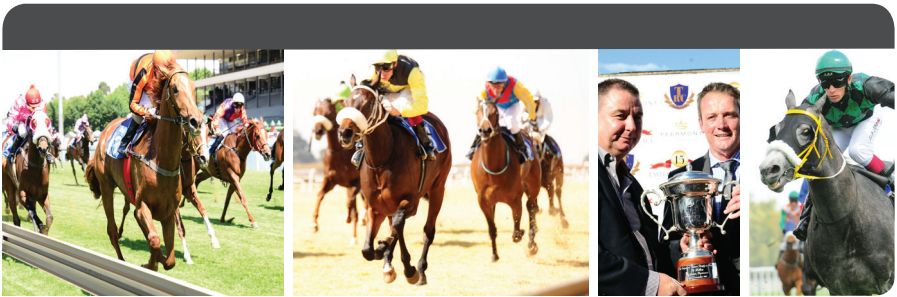




Phumelela Gaming

Phumelela Gaming and Leisure Limited
(Incorporated in the Republic of South Africa)
Registration number: 1997/016610/06
Share code: PHM ISIN: ZAE000039269



Audited preliminary results
for the year ended 31 July 2015 and dividend declaration

Key features of the trading year



Phumelela ranked eighth most empowered

company listed on the JSE in 2015 by Empowerdex



Total tax contribution up 10% to R218 million



Good growth in tote betting on soccer and other sports



Operating profit from fixed odds continuing operations increases by 153% to R21 million



High costs to combat abuse of intellectual property by certain bookmakers and related matters



Improved second half result from PGI



Earnings per share reduced **by 27% to 105,98 cents**



Impairment of Betting World Nigeria and a mark-to-market adjustment of **ASL Mauritius**



Adjusted headline earnings per share increased **by 7% to 141,48 cents**



Headline earnings per share reduced by 11% to 117,06 cents

Mr B McLoughlin CA(SA) Chief Financial Officer was responsible for supervising the preparation of the annual financial statements and preparing the summarised financial statements. The financial statements have been audited in terms of section 30 of the Companies Act of South Africa.



A maintained final gross dividend of 60 cents declared

Summarised consolidated statement of comprehensive income

	% change	Audited 12 months 31 July 2015 R'000	Audited 12 months 31 July 2014 R'000
Income			
– Local operations	10	1 067 444	967 406
– International operations	(12)	198 761	224 703
	6	1 266 205	1 192 109
Gross betting income			
– Local operations	13	1 044 329	927 253
Net betting income			
– Local operations	13	840 506	746 591
Other operating income			
– Local operations	18	230 269	195 421
– International operations	(12)	205 416	234 466
Investment income			
– Local operations	38	1 692	1 228
– International operations		382	1 587
Net income	8	1 278 265	1 179 293
Operating expenses and overheads			
– Stakes	2	(189 772)	(186 299)
– Local operations	12	(819 763)	(729 641)
– International operations	(14)	(139 604)	(162 147)
Profit before finance costs, income tax, depreciation and amortisation	28	129 126	101 206
Depreciation and amortisation	27	(49 825)	(39 373)
Profit from operations	28	79 301	61 833
Finance costs			
– Local operations	393	(5 828)	(1 183)
Profit before share of profit of equity-accounted investees and fair value adjustment to investment	21	73 473	60 650
Profit on conversion of equity-accounted investee to investment			11 135
Equity-accounted investee impaired		(8 545)	
Share of profit of equity-accounted investees	(19)	47 060	57 983
Profit before fair value adjustment	(14)	111 988	129 768
Fair value adjustment to investment		(12 753)	
Profit before income tax expense	(24)	99 235	129 768
Income tax expense	2	(19 713)	(19 373)
Profit for the year	(28)	79 522	110 395
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss			
– Exchange differences on translating foreign operations	(124)	780	(3 313)
Items that will never be reclassified to profit or loss			
– Remeasurement of defined benefit obligation			1 223
– Tax effect			(342)
Total comprehensive income for the year	(26)	80 302	107 963
Profit attributable to:			
Ordinary equity holders of the parent	(28)	79 516	110 409
Non-controlling interest		6	(14)
Profit for the year	(28)	79 522	110 395
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	(26)	80 296	107 977
Non-controlling interest		6	(14)
Total comprehensive income for the year	(26)	80 302	107 963
Earnings per ordinary share (cents)			
– Basic	(27)	105,98	146,07
– Diluted	(27)	101,14	139,13

