense.

(vi) Goods or services settled in cash

Goods or services, including employee services received in exchange for cash-settled, share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed or capitalised as assets. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

The fair value of the long-term incentive plan liability is determined at each balance sheet date by reference to the company's share price. This is adjusted for management's best estimates of the appreciation, bonus and performance units expected to vest and management's best estimate of the performance criteria assumption on the performance units.

(vii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability to the employees for annual leave up to the balance sheet date. This liability is included in "Trade and other payables" in the balance sheet.

(viii) Long-service awards

The Group recognises a liability and an expense for long-service awards where cash is paid to employees at certain milestone dates in their careers with the Group. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually. This liability is included in "Provisions" in the balance sheet.

**(x) Income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

The current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The Group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, except where the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit or loss.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised.

In respect of real estate investment trust ("REIT") assets and liabilities (investment properties) the measurement of deferred tax is based on a rebuttable presumption that the amount of the investment property will be recovered entirely through sale. Capital gains or losses from property sold by a REIT are disregarded and the rate relevant to recoupments is 28%. Investment properties are held as long-term income-generating assets. Therefore, should any property no longer meet the Group's investment criteria and be sold, any profits or losses will be capital in nature and will be taxed at rates applicable to capital gains (currently nil). Allowances previously claimed will be recouped on sale. Where an accumulated loss is available to shield this recoupment, a deferred tax asset is raised.

Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to income taxes levied by the same taxation authority on either the taxable entity, or different taxable entities where there is an intention to settle the balances on a net basis.

**(y) Dividend distributions**

Dividend distributions to the company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's Board of Directors.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) Principles of critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(b) Investment property**

Investment property represents a large proportion of the Group's asset base. Therefore, the judgements made in determining their classification and fair values affect the Group's financial position and performance.

In determining the classification of the properties as investment properties, the Group considered its exposure to the risks of running the hotel business and its associated exposure to the variability of the cash flows of the underlying operations. The Group took the following factors into account:

- Intention to hold land and buildings for rental income and capital appreciation and its role as a passive investor;
- The duration of the lease agreements;
- Control over the decision-making powers of the relevant hotel operations;
- The present value of the minimum lease payments in relation to the fair value of the investment properties; and
- Various financial ratios to determine its exposure to the variability in cash flows of the hotel operations.

Based on the above, the Group concluded that the properties meet the definition of investment property.

Use is made of independent professionally qualified valuers. Valuations are performed on an annual basis on the entire portfolio of investment properties.

**(c) Estimated impairment of goodwill and indefinite lived intangible assets**

The Group tests annually whether goodwill and indefinite lived intangible assets have suffered any impairment in accordance with the accounting policy stated in notes 1(d) and 1(h). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates as noted in notes 19 and 20 of the 2017 consolidated annual financial statements.

**(d) Fair value of financial instruments that are not traded in an active market**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Available-for-sale unlisted investment

The Group has used a discounted cash flow analysis for the valuing of the Group's available-for-sale asset that is not traded in an active market. Refer note 23 in the 2017 consolidated financial statements for the significant unobservable inputs together with a sensitivity analysis should these significant unobservable inputs change.

**(e) Business combinations**

On the acquisition of a business, a determination of the fair value and the useful life of assets acquired is performed, which requires the application of management judgement. The fair value is obtained by applying a valuation technique performed on a discounted cash flow basis. Future events could cause the assumptions used by the Group to change which could have a significant impact on the results and net position.

# *PRO FORMA* CONSOLIDATED BALANCE SHEET AND *PRO FORMA* CONSOLIDATED INCOME STATEMENT OF TSOGO

The *pro forma* financial information of Tsogo, as set out in this Circular consists of the *pro forma* financial effects (paragraph 15 of this Circular), the *pro forma* consolidated balance sheet as at 31 March 2017 and the *pro forma* consolidated income statement for the year then ended ("the *Pro Forma* Financial Information of Tsogo").

The tables below set out the *Pro Forma* Financial Information of Tsogo which has been prepared to illustrate the financial effects of the Transaction on the results of Tsogo for the year ended 31 March 2017.

The Transaction is assumed to have occurred on 31 March 2017 for purposes of presenting the financial effects thereof on the *pro forma* consolidated balance sheet and 1 April 2016 for purposes of the *pro forma* consolidated income statement. The *Pro Forma* Financial Information of Tsogo does not purport to be indicative of the financial results and effects of the Transaction if it had been implemented on a different date and the *Pro Forma* Financial Information of Tsogo may not give a fair reflection of the financial position, changes in equity and results of operations or cash flows of Tsogo after the Transaction.

The Directors are responsible for the compilation, contents and preparation of the *Pro Forma* Financial Information of Tsogo. Their responsibility includes determining that the *Pro Forma* Financial Information of Tsogo has been properly compiled on the basis stated, and that the *pro forma* adjustments are appropriate for purposes of the *Pro Forma* Financial Information of Tsogo disclosed pursuant to the Listings Requirements.

The *Pro Forma* Financial Information of Tsogo has been prepared using accounting policies that comply with IFRS and that are consistent with those applied in preparing the consolidated financial statements of Tsogo for the year ended 31 March 2017.

The *Pro Forma* Financial Information of Tsogo is presented in accordance with the Listings Requirements and the guide on *pro forma* financial information issued by the South African Institute of Chartered Accountants.

The *pro forma* consolidated balance sheet as at 31 March 2017 and the *pro forma* consolidated income statement for the year then ended, should be read in conjunction with the independent reporting accountants' assurance report thereon as set out in **Annexure 7** to this Circular.

