



**PHUMELELA GAMING AND LEISURE LIMITED**

(Registration number 1997/016610/06)

Share code: PHM ISIN: ZAE000039269

The Group's audited summarised consolidated financial statements for the year ended 31 July 2012

- ★ **PBT FROM INTERNATIONAL OPERATIONS UP 63%**
- ★ **PBT FROM LOCAL OPERATIONS DOWN 43%**
- ★ **PAT UP 3%**
- ★ **HEPS UP 9%**
- ★ **DIVIDENDS FOR THE YEAR UP 12%**
- ★ **ENHANCED EMPOWERMENT SCORECARD**

**SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	%	Audited 31-Jul 2012 R'000	Audited 31-Jul 2011 R'000
	change		
Income			
– Local operations	8	848 020	787 886
– International operations	(7)	88 514	95 287
	6	936 534	883 173
Gross betting income			
– Local operations	8	823 717	765 243
– International operations			45 872
	2	823 717	811 115
Net betting income			
– Local operations	8	668 362	620 727
– International operations			45 595
Net betting income		668 362	666 322
Other operating income			
– Local operations	7	163 400	152 248
– International operations	71	89 044	52 140
Investment income			
– Local operations	(3)	2 527	2 615
– International operations		70	390
Net income		923 403	873 715
Operating expenses and overheads			
– Stakes	7	(165 149)	(153 863)
– Local operations	13	(595 548)	(527 756)
– International operations	(31)	(42 144)	(60 667)
Profit before finance costs, income tax depreciation and amortisation	(8)	120 562	131 429
Depreciation and amortisation	15	(38 016)	(33 062)
Profit from operations	(16)	82 546	98 367
Finance costs			
– Local operations		(1 409)	(452)
– International operations			(61)
Profit before share of profit of equity accounted investees	(17)	81 137	97 854
Share of profit of equity accounted investees			
– Premier Gateway International		14 981	



– Automatic Systems Limited		563	336
Profit before income tax expense		96 681	98 190
Income tax expense		(27 801)	(31 429)
Profit for the year	3	68 880	66 761
Other comprehensive income net of taxation			
– Exchange differences on translating foreign operations		749	747
<b>Total comprehensive income for the year</b>	<b>3</b>	<b>69 629</b>	<b>67 508</b>
<b>Profit attributable to:</b>			
Equity holders of the parent	10	68 674	62 359
Non-controlling interest		206	4 402
Profit for the year	3	68 880	66 761
Total comprehensive income attributable to:			
Equity holders of the parent	10	69 423	63 106
Non-controlling interest		206	4 402
<b>Total comprehensive income for the year</b>	<b>3</b>	<b>69 629</b>	<b>67 508</b>
Earnings per share (cents)			
– Basic	10	90.85	82.50
– Diluted basic	9	89.09	82.08

#### SUPPLEMENTARY STATEMENT OF COMPREHENSIVE INCOME INFORMATION

		Audited 31-Jul 2012 R'000	Audited 31-Jul 2011 R'000
Reconciliation of headline earnings			
Earnings attributable to equity holders of parent	10	68 674	62 359
Adjusted for:			
Net loss on disposal of property, plant and equipment		146	719
Tax effect		(41)	(201)
<b>Headline earnings</b>	<b>9</b>	<b>68 779</b>	<b>62 877</b>
Headline earnings per share (cents)	9	90.99	83.19
Diluted headline earnings per share (cents)	8	89.23	82.76
Net asset value per share (cents)	4	534.05	513.01
Dividend to shareholders			
Interim dividend			
Dividend per ordinary share (cents)		25.00	25.00
Final dividend			
Dividend per ordinary share (cents)		51.00	43.00
Number of shares in issue		75 586 838	75 586 838
Weighted average number of shares in issue for basic and headline earnings per share calculation		75 586 838	75 586 838
Weighted average number of shares in issue for diluted earnings per share calculation		77 083 215	75 974 871



## SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOW

	Audited 31-Jul 2012 R'000	Audited 31-Jul 2011 R'000
<b>Net cash inflow from operating activities</b>	53 883	67 243
Cash generated from operations	125 600	129 799
Movements in working capital	14 161	10 007
Cash generated from operating activities	139 761	139 806
Taxation paid	(35 667)	(23 656)
Investment income	2 597	3 005
Finance costs	(1 409)	(513)
Distributions to shareholders	(51 399)	(51 399)
<b>Net cash outflow from investing activities</b>	(85 250)	(48 181)
Acquisition of property, plant and equipment and intangible assets	(58 348)	(53 822)
Proceeds on disposal of property, plant and equipment and intangibles	6 500	4 667
Acquisition of non-controlling interest in Betting World (Pty) Limited	(16 978)	
Disposal of controlling interest in Phumelela Gold International Limited	(25 478)	
Increase in short-term loans to equity accounted investee	(608)	
Increase in investments	(270)	
Dividend received from equity accounted investee	9 932	974
<b>Net cash outflow from financing activities</b>		
Decrease in short-term loans	(5 362)	(3 606)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(36 729)	15 456
<b>Effect of conversion of foreign operations on cash and cash equivalents</b>	749	
<b>Cash and cash equivalents at beginning of year</b>	133 001	117 545
<b>Cash and cash equivalents at end of year</b>	97 021	133 001



## SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 31 July 2012 R'000	Audited 31 July 2011 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	415 390	393 941
Property, plant and equipment	348 935	338 999
Intangible assets	37 863	34 113
Goodwill	12 227	12 227
Interest in equity accounted investees	10 032	3 811
Investments	1 161	891
Deferred taxation asset	5 172	3 900
<b>Current assets</b>	176 567	210 548
Inventories	5 707	5 799
Trade and other receivables	68 739	70 334
Income tax receivable	5 100	1 414
Cash and cash equivalents	97 021	133 001
<b>Total assets</b>	<b>591 957</b>	<b>604 489</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b>	403 881	410 791
Share capital and premium	1 890	1 890
Retained earnings	401 319	386 159
Non-distributable reserves	466	(283)
Equity attributable to ordinary shareholders	403 675	387 766
Non-controlling interest	206	23 025
<b>Non-current liabilities</b>	5 809	7 165
Deferred taxation liability	4 160	5 346
Retirement benefit obligations	1 649	1 819
<b>Current liabilities</b>	182 267	186 533
Trade and other payables	179 267	176 711
Short-term loans from non-controlling interest		5 362
Contingent consideration liability	3 000	3 000
Income tax payable		1 460
<b>Total equity and liabilities</b>	<b>591 957</b>	<b>604 489</b>



## SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Non-distributable reserves R'000	Retained earnings R'000
<b>Balance at 31 July 2010</b>	1 890	(1 030)	375 199
Total comprehensive income for the year		747	62 359
– Profit for the year			62 359
– Foreign currency translation reserve		747	
Dividends paid to equity holders of parent			(51 399)
<b>Balance at 31 July 2011</b>	1 890	(283)	386 159
Acquisition of non-controlling interest in Betting World (Pty) Limited			(9 775)
Total comprehensive income for the year		749	68 674
– Profit for the year			68 674
– Foreign currency translation reserve		749	
Share based payment			7 660
Dividends paid to equity holders of parent			(51 399)
<b>Balance at 31 July 2012</b>	1 890	466	401 319

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont)

	Equity attributable to ordinary shareholders R'000	Non-controlling interest R'000	Total equity R'000
<b>Balance at 31 July 2010</b>	376 059	18 623	394 682
Total comprehensive income for the year	63 106	4 402	67 508
– Profit for the year	62 359	4 402	66 761
– Foreign currency translation reserve	747		747
Dividends paid to equity holders of parent	(51 399)		(51 399)
<b>Balance at 31 July 2011</b>	387 766	23 025	410 791
Acquisition of non-controlling interest in Betting World (Pty) Limited	(9 775)	(23 025)	(32 800)
Total comprehensive income for the year	69 423	206	69 629
– Profit for the year	68 674	206	68 880
– Foreign currency translation reserve	749		749
Share based payment	7 660		7 660
Dividends paid to equity holders of parent	(51 399)		(51 399)
<b>Balance at 31 July 2012</b>	403 675	206	403 881



## REVIEW OF RESULTS

### GROUP RESULTS

Profit before income tax (PBT) from international operations surged by 63% underpinned by strong revenue growth from the export of South African thoroughbred horseracing media rights and concomitant betting thereon, further assisted by the Rand weakening by approximately 10% against the Group's major trading currencies. Conversely and despite a pleasing 45% increase in PBT from fixed odds operations, PBT from local operations declined by 43%. Excluding the contribution from fixed odds betting, totalisator (tote) betting on soccer and rugby, limited payout machines (LPM's) and bingo revenues the Group's traditional business of horseracing and tote betting thereon is loss making.