Supplementary statement of comprehensive income information

	%	Audited 12 months 31 July 2015 R'000	Audited 12 months 31 July 2014 R'000
	change		
Reconciliation of headline earnings			
Earnings attributable to equity holders of parent	(28)	79 516	110 409
Adjusted for:			
Profit on conversion of equity-accounted investee to investment			(11 135)
Equity-accounted investee impaired		8 545	
Net (profit)/loss on disposal of property, plant and equipment		(315)	804
Tax effect		88	(225)
Headline earnings	(12)	87 834	99 853
Headline earnings per share (cents)	(11)	117,06	132,10
Diluted headline earnings per share (cents)	(11)	111,72	125,83
Net asset value per share (cents)	(5)	600,79	633,04
Reconciliation of headline earnings to adjusted headline earnings			
Headline earnings		87 834	99 853
Fair value adjustment to investment		12 753	(1 478)
Tax effect		(2 380)	276
Legal and consulting fees associated with combating abuse of intellectual property and related legal matters		11 045	1 242
Tax effect		(3 093)	(348)
Adjusted headline earnings	7	106 159	99 545
Adjusted headline earnings per share (cents)	7	141,48	131,70
Dividend to shareholders			
<i>Interim dividend</i>			
Dividend per ordinary share (cents)		28,00	28,00
<i>Final dividend</i>			
Dividend per ordinary share (cents)		60,00	60,00
Number of shares in issue		74 525 485	75 586 838
Weighted average number of shares in issue for basic, headline and adjusted headline earnings per share calculation		75 032 549	75 586 838
Weighted average number of shares in issue for diluted earnings per share calculation		78 616 685	79 356 413

Summarised consolidated statement of financial position

	Audited as at 31 July 2015 R'000	Audited as at 31 July 2014 R'000
ASSETS		
Non-current assets	575 088	567 518
Property, plant and equipment	444 682	426 712
Goodwill	12 362	12 362
Intangible assets	52 104	48 733
Interest in equity-accounted investees	51 732	34 954
Investments	695	18 263
Long-term loan	10 603	19 929
Deferred taxation asset	2 910	6 565
Current assets	200 751	220 537
Inventories	879	5 849
Trade and other receivables	100 812	114 705
Pension fund surplus	7 075	973
Income tax receivable	10 941	4 106
Assets held for sale	23 046	
Cash and cash equivalents	57 998	94 904
Total assets	775 839	788 055
EQUITY AND LIABILITIES		
Total equity	447 743	478 791
Share capital and premium	1 863	1 890
Retained earnings	445 743	477 250
Non-distributable reserves	137	(643)
Equity attributable to ordinary shareholders	447 743	478 497
Non-controlling interest		294
Non-current liabilities	54 735	9 397
Deferred taxation liability	4 652	2 555
Borrowings	49 595	6 317
Finance lease liability	488	525
Current liabilities	273 361	299 867
Trade and other payables	249 707	285 999
Bank overdrafts	11 537	
Borrowings	2 400	2 400
Contingent consideration liability	707	4 056
Income tax payable	1 625	408
Betting dividends payable	7 385	7 004
Total equity and liabilities	775 839	788 055

