



56-58 Benson Road, Warrington,

WA3 7PQ, United Kingdom

August 25, 2020

**FTI CONSULTING SOUTH AFRICA (PTY) LIMITED**

Attention: Mr. John Geel (Senior Managing Director):  
Ms. Donna Gray (Senior Director)  
Mr. John Evans (Business Rescue Practitioner): [johnevans@rsadvisors.co.za](mailto:johnevans@rsadvisors.co.za)

BY EMAIL

Dear Sirs

**BINDING OFFER FOR THE ACQUISITION OF ALL ASSETS OF PHUMELELA GAMING AND LEISURE LIMITED (IN BUSINESS RESCUE) AND POST COMMENCEMENT FINANCING**

**1. INTRODUCTION**

- 1.1 We, Lightcatch Limited (**Betfred**), a wholly owned subsidiary of Betfred Group Limited, refer to the proposed business rescue plan of Phumelela Gaming and Leisure Limited (in Business Rescue) (**Phumelela**) published on 18 August 2020 in terms of section 150 of the Companies Act 71 of 2008 (the **Companies Act**) by its business rescue practitioner, Mr John Evans (the **BRP**) (the **Published Plan**).
- 1.2 We set out below a binding offer (the **Offer**) to acquire all of the assets of Phumelela for an aggregate purchase consideration of between **R875,000,000 and R925,000,000** (the **Betfred Acquisition**). The terms of the Betfred Acquisition are set out in Annexure B. In addition, and subject only to creditors approving the Offer and the necessary documents being concluded, we will make a loan to Phumelela, as post commencement finance, in an amount of **R650,000,000** (the **Betfred Loan**). The terms of the Betfred Loan are set out in Annexure A.
- 1.3 The full terms and conditions of the Offer are included in this Offer letter (including its Annexures which shall form part of it) (the **Offer Letter**).
- 1.4 To accept the Offer please counter-sign and email a copy of this Offer Letter to us before 14h00 (SA time) on 1 September 2020, failing which this Offer shall automatically lapse and be of no further force or effect. Upon acceptance by you in accordance with this paragraph 1.4 this Offer Letter shall constitute a binding agreement and create binding obligations between Betfred and Phumelela. We reserve the right to extend the time for acceptance, in our sole discretion.
- 1.5 Without limitation to the foregoing, the Parties shall negotiate in good faith the Definitive Legal Agreements contemplated in the Annexures to this Offer Letter and shall use their best

endeavours to conclude those agreements within 5 days after the counter-signature of this Offer Letter by Phumelela.

1.6 We hereby request that you:

1.6.1 distribute a copy of this letter to all affected persons as soon as possible so that they can consider the Offer prior to meeting on 1 September 2020;

1.6.2 amend and distribute to all affected persons the "Form of Proxy" included in the Published Plan so that it allows affected persons to vote on a motion, in terms of section 152(d)(ii) of the Companies Act, to direct the practitioner to adjourn the meeting in order to revise the plan for further consideration.

## 2. **BETFRED OVERVIEW**

Included as Annexure C is a detailed description of Betfred, its experience in Horse Racing and Betting. It should be clear from Annexure C that Betfred is a highly credible owner and operator of horse racing and betting businesses around the world, and that Betfred's involvement in Phumelela, horse racing and betting in South Africa is likely to improve the industry, secure and create jobs and ensure valuable skills transfer and development.

## 3. **BENEFITS OF BETFRED'S OFFER**

3.1 The Betfred Acquisition is in respect of all assets of Phumelela, and not merely some of the assets as contemplated in the offer made by Mary Oppenheimer Daughters (Pty) Limited (**MOD**) in the Published Plan. There is therefore no risk of assets being left unsold and/or unable to realise value. The return from the sale of assets is significant and should result in all creditors being paid 100% of their claims and shareholders potentially realising some value. This is considerably better than the arrangements contemplated in the Published Plan which may result in concurrent creditors receiving only 72 cents in the Rand.<sup>1</sup>

3.2 The Betfred Loan will be advanced in two tranches: R250,000,000 to be advanced within 5 days of creditors approving the Offer in terms of section 150 of the Companies Act (or sooner by agreement), and the remaining R450,000,000 by 15 November 2020. The Offer therefore immediately de-risks the outcome for a significant majority of creditors as the funds lent can and will be used to settle creditors and to fund the working capital needs of Phumelela.