## *PRO FORMA* CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

| Rm | Before[1] | Acquisition of Gameco Group[2] | Sale and deconsolidation of Niveus Invest[3.2] | Loan receivable and deconsolidation adjustments of Niveus Invest[3.3] | Put Option[3.4] | Purchase Consideration[4] | Transaction costs[5] | *Pro forma* after the Transaction |
|---|---|---|---|---|---|---|---|---|
| Net gaming win | 7 483 | 1 295 | (25) | – | – | – | – | 8 753 |
| Rooms revenue | 3 078 | – | – | – | – | – | – | 3 078 |
| Food and beverage revenue | 1 434 | – | – | – | – | – | – | 1 434 |
| Property rental income | 445 | – | – | – | – | – | – | 445 |
| Other revenue | 782 | 74 | (6) | – | – | – | – | 850 |
| **Income** | **13 222** | **1 369** | **(31)** | **–** | **–** | **–** | **–** | **14 560** |
| Gain on fair value adjustment of investment properties | 757 | – | – | – | – | – | – | 757 |
| Other income | – | 4 | – | – | – | – | – | 4 |
| Gaming levies and value added tax | (1 557) | | – | – | – | – | – | (1 557) |
| Property and equipment rentals | (303) | | – | – | – | – | – | (303) |
| Amortisation and depreciation | (846) | (121) | 2 | – | – | – | – | (965) |
| Employee costs | (3 044) | | – | – | – | – | – | (3 044) |
| Other operating expenses | (3 530) | (912) | 29 | – | (3) | – | (6) | (4 421) |
| **Operating profit** | **4 699** | **340** | **–** | **–** | **–** | **–** | **(6)** | **5 030** |
| Interest income | 43 | 4 | – | 3 | – | – | – | 50 |
| Finance costs | (1 066) | (1) | 1 | – | – | (170) | – | (1 236) |
| Share of profit of associates and joint ventures | 38 | (7) | – | – | – | – | – | 31 |
| **Profit before income tax** | **3 714** | **336** | **1** | **3** | **(3)** | **(170)** | **(6)** | **3 875** |
| Income tax expense | (665) | (101) | – | (1) | 1 | 48 | – | (718) |
| **Profit for the year** | **3 049** | **235** | **1** | **2** | **(2)** | **(122)** | **(6)** | **3 157** |
| **Profit attributable to:** | | | | | | | | |
| Equity holders of the company | 2 507 | 224 | 1 | 2 | (2) | (122) | (6) | 2 604 |
| Non-controlling interests | 542 | 11 | – | – | – | – | – | 553 |

| Rm | Before[1] | Acquisition of Gameco Group[2] | Sale and deconsolidation of Niveus Invest[3.2] | Loan receivable and deconsolidation adjustments of Niveus Invest[3.3] | Put Option[3.4] | Purchase Consideration[4] | Transaction costs[5] | *Pro forma* after the Transaction |
|---|---|---|---|---|---|---|---|---|
| **Reconciliation of earnings attributable to equity holders of the company to headline earnings** | | | | | | | | |
| Profit attributable to equity holders of the company | 2 507 | 224 | 1 | 2 | (2) | (122) | (6) | 2 604 |
| Loss on disposal of property, plant and equipment | 12 | – | – | – | – | – | – | 12 |
| Impairment of property, plant and equipment | 77 | 1 | – | – | – | – | – | 78 |
| Gain on disposal of investment property | (36) | – | – | – | – | – | – | (36) |
| Gain on fair value adjustment of investment properties | (757) | – | – | – | – | – | – | (757) |
| Impairment of intangibles | 1 | – | – | – | – | – | – | 1 |
| Gain on deemed disposal of financial asset classified as available-for-sale | (46) | – | – | – | – | – | – | (46) |
| Gain on bargain purchases | (82) | – | – | – | – | – | – | (82) |
| Share of associates' headline earnings adjustments | 2 | – | – | – | – | – | – | 2 |
| Total tax effects of adjustments | (27) | – | – | – | – | – | – | (27) |
| Total non-controlling interest effects of adjustments | 382 | – | – | – | – | – | – | 382 |
| **Headline earnings** | **2 033** | **225** | **1** | **2** | **(2)** | **(122)** | **(6)** | **2 131** |
| Other exceptional items (net) included in operating profit | 44 | – | – | – | – | – | – | 44 |
| Gain on remeasurement of put liability | (35) | – | – | – | – | – | – | (35) |
| Deferred tax liability derecognised on plant, property and equipment on sale to the Group's REIT subsidiary | (56) | – | – | – | – | – | – | (56) |
| Deferred tax asset derecognised on foreign subsidiary assessed losses | 19 | – | – | – | – | – | – | 19 |
| Share of associates' exceptional items | (11) | – | – | – | – | – | – | (11) |
| Total non-controlling interest effects of adjustments | (7) | – | – | – | – | – | – | (7) |
| **Adjusted headline earnings** | **1 987** | **225** | **1** | **2** | **(2)** | **(122)** | **(6)** | **2 085** |
| Weighted average number of shares in issue (million) | **957** | | | | | 97 | | **1 054** |
| **Basic and diluted earnings per share (cents)** | **262.0** | | | | | | | **247.0** |
| **Basic and diluted headline earnings per share (cents)** | **212.4** | | | | | | | **202.1** |
| **Basic and diluted adjusted headline earnings per share (cents)** | **207.6** | | | | | | | **197.8** |

***Notes:***

1. *The "Before" column is based on the consolidated income statement of Tsogo for the year ended 31 March 2017.*
2. *The "Acquisition of Gameco Group" column is extracted from the condensed consolidated financial statements of Gameco for the year ended 31 March 2017, which financial statements and the report by the auditor on the basis of preparation thereof are available for inspection as set out in paragraph 27 to the Circular.*
3. ***The sale and deconsolidation of Niveus Invest***

   *In terms of the Transaction Agreement entered into between Tsogo, HCI and Niveus ( "Parties"), it is a condition precedent to the Transaction that the Parties obtain the waiver from the Northern Cape Gambling Board ("NCGB") of the requirement that Tsogo's indirect acquisition of Niveus Invest, which houses the Grand Oasis Casino, Kuruman, be approved by it, by 30 October 2017.Up until 25 October 2017 there was no NCGB is place and as a result the Parties have not been able to obtain the waiver required in terms of the Transaction Agreement. In order to prevent the Proposed Transaction from lapsing due to the failure to obtain the waiver the Parties have entered into a further addendum to the Transaction Agreement ("Addendum") and Niveus, Niveus Invest and Gameco have entered into a sale agreement in terms of which:*

   3.1.1 *Gameco will sell to Niveus the entire issued share capital of Niveus Invest ("Sale Share") as well as Gameco's claims on loan account against Niveus ("Sale Claims") for a consideration of R95m in the aggregate ("Purchase Consideration"). The Purchase Consideration will constitute an interest free loan by Gameco to Niveus.*