Summarised consolidated statements of cash flow

	Audited 12 months 31 July 2015 R'000	Audited 12 months 31 July 2014 R'000
Net cash inflow from operating activities	3 761	40 724
Cash generated by operations	117 405	103 360
Movements in working capital	(23 446)	22 685
Cash generated by operating activities	93 959	126 045
Income tax paid	(19 579)	(20 436)
Investment income received	1 598	2 815
Finance costs paid	(5 828)	(1 183)
Dividends to shareholders	(66 389)	(66 517)
Net cash outflow from investing activities	(54 057)	(11 293)
Acquisition of property, plant and equipment and intangible assets	(84 037)	(66 565)
Proceeds on disposal of property, plant and equipment and intangible assets	1 322	2 244
Dissolution of PGE joint operation		24 031
Investment in equity-accounted investee and contingent settlements on investments	(33 801)	(9 650)
Loans recouped/(advanced)	10 271	(12 495)
Dividend received from equity-accounted investees	52 188	51 142
Net cash inflow from financing activities	1 073	8 586
Repayment of finance leases	(474)	(131)
Non-controlling interest acquired	(130)	
Net borrowings raised	43 278	8 717
Shares repurchased	(41 601)	
Net (decrease)/increase in cash and cash equivalents	(49 223)	38 017
Effect of conversion of foreign operations on cash and cash equivalents	780	(3 313)
Cash and cash equivalents at beginning of year	94 904	60 200
Cash and cash equivalents at end of year	46 461	94 904

Summarised consolidated statement of changes in equity

	Share capital R'000	Non-distributable reserves R'000	Retained earnings R'000	Equity attributable to ordinary shareholders R'000	Non-controlling interest R'000	Total equity R'000
Balance at 31 July 2013	1 890	2 670	427 477	432 037	308	432 345
Total comprehensive income for the year		(3 313)	111 290	107 977	(14)	107 963
– Profit for the year			110 409	110 409	(14)	110 395
– Remeasurement of defined benefit obligation			881	881		881
– Foreign currency translation reserve		(3 313)		(3 313)		(3 313)
Transactions with owners recorded directly in equity						
– Share-based payment			5 000	5 000		5 000
– Dividends paid to equity holders			(66 517)	(66 517)		(66 517)
Balance at 31 July 2014	1 890	(643)	477 250	478 497	294	478 791
Total comprehensive income for the year		780	79 516	80 296	6	80 302
– Profit for the year			79 516	79 516	6	79 522
– Foreign currency translation reserve		780		780		780
Transactions with owners recorded directly in equity						
– Loss on acquisition of non-controlling interest			(130)	(130)		(130)
– Share-based payment			(3 230)	(3 230)		(3 230)
– Shares repurchased	(55)		(19 791)	(19 846)		(19 846)
– Shares issued in terms of executive share option scheme	28		(21 783)	(21 783)		(21 783)
– Dividends paid to equity holders			(66 089)	(66 089)	(300)	(66 389)
Balance at 31 July 2015	1 863	137	445 743	447 715		447 715

Results analysis

A year of continued innovation and diversification

Two sizeable non-trading items negatively impacted net attributable income – neither of which has a cash effect on the Group result. Furthermore, abnormally high legal and consulting costs were incurred by the Group. These three items collectively exceed R32 million or the equivalent of 32% of the Group's pre-tax income of R99 million.

The first of the non-trading items is a fair value adjustment of R13 million on the writing down of the Group's investment in Automatic Systems Limited (ASL) in Mauritius to market value as at year end. This is due to the share price of ASL declining. The investment is classified as held for sale. The mark-to-market loss on ASL is not adjusted for headline earnings per share (HEPS) calculation purposes and is therefore included in HEPS.

The second non-trading item is a R9 million impairment of the Group's 26% interest in Betting World Nigeria Limited (BWN). This negatively affects attributable income but is adjusted for HEPS calculation purposes and is therefore excluded from HEPS. The Group indicated at the interim stage that BWN was incurring losses and that the company had approached controlling shareholders for additional funding. Shareholders in BWN were not prepared to agree to provide their proportionate share of the funding and accordingly BWN ceased trading on 13 March 2015. Our investment in BWN and all monies owed to us have accordingly been written off in the R9 million impairment.

The third and final item is the R11 million in abnormally high legal and consulting fees expended in combating abuse of intellectual property by certain bookmakers and related legal matters. This is a cost to the Group that would ordinarily not occur to anywhere near the degree that it has.

The 28% decline in attributable profit to R80 million and the 27% decline in earnings per share (EPS) to 105,98 cents includes the negative impact of the two non-trading and non-cash flow items, namely ASL and BWN, and the costs of abnormally high legal and related expenses.

