

# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 5 apply to this cover page.

## ACTION REQUIRED BY SHAREHOLDERS:

1. If you are in any doubt as to what action to take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional adviser immediately.
2. If you have disposed of all your Shares in Niveus, please forward this Circular to the purchaser of such Shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected.
3. Shareholders are referred to page 2 of this Circular, which sets out the action required by them.

**Niveus does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any Shareholder to notify such Shareholder of the General Meeting, notice of which is contained in and forms part of this Circular.**

# NIVEUS

INVESTMENTS LIMITED

**NIVEUS INVESTMENTS LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 1996/005744/06)  
Share code: NIV, ISIN: ZAE000169553  
("Niveus")

## CIRCULAR TO SHAREHOLDERS

### relating to:

- the approval of the Unbundling, in terms of which Niveus will distribute the GameCo Distribution Shares to Shareholders by way of a distribution *in specie*, which will constitute the disposal of the greater part of the assets or undertaking of Niveus in terms of section 112 of the Companies Act and therefore requires the approval of the TRP and the approval of the Shareholders by way of a special resolution, in compliance with the provisions of section 115 of the Companies Act;
- the approval of the Niveus Transaction, comprising of:
  - the Niveus Disposal, in terms of which Niveus will dispose of the Niveus Disposal GameCo Shares to Tsogo, by accepting the Tsogo Minority Offer in respect of such GameCo Shares;
  - the Clawback, in terms of which Niveus will grant Tsogo the right to claw back the Clawback Amount, for no consideration, by cancelling such number of Tsogo Shares equal in value to the Clawback Amount in the event that no EBTs are legally operating in the KwaZulu-Natal Province prior to or on 31 March 2020; and
  - the Assignment, in terms of which Niveus will assign its rights and obligations, including but not limited to its payment obligation which will arise in terms of the Clawback, in the event that no EBTs are legally operating in the KwaZulu-Natal Province prior to or on 31 March 2020, to HCI against the transfer by Niveus of the Assignment GameCo Shares to HCI;

which Niveus Transaction will constitute a Related Party Transaction in terms of the Listings Requirements;

### and incorporating:

- a Notice of General Meeting; and
- a Form of Proxy (*grey*) for purposes of the General Meeting (for use by Certificated Shareholders and Dematerialised Shareholders who have selected Own-name Registration only).



Sponsor



Auditor and Independent  
Reporting Accountant



Legal Adviser



Independent Expert

**Date of issue: 16 August 2017**

*This Circular is available in English only. Copies may be obtained during normal business hours from the registered office of Niveus and from the offices of PSG Capital, whose addresses are set out in the "Corporate Information" section of this Circular from Wednesday, 16 August 2017 until Thursday, 14 September 2017 (both days inclusive). A copy of this Circular will also be available on Niveus' website ([www.niveus.co.za](http://www.niveus.co.za)).*

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## CORPORATE INFORMATION

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### Directors

JA Copelyn (Chairman) \*  
A van der Veen (Chief Executive Officer)  
MM Loftie-Eaton (Chief Financial Officer)  
Y Shaik \*  
LM Molefi \*\*  
JG Ngcobo \*\*  
RD Watson \*\*  
F-A du Plessis \*\*  
MN Joubert \*\*  
WP van der Merwe \*\*

\* non-executive

# independent

### Date and place of incorporation

15 May 1996  
Republic of South Africa

### Registered address

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

### 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)

### Transfer Secretaries

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

### Legal 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)

### Sponsor

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

and at:

2nd Floor, 11 Alice Lane  
Sandhurst  
Sandton  
Johannesburg, 2196  
(PO Box 650957, Benmore, 2010)

### Holding Company

Hosken Consolidated Investments Limited  
(Registration number 1973/007111/06)  
4 Stirling Street  
Zonnebloem  
Cape Town, 7925  
(PO Box 5251, Cape Town, 8000)

### Administrator

Johnnic Holdings Management Services  
Proprietary Limited  
(Registration number 1969/014373/07)  
4 Stirling Street  
Zonnebloem  
Cape Town, 79255  
(PO Box 5251, Cape Town, 8000)

### Auditor and 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)

### 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)

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## ACTION REQUIRED BY SHAREHOLDERS

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The definitions and interpretations commencing on page 5 apply to this action required by Shareholders section.

This Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the action required by Shareholders. If you are in any doubt as to what actions to take, please consult your CSDP, Broker, banker, attorney, accountant or other professional adviser immediately.

If you have disposed of all of your Shares in Niveus, please forward this Circular to the purchaser of such Shares or to the CSDP, Broker, banker, attorney or other agent through whom the disposal was effected.

**The General Meeting will be held at SunSquare City Bowl, 23 Buitengracht Street, Cape Town City Centre on Thursday, 14 September 2017 at 12:00, at which General Meeting Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the resolutions set out in the Notice of General Meeting attached to this Circular.**

### 1. DEMATERIALIZED SHAREHOLDERS WHO ARE NOT OWN-NAME DEMATERIALIZED SHAREHOLDERS

#### 1.1 Voting at the General Meeting

- 1.1.1 Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the General Meeting and should thereafter cast your vote in accordance with your instructions.
- 1.1.2 If your Broker or CSDP has not contacted you, it is advisable for you to contact your Broker or CSDP and furnish it with your voting instructions.
- 1.1.3 If your Broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your Broker or CSDP.
- 1.1.4 **You must not complete the attached Form of Proxy (grey).**

#### 1.2 Attendance and representation at the General Meeting

- 1.2.1 In accordance with the custody agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:
  - 1.2.1.1 attend, speak and vote at the General Meeting; or
  - 1.2.1.2 send a proxy to represent you at the General Meeting.
- 1.2.2 Your CSDP or Broker should then issue the necessary letter of representation to you for you or your proxy to attend, speak and vote at the General Meeting.

### 2. CERTIFICATED SHAREHOLDERS AND DEMATERIALIZED SHAREHOLDERS WHO ARE OWN-NAME DEMATERIALIZED SHAREHOLDERS

#### 2.1 Voting and attendance at the General Meeting

- 2.1.1 You may attend the General Meeting in person and may vote at the General Meeting.
- 2.1.2 Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (grey) in accordance with the instructions contained therein and lodging it or posting it to the Transfer Secretaries or the Company Secretary, to be received by them, for administrative purposes, by no later than 12:00 on Tuesday, 12 September 2017 or thereafter by handing such form to the chairperson of the General Meeting or the Transfer Secretaries at the General Meeting, at any time before the proxy exercises any rights of the Shareholder at such General Meeting.

#### **Company Secretary**

HCI Managerial Services Proprietary Limited  
4 Stirling Street  
Zonnebloem  
Cape Town  
7925  
(PO Box 5251, Cape Town, 8000)

#### **Transfer Secretaries**

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank  
Johannesburg, 2196  
(PO Box 61051, Marshalltown 2107)

### **3. FOREIGN SHAREHOLDERS**

- 3.1 This Circular has been prepared for the purposes of complying with the laws of South Africa and is subject to applicable laws and regulations, including but not limited to the Companies Act and the Companies Regulations and 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.
- 3.2 The release, publication or 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.
- 3.3 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 jurisdiction other than South Africa. This Circular does not constitute a prospectus or a prospectus equivalent document. Shareholders are advised to read this Circular with care. Any decision to approve the Unbundling or any other response to the proposals should be made only on the basis of the information in this Circular.
- 3.4 Any Shareholder who is in doubt as to his position, including, without limitation, his tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

### **4. SHAREHOLDERS' APPRAISAL RIGHTS**

Shareholders who wish to exercise their rights in terms of section 164 of the Companies Act, in relation to the Unbundling, are referred to **Annexure 9** of this Circular.

### **5. TAKEOVER REGULATION PANEL APPROVALS**

Shareholders should take note that the TRP does not consider the commercial advantages or disadvantages of affected transactions, such as the Unbundling, when it approves such transactions.

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## SALIENT DATES AND TIMES

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The definitions and interpretations commencing on page 5 apply to these salient dates and times.

Salient dates and times	2017
Notice record date, being the date on which a Shareholder must be registered in the Register in order to be eligible to receive the Notice of General Meeting on	Friday, 11 August
Circular incorporating the Notice of General Meeting and Form of Proxy ( <i>grey</i> ), distributed to Shareholders on	Wednesday, 16 August
Announcement of distribution of Circular and notice convening the General Meeting released on SENS on	Wednesday, 16 August
Announcement of distribution of Circular and notice convening the General Meeting published in the South African press on	Thursday, 17 August
Last day to trade Shares in order to be recorded in the Register to vote at the General Meeting (see note 2 below) on	Tuesday, 5 September
General Meeting record date, being the date on which a Shareholder must be registered in the Register in order to be eligible to attend and participate in the General Meeting and to vote thereat, by close of trade on	Friday, 8 September
For administrative reasons, Forms of Proxy ( <i>grey</i> ) in respect of the General Meeting to be lodged at or received via post by the Transfer Secretaries or Company Secretary by no later than 12:00 on	Tuesday, 12 September
Last date and time for Shareholders to give notice in terms of section 164 of the Companies Act to Niveus, objecting to the special resolution approving the Unbundling by 12:00 on	Thursday, 14 September
Forms of Proxy ( <i>grey</i> ) in respect of the General Meeting to be handed to the chairperson of the General Meeting or the Transfer Secretaries at the General Meeting, at any time before the proxy exercises any rights of the Shareholder at the General Meeting on	Thursday, 14 September
General Meeting held at 12:00 on	Thursday, 14 September
Results of the General Meeting published on SENS on	Thursday, 14 September
Results of the General Meeting published in the South African press on	Friday, 15 September
<b>If the Unbundling is approved by Shareholders:</b>	
Last date on which Shareholders who voted against the special resolution approving the Unbundling may require Niveus to seek court approval in terms of section 115(3)(a), but only if the special resolution was opposed by at least 15% of the voting rights exercised thereon	Thursday, 21 September
Last date on which Shareholders who voted against the special resolution approving the Unbundling may make application to the court in terms of section 115(3)(b) of the Companies Act	Friday, 29 September
Last date for Niveus to send objecting Shareholders notice of the adoption of the special resolution approving the Unbundling, in terms of section 164 of the Companies Act	Friday, 29 September
Special resolution approving the Unbundling passed, if Shareholders do not exercise their rights in terms of section 115(3)(a) and 115(3)(b) of the Companies Act	Friday, 29 September
<b>Assuming that all the Unbundling Conditions are fulfilled or waived (see note 4 below):</b>	
Finalisation announcement in respect of the Unbundling released on SENS on	Tuesday, 10 October
Last day to trade Shares in order to be recorded in the Register to participate in the Unbundling (see note 2 below) on	Tuesday, 17 October
Shares trade <i>ex right</i> to GameCo Distribution Shares	Wednesday, 18 October
Unbundling Record Date	Friday, 20 October
Unbundling Completion Date on which Shareholders will have their accounts at their CSDP or Broker updated to reflect the GameCo Distribution Shares	Monday, 23 October
<b>Detailed timetable in relation to the Tsogo Minority Offer will be announced in due course.</b>	

Notes:

- All dates and times indicated above are South African Standard Time.
- The above dates and times are subject to amendment at the discretion of Niveus. Any such amendment will be released on SENS and published in the South African press.
- Shareholders should note that as transactions in Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade. Therefore, Shareholders who acquire Shares after close of trade on:
  - Tuesday, 5 September 2017 will not be eligible to attend, participate in and vote at the General Meeting; and
  - Tuesday, 17 October 2017 will not be eligible to participate in the Unbundling.
- Share certificates may not be dematerialised or rematerialised between Wednesday, 18 October 2017 and Friday, 20 October 2017, both days inclusive.
- The above dates may be amended to the extent that any Shareholders exercise their appraisal rights in terms of section 164 of the Companies Act.

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## DEFINITIONS AND INTERPRETATIONS

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In this Circular, unless the context indicates otherwise, reference to the singular shall include the plural and *vice versa*, words denoting one gender include the others, words and expressions denoting natural persons include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite them in the second column.

“Administration Agreement”	the administration agreement concluded between Niveus and the Administrator on 24 July 2012, as amended, in terms of which the Administrator provides various services, including company secretarial support, the provision of cash management services as well as developing and advising Niveus in relation to appropriate capital management strategies and interacting with key Shareholders, to Niveus;
“Administrator”	Johnnic Holdings Management Services Proprietary Limited, a private company incorporated under the laws of South Africa, with registration number 1969/014373/07, particulars of which appear in the “ <i>Corporate Information</i> ” section of the Circular and which is a wholly owned Subsidiary of HCI;
“Assignment”	the assignment by Niveus to HCI, of all of its rights and obligations in terms of the Clawback, including the potential obligation to make payment of the Clawback Amount to Tsogo in the event that no EBTs are legally operating in the KwaZulu-Natal Province on or prior to 31 March 2020;
“Assignment Agreement”	the assignment agreement concluded between HCI and Niveus on 27 June 2017, setting out the terms and conditions of the Assignment, a copy of which is available for inspection, as indicated in paragraph 23 of this Circular;
“Assignment Consideration”	the consideration owing by Niveus to HCI, as consideration for the Assignment, being an amount of R80 000 000;
“Assignment GameCo Shares”	8 214 286 GameCo Shares with an aggregate value of R80 000 000, to be disposed of by Niveus to HCI in settlement of the Assignment Consideration;
“Authority”	any government or governmental, administrative, fiscal or judicial authority, body, court, department, commission, tribunal, registry or any state owned, controlled or legislatively constituted authority which principally performs public, governmental or regulatory functions, including, for the avoidance of doubt, the JSE, the TRP and any relevant Gambling Board or Competition Authority;
“Board” or “Directors”	the directors of Niveus from time to time, comprising, as at the Last Practicable Date, of those persons whose names appear in the “ <i>Corporate Information</i> ” section of this Circular;
“Broker”	any person registered as a “broking member (equities)” in accordance with the provisions of the Financial Markets Act;
“Business Day”	any day, other than a Saturday, Sunday or 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 Minority Shareholders in terms of the Tsogo Minority Offer, being: <ul style="list-style-type: none"><li>(i) 20% in Tsogo Consideration Shares (in the ratio of one Tsogo Consideration Share for every 2.875 GameCo Shares); and</li><li>(ii) 80% in cash in the amount of R9.739 per GameCo Share;</li></ul>
“Certificated Shareholders”	Shareholders who hold Certificated Shares;
“Certificated Shares”	Shares which have not yet been Dematerialised, title to which is represented by a share certificate or other Document of Title;
“Circular”	this bound document, dated Wednesday, 16 August 2017, including annexures and enclosures hereto;
“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 which Niveus grants Tsogo to claw back the Clawback Amount for no consideration, 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, calculated as set out in paragraph 8.2.2 of this Circular;
“Companies Act”	the Companies Act, 2008 (Act No. 71 of 2008), as amended;
“Companies Regulations”	the Companies Regulations, 2011, promulgated under the Companies Act, as amended;
“Company Secretary”	HCI Managerial Services Proprietary Limited, a private company incorporated under the laws of South Africa, with registration number 1996/017874/07, particulars of which appear in the “ <i>Corporate Information</i> ” section of this Circular;
“CSDP”	a central securities depository participant registered in terms of the Financial Markets Act, as amended, with whom a beneficial holder of shares holds a dematerialised share account;
“Dematerialised Shareholders”	those Shareholders who hold Dematerialised Shares;

“Dematerialised Shares”	Shares which have been incorporated into the Strate system and which are no longer evidenced by certificates or other physical Documents of Title;
“Documents of Title”	share certificates, certified transfer deeds, balance receipts or any other documents of title to Certificated Shares acceptable to Niveus;
“EBT”	electronic bingo terminal;
“Exchange Control Regulations”	the South African Exchange Control Regulations, promulgated in terms of the South African Currency and Exchanges Act, 1933 (Act No. 9 of 1933), as amended;
“Financial Markets Act”	the Financial Markets Act, 2012 (Act No. 19 of 2012), as amended;
“Form of Proxy”	for purposes of the General Meeting, the form of proxy ( <i>grey</i> ) for use only by Certificated Shareholders and Own-name Registered Dematerialised Shareholders;
“Galaxy Gaming”	Galaxy Gaming and Entertainment Proprietary Limited, a private company incorporated under the laws of South Africa, with registration number 2007/026773/03, which is a wholly owned Subsidiary of GameCo;
“Gambling Boards”	collectively, the provincial gambling boards, gambling and liquor boards and/or gaming and betting boards, as the case may be, established in each of the nine Provinces of South Africa in terms of the applicable gambling legislation;
“GameCo”	Niveus Invest 19 Limited, a public company incorporated under the laws of South Africa, with registration number 2015/269000/06, which is a wholly-owned Subsidiary of Niveus as at the Last Practicable Date;
“GameCo Affiliates”	the entities, other than the GameCo Subsidiaries, in which GameCo has a direct or indirect ownership interest, reflected as such on the GameCo Group organogram attached as Annexure B to the Transaction Agreement;
“GameCo Appraisal Shares”	those GameCo Shares (if any) which would have been distributed to a Shareholder pursuant to the Unbundling had such Shareholder not elected to exercise its appraisal rights in terms of section 164 of the Companies Act, and which GameCo Shares are therefore retained by Niveus pursuant to the Unbundling;
“GameCo Distribution Shares”	up to 431 250 094 GameCo Shares, comprising up to 93.75% of the total issued share capital of GameCo, which will be distributed to Shareholders by Niveus in terms of the Unbundling, which number and percentage will be reduced proportionately if a Shareholder exercises its appraisal remedy in accordance with section 164 of the Companies Act;
“GameCo Group”	GameCo and the GameCo Subsidiaries;
“GameCo Group Loans”	the inter-group loan amounts, not exceeding an amount of R40 000 000 in aggregate, which GameCo and/or GameCo Subsidiaries will owe Niveus as at the HCI Disposal Closing Date, which loan amounts shall be due and payable by no later than three days after the HCI Disposal Closing Date;
“GameCo Minority Shareholders”	the holders of GameCo Shares (other than HCI but including Niveus), registered as such on the Tsogo Minority Offer Record Date;
“GameCo Retained Shares”	collectively, the GameCo Appraisal Shares and the GameCo Tax Withholding Shares;
“GameCo Shares”	ordinary shares of no par value in the issued share capital of GameCo;
“GameCo Subsidiaries”	the Subsidiaries of GameCo from time to time and “GameCo Subsidiary” shall mean any of them, as the context may require;
“GameCo Tax Withholding Shares”	those GameCo Shares (if any) which are withheld by Niveus in relation to a particular Shareholder in terms of the Unbundling, in settlement of the dividends tax liability arising upon implementation of the Unbundling;
“GameCo Transaction Group”	GameCo, the GameCo Subsidiaries and the GameCo Affiliates;
“General Meeting”	the general meeting of Shareholders to be held at 12:00 on Thursday, 14 September 2017 at SunSquare City Bowl, 23 Buitengracht Street, Cape Town City Centre, convened in terms of the Notice of General Meeting enclosed and forming part of this Circular, together with any reconvened general meeting held as a result of the adjournment or postponement of that general meeting;
“HCI”	Hosken Consolidated Investments Limited, a public company incorporated under the laws of South Africa, with registration number 1973/007111/06, which holds 52.28% of the issued Shares of Niveus and holds 47.61% of the issued shares of Tsogo, through a Subsidiary;
“HCI Disposal”	the disposal by HCI of the HCI Disposal GameCo Shares to Tsogo in exchange for 81 272 918 Tsogo Consideration Shares, in the ratio of one Tsogo Consideration Share for every 2.875 HCI Disposal GameCo Shares disposed of by HCI, on the terms set out in the Transaction Agreement;
“HCI Disposal Closing Date”	the first Friday after the Tsogo Minority Offer Date, or if such Friday is a public holiday, then the first Business Day thereafter;



“HCI Disposal GameCo Shares”	collectively, the 225 445 352 GameCo Shares to be acquired by HCI pursuant to the Unbundling, comprising 49.01% of the issued share capital of GameCo and the 8 214 286 GameCo Shares to be acquired by HCI pursuant to the Assignment, comprising approximately 1.79% of the issued share capital of GameCo;
“IFRS”	the International Financial Reporting Standards as issued from time to time by the International Accounting Standards Board or its successor body as adopted or applied in South Africa;
“Income Tax Act”	the Income Tax Act, 1962 (Act No. 58 of 1962), as amended;
“Independent Board”	collectively, Francine-Ann du Plessis, Michael Neil Joubert and Wessel Petrus van der Merwe being those Directors who have been appointed as the independent board for purposes of the Companies Act and the Companies Regulations;
“Independent Expert”	KPMG Services Proprietary Limited, a company incorporated under the laws of South Africa, with registration number 1999/012876/07, particulars of which appear in the “ <i>Corporate Information</i> ” section of the Circular;
“Independent Expert Reports”	the reports prepared by the Independent Expert on the Unbundling and the Niveus Transaction, in accordance with the provisions of the Listings Requirements, the Companies Act and the Companies Regulations, copies of which are annexed to this Circular as <b>Annexure 6</b> and <b>Annexure 7</b> ;
“Independent Reporting Accountant”	Grant Thornton, with practice number 903485, particulars of which appear in the “ <i>Corporate Information</i> ” section of the Circular;
“JSE”	JSE Limited, a public company incorporated under the laws of South Africa, with registration number 2005/022939/06, which is licensed as an exchange in terms of the Financial Markets Act;
“KWW”	La Concorde Holdings Limited, a public company incorporated under the laws of South Africa (formerly known as “KVV Holdings Limited), with registration number 2009/012871/06, 57.73% of the issued shares of which is owned by Niveus;
“KVV Disposal”	the disposal by KVV and certain of its Subsidiaries of their operational assets, which included the property, plant and equipment used in the production of wine, brandies and other alcoholic beverages, as well as all inventories, all brands and all contractual arrangements with regard to purchasing, producing, distributing, marketing and selling of branded liquor products, in terms of the KVV Disposal Agreement;
“KVV Disposal Agreement”	the agreements concluded between KVV and certain of its Subsidiaries on the one hand and New Rose 7 Proprietary Limited and Warshay Investments Proprietary Limited, associated with the Vasari group on the other hand on 10 May 2016, recording the terms of the KVV Disposal;
“KZN Gaming Businesses”	the businesses and/or bingo licences owned and/or operated from time to time from or in respect of the KZN Sites by the GameCo Transaction Group, as listed in the Transaction Agreement;
“KZN Sites”	those bingo sites leased and/or owned by Galaxy and/or its Subsidiaries in KwaZulu-Natal listed in the Transaction Agreement;
“Last Practicable Date”	the last practicable date before finalisation of this Circular, which date was Thursday, 10 August 2017;
“Legal Adviser”	Edward Nathan Sonnenbergs Incorporated, a company incorporated under the laws of South Africa, with registration number 2006/018200/21, particulars of which appear in the “ <i>Corporate Information</i> ” section of the Circular;
“Listings Requirements”	the Listings Requirements of the JSE;
“Long Stop Date”	30 September 2017, or such later date as the Parties may agree to, prior to that date;
“LPM”	limited pay-out machine;
“Major Subsidiary”	a major subsidiary of Niveus, as defined in the Listings Requirements, meaning a Subsidiary that represents 25% or more of the total assets or revenue of the consolidated Niveus Group, it being noted that GameCo, Vukani Gaming (and its Subsidiaries), Galaxy Gaming (and its Subsidiaries) and KVV (and its Subsidiaries) are the only Major Subsidiaries of Niveus as at the date of this Circular;
“MOI”	the memorandum of incorporation of Niveus;
“Notice of General Meeting”	the notice of the General Meeting of Shareholders, forming part of this Circular;
“Niveus”	Niveus Investments Limited, a public company incorporated under the laws of South Africa, with registration number 1996/005744/06, the issued Shares of which are listed on the JSE and 52.28% of the issued Shares of which are owned by HCI;
“Niveus Disposal”	the disposal by Niveus of the Niveus Disposal GameCo Shares to Tsogo for the Tsogo Minority Offer Consideration, by Niveus accepting the Tsogo Minority Offer in respect of such Niveus Disposal GameCo Shares;

“Niveus Disposal GameCo Shares”	20 535 720 GameCo Shares, comprising 4.46% of the total issued share capital of GameCo, which will not be distributed in terms of the Unbundling and will be held by Niveus after the implementation of the Unbundling and the Assignment, provided that such number will be increased by the GameCo Retained Shares (if applicable);
“Niveus Group”	Niveus and its Subsidiaries from time to time;
“Niveus Transaction”	the transaction comprising of the following inter-conditional transaction steps: <ul style="list-style-type: none"> <li>(i) the Niveus Disposal;</li> <li>(ii) the Clawback; and</li> <li>(iii) the Assignment;</li> </ul>
“Own-name Registration” or “Own-name Registered”	Shareholders who hold Shares that have been Dematerialised and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Shareholder;
“Parties”	collectively, HCI, Niveus and Tsogo and “Party” means any of them, as the context may require;
“Prime Rate”	the prime rate of interest published as being charged by Nedbank Limited on overdraft (nominal annual, compounded monthly in arrear) as certified by any manager of that bank, whose certificate shall, in the absence of manifest error, be binding on the Parties;
“PSG Capital” or “Sponsor”	PSG Capital Proprietary Limited, a private company incorporated under the laws of South Africa, with registration number 2006/015817/07, particulars of which appear in the “ <i>Corporate Information</i> ” section of the Circular;
“Rand” or “R”	South African Rand;
“Register”	the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs;
“Related Party”	a “related party” as defined in section 10.2(b) of the Listings Requirements;
“Related Party Transaction”	a “related party transaction” as defined in section 10.2(a) of 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 Minority Shareholders in terms of the Tsogo Minority Offer, being one Tsogo Consideration Share for every 2.875 GameCo Shares disposed of by GameCo Minority Shareholders pursuant to the Tsogo Minority Offer;
“Shares”	ordinary shares of no par value in the issued share capital of Niveus, which are listed on the JSE;
“Shareholders”	the registered holders of Shares;
“South Africa”	the Republic of South Africa;
“Strate”	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated under the laws of South Africa, being a licensed central securities depository in terms of section 1 of the Financial Markets Act and the entity that manages the electronic custody, clearing and settlement environment for all share transactions concluded on the JSE and off-market, and in terms of which transactions in securities are settled and transfers of ownership in securities are recorded electronically;
“STT”	securities transfer tax;
“STT Act”	the Securities Transfer Tax Act, 2007 (Act No. 25 of 2007), as amended;
“Subsidiary”	a “subsidiary” as defined in the Listings Requirements;
“Transaction Agreement”	the GameCo implementation agreement concluded on or about 27 June 2017 between the Parties, setting out <i>inter alia</i> the terms of the various steps and transactions comprising the Tsogo Transaction, a copy of which is available for inspection, as indicated in paragraph 23 of this Circular;
“Transaction Conditions Precedent”	the conditions precedent to the Tsogo Transaction as set out in the Transaction Agreement and paragraph 9.1 of this Circular;
“Transfer Secretaries”	Computershare Investor Services Proprietary Limited, a private company incorporated under the laws of South Africa, with registration number 2004/003647/07, particulars of which appear in the “ <i>Corporate Information</i> ” section of the Circular;
“TRP”	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
“Tsogo”	Tsogo Sun Holdings Limited, a public company incorporated under the laws of South Africa, with registration number 2002/006556/06, the ordinary shares of which are listed on the JSE and 47.61% of the issued shares of which are owned by a Subsidiary of HCI;

“Tsogo Consideration Shares”	ordinary shares having a par value of R0.02 each in the share capital of Tsogo to be issued or transferred by Tsogo in terms of the HCI Disposal and the Tsogo Minority Offer;
“Tsogo Minority Offer”	the offer to be made by Tsogo to the GameCo Minority Shareholders in terms of the Tsogo Minority Offer Circular, pursuant to which Tsogo will offer to acquire the GameCo Shares held by the GameCo Minority Shareholders as at the Tsogo Minority Offer Record Date;
“Tsogo Minority Offer Circular”	the combined offer circular to be issued by GameCo and Tsogo, setting out the details, salient dates and times and actions required by GameCo Minority Shareholders in respect of the Tsogo Minority Offer;
“Tsogo Minority Offer Closing Date”	the date on which the Tsogo Minority Offer will close and which will be the last date on which GameCo Minority Shareholders will be able to accept the Tsogo Minority Offer, as set out in the Tsogo Minority Offer Circular;
“Tsogo Minority Offer Consideration”	the consideration payable by Tsogo in respect of the GameCo Shares acquired by it from the GameCo Minority Shareholders in terms of the Tsogo Minority Offer (including the Niveus Disposal GameCo Shares acquired from Niveus in terms of the Niveus Disposal), which, at the election of the GameCo Minority Shareholder accepting the Tsogo Minority Offer, shall comprise: <ul style="list-style-type: none"> <li>(i) the Cash Based Alternative; or</li> <li>(ii) the Share Based Alternative;</li> </ul>
“Tsogo Minority Offer Date”	the fifth Business Day after the date on which the Unbundling is implemented;
“Tsogo Minority Offer Record Date”	the record date on which GameCo Minority Shareholders must be registered as shareholders of GameCo in order to participate in the Tsogo Minority Offer;
“Tsogo Transaction”	the overarching transaction to be implemented after the completion of the Unbundling, as set out in paragraph 1.3 of this Circular, comprising of the following inter-conditional transaction steps: <ul style="list-style-type: none"> <li>(i) the HCI Disposal;</li> <li>(ii) the Tsogo Minority Offer;</li> <li>(iii) the Niveus Transaction; and</li> <li>(iv) the repayment of the GameCo Group Loans;</li> </ul>
“Tsogo Share”	an ordinary share with a par value of R0.02 each in the issued share capital of Tsogo, which is listed on the JSE;
“Tsogo VWAP”	the volume weighted average price of a Tsogo Share, for the 30 trading day period immediately prior to any relevant date;
“Unbundling”	the distribution <i>in specie</i> by Niveus of the GameCo Distribution Shares to its Shareholders, <i>pro rata</i> to their respective shareholdings in Niveus as at the Unbundling Record Date, in the ratio of 3,6190 GameCo Shares for every one Share held by any such Shareholder on the Unbundling Record Date;
“Unbundling Completion Date”	the date on which the Unbundling has been completed and the GameCo Distribution Shares are acquired by the Shareholders, registered as such on the Unbundling Record Date, which is anticipated to be Monday, 23 October 2017;
“Unbundling Conditions”	the conditions precedent to the Unbundling as set out in paragraph 5.2 of this Circular;
“Unbundling Record Date”	the date on which a Shareholder must be registered in the Register in order to be eligible to participate in the Unbundling, which is anticipated as being Friday, 20 October 2017;
“VAT”	value-added tax, as levied in terms of the Value-Added Tax Act, 1991 (Act No. 89 of 1991), as amended; and
“Vukani Gaming”	Vukani Gaming Corporation Proprietary Limited, a private company incorporated under the laws of South Africa, with registration number 1995/00842/07, which is a wholly owned Subsidiary of GameCo.

The terms “acting in concert”, “related”, “inter-related” and “acquiring party” shall bear the meanings in this Circular as ascribed to them in the Companies Act.

# NIVEUS

INVESTMENTS LIMITED

**NIVEUS INVESTMENTS LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 1996/005744/06)  
Share code: NIV, ISIN: ZAE000169553  
("Niveus")

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## Directors

JA Copelyn (*Chairman*) \*  
A van der Veen (*Chief Executive Officer*)  
MM Loftie-Eaton (*Chief Financial Officer*)  
Y Shaik \*  
LM Molefi \*\*  
JG Ngcobo \*\*  
RD Watson \*\*  
F-A du Plessis \*\*  
MN Joubert \*\*  
WP van der Merwe \*\*

\* non-executive

# independent

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## CIRCULAR TO SHAREHOLDERS

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### 1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

- 1.1 Shareholders are referred to the announcement by Niveus released on SENS on 14 March 2017, advising that Niveus has elected to distribute the South African gaming interests held by it (other than its sports betting and lottery interests), which are currently housed in the GameCo Transaction Group, to its Shareholders, in terms of the Unbundling, prior to the implementation of the Tsogo Transaction.
- 1.2 In terms of the Unbundling, Niveus will distribute the GameCo Distribution Shares to Shareholders by way of a distribution *in specie* pro rata to their respective shareholding in Niveus as at the Unbundling Record Date, in the ratio of 3.6190 GameCo Shares for every one Share held by any such Shareholder on the Unbundling Record Date.
- 1.3 Subject to the Transaction Conditions Precedent and following the Unbundling, the Tsogo Transaction, which aims to consolidate all of HCI's gaming interests (other than its sports betting and lottery interests) in Tsogo, will be implemented in terms of the following inter-conditional transaction steps:
  - 1.3.1 the HCI Disposal, in terms of which HCI will dispose of the HCI GameCo Shares acquired by it in terms of the Unbundling and the Assignment, to Tsogo for 81 272 918 Tsogo Consideration Shares, in the ratio of one Tsogo Consideration Share for every 2.875 HCI GameCo Shares disposed of by HCI;
  - 1.3.2 the Tsogo Minority Offer, in terms of which Tsogo will make an offer to the GameCo Minority Shareholders, to acquire all of the GameCo Shares held by the GameCo Minority Shareholders as at the Tsogo Minority Offer Record Date, pursuant to the Unbundling, at the Tsogo Minority Offer Consideration, which, at the election of the GameCo Minority Shareholders accepting the offer, shall comprise:
    - 1.3.2.1 the Share Based Alternative, being one Tsogo Consideration Share for every 2.875 GameCo Shares disposed of by such GameCo Minority Shareholders; or
    - 1.3.2.2 the Cash Based Alternative, comprising:
      - 1.3.2.2.1 20% in Tsogo Consideration Shares, in the ratio of one Tsogo Consideration Share for every 2.875 GameCo Share; and
      - 1.3.2.2.2 80% in cash in the amount of R9.739 per GameCo Share;

- 1.3.3 the Niveus Transaction, comprising of:
  - 1.3.3.1 the Niveus Disposal, in terms of which Niveus will dispose of all the GameCo Shares held by it after the implementation of the Unbundling and the Assignment, to Tsogo, by accepting the Tsogo Minority Offer in respect of such Niveus Disposal GameCo Shares and electing the Cash Based Alternative;
  - 1.3.3.2 the Clawback, in terms of which Niveus will grant Tsogo the right to claw back the Clawback Amount for no consideration, by demanding payment of the Clawback Amount from Niveus, in the event that no EBTs are legally operating in the KwaZulu-Natal Province prior to or on 31 March 2020; and
  - 1.3.3.3 the Assignment, in terms of which Niveus will assign to HCI all of its rights and obligations in terms of the Clawback, including the potential obligation to make payment of the Clawback Amount to Tsogo, against transfer by Niveus of the Assignment GameCo Shares to HCI; and
- 1.3.4 the repayment of the GameCo Group Loans by GameCo and/or GameCo Subsidiaries, within three days after the HCI Disposal Closing Date, in respect of which repayment Tsogo has given the undertaking to procure that GameCo and/or the relevant GameCo Subsidiaries are sufficiently capitalised to repay the GameCo Group Loans to Niveus.
- 1.4 The effective value received by GameCo Minority Shareholders, before deducting withholding tax from those Shareholders who are not exempt from dividend withholding tax, is R35.57 per Niveus Share if Shareholders elect to sell their GameCo Shares pursuant to the Tsogo Minority Offer and elect the Cash Based Alternative. R28.20 will be received in cash per Niveus Share and R5.75 will effectively be received in Tsogo Consideration Shares on the assumption that the Tsogo Consideration Shares are valued at R22.85 (being the closing price of the Tsogo Consideration Shares on the JSE at close of trade on 26 June 2017). The remaining R1.62 comprises the Niveus Shareholders' effective indirect interest in the Tsogo Minority Offer Consideration received by Niveus upon acceptance of the Tsogo Minority Offer in respect of its Niveus Disposal GameCo Shares.
- 1.5 The Unbundling is regarded as a specific payment to Shareholders by Niveus in terms of section 5.85 of the Listings Requirements and accordingly requires the approval of the Shareholders by way of an ordinary resolution.
- 1.6 The Unbundling will also constitute the disposal of the greater part of the assets or undertaking of Niveus in terms of section 112 of the Companies Act and therefore requires the approval of the TRP and the approval of the Shareholders by way of a special resolution, in compliance with the provisions of section 115 of the Companies Act. It is noted that in terms of section 115(4) of the Companies Act, any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them will not be taken into account for purposes of calculating the percentage of voting rights:
  - 1.6.1 required to be present or actually present in determining whether the quorum requirements for the special resolution approving the Unbundling has been satisfied; or
  - 1.6.2 required to be voted in support of the special resolution approving the Unbundling or actually voted in respect thereof.

Since there is no acquiring party in relation to the Unbundling, all Niveus Shareholders are entitled to vote with regard to the special resolution approving the Unbundling.
- 1.7 HCI is a "material shareholder" and the holding company of Niveus, as it holds 52.28% of the total issued Shares of Niveus. Furthermore, Tsogo is an "associate" of HCI, due to the fact that HCI indirectly controls approximately 47.61% of the total issued Tsogo Shares and therefore has the ability (i) to exercise more than 35% of the votes able to be cast at general meetings of Tsogo and (ii) to appoint directors holding more than 35% of the voting rights at meetings of the board of directors of Tsogo.
- 1.8 Since HCI and Tsogo are both Related Parties of Niveus, the Niveus Transaction will constitute a Related Party Transaction, which requires the approval of the Shareholders, excluding any Related Parties and their associates, by way of an ordinary resolution in accordance with section 10.4(e) of the Listings Requirements.
- 1.9 The purpose of this Circular is to:
  - 1.9.1 provide Shareholders with the relevant information relating to the Unbundling and the Niveus Transaction so as to enable Shareholders to make an informed decision in respect of the resolutions set out in the Notice of the General Meeting enclosed with this Circular; and
  - 1.9.2 convene the General Meeting of Shareholders in order to consider and, if deemed fit, approve the resolutions authorising the Unbundling and the Niveus Transaction.