Net betting income from tote betting on soccer and rugby gained further momentum and increased by a pleasing 42%, whilst net betting income from fixed odds operations increased by 18% assisted by improved betting margins that helped lift Group income by 6% to R937 million (2011: R883 million).

The Group's aggregate net betting income however increased marginally to R668 million (2011: R666 million) mainly as a consequence of the Isle of Man (IOM) tote operation, which is equity accounted from 1 August 2011 through Premier Gateway International and was consolidated in the previous year.

Other operating income comprises, inter alia, commission received from international totes betting on South African racing, fees paid by offshore bookmakers for the rights to display South African racing, local bookmakers' levies, unclaimed dividends and breakages, TellyTrack subscriptions, share of profits from LPM's installed in retail outlets and stable rentals. Other operating income increased by 24% to R252 million (2011: R204 million). The increase was due mainly to a 28% increase in commissions received from international totes, a 74% increase in fees paid by offshore bookmakers to display South African racing and a 31% increase in LPM income.

Investment income decreased by 14% to R2,6 million (2011: R3 million) primarily due to the decrease in cash and cash equivalents.

Operating expenses and overheads increased by 8% to R803 million (2011: R742 million). Excluding stakes, which increased by 7% to R165 million (2011: R154 million), operating expenses and overheads increased by 8%.

Profit before finance costs, income tax, depreciation and amortisation decreased by 8% to R121 million (2011: R131 million), primarily due to the IOM operation which is now an equity accounted investee of the Group.

The Group invested a further R58 million in its capital infrastructure and software development and as a consequence the depreciation and amortisation charge increased by 15% to R38 million (2011: R33 million).

Profit from operations decreased by 16% to R83 million (2011: R98 million), again primarily due to the IOM operation which is now an equity accounted investee of the Group.

As a consequence of interest paid on the purchase of the non-controlling interest in Betting World (Pty) Limited (Betting World), finance costs increased to R1,4 million (2011: R0,5 million).

Share of profit of equity accounted investees increased sharply to R15,5 million (2011: R0,3 million) comprising R15 million from the IOM operation (previously a wholly owned subsidiary of Phumelela Gold Enterprises and now an equity accounted investee of the Group) and R0,5 million (2011: R0,3 million) from Automatic Systems Limited (ASL – a company listed on the Mauritius Stock Exchange and one of



two licensed tote operators on the island).

Profit for the year increased by 3% to R68,9 million (2011: R66,8 million). Attributable earnings benefitted from Betting World becoming a wholly owned subsidiary of the Group and increased by 10% to R68,7 million (2011: R62,4 million).

Earnings per share increased by 10% to 90.85 cents per share (2011: 82.50 cents per share).

Headline earnings and headline earnings per share (HEPS) increased by 9% to R68,8 million (2011: R62,9 million) and 90,99 cents per share (2011: 83.19 cents per share) respectively. Diluted HEPS increased by 8% to 89,23 cents per share (2011: 82.76 cents per share).

## LOCAL OPERATIONS

Income from local operations increased by 8% to R848 million (2011: R788 million) with income from fixed odds operations up 22% to R107 million (2011: R87 million) and income from totalisator, racing and other operations up 6% to R741 million (2011: R701 million).

Net betting income increased by 8% to R668 million (2011: R621 million) comprising fixed odds operations which increased by 18% to R93 million (2011: R79 million) and tote operations which increased by 6% to R575 million (2011: R542 million).

Net betting income from tote operations was underpinned by a pleasing 42% increase in other sports betting income to R89 million (2011: R63 million), driven primarily by increased betting opportunities on soccer that include the Soccer 4, Soccer 6, Soccer 10 and the recently launched Soccer 13 pool which is hosted in Sweden. The Group's Rugby 5 bet launched in September 2011 struggled to gain traction due to inconsistent betting opportunities and contributed less than 1% to other sports betting income. Net betting income from local and imported horseracing remained sluggish despite an increase in the number of betting opportunities and increased marginally to R486 million (2011: R479 million). Net betting income from bookmaker related totalisator agencies (excluding Betting World) decreased by 1% primarily due to the "Open Bet".