   3.1.2 *Gameco will grant to Niveus a put option ("Put Option") in terms of which Niveus would be entitled to require Gameco to purchase the Sale Share and the Sale Claims from Niveus for the Purchase Consideration, which will be discharged by way of a set-off against the amount owing by Niveus to Gameco in respect of the Purchase Consideration.*

   *The exercise of the Put Option is conditional upon, inter alia, the requisite approval or waiver, for the sale and purchase of the Sale Share and Sale Claims being obtained from the NCGB. The Put Option must be exercised before 31 March 2018, failing which Niveus will be obliged to pay the entire Purchase Consideration to Gameco. The Directors of Tsogo believe it is highly probable that the waiver will be received from the NCGB before 31 March 2018 and that the Put Option against Gameco will be exercised.*

   3.1 *Represents the deconsolidation of the income and expenses of Niveus Invest from the Gameco Group.*

   3.2 *Implied interest is earned on the present value of the Purchase Consideration owing to Gameco by Niveus at an estimated 9% totalling R1 million for the four-month period from the assumed effective date of the Transaction of 20 November 2017 to 31 March 2018.*

   3.3 *It is highly likely that the Put Option will be exercised before 31 March 2018. A charge will be recognised in the consolidated income statement of Tsogo for the recognition of the Put Option liability valued at R2.8 million and related deferred tax.*
4. *The cash consideration to be paid to the Gameco Minorities of R 1 774 million, assumes all Gameco Minorities elect the Cash-based Alternative and that it is funded through Tsogo's cash management facility with a weighted average cost of debt of 9.7% p.a. An interest cost of R170 million and related tax has been recognised.*
5. *Transaction costs, estimated at R6.4 million, to be incurred by Tsogo. This will be a once off cost to the income statement.*
6. *In the event that all Gameco Minorities elect the Share-based Alternative, pro forma basic and diluted headline earnings per share after the Transaction will be 244.5 cents and 202.2 cents respectively.*
7. *All pro forma income statement effects are recurring unless otherwise stated.*

## *PRO FORMA* CONSOLIDATED BALANCE SHEET AT 31 MARCH 2017

| Rm | Before[1] | Acquisition of Gameco Group[2] | Sale and deconsolidation of Niveus Invest[3.2] | Loan receivable and deconsolidation adjustments of Niveus Invest[3.3] | Put Option[3.4] | Purchase Consideration[4] | Transaction costs[5] | Consolidation adjustments[6,7] | *Pro forma* after the Transaction |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | |
| **Non-current assets** | | | | | | | | | |
| Property, plant and equipment | 15 556 | 457 | (60) | – | – | – | – | – | 15 953 |
| Investment properties | 4 969 | 7 | – | – | – | – | – | – | 4 976 |
| Goodwill and other intangible assets | 6 567 | 63 | (6) | – | – | – | – | – | 6 624 |
| Investments in associates and joint ventures | 609 | 57 | (80) | 80 | – | 3 972 | – | (3 972) | 666 |
| Available-for-sale financial assets | 1 272 | – | – | – | – | – | – | – | 1 272 |
| Non-current receivables | 60 | 27 | – | – | – | – | – | – | 87 |
| Deferred income tax assets | 121 | 27 | (2) | – | – | – | – | – | 146 |
| | **29 154** | **638** | **(148)** | **80** | **–** | **3 961** | **–** | **(3 972)** | **29 724** |
| **Current assets** | | | | | | | | | |
| Inventories | 115 | – | – | – | – | – | – | – | 115 |
| Other | 66 | 125 | (1) | – | – | – | – | – | 190 |
| Trade and other receivables | 682 | – | – | 92 | – | – | – | – | 774 |
| Derivative financial instruments | 14 | – | – | – | – | – | – | – | 14 |
| Current income tax assets | 78 | – | – | – | – | – | – | – | 78 |
| Cash and cash equivalents | 2 424 | 103 | (2) | – | – | (1 774) | (6) | – | 745 |
| | **3 379** | **228** | **(3)** | **92** | **–** | **(1 774)** | **(6)** | **–** | **1 916** |
| **Total assets** | **32 533** | **866** | **(151)** | **172** | **–** | **2 198** | **(6)** | **(3 972)** | **31 640** |

| Rm | Before[1] | Acquisition of Gameco Group[2] | Sale and deconsolidation of Niveus Invest[3.2] | Loan receivable and deconsolidation adjustments of Niveus Invest[3.3] | Put Option[3.4] | Purchase Consideration[4] | Transaction costs[5] | Consolidation adjustments[6,7] | *Pro forma* after the Transaction |
|---|---|---|---|---|---|---|---|---|---|
| **EQUITY** | | | | | | | | | |
| **Capital and reserves attributable to equity holders of the company** | | | | | | | | | |
| Ordinary share capital and premium | 4 576 | 330 | (1) | – | – | 2 198 | – | (330) | 6 773 |
| Other reserves | 874 | (18) | – | – | – | – | – | 18 | 874 |
| Common control reserve | – | – | – | 28 | – | – | – | (3 282) | (3 254) |
| Retained earnings | 5 321 | 378 | – | – | (3) | – | (6) | (378) | 5 312 |
| **Total shareholders' equity** | **10 771** | **690** | **(1)** | **28** | **(3)** | **2 198** | **(6)** | **(3 972)** | **9 705** |
| Non-controlling interests | 2 685 | (16) | – | – | – | – | – | | 2 669 |
| **Total equity** | **13 456** | **674** | **(1)** | **28** | **(3)** | **2 198** | **(6)** | **(3 972)** | **12 374** |
| **Non-current liabilities** | | | | | | | | | |
| Interest-bearing borrowings | 9 439 | – | – | – | – | – | – | – | 9 439 |
| Derivative financial instruments | 37 | – | – | – | – | – | – | – | 37 |
| Deferred income tax liabilities | 2 029 | – | – | – | – | – | – | – | 2 029 |
| Provisions and other liabilities | 511 | 4 | – | – | – | – | – | – | 515 |
| | **12 016** | **4** | **–** | **–** | **–** | **–** | **–** | **–** | **12 020** |
| **Current liabilities** | | | | | | | | | |
| Interest-bearing borrowings | 5 098 | – | (5) | – | – | – | – | – | 5 093 |
| Derivative financial instruments | 28 | – | – | – | 3 | – | – | – | 31 |
| Trade and other payables | 1 454 | 147 | (145) | 144 | – | – | – | – | 1 600 |
| Provisions and other liabilities | 385 | 1 | – | – | – | – | – | – | 386 |
| Current income tax liabilities | 96 | 40 | – | – | – | | – | – | 136 |
| | **7 061** | **188** | **(150)** | **144** | **3** | **–** | **–** | **–** | **7 246** |
| **Total liabilities** | **19 077** | **192** | **(150)** | **144** | **3** | **–** | **–** | **–** | **19 266** |
| **Total equity and liabilities** | **32 533** | **866** | **(151)** | **172** | **–** | **2 198** | **(6)** | **(3 972)** | **31 640** |
| Number of shares in issue (million) | 957 | | | | | 97.0 | | | 1 054 |
| NAV per share (Rand) | **11.3** | | | | | | | | **9.2** |
| TNAV per share (Rand) | **4.4** | | | | | | | | **2.9** |