## 2. RATIONALE FOR THE UNBUNDLING AND THE NIVEUS TRANSACTION

- 2.1 The South African gaming interests of Niveus (other than its sports betting interests) are currently housed in the GameCo Transaction Group.
- 2.2 The rationale for the proposed Unbundling and Niveus Transaction is to offer Shareholders the opportunity to separately retain, dispose of or increase their interest in GameCo without affecting their current interest in the other assets held by Niveus. The Unbundling will afford Shareholders more flexibility with regard to the management of their interests in Niveus and GameCo and a more direct interest in the Niveus gaming assets.

### 3. THE BUSINESS OF THE NIVEUS GROUP AND THE GAMECO GROUP

#### 3.1 GameCo Group

All of the South African gaming interests of Niveus (other than its sports betting interests) are housed in the GameCo Group and includes the following major businesses:

##### 3.1.1 Vukani Gaming

- 3.1.1.1 GameCo holds 100% of the issued shares in Vukani Gaming.
- 3.1.1.2 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.
- 3.1.1.3 The LPM industry offers attractive investment prospects, due to the following factors:
  - 3.1.1.3.1 there are significant barriers to competitor entry, including the stringent requirements and time delays in obtaining the necessary licences and the significant capital requirements to purchase and roll out LPMs;
  - 3.1.1.3.2 a large, dispersed number of site owners minimises concentration risk; and
  - 3.1.1.3.3 a limited number of licences are available for each province.
- 3.1.1.4 Section 27 of the National Gambling Act, 2004 (Act No. 7 of 2004), as amended, provides that the National Gambling Board (“NGB”) should ensure that all LPMs are linked to a Central Monitoring System (“CEMS”).
- 3.1.1.5 The existing agreement between the NGB and Zonke Monitoring Systems, the current CEMS operator, has expired and the NGB is in the process of appointing a new CEMS operator.
- 3.1.1.6 Indications are that the preferred bidder will be announced in August 2017. The request for applications provided that the new CEMS operator needs to ensure that all equipment currently linked to the CEMS should also be able to operate on the new CEMS. Niveus does not foresee any material risk in this regard.

##### 3.1.2 Galaxy Gaming

- 3.1.2.1 GameCo holds 100% of the issued shares in Galaxy Gaming.
- 3.1.2.2 Galaxy Gaming was established in 1997 to operate licensed bingo centres. Bingo is offered through EBTs and paper bingo games at Galaxy Gaming’s licensed bingo centres.
- 3.1.2.3 At present, Galaxy Gaming is licensed in Gauteng, KwaZulu-Natal, North West, Mpumalanga, Limpopo and the Eastern Cape.
- 3.1.2.4 Galaxy Gaming also operates the Grand Oasis casino located in Kuruman, Northern Cape Province.
- 3.1.2.5 Numerous court cases impeding the roll-out of EBTs in the KwaZulu-Natal Province are pending. Various initiatives to settle these cases are underway but there is no certainty that these will be successful. Currently, four bingo sites are operational in the KwaZulu-Natal Province, but they may only operate LPMs under independent site operator (“ISO”) licences and paper-based bingo. Three further licences are not operational.
- 3.1.2.6 Galaxy Gaming and its Subsidiaries and associates currently operate 2 351 EBTs, 174 slot machines and 193 LPMs under ISO licences.
- 3.1.2.7 Furthermore, Galaxy Gaming has been granted two licences in the Mpumalanga Province, two in the Limpopo Province and one in the Eastern Cape Province that are not yet operational and in various stages of development completion.

#### 3.2 Remaining businesses

The businesses and assets of the Niveus Group, which do not form part of the GameCo Group, and which will be retained by Niveus following the Unbundling, comprise of the following:

##### 3.2.1 KVV

- 3.2.1.1 Niveus indirectly holds 57.73% of the issued shares in KVV.
- 3.2.1.2 KVV and certain of its Subsidiaries concluded the KVV Disposal Agreement, in terms of which they disposed of their operational assets, which included all property, plant and equipment used in the production of wine, brandies and other alcoholic beverages, as well as all inventories, all brands and all contractual arrangements with regard to purchasing, producing, distributing, marketing and selling of branded liquor products, for approximately R1.15 billion.
- 3.2.1.3 KVV received the first tranche of the purchase consideration of R575 million on 14 October 2016. The balance of the purchase price will be received in three tranches, supported by an Investec Bank payment guarantee.
- 3.2.1.4 The KVV Disposal did not include the non-operational assets, including the Laborie Estate, KVV’s art collection, the KVV head office building (La Concorde) and other non-operational land.
- 3.2.1.5 There are no immediate plans for the application of the proceeds and the cash will be retained by KVV and its Subsidiaries. The board of directors of KVV will advise its shareholders, in due course, about their future plans to use the cash reserves in KVV.

### 3.2.2 **Bet.co.za**

Niveus has an interest in sports betting through its effective 42.59% investment in Betcoza Proprietary Limited which operates online and retail sports betting licences in the Western Cape and Gauteng Provinces. In addition, it has non-operational licences in the Limpopo and Northern Cape Provinces.

### 3.2.3 **Niveus AG**

Niveus indirectly holds all the issued shares of Niveus AG, a company incorporated in Switzerland that procures and leases gambling machines to various licenced operators in various jurisdictions.

## 4. **PROSPECTS OF NIVEUS**

- 4.1 It is the intention of the Board that Niveus will retain its listing on the JSE following the implementation of the Unbundling and the Niveus Transaction. The Board will however continuously assess the future of Niveus as a listed investment holding company and advise Shareholders of the outcome of such discussions in due course, to the extent required.
- 4.2 The largest remaining asset of Niveus, subsequent to the Unbundling, is the Niveus Group's interest in La Concorde which mainly consists of cash and cash equivalents. Niveus will continue to invest its cash resources in low risk investment instruments while retaining the flexibility to access the cash in order to invest in opportunities, should it present itself. Niveus has no sectoral or risk preferences but at this time it is expected that the majority of the Niveus' cash resources will be invested in assets that have a moderate to low investment risk.

## 5. **THE UNBUNDLING**

### 5.1 **Overview**

- 5.1.1 As at the Unbundling Record Date Niveus will hold 460 000 100 GameCo Shares, comprising 100% of the issued share capital of GameCo.
- 5.1.2 In terms of the Unbundling, Niveus will distribute the GameCo Distribution Shares, being up to a maximum of 431 250 094 GameCo Shares (comprising up to 93.75% of the total issued GameCo Shares in the issued share capital of GameCo) to Shareholders, by way of a distribution *in specie* pro rata to their respective shareholding in Niveus as at the Unbundling Record Date, in the ratio of 3.6190 GameCo Shares for every one Share held by any such Shareholder on the Unbundling Record Date.
- 5.1.3 Should any Shareholder exercise its appraisal rights in terms of section 164 of the Companies Act, such Shareholder will no longer be entitled to receive GameCo Distribution Shares in terms of the Unbundling. Accordingly, the GameCo Distribution Shares which were due to be distributed *in specie* to such Shareholders (had they not exercised their appraisal rights) will be retained by Niveus and sold to Tsogo in terms of the Niveus Disposal.
- 5.1.4 The distribution of the GameCo Distribution Shares by Niveus to Shareholders will give rise to a liability for dividends tax in accordance with the Income Tax Act in the event that any beneficial owner of the GameCo Distribution Shares does not qualify for an exemption from the dividends tax. Niveus will withhold the relevant GameCo Tax Withholding Shares in relation to a particular Shareholder in order to make payment of such liability for dividends tax.

### 5.2 **Unbundling Conditions**

The Unbundling is subject to the fulfilment or waiver by Niveus (to the extent legally permissible) of the following outstanding Unbundling Conditions, that by no later than the Long Stop Date:

- 5.2.1 the Board shall have approved the Unbundling in accordance with section 46 of the Companies Act and the Listings Requirements;
- 5.2.2 the TRP shall have issued a compliance certificate, in accordance with section 121(b) of the Companies Act, to Niveus in respect of the Unbundling;
- 5.2.3 Niveus Shareholders shall have approved the Unbundling in terms of section 5.85 of the Listings Requirements and sections 112 and 115 the Companies Act, by the requisite majority of Shareholders at the General Meeting voting in favour of the resolutions approving the Unbundling, provided that this Unbundling Condition shall **not** be fulfilled if Shareholders holding, in aggregate, **2.5% or more** of the issued Shares in Niveus (or such other number as the Board may determine), vote against the special resolution approving the Unbundling and exercise their appraisal rights by giving notice objecting to such special resolution in accordance with section 164(3) of the Companies Act; and
- 5.2.4 the Transaction Conditions Precedent are fulfilled or waived (to the extent legally permissible) and the Transaction Agreement becomes unconditional in accordance with its terms, save for any Transaction Conditions Precedent requiring that the Unbundling Conditions are fulfilled.

### 5.3 **Fractions**

Where a Shareholder's entitlement to the GameCo Distribution Shares in terms of the Unbundling, calculated in accordance with the ratio set out in paragraph 5.1.2 of this Circular, gives rise to a fraction of a GameCo Distribution Share, such fraction will (i) be rounded up to the nearest whole number, if it is equal to or greater than 0.5; (ii) be rounded down to the nearest whole number if it is less than 0.5.

### 5.4 **The implementation date of the Unbundling**

The Unbundling will be implemented after the Unbundling Conditions are fulfilled or waived (as the case may be) on the Unbundling Completion Date, which is anticipated as being Monday, 23 October 2017.

## 5.5 Classification of the Unbundling

5.5.1 The Unbundling is regarded as a specific payment to Shareholders in terms of section 5.85 of the Listings Requirements and accordingly requires the approval of the Shareholders by way of an ordinary resolution.

5.5.2 The Unbundling will also constitute the disposal of the greater part of the assets or undertaking of Niveus in terms of section 112 of the Companies Act and therefore requires the approval of the TRP and the approval of the Shareholders by way of a special resolution, in compliance with the provisions of section 115 of the Companies Act.

## 5.6 Shareholders' appraisal rights

Shareholders who wish to exercise their rights in terms of section 164 of the Companies Act, in relation to the Unbundling are referred to the requirements stipulated in **Annexure 9** of this Circular, read with the note thereon in the Notice of General Meeting.

## 5.7 Implementation of Unbundling

5.7.1 If you hold Shares in certificated form you should pay special attention to the provisions of the following paragraph since Niveus will not issue any individual GameCo Share certificates in relation to the Unbundling to which you are entitled. In order to receive your GameCo Shares in dematerialised form, you will be required to move into a dematerialised environment or, if you do not wish to receive your GameCo Shares in dematerialised form, you will receive a statement of allocation from the Transfer Secretaries in respect of your GameCo Shares. If you are in any doubt as to what action you should take, please consult your Broker, CSDP, banker, attorney or other professional adviser.

5.7.2 For the purposes of the Unbundling, Dematerialised Shareholders will receive their respective GameCo Shares in dematerialised form only. Accordingly, all Certificated Shareholders that wish to receive their GameCo Shares in dematerialised form must appoint a CSDP under the terms of the Financial Markets Act, directly or through a Broker, to receive GameCo Shares on their behalf. Should a Certificated Shareholder not appoint a CSDP under the terms of the Financial Markets Act, directly or through a Broker, to receive GameCo Shares on their behalf, they will be issued with a statement of allocation representing their GameCo Shares by the Transfer Secretaries. Such Shareholders can instruct the Transfer Secretaries to transfer their GameCo Shares represented by the statement of allocation to their appointed CSDP or can instruct the Transfer Secretaries to issue them with a share certificate at any time post the Unbundling.

5.7.3 Should a Certificated Shareholder not wish to open an account with a CSDP or Broker it may, by completing such forms as the Transfer Secretaries may require, instruct the Transfer Secretaries to sell its GameCo Shares in terms of the Tsogo Minority Offer. Such Certificated Shareholders should not instruct the Transfer Secretaries to issue them with a share certificate, as the Transfer Secretaries will issue their share certificate and deliver same to Tsogo in respect of the Tsogo Minority Offer.

## 5.8 Tax considerations relating to the Unbundling

5.8.1 The following is a general description of certain aspects of South African tax considerations relating to the Unbundling as at the date of the Circular. It is not intended to be, nor should it be considered as legal or taxation advice. South African tax legislation is subject to frequent change and accordingly the comments as set out below may be subject to change, possibly with retrospective effect. Shareholders should consult their own professional advisers with regard to the South African tax implications arising in respect of the Unbundling. Niveus makes no representation and gives no warranty or undertaking, express or implied, and accepts no responsibility for the accuracy or completeness of the information contained in this section.

5.8.2 The Unbundling will constitute a distribution *in specie* by Niveus of the GameCo Distribution Shares to its Shareholders, *pro rata* to their respective shareholdings in Niveus as at the Unbundling Record Date.

### 5.8.3 Distribution of GameCo Distribution Shares

5.8.3.1 To the extent that the distribution of the GameCo Distribution Shares by Niveus to its Shareholders constitutes a "dividend" as defined in the Income Tax Act, such dividend will be subject to South African income tax in the hands of each Shareholder, unless the dividend is exempt from South African income tax in terms of section 10(1)(k)(i) of the Income Tax Act. In terms of section 10(1)(k)(i) of the Income Tax Act, a "dividend" as defined in section 1 of the Income Tax Act which is received by or accrues to any Shareholder during any year of assessment is exempt from income tax, subject to certain exclusions.

5.8.3.2 For purposes of the capital gains tax ("CGT") provisions contained in the Eighth Schedule to the Income Tax Act, Shareholders will be deemed to have acquired the GameCo Distribution Shares for an amount of expenditure equal to the market value of such shares on the date of the Unbundling for purposes of determining the "base cost" (as such term is defined in the Eighth Schedule to the Income Tax Act) of the relevant GameCo Distribution Shares.

5.8.3.3 Any Shareholder who holds the GameCo Distribution Shares as trading stock will be deemed to have acquired the GameCo Distribution Shares at a cost equal to the market value of such shares on the date of the *in specie* distribution of such shares for purposes of the trading stock provisions contained in the Income Tax Act.

5.8.3.4 Niveus will notify Shareholders of the market value of the GameCo Distribution Shares by way of an announcement to be released on SENS in due course.

5.8.3.5 The Unbundling should not have an impact on the "base cost" (as such term is defined in the Eighth Schedule to the Income Tax Act) of the Shares held by Shareholders.



- 5.8.3.6 Shareholders are advised to consult their own professional advisers to ascertain whether the abovementioned provisions or any other provisions of the Income Tax Act will apply in relation to the Unbundling.
- 5.8.3.7 Shareholders who do not constitute a “resident” as defined in the Income Tax Act are advised to consult their own professional advisers to ascertain the South African tax treatment and the tax treatment of the Unbundling in their country of residence, having regard to any applicable double taxation agreement between South Africa and their country of residence.

#### 5.8.4 **Securities transfer tax**

- 5.8.4.1 In terms of the STT Act, STT will be payable on the transfer of the GameCo Distribution Shares to Niveus Shareholders pursuant to the Unbundling. The amount of STT to be imposed will be calculated as 0.25% of the market value of the GameCo Distribution Shares.
- 5.8.4.2 As the GameCo Distribution Shares will be unlisted shares, GameCo will be liable for the STT payable in respect of the transfer of the GameCo Shares distributed pursuant to the Unbundling.
- 5.8.4.3 In terms of the STT Act GameCo is, however, entitled to recover the amount of STT payable by GameCo from the Niveus Shareholder to whom GameCo Distribution Shares are distributed pursuant to the Unbundling.
- 5.8.4.4 Accordingly, the STT payable on the transfer of the GameCo Distribution Shares distributed to a Shareholder pursuant to the Unbundling, will be automatically debited by such Shareholder's CSDP or Broker to such Shareholder's banking account maintained with such Shareholder's CSDP or Broker. Against such debit being made:
  - 5.8.4.4.1 the CSDP or Broker will credit the Securities Account of such Shareholder with the GameCo Distribution Shares to which such Shareholder is entitled pursuant to the Unbundling; and
  - 5.8.4.4.2 the CSDP or Broker will pay the STT concerned to the Transfer Secretaries who will in turn pay the STT concerned to the South African Revenue Service on behalf of GameCo;
- 5.8.4.5 Should any transfer of GameCo Distribution Shares to a Niveus Shareholder pursuant to the Unbundling qualify for an exemption from STT in terms of the STT Act, such Shareholder must contact the Transfer Secretaries before 12:00 Thursday, 14 September 2017 in order to ensure that there will be no debit in respect of STT to such Shareholder's banking account in accordance with paragraph 5.8.4.4.

#### 5.8.5 **Dividends tax**

- 5.8.5.1 The distribution of the GameCo Distribution Shares will constitute a “dividend” as defined in the Income Tax Act. The Distribution will give rise to a liability for dividends tax in accordance with the Income Tax Act in the event that any beneficial owner of the GameCo Distribution Shares does not qualify for an exemption from the dividends tax.
- 5.8.5.2 In the event that any beneficial owner of the GameCo Distribution Shares does not qualify for an exemption from the dividends tax, Niveus will withhold the relevant GameCo Tax Withholding Shares in relation to a particular Shareholder in order to make payment of such liability for dividends tax.

### 6. **THE HCI DISPOSAL**

- 6.1 Subject to the Transaction Conditions Precedent being fulfilled or waived (as the case may be), the Transaction Agreement provides that HCI shall sell to Tsogo, and Tsogo shall purchase from HCI, the HCI Disposal GameCo Shares (acquired by HCI pursuant to the Unbundling and the Assignment), being 233 659 638 GameCo Shares comprising 50.8% of the issued share capital of GameCo, in exchange for the issue by Tsogo to HCI of 81 272 918 Tsogo Consideration Shares, in the ratio of one Tsogo Consideration Share for every 2.875 HCI Disposal GameCo Shares purchased from HCI, which Tsogo Consideration Shares shall have an aggregate value of approximately R2 232 567 057, based on the Tsogo VWAP as at the date of the announcement of the Tsogo Transaction on SENS on 14 March 2017.
- 6.2 The HCI Disposal will be implemented after the Transaction Conditions Precedent are fulfilled or waived (as the case may be) on the HCI Disposal Closing Date.

### 7. **THE TSOGO MINORITY OFFER**

- 7.1 Subject to the Transaction Conditions Precedent being fulfilled or waived (as the case may be), Tsogo has undertaken to make an unconditional offer, in compliance with the requirements of the Companies Act and the Companies Regulations, to the GameCo Minority Shareholders on the Tsogo Minority Offer Date, in terms of which it offers to acquire their respective GameCo Shares as at the Tsogo Minority Offer Record Date, being 234 554 748 GameCo Shares in aggregate, in exchange for the Tsogo Minority Offer Consideration, which, at the election of the GameCo Minority Shareholder accepting the Tsogo Minority Offer, shall comprise:
  - 7.1.1 the Share Based Alternative, being one Tsogo Consideration Share for every for every 2.875 GameCo Shares disposed of by such GameCo Minority Shareholder; or
  - 7.1.2 the Cash Based Alternative, comprising:
    - 7.1.2.1 20% in Tsogo Consideration Shares, in the ratio of one Tsogo Consideration Share for every 2.875 GameCo Shares; and
    - 7.1.2.2 80% in cash in the amount of R9.739 per GameCo Share.

- 7.2 The effective value received by GameCo Minority Shareholders, before deducting withholding tax of those Shareholders who are not exempt from dividend withholding tax, is R35.57 per Niveus Share if Shareholders elect to sell their GameCo Shares pursuant to Tsogo Minority Offer by electing the Cash Based Alternative. R28.20 will be received in cash per Niveus Share and R5.75 will effectively be received in Tsogo Consideration Shares on the assumption that the Tsogo Consideration Shares are valued at R22.85 (being the closing price of Tsogo Consideration Shares on the JSE at close of trade on 26 June 2017). The remaining R1.62 comprises the Niveus Shareholders' effective indirect interest in the Tsogo Minority Offer Consideration received by Niveus upon acceptance of the Tsogo Minority Offer in respect of its Niveus Disposal GameCo Shares.
- 7.3 In the event that:
- 7.3.1 20% or more of the issued share capital of GameCo is held by GameCo Minority Shareholders other than Tsogo on the first Business Day after the Tsogo Minority Offer Closing Date, Tsogo has irrevocably undertaken to and in favour of HCI and Niveus 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 such date; and
- 7.3.2 90% or more of the GameCo Shares which are the subject of the Tsogo Minority Offer, is acquired by Tsogo in terms of the Tsogo Minority Offer, Tsogo intends to invoke the provisions of section 124 of the Companies Act to acquire the remaining GameCo Shares which are the subject of the Tsogo Minority Offer on *mutatis mutandis* the same terms and conditions as the Tsogo Minority Offer.
- 7.4 Tsogo shall make application to the JSE in accordance with the Listings Requirements, for the listing of the Tsogo Consideration Shares issued to GameCo Minority Shareholders in terms of the Tsogo Minority Offer, on the JSE's main board, with effect from the date on which such Tsogo Consideration Shares are issued to GameCo Minority Shareholders.

## 8. THE NIVEUS TRANSACTION

Subject to the fulfilment (or waiver to the extent legally permissible) of the Transaction Conditions Precedent and following the implementation of the Unbundling, Niveus will implement the Niveus Transaction comprising of the Niveus Disposal, the Clawback and the Assignment, as more fully set out below.

### 8.1 The Niveus Disposal

- 8.1.1 Following the implementation of the Unbundling and the Assignment, Niveus will hold at least 20 535 720 GameCo Shares ("**Base GameCo Shares**"), comprising at least 4.46% of the total issued share capital of GameCo.
- 8.1.2 Should any Shareholder elect to exercise its appraisal rights in terms of section 164 of the Companies Act, such Shareholder will no longer be entitled to receive GameCo Distribution Shares in terms of the Unbundling. Accordingly, the GameCo Appraisal Shares which were due to be distributed *in specie* to such Shareholders (had they not exercised their appraisal rights) will be retained by Niveus and will also be sold to Tsogo in terms of the Niveus Disposal in addition to the GameCo Shares referred to above.
- 8.1.3 The distribution of the GameCo Distribution Shares by Niveus to Shareholders will give rise to a liability for dividends tax in accordance with the Income Tax Act in the event that any beneficial owner of the GameCo Distribution Shares does not qualify for an exemption from the dividends tax. The GameCo Tax Withholding Shares which were due to be distributed *in specie* to such Shareholders (had they qualified for an exemption from dividends tax) will be retained by Niveus and will also be sold to Tsogo in terms of the Niveus Disposal in addition to the GameCo Shares referred to above, in order to make payment of such liability for dividends tax.
- 8.1.4 Subject to the fulfilment or waiver (to the extent legally permissible) of the Transaction Conditions Precedent, Niveus intends to dispose of all of the Niveus Disposal GameCo Shares to Tsogo, by accepting the Tsogo Minority Offer in respect thereof and electing the Cash Based Alternative consideration.
- 8.1.5 The Tsogo Minority Offer Consideration (being the Cash Based Alternative) which Niveus will receive from Tsogo in terms of the Niveus Disposal, will be at least R160 million in cash, plus 1 428 571 Tsogo Consideration Shares, which equates to approximately 4.13% of Niveus' market capitalisation as at the Last Practicable Date. To the extent that any GameCo Appraisal Shares and/or the GameCo Tax Withholding Shares are retained by Niveus pursuant to the Unbundling, such GameCo Retained Shares will likewise be sold by Niveus to Tsogo in terms of the Niveus Disposal and the Tsogo Minority Offer Consideration will therefore increase by the Tsogo Minority Offer Consideration per GameCo Retained Share sold.

### 8.2 The Clawback

- 8.2.1 As at the date of the Circular, the regulatory approval required for the operation of EBTs in the KwaZulu-Natal Province is being delayed due a number of factors, including the uncertainty pertaining to the legality of operating EBTs in such province.
- 8.2.2 In terms of the Niveus Transaction and as set out in the Transaction Agreement, in the event that no EBTs are legally operating in the KwaZulu-Natal Province on or prior to 31 March 2020, Niveus will be obliged to pay Tsogo the Clawback Amount which will be equal to the aggregate of:
- 8.2.2.1 an amount equal to the value of 10 000 000 Tsogo Shares ("**Clawback Shares**"), which value shall be calculated as the 30 day volume weighted average trading price of Tsogo Shares on the JSE as at 31 March 2020; plus
- 8.2.2.2 an amount equal to the aggregate of all distributions made *pro rata* to Tsogo shareholders' shareholding (whether by way of dividend in cash or *in specie* or otherwise) ("**Clawback Shares Distributions**") declared and paid by Tsogo in respect of Tsogo Shares between the date of issue of the Tsogo Consideration Shares to Niveus in terms of the Minority Offer and 31 March 2020 (both inclusive), which Niveus would have received on 10 000 000 Tsogo Shares had it held such shares during such period; plus

- 8.2.2.3 an amount equal to 72% of the Prime Rate, calculated on the aggregate amount of the Clawback Shares Distributions declared and paid, from the date of payment thereof to 31 March 2020 (both inclusive); less
- 8.2.2.4 an amount equal to the aggregate of:
  - 8.2.2.4.1 the amount of the proceeds or other value received or receivable from a disposal of all or any portion or assets of the KZN Gaming Businesses after the Tsogo Minority Offer Closing Date but before 31 March 2020; plus
  - 8.2.2.4.2 the aggregate of the amount of earnings generated by the KZN Gaming Businesses during the period from the Tsogo Minority Offer Closing Date until 31 March 2020 less the amount of any losses made by the KZN Gaming Businesses during such period; less
  - 8.2.2.4.3 the amount of capital expenditure incurred in respect of the KZN Gaming Businesses during the period from the Minority Offer Closing Date until 31 March 2020 (both inclusive); plus
  - 8.2.2.4.4 an amount equal to 72% of the interest accrued on the amount referred to in paragraph , from the date of issue of the Clawback Shares and/or the date of payment of the Cash Portion to Niveus (as the case may be) to 31 March 2020; plus
  - 8.2.2.4.5 an amount equal to the market value of the KZN Gaming Businesses as at 31 March 2020, as agreed between the Parties, and failing such agreement, such market value shall be determined by an independent expert in accordance with the terms of the Transaction Agreement;

which aggregate amount shall be increased at 72% of the Prime Rate, calculated from 1 April 2020 to the date of payment of the Clawback Amount.

- 8.2.3 Unless otherwise agreed between the Parties, Niveus (or HCI as assignee, pursuant to the Assignment Agreement) shall discharge the Clawback Amount within 30 days of receipt by Niveus (or HCI as the case may be) of a written demand therefor from Tsogo (or, if any portion of the Clawback Amount is subject to a valuation, within 30 days after such valuation shall have been finally determined by an independent expert in accordance with the terms of the Transaction Agreement), by delivering (in negotiable form or crediting their securities account with their respective CSDPs) to Tsogo and/or one or more of Tsogo's Subsidiaries as Tsogo may, by notice in writing to Niveus (or HCI, as the case may be) nominate, that number of Tsogo Shares (the value of which shall be calculated as the 30 day volume weighted average trading price of Tsogo Shares on JSE as at 31 March 2020) as will equal the value of the Clawback Amount.
- 8.2.4 In terms of the Transaction Agreement, Tsogo has warranted and undertaken to and in favour of Niveus that it shall, from the HCI Disposal Closing Date until the earlier of 31 March 2020 and the date on which Tsogo, by notice in writing to Niveus and HCI, informs Niveus that Tsogo has abandoned its rights to receive payment of the Clawback Amount:
  - 8.2.4.1 co-operate with, promote and support efforts to obtain the requisite approval (subject to reasonable restrictions (if any)) to enable the operation of EBTs in the KwaZulu-Natal Province;
  - 8.2.4.2 conduct those of the KZN Gaming Businesses which are in operation as at the HCI Disposal Closing Date, in good faith and in the normal course of conduct of such businesses;
  - 8.2.4.3 not, without HCI's prior written approval, which shall not be unreasonably withheld or delayed, take or implement any decision in relation to any of the KZN Gaming Businesses which may directly, materially adversely impact the value of such KZN Gaming Business (including, but not limited to, relocation, downsizing, amending of licence conditions or terms, surrendering of licences, agreeing to the imposition of any legislative restrictions on the licenses relating to such KZN Gaming Business and ceasing to operate such KZN Gaming Business if it was operational at the HCI Transaction Closing Date).

### 8.3 The Assignment

In terms of the Niveus Transaction and as set out in the Assignment Agreement, Niveus will assign all of its rights and obligations in terms of the Clawback to HCI, including the potential obligation to pay the Clawback Amount to Tsogo in the event that no EBTs are legally operating in the KwaZulu-Natal Province on or prior to 31 March 2020, against payment by Niveus of the Assignment Consideration to HCI. Tsogo has consented to the Assignment. Niveus shall settle the Assignment Consideration by disposing of the Assignment GameCo Shares to HCI. The Assignment shall be implemented on the last Business Day immediately before the HCI Disposal Closing Date. Pursuant to the implementation of the Assignment, Niveus will no longer have any liability in respect of the Clawback, and will therefore no longer have the potential liability on its balance sheet.

### 8.4 Classification of the Niveus Transaction

- 8.4.1 HCI is a "material shareholder" and the holding company of Niveus, as it holds 52.28% of the total issued Shares of Niveus. Furthermore, Tsogo is an "associate" of HCI, due to the fact that HCI indirectly controls approximately 47.61% of the total issued shares of Tsogo and therefore has the ability (i) to exercise more than 35% of the votes able to be cast at general meetings of Tsogo and (ii) to appoint directors holding more than 35% of the voting rights at meetings of the board of directors of Tsogo.

- 8.4.2 In addition, there are several cross directorships between Niveus, HCI and Tsogo, namely:
- 8.4.2.1 JA Copelyn is the non-executive chairman of Niveus, the chief executive officer of HCI and a non-executive director of Tsogo;
  - 8.4.2.2 Y Shaik is a non-executive director of both Niveus and Tsogo and an executive director of HCI;
  - 8.4.2.3 LM Molefi is an independent non-executive director of both Niveus and HCI;
  - 8.4.2.4 JG Ngcobo is an independent non-executive director of Niveus, HCI and Tsogo;
  - 8.4.2.5 RD Watson is an independent non-executive director of both Niveus and HCI;
  - 8.4.2.6 VE Mphande is a non-executive director of Tsogo and an independent non-executive director of HCI; and
  - 8.4.2.7 MSI Gani is an independent non-executive director of both Tsogo and HCI.
- 8.4.3 Accordingly, HCI and Tsogo are both Related Parties of Niveus and the Niveus Transaction, comprising of the Niveus Disposal, the Clawback and the Assignment, will constitute a Related Party Transaction, which requires the approval of the Shareholders, excluding Related Parties and their associates, by way of an ordinary resolution in accordance with section 10.4(e) of the Listings Requirements.

## 9. MATERIAL TERMS OF THE TRANSACTION AGREEMENT

In addition to the terms set out above, the Transaction Agreement contains the following material terms:

### 9.1 Repayment of the GameCo Group Loans

- 9.1.1 In terms of the Transaction Agreement, the GameCo Group Loans, not exceeding an amount of R40 000 000 in aggregate, which GameCo and/or GameCo Subsidiaries will owe Niveus as at the HCI Disposal Closing Date, shall become due and payable within three days after the HCI Disposal Closing Date.
- 9.1.2 Tsogo has given an undertaking, in terms of the Transaction Agreement, to procure that GameCo and/or the relevant GameCo Subsidiaries are sufficiently capitalised to repay the GameCo Group Loans to Niveus within three days after the HCI Disposal Closing Date.

### 9.2 Transaction Conditions Precedent

The Tsogo Transaction and the Transaction Agreement are subject to the fulfilment (or waiver to the extent legally permissible) of the following outstanding Transaction Conditions Precedent, that by no later than the Long Stop Date:

- 9.2.1 the Parties shall have obtained such approvals as may be legally required in terms of applicable laws from any applicable Authority (other than the Gambling Boards) for the implementation of the Tsogo Transaction, either unconditionally or if such approval is conditional, subject to such conditions as are acceptable in its sole discretion to the Parties who are affected by the conditions;
- 9.2.2 irrevocable undertakings, on terms acceptable to Tsogo, shall have been provided by persons and/or entities who will hold GameCo Shares pursuant to the Unbundling (including HCI and Niveus) in terms of which they irrevocably undertake in favour of Tsogo to dispose of not less than 345 000 075 GameCo Shares (equal to 75% of the GameCo Shares in issue), in the aggregate, to Tsogo in terms of the HCI Disposal, the Niveus Disposal and the Tsogo Minority Offer;
- 9.2.3 the shareholders of Tsogo, in a general meeting, shall have approved the Tsogo Transaction as a Related Party Transaction in accordance with the Listings Requirements and the Companies Act;
- 9.2.4 Niveus Shareholders, in a general meeting, shall have approved the Niveus Transaction and specifically:
  - 9.2.4.1 the Niveus Disposal as a Related Party Transaction in accordance with the Listings Requirements;
  - 9.2.4.2 the Clawback as a Related Party Transaction in accordance with the Listings Requirements; and
  - 9.2.4.3 the Assignment as a Related Party Transaction in accordance with the Listings Requirements;
- 9.2.5 the Tsogo Minority Offer Circular shall have been finalised in a form acceptable to the Parties and approved by the TRP;
- 9.2.6 the TRP shall have approved the Tsogo Minority Offer Circular and confirmed that such circular may be issued to GameCo Shareholders;
- 9.2.7 the Northern Cape Gambling Board, established in terms of the Northern Cape Gambling Act, 2008, shall have waived, in writing, the requirement that the Tsogo Transaction shall have been approved by it prior to its implementation;
- 9.2.8 all the requisite directors' approvals in terms of memorandum of incorporation of GameCo, for the transfer of the GameCo Shares in terms of the HCI Disposal, the Niveus Disposal and the Tsogo Minority Offer, shall have been obtained in writing;
- 9.2.9 all the requisite waivers of pre-emptive rights and/or other prior rights (if any) in respect of the GameCo Shares shall have been obtained in writing in respect of the HCI Disposal, the Niveus Disposal and the Tsogo Minority Offer; and
- 9.2.10 the Unbundling Conditions shall have been fulfilled or waived (to the extent that they may be legally waived).

### 9.3 Warranties and undertakings

- 9.3.1 The Transaction Agreement contains warranties and representations by Niveus and HCI in favour of Tsogo, which are standard and appropriate for transactions of this nature.
- 9.3.2 In terms of the Transaction Agreement, Niveus and HCI, jointly and severally, in addition to the aforementioned standard warranties, warrant and undertake to and in favour of Tsogo that as at the HCI Disposal Closing Date:
- 9.3.2.1 the net working capital of the GameCo Group (excluding liabilities to suppliers of LPMs) shall not be negative;
- 9.3.2.2 the acquisition of gaming machines by or on behalf of the GameCo Transaction Group as set out in the Transaction Agreement shall not be varied without Tsogo's prior written approval;
- 9.3.2.3 all obligations which the GameCo Transaction Group may have in relation to the incentivisation of the employees of the GameCo Transaction Group, shall have been terminated and the GameCo Transaction Group shall not have any liabilities or obligations (actual or contingent) in relation thereto; and
- 9.3.2.4 Niveus shall not, without the prior written consent of Tsogo, sell, alienate and/or otherwise dispose and/or encumber any of the Tsogo Consideration Shares received by it pursuant to the Tsogo Minority Offer until (i) the Clawback provisions of the Transaction Agreement have been fully complied with and implemented; or (ii) the Assignment in terms of the Assignment Agreement has been implemented, whichever is the earlier.

### 9.4 Limitation of liability

The liability of Niveus in respect of any claim by Tsogo for a breach of warranty under the Transaction Agreement is limited as follows:

- 9.4.1 Niveus shall not be liable for claims which are not enforced and/or made in writing by Tsogo before the expiry of 12 months after the HCI Disposal Closing Date;
- 9.4.2 notwithstanding that the warranties may be provided on a joint and several basis by HCI and Niveus, the maximum aggregate liability of Niveus shall not exceed the aggregate of the cash consideration paid by Tsogo to Niveus and the value of the Tsogo Consideration Shares issued by Tsogo to Niveus, in respect of the Base GameCo Shares pursuant to the Tsogo Minority Offer. The value of such Tsogo Consideration Shares shall be calculated based on the Tsogo VWAP as at the date on which they are issued;
- 9.4.3 Tsogo shall be required to institute such a claim against both HCI and Niveus (and not only one such Party), in the proportion that the aggregate liability caps contemplated in the Transaction Agreement bear to one another (which as at the Last Practicable Date is estimated to be 91.9% in respect of HCI and 8.1% in respect of Niveus);
- 9.4.4 no liability shall attach to Niveus in respect of any claim for any indirect, special or consequential damages of whatsoever nature suffered by Tsogo, howsoever such loss or damage may arise;
- 9.4.5 no liability shall attach to Niveus in respect of claims where the events giving rise to such claims are within the knowledge of Tsogo as at the signature date of the Transaction Agreement and/or the HCI Disposal Closing Date;
- 9.4.6 no liability shall attach to Niveus in respect of claims where the events giving rise to such would not have arisen but for an act, omission or transaction of Tsogo or any of its shareholders or Subsidiaries, after the HCI Disposal Closing Date;
- 9.4.7 no liability shall attach to Niveus in respect of claims which occur wholly or partly out of or the amount thereof is increased as a result of:
- 9.4.7.1 any change in the accounting principles or practices of Tsogo introduced or having effect after the HCI Disposal Closing Date; or
- 9.4.7.2 any increase in the tax rates after the signature date of the Transaction Agreement; or
- 9.4.7.3 any change in law or regulation or in its interpretation or administration by the South African courts, or by any other fiscal, monetary or regulatory authority after the signature date of the Transaction Agreement.