The 12% decline in headline earnings to R88 million and the 11% decline in HEPS to 117,06 cents includes the mark-to-market loss on ASL but excludes the BWN impairment.

The 7% increase in adjusted headline earnings to R106 million and the 7% increase in adjusted HEPS to 141,48 cents excludes the mark-to-market loss on ASL together with the tax effect thereon, it excludes the BWN impairment and it also excludes the legal and related costs together with the tax effect thereon.

The growth of 7% in adjusted headline earnings to R106 million was achieved notwithstanding a more challenging international trading environment, particularly in the first half, that negatively affected overseas derived income.

The Group's total net betting income from local operations grew by 13% to R841 million.

Net betting income from local tote operations increased by 7% to R679 million. Net tote betting income from sports other than horseracing grew by a pleasing 17% to R221 million and net tote betting income on horseracing increased by 3% to R457 million.

Other operating income from our local operations grew by 19% to R219 million. Among some of the more noteworthy items, share of profits from limited payout machines installed in retail outlets grew by 16% to R20 million, Gambling Board levies increased by 15% to R61 million and royalties and commingling fees increased by 6% to R39 million. Tellytrack subscriptions were flat at R21 million. Stable rentals were up by 4% to R8 million. A weaker Rand exchange rate resulted in a foreign exchange gain of R12 million.

The 9% increase in expenses in the local operations excluding fixed odds to R681 million includes the impact of the abnormally high legal and consulting fees associated with combating abuse of intellectual property by bookmakers and related legal matters. Other than these expenses, we have kept a tight rein on our normal running costs.

Prize monies increased by 2% to R190 million in accordance with the agreement with the Racing Association.

Strong growth from soccer tote bets and other income resulted in a 59% reduction in the loss from local operations excluding fixed odds to R9 million. Including equity-accounted investees, the loss before tax reduced by 46% to R11 million from R21 million.

Profit from tote betting on sports other than horseracing, limited payout machines and fixed odds continued with a very good performance through the second half and is going from strength to strength as we invest in the development of an attractive offering for our customers.

Substantial business development expenses in a licensed and regulated industry results in a time lag between up-front costs incurred, such as establishment and shop fitting of premises, employment and training of personnel and day-to-day running expenses, incurred prior to trade commencing, and then the income that subsequently flows.

Fixed odds betting on horseracing ended the year on a strong note with a 30% growth in net betting income to R60 million. Net fixed odds betting income on sports other than horseracing increased by a significant 96% to R38 million with fixed odds net betting income on numbers also putting in a splendid performance by growing 31% to R64 million. Net betting income from fixed odds overall grew by 42% to R162 million.

Operating expenses in our fixed odds operations increased by 32% to R138 million, mainly as a result of the increase in the number of retail outlets off which revenue will flow in due course.

Phumelela's complementary soccer, numbers and other sports betting offerings are popular with customers. We facilitate this through the provision of increased weekly betting opportunities off an expanding retail footprint. Betting World ended the year with 67 retail outlets in business, up 58% in less than two years.

Profit before income tax expense in our fixed odds business increased by a substantial 153% to R21 million. We have the scope to further improve returns from our assets as a larger proportion of development costs is in the base, providing us with positive operating leverage.

Results analysis continued

Net income from international operations, through which Phumelela has rights to export live visuals of South African horseracing and import live horseracing from other countries, decreased by 13% to R206 million. This decline is mainly as a result of reduced betting on South African horseracing via the Isle of Man-based associate Premier Gateway International Limited (PGI) and by France, which delayed commingling into Phumelela tote pools. Operating expenses, including intellectual property rights fees and day-to-day running costs, decreased by 14% to R140 million. Profit from international operations was down by 11% to R66 million.

New competitive dynamics affected PGI's margins and betting volumes. PGI, which suffered a 38% reduction in profit in the first half, earned a similar level of income in the second half of the financial year to that of the corresponding period in 2014 as a result of improved contractual terms and thus closed the year down 22%. Phumelela's share of PGI's profit of R45 million compares with R57 million in the prior year.

The second half performance from PGI exhibited an improving momentum during the period which we anticipate will be better reflected in the 2016 results. An exciting pipeline of new betting opportunities has opened abroad, including commingling into Hong Kong's tote pools.