***Notes:***

1. The "Before" column is based on the condensed consolidated balance sheet of Tsogo for the period ended 31 March 2017.
2. The "Acquisition of Gameco Group" column is extracted from the condensed consolidated financial statements of Gameco for the year ended 31 March 2017, which financial statements and the report by the auditor on the basis of preparation thereof are available for inspection as set out in paragraph 27 to the Circular.
3. ***The sale and deconsolidation of Niveus Invest***

*In terms of the Transaction Agreement entered into between Tsogo, HCI and Niveus ("Parties"), it is a condition precedent to the Transaction that the Parties obtain the waiver from the Northern Cape Gambling Board ("NCGB") of the requirement that Tsogo's indirect acquisition of Niveus Invest, which houses the Grand Oasis Casino, Kuruman, be approved by it, by 30 October 2017. Up until 25 October 2017 there was no NCGB in place and as a result the Parties have not been able to obtain the waiver required in terms of the Transaction Agreement. In order to prevent the Proposed Transaction from lapsing due to the failure to obtain the waiver the Parties have entered into a further addendum to the Transaction Agreement ("Addendum") and Niveus, Niveus Invest and Gameco have entered into a sale agreement in terms of which:*

- *Gameco will sell to Niveus the entire issued share capital of Niveus Invest ("Sale Share") as well as Gameco's claims on loan account against Niveus Invest ("Sale Claims") for a consideration of R95 million in the aggregate ("Purchase Consideration"). The Purchase Consideration will constitute an interest-free loan by Gameco to Niveus.*
- *Gameco will grant to Niveus a put option ("Put Option") in terms of which Niveus would be entitled to require Gameco to purchase the Sale Share and the Sale Claims from Niveus for a Purchase Consideration equal to the Purchase Consideration, which will be discharged by way of a set-off against the amount owing by Niveus to Gameco in respect of the Purchase Consideration.*

*The exercise of the Put Option is conditional upon, inter alia, the requisite approval or waiver, for the sale and purchase of the Sale Share and Sale Claims being obtained from the NCGB. The Put Option must be exercised before 31 March 2018, failing which Niveus will be obliged to pay the entire Purchase Consideration to Gameco. The Directors of Tsogo believe it is highly probable that the waiver will be received from the NCGB before 31 March 2018 and that the Put Option against Gameco will be exercised.*

3.2 *Represents the derecognition of the assets and liabilities of Niveus Invest from the Gameco Group.*

3.3 *Loan receivable and deconsolidation adjustments of Niveus Invest represents the following:*

- *Reinstatement of the consolidation entry relating to investment in associates and joint ventures of R80 million.*
- *Purchase Consideration payable by Niveus to Gameco for the sale of Niveus Invest at a present value of R92.2 million.*
- *Niveus acquires Gameco's Sale Claims against Niveus Invest totalling R144 million. As a result the consolidation entry relating to the Sale Claims is reinstated.*
- *A common control reserve gain is recognised of R28 million on the sale of Niveus Invest to Niveus.*

3.4 *The recognition of the Put Option liability valued at R2.8 million.*

4. ***Purchase Consideration:***

***HCI Transaction and Assignment Agreement:***

*In terms of the HCI Transaction, Tsogo will acquire from HCI a 49.01% interest in Gameco, comprising 225 445 352 Gameco Shares in exchange for 78 415 775 Tsogo Shares. Assuming the Assignment Agreement is implemented, Tsogo will acquire an additional 1.79% interest in Gameco, comprising 8 214 286 Gameco Shares, settled through the issue of Tsogo shares in the ratio of 2.875 Gameco Shares for every one Tsogo Share. The consideration is recognised at fair value at the date of acquisition. The Last Practicable Date is used to determine the fair value of the HCI Transaction and the Assignment Agreement consideration.*

***Offer:***

*Pursuant to the successful implementation of the HCI Transaction, Tsogo will make an offer to the Gameco Minorities to acquire their shares in Gameco. The Offer entails an offer to acquire 100% of the Gameco Minorities' shares in Gameco settled through the issue of Tsogo shares in the ratio of one Tsogo Share for every 2.875 Gameco Shares as the Share-based Alternative or, at the election of Gameco Minorities, settled as to 20% in Tsogo Shares (in the ratio of one Tsogo Share for every 2.875 Gameco Shares) and 80% of R9.796 per Gameco Share in cash as the Cash-based Alternative.*