3.3 The Betfred Loan is subject only to creditors approving the Offer and the necessary documents being concluded to document the loan. There is therefore minimal execution risk and the return to creditors is effectively underwritten by Betfred. To give comfort to the BRP and to creditors that we are willing and able to meet our obligations, we are willing to encumber 20,000,000 shares in William Hill PLC. William Hill PLC is a publicly traded FTSE 250 company listed on the London Stock Exchange and its shares represents valuable (approx. R714m) and liquid security.

3.4 All business and staff jobs will be secured.

3.5 Betfred plans to keep all the assets together, for the benefit of racing and betting in South Africa.

3.6 Betfred brings international expertise and an unparalleled track-record. This will improve the viability of Horse Racing and Betting in South Africa. We expand in Annexure C on the additional value Betfred brings as well as its plans for Phumelela and the industry.

3.7 We compare certain aspects of the Offer to the offer made by MOD in paragraph 4 below. It is evident from the comparison that the Betfred Offer is more attractive than the MOD Offer in a number of key respects.

## 4. **HISTORY AND COMPARISON TO MOD OFFER**

4.1 Betfred engaged FTI Consulting as far back as 29 June 2020 and the BRP directly on 9 July 2020. On 17 July 2020, Betfred expressed its interest in acquiring all of the assets of Phumelela through

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<sup>1</sup> See paragraph 11.2 of the Published Plan.

its first formal indicative offer. We have subsequently submitted at least 2 further offers and engaged on a number of occasions with you and your representatives.

4.2 Throughout our engagement with you, we have demonstrated our willingness to transact and believe we have addressed, consistently, each and every concern that you have had with our offer.

4.3 Against the backdrop of these engagements, we were surprised to see the MOD offer being the preferred offer in the Published Plan. Upon a review of the Published Plan, it is clear to us that the Betfred Offer (as previously tabled, and now as revised in terms of this Offer) is more attractive than the MOD offer.

4.4 Whilst the Published Plan has limited details of the MOD offer, from the information included it is clear that our Offer is the most attractive in relation to:

4.4.1 price and, accordingly, return to creditors and shareholders;

4.4.2 timing;

4.4.3 Proof of Funds; and

4.4.4 certainty of performance.

4.5 We address each of these in turn:

4.5.1 **Price and return to creditors and shareholders**

(i) Betfred's Offer represents an aggregate purchase consideration of between **R875,000,000 and R925,000,000** for all of the assets. In addition, Betfred is willing to make a loan of R650,000,000 available. This should result in all creditors receiving 100% of their claims. In addition, shareholders may receive value through the Betfred Offer.

(ii) MOD appears to only offer to acquire the "Horse Racing Business and assets and Phumelela Gold International Limited"<sup>2</sup>. It is not clear from the Published Plan how much MOD is offering for these assets. However, given that concurrent creditors may only receive 72 cents in the Rand<sup>3</sup> it is clear that the package is not as attractive as the package proposed by Betfred.

4.5.2 **Timing**

(i) The Betfred Loan will be advanced in two tranches and will be advanced in full by 15 November 2020.

(ii) MOD's loan will be advanced in three equal tranches. The amounts are advanced on 29 October 2020, 29 March 2021, and 30 November 2021. The last tranche is advanced more than a year after Betfred's Loan will be fully advanced.

4.5.3 **Proof of Funds**

(i) Betfred has significant resources and intends to fund the acquisition using available cash. To give comfort to the BRP Betfred is willing to make security available. Further details are included in paragraph 3.3 above.

(ii) No details have been provided about MOD's access to capital nor about any security that has been provided.

4.5.4 **Certainty of performance**

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<sup>2</sup> See paragraph 8.5.3.4 of the Published Plan

<sup>3</sup> See paragraph 11.2 of the Published Plan.

- (i) Betfred's Offer is effectively unconditional. The Betfred Loan will be advanced following the approval of the plan by creditors and the funds will be used to repay creditors and for working capital purposes. Betfred is therefore taking the execution risk on the Betfred Acquisition. In other words, Betfred will advance the Betfred Loan immediately "at risk" and will acquire the assets as and when it is legally permissible to acquire them.
- (ii) Whilst it appears from the Published Plan that MOD will acquire the Horse Racing Business and assets and Phumelela Gold International Limited, the timing is unclear. We note the timing of the loan advances highlighted in paragraph 4.5.2 above which reflect the MOD loan's final tranche being advanced a year after Betfred's Loan.