Profit before tax for the international operations decreased by 16% to R111 million.

International operations contributed R111 million or 92% of Group profit before income tax expense of R121 million, excluding the fair value adjustment of ASL and the impairment of the BWN investment. On a comparative basis, profit before tax for the international operations was R131 million in the prior year which equated to 111% of the Group profit before income tax expense of R119 million, excluding the profit of R11 million on conversion of the equity-accounted investment in ASL to an investment.

Group profit before finance costs, tax, share of profit from equity-accounted investees, and the mark-to-market loss on ASL increased by 28% to R79 million. If abnormally high legal costs incurred in relation to the ongoing Tellytrack/bookmaker litigation are excluded, the like-for-like improvement in Group profit is 43%.

Phumelela continues to invest in growth and development and in creating job opportunities, spending a considerable R115 million on capital expenditure and acquisition of assets during the financial year.

Phumelela's initiatives to bring more variety of betting opportunities to customers in South Africa and expand the provision of South African horseracing content and betting thereon to international markets is proving successful.

With effect from 1 November 2014, a strategic shareholding was acquired in Interbet, an online horseracing and sports betting business based in the Western Cape. Interbet began as a betting exchange platform for bookmakers and in the past decade has opened up web-based betting opportunities to the South African public. This is an exciting new development that dovetails very well with our income diversification strategy.

Phumelela's black economic empowerment credentials are an important component of its mandate to operate in South Africa and a cornerstone of its financial viability and social responsibility to the broader community. We are therefore proud of the fact the Company moved up to eighth place from 20th place on the Johannesburg Stock Exchange in the most recent top 100 most-empowered companies for 2015 ranked by Empowerdex. While the amended codes present a challenge for companies, Phumelela has nevertheless been at the forefront of business transformation, achieving AAA level 2 B-BBEE status two years ahead of schedule, with an ethos that this is not simply one of compliance, but also of business sustainability.

Financial position

Phumelela retains a sound financial position, with a substantial reserve borrowing capacity, and the Group is invested in strategically well placed assets.

Property, plant and equipment have a carrying value of R445 million, goodwill and intangibles are valued at R64 million and equity-accounted investees are valued at R52 million. Total assets amount to R776 million and the Group ended the year with shareholders' equity of R448 million, which equates to a net asset value per share of 600,79 cents.

Against this strong equity base there is minimal net borrowings of R6 million, representing a debt to equity ratio of only 1,3%.

Cash generated before movement in working capital was R117 million compared with R103 million in the previous year. R23 million was applied to working capital versus a similar amount being retained from working capital in the prior year.

As previously indicated to shareholders, the Group invested substantially during the year under review, which resulted in a drawdown on cash and banking facilities. Acquisition of fixed assets, intangibles and equity-accounted investments amounted to a gross R118 million. Including dividends received from equity-accounted investees in the amount of R52 million, of which R50 million in dividends received from PGI in the Isle of Man is the largest, the net cash outflow on investing activities was R54 million compared with R11 million in the prior year.

Bridging finance in the amount of R20 million has been committed to the Mashonaland Turf Club.

During the year, R42 million was spent buying back shares to fulfil obligations in respect of shares that may become exercisable in terms of the executive option schemes.

The weighted average number of shares in issue was 0,73% lower and the number of shares in issue at period close was 1,4% lower as a result of share repurchases in fulfilment of option scheme obligations.

Share capital

There was no movement in authorised or issued share capital during the year under review.

In order to fulfil obligations in respect of shares exercisable per the executive option schemes, the Company repurchased 2 200 617 shares and 1 139 264 shares were issued in terms of the executive share option scheme.

Investment

Effective from 1 November 2014 the Group concluded an agreement to acquire a strategic stake in Uptonvale Services (Pty) Limited, a company that owns a bookmaking concern named Interbet.

Summarised segmental analysis

The Group stages and broadcasts horseracing events and offers betting opportunities on both South African and international product in two geographic segments, namely South Africa and the rest of the world. The reporting segments are set out as local and international operations with local further segmented into fixed odds and tote and other operations.