### 9.5 Gaming business opportunities

In terms of the Transaction Agreement, HCI has undertaken that it shall, going forward, for so long as it remains a controlling shareholder of Tsogo:

- 9.5.1 consolidate its South African holdings in the gaming sector (other than its sports betting and lottery interests) in Tsogo; and
- 9.5.2 procure that all South African corporate opportunities which are presented from time to time to HCI and its Subsidiaries in the gaming sector (other than sports betting and lottery) and in which HCI and its Subsidiaries seek to be invested, are taken up through Tsogo.

## 10. FINANCIAL INFORMATION

### 10.1 Historical financial information of Niveus

- 10.1.1 Extracts of the consolidated historical financial information of Niveus for the financial years ended 31 March 2017, 31 March 2016 and 31 March 2015 are annexed hereto as **Annexure 1**.
- 10.1.2 Copies of the aforementioned historical financial information of Niveus will also be available for inspection by Shareholders during normal business hours at the registered office of Niveus and at the Johannesburg office of the Sponsor from Wednesday, 16 August 2017 until Thursday, 14 September 2017 (both days inclusive).

### 10.2 Carve-out historical financial information of GameCo

- 10.2.1 The carve-out historical financial information of GameCo for the financial year ended 31 March 2017 is annexed hereto as **Annexure 2**.
- 10.2.2 The report of the Independent Reporting Accountant in respect of the carve-out historical financial information of GameCo referred to in paragraph 10.2.1 above, appears in **Annexure 3** to this Circular.
- 10.2.3 Copies of the aforementioned carve-out historical financial information of GameCo will also be available for inspection by Shareholders during normal business hours at the registered office of Niveus and at the Johannesburg office of the Sponsor from Wednesday, 16 August 2017 until Thursday, 14 September 2017 (both days inclusive).

### 10.3 Pro forma financial information of Niveus

- 10.3.1 The *pro forma* financial effects of the Unbundling and the Niveus Transaction, as set out below, are the responsibility of the Directors. The consolidated *pro forma* financial effects are presented in a manner consistent with the basis on which the historical financial information of Niveus has been prepared and in terms of Niveus' accounting policies. The *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not fairly present Niveus' financial position, changes in equity, results of operations or cash flows post the implementation of the Unbundling and the Niveus Transaction.
- 10.3.2 The *pro forma* financial effects set out below should be read in conjunction with the consolidated *pro forma* condensed statement of comprehensive income and the consolidated *pro forma* statement of financial position as set out in **Annexure 4**, together with the assumptions upon which the financial effects are based, as indicated in the notes thereto in **Annexure 4**.
- 10.3.3 The report of the Independent Reporting Accountant in respect of the *pro forma* financial statements referred to in paragraph 10.3.2 above, appears in **Annexure 5** to this Circular.
- 10.3.4 The table below sets out the *pro forma* financial effects of the Unbundling and the Niveus Transaction, based on the audited financial results of Niveus for the financial year ended 31 March 2017 and on the assumption, for calculating the net asset value per Share and net tangible asset value per Share, that the Unbundling and the Niveus Transaction were effected on 31 March 2017. In respect of the earnings per Share and headline earnings per Share it is assumed that the Unbundling and the Niveus Transaction were effected on 1 April 2016.

	Audited financial information before Unbundling, Niveus Disposal and Assignment	Pro forma adjustment: Unbundling	Pro forma adjustment: carve-out adjustments	Pro forma adjustment: Assignment	Pro forma adjustment: Niveus Disposal	Pro forma effects after Unbundling, Niveus Disposal and Assignment	Change (%)
Net asset value per Share (cents)	1103	(579)	238	(67)	13	708	(35.8%)
Tangible net asset value per Share (cents)	1038	(526)	238	(67)	13	696	(32.9%)
Profit/(Loss) per Share (cents)	(7.7)	(187.8)	180.3	(67.2)	13.4	(69)	(796.1%)
Headline earnings per Share (cents)	179.2	(188.4)	(13.2)	(67.2)	13.4	(76.2)	(142.5%)
Number of Shares in issue and weighted average number of Shares in issue excluding Shares held in treasury ('000)	119 163	–	–	–	–	119 163	–
Diluted number of Shares in issue and diluted weighted average number of Shares in issue ('000)	119 909	–	–	–	–	119 909	–

**Notes and Assumptions:**

1. The "Audited financial information before the Unbundling, Niveus Disposal and Assignment" column has been extracted from the published audited results of Niveus for the year ended 31 March 2017.
2. The "Pro forma adjustment – Unbundling" column has been extracted from the audited carve-out historical financial information of GameCo for the year ended 31 March 2017 set out in **Annexure 2** of this Circular, which has been prepared in terms of the "basis of preparation" note included in Annexure 2, in order to reflect the effects of the Unbundling on Niveus.
3. Further detailed notes and assumptions to the *pro forma* financial information of Niveus are set out in **Annexure 4**.

**11. INFORMATION RELATING TO NIVEUS**

**11.1 Share capital**

The authorised and issued Share capital of Niveus, as at the Last Practicable Date, before and after the Unbundling and the Niveus Transaction, are set out below:

	Number of Shares	R'000
<b>Authorised</b>		
ordinary Shares with no par value	500 000 000	–
<b>Issued</b>		
ordinary Shares with no par value	119 162 734	–
ordinary Shares held in treasury	–	–

**Notes:**

1. As at the Last Practicable Date, Niveus has no Shares held in treasury.

**11.2 Major Shareholders and interests**

As far as Niveus is aware, as at the Last Practicable Date, the following persons are beneficially interested, directly or indirectly, in 5% or more of the Shares in issue:

Shareholder	Number of Shares	Percentage of total issued Share capital
HCI	62 294 907	52.28%
JA Copelyn	7 173 840	6.02%
<b>Total</b>	<b>69 468 747</b>	<b>58.30%</b>

There has been no change in the controlling Shareholder of Niveus or its material Subsidiaries in the five years prior to the Last Practicable Date. Save for the KWV Disposal, there has been no change in the trading objects of Niveus or its material Subsidiaries in the five years prior to the Last Practicable Date.

**11.3 Material changes**

There have been no material changes in the financial or trading position of the Niveus Group since the publication of the audited financial statements for the financial year ended 31 March 2017, until the Last Practicable Date.

**11.4 Material contracts**

Save for the Transaction Agreement and the KWV Disposal Agreement, there have been no material contracts, entered into either verbally or in writing by Niveus or its Subsidiaries, being restrictive funding arrangements and/or a contract entered into otherwise than in the ordinary course of the business carried on or proposed to be carried on by Niveus and/or its Subsidiaries, within the two years preceding the date of this Circular, or concluded at any time, and which contain an obligation or settlement that is material to Niveus and/or its Subsidiaries at the date of this Circular.

## 12. INFORMATION RELATING TO THE DIRECTORS

### 12.1 Details of Directors

The full names, age, capacity and business address of each of the Directors of Niveus are outlined below:

Full name	Age	Capacity	Business Address
John Anthony Copelyn	66	Non-executive chairman	4 Stirling Street, Zonnebloem, Cape Town, 7925
André van der Veen	46	Chief Executive Officer	La Concorde, 57 Main Street, Paarl, 7646
Muriel Matilda Loftie-Eaton	38	Chief Financial Officer	La Concorde, 57 Main Street, Paarl, 7646
Yunis Shaik	59	Non-executive Director	4 Stirling Street, Zonnebloem, Cape Town, 7925
Lynette Moretlo Molefi	48	Independent non-executive Director	65 Kyalami Boulevard, Kyalami, Gauteng, 1684
Jabulani Geoffrey Ngcobo	66	Independent non-executive Director	2 Dale Street, New Hanover, KwaZulu-Natal, 3230
Rachel Doreen Watson	58	Independent non-executive Director	Fernando Building, Mark Street, Wesfleur, Atlantis, 7349
Francine-Ann du Plessis	62	Independent non-executive Director	10 Helderberg Street, De Waterkant Building, Stellenbosch, 7600
Michael Neil Joubert	53	Independent non-executive Director	336 The Breakwater, Breakwater Boulevard, Cape Town, 8001
Wessel Petrus van der Merwe	48	Independent non-executive Director	23 Saddle Road, Woodmead Office Park, Gauteng, 2191

#### Notes:

- RD Watson was appointed as an independent non-executive Director on 19 May 2017.
- F-A du Plessis, MN Joubert and WP van der Merwe was appointed as independent non-executive Directors on 03 July 2017.
- All Directors are South African citizens.
- None of the Directors are partners with unlimited liability.

Details of the directors of the Major Subsidiaries of Niveus are set out in **Annexure 8** to this Circular.

### 12.2 Directors' interests in the issued Shares of Niveus

The table below sets out the direct and indirect beneficial interests of the Directors (and their associates), including any directors who may have resigned during the last 18 months, in Niveus' issued Shares, as at the Last Practicable Date:

Director	Direct Beneficial	Indirect Beneficial	Total	Percentage of Shares held
JA Copelyn	–	7 173 840	7 173 840	6.02%
A van der Veen	870 559	–	870 559	0.73%
MM Loftie-Eaton	196 941	–	196 941	0.17%
Y Shaik	–	–	–	–
LM Molefi	–	–	–	–
JG Ngcobo	–	–	–	–
RD Watson	–	–	–	–
F-A du Plessis	–	–	–	–
MN Joubert	–	–	–	–
WP van der Merwe	–	–	–	–
KI Mampeule <sup>3</sup>	–	960 250	960 250	0.80%
<b>Total</b>	<b>1 067 500</b>	<b>8 134 090</b>	<b>9 201 590</b>	<b>7.72%</b>

#### Notes:

- RD Watson was appointed as an independent non-executive Director on 19 May 2017.
- F-A du Plessis, MN Joubert and WP van der Merwe was appointed as independent non-executive Directors on 03 July 2017.
- KI Mampeule resigned as a Director on 19 April 2017.

There have been no dealings in respect of beneficial holdings by Directors in Shares since 31 March 2017 until the Last Practicable Date.



### 12.3 Directors' remuneration

- 12.3.1 For the year ended 31 March 2017, no Director received management, consulting or technical fees from the Niveus Group nor any part of any other fees for such services rendered, directly or indirectly, including payments to management companies.
- 12.3.2 For the year ended 31 March 2017, no Director has received any commission or gain or entered into any profit-sharing arrangement with the Niveus Group.
- 12.3.3 The remuneration of the Directors will not be varied as a result of the Unbundling or the Niveus Transaction.

### 12.4 Directors' Interests in the Unbundling and the Niveus Transaction

Save for being shareholders of HCI and Niveus, the Directors (including any person who may have resigned as a director within the last 18 months) do not have any material beneficial interest, directly or indirectly in the Unbundling or the Niveus Transaction or in any transactions that were:

- 12.4.1 effected by Niveus during the current or immediately preceding financial year; or
- 12.4.2 during an earlier financial year and remain in any respect outstanding or unperformed.

### 12.5 Service contracts of executive Directors

- 12.5.1 Niveus and the Administrator entered into the Administrative Agreement in terms of which the Administrator provides various services to Niveus, including company secretarial support, the provision of cash management services as well as developing and advising Niveus in relation to appropriate capital management strategies, and interacting with key stakeholders.
- 12.5.2 In terms of the Administrative Agreement, the chief executive officer and the chief financial officer perform investment management and advisory services for Niveus in their capacity as executive Directors of Niveus and are employed and remunerated by the Administrator. The Administration Agreement may be cancelled by a three year notice period.
- 12.5.3 A copy of the Administrative Agreement is available for inspection by Shareholders in accordance with paragraph 23 of this Circular.

## 13. WORKING CAPITAL STATEMENT

- 13.1 The Directors are of the opinion that the working capital available to the Niveus Group is sufficient for the Niveus Group's present working capital requirements and will, post implementation of the Unbundling and the Niveus Transaction, be adequate for at least 12 months from the date of issue of this Circular.
- 13.2 The Directors have considered the position of the Niveus Group prior to and following the implementation of the Unbundling and are of the view that:
  - 13.2.1 Niveus and the Niveus Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of approval of this Circular;
  - 13.2.2 the consolidated assets of the Niveus Group, fairly valued, will be in excess of the consolidated liabilities of the Niveus Group for a period of 12 months after the date of approval of this circular;
  - 13.2.3 the share capital and reserves of Niveus and the Niveus Group will be adequate for ordinary business purposes for a period of 12 months after the date of approval of the Circular;
  - 13.2.4 the working capital of Niveus and the Niveus Group will be adequate for ordinary business purposes for a period of 12 months after the date of the approval of this Circular; and
  - 13.2.5 the Directors have authorised the Unbundling and Niveus and the Niveus Group has passed the 'solvency and liquidity' test, as contemplated in section 4 of the Companies Act, and there have been no material changes to the financial position of the Niveus Group since that test was performed by the Directors.

## 14. LITIGATION STATEMENT

- 14.1 Numerous court cases impeding the roll-out of EBTs in the KwaZulu-Natal Province are pending. Various initiatives to settle these cases are underway but there is no certainty that these will be successful.
- 14.2 Efuleni Resorts Proprietary Limited t/a Boardwalk Casino has initiated a review process to set aside a decision by the Eastern Cape Gambling and Betting Board to award bingo licences and approve EBTs to Galaxy Bingo's licenced premises located in Port Elizabeth and Uitenhage. If successful, it will have a significant negative impact on the results and valuation of GameCo and Niveus.
- 14.3 There are no other legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which Niveus is aware, which may have or have over the previous 12 months had a material effect on the financial position of the Niveus Group or the GameCo Group.

## 15. EXPENSES

The estimated costs of preparing and distributing this Circular, holding the General Meeting, implementing the Unbundling and the Niveus Transaction, including the fees payable to professional advisers, are approximately R2 795 000, excluding VAT, and include the following:

		R'000
Sponsor	PSG Capital	500
Printing, publication, distribution and advertising expenses	Greymatter & Finch	250
JSE documentation fees	JSE	100
TRP fees	TRP	200
Audit and Independent Reporting Accountant fees	Grant Thornton	170
Independent Expert	KPMG	200
Legal Adviser	ENSafrica	1 200
Transfer Secretaries fees	Computershare	50
Strate fees	Strate	25
Contingency		100
<b>TOTAL</b>		<b>2 795</b>

Other than as set out above, Niveus has incurred no preliminary expenses in relation to the Unbundling or the Niveus Transaction, during the three years preceding this Circular.

## 16. GENERAL MEETING AND VOTING

- 16.1 The General Meeting of Shareholders will be held at 12:00 on Thursday, 14 September 2017 at SunSquare City Bowl, 23 Buitengracht Street, Cape Town City Centre, to consider and, if deemed fit, to pass, with or without modification, the requisite resolutions required to give effect to the Unbundling and the Niveus Transaction.
- 16.2 A notice convening the General Meeting is attached hereto and forms part of this Circular and contains the resolutions to be considered at the General Meeting. Full details of the action required by Shareholders are set out in the "Action required by Shareholders" section of this Circular.
- 16.3 The ordinary resolution for the approval of the Unbundling in terms of the Listings Requirements, set out in the Notice of General Meeting, is subject to more than 50% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting, being cast in favour thereof.
- 16.4 The special resolution for the approval of the Unbundling in terms of section 115 of the Companies Act, set out in the Notice of General Meeting, is subject to at least 75% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting, being cast in favour thereof. It is noted that in terms of section 115(4) of the Companies Act, any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them will not be taken into account for purposes of calculating the percentage of voting rights:
- 16.4.1 required to be present or actually present in determining whether the quorum requirements for the special resolution approving the Unbundling has been satisfied; or
- 16.4.2 required to be voted in support of the special resolution approving the Unbundling or actually voted in respect thereof.
- Since there is no acquiring party in relation to the Unbundling, all Niveus Shareholders are entitled to vote with regard to the special resolution approving the Unbundling.
- 16.5 The ordinary resolution for the approval of the Niveus Transaction in terms of section 10.4(e) of the Listings Requirements, set out in the Notice of General Meeting, is subject to more than 50% of the votes cast by Shareholders, excluding Related Parties and their associates, present in person or represented by proxy at the General Meeting, being cast in favour thereof. It is noted that Related Parties and their associates will be taken into account for purposes of determining the quorum for the ordinary resolution but will not be entitled to vote on the ordinary resolution in respect of the Niveus Transaction.
- 16.6 The ordinary resolution for the approval of the directors' authority to do all such things, sign all such documents and procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to the resolutions set out in the Notice of General Meeting, is subject to more than 50% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting, being cast in favour thereof.

## 17. THE INDEPENDENT EXPERT REPORTS

- 17.1 The Independent Expert Report on the Unbundling, prepared in accordance with the provisions of the Companies Act and the Companies Regulations, is reproduced in **Annexure 6** to this Circular.
- 17.2 The Independent Expert Report on the Niveus Transaction, prepared in accordance with the provisions of the Listings Requirement, is reproduced in **Annexure 7** to this Circular.
- 17.3 Having considered the terms and conditions of the Unbundling and based on the conditions set out in the Independent Expert Report on the Unbundling, the Independent Expert has concluded that the terms and conditions of the Unbundling are both fair and reasonable to Shareholders, as each of these terms is defined in the Companies Regulations.
- 17.4 Having considered the terms and conditions of the Niveus Transaction and based on the conditions set out in the Independent Expert Report on the Niveus Transaction, the Independent Expert has concluded that the terms and conditions of the Niveus Transaction are fair to Shareholders.

## **18. THE VIEWS OF THE INDEPENDENT BOARD IN RELATION TO THE UNBUNDLING**

- 18.1 In accordance with the Companies Regulations, the Board has appointed the Independent Board comprising of independent non-executive Directors of Niveus. The Independent Board has appointed the Independent Expert to compile a report on the Unbundling.
- 18.2 The Independent Board, after due consideration of the Independent Expert Report on the Unbundling, has determined that it will place reliance on the valuations performed by the Independent Expert for the purposes of reaching its own opinion regarding the Unbundling, as contemplated in regulation 110(3)(b) of the Companies Regulations. The Independent Board has formed a view of the fair value range of the shares in GameCo and Tsogo, which accords with the range contained in the Independent Expert's Report, in considering its opinion and recommendation.
- 18.3 The Independent Board is not aware of any factors which are difficult to quantify or are unquantifiable (as contemplated in Companies Regulation 110(6)) and has not taken any such factors into account, in forming its opinion.
- 18.4 The Independent Board, taking into account the report of the Independent Expert in relation to the Unbundling, has considered the terms and conditions of the Unbundling and the members of the Independent Board are unanimously of the opinion that the terms and conditions thereof are fair and reasonable to Shareholders and, accordingly, recommend that Shareholders vote in favour of the resolutions to be proposed at the General Meeting relating to the approval of the Unbundling.
- 18.5 As at the Last Practicable Date, the Independent Board has not received any offers, as defined in section 117(1)(f) of the Companies Act.

## **19. THE VIEWS OF THE BOARD IN RELATION TO THE NIVEUS TRANSACTION**

- 19.1 In accordance with the Listings Requirements, the Board has appointed the Independent Expert to compile a report on the Niveus Transaction.
- 19.2 The Board, after due consideration of the Independent Expert Report on the Niveus Transaction, has determined that it will place reliance on the valuations performed by the Independent Expert for the purposes of reaching its own opinion regarding the Niveus Transaction, as contemplated in the Listings Requirements.
- 19.3 The Board, taking into account the report of the Independent Expert on the Niveus Transaction, has considered the terms and conditions of the Niveus Transaction and all members of the Board who are entitled to vote on the matter (being the members of the Independent Board), are unanimously of the opinion that the terms and conditions thereof are fair to Shareholders and, accordingly, recommend that Shareholders vote in favour of the resolutions to be proposed at the General Meeting relating to the approval of the Niveus Transaction.

## **20. DIRECTORS' RECOMMENDATION**

- 20.1 The Directors have considered the terms and conditions of the Unbundling and the Niveus Transaction and have considered the resolutions set out in the Notice of General Meeting and are of the opinion that they are in the interests of Shareholders.
- 20.2 The Directors recommend that Shareholders vote in favour of the resolutions to be proposed at the General Meeting.
- 20.3 The Directors, in their personal capacities, intend to vote the Shares beneficially owned by them in favour of the resolutions to be proposed at the General Meeting.

## **21. DIRECTORS' RESPONSIBILITY STATEMENT**

### **21.1 Responsibility statement of the Directors in terms of the Listings Requirements**

The Directors, whose names are listed in the "*Corporate information*" section of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by the Listings Requirements.

### **21.2 Responsibility statement of the Independent Board in terms of the Companies Regulations**

The Independent Board accepts responsibility for the information contained in this Circular and confirms that, to the best of its knowledge and belief, such information is true and this Circular does not omit anything likely to affect the importance of such information.

## **22. ADVISERS' CONSENTS**

Each of the advisers, whose name appears in the "*Corporate information*" section of this Circular, has consented in writing to act in the capacities stated and to the inclusion of its names and, where applicable, to the inclusion of its reports in this Circular in the form and context in which they appear and has not withdrawn its consent prior to the publication of this Circular.

## 23. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by Shareholders during normal business hours at the registered office of Niveus and at the Johannesburg office of the Sponsor from Wednesday, 16 August 2017, until Thursday, 14 September 2017 (both days inclusive):

- 23.1 the MOI of Niveus and the memorandums of incorporation of its Subsidiaries;
- 23.2 the historical financial information of Niveus for the financial years ended 31 March 2017, 31 March 2016 and 31 March 2015, as reproduced in **Annexure 1**;
- 23.3 the carve-out historical financial information of GameCo for the financial year ended 31 March 2017, as reproduced in **Annexure 2**;
- 23.4 Independent Reporting Accountant's report on the carve-out historical financial information of GameCo for the financial year ended 31 March 2017, as reproduced in **Annexure 3**;
- 23.5 the *pro forma* financial information of Niveus, as reproduced in **Annexure 4**;
- 23.6 the Independent Reporting Accountant's report on the *pro forma* financial information of Niveus, as reproduced in **Annexure 5**;
- 23.7 the Independent Experts Reports, as reproduced in **Annexure 6** and **Annexure 7**;
- 23.8 the Administration Agreement, the Transaction Agreement and the Assignment Agreement;
- 23.9 the written consents from each of the advisers referred to in paragraph 22;
- 23.10 the approval letter issued by the TRP in respect of the Circular; and
- 23.11 a copy of this Circular and all annexures hereto.

**SIGNED AT CAPE TOWN ON 16 AUGUST 2017 BY A VAN DER VEEN  
ON BEHALF OF ALL THE DIRECTORS OF NIVEUS, IN TERMS OF  
POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS**

**SIGNED AT CAPE TOWN ON 16 AUGUST 2017 BY F-A DU PLESSIS ON  
BEHALF OF THE INDEPENDENT BOARD OF NIVEUS, IN TERMS OF  
POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS**

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**A van der Veen**

Chief Executive Officer

JA Copelyn (*Chairman*)

A van der Veen (*Chief Executive Officer*)

MM Loftie-Eaton (*Chief Financial Officer*)

Y Shaik

LM Molefi

JG Ngcobo

RD Watson

F-A du Plessis

MN Joubert

WP van der Merwe

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**F-A du Plessis**

Chairperson of the Independent Board

F-A du Plessis

MN Joubert

WP van der Merwe

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## HISTORICAL FINANCIAL INFORMATION OF NIVEUS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2017, 31 MARCH 2016 AND 31 MARCH 2015

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The definitions and interpretations commencing on page 5 of this Circular apply to this Annexure 1.

### DIRECTORS' REPORT

#### NATURE OF THE BUSINESS AND OPERATIONS

Niveus is an investment holding company incorporated in South Africa and listed on the JSE on 10 September 2012. The Group's interests consist mainly of investments in the gaming and property sectors. The main investments are Galaxy Gaming and Entertainment Proprietary Limited ("**Galaxy**"), Vukani Gaming Corporation Proprietary Limited ("**Vukani**") and La Concorde Holdings Limited ("**KWV**").

#### RESULTS

The Group made attributable headline earnings of R214 million (2016: R69 million) (2015: R84 million) for the year.

Earnings per share decreased from 37.9 cents to a loss per share of 7.7 cents while headline earnings per share increased from 58.6 cents to 179.2 cents.

Vukani's year-on-year gross gambling revenue ("**GGR**") grew 12%, EBITDA 18% and 14% on a normalised EBITDA basis after adding back non-recurring and abnormal items in the current and prior years. Bingo GGR from fully developed sites grew 12% from the prior year and its EBITDA grew 17%. Total Bingo Group EBITDA grew 68% year-on-year partly due to a significant reduction in costs from non-operational licence, legal and bid costs.

While the market value of Niveus' investment in KWV exceeds the historical acquisition cost, an accounting loss of R216 million net of minority interest was recognised on the sale of the operational assets of KWV. The loss recognised by Niveus on consolidation is due to fair value adjustments written off, which were required to be recognised in terms of IFRS upon the acquisition of control in KWV. The loss is added back for the calculation of consolidated headline earnings.

A final dividend of 22 cents per share was declared after year-end on 19 May 2017, paid on 19 June 2017, and was therefore not provided for in the annual financial statements.

#### STATED CAPITAL

The authorised share capital at 31 March 2017 was 500 000 000 ordinary shares of no par value.

At 31 March 2017, the total Shares issued was 119 162 734.

Refer to note 11 to the annual financial statements for more information on the Group's stated capital.

#### PROPERTY, PLANT AND EQUIPMENT

At 31 March 2017, the Group's investment in property, plant and equipment amounted R0.7 billion (2016: R1.2 billion) (2015: R1.15 billion).

#### MAJORITY SHAREHOLDER

HCI is the holding company of Niveus with an effective interest of 52.28%.

#### SECRETARY

The secretary of the company is HCI Managerial Services Proprietary Limited. Please refer to the company information section for its business and postal addresses.

#### AUDITORS

At the date of this report, Grant Thornton Johannesburg Partnership held office in accordance with section 90 of the Companies Act.

#### SUBSEQUENT EVENTS

No material change in the nature of the business of Niveus and its subsidiaries occurred, and no material fact or circumstance has occurred between the end of the latest financial year of Niveus and the date of this Circular, in so far as not already dealt with in the historical financial information outlined in this Annexure other than disclosed in Note 34 of these financial statements.

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	Group			Company		
		2017 R'000	2016 Restated R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
<b>Assets</b>							
<i>Non-current assets</i>		1 315 728	1 429 924	1 338 005	5 129 908	752 078	688 735
Property, plant and equipment	1	659 202	1 204 622	1 150 507	–	–	–
Investment properties	2	28 638	6 978	6 813	–	–	–
Goodwill	3	59 944	56 444	60 360	–	–	–
Intangible assets	4	18 480	76 487	77 279	–	–	–
Investments in associates and joint ventures	5	73 707	35 400	21 693	2 029	–	–
Investments in subsidiaries	6	–	–	–	5 127 879	747 977	688 735
Deferred taxation	7	28 251	25 650	16 991	–	–	–
Loans receivable	8	447 506	24 343	4 362	–	4 101	–
<i>Current assets</i>		1 057 007	1 548 041	1 514 756	15 261	988	11 600
Inventories	9	6 285	1 034 797	1 039 406	–	–	–
Derivative financial instruments		–	19 626	3 715	–	–	–
Trade and other receivables	10	122 590	328 142	320 163	14 642	202	11 521
Loans receivable	8	218 947	2 839	17 944	300	229	–
Taxation		451	1 566	1 242	–	–	54
Cash and cash equivalents	24.5	708 734	161 071	132 286	319	557	25
Assets of disposal group classified as held for sale	32	5 419	–	–	–	–	–
<b>Total assets</b>		<b>2 378 154</b>	<b>2 977 965</b>	<b>2 852 761</b>	<b>5 145 169</b>	<b>753 066</b>	<b>700 335</b>
<b>Equity and liabilities</b>							
<i>Capital and reserves</i>		1 881 755	2 080 498	1 985 645	5 106 044	566 666	639 556
Stated capital	11	925 399	925 399	867 756	925 399	925 399	867 756
Other reserves	12	(65 988)	(46 183)	(70 216)	4 333	4 202	3 966
Accumulated profits/(losses)		454 854	502 051	497 478	4 176 312	(362 935)	(232 166)
Equity attributable to equity holders of the parent		1 314 265	1 381 267	1 295 018	5 106 044	566 666	639 556
Non-controlling interest	6.2	567 490	699 231	690 627	–	–	–
<i>Non-current liabilities</i>		231 344	246 060	391 526	–	6 932	3 457
Operating lease equalisation liability		4 373	5 235	4 079	–	–	–
Borrowings	13	205 623	92 983	261 033	–	–	–
Other payables	15	–	6 932	5 823	–	6 932	3 457
Deferred revenue: government grant		–	10 900	–	–	–	–
Deferred taxation	7	21 348	130 010	120 591	–	–	–
<i>Current liabilities</i>		262 596	651 407	475 590	39 125	179 468	57 322
Trade and other payables	15	206 710	376 396	444 589	39 125	8 130	37 028
Deferred revenue: government grant		–	1 875	–	–	–	–
Derivative financial instruments		–	47 424	1 585	–	–	–
Loans from subsidiaries	6	–	–	–	–	171 338	20 294
Current portion of borrowings	13	38 512	217 887	17 454	–	–	–
Finance lease liabilities	14	532	1 399	2 231	–	–	–
Taxation		16 842	6 426	9 731	–	–	–
Liabilities of disposal group classified as held for sale	32	2 459	–	–	–	–	–
<b>Total equity and liabilities</b>		<b>2 378 154</b>	<b>2 977 965</b>	<b>2 852 761</b>	<b>5 145 169</b>	<b>753 066</b>	<b>700 335</b>
Net Asset Value (NAV) per share (cents)		1103	1159	1107			
Net Tangible Asset Value (NTAV) per share (cents)		1038	1061	1002			

## STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Group			Company		
		2017 R'000	2016 Restated R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
Revenue	17	86 639	74 941	1 205 348	-	-	-
Net gaming win		1 322 610	1 162 298	999 695	-	-	-
		1 409 249	1 237 239	2 205 043	-	-	-
Other income		6 489	3 033	32 603	-	-	-
Operating expenses		(1 028 543)	(972 809)	(1 917 810)	(17 876)	(55 006)	(20 786)
Depreciation and amortisation		(125 243)	(132 458)	(129 820)	-	-	-
Share of (losses)/profits of associates and joint ventures		(6 345)	(1 366)	1 474	-	-	-
Investment income	18	54 073	3 969	5 801	170 136	29 764	196 931
Fair value adjustment investment in associate		-	(1 094)	-	-	-	-
Fair value adjustment investment property		403	-	-	-	-	-
Impairment of assets	1	(3 749)	(7 927)	(4 837)	-	-	-
Impairment of goodwill	3	(3 958)	(8 190)	-	-	-	-
Impairment of investment in joint venture	5	(6 971)	-	(903)	-	-	-
Impairment of loans to subsidiaries	6	-	-	-	162 377	(60 840)	(93 461)
Gain/(loss) on disposal of subsidiary	24.4	6 074	(6 781)	-	4 281 510	-	-
Finance costs	20	(30 332)	(29 977)	(24 217)	(12 850)	(12 378)	(6 235)
Profit/(loss) before taxation	21	271 147	83 639	167 334	4 583 297	(98 460)	76 449
Taxation	22	(71 340)	(50 147)	(73 326)	-	(180)	-
Profit/(loss) for the year from continuing operations		199 807	33 492	94 008	4 583 297	(98 640)	76 449
Discontinued operations	32	(326 255)	23 115	-	-	-	-
Group (loss)/profit		(126 448)	56 607	94 008	4 583 297	(98 640)	76 449
Attributable to:							
Equity holders of the parent		(9 154)	44 721	80 286			
Non-controlling interest		(117 294)	11 886	13 722			
		(126 448)	56 607	94 008			
Earnings per share (cents)	23	(7,7)	37,9	69,0			
- Continuing operations		150,1	28,5	69,0			
- Discontinued operation		(157,8)	9,4	-			
Diluted earnings per share (cents)	23	(7,6)	37,8	67,8			
- Continuing operations		149,2	28,4	67,8			
- Discontinued operation		(156,8)	9,4	-			

## STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Group			Company		
		2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
(Loss)/profit for the year		(126 448)	56 607	94 008	4 583 297	(98 640)	76 449
Other comprehensive income net of tax:							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation differences	12	(20 725)	24 213	2 875	–	–	–
Total comprehensive (loss)/income for the year		(147 173)	80 820	96 883	4 583 297	(98 640)	76 449
Attributable to:							
Equity holders of the parent		(29 879)	68 648	83 030			
Non-controlling interest		(117 294)	12 172	13 853			
		(147 173)	80 820	96 883			
Total comprehensive income attributable to equity holders of the parent arises from:							
– Continuing operations		157 852	56 618	83 030			
– Discontinued operations		(187 731)	12 030	–			
		(29 879)	68 648	83 030			



## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Stated capital R'000	Other reserves R'000	Accumulated profits R'000	Non-controlling interest R'000	Total R'000
<b>Group</b>						
Balances as at 31 March 2014		837 002	(76 971)	413 543	728 783	1 902 357
<i>Stated capital</i>						
Shares issued	11	30 754	-	-	-	30 754
<i>Current operations</i>						
Total comprehensive income for the year		-	2 744	80 286	13 853	96 883
Equity-settled share-based payments		-	6 194	-	-	6 194
Effects of changes in holding		-	15	33 794	(46 359)	(12 550)
Capital reductions and dividends		-	-	(32 343)	(5 650)	(37 993)
Transfer of reserves		-	(2 198)	2 198	-	-
Balance as at 31 March 2015		867 756	(70 216)	497 478	690 627	1 985 645
<i>Stated capital</i>						
Shares issued	11	57 643	-	-	-	57 643
<i>Current operations</i>						
Total comprehensive income for the year		-	23 927	44 721	12 172	80 820
Equity-settled share-based payments		-	7 278	(12 493)	-	(5 215)
Non-controlling interest on acquisition of subsidiaries		-	-	-	2 082	2 082
Capital reductions and dividends		-	-	(34 827)	(5 650)	(40 477)
Transfer of reserves		-	(7 172)	7 172	-	-
Balance as at 31 March 2016		925 399	(46 183)	502 051	699 231	2 080 498
<i>Current operations</i>						
Total comprehensive loss for the year		-	(20 725)	(9 154)	(117 294)	(147 173)
Business combinations	31.3	-	-	-	(1 596)	(1 596)
Equity-settled share-based payments		-	7 304	-	-	7 304
Effects of changes in holding		-	-	2 476	(6 901)	(4 425)
Capital reductions and dividends		-	-	(46 903)	(5 950)	(52 853)
Transfer of reserves		-	(6 384)	6 384	-	-
Balance as at 31 March 2017		925 399	(65 988)	454 854	567 490	1 881 755

## STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Stated capital R'000	Other reserves R'000	Accumulated losses R'000	Total R'000
<i>Company</i>					
Balances at 31 March 2014		837 002	3 321	(278 786)	561 537
<i>Stated capital</i>					
Shares issued	11	30 754	-	-	30 754
<i>Current operations</i>					
Total comprehensive income for the year		-	-	76 449	76 449
Equity-settled share-based payments		-	3 159	-	3 159
Transfer of reserves		-	(2 514)	2 514	-
Capital reductions and dividends		-	-	(32 343)	(32 343)
Balances at 31 March 2015		867 756	3 966	(232 166)	639 556
<i>Capital reductions and dividends</i>					
Shares issued	11	57 643	-	-	57 643
<i>Current operations</i>					
Total comprehensive loss for the year		-	-	(98 640)	(98 640)
Equity-settled share-based payments		-	2 934	-	2 934
Transfer of reserves		-	(2 698)	2 698	-
Capital reductions and dividends		-	-	(34 827)	(34 827)
Balances at 31 March 2016		925 399	4 202	(362 935)	566 666
<i>Capital reductions and dividends</i>					
Shares issued					
<i>Current operations</i>					
Total comprehensive loss for the year		-	-	4 583 297	4 583 297
Equity-settled share-based payments		-	2 984	-	2 984
Transfer of reserves		-	(2 853)	2 853	-
Capital reductions and dividends		-	-	(46 903)	(46 903)
Balances at 31 March 2017		925 399	4 333	4 176 312	5 106 044

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

Notes	Niveus Group			Niveus			
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000	
<b>Cash flows from operating activities</b>	357 744	162 849	130 264	(14 219)	(53 401)	(18 765)	
Cash generated by/(utilised in) operations	24.1	422 554	386 550	331 113	9 325	(51 676)	(13 672)
Investment income		28 135	6 054	5 600	5	13	79
Changes in working capital	24.2	10 889	(135 612)	(133 030)	(23 549)	(1 614)	(5 172)
Cash generated by/(utilised in) operating activities		461 578	256 992	203 683	(14 219)	(53 275)	(18 765)
Finance costs		(35 654)	(30 476)	(22 042)	-	-	-
Taxation paid	24.3	(68 180)	(63 667)	(51 377)	-	(126)	-
<b>Cash flows from investing activities</b>		293 536	(182 357)	(292 620)	(2 101)	(4 324)	(19 431)
Business combinations	24.4	466	(2 868)	(1 067)	-	-	-
Investment in:							
- Subsidiary companies		(4 426)	-	(11 874)	-	-	(19 424)
- Associated companies and joint ventures	5	(48 516)	(21 196)	(6 648)	(2 029)	-	-
Dividends received		-	255	236	-	-	-
Disposal of subsidiaries	24.4	-	(449)	(1 227)	-	-	-
Loans receivable: repayments		-	-	9 849	-	-	-
Loans receivable: advances		(18 164)	(11 187)	(8 009)	(72)	(4 324)	(7)
Intangible assets: additions		(3 368)	(3 243)	(3 337)	-	-	-
Investment property: additions		(93)	(165)	-	-	-	-
Disposal of business assets	32	520 483	-	-	-	-	-
Property, plant and equipment:							
- Additions		(165 154)	(151 242)	(274 404)	-	-	-
- Disposals		12 308	7 738	3 861	-	-	-
<b>Cash flows from financing activities</b>		(102 512)	48 293	71 202	16 082	58 257	32 102
Treasury shares acquired		-	-	(4 315)	-	-	-
Capital reduction		-	(12 452)	-	-	(12 452)	-
Dividends paid to shareholders		(38 965)	(27 803)	(7 230)	(33 365)	(22 376)	(1 590)
Government grant received		-	16 395	-	-	-	-
Proceeds from share issue		-	45 150	-	-	45 150	-
Loans from subsidiary companies		-	-	-	49 447	47 935	33 692
Long-term funding received		253 302	50 000	105 544	-	-	-
Long-term funding repaid		(316 849)	(22 997)	(22 797)	-	-	-
<b>Cash and cash equivalents</b>		548 768	28 785	(91 154)	(238)	532	(6 094)
Movement for the year		161 071	132 286	223 440	557	25	6 119
At beginning of the year		(1 105)	-	-	-	-	-
Classified as held for sale		708 734	161 071	132 286	319	557	25
At end of the year	24.5						

## ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2017

### 1. ACCOUNTING POLICIES

The annual financial statements are presented in accordance with, and comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and effective at the time of preparing these financial statements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants (“SAICA”), Financial Pronouncements as issued by the Financial Reporting Standards Council (“FRSC”), the JSE Listings Requirements and the South African Companies Act, 71 of 2008, as amended.