## 5. **BENEFITS TO SOUTH AFRICA**

- 5.1 Our intention with this Offer is to reinvigorate a struggling industry and, in doing so, facilitate economic growth, job creation and access to international markets and best practices.
- 5.2 In the face of a challenging global and domestic economic environment, the Offer represents a vote of confidence in the South African economy and a direct response to President Ramaphosa's drive to boost the South African economy by securing USD100 billion in foreign investment by 2023.
- 5.3 Furthermore, as highlighted above, the investment by an experienced multinational corporation into South Africa is likely to result in enhanced growth and opportunities for South Africa, as well as the transfer of skills and knowledge to local employees. This investment should not only be beneficial to Phumelela's creditors and other stakeholders but also to Horseracing and Betting, and the South African society in general.
- 5.4 Betfred understands and respects the importance of BBBEE, both in the wider context and for Horseracing and Betting and is committed to determining appropriate ways to achieve these objectives in relation to BBBEE for the assets and the industry.

## 6. **Contact Information**

- 6.1 We are happy to discuss any aspects of the Offer with you or any affected person. You can contact Betfred's representatives and its South African attorneys at:
  - 6.1.1 Phil Siers: Betfred Chief Commercial Officer: [phil.siers@betfred.com](mailto:phil.siers@betfred.com)
  - 6.1.2 Paul Kirszanek: Head of Corporate Finance: [paul.kirszanek@betfred.com](mailto:paul.kirszanek@betfred.com)
  - 6.1.3 Joshua Janks: Bowmans / Partner: [Joshua.janks@bowmanslaw.com](mailto:Joshua.janks@bowmanslaw.com)
  - 6.1.4 Juliette de Hutton: Bowmans / Partner: [Juliette.dehutton@bowmanslaw.com](mailto:Juliette.dehutton@bowmanslaw.com)

## 7. **General**

### 7.1 **Breach**

- 7.1.1 In the event of either of the parties to this Offer Letter (the **Parties**) committing a material breach of any of the terms and conditions hereof and remaining in default for a period of 5 Business Days after receipt by it of written notice from the other Party calling for such breach to be remedied, the party delivering such notice shall be entitled, without prejudice to any other rights it may have hereunder or in law, to terminate this Offer Letter by written notice to that effect given to the other Party.
- 7.1.2 Each Party acknowledges that monetary damages may not be a sufficient remedy in the event of a breach of the obligations under this Offer Letter (including, without limitation, the confidentiality and exclusivity provisions). In the event of a breach or threatened breach of this Offer Letter by a Party, the non-defaulting Party shall be entitled, without prejudice to any of its other rights or remedies, to relief (including but not limited to relief by way of interdict or mandatory order) and the defaulting Party shall reimburse the non-defaulting Party for any

costs (including legal costs), claims, demands or liabilities arising directly or indirectly from the breach.

**7.2 Exclusivity**

Neither Phumelela or any person acting on its behalf shall solicit, entertain or accept any third party offers to acquire any of the Sale Assets (as defined in Annexure B) and/or to provide funding (whether in the form of debt or equity) to Phumelela or any members of its Group. The BRP will notify Betfred with the full details immediately on receipt of an approach by a third party potentially interested in making such an offer.

**7.3 No assignment**

Neither of the parties may assign this Offer Letter or any of the rights or obligations under it without the consent of the other Party.

**7.4 Non-variation**

No agreement to vary, add to or cancel this Offer Letter shall be of any force or effect unless recorded in writing and signed by or on behalf of both parties.

**7.5 Waiver**

A waiver of any right or remedy under this Offer Letter or by law is only effective if given in writing and is not deemed a waiver of any subsequent breach or default. A failure to exercise or delay by a Party in exercising any right or remedy provided under this Offer Letter or by law does not constitute a waiver of that or any other right or remedy, nor does it prevent or restrict any further exercise of that or any other right or remedy. No single or partial exercise of any right or remedy provided under this Offer Letter or by law prevents or restricts the further exercise of that or any other right or remedy.

**7.6 Support and good faith**

7.6.1 The Parties undertake at all times to do all such things, perform all such actions and take such steps and to procure the doing of all such things, the performance of all such actions and taking of all such steps as may be open to them and necessary for or incidental to the putting into effect of the provisions of this Offer Letter.