Results analysis continued

Summarised segmental analysis

	%	Audited 12 months 31 July 2015 R'000	Audited 12 months 31 July 2014 R'000
	change		
Local – excluding fixed odds			
Income	5	873 469	831 567
Net betting income	7	678 923	632 592
– Horseracing	3	457 454	443 746
– Other sports	17	221 469	188 846
Other income	19	219 325	184 849
Investment income	61	1 609	999
Net income	10	899 857	818 440
Stakes	2	(189 772)	(186 299)
Operating expenses	9	(681 335)	(625 009)
Profit before depreciation and amortisation	303	28 750	7 132
Depreciation and amortisation	33	(37 385)	(28 039)
Loss before finance costs and income tax expense	(59)	(8 635)	(20 907)
Finance costs	709	(5 065)	(626)
Loss from operations	(36)	(13 700)	(21 533)
Share of profit of equity-accounted investee	390	2 324	474
Loss before income tax expense	(46)	(11 376)	(21 059)
Local – fixed odds			
Income	43	193 593	135 840
Net betting income	42	161 583	113 999
– Horseracing	30	59 521	45 720
– Other sports	96	38 158	19 503
– Other	31	63 904	48 776
Other income	4	10 944	10 572
Investment income	(64)	83	229
Net income	38	172 610	124 800
Operating expenses	32	(138 428)	(104 632)
Profit before depreciation and amortisation	69	34 182	20 168
Depreciation and amortisation	9	(12 150)	(11 198)
Profit before finance costs and income tax expense	146	22 032	8 970
Finance costs	37	(763)	(557)
Profit before income tax expense	153	21 269	8 413

	%	Audited 12 months 31 July 2015 R'000	Audited 12 months 31 July 2014 R'000
	change		
International			
Income	(11)	199 143	224 702
Other income	(12)	205 416	234 466
Investment income	(76)	382	1 587
Net income	(13)	205 798	236 053
Intellectual property rights fees		(68 453)	(82 504)
Operating expenses	(11)	(71 151)	(79 643)
Profit before depreciation and amortisation	(10)	66 194	73 906
Depreciation and amortisation	113	(290)	(136)
Profit from operations	(11)	65 904	73 770
Share of profit of equity-accounted investees	(22)	44 736	57 509
Profit before fair value adjustment and equity-accounted profit/(loss) on conversion/impairment	(16)	110 640	131 279
Total for the Group			
Income	6	1 266 205	1 192 109
Net betting income	13	840 506	746 591
– Horseracing	6	516 975	489 466
– Other sports	25	259 627	208 349
– Other	31	63 904	48 776
Other income	1	435 685	429 887
Investment income	(26)	2 074	2 815
Net income	8	1 278 265	1 179 293
Stakes	2	(189 772)	(186 299)
Intellectual property rights fees		(68 453)	(82 504)
Operating expenses	10	(890 914)	(809 284)
Profit before depreciation and amortisation	28	129 126	101 206
Depreciation and amortisation	27	(49 825)	(39 373)
Profit before finance costs and income tax expense	28	79 301	61 833
Finance costs	393	(5 828)	(1 183)
Profit before share of equity-accounted investee	21	73 473	60 650
Share of profit of equity-accounted investees	(19)	47 060	57 983
Profit before profit on conversion to equity-accounted investee, fair value adjustment and equity-accounted investee impaired	2	120 533	118 633
Profit on conversion of equity-accounted investee to investment			11 135
Fair value adjustment in respect of assets held for sale		(12 753)	
Equity-accounted investee impaired		(8 545)	
Profit before income tax expense	(24)	99 235	129 768

Results analysis continued

Capital commitments

Commitments in respect of capital expenditure approved by directors.

	2015 R'000	2014 R'000
Contracted for	2 709	4 939
Not contracted for	120 004	97 856

Capital commitments will be financed out of cash and cash equivalents on hand or borrowing facilities as and when required.

Reporting entity

Phumelela Gaming and Leisure Limited is a Company domiciled in South Africa. The summarised consolidated financial statements as at and for the year ended 31 July 2015 comprises the Company and its subsidiaries and the Group's interests in equity-accounted investees and joint operations.