Fixed odds betting comprising 70% (2011: 76%) on horseracing, 24% (2011: 22%) on other sports and 6% (2011: 2%) on numbers, increased by 10%. This increase coupled with improved betting margins help lift net betting income by 18% with net betting income on horseracing up 13% to R64 million (2011: R57 million), on other sports up 6% to R19 million (2011: R18 million) and on numbers up 157% to R10 million (2011: R4 million). Betting margins on horseracing were positively impacted by a competitive KwaZulu-Natal racing season. The restructuring and closure of certain loss making retail outlets in the Western Cape helped lift profit in the second half of the year.

Other income increased by 7% to R163 million (2011: R152 million) assisted by a 31% increase in LPM income.

Operating expenses and overheads increased by 12% to R761 million (2011: R682 million). Excluding stakes, which increased by 7% to R165 million (2011: R154 million), operating expenses and overheads increased by 13% to R596 million (2011: R528 million) primarily due to employee, legal, marketing and advertising, security, electricity, fuel, lease rentals and regulatory compliance costs.

PBT from local operations decreased by 43% to R34 million (2011: R60 million) with PBT from fixed odds operations up 45% to R25 million (2011: R17 million) and other local operations down 78% to R9 million (2011: R43 million). The Group's diversification strategy into tote betting on other sports continues to assist local profitability.



## **INTERNATIONAL OPERATIONS**

Following on Tabcorp Holdings Limited's (Tabcorp) acquisition of joint ownership of the IOM tote operation, the IOM operation is now an equity accounted investee of the Group, previously a wholly owned subsidiary of Phumelela Gold Enterprises.

Regulatory constraints in Australia curtailed Tabcorp's ability to commence trading with the IOM operation. Despite this the Group's share of profits from the IOM operation increased by a satisfactory 19% to R27 million (2011: R23 million).

Income from other international operations increased by a pleasing 68% to R89 million (2011: R53 million) assisted by Rand weakness and increased revenues from Australia (11%), Italy (19%), Turkey (34%) and Zimbabwe (187%) primarily due to increased demand for South African racing and concomitant betting thereon, and the UK (80%) through the agreement concluded with Satellite Information Services Limited on 1 June 2011 effectively doubling the annual consideration for the rights to provide South African racing broadcast to UK bookmakers.

Operating expenses and overheads were impacted by Rand weakness and equity accounting for the IOM operation and decreased by 31% to R42 million (2011: R61 million). Excluding the IOM operation from the comparative period, operating expenses increased by 24% primarily due to increased host track fees, consultants fees, broadcast and data communication fees and a material increase in the provision for bad debts to mitigate risk associated with the European debt crisis.

The Group's share of profit from its equity accounted investee, ASL increased by 67% to R563 000 (2011: R336 000).

PBT from international operations increased by 63% to R62 million (2011: R38 million) and equates to 64% (2011: 39%) of the Group's PBT.

## **FINANCIAL POSITION**

The Group has total assets of R592 million (2011: R604 million) including cash resources of R97 million (2011: R133 million) and insignificant gearing. The Group's net asset value per share increased by 4% to 534,05 cents per share.

Cash generated from operations of R126 million (2011: R130 million) was utilised to pay income tax of R36 million (2011: R24 million) and dividends of R51 million (2011: R51 million). A further R58 million (2011: R54 million) was utilised for capital expenditure and software development and R22 million (including R5,4 million in short-term loans as part of net cash outflows from financing activities) in part payment of the purchase consideration on acquisition of the non-controlling interest in Betting World. The Group sold fifty percent of its interest in the Isle of Man operation to Tabcorp resulting in a cash outflow of R25,5 million on equity accounting for the IOM operation.

## **SHARE CAPITAL**

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





## EMPOWERMENT CREDENTIALS

The Group remains committed to achieving “AAA” (Level 2 contributor) status as required by the various provincial gambling regulators ahead of time. The Group’s overall scorecard improved by a further 5 points in the current period to a total of 81.5 points, a mere 3.5 points short of achieving the required status by 2015.

## CORPORATE ACTIVITY

With effect from 1 August 2011:

- the Company acquired a further 41% shareholding in Betting World (a fixed odds bookmaking concern) for R38 million inclusive of shareholder loans. Betting World is now a wholly owned subsidiary of the Group; and
- Tabcorp Holdings Limited (Australia) acquired joint ownership of the Group’s IOM tote operation establishing a strategic partnership with Phumelela Gold Enterprises. The IOM tote operation is now an equity accounted investee of the Group.