The annual financial statements were prepared under the historical cost convention, as modified by the revaluation to fair value of investment properties and certain financial instruments as described in the accounting policies below. The accounting policies are consistent with those applied in the previous year, except for the effect of the new standards and interpretations, effective for the financial year ended 31 March 2017, as presented in note 3.

The preparation of the annual financial statements in accordance with IFRS requires that certain critical accounting estimates and assumptions be used. It also requires management to exercise their judgement in the process of applying the accounting policies of the Group. The areas involving a higher level of judgement or complexity, or areas where assumptions and estimates have a material effect on the annual financial statements are presented in note 2.

The accounting policies that the Group applied in the presentation of the annual financial statements are set out below:

#### 1.1 SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with internal reporting to the chief operating decision-maker for purposes of allocating company resources and assessing their performance. The chief operating decision-maker has been identified as the executive committee that makes strategic decisions. Operating segments are individual components of an entity that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), and whose operating results are regularly reviewed by the entity’s chief operating decision-maker and for which discreet financial information is available. Operating segments that display similar economic characteristics are aggregated for reporting purpose.

#### 1.2 CONSOLIDATION AND EQUITY ACCOUNTING

The annual 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 Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date control ceases.

The 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 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 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 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 is stated at cost less impairment losses and is reviewed for impairment on an annual basis.

When the 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.

Investments in subsidiaries are accounted for at cost less accumulated impairment in the separate financial statements of the Company.

##### (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 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 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 Group's net investment in the joint ventures), the 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 Group and its joint ventures are eliminated to the extent of the 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 Group.

Investments in joint ventures are accounted for at cost less accumulated impairment in the separate financial statements of the Company.

(iv) *ASSOCIATES*

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the 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 Group.

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

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

Investments in associates are accounted for at cost less accumulated impairment in the separate financial statements of the Company.

(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 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.

### **1.3 FOREIGN EXCHANGE**

(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 annual financial statements are presented in South African rand, which is the Group's functional and presentation currency.

(ii) *TRANSACTIONS AND BALANCES*

The financial statements for each 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.

(iii) *FOREIGN SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS – TRANSLATION*

Once-off items in the statement of profit or loss and statement of cash flows of foreign subsidiaries, associates and joint arrangements expressed in currencies other than the South African rand are translated to South African 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 reporting 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 equity. 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 are denominated in the functional currency of either the parent or the foreign entity. When a foreign operation is disposed of, any related exchange differences in equity are recycled through profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange at reporting date.

#### 1.4 **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 1.10)

##### (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
Art	10 years
Gaming machines	7 years
Motor vehicles	4 – 15 years
Gaming equipment and signage	3 – 10 years
Site leasehold improvements	6 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.

#### 1.5 **INVESTMENT PROPERTIES**

Investment properties are held for capital appreciation and are not occupied by the 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 by external independent professional valuers every third year.

#### 1.6 **INTANGIBLE ASSETS**

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

##### (ii) **BID COSTS AND GAMING LICENCES**

Costs incurred during the bidding process for a gaming licence are capitalised by the 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.

##### (iii) **TRADEMARKS**

Trademarks are recognised initially at cost. Trademarks have definite useful lives (five to 20 years) and are carried at cost less accumulated amortisation.

## 1.7 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial instruments disclosed in the annual 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 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 and 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 Group realises the rights to the benefits specified in the contract, the rights expire or the 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 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) HELD-TO-MATURITY INVESTMENTS

Instruments with fixed maturity that the Group has the intent and ability to hold to maturity are classified as held-to-maturity financial instruments and are carried at amortised cost using the effective interest rate method.

### (iii) 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 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.

### (iv) 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.

### (v) AVAILABLE-FOR-SALE INVESTMENTS

Other long-term financial instruments are classified as available-for-sale and are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial instruments are recognised through other comprehensive income in the period in which they arise. When these financial instruments are either derecognised or impaired, the accumulated fair value adjustments are realised and included in the income statement.

### (vi) 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 Group's cash management.

(vii) **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.

## **1.8 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.

## **1.9 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 Group are treated as treasury shares until such time when participants pay for and take delivery of such shares.

## **1.10 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 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 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.

### **1.11 NON-CURRENT ASSETS HELD FOR SALE**

Items classified as non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Such assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use. This condition is regarded as met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale that is expected to qualify for recognition as a completed sale within one year from date of classification.

### **1.12 REVENUE RECOGNITION**

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

#### (i) *SALE OF GOODS*

KWV's revenue is shown inclusive of excise and net of value-added tax ("VAT"), returns, rebates and discounts, and after eliminating sales within the Group.

#### (ii) *RENDERING OF SERVICES*

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

#### (iii) *INTEREST INCOME*

Interest income is recognised using the effective-interest method. When a receivable is impaired the 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.

#### (iv) *DIVIDEND INCOME*

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

#### (v) *NET GAMING WIN*

Net gaming win comprises the slot machine win derived by limited payout route operations from gambling patrons and net bingo winnings derived from betting 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 gaming operations. Due to the short-term nature of the 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 Group and not customers.

### **1.13 LEASES**

#### (i) *THE GROUP IS THE LESSEE*

Leases of property, plant and equipment where the 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 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.

## **1.14 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 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 annual 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 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 the Company to shareholders that are not exempt are subject to dividends withholding tax at a rate of 20% (2016: 15%; 2015: 15%).

## **1.15 DIVIDEND DISTRIBUTIONS**

Dividend distributions to equity holders of the parent are recognised as a liability in the annual 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.

## **1.16 EMPLOYEE BENEFITS**

### **(i) DEFINED-CONTRIBUTION PLANS**

For the defined-contribution plans, subsidiaries of the 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 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 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 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.

### **(iv) SHARE-BASED PAYMENTS**

The Group operates equity-settled share-based remuneration plans for its employees. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

## 1.17 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 annual 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 Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

Refer to note 3 to the annual financial statements for impairment recognised on goodwill.

### 2.2 TAXATION

The 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 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.

### 2.4 IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The 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 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 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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

		Group		
		2017	2016	2015
		R'000	R'000	R'000
1.	PROPERTY, PLANT AND EQUIPMENT			
	<i>Cost</i>			
	Computer and office equipment	43 223	42 152	33 780
	Plant and machinery	16 688	515 249	514 987
	Plant under construction	–	2 666	1 275
	Land and buildings	193 247	485 052	475 821
	Furniture and fittings	56 157	144 310	125 622
	Art	40 580	40 580	40 580
	Gaming machines	575 232	562 818	432 806
	Motor vehicles	29 257	30 144	27 435
	Motor vehicles under finance lease	1 180	4 063	12 630
	Gaming equipment and signage	52 256	48 679	43 517
	Site leasehold improvements	144 880	143 248	128 436
		<u>1 152 700</u>	<u>2 018 961</u>	<u>1 836 889</u>
	<i>Accumulated depreciation and impairments</i>			
	Computer and office equipment	34 477	28 799	19 397
	Plant and machinery	6 348	309 134	299 801
	Land and buildings	3 665	18 810	17 212
	Furniture and fittings	37 179	102 378	83 504
	Art	89	89	86
	Gaming machines	284 084	246 240	182 964
	Motor vehicles	12 189	15 231	12 183
	Motor vehicles under finance lease	1 029	2 703	10 622
	Gaming equipment and signage	36 447	30 229	25 669
	Site leasehold improvements	77 991	60 726	34 944
		<u>493 498</u>	<u>814 339</u>	<u>686 382</u>
	<i>Carrying value</i>			
	Computer and office equipment	8 746	13 353	14 383
	Plant and machinery	10 340	206 115	215 186
	Plant under construction	–	2 666	1 275
	Land and buildings	189 582	466 242	458 609
	Furniture and fittings	18 978	41 932	42 118
	Art	40 491	40 491	40 494
	Gaming machines	291 148	316 578	249 842
	Motor vehicles	17 068	14 913	15 252
	Motor vehicles under finance lease	151	1 360	2 008
	Gaming equipment and signage	5 809	18 450	17 848
	Site leasehold improvements	66 889	82 522	93 492
		<u>659 202</u>	<u>1 204 622</u>	<u>1 150 507</u>
	<i>Movements in property, plant and equipment</i>			
	<i>Balance at beginning of the year</i>			
	Computer and office equipment	13 353	14 383	10 159
	Plant and machinery	206 115	215 186	207 217
	Plant under construction	2 666	1 275	1 311
	Land and buildings	466 242	458 609	408 064
	Furniture and fittings	41 932	42 118	42 178
	Art	40 491	40 494	40 497
	Gaming machines	316 578	249 842	216 164
	Motor vehicles	14 913	15 252	8 707
	Motor vehicles under finance lease	1 360	2 008	6 690
	Gaming equipment and signage	18 450	17 848	13 817
	Site leasehold improvements	82 522	93 492	69 041
		<u>1 204 622</u>	<u>1 150 507</u>	<u>1 023 845</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

		Group		
		2017	2016	2015
		R'000	R'000	R'000
1.	PROPERTY, PLANT AND EQUIPMENT <i>(continued)</i>			
	<i>Additions</i>			
	Computer and office equipment	3 084	6 690	11 388
	Plant and machinery	13 970	30 136	30 771
	Plant under construction	3 335	1 391	–
	Land and buildings	2 051	9 236	52 082
	Furniture and fittings	4 943	12 307	18 694
	Gaming machines	71 548	107 099	88 845
	Motor vehicles	11 859	3 928	9 171
	Motor vehicles under finance lease	1 543	4 142	–
	Gaming equipment and signage	3 736	7 324	9 580
	Site leasehold improvements	13 011	19 066	51 176
		<u>129 080</u>	<u>201 319</u>	<u>271 707</u>
	<i>Additions through business combinations</i>			
	Computer and office equipment	168	262	–
	Plant and machinery	–	37	683
	Furniture and fittings	–	2 485	–
	Gaming machines	287	–	–
	Site leasehold improvements	–	3 800	–
		<u>455</u>	<u>6 584</u>	<u>683</u>
	<i>Disposal of businesses (refer to note 32)</i>			
	Computer and office equipment	–	(343)	(860)
	Plant and machinery	(202 520)	(88)	(7)
	Plant under construction	(6 001)	–	–
	Land and buildings	(257 032)	–	–
	Furniture and fittings	(17 761)	(434)	(5 026)
	Motor vehicles	(4 745)	–	–
	Site leasehold improvements	–	(3 091)	(7 853)
		<u>(488 059)</u>	<u>(3 956)</u>	<u>(13 746)</u>
	<i>Disposals</i>			
	Computer and office equipment	(147)	(597)	(127)
	Plant and machinery	(790)	(2 596)	(2 017)
	Land and buildings	–	(5)	–
	Furniture and fittings	(2 515)	(489)	(451)
	Gaming machines	(9)	(1 217)	(938)
	Motor vehicles	(319)	(489)	(18)
	Motor vehicles under finance lease	(390)	(649)	(396)
	Site leasehold improvements	(4 825)	(111)	(9)
		<u>(8 995)</u>	<u>(6 153)</u>	<u>(3 956)</u>
	<i>Depreciation</i>			
	Computer and office equipment	(7 569)	(7 639)	(4 923)
	Plant and machinery	(4 697)	(19 267)	(22 660)
	Land and buildings	(515)	(1 598)	(1 537)
	Furniture and fittings	(7 030)	(14 248)	(13 609)
	Art	–	(3)	(3)
	Gaming machines	(74 061)	(77 051)	(55 149)
	Motor vehicles	(4 640)	(3 691)	(2 608)
	Motor vehicles under finance lease	(2 362)	(4 141)	(4 286)
	Gaming equipment and signage	(6 300)	(5 964)	(5 210)
	Site leasehold improvements	(21 827)	(25 107)	(14 578)
		<u>(129 001)</u>	<u>(158 709)</u>	<u>(124 563)</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group		
	2017 R'000	2016 R'000	2015 R'000
1. PROPERTY, PLANT AND EQUIPMENT <i>(continued)</i>			
<i>Transfers</i>			
Computer and office equipment	(111)	724	(1 217)
Plant and machinery	54	(17 274)	1 199
Land and buildings to investment property	(21 164)	–	(36)
Furniture and fittings	29	1 566	459
Gaming machines	(658)	14 692	–
Motor vehicles	–	95	–
Gaming equipment and signage	(70)	(737)	–
Site leasehold improvements	(1 022)	934	(405)
	<u>(22 942)</u>	<u>–</u>	<u>–</u>
<i>Exchange differences</i>			
Computer and office equipment	(14)	2	–
Furniture and fittings	73	(228)	(127)
Gaming machines	(22 270)	23 326	1 476
Gaming equipment and signage	2	(14)	9
Site leasehold improvements	–	–	16
	<u>(22 209)</u>	<u>23 086</u>	<u>1 374</u>
<i>Impairments</i>			
Computer and office equipment	(18)	(129)	(37)
Plant and machinery	(1 792)	(19)	–
Furniture and fittings	(693)	(1 145)	–
Gaming machines	(267)	(113)	(556)
Motor vehicles	–	(182)	–
Gaming equipment and signage	(9)	(7)	(348)
Site leasehold improvements	(970)	(6 461)	(3 896)
	<u>(3 749)</u>	<u>(8 056)</u>	<u>(4 837)</u>
<i>Balances at end of the year</i>			
Computer and office equipment	8 746	13 353	14 383
Plant and machinery	10 340	206 115	215 186
Plant under construction	–	2 666	1 275
Land and buildings	189 582	466 242	458 609
Furniture and fittings	18 978	41 932	42 118
Art	40 491	40 491	40 494
Gaming machines	291 148	316 578	249 842
Motor vehicles	17 068	14 913	15 252
Motor vehicles under finance lease	151	1 360	2 008
Gaming equipment and signage	15 809	18 450	17 848
Site leasehold improvements	66 889	82 522	93 492
	<u>659 202</u>	<u>1 204 622</u>	<u>1 150 507</u>

The Group recognised impairments of property, plant and equipment with a net book value of R3,7 million (2016: R8 million; 2015: R4,8 million) due to scrapping of assets not being in use anymore.

### *Encumbrance*

Details of the assets that serve as security for borrowings are presented in note 13.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group		
	2017 R'000	2016 R'000	2015 R'000
2. INVESTMENT PROPERTIES			
<i>Investment properties consist of:</i>			
Erf 1282, Middelburg, Mpumalanga, in extent 1 788 m <sup>2</sup>	3 942	3 900	3 900
Erf 5530, Grahamstown, Eastern Cape, in extent 578 m <sup>2</sup>	3 533	3 078	2 913
Erf 31403, Main Street House, Paarl, Western Cape, in extent 549 m <sup>2</sup>	3 986	-	-
Erf 11919, De Hoop Farm, Paarl, Western Cape, in extent 3,3 ha	4 560	-	-
Erf 31366, Picardie Farm, Paarl, Western Cape, in extent 16,4 ha	12 416	-	-
Erf 212, 213, 214, 223, 224, Klapmuts erven, in extent 5 502 m <sup>2</sup>	201	-	-
	<u>28 638</u>	<u>6 978</u>	<u>6 813</u>

Investment properties are stated at fair value.

The fair value of all the investment properties, totalling R28,6 million, was calculated based on internal valuations. The net rental income based valuation used by the external valuers in the prior years were updated internally for income from existing contracts and current operating costs per property. Net income per property were capitalised at a rate of 8.61% determined by the SA listed REIT return adjusted by the property location factor as per the M&M ideology.

At beginning of the year	6 978	6 813	3 900
Additions	92	165	2 913
Transfers from property, plant and equipment	21 164	-	-
Fair value adjustment	404	-	-
At end of the year	<u>28 638</u>	<u>6 978</u>	<u>6 813</u>
Rental income from investment properties	2 690	901	820
Direct operating expenses relating to rental income from investment properties	(1 627)	(254)	(192)

	Group		
	2017 R'000	2016 Restated R'000	2015 R'000
3. GOODWILL			
Arising on acquisition of shares in subsidiaries	59 944	56 444	60 360
<i>Reconciliation of carrying value</i>			
At beginning of the year	56 444	60 360	49 730
- Cost	64 977	60 703	50 073
- Accumulated impairment	(8 533)	(343)	(343)
Addition through business combination	7 458	14 904	10 630
Disposal of subsidiary	-	(10 630)	-
Impairment of goodwill	(3 958)	(8 190)	-
At end of the year	59 944	56 444	60 360
- Cost	72 435	64 977	60 703
- Accumulated impairment	(12 491)	(8 533)	(343)

Goodwill relates mainly to the Niveus Group's limited pay-out gaming (R51.7 million; 2016: R48.2 million; 2015: R49.7 million), sports betting (R8.2 million; 2016: R8.2 million; 2015: Rnil) and bingo (Rnil; 2016: Rnil; 2015: R10.6 million) cash-generating units.

The recoverable amounts of the cash-generating units were determined by value-in-use calculations, using cash flow projections covering a five-year period.

A growth rate of 4,5% was applied and cash flows were discounted at 16% (2016: 16%; 2015: 15%) due to the cash-generating units being in the gambling industry with similar risk and growth profiles. The discount rate includes a risk premium adjustment to the risk-free rate to reflect the higher expected returns of the gambling industry.

The following assumptions were applied when reviewing goodwill impairment:

Asset values were based on the carrying amounts for the financial period.

Future expected profits were estimated using historical information and approved budgets extending over five years.

Sales growths and gross margins were based on historical performance and known future prospects.

Costs were assumed to grow in line with expansion and expected inflation.

Cash flows were extended into perpetuity as management has no reason to believe that the Niveus Group will not continue past the budget period.

The impairment of R3,96 million related mainly to the subsidiaries acquired during the year as per note 31. The recoverable amounts of the cash-generating units were determined to be lower than the relevant portion of goodwill and were therefore impaired.

The recoverable amounts of the remaining cash-generating units were determined to be higher than the relevant portion of goodwill and therefore no further impairment was necessary.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Computer software R'000	Trademarks R'000	Bid costs R'000	Casino licence R'000	Total R'000
<b>4. INTANGIBLE ASSETS</b>					
Group 2017					
Carrying value at beginning of the year	5 400	55 133	10 109	5 845	76 487
Additions	2 962	5	340	-	3 307
Held for sale	(8)	-	(1 327)	-	(1 335)
Transfers	60	-	(1 902)	-	(1 842)
Foreign exchange differences	(7)	-	-	-	(7)
Disposals	(195)	-	-	-	(195)
Disposals of businesses	(1 740)	(54 741)	-	-	(56 481)
Amortisation	(400)	(392)	(662)	-	(1 454)
Carrying value at end of the year	6 072	5	6 558	5 845	18 480
Cost	15 105	5	9 494	5 845	30 449
Accumulated amortisation and impairments	(9 033)	-	(2 936)	-	(11 969)
	6 072	5	6 558	5 845	18 480
Group 2016 - Restated					
Carrying value at beginning of the year	2 459	58 620	10 355	5 845	77 279
Additions	576	-	1 917	-	2 493
Business combinations	3 500	-	-	-	3 500
Amortisation	(1 135)	(3 487)	(835)	-	(5 457)
Impairment	-	-	(1 328)	-	(1 328)
Carrying value at end of the year	5 400	55 133	10 109	5 845	76 487
Cost	27 110	85 138	13 998	5 845	132 091
Accumulated amortisation and impairments	(21 710)	(30 005)	(3 889)	-	(55 604)
	5 400	55 133	10 109	5 845	76 487
Group 2015					
Carrying value at beginning of the year	3 177	62 107	7 321	5 845	78 450
Additions	486	-	3 600	-	4 086
Amortisation	(1 204)	(3 487)	(566)	-	(5 257)
Carrying value at end of the year	2 459	58 620	10 355	5 845	77 279
Cost	22 477	85 138	12 081	5 845	125 541
Accumulated amortisation	(20 018)	(26 518)	(1 726)	-	(48 262)
	2 459	58 620	10 355	5 845	77 279

Refer to note 30 for contingent consideration payable on the casino licence.

The amortisation expense was included in the line item depreciation and amortisation in the statements of profit or loss.

The following useful lives were used in the calculation of amortisation:

Bid costs	10 to 12,5 years
Casino licence	Indefinite
Computer software	5 to 8 years
Trademarks	5 to 20 years

The recoverable amount of the casino licence was determined by a value-in-use calculation, using cash flow projections covering a five-year period. A growth rate of 4,5% was applied and cash flows were discounted at 16% (2016: 16%; 2015: 15%). The discount rate includes a risk premium adjustment to the risk-free rate to reflect the higher expected returns of the gambling industry. Future expected profits were estimated using historical information and approved budgets extending over five years. Cash flows were extended into perpetuity as management have no reason to believe that the casino will not continue past the budget period.

No intangible assets were pledged as security.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group					
	Group's interest		2015	Carrying value		
	2017	2016		2017 R'000	2016 R'000	2015 R'000
5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES						
The following are the Group's principal associates and joint ventures, all incorporated in South Africa:						
<i>Associates</i>						
Betcoza Online (RF) Proprietary Limited	-	-	25%	-	-	4 895
Brannas Draught Proprietary Limited	-	25%	-	-	1 099	-
EC Gaming Uitenhage Proprietary Limited	29%	29%	-	5 787	31	-
Galaxy Bingo Butterworth Proprietary Limited	49%	49%	-	7 611	8 923	-
Galaxy Bingo KWT Proprietary Limited	40%	40%	-	12 374	4	-
Galaxy Gaming and Entertainment Lydenburg Proprietary Limited	50%	50%	-	10 951	7 589	-
Galaxy Gaming Zone 4 EC Proprietary Limited	49%	49%	-	6 475	246	-
Newtown Grill Proprietary Limited	29%	29%	-	798	430	-
Galaxy Gaming Limpopo Proprietary Limited	29%	-	-	6 413	-	-
Galaxy Bingo Moruleng Proprietary Limited	40%	-	-	5 403	-	-
Niveus Invest 12 Proprietary Limited	50%	-	-	1 224	-	-
Paarl Valley Bottling Company Proprietary Limited	31%	31%	31%	13 470	12 734	12 097
VBet Western Cape Proprietary Limited	40%	-	-	1 137	-	-
<i>Joint ventures</i>						
Red Dawn IP Holdings Proprietary Limited	-	50%	50%	-	-	-
Red Dawn Wine Licensing Proprietary Limited	-	50%	-	-	4	-
Solamoyo Processing Company Proprietary Limited	-	40%	40%	-	4 340	4 701
Niveus Invest 15 Proprietary Limited	50%	-	-	2 064	-	-
				<u>73 707</u>	<u>35 400</u>	<u>21 693</u>

Galaxy Gaming and Entertainment Lydenburg Proprietary Limited and Niveus Invest 12 Proprietary Limited are classified as associates due to the group not being able to appoint 50% or more of the directors of the companies.

#### Equity interest

- Unlisted shares at cost less impairment	74 789	25 116	9 245
- Interest in post-acquisition reserves	(1 082)	5 298	7 572
	<u>73 707</u>	<u>30 414</u>	<u>16 817</u>

#### Loan

- Solamoya Processing Company Proprietary Limited	-	4 986	4 876
	<u>73 707</u>	<u>35 400</u>	<u>21 693</u>

The loan is unsecured, interest-free and has no fixed terms of repayment.

#### Reconciliation of investments in associates and joint ventures

At the beginning of the year	35 400	21 696	15 272
Disposal of interest	(5 418)	-	-
Share of net (losses)/profits of associates and joint ventures	(6 345)	(2 019)	1 474
Dividends received from associates	-	(255)	(236)
Change in control from associate to subsidiary	-	(4 758)	-
Acquisition of additional interest	55 088	21 029	6 648
Impairment of investment in joint venture	(6 971)	(400)	(903)
Loans advanced/(repaid)	1 953	110	(562)
	<u>73 707</u>	<u>35 400</u>	<u>21 693</u>

The summarised financial information in respect of the Group's principal associates and joint ventures is set out below:

Total assets	141 573	100 656	76 591
Total liabilities	(128 612)	(79 450)	(34 202)
Net assets	<u>12 961</u>	<u>21 206</u>	<u>42 389</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group		
	Carrying value		
	2017	2016	2015
	R'000	R'000	R'000
5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)			
<i>Reconciliation to carrying amount</i>			
Opening net assets – 1 April	21 206	42 389	35 980
Associates and joint ventures acquired	(361)	(16 238)	3 343
Associate acquired as subsidiary	–	(1 412)	–
(Loss)/profit for the year	(7 581)	(2 709)	3 906
Associates and joint ventures disposed	(303)	–	–
Dividends declared	–	(824)	(840)
Closing net assets – 31 March	12 961	21 206	42 389
Group share of net assets of associates and joint ventures	(2 250)	2 432	12 439
Loans to associates and joint ventures	66 272	19 759	–
Goodwill	9 685	8 223	4 378
Carrying amount	73 707	30 414	16 817
Revenue	148 839	134 743	117 833
Group's share of associates' and joint ventures' (losses)/profits for the year	(6 345)	(2 019)	1 474
Group's share of associates' and joint ventures' other comprehensive income	–	–	–

None of the Group's interests in associates and joint ventures are considered to be individually material.

	Interest			Company		
				Carrying value		
	2017	2016	2015	2017	2016	2015
				R'000	R'000	R'000
<i>The following are the Company's principal associates and joint ventures, all incorporated in South Africa:</i>						
Niveus Invest 15 Proprietary Limited	50%	–	–	2 029	–	–
				2 029	–	–
Equity interest						
– Unlisted shares at cost less impairment				2 029	–	–
– Interest in post-acquisition reserves				–	–	–
				2 029	–	–
Reconciliation of investments in associates and joint ventures						
At the beginning of the year				–	–	–
Loans advanced				2 029	–	–
				2 029	–	–
The summarised financial information in respect of the Company's principal associates and joint ventures is set out below:						
<i>Reconciliation to carrying amount</i>						
Opening net assets – 1 April				–	–	–
Closing net assets – 31 March				–	–	–
Group share of net assets of associates and joint ventures				–	–	–
Loans to associates and joint ventures				2 029	–	–
Goodwill				–	–	–
Carrying amount				2 029	–	–

None of the Company's interests in associates and joint ventures are considered to be individually material.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Country of incorporation	Ownership interest held			Company			
		2017	2016	2015	2017 R'000	2016 R'000	2015 R'000	
6.	INVESTMENTS IN SUBSIDIARIES							
6.1	COMPOSITION OF THE GROUP (MATERIAL SUBSIDIARIES)							
	<i>Shares</i>							
	Niveus AG	Switzerland	100%	100%	100%	60 124	60 124	60 124
	Galaxy Gaming and Entertainment Proprietary Limited	South Africa	–	100%	100%	–	–	–
	Niveus Invest 19 Limited	South Africa	100%	–	–	4 600 000	–	--
	Niveus Invest 1 Proprietary Limited	South Africa	–	100%	100%	–	–	–
	Niveus-La Concorde Holdings Proprietary Limited	South Africa	100%	100%	100%	1	1	1
	Vukani Gaming Corporation Proprietary Limited	South Africa	–	100%	100%	–	5 107	5 107
						4 660 125	65 232	65 232
	<i>Loans to subsidiaries</i>							
	– Amount receivable					543 789	921 150	801 068
	– Allowance for impairment					(76 026)	(238 405)	(177 565)
						467 754	682 745	623 503
	<i>Loans from subsidiaries</i>							
	– Amount payable					–	(171 338)	(20 294)
						5 127 897	576 639	668 441
	Non-current assets					5 127 897	747 977	688 735
	Current liabilities					–	(171 338)	(20 294)
						5 127 897	576 639	668 441

These loans are unsecured, interest-free and have no fixed terms of repayment, with the exception of the loans to Niveus Invest 3 Proprietary Limited and Niveus Invest 9 Proprietary Limited, which bear interest at prime plus 2% (2016: prime plus 2%; 2015: prime plus 2%).

Previously these loans were unsecured, interest-free and payable on demand, with the exception of the loans with Galaxy Gaming Eastern Cape Proprietary Limited, Bingo Vision Proprietary Limited, Niveus Invest 1 Proprietary Limited, Niveus Invest 3 Proprietary Limited and Niveus Invest 9 Proprietary Limited, which bore interest at prime plus 2% (2015: prime plus 2%) and Vukani Gaming Corporation Proprietary Limited, which bore interest at the three-month JIBAR plus a margin of 2.9% (2015: three-month JIBAR plus a margin of 2.9%) per annum.

Loans to subsidiaries amounting to R76 026 000 (2016: R238 405 000; 2015: R177 565 000) have been subordinated in favour of other creditors, until such time as the subsidiaries' assets, fairly valued, exceed its liabilities, or 1 April 2018.

Details of loans to and from subsidiaries are set out in note 29.2.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

### 6. INVESTMENTS IN SUBSIDIARIES (continued)

#### 6.2 SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTEREST

The Group includes the following subsidiary with material non-controlling interest (NCI):

Name	Proportion of NCI ownership			Profit/(loss) allocated to NCI			Accumulated NCI		
	2017	2016	2015	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
La Concorde Holdings Limited	42,4%	42,87%	42,87%	(123 757)	10 315	19 046	597 456	728 114	717 837

Set out below is the summarised financial information for the subsidiary that has a material non-controlling interest. Disclosed amounts are before inter-company eliminations.

	2017 R'000	2016 R'000	2015 R'000
<i>Non-current assets</i>	636 760	754 765	743 760
Current assets	803 514	1 314 254	1 320 089
Total assets	1 440 274	2 069 019	2 063 849
<i>Non-current liabilities</i>	20 530	140 182	120 517
Current liabilities	10 661	230 415	268 887
Total liabilities	31 191	370 597	389 404
Equity attributable to equity holders of the parent	811 627	970 308	956 608
Non-controlling interest	597 456	728 114	717 837
Revenue	572 243	1 224 214	1 155 385
(Loss)/profit for the year attributable to equity holders of the parent	(165 574)	13 747	25 198
(Loss)/profit for the year attributable to non-controlling interest	(123 757)	10 315	19 046
Other comprehensive income attributable to equity holders of the parent	–	(48)	30
Other comprehensive income attributable to non-controlling interest	–	(38)	22
Total comprehensive (loss)/income for the year	(289 331)	23 976	44 296
Cash flows from operating activities	46 585	3 353	(20 555)
Cash flows from investing activities	496 567	(46 128)	(35 603)
Cash flows from financing activities	4 436	16 395	–
Net cash flow	547 588	(26 380)	(56 158)

La Concorde Holdings Limited's figures include acquisition accounting entries.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

		Group		
		2017	2016	2015
		R'000	Restated R'000	R'000
7.	DEFERRED TAX			
	<i>Movements in deferred taxation</i>			
	At beginning of the year	(104 360)	(103 600)	(89 633)
	Charge to statement of profit or loss	49 476	(2 209)	(15 084)
	Accelerated tax allowances	39 009	(1 319)	1 015
	Provisions and accruals	(9 371)	(5 973)	(19)
	Prepayments	(321)	(441)	(77)
	Share based payment	1 546	-	-
	Assets revaluations	22 929	9 109	-
	Finance leases	(56)	(30)	53
	Assessed losses	(4 217)	(3 884)	(16 143)
	Straight-lining of leases	(43)	329	87
	Recognised directly in equity – share-based payment accruals	2 107	1 449	1 117
	Discontinued operations	59 680	-	-
	At end of the year	6 903	(104 360)	(103 600)
	<i>Analysis of deferred taxation</i>			
	Accelerated tax allowances	(23 075)	(121 767)	(118 702)
	Provisions and accruals	4 896	12 160	16 684
	Prepayments	(924)	(603)	(163)
	Assets revaluations	(818)	(23 748)	(34 602)
	Finance leases	116	172	202
	Assessed losses	24 387	28 607	32 491
	Straight-lining of leases	775	819	490
	Share based payment	1 546	-	-
		6 903	(104 360)	(103 600)
	<i>Disclosed as follows:</i>			
	Deferred taxation assets	28 251	25 650	16 991
	Deferred taxation liabilities	(21 348)	(130 010)	(120 591)
		6 903	(104 360)	(103 600)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group			Company		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
8. LOANS RECEIVABLE						
<i>Moody Blue Trade and Invest 124 Proprietary Limited</i>	2 768	2 768	2 768	-	-	-
The loan receivable is unsecured, interest-free and repayable through the offset of dividends declared by Vukani Gaming Gauteng Proprietary Limited.						
<i>Tuffsan Investments 1019 Proprietary Limited</i>	871	1 071	1 294	-	-	-
The loan receivable is unsecured, interest-free and repayable through the offset of dividends declared by Vukani Gaming Limpopo Proprietary Limited.						
<i>K2013049718 Proprietary Limited</i>	-	-	-	-	-	-
The loan receivable of R4,35 million is unsecured, bears interest at prime and is repayable on demand. The full loan balance was impaired at 31 March 2016.						
<i>Unsecured loans</i>						
The loans receivable are unsecured, interest-free, and repayable in monthly instalments of R230 000.	14 439	5 983	1 500	-	-	-
The loans receivable are unsecured, interest-free and payable on demand.	300	4 330	-	300	4 330	-
<i>The Bridge Grill Proprietary Limited</i>	14 079	12 567	8 480	-	-	-
The loan receivable is unsecured, interest-free and payable on demand.						
<i>Nivest Invest 4 Proprietary Limited</i>	2 817	35	35	-	-	-
The loan receivable is unsecured, interest-free and payable on demand.						
<i>Galaxy Gaming Limpopo Proprietary Limited</i>	-	416	-	-	-	-
The loan is unsecured, interest free and has no fixed terms of repayment. As at year-end R360 618 was subordinated.						
<i>Euro Blitz 1129 CC</i>	12	12	-	-	-	-
The loan is unsecured, interest free and has no fixed terms of repayment.						
<i>Blue Alley Trading 103 Proprietary Limited</i>	200	-	-	-	-	-
The loan is unsecured, interest free and has no fixed terms of repayment.						
<i>Promissory Notes</i>	630 967	-	-	-	-	-

On 14 October 2016, R575 million, approximately 50% of the purchase consideration for the sale of the KVV operational assets was paid by The buyer. The remainder of the purchase consideration is deferred and will be settled in three instalments on 1 October 2017, 1 October 2018 and 1 October 2019. The instalments are secured by way of Investec Bank payment obligations that carry interest at 8,5%, compounded annually.