*The table below assumes 100% of the Gameco Minorities elect the Cash-based Alternative.*

| Purchase Consideration | Number of Gameco Shares | Exchange ratio | Number of Tsogo Shares | Last Practicable Date share price of Tsogo | Purchase Consideration (Rm) |
|---|---|---|---|---|---|
| *HCI Transaction* | *225 445 352* | *One Tsogo share for 2.875 Gameco Shares* | *78 415 775* | *R22.66* | *R1 776* |
| *Assignment Agreement* | *8 214 286* | *One Tsogo share for 2.875 Gameco Shares* | *2 857 143* | *R22.66* | *R65* |
| *Offer: 20% non-cash share consideration* | *45 268 092* | *One Tsogo share for 2.875 Gameco Shares* | *15 745 423* | *R22.66* | *R357* |
| **Total non-cash consideration** | **278 927 730** | **One Tsogo share for 2.875 Gameco Shares** | **97 018 341** | **R22.66** | **R2 198** |
| *Offer: 80% cash consideration* | *181 072 370* | *R9.796 per Gameco Share* | *n/a* | *n/a* | *R1 774* |
| **Total cash consideration** | **181 072 370** | **R9.796 per Gameco Share** | **n/a** | **n/a** | **R1 774** |
| **Total** | **460 000 100** | **n/a** | **97 018 341** | **n/a** | **R3 972** |

5. **Clawback Amount:**
In the terms of the Clawback, Tsogo has the right to receive the Clawback Amount from Niveus (or HCI, as assignee of Niveus under the Assignment Agreement) in the event that no EBTs are legally operating in the KwaZulu-Natal province prior to or on 31 March 2020. The Directors are of the view that there is a high probability of the EBTs legally operating in the KwaZulu-Natal province prior to 31 March 2020 and as a result no effect is given for the Clawback Amount/this contingent consideration in the pro forma financial information. Subsequently any changes in the fair value of the contingent consideration will be remeasured through profit or loss.
6. Transaction costs, estimated at R6.4 million, to be incurred by Tsogo.
7. The Transaction is deemed to be a transaction under common control and consequently falls outside the scope of IFRS3: Business Combinations. Tsogo's accounting policy is to apply predecessor accounting to common control transactions.

| Common control reserve | Rm |
|---|---|
| *Net asset value acquired* | *690* |
| *Total purchase consideration (refer note 3)* | *(3 972)* |
| **Common control reserve** | **(3 282)** |

8. Consolidation entries to eliminate at acquisition total shareholders' equity.
9. In the event that all Gameco Minorities elect the Share-based Alternative, pro forma net asset and tangible net asset value per share after the Transaction will be R9.97 and R4.04 respectively.

# INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF TSOGO SUN HOLDINGS LIMITED

The Board of Directors
Tsogo Sun Holdings Limited
Palazzo Towers East, Montecasino Boulevard
Fourways
2055

Niveus Invest 19 Limited
La Concorde
57 Main Street
Paarl
7646

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF TSOGO HOLDINGS LIMITED ("TSOGO" OR "THE COMPANY")**

**Introduction**
Tsogo Sun Holdings Limited ("Tsogo") is acquiring an interest in the gaming interests of Niveus Investments Limited ("Niveus"), currently housed in Niveus Invest 19 Limited ("Gameco"), its subsidiaries and affiliates from Hosken Consolidated Investment Limited ("HCI") ("the HCI Transaction") following the unbundling of Gameco to Niveus shareholders and making a unconditional voluntary offer to the minority shareholders of Gameco for their shares in Gameco ("the Minority Offer") (collectively "the Transaction").

Tsogo and Gameco are issuing a circular (the "Circular") to all Gameco Shareholders to offer to acquire the entire ordinary share capital of Gameco other than those Gameco Shares to be acquired by Tsogo in terms of the HCI Transaction ("the Gameco Shareholders") ("the Offer"). In terms of the Offer those shareholders that accept the Offer will be paid either the cash alternative of consideration with 20% of the consideration paid in ordinary unissued Tsogo shares and the residual in cash ("the Cash-based Alternative") or 100% of the consideration paid in the ordinary share capital of Tsogo ("the Share-based Alternative). This Offer constitutes an affected transaction in terms of section 117 of the Companies Act and is issued in compliance with the Takeover Regulations for the purpose of providing information to Gameco Shareholders with respect to the Offer. The Gameco Shareholders will receive Tsogo shares in partial or full settlement of the Offer consideration, consequently, the financial effects of the Transaction on Tsogo are presented in the Circular.

At your request and for the purposes of the Circular to be dated on or about 13 November 2017, we present our assurance report on the compilation of the *pro forma* financial information of Tsogo by the Directors. The *pro forma* financial information, presented in paragraph 15 and Annexure 6 to the Circular, consists of the *pro forma* consolidated balance sheet as at 31 March 2017, the *pro forma* consolidated income statement for the 12 months ended 31 March 2017 and the *pro forma* financial effects ("the Tsogo *Pro Forma* Financial Information"). The Tsogo *Pro Forma* Financial Information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The Tsogo *Pro Forma* Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on Tsogo's reported financial position as at 31 March 2017, and Tsogo's financial performance for the period then ended, as if the Transaction had taken place at 31 March 2017 and 1 April 2016, respectively. As part of this process, information about Tsogo's financial position and financial performance has been extracted by the Directors from Tsogo's financial statements for the year ended 31 March 2017 on which an audit report has been published.

**Directors' responsibility**
The Directors of Tsogo and Gameco are responsible for the compilation, contents and presentation of the Tsogo *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 15 and **Annexure 6**. The Directors of Tsogo and Gameco are also responsible for the financial information from which it has been prepared.

**Our independence and quality control**
We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountant's responsibility**

Our responsibility is to express an opinion about whether the Tsogo *Pro Forma* Financial Information has been compiled, in all material respects, by the Directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Tsogo *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Tsogo *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Tsogo *Pro Forma* Financial Information.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Tsogo *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the Tsogo *Pro Forma* Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the Tsogo *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the Tsogo *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the Tsogo *Pro Forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Tsogo *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 15 and **Annexure 6** of the Circular.