## CAPITAL COMMITMENTS

Commitments in respect of capital expenditure approved by directors.

	2012 R'000	2011 R'000
Contracted for	4 178	4 221
Not contracted for	121 476	55 400

Capital commitments include R40 million for the installation of a Polytrack and a general upgrade of facilities at Fairview in the Eastern Cape contracted for after 31 July 2012 and R31 million for Betting World organic growth. 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 2012 comprises of the company and its subsidiaries and the Group’s interests in equity accounted investees.

## SOCIAL RESPONSIBILITY

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.

## 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.



	%	Audited 31-Jul 2012 R'000	Audited 31-Jul 2011 R'000
	change		
<b>LOCAL</b>			
<b>Excluding fixed odds</b>			
Income	6	741 114	700 500
Net betting income			
– Horseracing	1	486 159	479 155
– Other sports	42	88 822	62 601
Net betting income	6	574 981	541 756
Other income	8	157 250	144 956
Investment income	7	2 131	2 000
Net income	7	734 362	688 712
Stakes	7	(165 149)	(153 863)
Operating expenses	13	(525 771)	(463 358)
Profit before depreciation and amortisation	(39)	43 442	71 491
Depreciation and amortisation	13	(32 739)	(28 876)
Profit before finance costs and taxation	(75)	10 703	42 615
Finance costs	3 783	(1 398)	(36)
Profit before income tax expense	(78)	9 305	42 579
<b>Fixed odds</b>			
Income	22	106 906	87 386
Net betting income			
– Horseracing	13	64 189	57 018
– Other sports	6	19 029	17 992
– Other	157	10 163	3 961
Net betting income	18	93 381	78 971
Other income	(2)	6 150	6 297
Investment income		396	615
Net income	16	99 927	85 883
Operating expenses	8	(69 777)	(64 398)
Profit before depreciation and amortisation	40	30 150	21 485
Depreciation and amortisation	36	(5 103)	(3 750)
Profit before finance costs and taxation	41	25 047	17 735
Finance costs	(97)	(11)	(416)
Profit before income tax expense	45	25 036	17 319
<b>INTERNATIONAL</b>			
Income	(7)	88 514	95 287
Net betting income			
– Horseracing			45 595
Other income	68	89 044	53 135
Investment income	(82)	70	390
Net income	(10)	89 114	99 120
Operating expenses	(31)	(42 144)	(60 667)
Profit before depreciation and amortisation	22	46 970	38 453
Depreciation and amortisation		(174)	(436)
Profit before finance costs and taxation	23	46 796	38 017
Finance costs			(61)



Profit from operations	23	46 796	37 956
Share of profit of equity accounted investees	4 526	15 544	336
Profit before income tax expense	63	62 340	38 292
<b>GROUP</b>			
Income	6	936 534	883 173
Net betting income			
– Horseracing	(5)	550 348	581 768
– Other sports	34	107 851	80 593
– Other	157	10 163	3 961
Net betting income		668 362	666 322
Other income	24	252 444	204 388
Investment income	(14)	2 597	3 005
Net income	6	923 403	873 715
Stakes	7	(165 149)	(153 863)
Operating expenses	8	(637 692)	(588 423)
Profit before depreciation and amortisation	(8)	120 562	131 429
Depreciation and amortisation	15	(38 016)	(33 062)
Profit before finance costs and taxation	(16)	82 546	98 367
Finance costs		(1 409)	(513)
Profit before share of equity accounted investees	(17)	81 137	97 854
Share of profit of equity accounted investees	4 526	15 544	336
Profit before income tax expense	(2)	96 681	98 190

## STATEMENT OF COMPLIANCE AND PRESENTATION

The summarised preliminary consolidated financial information has 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 AC500 standards issued by the Accounting Practices Board, the Listing 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 2011.

The summarised preliminary consolidated financial information is presented in South African Rands 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 derivative financial instruments that are recognised at fair value.

The accounting policies applied in the presentation of the summarised preliminary consolidated financial information are consistent with those applied for the year ended 31 July 2012, except for new standards and interpretations that became effective on or after 1 August 2012 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 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 unmodified audit reports of KPMG Inc., the independent auditors, on the annual financial statements and the summarised financial statements contained herein for the year ended 31 July 2012, dated 25 September 2012, are available for inspection at the registered office of the company.