7.6.2 In furtherance of the above, each of the Parties undertakes with the others to do all things reasonably within its power which are necessary or desirable to give effect to the provisions of this Offer Letter in accordance with its spirit and intent.

**7.7 Costs**

Each Party will bear and pay its own costs.

**7.8 Jurisdiction**

This Offer Letter will be governed by and construed in accordance with the laws of South Africa, and the Parties hereby submit to the exclusive jurisdiction of the High Court of South Africa, Gauteng Local Division, Johannesburg.

**7.9 Offer Letter and Annexures**

The Annexures to this Offer Letter form an integral part of the Offer. If there is any inconsistency between the terms and conditions included in the body of this Offer Letter or Annexures A or B, the provisions included in the Annexures shall prevail.

**7.10 Counterparts**

This Offer Letter may be executed in counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same Offer Letter as at the date of signature of the Party last signing one of the counterparts.

Yours faithfully

A handwritten signature in black ink, consisting of a large, stylized 'L' or 'C' shape with a horizontal line extending to the right, and a vertical line extending downwards from the bottom of the 'L' or 'C'.

Lightcatch Limited  
per:

Binding Term Sheet: Loan		
1.	<b>Term Sheet</b>	<p>This term sheet (the <b>Term Sheet</b>) outlines the main terms and conditions that have been agreed by the Parties (as defined below) in relation to the proposed advance by Betfred (or one of its affiliates) of a loan to Phumelela, as post commencement finance (the <b>Loan</b>).</p> <p>This Term Sheet creates a binding agreement between the Parties.</p>
2.	<b>Parties</b>	<p><b>Lender:</b> Lightcatch Limited, a company incorporated in the United Kingdom with registration number 02578161, or one of its wholly owned subsidiaries.</p> <p><b>Borrower:</b> Phumelela Gaming and Leisure Limited, a public company incorporated in accordance with the laws of South Africa under registration number 1997/016610/06.</p> <p><b>Borrower Group:</b> Phumelela and its direct and indirect subsidiaries.</p>
3.	<b>Nature of Loan</b>	Post commencement finance
4.	<b>Principal Amount</b>	ZAR650,000,000
5.	<b>Purpose</b>	The Loan shall be used by the Borrower as working capital and to discharge all of its obligations to creditors, as set out in the Published Plan.
6.	<b>Advance Date</b>	<p>The Loan will be advanced in two tranches as follows:</p> <p>(i) R250,000,000 will be advanced within 5 days after creditors approve the business rescue plan required to implement the transactions contemplated in this Offer letter (or sooner by agreement between the Parties) (the <b>Initial Advance Date</b>); and</p> <p>(ii) R400,000,000 will be advanced on or before 15 November 2020.</p>
7.	<b>Interest Rate</b>	SA Prime Rate (published by Nedbank) plus 2% per annum, compounded monthly in arrears
8.	<b>Repayment</b>	<p>The Loan shall be repaid in full by no later than the date occurring 12 months of the Initial Advance Date.</p> <p>A matching portion of the Loan Outstandings will be set-off against the purchase consideration attributable to each Sale Asset that is transferred to the Lender pursuant to the Betfred Acquisition, it being agreed that the purchase consideration shall, save as stated below, not be less than R875,000,000.</p> <p>In relation to the acquisition of 100% of the shares in Phumelela Gold International Limited, if Tabcorp exercises its rights to acquire the shares in Premier Gateway International Limited under any applicable pre-emptive right or deemed offer event (howsoever described), the proceeds of such disposal shall reduce the purchase consideration and the Borrower shall be required to use the proceeds to repay a matching portion of the Loan Outstandings.</p> <p>The proceeds of any disposed asset shall immediately be used to repay a matching portion of the Loan Outstandings.</p>