**PricewaterhouseCoopers Inc.**
Director: **BS Humphreys**
Registered Auditor
Sunninghill

# TRADING HISTORY OF TSOGO SHARES ON THE JSE

Set out below is a table showing the aggregate volumes and values traded, closing price and the highest and lowest prices traded in Tsogo shares for:

- each month over the 12 months preceding the Last Practicable Date prior to the issue of this Circular; and
- each day over the 30 days preceding the Last Practicable Date and prior to the issue of this Circular.

| Period | High (cents) | Low (cents) | Close (cents) | Volume | Value traded (R) |
|---|---|---|---|---|---|
| **Monthly** | | | | | |
| November 2016 | 3 075 | 2 810 | 2 821 | 22 721 044 | 66 754 393 400 |
| December 2016 | 2 920 | 2 652 | 2 760 | 19 628 391 | 54 654 205 000 |
| January 2017 | 2 930 | 2 581 | 2 650 | 12 141 322 | 32 532 468 900 |
| February 2017 | 2 930 | 2 610 | 2 767 | 18 253 638 | 49 907 891 000 |
| March 2017 | 2 940 | 2 700 | 2 764 | 18 725 527 | 52 550 369 000 |
| April 2017 | 2 848 | 2 430 | 2 515 | 17 763 326 | 45 770 151 000 |
| May 2017 | 2 581 | 2 376 | 2 387 | 88 196 045 | 214 084 649 200 |
| June 2017 | 2 430 | 2 196 | 2 241 | 54 761 986 | 125 423 932 000 |
| July 2017 | 2 375 | 2 202 | 2 283 | 31 988 781 | 72 857 698 000 |
| August 2017 | 2 308 | 2 125 | 2 183 | 48 743 651 | 108 588 874 900 |
| September 2017 | 2 200 | 1 991 | 2 026 | 43 510 030 | 92 409 495 000 |
| October 2017 | 2 156 | 1 999 | 2 076 | 49 504 713 | 102 772 010 000 |
| **Daily** | | | | | |
| 22 September 2017 | 2 108 | 2 077 | 2 092 | 1 855 162 | 3 892 486 000 |
| 26 September 2017 | 2 084 | 2 026 | 2 039 | 2 695 437 | 5 499 244 000 |
| 27 September 2017 | 2 061 | 2 001 | 2 061 | 1 355 738 | 2 780 095 000 |
| 28 September 2017 | 2 059 | 1 991 | 2 004 | 2 534 549 | 5 111 837 000 |
| 29 September 2017 | 2 038 | 2 022 | 2 026 | 1 825 447 | 3 701 305 000 |
| 2 October 2017 | 2 043 | 2 021 | 2 022 | 1 507 257 | 3 056 763 000 |
| 3 October 2017 | 2 044 | 2 001 | 2 015 | 1 304 442 | 2 635 855 000 |
| 4 October 2017 | 2 039 | 2 010 | 2 023 | 2 572 990 | 5 220 298 000 |
| 5 October 2017 | 2 039 | 2 000 | 2 009 | 2 055 809 | 4 134 004 000 |
| 6 October 2017 | 2 024 | 1 999 | 2 017 | 969 949 | 1 958 293 000 |
| 9 October 2017 | 2 050 | 2 007 | 2 045 | 2 381 168 | 4 853 924 000 |
| 10 October 2017 | 2 055 | 2 032 | 2 048 | 3 483 443 | 7 123 418 000 |
| 11 October 2017 | 2 104 | 2 056 | 2 095 | 2 827 922 | 5 898 852 000 |
| 12 October 2017 | 2 127 | 2 082 | 2 101 | 2 550 019 | 5 342 511 000 |
| 13 October 2017 | 2 139 | 2 098 | 2 136 | 3 222 166 | 6 795 737 000 |
| 16 October 2017 | 2 146 | 2 115 | 2 141 | 809 575 | 1 730 892 000 |
| 17 October 2017 | 2 135 | 2 104 | 2 125 | 1 477 591 | 3 134 171 000 |
| 18 October 2017 | 2 137 | 2 103 | 2 130 | 2 127 219 | 4 512 554 000 |
| 19 October 2017 | 2 149 | 2 110 | 2 131 | 2 244 909 | 4 770 539 000 |
| 20 October 2017 | 2 156 | 2 121 | 2 121 | 3 941 962 | 8 387 280 000 |
| 23 October 2017 | 2 150 | 2 101 | 2 126 | 886 488 | 1 884 521 000 |
| 24 October 2017 | 2 121 | 2 099 | 2 115 | 1 438 438 | 3 038 256 000 |
| 25 October 2017 | 2 109 | 2 038 | 2 050 | 1 420 332 | 2 936 431 000 |
| 26 October 2017 | 2 095 | 2 029 | 2 055 | 4 392 071 | 9 024 403 000 |
| 27 October 2017 | 2 140 | 2 054 | 2 065 | 4 829 359 | 9 988 490 000 |
| 30 October 2017 | 2 129 | 2 000 | 2 075 | 1 275 040 | 2 646 454 000 |
| 31 October 2017 | 2 129 | 2 006 | 2 076 | 1 786 564 | 3 698 364 000 |
| 1 November 2017 | 2 100 | 2 082 | 2 095 | 1 253 769 | 2 621 523 000 |
| 2 November 2017 | 2 129 | 2 095 | 2 117 | 651 692 | 1 380 684 000 |
| 3 November 2017 | 2 150 | 2 015 | 2 110 | 1 726 047 | 3 651 652 000 |

# SECTION 124 OF THE COMPANIES ACT

**124. COMPULSORY ACQUISITIONS AND SQUEEZE OUT**

(1) If, within four months after the date of an offer for the acquisition of any class of securities of a regulated company, that offer has been accepted by the holders of at least 90% of that class of securities, other than any such securities held before the offer by the offeror, a related or inter-related person, or persons acting in concert, or a nominee or subsidiary of any such person or persons –

(a) within two further months, the offeror may notify the holders of the remaining securities of the class, in the prescribed manner and form –

(i) that the offer has been accepted to that extent; and

(ii) that the offeror desires to acquire all remaining securities of that class; and

(b) subject to subsection (2), after giving notice in terms of paragraph (a), the offeror is entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer.

(2) Within 30 business days after receiving a notice in terms of subsection (1)(a), a person may apply to a court for an order –

(a) that the offeror is not entitled to acquire the applicant's securities of that class; or

(b) imposing conditions of acquisition different from those of the original offer.