Statement of compliance and presentation

The summarised consolidated financial statements have been prepared in accordance with the framework concepts, the recognition and measurement requirements of IFRS, the presentation and the disclosure requirements of IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act. The financial information does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 July 2015.

The summarised consolidated financial information is presented in South African Rand rounded to the nearest thousand, which is the Company's functional and Group's presentation currency. They are prepared on the historical cost basis, except for certain financial instruments that are recognised at fair value.

The accounting policies applied in the presentation of the summarised consolidated financial information are consistent with those applied for the year ended 31 July 2014, except for new standards and interpretations that became effective on 1 August 2014 and deemed applicable to the Group. The adoption of these standards and interpretations had no impact on the results for the year nor has it required the restatement of any prior year figures.

The Group currently reflects its investment in ASL, a company registered on the Mauritius Stock Exchange, at fair value of R4,3 million in assets held for sale as the investment is no longer considered strategic and is to be sold. In the prior year the investment was reflected at fair value of R17 million in investments. The investment is categorised as level 1 as there is a market value readily available.

The Board endorses the recommendations set out in King III and supports the Code of Corporate Practices and Conduct set out therein.

Report of the independent auditors

The auditors, KPMG Inc., have issued their opinion on the Group's consolidated financial statements for the year ended 31 July 2015. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified opinion. A copy of the auditors' report together with a copy of the audited consolidated financial statements is available at the Company's registered office.

These summarised preliminary consolidated financial statements have been derived from the Group's consolidated financial statements and are consistent in all material respects with the Group's consolidated financial statements. The consolidated financial statements have been audited by the Group's auditors who have issued an unmodified opinion. The auditors' report does not necessarily report on all of the information contained in this announcement. Any reference to future financial information included in this announcement has not been reviewed or reported on by the auditors. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of that report together with the accompanying financial information from the Company's registered office.

Subsequent events

There are no significant subsequent events that have an impact on the financial information at 31 July 2015.

Corporate interests

Phumelela is a respondent in three consolidated complaints lodged by the Gauteng Off-Course Bookmakers' Association (GOBA), the KwaZulu-Natal Bookmakers' Society (the KZNBS), the Western Cape Bookmakers' Association (WCBA) and various individual bookmakers with the Competition Commission during 2014 and 2015 regarding, inter alia, alleged excessive pricing and abuse of a dominant position. The complaints are being investigated by the Competition Commission and Phumelela has submitted extensive information and documents to the Competition Commission to assist it with its investigation.

Results analysis continued

Phumelela has lodged a counter complaint with the Competition Commission in relation to certain bookmakers having engaged in a concerted practice by cooperating with one another regarding the determination of a uniform price at which they will agree to receive the Tellytrack service. The conduct of these bookmakers constitutes the fixing of a purchase price in contravention of the Competition Act. The complaint has been referred to the Cartels Division of the Competition Commission and is under investigation.

On 4 March 2015 the KZNBS lodged a complaint with the Independent Communications Authority of South Africa (ICASA). The complaint consists of two parts, the first against the joint parties of Tellytrack, Phumelela, Gold Circle and Kenilworth Racing and the second against Telemedia (Pty) Limited, for alleged contraventions of the Electronic Communications Act pertaining to the provision of commercial broadcast services without the correct licences. The complaints are being investigated by ICASA and the parties are assisting with its investigation.

Litigation

On 9 October 2014 the Gauteng Gambling Board handed down an interim order directing Phumelela to ensure that the status quo ante, regarding the provision of the entire Tellytrack channel to bookmakers, is immediately restored at the price at which the Tellytrack channel was provided in 2013 together with inflation. Any excess costs incurred by Tellytrack's clients are to be credited to such clients. Phumelela instituted an application in the Gauteng High Court to review and set aside the order made by the Gauteng Gambling Board. In the interim a number of bookmakers have reverted to paying the previous fee which is being held in a trust account by the Group's attorneys.