The following entities were acquired during the year, with the loans eliminating on consolidation:

<i>Red Stripe Trading 107 Proprietary Limited</i>	-	-	5 968	-	-	-
<i>The Glen Restaurant Proprietary Limited</i>	-	-	2 261	-	-	-
	666 453	27 182	22 306	300	4 330	-
Less: Current portion of loans receivable	(218 947)	(2 839)	(17 944)	(300)	(229)	-
	447 506	24 343	4 362	-	4 101	-



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group			Company		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
10. TRADE AND OTHER RECEIVABLES						
Trade receivables	41 422	249 592	222 400	14 451	23	11 324
Trade receivables – Allowance for impairment	(6 944)	(9 711)	(10 623)	–	–	–
Net trade receivables	34 478	239 881	211 777	14 451	23	11 324
Short-term loans	87 462	57 240	50 848	–	–	–
Short-term loans – Allowance for impairment	(28 912)	(26 904)	(21 026)	–	–	–
Net short-term loans	58 550	30 336	29 822	–	–	–
Prepayments	16 203	15 292	18 329	191	179	193
Deposits and guarantees	3 247	26 620	23 240	–	–	–
Other receivables	5 865	7 504	12 426	–	–	4
Value-added taxation	4 247	8 509	24 569	–	–	–
	122 590	328 142	320 163	14 642	202	11 521

### *Fair value of trade and other receivables*

The carrying value approximates fair value due to the short period to maturity of these instruments.

The short-term loans are unsecured, interest-free and repayable in weekly instalments over periods ranging from 4 to 52 weeks.

### *Trade receivables and short-term loans past due but not impaired*

At 31 March 2017, trade receivables and short-term loans of R5,4 million (2016: R10,8 million; 2015: R10,7 million) were past due but not impaired. These relate mainly to a number of customers for whom there is no recent history of default. The aging of these trade receivables and short-term loans is as follows:

Amounts in 7 to 21 days	520	41	347
Amounts in 21 to 28 days	19	7 197	5 081
Amounts in 28 to 36 days	897	–	122
Amounts in 36 days plus	3 960	3 584	5 152
	5 396	10 822	10 702

### *Impairment of trade receivables and short-term loans*

At 31 March 2017, trade receivables of R 6,9 million (2016: R 9,7 million; 2015: R10.6 million) and short-term loans of R28,9 million (2016: R26,9 million; 2015: R21 million) were impaired. Impaired trade receivables and short-term loans relate to debtors that have been handed over to attorneys for collection and certain debtors that have been outstanding for longer than the agreed credit terms.

### *Movements on the allowance for impairment of trade receivables and short-term loans are as follows:*

At beginning of the year	36 615	31 649	20 118
Impairments recognised in profit and loss	2 645	6 981	14 049
Allowance utilised	(3 404)	(2 015)	(2 518)
At end of the year	35 856	36 615	31 649

For both trade and other receivables, the creation and release of allowance for impaired receivables have been included in other operating expenses and income in the statement of profit or loss. Amounts charged to the allowance account are written off when there is no expectation of recovery.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group			Company		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
10. TRADE AND OTHER RECEIVABLES (continued)						
<i>The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:</i>						
SA rand	122 271	198 978	230 573	14 642	202	11 521
US dollar	-	89 196	13 725	-	-	-
Euro	72	1 176	60 021	-	-	-
British pound	-	8 691	3 105	-	-	-
Canadian dollar	-	8 169	4 922	-	-	-
Japan yen	-	3 390	6 958	-	-	-
Swiss franc	247	18 542	859	-	-	-
	122 590	328 142	320 163	14 642	202	11 521

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as shown above.

	Group			
	Impaired R'000	Past due, but not impaired R'000	Fully performing R'000	Total R'000
Credit risk				
Trade receivables and short-term loans: 2017				
Gross amounts owing	35 856	5 396	87 632	128 884
Less: Allowance for impairment	(35 856)	-	-	(35 856)
Net amount owing	-	5 396	87 632	93 028
Credit insurance for amounts owing				
Unsecured debt/Exposure to credit risk	-	5 396	87 632	93 028
Credit rating on unsecured debt:				
B: Good for the amount quoted	-	5 396	87 632	93 028
	-	5 396	87 632	93 028
Trade receivables and short-term loans: 2016				
Gross amounts owing	36 615	10 822	259 395	306 832
Less: Allowance for impairment	(36 615)	-	-	(36 615)
Net amount owing	-	10 822	259 395	270 217
Credit insurance for amounts owing	-	(7 640)	(187 662)	(195 302)
Unsecured debt/Exposure to credit risk	-	3 182	71 733	74 915
Credit rating on unsecured debt:				
Ba: Capable of meeting normal commitments	-	810	5 741	6 551
B: Good for the amount quoted	-	1 678	57 450	59 128
C: Good for the amount quoted – if strictly in the way of business	-	694	8 542	9 236
Trade receivables and short-term loans: 2015				
Gross amounts owing	31 649	10 702	230 897	273 248
Less: Allowance for impairment	(31 649)	-	-	(31 649)
Net amount owing	-	10 702	230 897	241 599
Credit insurance for amounts owing	-	(7 586)	(176 807)	(184 393)
Unsecured debt/Exposure to credit risk	-	3 116	54 090	57 206
Credit rating on unsecured debt:				
Ba: Capable of meeting normal commitments	-	937	3 855	4 792
B: Good for the amount quoted	-	1 079	46 441	47 520
C: Good for the amount quoted – if strictly in the way of business	-	1 100	3 794	4 894

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

		Niveus			
		Impaired R'000	Past due, but not impaired R'000	Fully performing R'000	Total R'000
Credit risk					
Trade receivables and short-term loans: 2017					
10.	TRADE AND OTHER RECEIVABLES (continued)				
Credit risk					
Trade receivables: 2017					
Gross amounts owing		-	-	14 451	14 451
Less: Allowance for impairment		-	-	-	-
Net amount owing		-	-	14 451	14 451
Credit insurance for amounts owing		-	-	-	-
Unsecured debt/Exposure to credit risk		-	-	14 451	14 451
Credit rating on unsecured debt:		-	-	14 451	14 451
B: Good for the amount quoted		-	-	14 451	14 451
Trade receivables: 2016					
Gross amounts owing		-	-	23	23
Less: Allowance for impairment		-	-	-	-
Net amount owing		-	-	23	23
Credit insurance for amounts owing		-	-	-	-
Unsecured debt/Exposure to credit risk		-	-	23	23
Credit rating on unsecured debt:		-	-	23	23
B: Good for the amount quoted		-	-	23	23
Trade receivables: 2015					
Gross amounts owing		-	-	11 324	11 324
Less: Allowance for impairment		-	-	-	-
Net amount owing		-	-	11 324	11 324
Credit insurance for amounts owing		-	-	-	-
Unsecured debt/Exposure to credit risk		-	-	11 324	11 324
Credit rating on unsecured debt:		-	-	11 324	11 324
B: Good for the amount quoted		-	-	11 324	11 324

Niveus Group and Niveus							
		2017 Number of shares '000	2016 Number of shares '000	2015 Number of shares '000	2017 Stated capital R'000	2016 Stated capital R'000	2015 Stated capital R'000
11.	STATED CAPITAL						
Authorised							
Ordinary shares of no par value		500 000	500 000	500 000	-	-	-
Issued							
In issue in Company at year-end		119 163	119 163	116 957	925 399	925 399	867 756
Details of the issued stated capital and changes during current and prior the year are as follows:							
At beginning of the year		119 163	116 957	115 512	925 399	867 756	837 002
Capitalisation issued in respect of dividend declared		-	-	1 445	-	-	30 754
Shares issued in respect of share options exercised		-	456	-	-	12 493	-
Shares issued in respect of specific issue		-	1 750	-	-	45 150	-
At end of the year		119 163	119 163	116 957	925 399	925 399	867 756

Details of options over shares are set out in Note 27.

The unissued shares are under the control of the directors until the next annual general meeting.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	FCTR R'000	General reserve R'000	Common control reserve R'000	Equity reserve R'000	Share- based payment reserve R'000	Total R'000
12. OTHER RESERVES						
Group 2017						
At beginning of the year	28 688	307	(84 881)	799	8 904	(46 183)
Equity-settled share-based payments	-	-	-	-	7 304	7 304
Exchange differences on translation of foreign subsidiaries	(20 725)	-	-	-	-	(20 725)
Transfers from/(to) accumulated profits	-	-	-	(799)	(5 585)	(6 384)
At end of the year	7 963	307	(84 881)	-	10 623	(65 988)
Group 2016						
At beginning of the year	4 761	-	(84 881)	577	9 327	(70 216)
Equity-settled share-based payments	-	-	-	-	7 278	7 278
Exchange differences on translation of foreign subsidiaries	23 927	-	-	-	-	23 927
Transfers from/(to) accumulated profits	-	307	-	222	(7 701)	(7 172)
At end of the year	28 688	307	(84 881)	799	8 904	(46 183)
Group 2015						
At beginning of the year	2 453	-	(84 881)	(190)	5 647	(76 971)
Equity-settled share-based payments	-	-	-	-	6 194	6 194
Exchange differences on translation of foreign subsidiaries	2 744	-	-	-	-	2 744
Transfers from accumulated profits	(451)	-	-	767	(2 514)	(2 198)
Effects of changes in holding	15	-	-	-	-	15
At end of the year	4 761	-	(84 881)	577	9 327	(70 216)
Company 2017						
At beginning of the year					4 202	4 202
Equity-settled share-based payments					2 984	2 984
Transfer to retained earnings					(2 853)	(2 853)
At end of the year					4 333	4 333
Company 2016						
At beginning of the year					3 966	3 966
Equity-settled share-based payments					2 934	2 934
Transfer to retained earnings					(2 698)	(2 698)
At end of the year					4 202	4 202
Company 2015						
At beginning of the year					3 321	3 321
Equity-settled share-based payments					3 159	3 159
Transfer to retained earnings					(2 514)	(2 514)
At end of the year					3 966	3 966

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group		
	2017 R'000	2016 R'000	2015 R'000
13. BORROWINGS			
<i>Bank borrowings</i>			
Capital and capitalised commitment fee	243 766	305 148	273 929
Interest capitalised	996	5 586	4 862
Unamortised raising fee	(627)	136	(304)
	244 135	310 870	278 487
Current portion of borrowings	(38 512)	(217 887)	(17 454)
	205 623	92 983	261 033
Secured	244 135	310 870	278 487

A loan facility of R185 million was obtained from Investec Bank Limited on 19 December 2011. The facility was fully settled on 19 December 2016. The facility bore interest at the three-month Johannesburg Interbank Agreed Rate (JIBAR) plus a margin of 2.6% (2015: 2.6%) Interest was payable semi-annually in arrears. The loan/facility was secured by a R185 million guarantee from the Company's ultimate holding company, Hosken Consolidated Investments Limited.

A loan facility of R215 million was obtained from FirstRand Bank Limited on 8 August 2014. The facility bore interest at the three-month JIBAR plus a margin of 2.9% (2015: 2.9%). Interest was payable quarterly in arrears. The loan amount was repayable in equal quarterly payments. This loan facility was settled in full and replaced on 19 December 2016 by the two facilities entered into with FirstRand Bank Limited and Sanlam Life Insurance Limited as described below. The same security was provided for these new loans.

A loan facility of R103 million was obtained from FirstRand Bank Limited on 15 December 2016. The facility bears interest at the three month JIBAR plus a margin of 2.9%. FirstRand is entitled to adjust the margin for capital adequacy, reserve assets or similar requirements pursuant to any changes to the application or interpretation of any law or regulation including the International Convergence of Capital Measurements and Capital Standards or any similar regulation. The interest payable under the facility is calculated on a daily basis and compounded monthly. The facility and interest thereon is payable on the following basis:

- 1) Interest is payable quarterly in arrears, with the first payment date being 15 March 2017.
- 2) Capital repayments on the facility will take place through 11 equal quarterly capital payments of R9.4 million, commencing on 15 March 2017.

A loan facility of R167 million was obtained from FirstRand Bank Limited and Sanlam Life Insurance Limited on 15 December 2016. The facility bears interest at the three month JIBAR plus a margin of 2.75%. Previously a loan facility of R215 million was obtained from FirstRand Bank Limited on 8 August 2014.

FirstRand is entitled to adjust the margin for capital adequacy, reserve assets or similar requirements pursuant to any changes to the application or interpretation of any law or regulation including the International Convergence of Capital Measurements and Capital Standards or any similar regulation. The interest payable under the facility is calculated on a daily basis and compounded monthly. The facility and interest thereon is payable on the following basis:

- 1) Interest is payable quarterly in arrears, with the first payment date being 15 March 2017.
- 2) The capital amount will be repaid with a bullet payment of R167 million during December 2021.

The investment in La Concorde Holdings Limited is pledged as security for both facilities.

Guarantees are provided jointly and severally by the following companies for both facilities:

Niveus Investments Limited  
 Niveus - La Concorde Holdings Proprietary Limited  
 The Marco Polo Gaming Proprietary Limited  
 Metro Bingo (Johannesburg) Proprietary Limited  
 Galaxy Bingo Developments Proprietary Limited  
 Bingo Vision Proprietary Limited  
 Vukani Gaming Corporation Proprietary Limited  
 Vukani Gaming Mpumalanga Proprietary Limited  
 Vukani Gaming KwaZulu-Natal Proprietary Limited  
 Vukani Gaming Western Cape Proprietary Limited  
 Luck at It KwaZulu-Natal Proprietary Limited

As at 31 March, the carrying value of borrowings approximates their fair value.

	Group		
	2017 R'000	2016 R'000	2015 R'000
Maturity of these borrowings is as follows:			
Due within one year	38 512	217 887	17 454
Due within two to five years	205 623	92 983	261 033
	244 135	310 870	278 487
Weighted average effective interest rates	10.17%	9.06%	8.75%

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group			Company		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
14. FINANCE LEASE LIABILITIES						
Due within one year	545	1 429	2 291			
Less future finance charges	(13)	(30)	(60)			
Present value of finance lease liabilities	532	1 399	2 231			
Due within one year	532	1 399	2 231			
Included in financial statements as:						
Current	532	1 399	2 231			
Non-current	-	-	-			
	532	1 399	2 231			

Finance leases were entered into with Fleet Africa Proprietary Limited during the 2013 financial year, and amended in subsequent years, by one of the group's subsidiaries. The average lease term of the finance lease contracts is three years and the effective borrowing rate is 10,5% (2016: 10,5%; 2015: 9%) per annum. The obligations under the finance leases are secured by the motor vehicles. The carrying amount of the motor vehicles purchased under the finance lease is R544 000 (2016: R1,4 million; 2015: R2 million). Refer to note 1 for further details. The monthly repayment amounts to R162 062 (2016: R390 811; 2015: R400 800).

15. TRADE AND OTHER PAYABLES						
Trade creditors	137 940	250 072	233 546	5 813	6 176	35 797
Short-term loans	8 582	4 612	4 008	-	-	-
Payroll accruals	8 092	14 725	16 865	-	-	184
Other accruals	46 662	62 972	64 044	31 018	7 326	4 269
Excise duty	-	45 422	124 654	-	-	-
Value-added taxation	5 434	5 525	7 295	2 294	1 560	235
	206 710	383 328	450 412	39 125	15 062	40 485
Non-current portion of accruals	-	(6 932)	(5 823)	-	(6 932)	(3 457)
	206 710	376 396	444 589	39 125	8 130	37 028

### *Fair value of trade and other payables*

The carrying value approximates fair value due to the short period to settlement of these obligations.

## 16. COMMITMENTS

### *Operating lease arrangements where the Group is a lessee:*

Future operating lease charges for premises:

- Payable within one year	30 870	30 914	31 024
- Payable within two to five years	66 092	87 966	94 704
- Payable after five years	10 982	9 259	3 046
	107 944	128 139	128 774

### *Capital expenditure*

Authorised by directors but not yet contracted for:

- Property, plant and equipment	209 878	123 837	166 223
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Authorised by directors and contracted to be expended:

- Property, plant and equipment	30 278	107 633	54 962
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It is intended that this expenditure will be funded from bank finance and operating cash flows.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group			Company		
	2017 R'000	2016 Restated R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
17. REVENUE						
Sale of goods	85 330	72 797	1 204 323	-	-	-
Machine rental	1 309	2 144	1 025	-	-	-
	<u>86 639</u>	<u>74 941</u>	<u>1 205 348</u>	<u>-</u>	<u>-</u>	<u>-</u>
18. INVESTMENT INCOME						
<i>Dividends</i>						
Subsidiaries	-	-	-	140 000	-	180 000
<i>Interest</i>						
Subsidiaries	-	-	-	29 651	29 352	16 607
Financial institutions	54 073	3 969	5 801	485	412	324
	<u>54 073</u>	<u>3 969</u>	<u>5 801</u>	<u>30 136</u>	<u>29 764</u>	<u>16 931</u>
	<u>54 073</u>	<u>3 969</u>	<u>5 801</u>	<u>170 136</u>	<u>29 764</u>	<u>196 931</u>
19. STAFF COSTS						
Salaries and wages	158 777	137 476	280 136	-	-	-
Retirement benefits – defined contribution	6 333	19 570	19 144	-	-	-
Share-based payments	12 850	4 702	3 863	-	-	-
	<u>177 960</u>	<u>161 748</u>	<u>303 143</u>	<u>-</u>	<u>-</u>	<u>-</u>
20. FINANCE COSTS						
Bank loans and finance leases	30 332	29 977	24 211	-	-	-
Subsidiaries	-	-	-	12 850	12 378	6 235
Other	-	-	6	-	-	-
	<u>30 332</u>	<u>29 977</u>	<u>24 217</u>	<u>12 850</u>	<u>12 378</u>	<u>6 235</u>
21. PROFIT/(LOSS) BEFORE TAXATION						
The following items have been included in arriving at profit/(loss) before taxation:						
Consultancy fees	13 182	6 802	11 361	-	1 770	580
Depreciation, amortisation and asset impairments	128 992	140 385	134 657	-	-	-
Fair value adjustment on investment property	(404)	-	-	-	-	-
Foreign currency gains	(4 230)	-	(31 318)	-	-	-
Foreign currency losses	1 307	8 104	38	-	-	-
Gaming levies	201 746	178 652	157 683	-	-	-
Impairment of goodwill	3 958	8 190	-	-	-	-
Impairment of investment in joint venture	6 971	-	903	-	-	-
Impairment of loan receivables	702	397	6 998	480	397	3 955
Impairment of loans to subsidiaries	-	-	-	(162 377)	60 840	93 461
Impairment of trade receivables – charged to allowance	3 933	4 966	11 531	-	-	-
Impairment/(reversal of impairment) of loans to subsidiaries	(6 074)	6 781	-	(4 281 510)	-	-
Management fee buy-out	-	45 150	-	-	-	-
Operating lease charges						
– Plant and equipment	181	-	5 009	-	-	-
– Premises	40 920	46 071	40 949	-	-	42
Operating lease income	(5 345)	(4 941)	(3 908)	-	-	-
(Profit)/loss on disposal of property, plant and equipment	(519)	1 622	76	-	-	-
Raw materials and consumables	34 281	-	784 492	-	-	-
Remeasurement of remaining investment in associate	-	1 094	-	-	-	-
Repairs and maintenance	7 903	18 360	22 378	-	-	-
Staff costs	177 960	161 748	303 143	6 647	-	-
VAT on net gaming win	140 656	117 684	102 917	-	-	-

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Niveus Group			Niveus		
	2017 R'000	2016 Restated R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
22. TAXATION						
<b>Continuing operations</b>						
Current normal tax	60 535	48 321	59 046	–	–	–
Current normal tax – Under-/ (over)provision prior years	29	255	(804)	–	180	–
Deferred tax	10 776	1 571	15 153	–	–	–
Deferred tax – Under-/ (over)provision prior years	–	–	(69)	–	–	–
Total tax charge as per statement of profit and loss	71 340	50 147	73 326		180	
<b>Discontinued operations</b>						
Current normal tax	19 145	11 460	–	–	–	–
Deferred tax	(122 171)	–	–	–	–	–
Total tax charge as per note 32	(103 026)	11 460			180	
	(31 686)	61 607	73 326		180	–

Various subsidiaries have incurred operating losses, which resulted in losses for tax purposes. Deferred tax assets have not been raised unless it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

Assessed losses for tax purposes available for set-off against future taxable income for which deferred tax assets have not been raised at 28%:

– Normal tax	292 690	361 784	212 169	30 997	45 254	–
Tax relief at current rates:						
– Normal tax	82 183	101 524	59 561	8 679	12 671	–
<i>Reconciliation of tax rate</i>	%	%	%	%	%	%
Normal tax rate	28.0	28.0	28.0	28.0	28.0	28.0
Adjustment for foreign taxation	8.9	(4.8)	(1.7)	–	–	–
Capital losses and non-deductible expenses	(17.5)	10.7	6.0	(0.2)	(23.5)	35.8
Change in capital gains tax rate	–	1.5	–	–	–	–
Capital gains tax rate	(1.4)					
Deferred tax not raised on losses	(8.8)	31.4	19.7	–	(12.9)	2.1
Losses/(income) from associates and joint ventures	(1.3)	0.5	(0.3)	–	–	–
Non-taxable income	0.7	(1.8)	(0.2)	(28.1)	8.4	(65.9)
Prior year charges	0.7	0.3	(0.5)	–	(0.2)	–
Raising of deferred tax assets not previously raised and utilising of tax losses	10.7	(13.7)	(7.2)	(0.1)	–	–
Effective rate	20.0	52.1	43.8	(0.0)	(0.2)	–

Profit before tax from continuing operations	271 147	83 639
(Loss)/profit before tax from discontinued operations	(429 280)	34 575
Total profit before tax	(158 133)	118 214
Total tax from continuing and discontinued operations	(31 686)	61 607
Effective tax rate	20.0%	52.1%

	2017 Number of shares '000	2016 Number of shares '000	2015 Number of shares '000
23. EARNINGS PER SHARE			
23.1 WEIGHTED AVERAGE NUMBER OF SHARES			
Basic earnings	119 163	118 133	116 402
Adjustment for:			
Share options	746	257	1 965
Used in the calculation of diluted earnings per share	119 909	118 390	118 367
	2017 cents	2016 cents	2015 cents
Headline earnings per share	179.2	58.6	72.4
– Continuing operations	155.3	47.1	72.4
– Discontinued operations	23.9	11.5	–
Diluted headline earnings per share	178.1	58.5	71.2
– Continuing operations	154.4	47.0	71.2
– Discontinued operations	23.7	11.5	–





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group			Company		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
24. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)						
24.4 BUSINESS COMBINATIONS/DISPOSALS OF SUBSIDIARIES						
24.4.1 ACQUISITIONS						
Property, plant and equipment	(455)	(6 584)	(683)			
Intangible assets	-	(650)	-			
Trade and other receivables	(544)	(2 263)	-			
Inventory	-	(264)	(53)			
Cash and cash equivalents	(466)	(2 131)	(435)			
Trade and other payables	3 057	2 071	3 557			
Other current liabilities	-	1 418	3 693			
Loans with Group companies	4 790	13 680	3 049			
Equity at acquisition	6 382	5 277	9 128			
Non-controlling interest	(1 596)	812	-			
Goodwill on acquisition	(7 458)	(15 846)	(10 630)			
Cost of acquisition	(2 672)	(9 757)	(1 502)			
Derecognition of fair value of associate	-	4 758	-			
Deposit for share previously paid	2 672	-	-			
Cash and cash equivalents at date of acquisition	466	2 131	435			
Net cash inflow/(outflow)	466	(2 868)	(1 067)			
24.4.2 DISPOSALS - GROUP						
Net assets disposed of	(6 074)	(3 849)	-			
Goodwill	-	10 630	-			
Gain/(loss) on disposal of subsidiary	6 074	(6 781)	-			
Less: Cash and cash equivalents disposed of	-	(449)	(1 227)			
Net cash outflow	-	(449)	(1 227)			
24.4.3 DISPOSALS - COMPANY						
Proceeds on disposal of shares				4 286 616	-	-
Investment in Niveus Invest 19 Limited				11 461	-	-
Loan accounts				4 275 155	-	-
Vukani Gaming Corporation Proprietary Limited				3 140 699	-	-
Galaxy Gaming and Entertainment Proprietary Limited				1 090 693	-	-
Niveus Invest 1 Proprietary Limited				43 763	-	-
Cost of shares				(5 106)	-	-
Profit on sale of shares				4 281 510	-	-
24.5 CASH AND CASH EQUIVALENTS						
Bank balances and deposits	708 734	161 071	132 286	319	557	25

### Fair value of cash and cash equivalents

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	2017		2016		2015	
	Direct and indirect beneficial		Direct and indirect beneficial		Direct and indirect beneficial	
	Number	Percentage holding %	Number	Percentage holding %	Number	Percentage holding %
25. DIRECTORS' INTEREST						
31 March						
<i>Executive directors</i>						
A van der Veen	870 559	0.7	870 559	0.7	870 559	0.8
MM Loftie-Eaton	196 941	0.2	196 941	0.2	140 659	0.1
<i>Non-executive directors</i>						
JA Copelyn	7 173 840	6.0	7 173 840	6.0	7 173 840	6.1
KI Mampeule	960 250	0.8	960 250	0.8	960 250	0.8
	9 201 590	7.7	9 201 590	7.7	9 145 308	7.8

No change occurred in the directors' interest from 31 March 2017 to the date of the approval of the annual financial statements other than noted in the directors' report.

	Niveus board fees R'000	HCI board fees R'000	Salary R'000	Other benefits R'000	Gains from share options R'000	Bonus R'000	Total R'000
26. DIRECTORS' EMOLUMENTS							
Year ended 31 March 2017							
<i>Executive directors</i>							
A van der Veen	-	-	4 217	839	20 636	2 741	28 433
MM Loftie-Eaton	-	-	1 827	45	6 085	1 188	9 145
	-	-	6 044	884	26 721	3 929	37 578
<i>Non-executive directors</i>							
JA Copelyn	129	-	6 493	833	3 803	4 870	16 128
JG Ngcobo	129	392	-	-	-	-	521
LM Molefi	129	392	-	-	-	-	521
KI Mampeule	129	-	-	-	-	-	129
Y Shaik	129	-	3 355	-	1 311	2 181	6 976
Paid by Hosken Consolidated Investments Limited's subsidiaries not in the Niveus Group	-	(784)	(9 848)	(833)	(5 114)	(7 051)	(23 630)
	645	-	6 044	884	26 721	3 929	38 223

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Niveus board fees R'000	HCI board fees R'000	Salary R'000	Other benefits R'000	Gains from share options R'000	Bonus R'000	Total R'000
26. DIRECTORS' EMOLUMENTS (continued)							
Year ended 31 March 2016							
<i>Executive directors</i>							
A van der Veen	-	-	3 970	745	4 922	1 548	11 185
MM Loftie-Eaton	-	-	1 603	40	1 515	1 042	4 200
	-	-	5 573	785	6 437	2 590	15 385
<i>Non-executive directors</i>							
JA Copelyn	126	-	6 114	877	3 488	2 752	13 357
JG Ngcobo	126	369	-	-	-	-	495
LM Molefi	126	369	-	-	-	-	495
KI Mampeule	126	-	-	-	-	-	126
Y Shaik	126	-	3 159	-	1 212	1 232	5 729
Paid by Hosken Consolidated Investments Limited's subsidiaries not in the Niveus Group	-	(738)	(9 273)	(877)	(4 700)	(3 984)	(19 572)
	630	-	5 573	785	6 437	2 590	16 015
Year ended 31 March 2015							
<i>Executive directors</i>							
A van der Veen	-	-	3 742	700	5 138	1 824	11 404
MM Loftie-Eaton	-	-	1 400	38	1 477	819	3 734
	-	-	5 142	738	6 615	2 643	15 138
<i>Non-executive directors</i>							
JA Copelyn	120	-	5 763	1 404	3 497	3 242	14 026
JG Ngcobo	120	347	-	-	-	-	467
LM Molefi	120	347	-	-	-	-	467
KI Mampeule	120	-	-	-	-	-	120
Y Shaik	120	-	2 978	-	1 157	9 995	14 250
Paid by Hosken Consolidated Investments Limited's subsidiaries not in the Niveus Group	-	(694)	(8 741)	(1 404)	(4 654)	(13 237)	(28 730)
	600	-	5 142	738	6 615	2 643	15 738

Refer to note 27.1 for realised gains on share options exercised.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance			Options granted			Options exercised			Closing balance		
	Number	Strike price	Number	Strike price	Vesting date	Number	Exercise date	Share price (R) on exercise date	Realised gain	Number	Strike price	
<b>27. SHARE OPTIONS</b>												
<i>DIRECTORS</i>												
Year ended 31 March 2017												
<b>27.1 A van der Veen</b>												
HCI shares	99 184	70.00				(471 878)	16-Jan-17	36.25	10 301 097	99 184	70.00	
Niveus shares <sup>®</sup>	471 878	14.38										
Niveus shares <sup>®</sup>	43 828	23.51								43 828	23.51	
Niveus shares <sup>®</sup>	414 795	22.18								414 795	22.18	
Niveus shares <sup>®</sup>	283 233	24.03								283 233	24.03	
Niveus shares <sup>®</sup>	–	–	244 962	33.73	10-Jan-20					244 962	33.73	
<b>JA Copelyn</b>												
HCI shares	308 571	70.00				(103 607)	27-Feb-17	134.10	2 842 920	308 571	70.00	
HCI shares	103 607	118.06										
HCI shares	12 631	150.07								12 631	150.07	
HCI shares	72 864	135.99								72 864	135.99	
HCI shares	102 442	123.49								102 442	123.49	
HCI shares	–	–	123 956	117.03	26-Sep-19					123 956	117.03	
<b>MM Loftie-Eaton</b>												
Niveus shares <sup>®</sup>	148 269	14.38				(148 269)	16-Jan-17	36.25	3 236 712	–	–	
Niveus shares <sup>®</sup>	87 416	23.51								87 416	23.51	
Niveus shares <sup>®</sup>	8 671	22.18								8 671	22.18	
Niveus shares <sup>®</sup>	51 344	26.88								51 344	26.88	
Niveus shares <sup>®</sup>	27 145	24.03								27 145	24.03	
Niveus shares <sup>®</sup>	–	–	89 825	33.73	10-Jan-20					89 825	33.73	
<b>Y Shaik</b>												
HCI shares	39 695	125.02								39 695	125.02	
HCI shares	39 695	125.02								39 695	125.02	
HCI shares	39 696	125.02								39 696	125.02	
HCI shares	7 354	123.49								7 354	123.49	
HCI shares	–	–	8 369	117.03	26-Sep-19					8 369	117.03	

\* Share options may only be net equity-settled. The strike price reduces with the amount of dividend per share declared between grant date and exercise date.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance			Options granted			Options exercised			Closing balance		
	Number	Strike price	Number	Strike price	Vesting date	Number	Exercise date	Share price (R) on exercise date	Realised gain	Number	Strike price	
<b>27. SHARE OPTIONS</b>												
<b>27.1 DIRECTORS</b>												
Year ended 31 March 2016												
<i>A van der Veen</i>												
HCI shares	99 184	70.00				(882 546)	23-Sep-15	26.70	10 599 377	99 184	70.00	
Niveus shares <sup>®</sup>	882 546	6.16										
Niveus shares <sup>®</sup>	471 878	14.38								471 878	14.38	
Niveus shares <sup>®</sup>	43 828	23.51								43 828	23.51	
Niveus shares <sup>®</sup>	414 795	22.18								414 795	22.18	
Niveus shares <sup>®</sup>	–	–	283 233	24.03	23-Sep-18					283 233	24.03	
<i>J.A Copelyn</i>												
HCI shares	308 571	70.00				(137 015)	10-Jun-15	157.73	13 186 386	308 571	70.00	
HCI shares	137 015	72.32				(136 471)	24-Nov-15	134.78	9 234 991			
HCI shares	136 471	77.24										
HCI shares	103 607	118.06								103 607	118.06	
HCI shares	12 631	150.07								12 631	150.07	
HCI shares	72 864	135.99								72 864	135.99	
HCI shares	–	–	102 442	123.49	27-Aug-18					102 442	123.49	
<i>MM Loftie-Eaton</i>												
Niveus shares <sup>*</sup>	92 986	6.11				(92 986)	17-Jun-15	28.48	2 281 876			
Niveus shares <sup>®</sup>	106 757	6.11				(106 757)	23-Sep-15	26.70	1 287 489			
Niveus shares <sup>®</sup>	148 269	14.38								148 269	14.38	
Niveus shares <sup>®</sup>	87 416	23.51								87 416	23.51	
Niveus shares <sup>®</sup>	8 671	22.18								8 671	22.18	
Niveus shares <sup>®</sup>	–	–	51 344	26.88	23-Jun-18					51 344	26.88	
Niveus shares <sup>®</sup>	–	–	27 145	24.03	23-Sep-18					27 145	24.03	
<i>Y Shaik</i>												
HCI shares	39 695	125.02								39 695	125.02	
HCI shares	39 695	125.02								39 695	125.02	
HCI shares	39 696	125.02								39 696	125.02	
HCI shares	–	–	7 354	123.49	27-Aug-18					7 354	123.49	

\* Share options may be gross or net equity-settled. The share option price for purposes of calculating the number of shares is not limited to a maximum amount. The option strike price reduces by the amount of dividend declared per share between grant date and exercise date. A three-year interest-free loan is offered to settle the strike price.

® Share options may only be net equity-settled. The strike price reduces with the amount of dividend per share declared between grant date and exercise date.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance			Options granted			Options exercised			Closing balance		
	Number	Strike price	Number	Strike price	Vesting date	Number	Exercise date	Share price (R) on exercise date	Realised gain	Number	Strike price	
<b>27. SHARE OPTIONS (continued)</b>												
<b>27.1 DIRECTORS (continued)</b>												
Year ended 31 March 2015												
<i>A van der Veen</i>												
HCI shares	99 184	70.00								99 184	70.00	
Niveus shares <sup>®</sup>	886 059	6.16				(886 059)	31-Mar-15	23.99	10 535 242	–	–	
Niveus shares <sup>®</sup>	882 546	6.16								882 546	6.16	
Niveus shares <sup>®</sup>	471 878	14.38								471 878	14.38	
Niveus shares <sup>®</sup>	–	–	43 828	23.51	10-Sep-17					43 828	23.51	
Niveus shares <sup>®</sup>	–	–	414 795	22.18	31-Mar-18					414 795	22.18	
<i>JA Copely/n</i>												
HCI shares	308 571	70.00								308 571	70.00	
HCI shares	137 015	72.32								137 015	72.32	
HCI shares	136 471	77.24								136 471	77.24	
HCI shares	103 607	118.06								103 607	118.06	
HCI shares	–	–	12 631	150.07	27-Aug-17					12 631	150.07	
HCI shares	–	–	72 864	135.99	18-Mar-18					72 864	135.99	
<i>MMM Lofite-Eaton</i>												
Niveus shares <sup>*</sup>	92 986	6.11				(92 986)	12-Aug-14	25	260 875	–	–	
Niveus shares <sup>®</sup>	31 502	6.11				(31 502)	31-Mar-15	23.99	376 134	–	–	
Niveus shares <sup>*</sup>	92 986	6.11								92 986	6.11	
Niveus shares <sup>®</sup>	106 757	6.11								106 757	6.11	
Niveus shares <sup>®</sup>	148 269	14.38								148 269	14.38	
Niveus shares <sup>®</sup>	–	–	87 416	23.51	10-Sep-17					87 416	23.51	
Niveus shares <sup>®</sup>	–	–	8 671	22.18	31-Mar-18					8 671	22.18	
<i>Y Shaik</i>												
HCI shares	–	–	39 695	125.02	19-Mar-17					39 695	125.02	
HCI shares	–	–	39 695	125.02	19-Mar-18					39 695	125.02	
HCI shares	–	–	39 696	125.02	19-Mar-19					39 696	125.02	

\* Share options may be gross or net equity-settled. The share option price for purposes of calculating the number of shares is not limited to a maximum amount. The option strike price reduces by the amount of dividend declared per share between grant date and exercise date. A three-year interest-free loan is offered to settle the strike price.

® Share options may only be net equity-settled. The strike price reduces with the amount of dividend per share declared between grant date and exercise date.

The HCI share options were granted by Hosken Consolidated Investments Limited for the services rendered to Hosken Consolidated Investments Limited. As a result no IFRS 2 cost is recognised in these financial statements.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

### 27. SHARE OPTIONS (continued)

#### 27.1 DIRECTORS (continued)

The grant date fair value of the Niveus share options granted were determined using the Black-Scholes valuation model. The significant inputs into the model were the listed share price on grant date, volatility of 50,99% (2016: 52,00%; 2015: 52,31%) and an annual risk-free rate of 8,13% (2016: 7,99%; 2015: 7,39%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of the daily share price since Niveus shares were listed on the Johannesburg Stock Exchange in September 2012. The options have a vesting period of three years from grant date.

	2017 R'000	2016 R'000	2015 R'000
Group and Company			
Equity-settled share-based payment expense for the year	2 984	2 934	3 159

#### 27.2 KEY PERSONNEL OF SUBSIDIARIES

The group adopted the Niveus employee share scheme, a new share option scheme, approved by the Niveus shareholders on 23 April 2013, in terms of which shares of Niveus are offered on a share option basis to participants, provided they remain in the Group's employment until the options vest. Any gain realised on the exercise of these options is settled on a net equity basis, whereby the participant receives that number of shares that equates in value to the gain made on exercise date.