9.	<b>Security</b>	The Borrower shall provide such security as the Lender requests. This will include cessions in <i>securitatem debiti</i> over the shares in each subsidiary company, mortgage bonds over immovable properties owned by Phumelela and/or its subsidiaries, and/or such other security as the Lender may require.
10.	<b>Conditions Precedent</b>	Advancement of the Loan is conditional upon: (i) the adoption of the business rescue plan reflecting the terms of the Offer by the requisite vote of Creditor(s) as contemplated in sections 152(2)(a) and (b) of the Companies Act, 2008; (ii) conclusion of the Definitive Legal Agreements.
11.	<b>Positive and Negative Undertakings</b>	Without the prior written consent of the Lender, the Borrower may not: (i) dispose or encumber any of the assets of the Borrower or other member of the Borrower Group; (ii) incur further borrowings by the Borrower or any other member of the Borrower Group; (iii) make any distributions to shareholders.
12.	<b>Definitive Agreements</b> <b>Legal</b>	(i) Loan Agreement; (ii) Security Documents; and (iii) any other documents necessary to give effect to the transactions contemplated in the Loan Agreement and Security Documents
13.	<b>Exclusivity</b>	Neither the Borrower or any person acting on its behalf shall solicit, entertain or accept any third party offers to acquire any of the Sale Assets and/or to provide funding (whether in the form of debt or equity) to the Borrower or any members of the Borrower Group. The Borrower will notify the Lender with the full details immediately on receipt of an approach by a third party potentially interested in making such an offer.
14.	<b>Costs</b>	Each Party will bear and pay its own costs.
15.	<b>Transaction Documentation and Regulatory Submissions</b>	Jointly prepared, with drafting responsibilities to be held primarily by the Lender and its advisers.
16.	<b>Jurisdiction</b>	This Term Sheet will be governed by and construed in accordance with the laws of South Africa, and the Parties hereby submit to the exclusive jurisdiction of the High Court of South Africa, Gauteng Local Division, Johannesburg.

Binding Term Sheet: Acquisition		
1.	<b>Term Sheet</b>	<p>This term sheet (the <b>Term Sheet</b>) outlines the main terms and conditions that have been agreed by the Parties (as defined below) in relation to the proposed acquisition by Betfred (or one of its affiliates) of all the assets of Phumelela, as a going concern.</p> <p>This Term Sheet creates a binding agreement between the Parties.</p>
2.	<b>Parties</b>	<p><b>Purchaser:</b> Lightcatch Limited, a company incorporated in the United Kingdom with registration number 02578161, or one of its wholly owned subsidiaries.</p> <p><b>Seller:</b> Phumelela Gaming and Leisure Limited (in business rescue), a public company incorporated in accordance with the laws of South Africa under registration number 1997/016610/06.</p>
3.	<b>Proposed Transaction</b>	<p>The proposed transaction will involve the acquisition by the Purchaser of 100% of the Sale Assets (as defined below) from the Seller (the <b>Proposed Transaction</b>) through the process set out in "Transaction Structure" below.</p>
4.	<b>Sale Assets</b>	<p>The Sale Assets comprise all of the assets of the Seller, save for the Excluded Assets (as defined below).</p> <p>The Sale Assets shall include (at least):</p> <ul style="list-style-type: none"> <li>(i) the following assets (the <b>Horse Racing Assets</b>): <ul style="list-style-type: none"> <li>a. the Turffontein, Vaal, Fairview (including the artificial surface), Arlington and Flamingo Park racetracks</li> <li>b. the TellyTrack partnership interest and all media rights;</li> <li>c. the Totalisator licences and Totalisator Betting Outlets and any related comingling agreements;</li> <li>d. the assets of TAB North West (Pty) Limited;</li> <li>e. the assets of each property-owning subsidiary of the Seller;</li> </ul> </li> <li>(ii) 50% of the of the issued share capital of Supabets SA Holdings Proprietary Limited;</li> <li>(iii) 50% of the issued share capital of Uptonvale Services Proprietary Limited t/a Interbet;</li> <li>(iv) 33% of the shares in SW Security Solutions SA Proprietary Limited; and</li> <li>(v) 100% of the assets of Phumelela Gold International Limited (<b>PGI</b>), including (for the avoidance of doubt), PGI's 50% shareholding in each of Premier Gateway International Limited and Premier Gateway International Services Limited (the <b>PGI Assets</b>);</li> <li>(vi) 100% of the assets of Betting World Proprietary Limited (the <b>Betting World Assets</b>).</li> </ul> <p>The Sales Assets exclude any cash in the bank accounts of the Seller or any member of the Seller Group (but excluding the cash in any client accounts), debtors, pension fund surplus, and legal claims against third parties (the <b>Excluded Assets</b>).</p>
5.	<b>Transaction Structure</b>	<p>The Proposed Transaction will be structured as:</p> <ul style="list-style-type: none"> <li>(i) the acquisition of the Sale Assets pursuant to a sale of</li> </ul>