Phumelela is a respondent in an application instituted by the KZNBS, GOBA and the WCBA in the High Court of South Africa, Gauteng Division, Pretoria. The applicants seek an order interdicting Phumelela from offering totalisator betting on sports other than horseracing. Phumelela has filed its answering affidavit and the applicants are required to file their replying affidavit. The WCBA has advised that it has withdrawn from the matter.

The outcome of the relevant actions noted above, and under corporate interests, remains uncertain and may have an impact on future earnings.

Related parties

Other than for the strategic investment in Interbet, there have been no significant changes in related-party relationships since the previous year.

Other than in the normal course of business, there have been no significant transactions during the year with equity-accounted investees, joint operations and other related parties.

Social responsibility

Phumelela is an AAA level 2 broad-based black economic empowerment contributor. The Company is proud to report that its most recent verification audit (March 2015) confirmed an improved score to 91,99%, up from 86,12% in the previous year. Phumelela was ranked eighth on the Johannesburg Stock Exchange in the most recent top 100 most-empowered companies for 2015 ranked by Empowerdex.

The Group recognises that it has a responsibility to the broader community to act in a socially responsible manner, for the benefit of all South Africans. Contributions to selected training, sports and community service-related projects continue. The Group has adopted appropriate BEE and employment equity, training and procurement policies.

Directors

There were no changes to the composition of the Board during the year under review.

Mrs Freda Moloi was appointed Company Secretary effective from 16 February 2015.

Prospects

The Group is making good progress in diversifying and expanding its business. In 2016 we anticipate yielding improved returns from investments made. Our financial position is robust, we benefit from Rand weakness, we have negligible debt and we have substantial investment capacity.

The success of our international operations is predicated on both quality of content, the year-round South African horseracing product, and the quality of the dissemination of that content through a simulcast televisual experience. Demand is buoyant and we are adding to our geographic mix.

Phumelela will continue to invest in the traditional business of thoroughbred horseracing to ensure it remains viable as an important local industry and one which international markets demand access to. Positive trends in tote betting volumes, on-course attendance and yearling sale prices are encouraging.

Phumelela is committed to achieving an equitable funding dispensation for the sport of South African thoroughbred horseracing and to this end Tellytrack is resolute in taking all such measures as are open to it to combat theft of its intellectual property and achieve a fair economic return on its intellectual property.

Shareholders are reminded that the Company is in negotiations which, if successfully concluded, may have a material effect on the Company's securities and are therefore advised to exercise caution until such time as a further announcement is made.

Any forward looking statements of forecasts contained in these results have not been reviewed or reported on by the Group auditors.

Results analysis continued

Cash dividend to shareholders

Notice is hereby given that the Board has declared a final gross cash dividend from income reserves of 60 cents per share (51 cents per share net of dividend withholding tax at a rate of 15%) payable to shareholders recorded in the register on Friday, 30 October 2015. The issued share capital at the declaration date is 77 101 885 ordinary shares. Shareholders are advised that the last date to trade cum distribution will be Friday, 23 October 2015. As from commencement of business on Monday, 26 October 2015 all trading in Phumelela shares will be ex dividend. Payment will be made on Monday, 2 November 2015. Share certificates may not be dematerialised or rematerialised between Monday, 26 October 2015 and Friday, 30 October 2015, both days inclusive. The Company's tax reference number is 9171/393/84/7.

For and on behalf of the Board

MP Malungani

Chairman

WA Du Plessis

Chief Executive Officer

Turffontein, Johannesburg

2 October 2015

Directors

MP Malungani (Chairman), WA du Plessis* (Group Chief Executive), AW Heide* (Finance Director and COO), R Cooper, MJ Jooste, B Kantor, SKC Khampepe, NJ Mboweni (Mrs), VJ Moodley*, Dr E Nkosi, ML Ramafalo*, JA Stuart*, CJH van Niekerk, JB Walters (*Executive)

Company Secretary

F Moloï (Mrs)

Sponsor

Investec Bank Limited

Registered Office

Turffontein Racecourse
14 Turf Club Street, Turffontein

Transfer Secretaries

Computershare Investor Services (Pty) Limited

Share code

PHM ISIN: ZAE000039269

Sponsor

Investec Bank Limited

Website

www.phumelela.com



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