	Number of share options		
	2017	2016	2015
Outstanding at the beginning of the year	1 697 590	2 111 517	1 642 576
Granted during the year	307 258	726 694	503 943
Vested and exercised during the year	(291 136)	(1 140 621)	-
Lapsed during the year	(368 122)	-	(35 002)
Outstanding at the end of the year	1 345 590	1 697 590	2 111 517

Share options outstanding at the end of the year have the following details:

Number of share options

Grant date	Vesting date	Expiry date	Strike price	Maximum exercise price	2017	2016	2015
10-Sep-12	10-Sep-15	10-Dec-15	7.12	17.52	-	-	1 140 621
11-Sep-12	10-Sep-16	10-Dec-16	7.12	23.65	-	96 666	96 666
12-Sep-12	10-Sep-17	10-Dec-17	7.12	31.93	53 334	96 666	96 666
10-Sep-13	10-Sep-16	10-Dec-16	15.30	37.64	-	273 621	273 621
01-Aug-14	01-Aug-17	01-Nov-17	24.26	59.68	25 000	58 333	58 333
01-Aug-14	01-Aug-18	01-Nov-18	24.26	80.57	25 000	58 333	58 333
01-Aug-14	01-Aug-19	01-Nov-19	24.26	108.77	25 000	58 334	58 334
10-Sep-14	10-Sep-17	10-Dec-17	23.51	57.84	227 180	302 819	302 819
16-Mar-15	16-Mar-18	16-Jun-18	22.99	56.56	26 124	26 124	26 124
22-May-15	22-May-18	22-Aug-18	23.64	58.16	212 735	236 068	-
22-May-15	22-May-19	22-Aug-19	23.64	78.52	20 000	43 333	-
22-May-15	22-May-20	22-Aug-20	23.64	106.00	20 000	43 334	-
23-Sep-15	23-Sep-18	23-Dec-18	24.03	59.12	403 959	403 959	-
10-Jan-17	10-Jan-20	10-Apr-20	33.73	82.99	257 633	-	-
10-Jan-17	10-Jan-21	10-Apr-21	33.73	112.04	24 812	-	-
10-Jan-17	10-Jan-22	10-Apr-22	33.73	151.25	24 813	-	-
					1 345 590	1 697 590	2 111 517

The grant date fair value of the share options granted were determined using the Black-Scholes valuation model. The significant inputs into the model were the listed share price on grant date, volatility of 50,99% (2016: 51,09%; 2015: 52,18%) and an annual risk-free rate of 8,13% (2016: 8,06%; 2015: 7,04%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of the daily share price since Niveus shares were listed on the Johannesburg Stock Exchange in September 2012.

Options vested and exercised during the year resulted in no shares being issued as the options were settled via cash.

The aggregate number of Niveus shares which may be utilised for the scheme is 10 500 000 of which 455 964 have been utilised since the adoption of the scheme.

	2017 R'000	2016 R'000	2015 R'000
Group			
Equity-settled share-based payment expense for the year	2 212	2 897	1 917

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

		Group		
		2017 R'000	2016 R'000	2015 R'000
28.	SEGMENT INFORMATION			
	The following are the summarised results for the various reportable operating segments:			
	Revenue			
	<b>Continuing operations</b>	86 639	74 941	1 205 348
	Gaming and entertainment	81 294	71 544	49 963
	Property	5 345	3 397	–
	Beverages	–	–	1 155 385
	<b>Discontinued operations</b>	566 945	1 224 661	–
	Beverages	566 898	1 224 214	–
	Gaming and entertainment	47	447	–
		<b>653 584</b>	<b>1 299 602</b>	<b>1 205 348</b>
	<b>Net gaming win</b>			
	<b>Continuing operations</b>			
	Gaming and entertainment	1 322 610	1 162 298	999 695
	<b>Discontinued operations</b>			
	Gaming and entertainment	4 000	4 469	–
		<b>1 326 610</b>	<b>1 166 767</b>	<b>999 695</b>
	<b>EBITDA</b>			
	<b>Continuing operations</b>	387 195	267 463	319 836
	Gaming and entertainment	441 409	354 449	266 064
	Beverages	–	–	92 152
	Head office	(47 054)	(79 220)	–
	Other	–	–	(38 380)
	Property	(7 160)	(7 766)	–
	<b>Discontinued operations</b>	79 926	68 520	–
	Beverages	81 725	75 111	–
	Gaming and entertainment	(1 799)	(6 591)	–
		<b>467 121</b>	<b>335 983</b>	<b>319 836</b>
	<b>Depreciation and amortisation</b>			
	<b>Continuing operations</b>	125 243	132 458	129 820
	Gaming and entertainment	122 865	129 931	98 837
	Head office	120	28	–
	Beverages	–	–	30 976
	Other	–	–	7
	Property	2 258	2 499	–
	<b>Discontinued operations</b>	5 212	31 708	–
	Beverages	3 911	29 982	–
	Gaming and entertainment	1 301	1 726	–
		<b>130 455</b>	<b>164 166</b>	<b>129 820</b>
	<b>Profit/(loss) before tax</b>			
	<b>Continuing operations</b>	271 147	83 639	167 334
	Gaming and entertainment	279 393	169 987	127 276
	Beverages	–	–	61 678
	Other	–	–	(21 620)
	Head office	(44 610)	(76 975)	–
	Property	36 364	(9 373)	–
	<b>Discontinued operations</b>	(429 280)	34 575	–
	Beverages	(426 177)	44 342	–
	Gaming and entertainment	(3 103)	(9 767)	–
		<b>(158 133)</b>	<b>118 214</b>	<b>167 334</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group		
	2017 R'000	2016 R'000	2015 R'000
<b>Headline earnings</b>			
<b>Continuing operations</b>	185 080	55 636	84 253
Gaming and entertainment	208 987	135 444	93 304
Head office	(43 990)	(76 304)	(36 009)
Beverages	–	–	26 958
Property	20 083	(3 504)	–
<b>Discontinued operations</b>	28 425	13 565	–
Beverages	31 528	20 150	–
Gaming and entertainment	(3 103)	(6 585)	–
	<u>213 505</u>	<u>69 201</u>	<u>84 253</u>
<b>Assets</b>			
Gaming and entertainment	811 637	823 536	719 442
Property/Beverages	1 016 290	2 068 626	2 063 702
Head office	550 227	85 803	69 617
	<u>2 378 154</u>	<u>2 977 965</u>	<u>2 852 761</u>
<b>Liabilities</b>			
Gaming and entertainment	439 195	511 258	436 996
Property/Beverages	31 168	370 373	389 123
Head office	23 577	15 836	40 997
	<u>493 940</u>	<u>897 467</u>	<u>867 116</u>
<b>Fixed asset additions</b>			
Gaming and entertainment	108 628	156 616	233 334
Property/Beverages	19 567	44 628	38 339
Head office	885	75	34
	<u>129 080</u>	<u>201 319</u>	<u>271 707</u>
<b>Group revenue is attributable to the following geographical areas:</b>			
<b>Continuing operations</b>	86 639	74 941	1 205 348
Republic of South Africa	83 964	73 244	708 239
Europe and the United Kingdom	–	–	327 764
Africa (excl. South Africa)	2 675	1 697	95 698
Rest of the world	–	–	73 647
<b>Discontinued operations</b>	566 945	1 224 661	–
Republic of South Africa	328 819	736 266	–
Europe and the United Kingdom	135 214	304 863	–
Africa (excl. South Africa)	30 359	60 243	–
Rest of the world	72 553	123 289	–
	<u>653 584</u>	<u>1 299 602</u>	<u>1 205 348</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

### 29. RELATED PARTY INFORMATION

Related parties

Holding company:

Hosken Consolidated Investments Limited

Subsidiaries of holding company:

Euphorbia Proprietary Limited

Gallagher Convention Centre Limited

HCI Managerial Services Proprietary Limited

HCI Coal Proprietary Limited

Johnnic Holdings Management Services Proprietary Limited

Limtech Biometric Solutions Proprietary Limited

Subsidiaries of Niveus Group:

Betcoza Online (RF) Proprietary Limited

Bingo Vision Proprietary Limited

Cherry Moss Trade and Invest 188 Proprietary Limited

Galaxy Gaming Eastern Cape Proprietary Limited

Jacaranda Royal Casino Limited

La Concorde South Africa Proprietary Limited

Niveus AG

Galaxy Gaming and Entertainment Proprietary Limited

Niveus Invest 1 Proprietary Limited

Niveus Invest 3 Proprietary Limited

Niveus Invest 9 Proprietary Limited

Niveus Invest 14 Proprietary Limited

Niveus Invest 15 Proprietary Limited

Niveus Invest 19 Limited

Niveus Managerial Services Proprietary Limited

Niveus-La Concorde Holdings Proprietary Limited

Vukani Gaming Corporation Proprietary Limited

Associates:

Paarl Valley Bottling Company Proprietary Limited

Minority shareholders of subsidiaries:

Bukiwe Ndema

Euro Blitz 1129 CC

K2011104255 Proprietary Limited

Moody Blue Trade and Invest 124 Proprietary Limited

Tuffsan Investments 1019 Proprietary Limited

Yaounde Investments Proprietary Limited

Zamori 356 Proprietary Limited

Key management

Senior management subsidiaries

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group			Company		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
29. RELATED PARTY INFORMATION (continued)						
29.1 RELATED PARTY TRANSACTIONS						
<b>Management fees received from/(paid to)</b>						
Bukiwe Ndema	-	-	(326)	-	-	-
Bingo Vision Proprietary Limited	-	-	-	11 788	6 918	6 829
Euro Blitz 1129 CC	-	-	(237)	-	-	-
Johnnic Holdings Management Services Proprietary Limited	(3 099)	(54 395)	(16 654)	(3 099)	(54 395)	(16 654)
K2011104255 Proprietary Limited	(461)	(505)	(476)	-	-	-
La Concorde South Africa Proprietary Limited	-	-	-	3 435	3 210	2 940
Vukani Gaming Corporation Proprietary Limited	-	-	-	9 049	7 160	7 630
Yaounde Investments Proprietary Limited	(1 384)	(1 406)	(1 428)	-	-	-
Zamori 356 Proprietary Limited	(1 845)	(1 875)	(2 792)	-	-	-
<b>Sales of goods and services</b>						
HCl Managerial Services Proprietary Limited	-	33	164	-	-	-
La Concorde South Africa Proprietary Limited	-	-	-	-	76	-
Zamori 356 Proprietary Limited	-	65	-	-	-	-
<b>Salary recoveries</b>						
HCl Managerial Services Proprietary Limited	(258)	(372)	(120)	-	(372)	(120)
Bingo Vision Proprietary Limited	-	-	-	2 352	9 533	-
Johnnic Holdings Management Services Proprietary Limited	(13 639)	(13 334)	(15 966)	(10 083)	(8 255)	(7 872)
Vukani Gaming Corporation Proprietary Limited	-	-	-	1 204	2 961	-
<b>Purchases of goods and services</b>						
Gallagher Convention Centre Limited	(74)	(75)	(122)	-	-	-
HCl Managerial Services Proprietary Limited	-	(321)	(224)	-	-	-
La Concorde South Africa Proprietary Limited	-	-	-	-	(96)	(308)
Limtech Biometric Solutions Proprietary Limited	(167)	(122)	(338)	-	-	-
<b>Rent paid</b>						
Euphorbia Proprietary Limited	(2 118)	(2 120)	(442)	-	-	-
La Concorde South Africa Proprietary Limited	(638)	-	-	-	(44)	(41)
<b>Interest received/(paid)</b>						
Bingo Vision Proprietary Limited	-	-	-	25 751	18 572	11 740
Niveus AG	-	-	-	-	-	66
Niveus Invest 1 Proprietary Limited	-	-	-	(1 608)	8 979	3 798
Niveus Invest 3 Proprietary Limited	-	-	-	2 202	1 385	969
Niveus Invest 9 Proprietary Limited	-	-	-	1 691	415	-
Vukani Gaming Corporation Proprietary Limited	-	-	-	(11 234)	(12 379)	(6 235)
<b>Dividends paid</b>						
K2011104255 Proprietary Limited	(500)	(500)	(500)	-	-	-
Tuffsan Investments 1019 Proprietary Limited	(1 950)	(1 650)	(1 650)	-	-	-
Yaounde Investments Proprietary Limited	(1 500)	(1 500)	(1 500)	-	-	-
Zamori 356 Proprietary Limited	(2 000)	(2 000)	(2 000)	-	-	-
<b>Key management compensation</b>						
Salaries and other short-term benefits	(8 805)	(8 517)	(11 256)	-	-	-
Share options	(14 931)	(3 847)	(3 184)	-	-	-

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group			Company		
	2017 R'000	2016 R'000	2015 R'000	2017 R'000	2016 R'000	2015 R'000
29. RELATED PARTY INFORMATION (continued)						
29.2 RELATED PARTY BALANCES						
<b>Year-end balances arising from sales/purchases of goods/services</b>						
Betcoza Online (RF) Proprietary Limited	-	-	-	-	11	-
Bukiwe Ndema	-	-	(326)	-	-	-
Bingo Vision Proprietary Limited	-	-	-	13 439	-	10 890
Euro Blitz 1129 CC	-	-	(237)	-	-	-
HCI Coal Proprietary Limited	6	-	-	-	-	-
HCI Managerial Services Proprietary Limited	-	(288)	63	-	(288)	-
Johnnic Holdings Management Services Proprietary Limited	(5 658)	(5 880)	(35 768)	(5 442)	(5 880)	(35 768)
K2011104255 Proprietary Limited	-	(39)	(40)	-	-	-
La Concorde South Africa Proprietary Limited	-	-	-	1 014	1	(1)
Yaounde Investments Proprietary Limited	-	(116)	(119)	-	-	-
Zamori 356 Proprietary Limited	-	(177)	(1 073)	-	-	-
<b>Loans receivable/(payable)</b>						
Bingo Vision Proprietary Limited (before impairment provision of Rnil (2016: R87 636 719; 2015: R65 901 009)	-	-	-	-	198 434	112 650
Cherry Moss Trade and Invest 188 Proprietary Limited (before impairment provision of R51 177 382 (2016: R48 492 914; 2015: R31 924 850)	-	-	-	57 239	51 362	40 749
Galaxy Gaming Eastern Cape Proprietary Limited	-	-	-	-	8 330	19 544
Moody Blue Trade and Invest 124 Proprietary Limited	2 768	2 768	2 768	-	-	-
Galaxy Gaming and Entertainment Proprietary Limited (before impairment provision of Rnil (2016: R61 668 075; 2015: R60 914 919)	-	-	-	-	124 876	124 876
Niveus Invest 1 Proprietary Limited (before impairment provision of Rnil (2016: R23 776 130; 2015: R8 077 713)	-	-	-	-	81 138	71 039
Niveus Invest 3 Proprietary Limited (before impairment provision of R19 831 494 (2016: R12 993 538; 2015: R10 745 723)	-	-	-	23 088	12 994	10 746
Niveus Invest 9 Proprietary Limited (before impairment provision of R3 462 638 (2016: R2 280 926; 2015: Rnil)	-	-	-	17 634	13 145	-
Niveus Invest 14 Proprietary Limited	-	-	-	317	-	-
Niveus Invest 15 Proprietary Limited	-	-	-	2 029	-	-
Niveus Invest 19 Limited	-	-	-	9 492	-	-
Niveus- La Concorde Holdings Proprietary Limited	-	-	-	423 971	419 535	419 526
Niveus Managerial Services Proprietary Limited (before impairment provision of R1 554 827 (2016: R1 554 827; 2015: Rnil)	-	-	-	12 041	11 338	1 938
Tuffsan Investments 1019 Proprietary Limited	871	1 071	1 294	-	-	-
Vukani Gaming Corporation Proprietary Limited	-	-	-	-	(171 338)	(20 294)

### 30. CONTINGENT LIABILITIES

#### Group

In terms of the purchase agreement for the Kuruman Casino Licence, an additional R4 million is payable if certain performance conditions are met.

#### Company

Bank deposits of R2 million (2016: R2 million; 2015: R2 million) have been pledged to support guarantees issued by the Company's bankers in favour of a certain South African provincial gaming board for the due and punctual fulfilment of the licence obligations under which certain Group subsidiaries operates.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

		Principal activity	Date of acquisition	Proportion of shares acquired
31.	BUSINESS COMBINATIONS/DISPOSALS			
31.1	SUBSIDIARIES ACQUIRED			
	Slots and Keno Limited	Gaming	2016/10/01	75%
<b>Group</b>				
		2017 R'000	2016 R'000	2015 R'000
31.2	BETCOZA ONLINE (RF) PROPRIETARY LIMITED – COST OF ACQUISITION, NET CASH FLOW ON ACQUISITION AND ANALYSIS OF ASSETS AND LIABILITIES ACQUIRED			
	<i>Non-current assets</i>			
	Property, plant and equipment	–	87	
	Intangible assets	–	3 500	
	<i>Current assets</i>			
	Trade and other receivables	–	353	
	Cash and cash equivalents	–	1 901	
	<i>Current liabilities</i>			
	Trade and other payables	–	(1 579)	
	Deferred tax	–	(638)	
	Equity at acquisition	–	3 624	
	Non-controlling interest	–	(2 082)	
	Goodwill on acquisition	–	8 215	
	Cost of acquisition	–	9 757	
	Derecognition of provisional fair value of associate	–	(4 758)	
	Cash balances acquired	–	(1 901)	
	Net cash outflow on acquisition	–	3 098	

Effective 1 December 2015, an additional 25,1% of the ordinary share capital of Betcoza Online (RF) Proprietary Limited, was acquired by a Group subsidiary increasing its shareholding to 50,1% and obtained control of Betcoza Online (RF) Proprietary Limited. The effective shareholding held by the Group is 42,59%.

The acquisition of a controlling interest in Betcoza Online (RF) Proprietary Limited qualified as a business combination in terms of IFRS 3: Business Combinations. Comparative figures as at 31 March 2016 were determined based on all information available at the acquisition date ("provisional accounting"). This provisional accounting was adjusted for new information obtained within the timeframe of 12 months after the acquisition date. In terms of IAS 8: Accounting policies, Changes in Accounting Estimates and Errors, the adjustments to fair values have been applied retrospectively. The comparative figures have been restated to present the prior year figures as if the acquisition accounting was finalised in the prior year. Also refer to note 35.

### 31.3 SLOTS AND KENO LIMITED - COST OF ACQUISITION, NET CASH FLOW ON ACQUISITION AND ANALYSIS OF ASSETS AND LIABILITIES ACQUIRED

	<i>Non-current assets</i>		
	Property, plant and equipment	455	–
	<i>Current assets</i>		
	Trade and other receivables	544	–
	Cash and cash equivalents	466	–
	<i>Current liabilities</i>		
	Trade and other payables	(3 057)	–
	Borrowings	(4 790)	–
	Equity at acquisition	(6 382)	–
	Non-controlling interest	1 596	–
	Goodwill on acquisition	7 458	–
	Cost of acquisition	2 672	–
	Deposit for shares previously paid	(2 672)	–
	Cash balances acquired	466	–
	Net cash outflow on acquisition	466	–

The purchase price of the business acquired includes amounts in relation to the benefit of expected synergies, revenue growth and the assembled workforce of these businesses. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. None of the goodwill recognised is expected to be deductible for income tax purposes.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

		Group		
		2017	2016	2015
		R'000	R'000	R'000
31.	BUSINESS COMBINATIONS/DISPOSALS (continued)			
	31.4 IMPACT OF THE ACQUISITIONS ON THE RESULTS OF THE GROUP			
	The business acquired during October 2016 contributed revenues of R1,9 million and net losses before tax of R1,2 million to the group for the periods from date of effective control to 31 March 2017. Had the acquisition been effective on 1 April 2016 the contribution to revenue would have been R3,2 million and a loss before tax of R6,7 million.			
	31.5 PROCEEDS ON DISPOSAL, NET CASH FLOW ON DISPOSAL AND ANALYSIS OF ASSETS AND LIABILITIES DISPOSED OF VBET WESTERN CAPE PROPRIETARY LIMITED			
	Net liabilities sold	(6 074)	-	
	Proceeds on disposal	-	-	
	Gain on disposal	<u>(6 074)</u>	<u>-</u>	
32.	DISCONTINUED OPERATIONS			
	Operating assets of KVV			
	During May 2016, it was decided to dispose of the operating assets of KVV to the Vasari group. Revenue and expenses, and gains and losses relating to these assets have been removed from the results of continuing operations and are shown as a single line item on the face of the consolidated statement of profit or loss ("Net result from discontinued operations"). The operating results of the discontinued operations and the loss on sale of assets were as follows:			
	Revenue	566 898	1 224 214	
	Other income and operating costs	(485 173)	(1 149 103)	
	Share of losses of associates and joint ventures	-	(653)	
	Investment income	411	1 886	
	Depreciation and amortisation	(3 911)	(29 982)	
	Impairment of investment in joint venture	(85)	(400)	
	Loss on disposal of business	(503 629)	-	
	Finance costs	(688)	(1 620)	
	(Loss)/profit before taxation	<u>(426 177)</u>	<u>44 342</u>	
	Taxation	103 025	(11 460)	
	(Loss)/profit from discontinued operations	<u>(323 152)</u>	<u>32 882</u>	
	Cash flows from discontinued operations			
	Cash flows from operating activities	34 407	11 914	
	Cash flows from investing activities	(16 766)	(41 880)	
	Cash flows from financing activities	-	16 395	
		<u>17 641</u>	<u>(13 571)</u>	
	Assets of disposal group sold			
	Property, plant and equipment	488 060		
	Intangible assets	56 481		
	Investment in associates	5 463		
	Inventory	1 052 928		
	Trade and other receivables	212 504		
	Current income taxes	7		
	Derivative financial instruments	25 594		
	Bank and cash balances	54 517		
		<u>1 895 554</u>		
	Liabilities of disposal group sold			
	Trade and other payables	(205 637)		
	Derivative financial instruments	(5 992)		
	Other	(51)		
		<u>(211 680)</u>		
	Net asset value of disposal group	<u>1 683 874</u>		

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group		
	2017 R'000	2016 R'000	2015 R'000
32. <i>DISCONTINUED OPERATIONS</i> (continued)			
Cash disposed of	54 517		
Net cash received as consideration	520 483		
Cash received as consideration	575 000		
Promissory notes receivable as consideration	605 245		
Total consideration received	<u>1 180 245</u>		
Shares in gaming businesses			
During March 2017, it was contracted to dispose of subsidiaries Jacaranda Royal Casino Limited, Vslots Lesotho (Proprietary) Limited and VSlots Swaziland (Proprietary) Limited. Revenue and expenses, and gains and losses relating to these assets have been removed from the results of continuing operations and are shown as a single line item on the face of the consolidated statement of profit or loss ("Net result from discontinued operations"). The operating results of the discontinued operations and the loss on sale of assets were as follows:			
Revenue	47	447	
Net gaming win	4 000	4 469	
Other income and operating costs	(5 846)	(11 507)	
Investment income	–	19	
Depreciation and amortisation	(1 301)	(1 726)	
Impairment of assets	–	(1 457)	
Finance costs	(3)	(12)	
Loss from discontinued operations	<u>(3 103)</u>	<u>(9 767)</u>	
Remeasurement of disposal group	–	–	
Net result from discontinued operations	<u>(3 103)</u>	<u>(9 767)</u>	
Cash flows from discontinued operations			
Cash flows from operating activities	(2 216)	(4 602)	
Cash flows from investing activities	1 571	(1 301)	
	<u>(645)</u>	<u>(5 903)</u>	
Assets of disposal group classified as held for sale			
Property, plant and equipment	1 718		
Intangible assets	1 335		
Trade and other receivables	1 261		
Bank and cash balances	1 105		
	<u>5 419</u>		
Liabilities of disposal group classified as held for sale			
Trade and other payables	(2 419)		
Financial liabilities	(40)		
	<u>(2 459)</u>		
Net asset value of disposal group	<u>2 960</u>		
Fair value less cost to sell ITO IFRS 5	2 960		
Fair value of disposal group assets	5 419		
Fair value of disposal group liabilities	(2 459)		
Remeasurement of disposal group	<u>–</u>		

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

### 33. FINANCIAL RISK MANAGEMENT

#### 33.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures.

##### 33.1.1 MARKET RISK

###### Currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, US dollar, Canadian dollar, Japanese yen, Swiss franc and the UK pound. Foreign exchange risk arises from exposure in the foreign operations due to trading transactions in currencies other than the functional currency. There is a translation risk arising from the consolidation of the results of foreign subsidiaries in South African rand, the holding company's reporting currency.

Foreign currency forward contracts are entered into to protect existing assets and liabilities against movements in exchange rates or to hedge future cash flows of high probability. Although hedge accounting is not applied, Group policy provides that all transactions of the South African operating subsidiaries are hedged as soon as any material foreign currency exposure arises.

Foreign currency forward contracts or other appropriate derivatives are also entered into when management considers it appropriate to establish economic hedges for future sales transactions. Forward contracts are not entered into for speculative purposes.

	Contracted foreign amount FC'000	Average exchange rate	Total contracted amount R'000	Foreign currency payable R'000	Uncovered as at 31 March R'000
Contracts to buy foreign currency					
Group 2017					
Euro	-	-	-	738	(738)
Group 2016					
British pound	-	-	-	153	(153)
Canadian dollar	-	-	-	611	(611)
Danish kroner	-	-	-	50	(50)
Euro	-	-	-	84 793	(84 793)
Hong Kong dollar	-	-	-	99	(99)
Japanese yen	-	-	-	1 976	(1 976)
US dollar	732	14,83	10 854	34 727	(23 873)
			10 854	122 409	(111 555)
Group 2015					
British pound	-	-	-	728	(728)
Canadian dollar	-	-	-	1 151	(1 151)
Danish kroner	-	-	-	8	(8)
Euro	-	-	-	4 369	(4 369)
US dollar	-	-	-	263	(263)
			-	6 519	(6 519)



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

### 33. FINANCIAL RISK MANAGEMENT (continued)

#### 33.1 FINANCIAL RISK FACTORS (continued)

##### 33.1.1 MARKET RISK (continued)

	Average rate			Reporting date		
	2017	2016	2015	2017	2016	2015
The following significant exchange rates applied during the year:						
Euro	15,48	15,21	13,99	14,33	16,91	13,11
Swiss franc	14,19	14,16	11,75	13,40	15,41	12,38

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2017 compared to 2016.

	Profit/(loss)		
	2017 R'000	2016 R'000	2015 R'000
British pound	–	484	1 398
Canadian dollar	–	1 167	2 148
Danish kroner	–	(5)	(1)
Euro	(1 378)	48 837	27 665
Hong Kong dollar	–	10	–
Japanese yen	–	1 020	2 548
Swiss franc	136	346	86
US dollar	1 659	3 579	7 479

A 10% weakening of the functional currency against the above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The following carrying amounts were exposed to foreign currency exchange risk:

#### **Trade and other receivables**

British pound	–	1 176	3 105
Canadian dollar	–	8 169	4 922
Euro	72	89 196	60 021
Japanese yen	–	8 691	6 958
Swiss franc	247	3 390	859
US dollar	–	18 542	13 725
	<b>319</b>	<b>129 164</b>	<b>89 590</b>

#### **Bank and cash balances**

British pound	–	401	428
Canadian dollar	–	828	116
Euro	10 827	25 274	11 478
Japanese yen	–	741	–
Swiss franc	313	74	–
US dollar	16 593	1 073	6 197
	<b>27 733</b>	<b>28 391</b>	<b>18 219</b>

#### **Trade and other payables**

British pound	–	153	263
Canadian dollar	–	611	728
Danish kroner	–	50	8
Euro	35 161	8 825	17 498
Hong Kong dollar	–	99	–
Japanese yen	–	1 976	–
US dollar	–	2 471	8 447
	<b>35 161</b>	<b>14 185</b>	<b>26 944</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

### 33. FINANCIAL RISK MANAGEMENT (continued)

#### 33.1 FINANCIAL RISK FACTORS (continued)

##### 33.1.1 MARKET RISK (continued)

###### Interest rate risk

Due to significant cash investments, movements in market interest rates influence income. Interest rate risk is managed by the Group treasury function by using approved counterparties that offer the best rates.

The Company and its subsidiary companies are exposed to interest rate risk due to long-term debt.

At 31 March the interest rate profile of the Group's interest-bearing financial instruments was:

	Group			Company		
	Carrying amount			Carrying amount		
	2017	2016	2015	2017	2016	2015
	R'000	R'000	R'000	R'000	R'000	R'000
<i>Variable rate instruments</i>						
Bank balances	708 734	161 071	132 286	319	557	25
Loans to subsidiaries	–	–	–	–	206 764	132 194
Loans from subsidiaries	–	–	–	–	171 338	20 294
Loans receivable	5	4 353	3 960	5	4 353	3 960
Borrowings	244 135	310 870	278 487	–	–	–
Finance lease liabilities	532	1 399	2 231	–	–	–
	953 406	477 693	416 964	324	383 012	156 473

Fair value sensitivity analysis for variable rate instruments:

###### Group

A change of 100 basis points in interest rates would have increased or decreased profit after tax by R7.7 million (2016: R1.05 million, 2015: R0.7 million).

###### Company

A change of 100 basis points in interest rates would have increased or decreased profit after tax by R296 000 (2016: R1.06 million, 2015: R834 000).

###### Other price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is not exposed to significant price risk.

##### 33.1.2. CREDIT RISK

The Group has no significant concentrations of credit risk. Overall credit risk is managed at subsidiary level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to the Group's customer base, including outstanding receivables and committed transactions. For banks and financial institutions, only Group audit committee approved parties are accepted. The Group has policies that limit the amount of credit exposure to any financial institution. Trade receivables comprise a large, widespread customer base and the Group performs ongoing credit evaluations of the financial condition of its customers. The utilisation of credit limits is monitored regularly. Refer to notes 8 and 10 for further credit risk analysis in respect of loans receivable and trade and other receivables. No credit limits were exceeded during the year under review, and management does not expect any losses from non-performance by these counterparties.

##### 33.1.3 LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury functions of the major subsidiaries aim to maintain flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity headroom on the basis of expected cash flows and the resultant borrowing position compared to available credit facilities. This process is performed during each financial year-end for five years into the future in terms of the Group's long-term planning process.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

### 33. FINANCIAL RISK MANAGEMENT (continued)

#### 33.1 FINANCIAL RISK FACTORS (continued)

##### 33.1.3 LIQUIDITY RISK (continued)

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year R'000	Between 2 and 5 years R'000	Over 5 years R'000
<b>Group</b>			
<b>At 31 March 2017</b>			
Bank and other borrowings	38 045	206 250	–
Trade and other payables	193 184	–	–
	<u>231 229</u>	<u>206 250</u>	<u>–</u>
<b>At 31 March 2016</b>			
Bank and other borrowings	243 177	105 262	–
Derivative financial instruments	47 424	–	–
Trade and other payables	325 449	6 932	–
	<u>616 050</u>	<u>112 194</u>	<u>–</u>
<b>At 31 March 2015</b>			
Bank and other borrowings	39 013	291 801	–
Derivative financial instruments	1 585	–	–
Trade and other payables	312 640	5 823	–
	<u>353 238</u>	<u>297 624</u>	<u>–</u>
<b>Company</b>			
<b>At 31 March 2017</b>			
Trade and other payables	39 125	–	–
	<u>39 125</u>	<u>–</u>	<u>–</u>
<b>At 31 March 2016</b>			
Trade and other payables	8 130	6 932	–
Loans from subsidiary	171 338	–	–
	<u>179 468</u>	<u>6 932</u>	<u>–</u>
<b>At 31 March 2015</b>			
Trade and other payables	37 028	3 457	–
Loans from Group company	20 294	–	–
	<u>57 322</u>	<u>3 457</u>	<u>–</u>

#### 33.2 CAPITAL RISK MANAGEMENT

The Group manages its shareholders' equity, defined as its issued capital, reserves and treasury shares, as capital. The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns to shareholders in the form of dividends and capital appreciation. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the year.

	Group		
	2017 R'000	2016 Restated R'000	2015 R'000
The own capital ratios are as follows:			
Total capital and reserves	1 881 755	2 080 498	1 985 645
Total assets	2 378 154	2 977 965	2 852 761
Own capital ratio	79%	70%	70%

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

### 33. FINANCIAL RISK MANAGEMENT (continued)

#### 33.3 FAIR VALUE ESTIMATION

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices available in active markets for identical assets or liabilities

Level 2 – Inputs used, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly

Level 3 – Fair value determined by valuation that uses inputs that are not based on observable market data.

The following assets and liabilities are measured at fair value:

Group 2017	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
<i>Investment properties</i>	–	–	28 638	28 638
<b>Total assets</b>	<b>–</b>	<b>–</b>	<b>28 638</b>	<b>26 638</b>
Group 2016	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
<i>Financial assets at fair value through profit or loss</i>				
Derivative financial instruments	–	19 626	–	19 626
Investment properties	–	–	6 978	6 978
<b>Total assets</b>	<b>–</b>	<b>19 626</b>	<b>6 978</b>	<b>26 604</b>
Liabilities				
<i>Financial liabilities at fair value through profit or loss</i>				
Derivative financial instruments	–	47 424	–	47 424
<b>Total liabilities</b>	<b>–</b>	<b>47 424</b>	<b>–</b>	<b>47 424</b>
Group 2015	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
<i>Financial assets at fair value through profit or loss</i>				
Derivative financial instruments	–	3 715	–	3 715
<i>Investment properties</i>	–	–	6 813	6 813
<b>Total assets</b>	<b>–</b>	<b>3 715</b>	<b>6 813</b>	<b>10 528</b>
Liabilities				
<i>Financial liabilities at fair value through profit or loss</i>				
Derivative financial instruments	–	1 585	–	1 585
<b>Total liabilities</b>	<b>–</b>	<b>1 585</b>	<b>–</b>	<b>1 585</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

### 34. SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING PERIOD

Niveus has accepted an indicative offer from Tsogo for the sale of all its interests in Vukani Gaming Corporation Proprietary Limited (“**Vukani**”) and Galaxy Gaming and Entertainment Proprietary Limited (“**Galaxy**”) and all their associated entities, trusts and businesses (collectively the “Gaming Businesses”) to Tsogo subject to certain conditions precedent

Shareholders are referred to the Stock Exchange News Service announcements released by Niveus on 14 December 2016, 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 via its wholly-owned subsidiary, Niveus Invest 19 Limited (“**Gameco**”) and certain transactions conditional upon the implementation of the unbundling.

Pursuant to discussions with various Niveus shareholders, the Company believes that it is appropriate to provide Niveus shareholders with the opportunity to separately retain, dispose of or increase their interest in the Gaming Businesses in a direct manner without affecting their current interest in the other assets held by Niveus.

The assets of Gameco include the entire issued share capital of Vukani, Galaxy and Niveus Invest 1 Proprietary Limited, and loan claims against the aforementioned subsidiaries. Niveus holds 460 000 100 ordinary shares in GameCo. Niveus has elected to distribute certain of its shares in GameCo to its shareholders, pro rata to their shareholding in Niveus.

Subject to the fulfilment of certain conditions, Niveus will distribute 93.75% of its shareholding in GameCo to its shareholders pro rata to such shareholders’ shareholding in Niveus as at the record date of the unbundling (“**Unbundling**”), subject to applicable laws.

It is anticipated that Niveus shareholders will receive 3.62 GameCo shares for every 1 Niveus share held on the record date of the Unbundling, provided that the ratio may change if the number of Niveus or GameCo shares in issue changes prior to the record date of the Unbundling.

The financial effects of this transaction have not been recognised at 31 March 2017 due to the transaction remaining conditional upon the conclusion of various conditions precedent. The Unbundling will be implemented after the unbundling conditions are fulfilled or waived, which is anticipated as being Monday, 18 September 2017.

The directors of Niveus Investments Limited declared and approved a final gross ordinary dividend of 22 cents out of income reserves. The cash dividend of R26 million was paid on 19 June 2017.

The directors of La Concorde Holdings Limited declared an ordinary dividend of 50 cents per share and a special dividend of 50 cents per share. The cash dividend of R68 million was paid on 19 June 2017.

No other material events that may have a significant influence on the financial position of the Group occurred between the date of the financial year end and the date of approval of the financial statements.