		<p>business agreement as a going concern;</p> <p>(ii) the acquisition of the shares in each Target Company pursuant to sale of shares agreements.</p>										
6.	<b>Consideration Payable</b>	<p>The aggregate purchase consideration for the Sale Assets is ZAR875,000,00 but can increase to R925,000,000 depending on the profitability of the Horse Racing Assets following the acquisition (the <b>Purchase Consideration</b>), excluding any taxes such as transfer duty and costs, VAT and securities transfer tax, which taxes shall be borne by us, comprising:</p> <p>(i) an initial payment of ZAR875,000,000 (the <b>Initial Purchase Consideration</b>); and</p> <p>(ii) a deferred payment of ZAR50,000,000 (the <b>Deferred Purchase Consideration</b>).</p> <p>The Initial Purchase Consideration is attributed to the Sale Assets as follows:</p> <table border="1"> <thead> <tr> <th>Sale Asset</th> <th>Value (ZAR)</th> </tr> </thead> <tbody> <tr> <td>The Sale Assets listed in 5(i) to (iv) above</td> <td>325,000,000</td> </tr> <tr> <td>The PGI Assets</td> <td>330,000,000</td> </tr> <tr> <td>The Betting World Assets</td> <td>220,000,000</td> </tr> <tr> <td><b>Total</b></td> <td><b>875,000,000</b></td> </tr> </tbody> </table> <p>The Initial Purchase Consideration will decrease if and to the extent that any of the Sale Assets cannot be delivered by the Seller by the relevant value of the Sale Asset that cannot be delivered.</p> <p>The Deferred Purchase Consideration is payable upon certain EBITDA based performance milestones being met by the Horseracing Business, such milestones to be agreed between the BRP and the Purchaser prior the meeting of the creditors.</p>	Sale Asset	Value (ZAR)	The Sale Assets listed in 5(i) to (iv) above	325,000,000	The PGI Assets	330,000,000	The Betting World Assets	220,000,000	<b>Total</b>	<b>875,000,000</b>
Sale Asset	Value (ZAR)											
The Sale Assets listed in 5(i) to (iv) above	325,000,000											
The PGI Assets	330,000,000											
The Betting World Assets	220,000,000											
<b>Total</b>	<b>875,000,000</b>											
7.	<b>Payment</b>	<p>The Purchase Consideration payable pursuant to the acquisition of the Sale Assets will be set off against the amounts repayable under the Loan.</p>										
8.	<b>Conditions Precedent</b>	<p>Conditions Precedent to the Betfred Acquisition:</p> <ul style="list-style-type: none"> <li>the adoption of the business rescue plan reflecting the terms of the Proposed Acquisition by the requisite vote of Creditor(s) as contemplated in sections 152(2)(a) and (b) of the Companies Act, 2008;</li> <li>all necessary board and shareholder approvals;</li> <li>the Definitive Legal Agreements being executed and becoming unconditional in accordance with their terms</li> <li>all necessary regulatory approvals: (i) Competition Commission and Competition Tribunal, (ii) South African Reserve Bank; (iii) Gambling Boards; (iv) JSE;</li> <li>all necessary third party approvals.</li> </ul>										