(3) If an offer to acquire the securities of a particular class has not been accepted to the extent contemplated in subsection (1) –

(a) the offeror may apply to a court for an order authorising the offeror to give a notice contemplated in subsection (1)(a); and

(b) the court may make the order applied for, if –

(i) after making reasonable enquiries, the offeror has been unable to trace one or more of the persons holding securities to which the offer relates;

(ii) by virtue of acceptances of the original offer, the securities that are the subject of the application, together with the securities held by the person or persons referred to in subparagraph (i), amount to not less than the minimum specified in subsection (1);

(iii) the consideration offered is fair and reasonable; and

(iv) the court is satisfied that it is just and equitable to make the order, having regard, in particular, to the number of holders of securities who have been traced but who have not accepted the offer.

(4) If an offer for the acquisition of any class of securities of a regulated company has resulted in the acquisition by the offeror or a nominee or subsidiary of the offeror, or a related or inter-related person of any of them, individually or in aggregate, of sufficient securities of that class such that, together with any other securities of that class already held by that person, or those persons in aggregate, they then hold at least 90% of the securities of that class –

(a) the offeror must notify the holders of the remaining securities of the class that the offer has been accepted to that extent;

(b) within three months after receiving a notice in terms of paragraph (a), a person may demand that the offeror acquire all of the person's securities of the class concerned; and

(c) After receiving a demand in terms of paragraph (b), the offeror is entitled, and bound, to acquire the securities concerned on the same terms that applied to securities whose holders accepted the original offer.

(5) If an offeror has given notice in terms of subsection (1), and no order has been made in terms of subsection (3), or if the offeror has received a demand in terms of subsection (4)(b) –

(a) six weeks after the date on which the notice was given or, if an application to a court is then pending, after the application has been disposed of, or after the date on which the demand was received, as the case may be, the offeror must –

(i) transmit a copy of the notice to the regulated company whose securities are the subject of the offer, together with an instrument of transfer, executed on behalf of the holder of the those securities by any person appointed by the offeror; and

(ii) pay or transfer to that company the consideration representing the price payable by the offeror for the securities concerned;

(b) subject to the payment of prescribed fees or duties, the company must thereupon register the offeror as the holder of those securities.

(6) An instrument of transfer contemplated in subsection (5) is not required for any securities for which a share warrant is for the time being outstanding.

(7) A regulated company must deposit any consideration received under this section into a separate interest bearing bank account with a banking institution registered under the Banks Act and, subject to subsection (8), those deposits must be –

(a) held in trust by the company for the person entitled to the securities in respect of which the consideration was received; and

(b) paid on demand to the person contemplated in paragraph (a), with interest to the date of payment.

(8) If a person contemplated in subsection (7)(a) fails for more than three years to demand payment of an amount held in terms of that paragraph, the amount, together with any accumulated interest, must be paid to the benefit of the Guardian's Fund of the Master of the High Court, to be held and dealt with in accordance with the rules of that Fund.

(9) In this section any reference to a "holder of securities who has not accepted the offer" includes any holder who has failed or refused to transfer their securities to the offeror in accordance with the offer.

**TSOGO SUN**

| **TSOGO SUN HOLDINGS LIMITED** | **NIVEUS INVEST 19 LIMITED** |
|---|---|
| (Incorporated in the Republic of South Africa) | (Incorporated in the Republic of South Africa) |
| Registration number: 1989/002108/06 | Registration number: 2015/269000/06 |
| Share code: TSH | |
| ISIN: ZAE000156238 | |

# FORM OF ACCEPTANCE, SURRENDER AND TRANSFER

The definitions and interpretations commencing on page 7 of the Circular to Gameco Shareholders dated **14 November 2017** ("**Circular**") to which this form of acceptance, surrender and transfer ("**Form**") is attached, apply throughout this Form, unless otherwise defined in this Form or the context clearly indicates otherwise.

**FOR USE BY CERTIFICATED SHAREHOLDERS ONLY**

This Form is only applicable to Gameco Shareholders holding Certificated Shares who wish to accept the Offer as set out in the Circular. This form is **NOT** to be used by Dematerialised Shareholders who are required to instruct their CSDP or Broker if they wish to accept the Offer in accordance with the terms of their agreement with their CSDP or Broker.

Each Gameco Shareholder, upon completion of this Form confirms that, if subject to the laws of any jurisdiction outside of South Africa, it has observed the laws of such jurisdiction, obtained any requisite governmental or other consents, complied with all formalities needed and to be observed, paid all issue, transfer and other taxes or duties due in such jurisdiction in connection with such acceptance and has not taken any action that would or may result in Tsogo being in breach of the legal or regulatory requirements of any jurisdiction in connection with the Offer or such Shareholder's acceptance thereof.

**NOTES AND INSTRUCTIONS**

1. Persons who have acquired Gameco Shares after the issue of the Circular, can obtain copies of the Circular and this Form from the Transfer Secretaries at the address given overleaf.
2. Part A must be completed by all Gameco Shareholders holding their own Gameco Share certificates who wish to accept the Offer.
3. Section 1 of Part B must be completed by all Gameco Shareholders holding their own Gameco Share certificates who are Emigrants and such Gameco Shareholders are referred to paragraph 6.3 of the Circular in this regard.
4. Section 2 of Part B must be completed by all other Gameco Shareholders holding their own Gameco Share certificates who are non-residents of the Common Monetary Area and who are not required to complete section 1 and are referred to paragraph 6.4 of the Circular in this regard.
5. No receipts will be issued for Documents of Title lodged unless specifically requested to do so. Lodging agents are requested to prepare special transaction receipts, if required.
6. If you are in any doubt as to how to complete this Form, please consult your Broker, banker, attorney, accountant or other professional adviser immediately.
7. This form must be returned to the Transfer Secretaries together with your Gameco Share certificates or other Documents of Title, so as to be received prior to 12:00 on the Closing Date. If your Documents of Title have been lost or destroyed, you should nevertheless return this Form, together with a duly executed indemnity provided by the Transfer Secretaries. Tsogo may, in its sole discretion, dispense with the surrender of such Documents of Title upon production of satisfactory evidence that the Documents of Title have been lost or destroyed and upon provision of a suitable indemnity. Unless otherwise agreed by Tsogo, only indemnity forms obtained from the Transfer Secretaries (available on request) will be regarded as suitable.
8. Signatories of this Form may be called upon for evidence of their authority or capacity to sign this Form.
9. Any alteration to this Form must be signed in full and not initialled. Any alteration may be rejected by Tsogo.
10. If this Form is signed under a power of attorney, then such power of attorney, or a notarial certified copy hereof must be sent with this Form for noting, unless it has already been noted by the Transfer Secretaries.
11. Where a Gameco Shareholder holding its own Gameco Share certificate is a company or a close corporation or other juristic person, a certified copy of the Directors' or members' or other resolution authorising the signing of this Form must be submitted together with this Form, unless it has already been registered with the Transfer Secretaries.
12. Where Gameco Shares are jointly held, this Form must be signed by all joint holders; however, Tsogo shall be entitled, in its absolute discretion, to accept signature only of that holder whose name stands first in the Register in respect of such Gameco Shares.
13. The Offer Consideration due to a non-resident Gameco Shareholder who is an Emigrant will be sent to the Authorised Dealer in foreign exchange controlling such non-resident Gameco Shareholder's blocked assets in terms of the Exchange Control Regulations and such Gameco Shareholders are referred to paragraph 6 of the Circular in this regard.
14. Gameco Shareholders are advised to consult their professional advisers about the tax implications regarding the acceptance of the Offer and receipt of the Offer Consideration.
15. Gameco Shareholders are referred to the Circular for the further terms and conditions applicable to the Offer and its acceptance, which Circular must be read in its entirety to properly consider the Offer.
16. In the event of any conflict between this Form and the Circular, the Circular shall prevail.