### 35. RESTATEMENT OF PRIOR YEAR FIGURES

The acquisition of a controlling interest in Betcoza Online (RF) Proprietary Limited on 1 December 2015 qualified as a business combination in terms of IFRS 3: Business Combinations. Comparative figures as at 31 March 2016 were determined based on all information available at the acquisition date (“provisional accounting”). This provisional accounting was adjusted for new information obtained within the timeframe of 12 months after the acquisition date. These adjustments to the fair values determined in the provisional purchase price allocation are not treated as movements in the current financial year, but as an adjustment to the comparative figures as at 31 March 2016. The effects of the revised acquisition accounting are as follows:

	Previously stated R’000	Restatement R’000	Restated R’000
Intangible assets	650	2 850	3 500
Goodwill	9 157	(942)	8 215
Deferred tax	–	(638)	(638)
Non-controlling interest	(812)	(1 270)	(2 082)

### 35 CHANGE IN ACCOUNTING ESTIMATE

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

The effect of the change in the useful life of gaming machines on the depreciation expense for the 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

### 36. FINANCIAL INSTRUMENTS

An analysis of the Group's assets and liabilities, classified by financial instrument, are set out below:

Group	Loans and receivables			Financial liabilities at amortised cost			Non-financial instruments			Fair value through profit of loss			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Assets															
<i>Non-current assets</i>	447 506	29 329	9 238	-	-	-	868 222	1 400 595	1 328 767	-	-	-	1 315 728	1 429 924	1 338 005
Property, plant and equipment	-	-	-	-	-	-	659 202	1 204 622	1 150 507	-	-	-	659 202	1 204 622	1 150 507
Investment properties	-	-	-	-	-	-	28 638	6 978	6 813	-	-	-	28 638	6 978	6 813
Goodwill	-	-	-	-	-	-	59 944	56 444	60 360	-	-	-	59 944	56 444	60 360
Intangible assets	-	-	-	-	-	-	18 480	76 487	77 279	-	-	-	18 480	76 487	77 279
Investments in associates and joint ventures	-	4 986	4 876	-	-	-	73 707	30 414	16 817	-	-	-	73 707	35 400	21 693
Deferred taxation	-	-	-	-	-	-	28 251	25 650	16 991	-	-	-	28 251	25 650	16 991
Loans receivable	447 506	24 343	4 362	-	-	-	-	-	-	-	-	-	447 506	24 343	4 362
<b>Current assets</b>	<b>1 029 821</b>	<b>468 251</b>	<b>427 495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27 186</b>	<b>1 060 164</b>	<b>1 083 546</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 057 007</b>	<b>1 548 041</b>	<b>1 514 756</b>
Inventories	-	-	-	-	-	-	6 285	1 034 797	1 039 406	-	-	-	6 285	1 034 797	1 039 406
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	102 140	304 341	277 265	-	-	-	20 450	23 801	42 898	-	-	-	19 626	328 142	320 163
Loans receivable	218 947	2 839	17 944	-	-	-	-	-	-	-	-	-	218 947	2 839	17 944
Taxation	-	-	-	-	-	-	451	1 566	1 242	-	-	-	451	1 566	1 242
Cash and cash equivalents	708 734	161 071	132 286	-	-	-	-	-	-	-	-	-	708 734	161 071	132 286
<b>Non-current assets held for sale</b>	<b>2 366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 419</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>1 479 693</b>	<b>497 580</b>	<b>436 733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>898 461</b>	<b>2 460 759</b>	<b>2 412 313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 378 154</b>	<b>2 977 965</b>	<b>2 852 761</b>
Liabilities															
<i>Non-current liabilities</i>															
Operating lease equalisation liability	-	-	-	205 623	92 983	261 033	25 721	146 145	124 670	-	-	-	231 344	246 060	391 526
Borrowings	-	-	-	-	-	-	4 373	5 235	4 079	-	-	-	4 373	5 235	4 079
Other payables	-	-	-	205 623	92 983	261 033	-	-	-	-	-	-	205 623	92 983	261 033
Deferred revenue: government grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred taxation	-	-	-	-	-	-	-	10 900	-	-	-	-	-	10 900	-
<b>Current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21 348</b>	<b>130 010</b>	<b>120 591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21 348</b>	<b>130 010</b>	<b>120 591</b>
Trade and other payables	-	-	-	232 228	544 735	332 325	30 368	59 248	141 680	-	-	-	262 596	651 407	475 590
Deferred revenue: government grant	-	-	-	193 184	325 449	312 640	13 526	50 947	131 949	-	-	-	206 710	376 396	444 589
Derivative financial instruments	-	-	-	-	-	-	-	1 875	-	-	-	-	-	1 875	-
Current portion of borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of finance lease liabilities	-	-	-	38 512	217 887	17 454	-	-	-	-	-	-	38 512	217 887	17 454
Taxation	-	-	-	532	1 399	2 231	-	-	-	-	-	-	532	1 399	2 231
<b>Non-current liabilities held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 459</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 426</b>	<b>9 731</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16 842</b>	<b>6 426</b>	<b>9 731</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>440 310</b>	<b>637 718</b>	<b>593 358</b>	<b>56 089</b>	<b>205 393</b>	<b>266 350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>496 399</b>	<b>897 467</b>	<b>867 116</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

### 36. FINANCIAL INSTRUMENTS (continued)

Company	Loans and receivables			Financial liabilities at amortised cost			Non-financial instruments			Fair value through profit of loss			Total	
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2016	2015
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Assets</b>														
<b>Non-current assets</b>														
Investment in joint venture	467 754	686 846	623 503	-	-	-	4 662 154	65 232	65 232	-	-	-	5 129 908	688 735
Investments in subsidiaries	467 754	682 745	623 503	-	-	-	2 029	-	-	-	-	-	2 029	-
Loans receivable	-	4 101	-	-	-	-	4 660 125	65 232	65 232	-	-	-	5 127 879	688 735
<b>Current assets</b>														
Trade and other receivables	15 261	988	11 353	-	-	-	-	-	247	-	-	-	15 261	988
Loans receivable	14 642	202	11 328	-	-	-	-	-	193	-	-	-	14 642	202
Taxation	300	229	-	-	-	-	-	-	-	-	-	-	300	229
Cash and cash equivalents	319	557	25	-	-	-	-	-	54	-	-	-	319	557
<b>Total assets</b>	<b>483 015</b>	<b>687 834</b>	<b>634 856</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 662 154</b>	<b>65 232</b>	<b>65 479</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 145 169</b>	<b>753 066</b>
<b>Non-current liabilities</b>														
Other payables	-	-	-	-	6 932	3 457	-	-	-	-	-	-	-	6 932
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 932</b>	<b>3 457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 932</b>
<b>Liabilities</b>														
<b>Current liabilities</b>														
Trade and other payables	-	-	-	39 125	179 468	57 322	-	-	-	-	-	-	39 125	179 468
Loans from subsidiaries	-	-	-	39 125	8 130	37 028	-	-	-	-	-	-	39 125	8 130
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39 125</b>	<b>186 400</b>	<b>60 779</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39 125</b>	<b>186 400</b>

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

The definitions and interpretations commencing on page 5 of this Circular apply to this Annexure 2.

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Audited 31 March 2017 R'000
<b>ASSETS</b>		
<i>Non-current assets</i>		
	6	638 625
Property, plant and equipment		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
<i>Current assets</i>		
		227 698
Trade and other receivables		109 675
Other		14 835
Cash and cash equivalents		103 188
Total assets		<u>866 323</u>
<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
		673 722
Equity attributable to equity holders of the parent		689 762
Non-controlling interest		(16 040)
<i>Non-current liabilities</i>		
		4 553
Deferred taxation		180
Operating lease equalisation liability		4 373
<i>Current liabilities</i>		
		188 048
Total equity and liabilities		<u>866 323</u>
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 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	<u>845 296</u>

## 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	<u>103 188</u>

## SEGMENTAL ANALYSIS

	Audited Year ended 31 March 2017 R'000
<b>Revenue</b>	
Gaming and entertainment	73 979
<b>Net gaming win</b>	
Gaming and entertainment	1 295 256
<b>EBITDA</b>	
Gaming and entertainment	461 590
<b>Profit before tax</b>	
Gaming and entertainment	335 806
<b>Headline earnings</b>	
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, IAS34 – 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 3** 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 inter-group 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 and 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 programmes 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 and 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 the company's assets to 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	Net
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		<u>224 522</u>
Headline earnings per share (cents)		<u>48.8</u>

## 6. PROPERTY, PLANT AND EQUIPMENT

	2017 R'000
<b>Cost</b>	
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
	<u>936 363</u>
<b>Accumulated depreciation and impairments</b>	
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
	<u>478 969</u>
<b>Carrying value</b>	
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
	<u>457 394</u>
<b>Movements in property, plant and equipment</b>	
<i>Balance at beginning of the year</i>	
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
	<u>503 511</u>
<i>Additions</i>	
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
	<u>107 603</u>

## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

	2017 R'000
<i>Disposals</i>	
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)
	<u>(7 076)</u>
<i>Depreciation</i>	
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)
	<u>(121 032)</u>
<i>Transfers</i>	
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)
	<u>(1 568)</u>
<i>Exchange differences</i>	
<i>Computer and office equipment</i>	(4)
Furniture and fittings	(3)
Gaming machines	(22 259)
	<u>(22 266)</u>
<i>Impairments</i>	
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)
	<u>(1 778)</u>
<i>Balances at end of the year</i>	
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
Site leasehold improvements	<u>457 394</u>

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

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**Niveus Invest 19 Limited ("GameCo")**

La Concorde  
57 Main Street  
Paarl  
7646

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 of 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

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## PRO FORMA FINANCIAL INFORMATION OF NIVEUS

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**The definitions and interpretations commencing on page 5 of this Circular apply to this Annexure 4.**

The *pro forma* financial information of Niveus is set out below. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income of Niveus have been prepared for illustrative purposes only to show the financial effects of the Unbundling, Niveus Disposal and Assignment. Due to the nature of the *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income may not fairly present Niveus' financial position, changes in equity, results of operations or cash flows after the Unbundling, Niveus Disposal and Assignment have been implemented.

The *pro forma* financial information as at 31 March 2017 is presented in a manner that is consistent with the accounting policies of Niveus, IFRS and the basis on which the historical financial information has been prepared. The financial information has been prepared in accordance with the Listings Requirements and in compliance with the SAICA Guide on *pro forma* Financial Information. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income as set out below should be read in conjunction with the report of the independent reporting accountants which is included as **Annexure 5** to this Circular.

The directors of Niveus are responsible for the preparation of the *pro forma* financial information.

It has been assumed for the purposes of the *pro forma* financial effects that the Unbundling, Niveus Disposal and Assignment took place with effect from 1 April 2016 for purposes of the *pro forma* consolidated statement of comprehensive income and on 31 March 2017 for purposes of the *pro forma* consolidated statement of financial position.

**PRO FORMA STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017**

The *pro forma* consolidated statement of comprehensive income presented below was prepared on the assumption that the Unbundling and the Niveus Transaction were implemented on 1 April 2016.

	Audited financial information before Unbundling, Niveus Disposal and Assignment	<i>Pro forma</i> adjustment – Unbundling	<i>Pro forma</i> adjustment – Carve-out adjustments	<i>Pro forma</i> Financial information after Unbundling	<i>Pro forma</i> Adjustment – Assignment	<i>Pro forma</i> Financial information after Unbundling and Assignment	<i>Pro forma</i> Adjustment – Niveus Disposal	<i>Pro forma</i> Financial information after the Unbundling, Niveus Disposal and Assignment
	Note 1	Note 2	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	86 639	(73 979)	–	12 660	–	12 660	–	12 660
Net gaming win	1 322 610	(1 295 256)	–	27 354	–	27 354	–	27 354
<b>Group revenue</b>	<b>1 409 249</b>	<b>(1 369 235)</b>	<b>–</b>	<b>40 014</b>	<b>–</b>	<b>40 014</b>	<b>–</b>	<b>40 014</b>
Other income	6 489	(3 679)	–	2 810	–	2 810	–	2 810
Operating expenses	(1 028 543)	911 324	5 767	(111 452)	(80 000)	(191 452)	–	(191 452)
	<b>387 195</b>	<b>(461 590)</b>	<b>5 767</b>	<b>(68 628)</b>	<b>(80 000)</b>	<b>(148 628)</b>	<b>–</b>	<b>(148 628)</b>
Depreciation and amortisation	(125 243)	121 032	–	(4 211)	–	(4 211)	–	(4 211)
Share of losses of associates and joint ventures	(6 345)	7 081	–	736	–	736	–	736
Investment income	54 073	(4 453)	–	49 620	–	49 620	15 942	65 562
Fair value adjustments of investment properties	403	(403)	–	–	–	–	–	–
Impairment of assets	(3 749)	1 778	–	(1 971)	–	(1 971)	–	(1 971)
Impairment of goodwill	(3 958)	–	–	(3 958)	–	(3 958)	–	(3 958)
Impairment of investment in associates	(6 971)	–	–	(6 971)	–	(6 971)	–	(6 971)
Gain on disposal of subsidiaries	6 074	–	230 535	236 609	–	236 609	–	236 609
Finance cost	(30 332)	749	–	(29 583)	–	(29 583)	–	(29 583)
<b>Profit before taxation</b>	<b>271 147</b>	<b>(335 806)</b>	<b>236 302</b>	<b>171 643</b>	<b>(80 000)</b>	<b>91 643</b>	<b>15 942</b>	<b>107 585</b>
Taxation	(71 340)	101 242	(21 504)	8 398	–	8 398	–	8 398
<b>Profit for the year from continuing operations</b>	<b>199 807</b>	<b>(234 564)</b>	<b>214 798</b>	<b>180 041</b>	<b>(80 000)</b>	<b>100 041</b>	<b>15 942</b>	<b>115 983</b>
Net result from discontinued operations	(326 255)	–	–	(326 255)	–	(326 255)	–	(326 255)
<b>Loss for the year</b>	<b>(126 448)</b>	<b>(234 564)</b>	<b>214 798</b>	<b>(146 214)</b>	<b>(80 000)</b>	<b>(226 214)</b>	<b>15 942</b>	<b>(210 272)</b>
<b>Attributable to:</b>								
Equity holders of the parent	(9 154)	(223 771)	214 798	(18 127)	(80 000)	(98 127)	15 942	(82 185)
Non-controlling interest	(117 294)	(10 793)	–	(128 087)	–	(128 087)	–	(128 087)
	<b>(126 448)</b>	<b>(234 564)</b>	<b>214 798</b>	<b>(146 214)</b>	<b>(80 000)</b>	<b>(226 214)</b>	<b>15 942</b>	<b>(210 272)</b>
<b>Other comprehensive income:</b>								
Items that may be reclassified subsequently to profit and loss								
Foreign currency translation differences	(20 725)	–	–	(20 725)	–	(20 725)	–	(20 725)
<b>Total comprehensive loss</b>	<b>(147 173)</b>	<b>(234 564)</b>	<b>214 798</b>	<b>(166 939)</b>	<b>(80 000)</b>	<b>(246 939)</b>	<b>15 942</b>	<b>(230 997)</b>
<b>Total comprehensive loss attributable to:</b>								
Equity holders of the parent	(29 879)	(223 771)	214 798	(38 852)	(80 000)	(118 852)	15 942	(102 910)
Non-controlling interest	(117 294)	(10 793)	–	(128 087)	–	(128 087)	–	(128 087)
	<b>(147 173)</b>	<b>(234 564)</b>	<b>214 798</b>	<b>(166 939)</b>	<b>(80 000)</b>	<b>(246 939)</b>	<b>15 942</b>	<b>(230 997)</b>
<b>Total comprehensive loss attributable to equity holders of the parent arises from:</b>								
– Continuing operations	157 852	(223 771)	214 798	148 879	(80 000)	68 879	15 942	84 821
– Discontinued operations	(187 731)	–	–	(187 731)	–	(187 731)	–	(187 731)
	<b>(29 879)</b>	<b>(223 771)</b>	<b>214 798</b>	<b>(38 852)</b>	<b>(80 000)</b>	<b>(118 852)</b>	<b>15 942</b>	<b>(102 910)</b>



	Audited financial information before the Proposed Transaction		Pro forma adjustment – Unbundling	Pro forma adjustment – Carve-out adjustments	Pro forma Financial information after Unbundling	Pro forma Adjustment – Assignment	Pro-forma Financial information after Unbundling and Assignment	Pro forma Adjustment – Niveus Disposal	Pro forma Financial information after the Unbundling, Niveus Disposal and Assignment
	Note 1	Note 2	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>Reconciliation of headline earnings</b>	<b>Gross</b>	<b>Net</b>							
<i>Continuing operations</i>									
Earnings attributable to equity holders of the parent	178 874	(223 771)	214 798	169 901	(80 000)	89 901	15 942	105 843	
IAS 16 Gains on disposal of plant and equipment	(322)	(228)	218	(10)	–	(10)	–	(10)	
IAS 16 Impairment of assets	3 749	2 161	(1 282)	879	–	879	–	879	
IAS 27 Gains from disposal of subsidiaries	(6 074)	(4 252)	–	(230 535)	(234 787)	–	(234 787)	–	
IAS 28 Impairment of investment in associates	6 971	4 880	–	4 880	–	4 880	–	4 880	
IAS 36 Impairment of goodwill	3 958	3 958	–	3 958	–	3 958	–	3 958	
IAS 40 Fair value adjustment to investment property	(403)	(313)	313	–	–	–	–	–	
	<b>185 080</b>	<b>(224 522)</b>	<b>(15 737)</b>	<b>(55 179)</b>	<b>(80 000)</b>	<b>(135 179)</b>	<b>15 942</b>	<b>(119 237)</b>	
<i>Discontinued operations</i>									
Earnings attributable to equity holders of the parent	(188 028)	–	–	(188 028)	–	(188 028)	–	(188 028)	
IAS 16 Gains on disposal of plant and equipment	(197)	(81)	–	(81)	–	(81)	–	(81)	
IAS 28 Impairment of investment in joint venture	85	49	–	49	–	49	–	49	
Loss on disposal of operating assets of KVV	503 629	216 485	–	216 485	–	216 485	–	216 485	
	<b>28 425</b>	<b>–</b>	<b>–</b>	<b>28 425</b>	<b>–</b>	<b>28 425</b>	<b>–</b>	<b>28 425</b>	
(Loss)/earnings per Share (cents)	(7.7)	(187.8)	180.3	(15.2)	(67.2)	(82.4)	13.4	(69.0)	
– Continuing operations	150.1	(187.8)	180.3	142.6	(67.2)	75.4	13.4	88.8	
– Discontinued operations	(157.8)	–	–	(157.8)	–	(157.8)	–	(157.8)	
Headline (loss)/earnings per Share (cents)	179.2	(188.4)	(13.2)	(22.4)	(67.2)	(89.5)	13.4	(76.2)	
– Continuing operations	155.3	(188.4)	(13.2)	(46.3)	(67.2)	(113.4)	13.4	(100.1)	
– Discontinued operations	23.9	–	–	23.9	–	23.9	–	23.9	
Diluted (loss)/earnings per Share (cents)	(7.6)	(186.6)	179.1	(15.1)	(66.7)	(81.8)	13.3	(68.5)	
– Continuing operations	149.2	(186.6)	179.1	141.7	(66.7)	75.0	13.3	88.3	
– Discontinued operations	(156.8)	–	–	(156.8)	–	(156.8)	–	(156.8)	
Diluted headline (loss)/earnings per Share (cents)	178.1	(187.3)	(13.1)	(22.3)	(66.7)	(89)	13.3	(75.7)	
– Continuing operations	154.4	(187.3)	(13.1)	(46)	(66.7)	(112.7)	13.3	(99.4)	
– Discontinued operations	23.7	–	–	23.7	–	23.7	–	23.7	
Weighted average number of Shares in issue ('000)	119 163			119 163		119 163		119 163	
Actual number of Shares in issue at end of the year ('000)	119 163			119 163		119 163		119 163	
Weighted average number of Shares in issue (diluted) ('000)	119 909			119 909		119 909		119 909	

## **Notes to the pro forma statement of comprehensive income:**

### **Note 1:**

The “Audited financial information before the Unbundling, Niveus Disposal and Assignment” column has been extracted from the audited results of Niveus for the year ended 31 March 2017.

The Niveus Group concluded the sale of the operating assets of KVV for R1.18 billion and received the first tranche of the purchase consideration of R575 million on 14 October 2016. The balance of the purchase price will be received in three tranches supported by an Investec bank payment guarantee. The trading results of KVV, included in discontinued operations, increased from a headline profit of R20 million to R32 million following the re-measurement of the book value of the operating assets to the purchase consideration. Attributable headline profits from continuing operations was R20 million for the year.

### **Note 2:**

The “Pro forma adjustment – Unbundling” column has been extracted from the audited carve-out historical financial information of GameCo for the year ended 31 March 2017 set out in **Annexure 2** of this Circular, which has been prepared in terms of the “basis of preparation” note included in **Annexure 2**, in order to reflect the effects of the Unbundling on Niveus.

The “Pro forma adjustment – Carve-out adjustments” column reflects the following *pro forma* adjustments:

- Transaction costs of R2.8 million expensed;
- Reversal of IFRS 2 charges which relate to GameCo, being a net amount of R8.6 million, not already included in the carve-out historical financial information of GameCo;
- Tax effects totalling R21.5 million relating to the reversal of IFRS 2 charges, as well as the tax effect relating to inter-company rental of gaming machines historically incurred, for which a tax benefit at a Niveus level will no longer occur; and
- Gain on disposal of Subsidiary of R231 million, reflected as a consequence of the Unbundling.

### **Note 3:**

The “Pro forma Financial information after Unbundling” reflects the consolidated *pro forma* financial information of Niveus subsequent to the Unbundling, but prior to the Assignment and the Niveus Disposal. This column is determined as a subtotal of the previous columns.

### **Note 4:**

Tsogo has the right to clawback the Clawback Amount from Niveus in the event that no EBTs are legally operating in KwaZulu-Natal Province on or prior to 31 March 2020. In Terms of an Assignment Agreement between Niveus and HCI, Niveus will assign all of its rights and obligations in terms of the Clawback to HCI, including the potential obligation to pay the Clawback Amount to Tsogo in the event that no EBTs are legally operating in the KwaZulu-Natal Province on or prior to 31 March 2020, against payment by Niveus of the Assignment Consideration to HCI. Niveus shall settle the Assignment Consideration by disposing of the Assignment GameCo Shares being 8 214 286 GameCo Shares with an aggregate value of R80 million to HCI. R80 million is therefore recognised as an expense in respect of the Assignment consideration to be paid by Niveus, as pursuant to the implementation of the Assignment, Niveus will no longer have a potential liability or risk exposure in respect of the Clawback.

### **Note 5:**

The “Pro-forma Financial information after Assignment column” reflects the consolidated *pro-forma* financial information of Niveus subsequent to the Unbundling and implementation of the Assignment Agreement, being the subtotal of the previous columns.

### **Note 6:**

Following the implementation of the Unbundling and the Assignment, Niveus will accept the Tsogo Minority Offer (the Niveus Disposal). In terms of the Niveus Disposal, Niveus will dispose of its remaining GameCo Shares (being at least 20 535 720 GameCo Shares) to Tsogo and receive consideration as follows:

- 20% in Tsogo Consideration Shares, in the ratio of one Tsogo Consideration Share for every 2.875 GameCo Shares disposed of at an assumed Tsogo share price of R22.85 per Tsogo share, being the closing price on 26 June 2017, totalling R32.6 million; and
- 80% in cash in the amount of R9.739 per GameCo Share disposed of amounting to R160 million.

No tax effects have been recognised as a consequence of the disposal of remaining GameCo Shares, due to the estimated capital loss resulting from this disposal, as well as the existence of an assessed loss for Niveus.

Interest income has been recognised on the cash component of the transaction, at the current interest rate in respect of cash on call, of 7.67%.

### **Note 7:**

The “Pro forma Financial information after the Unbundling, Niveus Disposal and Assignment” column represents the results of Niveus after implementation of the Unbundling, the Assignment and the Niveus Disposal.

**PRO-FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

The *pro forma* consolidated statement of financial position presented below was prepared on the assumption that the Unbundling and Niveus Transaction were implemented on 31 March 2017.

	Audited financial information before the Unbundling, Niveus Disposal and Assignment	<i>Pro forma</i> adjustment – Unbundling	<i>Pro forma</i> adjustment – Carve-out adjustments	<i>Pro forma</i> Financial information after Unbundling	<i>Pro forma</i> Adjustment – Assignment	<i>Pro forma</i> Financial information after Unbundling and Assignment	<i>Pro forma</i> Adjustment – Niveus Disposal	<i>Pro forma</i> Financial information after the Unbundling, Niveus Disposal and Assignment
	Note 1	Note 2	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>ASSETS</b>								
<b>Non-current assets</b>								
Property, plant & equipment	659 202	(457 394)	–	201 808		201 808		201 808
Investment properties	28 638	(7 474)	–	21 164		21 164		21 164
Goodwill	59 944	(48 230)	–	11 714		11 714		11 714
Intangible assets	18 480	(14 278)	–	4 202		4 202		4 202
Interest in unlisted shares	–	–	272 643	272 643	(80 000)	192 643	(160 000)	32 643
Interest in associates and joint ventures	73 707	(57 071)	–	16 636		16 636		16 636
Deferred taxation	28 251	(27 491)	(760)	–		–		–
Loans receivable	447 506	(26 687)	40 000	460 819		460 819	(40 000)	420 819
	<b>1 315 728</b>	<b>(638 625)</b>	<b>311 883</b>	<b>988 986</b>	<b>(80 000)</b>	<b>908 986</b>	<b>(200 000)</b>	<b>708 986</b>
<b>Current Assets</b>								
Other	348 273	(124 510)	–	223 763		223 763		223 763
Cash & Cash Equivalent	708 734	(103 188)	–	605 546		605 546	215 942	821 488
	<b>1 057 007</b>	<b>(227 698)</b>	<b>–</b>	<b>829 309</b>		<b>829 309</b>	<b>215 942</b>	<b>1 045 251</b>
Assets of disposal group classified as held for sale	5 419	–	–	5 419		5 419		5 419
<b>Total Assets</b>	<b>2 378 154</b>	<b>(866 323)</b>	<b>311 883</b>	<b>1 823 714</b>	<b>(80 000)</b>	<b>1 743 714</b>	<b>15 942</b>	<b>1 759 656</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>								
Equity attributable to equity holders of the parent	1 314 265	(689 792)	283 483	907 986	(80 000)	827 986	15 942	843 928
Non-controlling interest	567 490	16 040	–	583 530		583 530		583 530
	<b>1 881 755</b>	<b>(673 722)</b>	<b>283 483</b>	<b>1 491 516</b>	<b>(80 000)</b>	<b>1 411 516</b>	<b>15 942</b>	<b>1 427 458</b>
<b>Liabilities</b>								
<b>Non-Current Liabilities</b>								
Borrowings	205 623			205 623		205 623		205 623
Deferred taxation	21 348	(180)	–	21 168		21 168		21 168
Operating lease equalisation liability	4 373	(4 373)	–	–		–		–
	<b>231 344</b>	<b>(4 553)</b>	<b>–</b>	<b>226 791</b>	<b>–</b>	<b>226 791</b>	<b>–</b>	<b>226 791</b>
Current Liabilities	262 596	(188 048)	28 400	102 948		102 948		102 948
Liabilities of disposal group classified as held for sale	2 459	–	–	2 459		2 459		2 459
<b>Total Liabilities</b>	<b>496 399</b>	<b>(192 601)</b>	<b>28 400</b>	<b>332 198</b>		<b>332 198</b>		<b>332 198</b>
<b>Total Equity &amp; Liabilities</b>	<b>2 378 154</b>	<b>(866 323)</b>	<b>311 883</b>	<b>1 823 714</b>	<b>(80 000)</b>	<b>1 743 714</b>	<b>–</b>	<b>1 759 656</b>
Net asset value per Share (cents)	1 103	(579)	238	762	(67)	695	13	708
Tangible net asset value per Share (cents)	1 038	(526)	238	750	(67)	682	13	696
Number of Shares in issue ('000)	119 163			119 163		119 163		119 163
Diluted number of Shares in issue ('000)	119 909			119 909		119 909		119 909

**Notes to the pro forma statement of financial position:**

**Note 1:**

The “Audited financial information before the Unbundling, Niveus Disposal and Assignment” column has been extracted from the audited results of Niveus for the year ended 31 March 2017.

**Note 2:**

The “Pro forma adjustment – Unbundling” column has been extracted from the audited carve-out historical financial information of GameCo for the year ended 31 March 2017 set out in **Annexure 2** of this Circular, which has been prepared in terms of the “basis of preparation” note included in **Annexure 2**, in order to reflect the effects of the Unbundling on Niveus.

The “Pro forma adjustment – Carve-out adjustments” column reflects the following *pro forma* adjustments

- Transaction costs of R2.8 million expensed;
- Adjustment to IFRS 2 liability which relates to GameCo, of R6.5 million;
- Tax effects totalling R3.16 million in respect of IFRS 2 reversal, as well as the tax effect of R19 million relating to inter-company rental of gaming machines historically incurred, for which a tax benefit at a Niveus level will no longer occur;
- Recognition of remaining investment in GameCo, after the Unbundling, at fair value as set out below; and
- In addition, Niveus will receive R40 million from GameCo as reimbursement for capital expenditure incurred by GameCo prior to implementation of the Unbundling, recognised as a loan receivable.

**Note 3:**

The “Pro forma Financial information after Unbundling” reflects the consolidated *pro forma* financial information of Niveus subsequent to the Unbundling, but prior to the Assignment and the Niveus Disposal. This column is determined as a subtotal of the previous columns.

Following the Unbundling, Niveus will retain at least 28 750 006 GameCo Shares being at least 6.25% of the 460 000 100 issued shares of GameCo. This investment is measured in accordance with IAS 39 at fair value, totalling R273 million as follows:

- 8 214 286 GameCo Shares at the Assignment consideration of R80 million detailed in note 4; and
- the balance of 20 535 720 remaining GameCo Shares measured at fair value as follows:
  - R160 million, being the cash portion at R9.739 per GameCo Share for 80% of the GameCo Shares to be disposed of for cash, as well as;
  - 1 428 571 Tsogo shares, being one Tsogo share for every 2.875 GameCo Shares to be disposed of for 20% of the GameCo Shares held by Niveus. The Tsogo share consideration is valued at a Tsogo share price of R22.85 per Tsogo share, being the closing price on 26 June 2017.

**Note 4:**

Tsogo has the right to clawback the Clawback Amount from Niveus in the event that no EBTs are legally operating in KwaZulu-Natal Province on or prior to 31 March 2020. In Terms of an Assignment Agreement between Niveus and HCI, Niveus will assign all of its rights and obligations in terms of the Clawback to HCI, including the potential obligation to pay the Clawback Amount to Tsogo in the event that no EBTs are legally operating in the KwaZulu-Natal Province on or prior to 31 March 2020, against payment by Niveus of the Assignment Consideration to HCI. Niveus shall settle the Assignment Consideration by disposing of the Assignment GameCo Shares being 8 214 286 GameCo Shares with an aggregate value of R80 million to HCI. R80 million is therefore recognised as an expense in respect of the Assignment consideration to be paid by Niveus, as pursuant to the implementation of the Assignment, Niveus will no longer have a potential liability or risk exposure in respect of the Clawback.

**Note 5:**

The “Pro-forma Financial information after Assignment column” reflects the consolidated pro-forma financial information of Niveus subsequent to the Unbundling and implementation of the Assignment Agreement, being the subtotal of the previous columns.

Following the Unbundling and Assignment, Niveus will retain at least 20 535 720 GameCo Shares being at least 5.44% of the 460 000 100 issued share capital of GameCo. The 20 535 720 GameCo Shares are measured at fair value in terms of IAS 39, totalling R193 million, as follows:

- R160 million being the cash portion at R9.739 per GameCo Share for 80% of the GameCo Shares disposed of, as well as;
- 1 428 571 Tsogo shares being one Tsogo share for every 2.875 GameCo Shares disposed of for 20% of the GameCo Shares held by Niveus. The Tsogo share consideration is valued at a Tsogo share price of R22.85 per Tsogo share, being the closing price on 26 June 2017.

**Note 6:**

Following the implementation of the Unbundling and the Assignment, Niveus will accept the Tsogo Minority Offer (the Niveus Disposal). In terms of the Niveus Disposal, Niveus will dispose of its remaining GameCo Shares (being at least 20 535 720 GameCo Shares) to Tsogo and receive consideration as follows:

- 20% in Tsogo Consideration Shares, in the ratio of one Tsogo Consideration Share for every 2.875 GameCo Shares disposed of at an assumed Tsogo share price of R22.85 per Tsogo share, being the closing price on 26 June 2017, totalling R32.6 million; and
- 80% in cash in the amount of R9.739 per GameCo Share disposed of amounting to R160 million.

Settlement in cash of the R40 million loan receivable relating to the reimbursement for certain capital expenditure incurred by GameCo prior to implementation of the Unbundling, is recognised.

No tax effects have been recognised as a consequence of the disposal of remaining GameCo Shares, due to the estimated capital loss resulting from this disposal, as well as the existence of an assessed loss for Niveus.

**Note 7:**

The “Pro forma Financial information after the Unbundling, Niveus Disposal and Assignment” column represents the results of Niveus after implementation of the Unbundling, the Assignment and the Niveus Disposal. At least 1 428 571 Tsogo shares will be retained and are measured at fair value in terms of IAS 39. At an assumed Tsogo share price of R22.85 per Tsogo share, being the closing price on 26 June 2017, the investment in Tsogo is valued at R32.6 million.

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## INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF NIVEUS

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The Board of Directors  
**Niveus Investments Limited**  
La Concorde  
57 Main Street  
Paarl  
7646

10 August 2017

Dear Sirs

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION OF NIVEUS INVESTMENTS LIMITED ("NIVEUS")

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Niveus by the Directors. The *pro forma* financial information, in **Annexure 4** of the Niveus circular to be issued on or about 16 August 2017 ("**the Circular**"), consists of the *pro forma* statement of financial position, the *pro forma* statement of comprehensive income and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("**JSE**") Listings Requirements ("**Listings Requirements**").

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in **Annexure 4**, on Niveus' financial position as at 31 March 2017 and Niveus' financial performance for the period then ended, as if the corporate action or event had taken place at 31 March 2017 and for the period then ended. As part of this process, information about Niveus' financial position and financial performance has been extracted by the Directors from Niveus' financial statements for the year ended 31 March 2017, on which an auditor's report was issued.

#### Directors' responsibility for the *pro forma* financial information

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the Listings Requirements and described in **Annexure 4** and as described in the notes to the consolidated *pro forma* statement of financial position and *pro forma* statement of comprehensive income.

#### Our independence and quality control

We have complied with the independence and other ethical requirement of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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 accountants' responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the 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* which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the 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 *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 *pro forma* financial information.

As the purpose of *pro forma* financial information included in a prospectus 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 *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 *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 *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 *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *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 *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the Listings Requirements and described in **Annexure 4**.

#### **Consent**

This report on the *pro forma* statement of financial position is included solely for the information of the Shareholders. We consent to the inclusion of our report on the *pro forma* statement of financial position, *pro forma* statement of comprehensive income and the references thereto, in the form and context in which they appear.

#### **Grant Thornton**

Chartered Accountants (SA)  
Registered Auditors  
Practice number 903485E

#### **Robyn Fridberg**

Partner  
Chartered Accountant (SA)  
Reporting accountant  
@Grant Thornton  
Wanderers Office Park  
52 Corlett Drive  
Illovo  
2196

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## INDEPENDENT EXPERT REPORT ON THE UNBUNDLING

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The Directors  
**Niveus Investments Limited**  
 57 Main Street  
 Paarl  
 7646

10 August 2017

Dear Sirs

### **Independent expert's report regarding the proposed Unbundling of 93.75% of the shares in Niveus Invest 19 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 ("**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.

Shareholders were advised that 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 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 ("**Share**") held by any such Shareholder on the Unbundling Record Date ("**Unbundling**").

Full details of the proposed transactions are contained in the circular to Shareholders to be dated on or about 16 August 2017 ("**Circular**"), which will include a copy of this letter.

#### **Scope**

A sub-committee of the Niveus board of directors comprising three independent directors ("**Independent Board**") was formed for purposes of considering the Unbundling in terms of section 112 and section 115 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 Unbundling are fair and reasonable to 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 Unbundling 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 Shareholders.

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

The assessment of fairness is primarily based on quantitative issues. The transaction may be considered fair if the consideration received per share by a company's shareholders is considered to be equal to or greater than the value surrendered by a company's shareholders in terms of the transaction.

The assessment of reasonableness is generally based on qualitative considerations surrounding a transaction. Hence, even though the consideration received by a company's shareholders may be less than the value surrendered by a company's 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 Unbundling:

- obtained an understanding of the structure of the Unbundling;
- reviewed the terms and conditions of the Unbundling;
- considered the Circular to Shareholders, dated on or about 16 August 2017, in respect of the Unbundling;
- 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 advisors 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 process followed in the preparation of the financial forecast and reliance placed thereon by the board of directors of Niveus;
- 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; and
  - 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; and
- determined a valuation range for the GameCo Shares prior to and post the Unbundling.

### Key qualitative considerations

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

- consideration of the rationale for the Unbundling and the benefits thereof to Niveus Shareholders as set out in the Circular and based on discussions with members of the Niveus Independent Board; and
- our understanding of the process followed in the Unbundling and the options considered.

### Valuation

KPMG performed a valuation of GameCo to determine whether the Unbundled GameCo Shares represents fair value to 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 operates.

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.

In arriving at our opinion we compared the valuation range for the GameCo Shares prior to the Unbundling, of between R3.30 billion and R3.52 billion, to the valuation range for the GameCo Shares post the Unbundling of between R3.92 billion and R4.02 billion. 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 Unbundling and, based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Unbundling are fair to Shareholders.

Based on the qualitative considerations set out above, we are of the opinion that the terms and conditions of the Unbundling 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 Unbundling 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 re-affirm.

## **Limiting conditions**

This opinion is provided to the Independent Board in connection with and for the purposes of the Unbundling for the sole purpose of assisting the Independent Board in forming and expressing an opinion for the benefit of 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 Shareholder's perspective, but rather that of the general body Shareholders. Should a Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual Shareholder's decision as to whether to accept the Unbundling 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 the 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 Unbundling will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives and advisors 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 Unbundling. We also confirm that we have the necessary qualifications and competence to provide the fair and reasonable opinion on the Unbundling.

Furthermore, we confirm that our professional fees of approximately R100 000 (excluding VAT and disbursements) 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 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

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## INDEPENDENT EXPERT'S REPORT ON THE NIVEUS TRANSACTION

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The Directors

**Niveus Investments Limited**

57 Main Street

Paarl

7646

10 August 2017

Dear Sirs

**Independent expert's report regarding the proposed Niveus Transaction in terms of which, *inter alia*, Niveus Investments Limited ("Niveus") will dispose of its shares in Niveus Invest 19 Limited to Tsogo Sun Holdings Limited ("Tsogo")**

### Introduction

Niveus shareholders ("**Shareholders**") are referred to the announcements released on the Stock Exchange News Service ("**SENS**") of the JSE Limited ("**JSE**") on 27 June 2017.