		<p>Each Sale of Shares Agreement:</p> <ul style="list-style-type: none"> <li>where required in respect of a Target Company, a waiver by the other shareholder(s) of the Target Company or any of their pre-emptive or similar rights.</li> </ul> <p>Notwithstanding the foregoing, the Purchaser shall be entitled to waive or defer the fulfilment of any of the conditions included herein to the extent they are capable of waiver or deferral.</p>
9.	<b>Seller Undertaking</b>	The Seller undertakes to use its best endeavors to transfer and/or to procure the transfer of each of the Sale Assets to the Purchaser as quickly as possible following execution of this Term Sheet.
10.	<b>Purchaser Undertaking in respect of pre-emptive rights</b>	<p>As a way of giving comfort to any counterpart that is able to exercise pre-emptive rights, Betfred is willing to extend the exercise period in relation to any such rights for a further 12 months from the effective date of the Proposed Acquisition so that the counterparty can assess the credibility of Betfred. The extension will be provided on the basis that the counterparty cannot exercise its pre-emptive rights for a price lower than the price at which Betfred acquires the relevant asset.</p> <p>Provided that if such rights are exercised on or before the end of the exercise period, then the Initial Purchase Consideration will decrease if and to the extent that any of the Sale Asset cannot be delivered by the Seller by the relevant value of the Sale Asset that cannot be delivered by virtue of such rights being exercised.</p>
11.	<b>Representations and Warranties</b>	<p>The Seller will represent and warrant to the Purchaser, inter alia:</p> <ul style="list-style-type: none"> <li>(i) Ownership and unencumbered title to the Sale Assets;</li> <li>(ii) No liabilities in any of the Target Companies;</li> <li>(iii) The Seller has not disposed of any asset to any other person other than the Purchaser, or with the Purchaser's prior written consent;</li> </ul>
12.	<b>Definitive Agreements Legal</b>	<ul style="list-style-type: none"> <li>(i) Sale of Business Agreement;</li> <li>(ii) Sale of Shares Agreements;</li> <li>(iii) any other documents necessary to give effect to the transactions contemplated in the Sale of Business Agreement, Sale of Shares Agreements and/or Sale of Immovable Property Agreements.</li> </ul>
13.	<b>Exclusivity</b>	Neither the Seller or any person acting on its behalf shall solicit, entertain or accept any third party offers to acquire any of the Sale Assets and/or to provide funding (whether in the form of debt or equity) to the Seller or any members of the Seller Group. The Seller will notify the Purchaser with the full details immediately on receipt of an approach by a third party potentially interested in making such an offer.
14.	<b>Costs</b>	Each Party will bear and pay its own costs.
15.	<b>Binding Nature</b>	This Term Sheet creates legally binding obligations on the Parties upon execution of this Term Sheet.

16.	<b>Transaction Documentation and Regulatory Submissions</b>	Jointly prepared, with drafting responsibilities to be held primarily by the Purchaser and its advisers.
17.	<b>Jurisdiction</b>	This Term Sheet will be governed by and construed in accordance with the laws of South Africa, and the Parties hereby submit to the exclusive jurisdiction of the High Court of South Africa, Gauteng Local Division, Johannesburg.

### **EXECUTIVE SUMMARY**

Over the course of the last few weeks Betfred has tried to agree a suitable deal with the BRP but was unable through time limits to agree the detail prior to publication of the rescue plan. However, the key points of our plan are as follows and clearly demonstrate significant benefits to all.

- Our offer will generate guaranteed funds and values
- All businesses and staff jobs will be secured
- Funds will go in much quicker with no execution risk to the creditors
- Betfred require no further conditionality than MOD
- We are agreeing to purchase everything to the extent it is available, and there is no risk of being left with unsold minor assets
- We are keeping the Phumelela assets together for the benefit of racing and betting
- The financial security and expertise of Betfred will flow quickly

### **WHO ARE WE, WHAT DO WE DO**

Betfred was founded Fred and Peter Done in 1967, and today operates across all of the regular betting verticals but unusually also operates or covers the major peripheral support functions and content generation within its scope. Betfred is a major force in global betting and its management team has extensive experience of operating a vertically operated racing and betting solution. Whilst our experience is not proven in South Africa, we can expect the experience we have gained in multiple countries will stand us in good stead in revitalising the sport, stabilising the contribution to racing, ensuring full employment is maintained, and improving the betting offer. The Betfred rational is to improve all aspects of the racing/betting offer whilst focusing on exceptional customer service.

Over the last 8 years plus, Betfred and its subsidiaries have been responsible for the uplinking, contracting and distribution of media rights and wagerpath of many worldwide racetracks including the major tracks in South America, all of the tracks in Federal Germany, Mauritius and key events like the Breeders Cup, with some 4,000 plus race meetings offered under our stewardship.

In tote terms it should be noted that Betfred acquired the UK Tote from the Government in 2011 and operated it until October 2019. Betfred has a proven track record of revitalizing Tote businesses. During our tenure of this business we developed it from less than £330m per annum to over £2 billion sterling in 2019. We created a number of initiatives including 'World pool' which generated over £130m sterling in the 5 days of Royal Ascot, with partners across the globe including HKJC, TabCorp, Singapore and others. Betfred is also the official and ONLY bookmaker of Ascot and Royal Ascot and was the tote partner of choice when Ascot moved to run its own pools in 2018, a partnership that has extended since 1929. The above success allowed much increased and unprecedented levels of contributions back to the horse racing industry significantly above the levels guaranteed to racing and the government.