**The Transfer Secretaries**

| ***By hand*** | ***By post*** |
|---|---|
| Computershare Investor Services Proprietary Limited | Computershare Investor Services Proprietary Limited |
| Rosebank Towers | PO Box 61763 |
| 15 Biermann Avenue | Marshalltown |
| Rosebank, 2196 | 2107 |

Dear Sirs,

**Acceptance of the Offer**

I/We hereby irrevocably accept the Offer on the terms and conditions set out in the Circular in respect of (*)________________________________ ________________ Gameco Shares, held by me/us ("**Subject Shares**") and surrender and enclose the share certificates, certified transfer deeds and/or other Documents of Title, in respect of my/our holding of the Subject Shares.(* Insert the number of Gameco Shares that the Gameco Shareholder wishes to sell to Tsogo in terms of the Offer.)

☐ #I/We hereby elect to receive the Cash-based Alternative of the Offer Consideration in respect of the Subject Shares instead of the Share-based Alternative of the O Offer Consideration.

*(# Indicate election by signing the box above).*

Failing any election referred to above by me/us, I/we shall receive the Share-based Alternative of the Offer Consideration in respect of the Subject Shares.

I/We hereby instruct the Transfer Secretaries to register transfer of such Gameco Shares to Tsogo. I/We hereby appoint any one of the Directors of Tsogo and/or the Transfer Secretaries acting on his/her own as my attorney and agent with full power and authority on my behalf *(in rem suam)* to sign all documents and do all such acts as may be necessary or desirable for the purpose of transferring the Subject Shares to Tsogo pursuant to my/our acceptance of the Offer.

PART A

**To be completed by all Certificated Shareholders who wish to accept the Offer**

Surname/Name of corporate body

First names (in full, if applicable)

Title (Mr, Mrs, Miss, Ms, etc.)

| **Name of account holder**<br>**(must be the same as the shareholder)** | **Banking details (name of bank, branch, branch code, account number)**<br>**NB: No third-party account** |
|---|---|
| | |
| | |
| | |
| | |
| | Contact person: |
| | Contact telephone number: ( ) |

The Offer Consideration will be settled in accordance with the provisions of paragraph 5.4 of the Circular.

In order to comply with Financial Intelligence Centre Act requirements, the Transfer Secretaries will be unable to record any changes of address or payment mandates unless a certified true copy of the under mentioned documentation is received from the relevant Shareholder:

(i) a copy of an identification document (in respect of change of address and payment mandate);

(ii) a copy of a bank statement (in respect of bank mandate);

(iii) an original certified copy of a document issued by the South African Revenue Service to verify your tax number. If you do not have one, please submit this in writing and have the letter signed by a Commissioner of Oaths (in respect of change of address and payment mandate); and

(iv) an original or an original certified copy of a services bill to verify your residential address (in respect of a change of address mandate).

I/We hereby accept the Offer upon the terms and conditions as set out in the Circular, and I/we surrender and enclose, in accordance with such terms and conditions, the share certificates, certified transfer deeds and/or other Documents of Title, details in respect of which are set out in the table below, in respect of my/our holding of Gameco Shares:

| **Name of the registered holder**<br>**(separate form for each holder)** | **Certificate number(s)**<br>**(in numerical sequence)** | **Number of Shares** |
|---|---|---|
| | | |
| | **Total** | |

I/We acknowledge that if the information set out above is incorrect or incomplete in any way, it will nevertheless irrevocably be deemed to indicate acceptance of the Offer in respect of my/our entire holding of Shares.

I/We acknowledge that this Form must be lodged, together with the relevant Documents of Title, prior to the Closing Date.

Signature of Gameco Shareholder

PART B

1. **To be completed only by Gameco Shareholders who are Emigrants (see notes 3 and 13 above and paragraph 6.1 of the Circular)**

   Name and address of Authorised Dealer in South Africa

   Blocked Rand account number

2. **To be completed by all Gameco Shareholders who are non-residents of the Common Monetary Area, other than those required to complete 1 above (see note 4 above and paragraph 6.4 of the Circular).**

   The Offer Consideration will be settled to the nominated Authorised Dealer and it will be incumbent on the Gameco Shareholder concerned to instruct the nominated Authorised Dealer(s) as to the disposal of the amount concerned.

   Name and address of Authorised Dealer in South Africa

   Non-resident Rand account number

   Substitute address in South Africa

3. If no nomination is made in terms of 1 and 2 above, the Offer Consideration will be held in trust in accordance with paragraph 6 of the Circular.

| **Signature of or on behalf of Gameco Shareholder** | Stamp and address of agent lodging this form (if any) |
|---|---|
| Name: | |
| (who warrants that he/she is duly authorised) | |
| Capacity: | |
| Assisted by me (if applicable): | |
| (State full name and capacity of assistance) | |
| Date: | |