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 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 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 ("**Share**") held by any such Shareholder on the Unbundling Record Date ("**Unbundling**").

In addition, Hosken Consolidated Investments Limited ("**HCI**"), Niveus and Tsogo Sun Holdings Limited ("**Tsogo**") have entered into an agreement which records the terms of certain transactions (as explained in more detail below) and which is subject to the fulfilment or waiver of various conditions precedent ("**Transaction Agreement**").

In terms of the Transaction Agreement, the following proposed transactions will be implemented:

Subject to the fulfilment (or waiver, to the extent legally permissible) of the Tsogo Transaction Conditions Precedent (as defined below) and following the completion of the Unbundling, the following transactions, which aim to consolidate all of HCI's gaming interests (other than its sports betting and lottery interests) in Tsogo, will be implemented in terms of the following inter-conditional transaction steps:

1. the HCI disposal, in terms of which HCI will dispose of all of its GameCo Shares (acquired by HCI pursuant to the Unbundling and the Assignment (as defined below)) to Tsogo, being 233 659 638 GameCo Shares comprising approximately 50.8% of the issued share capital of GameCo, in exchange for the issue by Tsogo to HCI of 81 272 918 Tsogo shares, in the ratio of one Tsogo share for every 2.875 GameCo Shares purchased from HCI ("**HCI Disposal**");
2. the Tsogo minority offer, in terms of which Tsogo will make an offer to the GameCo minority shareholders (being all shareholders other than HCI but including Niveus) ("**GameCo Minority Shareholders**"), in compliance with the Companies Act and the Companies Regulations, to acquire all of the GameCo Shares held by the GameCo Minority Shareholders ("**Tsogo Minority Offer**"), pursuant to the Unbundling, being 234 554 748 GameCo Shares in aggregate, in exchange for a consideration, which, at the election of the GameCo Minority Shareholders accepting the offer, shall comprise:
  - 2.1 the Share Based Alternative, being one Tsogo Consideration Share for every for every 2.875 GameCo Shares disposed of by such GameCo Minority Shareholders; or
  - 2.2 the Cash Based Alternative, comprising:
    - 2.2.1 20% in Tsogo shares, in the ratio of one Tsogo share for every 2.875 GameCo Shares; and
    - 2.2.2 80% in cash in the amount of R9.739 per GameCo Share; and

3. the Niveus transaction, comprising of (“**Niveus Transaction**”):

- 3.1 the Niveus Disposal, in terms of which Niveus will accept the Tsogo Minority Offer and therefore dispose of all the GameCo Shares held by it after the implementation of the Unbundling and the Assignment (as defined below), which will be at least 20 535 720 GameCo Shares, to Tsogo, by accepting the Tsogo Minority Offer in respect of such GameCo Shares (“**Niveus Disposal**”). The consideration which Niveus will receive from Tsogo in terms of the Niveus Disposal, will be at least R160 million in cash and 1 428 571 Tsogo shares. The consideration may increase to the extent that certain Shareholders exercise their appraisal rights or to the extent that Niveus retains GameCo Shares in order to settle withholding tax obligations of those Shareholders who are not exempt from dividend withholding tax. The Niveus Disposal consideration will be used to strengthen the Niveus balance sheet and pay down debt. Tsogo shares received by Niveus in terms of the Niveus Disposal will be retained for the foreseeable future;
- 3.2 the Clawback, in terms of which Niveus will grant Tsogo the right to claw back the Clawback Amount (as defined in the Transaction Agreement) in the event that no EBTs are legally operating in the KwaZulu-Natal Province prior to or on 31 March 2020. The Clawback Amount shall be calculated using the 30 day volume weighted average trading price of Tsogo shares on the JSE as at 31 March 2020, subject to certain adjustments as detailed in the Transaction Agreement. Should the Clawback Amount become due and payable, the claim will be settled by Niveus (or HCI pursuant to implementation of the Assignment (defined below)) delivering that number of Tsogo shares as will equal the value of the Clawback Amount (“**Clawback**”); and
- 3.3 the Assignment, in terms of which Niveus will assign to HCI all of its rights and obligations in terms of the Clawback, including the potential payment obligation to make payment of the Clawback Amount to Tsogo, against transfer by Niveus of 8 214 286 GameCo Shares with an aggregate value of R80 000 000 to HCI (“**Assignment**”).

Full details of the proposed transactions are contained in the circular to Shareholders to be dated on or about 16 August 2017 (“**Circular**”), which will include a copy of this letter.

### Scope

An independent expert report is required to be obtained by the board of directors of Niveus (“**Board**”) in terms of section 10.4(f) of the Listings Requirements of the JSE (“**Listings Requirements**”) if a transaction is entered into with a related party. HCI is a “material shareholder” and the holding company of Niveus and Tsogo is an “associate” of HCI. Since HCI and Tsogo are both Related Parties of Niveus, the Niveus Transaction will constitute a related party transaction.

KPMG Services Proprietary Limited (“**KPMG**”) has been appointed by the Board as the independent expert to advise on whether the terms and conditions of the Niveus Transaction are fair, and whether the terms and reasonable to Shareholders.

### Responsibility

The compliance with the Listings Requirements is the responsibility of the Board. Our responsibility is to report on the terms and conditions of the Niveus Transaction.

### Definition of the term “fair”

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 by Niveus as a result of the Niveus Transaction is considered to be equal or greater than the value of the GameCo Shares disposed of in the Niveus Transaction.

### Key quantitative considerations

In arriving at our opinion, we have undertaken the following procedures:

- obtained an understanding of the Niveus Transaction from Niveus management, as well as documentation prepared by Niveus and their advisors;
- for the valuation of GameCo we:
  - considered the audited financial statements of the GameCo subsidiaries for the financial year ended 31 March 2017, 2016 and 2015, including the unaudited management accounts for the periods ended 31 March 2015, 31 March 2016, 31 March 2017 and 30 June 2017, and the three year plan approved by the GameCo Board;
  - considered the minutes of the board meetings held during the last 12 months;
  - held discussions with the directors of Niveus to establish their strategy and considered such other matters as we consider necessary, including assessing the prevailing economic, legal and market conditions of the gambling industry;
  - held discussions with the legal advisors regarding the likely outcome of the legal disputes pertaining to Electronic Bingo Terminals in KwaZulu-Natal;
  - evaluated the risks and expected returns associated with GameCo;
  - considered the forecast cash flows and the basis of the assumptions therein including the prospects of the relevant business (revenue growth, operating margins etc.) 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;
  - used the discounted cash flow methodology as the primary valuation methodology. This was supplemented with another valuation methodology namely the capitalisation of maintainable earnings methodology which supports the results of our primary valuation;
  - performed an analysis of market comparators to obtain appropriate beta’s, multiples and debt/equity ratios which we used in our valuation. Capital IQ and the comparators websites were used for the information;
  - determined appropriate valuation discounts or premiums which we used in our valuation;
  - considered key external value drivers to the valuation included, where relevant, key economic parameters such as GDP growth, inflation, interest rates, exchange rates, equity returns and bond yields. In the course of our valuation we performed an analysis of macro-economic drivers of the business of GameCo. We also reviewed key industry drivers of the operating entities forming the GameCo Group. This analysis forms the basis of our review of the key drivers of growth and profitability as contained in management’s budgets, forecasts and business plans;

- considered key internal value drivers to the valuation included, where relevant, the discount rate, revenue growth, branch openings, operating margins, capital expenditure, strategic plans;
- considered the significant factors influencing value drivers, which included risk free rates, market volatility, market returns, the influence that general economic conditions have on the growth in the discount value market segment, trading densities and the strong purchasing power in sourcing of goods.
- performed sensitivities on key value drivers and their effect on achieving sustainable earnings and consequently the impact on the equity value.
- satisfied ourselves as to the appropriateness and reasonableness of the underlying information and assumptions by:
  - using audited information as far as possible;
  - performing a reconciliation of audited financial statements and management accounts; and
  - assessing the reasonableness of forecast information with reference to historic performance and prevailing market and industry conditions; and
- performed a high-level valuation of Tsogo on a capitalisation of EBITDA basis and compared it to the 30-day VWAP as at 14 March 2017, the date of the transaction announcement;
- determined the value surrendered by Niveus (R198 million) and the value received (R199.6 million in case of the share based alternative or R199.8 million in case of the cash and share based alternative); and
- We determined the fairness of the Niveus Transaction inclusive of the Clawback and Assignment by comparing the net proceeds to the value surrendered, as the Niveus Transaction is considered to be an indivisible transaction.

### **Opinion**

KPMG has considered the terms and conditions of the Niveus Transaction, which includes the Clawback Amount and the Assignment and, based upon and subject to the conditions set out herein, are of the opinion that the terms are fair to the Shareholders.

Our opinions are 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 Niveus Transaction 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 re-affirm.

### **Limiting conditions**

This opinion is provided to the Niveus Board in connection with and for the purposes of the Niveus Transaction. This opinion is prepared solely for the Niveus Board 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 shareholder's perspective, but rather that of the general body of Shareholders. Should a Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

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*, management accounts, 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 the 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.

### **Independence**

We confirm that we have no direct or indirect interest in Niveus Shares or the transaction and we confirm that we have no existing or continuing relationship with the issuer and/or any other parties involved in the transaction.

Furthermore, we confirm that our professional fees, of approximately R100 000 (excluding VAT and disbursements), are not contingent upon the success of the Niveus Transaction.

### **Consent**

We consent to the inclusion of this letter and the reference to our opinion in the Circular to be issued to the shareholders of Niveus in the form and context in which it appears.

Yours faithfully

**Jacques Pienaar**  
Director: Deal Advisory

## DETAILS OF DIRECTORS OF THE MAJOR SUBSIDIARIES OF NIVEUS

The definitions and interpretations commencing on page 5 of this Circular apply to this Annexure 8.

The full names, ages, business address and capacities of the directors of the Major Subsidiaries of Niveus are outlined below:

### NIVEUS INVEST 19 LIMITED (GAMECO)

Full name	Age	Capacity	Business Address
John Anthony Copelyn	66	Non-executive chairman	4 Stirling Street, Zonnebloem, Cape Town, 7925
André van der Veen	46	Executive director	La Concorde, 57 Main Street, Paarl, 7646
Muriel Matilda Loftie-Eaton	38	Executive director	La Concorde, 57 Main Street, Paarl, 7646
Yunis Shaik	59	Non-executive director	4 Stirling Street, Zonnebloem, Cape Town, 7925
Carolyn Elizabeth Kristal	34	Executive director	La Concorde, 57 Main Street, Paarl, 7646
Jabulani Geffrey Ngcobo	66	Independent non-executive director	2 Dale Street, New Hanover, KwaZulu-Natal, 3230
Francine-Ann du Plessis	62	Independent non-executive director	10 Helderberg Street, De Waterkant Building, Stellenbosch, 7600
Michael Neil Joubert	53	Independent non-executive director	336 The Breakwater, Breakwater Boulevard, Cape Town, 8001
Wessel Petrus van der Merwe	48	Independent non-executive director	23 Saddle Road, Woodmead Office Park, Gauteng, 2191

### VUKANI GAMING CORPORATION PROPRIETARY LIMITED

Full name	Age	Capacity	Business Address
Cornelius Bandile Mogiba	49	Executive director	La Concorde, 57 Main Street, Paarl, 7646
Vimbai Natasha Schwalm	32	Executive director	La Concorde, 57 Main Street, Paarl, 7646

### LA CONCORDE HOLDINGS LIMITED

Full name	Age	Capacity	Business Address
John Anthony Copelyn	66	Non-executive chairman	4 Stirling Street, Zonnebloem, Cape Town, 7925
André van der Veen	46	Chief executive officer	La Concorde, 57 Main Street, Paarl, 7646
Muriel Matilda Loftie-Eaton	38	Executive director	La Concorde, 57 Main Street, Paarl, 7646
Yunis Shaik	59	Non-executive director	4 Stirling Street, Zonnebloem, Cape Town, 7925
Francine-Ann du Plessis	62	Non-executive director	10 Helderberg Street, De Waterkant Building, Stellenbosch, 7600
Neil Lucas Ellis	64	Non-executive director	R310, Helshoogte Road, Stellenbosch

### GALAXY GAMING AND ENTERTAINMENT PROPRIETARY LIMITED

Full name	Age	Capacity	Business Address
Christiaan Gerrit du Toit	47	Executive director	La Concorde, 57 Main Street, Paarl, 7646
Santhalutchmee van Vuuren	35	Executive director	La Concorde, 57 Main Street, Paarl, 7646

#### Notes:

1. All the directors listed in this Annexure 8 are South African citizens.
2. None of the directors listed in this Annexure 8 are partners with unlimited liability.

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## SHAREHOLDERS' APPRAISAL RIGHTS IN TERMS OF SECTION 115 AND SECTION 164 OF THE COMPANIES ACT

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### **"SECTION 115: REQUIRED APPROVAL FOR TRANSACTIONS CONTEMPLATED IN PART A**

- (1) *Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:*
- (a) *the disposal, amalgamation or merger, or scheme of arrangement:*
    - (i) *has been approved in terms of this section; or*
    - (ii) *is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and*
  - (b) *to the extent that Parts B and C of this Chapter and the Takeover Regulations, apply to a company that proposes to:*
    - (i) *dispose of all or the greater part of its assets or undertaking;*
    - (ii) *amalgamate or merge with another company; or*
    - (iii) *implement a scheme of arrangement,*
- the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of section 119(6).*
- (2) *A proposed transaction contemplated in subsection (1) must be approved:*
- (a) *by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and*
  - (b) *by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if:*
    - (i) *the holding company is a company or an external company;*
    - (ii) *the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and*
    - (iii) *having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and*
  - (c) *by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).*
- (3) *Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:*
- (a) *the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or*
  - (b) *the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).*
- (4) *For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:*
- (a) *required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or*
  - (b) *required to be voted in support of a resolution, or actually voted in support of the resolution.*
- (4A) *In subsection (4), 'act in concert' has the meaning set out in section 117(1)(b).*
- (5) *If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:*
- (a) *within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or*
  - (b) *treat the resolution as a nullity.*
- (6) *On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:*
- (a) *is acting in good faith;*
  - (b) *appears prepared and able to sustain the proceedings; and*
  - (c) *has alleged facts which, if proved, would support an order in terms of subsection (7).*

- (7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
- (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
  - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Companies Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
- (8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
- (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
  - (b) was present at the meeting and voted against that special resolution.
- (9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
- (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
  - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
  - (c) the transfer of shares from one person to another;
  - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
  - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
  - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

#### **SECTION 164: DISSENTING SHAREHOLDERS APPRAISAL RIGHTS**

- (1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
- (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
  - (b) enter into a transaction contemplated in section 112, 113, or 114,
- that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
- (a) gave the company a written notice of objection in terms of subsection (3); and
  - (b) has neither:
    - (i) withdrawn that notice; or
    - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
- (a) the shareholder:
    - (i) sent the company a notice of objection, subject to subsection (6); and
    - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder:
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
- (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.

- (8) *A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:*
- (a) *the shareholder's name and address;*
  - (b) *the number and class of shares in respect of which the shareholder seeks payment; and*
  - (c) *a demand for payment of the fair value of those shares.*
- (9) *A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:*
- (a) *the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);*
  - (b) *the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or*
  - (c) *the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.*
- (10) *If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.*
- (11) *Within five business days after the later of:*
- (a) *the day on which the action approved by the resolution is effective;*
  - (b) *the last day for the receipt of demands in terms of subsection (7)(a); or*
  - (c) *the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.*
- (12) *Every offer made under subsection (11):*
- (a) *in respect of shares of the same class or series must be on the same terms; and*
  - (b) *lapses if it has not been accepted within 30 business days after it was made.*
- (13) *If a shareholder accepts an offer made under subsection (12):*
- (a) *the shareholder must either in the case of:*
    - (i) *shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or*
    - (ii) *uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and*
  - (b) *the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:*
    - (i) *tendered the share certificates; or*
    - (ii) *directed the transfer to the company of uncertificated shares.*
- (14) *A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:*
- (a) *failed to make an offer under subsection (11); or*
  - (b) *made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.*



- (15) *On an application to the court under subsection (14):*
- (a) *all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;*
  - (b) *the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and*
  - (c) *the court:*
    - (i) *may determine whether any other person is a dissenting shareholder who should be joined as a party;*
    - (ii) *must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);*
    - (iii) *in its discretion may:*
      - (aa) *appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or*
      - (bb) *allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;*
    - (iv) *may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and*
    - (v) *must make an order requiring:*
      - (aa) *the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and*
      - (bb) *the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.*
- (15A) *At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:*
- (a) *that shareholder must comply with the requirements of subsection 13(a); and*
  - (b) *the company must comply with the requirements of subsection 13(b).*
- (16) *The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.*
- (17) *If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:*
- (a) *the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and*
  - (b) *the court may make an order that:*
    - (i) *is just and equitable, having regard to the financial circumstances of the company; and*
    - (ii) *ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.*
- (18) *If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.*
- (19) *For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:*
- (a) *the provisions of that section; or*
  - (b) *the application by the company of the solvency and liquidity test set out in section 4.*
- (20) *Except to the extent:*
- (a) *expressly provided in this section; or*
  - (b) *that the Panel rules otherwise in a particular case,*
- a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."*

## TABLE OF ENTITLEMENTS

The definitions and interpretations commencing on page 6 of this Circular apply to this **Annexure 10**.

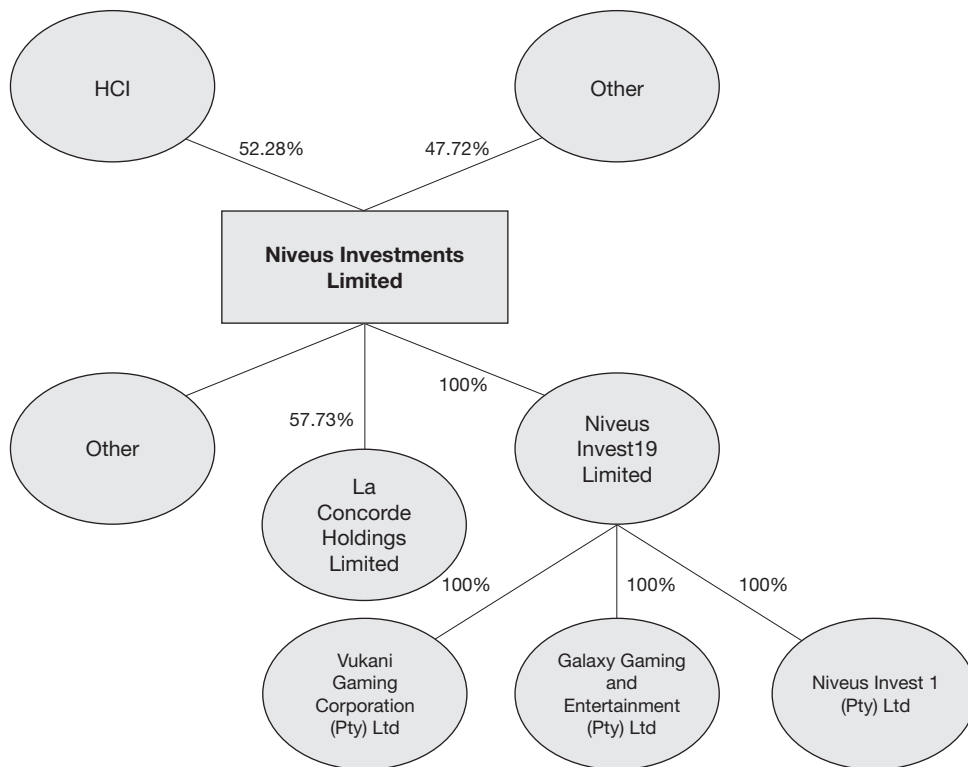
The following table set out the number of GameCo Shares to which a Shareholder will be entitled in terms of the Unbundling:

Number of Niveus Shares held	Number of GameCo Unbundling Shares entitled to receive	Number of Niveus Shares held	Number of GameCo Unbundling Shares entitled to receive	Number of Niveus Shares held	Number of GameCo Unbundling Shares entitled to receive
1	4	42	152	83	300
2	7	43	156	84	304
3	11	44	159	85	308
4	14	45	163	86	311
5	18	46	166	87	315
6	22	47	170	88	318
7	25	48	174	89	322
8	29	49	177	90	326
9	33	50	181	91	329
10	36	51	185	92	333
11	40	52	188	93	337
12	43	53	192	94	340
13	47	54	195	95	344
14	51	55	199	96	347
15	54	56	203	97	351
16	58	57	206	98	355
17	62	58	210	99	358
18	65	59	214	100	362
19	69	60	217	125	452
20	72	61	221	150	543
21	76	62	224	175	633
22	80	63	228	200	724
23	83	64	232	500	1 810
24	87	65	235	1 000	3 619
25	90	66	239	5 000	18 095
26	94	67	242	10 000	36 190
27	98	68	246	20 000	72 380
28	101	69	250	50 000	180 950
29	105	70	253	100 000	361 900
30	109	71	257	200 000	723 800
31	112	72	261	300 000	1 085 700
32	116	73	264	400 000	1 447 600
33	119	74	268	500 000	1 809 500
34	123	75	271	1 000 000	3 619 000
35	127	76	275	2 000 000	7 238 000
36	130	77	279	3 000 000	10 857 000
37	134	78	282	4 000 000	14 476 000
38	138	79	286	5 000 000	18 095 000
39	141	80	290	10 000 000	36 190 000
40	145	81	293	50 000 000	180 950 000
41	148	82	297	100 000 000	361 900 000

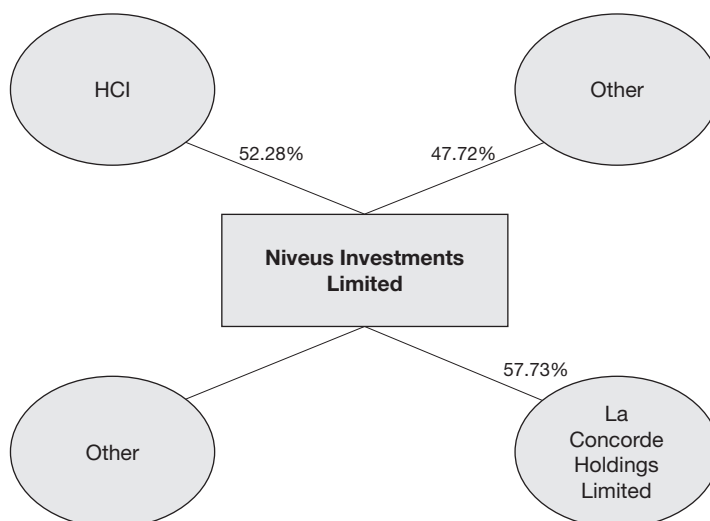
## NIVEUS GROUP STRUCTURE BEFORE AND AFTER THE UNBUNDLING AND NIVEUS TRANSACTION

The definitions and interpretations commencing on page 6 of this Circular apply to this **Annexure 11**.

### BEFORE



### AFTER



# NIVEUS

INVESTMENTS LIMITED

**NIVEUS INVESTMENTS LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 1996/005744/06)  
Share code: NIV, ISIN: ZAE000169553  
("Niveus")

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## NOTICE OF GENERAL MEETING

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All terms defined in the Circular to which this Notice of General Meeting is attached, shall bear the same meanings where used in this Notice of General Meeting.

**NOTICE IS HEREBY GIVEN** that a general meeting of Shareholders will be held at 12:00 on Thursday, 14 September 2017 at SunSquare City Bowl, 23 Buitengracht Street, Cape Town City Centre, to consider and, if deemed fit, pass, with or without modification, the resolutions set out hereunder.

**Notes:**

- For Ordinary Resolution Number 1 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on such resolution in terms of section 65(7) of the Companies Act and Niveus' MOI.
- For Special Resolution Number 1 to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on such resolution in terms of section 65(9) of the Companies Act and Niveus' MOI.
- For Ordinary Resolution Number 2 to be approved, it must be supported by more than 50% of the voting rights exercised on such resolution by Shareholders in terms of section 65(7) of the Companies Act and the Niveus' MOI, excluding Related Parties and their associates. Related Parties and their associates will however be taken into account for purposes of determining the quorum for Ordinary Resolution Number 2.
- For Ordinary Resolution Number 3 to be approved, it must be supported by more than 50% of the voting rights exercised on such resolution by Shareholders in terms of section 65(7) of the Companies Act and the Niveus' MOI, excluding Related Parties and their associates. Related Parties and their associates will however be taken into account for purposes of determining the quorum for Ordinary Resolution Number 3.

**1. ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE UNBUNDLING IN TERMS OF THE LISTINGS REQUIREMENTS**

**"RESOLVED AS AN ORDINARY RESOLUTION** that, subject to the approval of the remaining resolutions set out in this Notice of General Meeting, the unbundling of the GameCo Distribution Shares to Shareholders, by way of a distribution *in specie* pro rata to their respective shareholdings in Niveus as at the Unbundling Record Date, in the ratio of 3.6190 GameCo Shares for every one Share held by any such Shareholder on the Unbundling Record Date (subject to Niveus withholding the GameCo Tax Withholding Shares which are due to be distributed *in specie* to those Shareholders who do not qualify for an exemption from dividends tax), be and is hereby approved in terms of section 5.85(c) of the Listings Requirements."

**Reason and effect**

*The reason for Ordinary Resolution Number 1 is that the Unbundling is regarded as a specific payment to Shareholders in terms of section 5.85 of the Listings Requirements and accordingly requires the approval of the Shareholders by way of an ordinary resolution.*

*The effect of Ordinary Resolution Number 1, if passed, will be to grant the necessary approval of the Unbundling in terms of the Listings Requirements.*

**2. SPECIAL RESOLUTION NUMBER 1 – APPROVAL OF THE UNBUNDLING IN TERMS OF THE COMPANIES ACT**

**"RESOLVED AS A SPECIAL RESOLUTION** that, subject to the approval of the remaining resolutions set out in this Notice of General Meeting, the unbundling of the GameCo Distribution Shares to Shareholders, by way of a distribution *in specie* pro rata to their respective shareholdings in Niveus as at the Unbundling Record Date, in the ratio of 3.6190 GameCo Shares for every one Share held by any such Shareholder on the Unbundling Record Date, be and is hereby approved in terms of section 112 read with section 115 of the Companies Act."

**Reason and effect**

*The reason for Special Resolution Number 1 is that the Unbundling may be deemed to constitute the disposal of the greater part of the assets or undertaking of Niveus in terms of section 112 of the Companies Act and therefore requires the approval of the Shareholders by way of a special resolution, in compliance with the provisions of section 115 of the Companies Act.*

*The effect of Special Resolution Number 1, if passed, will be to grant the necessary approval of the Unbundling in terms of section 112 read with section 115 of the Companies Act.*

### 3. **ORDINARY RESOLUTION NUMBER 2 – APPROVAL OF THE NIVEUS TRANSACTION IN TERMS OF THE LISTINGS REQUIREMENTS**

“**RESOLVED AS AN ORDINARY RESOLUTION** that, subject to the approval of the remaining resolutions set out in this Notice of General Meeting, the conclusion and implementation of the Niveus Transaction (comprising of the Niveus Disposal, the Clawback and the Assignment), in accordance with the terms and conditions as set out in the Transaction Agreement (copies of which have been made available for inspection by Shareholders and the salient terms of which are contained in the Circular), be and is hereby authorised in terms of the section 10.4(e) of the Listings Requirements. To the extent legally required, the decision of the Board to approve the Niveus Transaction is hereby ratified in accordance with section 75(7)(b)(i) of the Companies Act.”

#### **Reason and effect**

*The reason for Ordinary Resolution Number 2 is that Tsogo and HCI are Related Parties of Niveus and accordingly the Niveus Transaction will constitute a Related Party Transaction, which requires the approval of the Shareholders, excluding Related Parties and their associates, by way of an ordinary resolution in accordance with section 10.4(e) of the Listings Requirements.*

*The effect of Ordinary Resolution Number 2, if passed, will be to grant the necessary approval for the conclusion and implementation of the Niveus Transaction, in terms of the section 10.4(e) of the Listings Requirements.*

### 4. **ORDINARY RESOLUTION NUMBER 3 – DIRECTORS’ AUTHORITY**

“**RESOLVED AS AN ORDINARY RESOLUTION** that, any Director of Niveus, be and is hereby authorised and empowered to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to give effect to the special and ordinary resolutions set out in this Notice of General Meeting and anything already done in this respect be and is hereby ratified.”

#### **Reason and effect**

*The reason for and effect of Ordinary Resolution Number 3 is to authorise each Director of Niveus to do all such things and sign all such documents as are deemed necessary or desirable to implement the resolutions set out in the Notice of General Meeting, which requires the approval of the Shareholders, excluding Related Parties and their associates.*

### **VOTING AND PROXIES**

The date on which Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this notice is Friday, 11 August 2017.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting is Friday, 8 September 2017, with the last day to trade being Tuesday, 5 September 2017.

Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairperson of the General Meeting and must accordingly bring a copy of their identity document, passport or drivers’ license to the General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the Transfer Secretaries for guidance.

Shareholders entitled to attend and vote at the General Meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a Shareholder. A Form of Proxy (*grey*), which sets out the relevant instructions for its completion, is enclosed for use by Certificated Shareholders or Own-name Registered Dematerialised Shareholders who wish to be represented at the General Meeting. Completion of a Form of Proxy (*grey*) will not preclude such Shareholder from attending and voting (in preference to that Shareholder’s proxy) at the General Meeting.

The instrument appointing a proxy and the authority (if any) under which it is signed must be lodged with or posted to the Transfer Secretaries or the Company Secretary, at the addresses given below, to be received by them, for administrative purposes, by not later than 12:00 on Tuesday, 12 September 2017 or thereafter handed to the chairperson of the General Meeting or the Transfer Secretaries at the General Meeting, at any time before the proxy exercises any rights of the Shareholder at such General Meeting.

Dematerialised Shareholders, other than Own-name Registered Dematerialised Shareholders, who wish to attend the General Meeting in person, will need to request their CSDP or Broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such Shareholders and the CSDP or Broker.

Dematerialised Shareholders, other than Own-name Registered Dematerialised Shareholders, who are unable to attend the General Meeting and who wish to be represented thereat, must provide their CSDP or Broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or Broker in the manner and time stipulated therein.

Shareholders or their proxies may participate in (but not vote at) the General Meeting by way of telephone conference call and if they wish to do so:

- must contact the Company Secretary (by email at proxies@niveus.co.za) by no later than 12:00 on Tuesday, 12 September 2017, in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification;
- will be billed separately by their own telephone service providers for their own telephone calls to participate in the General Meeting;
- Shareholders and their proxies will not be able to vote telephonically at the General Meeting and will still need to appoint a proxy or representative to vote on their behalf at the General Meeting.

Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each Share held.

#### **APPRAISAL RIGHTS OF SHAREHOLDERS**

In terms of section 164 of the Companies Act, at any time before Special Resolution Number 1 as set out in this notice is voted on, a Shareholder may give Niveus written notice objecting to Special Resolution Number 1.

Within ten Business Days after Niveus has adopted Special Resolution Number 1, Niveus must send a notice that Special Resolution Number 1 has been adopted to each Shareholder who:

- gave Niveus written notice of objection as contemplated above;
- has not withdrawn that notice; and
- has voted against Special Resolution Number 1.

A Shareholder may, within 20 Business Days after receiving the aforementioned notice of the adoption of Special Resolution Number 1, demand that Niveus pay the Shareholder the fair value for all of the Shares in Niveus held by it if:

- the Shareholder has sent Niveus a notice of objection;
- Niveus has adopted Special Resolution Number 1; and
- the Shareholder voted against Special Resolution Number 1 and has complied with all of the procedural requirements of section 164 of the Companies Act.

Any Shareholder who is in doubt as to what action to take should consult their legal or professional advisor in this regard.

The wording of section 164 of the Companies Act is set out in **Annexure 9** to the Circular.

By order of the Board

#### **HCI Managerial Services Proprietary Limited**

Company Secretary  
16 August 2017

#### **Company Secretary**

HCI Managerial Services Proprietary Limited  
4 Stirling Street  
Zonnebloem  
Cape Town  
7925  
(PO Box 5251, Cape Town, 8000)

#### **Transfer Secretaries**

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank  
Johannesburg, 2196  
(PO Box 61051, Marshalltown 2107)

# NIVEUS

INVESTMENTS LIMITED

**NIVEUS INVESTMENTS LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 1996/005744/06)  
Share code: NIV, ISIN: ZAE000169553

("Niveus")

## FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME REGISTERED DEMATERIALISED SHAREHOLDERS ONLY

All terms defined in the Circular, to which this Notice of General Meeting is attached, shall bear the same meanings when used in this Form of Proxy.

For use only by Shareholders holding Certificated Shares, nominee companies of CSDPs, Brokers' nominee companies and Own-name Registered Dematerialised Shareholders at the General Meeting to be held at SunSquare City Bowl, 23 Buitengracht Street, Cape Town City Centre on Thursday, 14 September 2017 at 12:00.

Dematerialised Shareholders who are not Own-name Registered Dematerialised Shareholders must not complete this Form of Proxy and must provide their CSDP or Broker with their voting instructions, except for Own-name Registered Dematerialised Shareholders recorded in the sub-register through a CSDP or Broker, which Shareholders must complete this Form of Proxy and lodge it with their CSDP or Broker in terms of the custody agreement entered into between them and their CSDP or Broker. Dematerialised Shareholders who are not Own-name Registered Dematerialised Shareholders wishing to attend the General Meeting must inform their CSDP or Broker of such intention and request their CSDP or Broker to issue them with the necessary letter of representation to attend.

I/We (Full name in print)

of (address)

Telephone: (work) area code ( )

Telephone: (home) area code ( )

Cell phone number:

E-mail address:

being the holder of

Shares in Niveus, hereby appoint:

1. or failing him/her

2. or failing him/her

3. the chairperson of the General Meeting,

as my/our proxy to attend, speak and vote for me/us at the General Meeting for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Shares registered in my/our name(s), in accordance with the following instruction (see notes):

### Number of Shares

	In favour of	Against	Abstain
<b>Ordinary Resolution Number 1</b> Approval of the Unbundling in terms of the Listings Requirements			
<b>Special Resolution Number 1</b> Approval of the Unbundling in terms of the Companies Act			
<b>Ordinary Resolution Number 2</b> Approval of the Niveus Transaction in terms of the Listings Requirements and the Companies Act			
<b>Ordinary Resolution Number 3</b> Directors' Authority			

Please indicate your voting instruction by way of inserting the number of Shares or by a cross in the space provided should you wish all your Shares to be voted.

Signed at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Signature(s)

Assisted by (where applicable) (state capacity and full name)

Each Shareholder is entitled to appoint one or more proxy(ies) (who need not be Shareholder(s) of Niveus) to attend, speak and vote in his/her stead at the General Meeting.

Please read the notes on the reverse side hereof.

**Notes:**

1. A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a registered Shareholder of Niveus.
2. Every Shareholder present in person or by proxy and entitled to vote at the General Meeting shall, on a show of hands, have one vote only, irrespective of the number of Shares such Shareholder holds. In the event of a poll, every Shareholder shall be entitled to that proportion of the total votes in Niveus which the aggregate amount of the nominal value of the Shares held by such Shareholder bears to the aggregate amount of the nominal value of all the Shares issued by Niveus.
3. Shareholders who have Dematerialised their Shares with a CSDP or Broker, other than Own-name Registered Dematerialised Shareholders, must arrange with the CSDP or Broker concerned to provide them with the necessary authorisation to attend the General Meeting or the Shareholders concerned must instruct their CSDP or Broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or Broker concerned.

**Instructions on signing and lodging the Form of Proxy:**

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided, with or without deleting "the chairperson of the General Meeting", but any such deletion must be initialled by the Shareholder. Should this space/s be left blank, the proxy will be exercised by the chairperson of the General Meeting. The person whose name appears first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Shareholder's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes which that Shareholder wishes to exercise, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the General Meeting as he/she thinks fit in respect of all the Shareholder's exercisable votes. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the Shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries or Company Secretary.
4. To be valid, the completed Form of Proxy must be lodged with or posted to the Company Secretary or the Transfer Secretaries, at the addresses set out below, to be received by them, for administrative purposes, by no later than Tuesday, 12 September 2017, at 12:00 or thereafter handing such forms to the chairperson of the General Meeting or the Transfer Secretaries at the General Meeting, at any time before the proxy exercises any rights of the Shareholder at such General Meeting.

**Company Secretary**

HCI Managerial Services Proprietary Limited  
4 Stirling Street  
Zonnebloem  
Cape Town  
7925  
(PO Box 5251, Cape Town, 8000)

**Transfer Secretaries**

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank  
Johannesburg, 2196  
(PO Box 61051, Marshalltown 2107)

5. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity must be attached to this Form of Proxy unless previously recorded by the Transfer Secretaries or waived by the chairperson of the General Meeting.
6. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
7. The appointment of a proxy in terms of this Form of Proxy is revocable in terms of the provisions of section 58(4)(c) read with section 58(5) of the Companies Act, and accordingly a Shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to Niveus.
8. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this Form of Proxy must be initialled by the signatory/ies.
9. The chairperson of the General Meeting may accept any Form of Proxy which is completed other than in accordance with these instructions provided that he/she is satisfied as to the manner in which a Shareholder wishes to vote.