We are a major operator of betting shops, and our current UK retail estate boasts 1,530 shops and a staff of many thousand people. We have an experienced team and a proven operational strategy, and have identified that with capital investment in technology, people and fabric, we can develop the betting shop presence and experience within South Africa. We operate a number of web sites and our digital business is extensive with UK, US and Spanish centric businesses operating indigenously in each country. We are licensed in a number of jurisdictions by UK GC, Alderney GC, Gibraltar GC, and a number of USA states. We do not operate in 'grey or unlicensed areas'. We also manage key investments in SIS (a major distributor in the past of South African media) where we own ~15% of the company, and William Hill PLC

where we are a top 5 shareholder and have an ~£105m<sup>4</sup> investment. We also operate Chelmsford City, the leading all weather horse racing track in the UK, where we acquired the track in 2014 out of bankruptcy to 5 years later providing the 5<sup>th</sup> largest executive contribution to flat prize money in the UK (after Ascot, Goodwood, York and Newmarket and above Epsom) with over £5m sterling offered in 2019, and around 5% of all UK flat prize money.

Betfred has invested heavily in technology and has a technical IT team of over 100. In March 2021 we will launch a new digital solution covering all of the key verticals. This system has been designed to be multi tenanted and give us a best of breed in all our operating countries. This will be phased into each market in turn. Betfred investment in this is over £25m, and by implementing this technology, and overlaying our digital expertise in product, marketing and security, we envisage the South African offer giving the South African market an opportunity to embrace a class leading customer experience, with the generic returns to racing that will bring.

Finally, we operate our own Betfred TV channel from media city in Manchester (the home of the BBC and ITV), offering 3 TV channels to our digital and retail businesses, distributing horse and dog racing, selected virtual content and numbers games including our own fixed odds betting on live draws operated by ourselves and commentaries and topical content.

In other words we *are seasoned operators*, operating, have operated or understand how ALL the various businesses of Phumelela and its racing assets work.

## **OUR VISION FOR PHUMELELA**

In business terms we are acutely aware of the symbiotic nature of the sum of the parts, the importance of commingling and the reliance on media rights distribution of racing. Betfred boasts a team of extensive expertise across betting, racing, technology, marketing and finance to enfranchise and invigorate the South African horseracing market.

The Betfred bid is from people who care passionately about horseracing. As part of our commitment to the sport we want to ensure the Phumelela business is never in financial distress again and stays at the heart of racing forever.

We have a clear rejuvenation vision to ensure South African horseracing becomes a global racing product capturing a broader audience. With the backdrop of the rise of social media, improved communications, and an increasingly interconnected world, the racing world is changing. Similar to other sports, the racing product is moving from regional to global, and the fanbase is doing the same. This is an opportunity of unprecedented scale, yet is still in its comparative infancy, and international partnerships within horse racing will be the key to maximising this – Betfred can deliver these, and ensure the South African market is not left behind.

Betfred intends to expand existing partnerships (such as UK, Australia) and to forge new ones (across Europe, the Far East and in the US). Through intelligent marketing, an engaging user experience, and global appeal, this could prove to be a turning point for South African horseracing.

The Betfred business has enjoyed long standing partnerships with Phumelela, including:

- promoting South African content across its retail and digital offering, and

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<sup>4</sup> At close of business 21<sup>st</sup> August 20.

- a mutually fruitful relationship with Phumelela whilst it was custodian of the UK Tote

We appreciate the long term value that Phumelela have delivered to South African racing, and as part of our bid process, we would be keen to open discussions, *to all interested parties*, as to how contributions to South African racing remain consolidated and maintained to ensure that the industry decline can be halted and it can be restored to its former level and developed beyond that point for the benefit of all. We don't intend our operation of Phumelela to be divisive and we intend to operate with indigenous partners and a collegiate approach.

Notwithstanding the above, Betfred has an appreciation that the South African market is unique and there are many live local issues that would need to be continually addressed. The continued involvement of key Phumelela management team members is a major factor in our assessment of an offer and the structuring of the Proposed Transaction. We welcome further discussions with the management team on how best to maintain their position within the Betfred group following the Proposed Transaction.

Betfred are keen to ensure that jobs are secured locally for the existing Phumelela team. It is Betfred's vision and strategic plan that this business will be run in South Africa, by South African people.

Betfred are seeking to commit to making a long term investment to become the custodian of a proud South African business. We intend to respect its heritage and values and ensure that strategic investment is made to advance this business forward.