## **SUBSEQUENT EVENTS**

There are no subsequent events that have an impact on the financial statements at 31 July 2012.

The Group is in the process of unbundling its indirect investment in ASL held through Phumelela Gold Enterprises with a view of holding the shares in ASL directly. Phumelela and Gold Circle have agreed to distribute the shares in equal proportion between them.

As reported in the annual financial statements for the year ended 31 July 2011, Phumelela and Gold Circle received notice on 1 July 2011, from the Competition Commission (the Commission) of a complaint lodged by Africa Race Group (Pty) Limited alleging, inter alia, price fixing and market allocation. The Company submitted a formal response to the allegations and awaits the Commission's findings.

In a separate matter, on 19 March 2012, the Commission issued a ruling prohibiting the previously reported acquisition by Kenilworth Racing (Pty) Limited (Kenilworth) of the Western Cape business of Gold Circle and simultaneously the Thoroughbred Horseracing Trust's acquisition of the entire issued equity in Kenilworth. The parties have lodged an appeal to the Commission's decision with the Competition Tribunal. The Tribunal hearing is scheduled for October 2012.

The report on the review of the South African gambling industry prepared by the Gambling Review Commission and submitted to the Minister of Trade and Industry was published in July 2011. The Group submitted its comments on the Commission's recommendations on the 9th of September 2011. The final report of the Sub-committee on Gambling's Consideration of the Gambling Review Commission's report was released on 6 March 2012. It is pleasing to note that the Sub-committee's recommendations address some of the issues raised in our submission. Most notably the Sub-committee's recommendations include, outlawing the "open bet" practiced by bookmakers, allowing race operators to determine the number of tracks and races, that intellectual property should be recognised and leveraged by sporting codes and that race tracks should be upgraded to include 40 medium stake LPM's and other entertainment and social activities.

Disappointingly the Sub-committee did not address the R42 million annual cost of the National Horseracing Authority (NHA) funded by Phumelela and Gold Circle. According to the National Gambling Board's statistics for 2012, bookmakers collectively generate more turnover on horseracing than totalisator operators do. It stands to reason that bookmakers benefit equally if not more than totalisator operators from the regulatory functions performed by the NHA and should accordingly fund a fair and equitable portion of the annual running costs of the NHA. The Sub-committee's proposal for a Commission of Enquiry into horseracing and betting is therefore welcomed.

## **RELATED PARTIES**

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.



## **DIRECTORS**

There was no change to the composition of the Board during the year under review.

Mr A F Wintour retired from the office of Company Secretary on 30 June 2012. The Board extends its appreciation for his invaluable contribution during his term of office and wishes him well in his retirement.

Mr R Gopaul was appointed to the position of Company Secretary effective from 1 July 2012.

## **PROSPECTS**

The Group's tote sports pools, fixed odds betting and international operations continue to enjoy buoyant demand. The profitability of the Group's traditional business of staging horseracing and offering tote betting thereon remains of concern and continues to receive management's full attention.

Management continues to target growth in earnings for the 2013 financial year.

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

## **CASH DIVIDEND TO SHAREHOLDERS**

Notice is hereby given that the Board has declared a final cash dividend from income reserves of 51 cents per share (43.35 cents per share net of dividend withholding tax at a rate of 15%) payable to shareholders recorded in the register on Friday 26 October 2012. The Company has no secondary tax on companies' credits available. 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 19 October 2012. As from commencement of business on Monday 22 October 2012 all trading in Phumelela shares will be "ex distribution". Payment will be made on Monday 29 October 2012. Share certificates may not be dematerialised or rematerialised between Monday 22 October 2012 and Friday 26 October 2012, both days inclusive. The Company's tax reference number is 9171/393/84/7.

For and on behalf of the Board

### **M P MALUNGANI**

Chairman

Johannesburg

### **W A du PLESSIS**

Group Chief Executive

25 September 2012

Directors: M P Malungani (Chairman), W A du Plessis\* (Group Chief Executive), A W Heide\* (Finance Director and COO), R Cooper, M J Jooste, B Kantor, S K C Khampepe, N J Mboweni (Mrs), V J Moodley\*, Dr E Nkosi, M L Ramafalo\*, J A Stuart\*, C J H van Niekerk, J B Walters

(\*Executive)

Company Secretary: R Gopaul

Mr B McLoughlin C.A. (S.A.) (Chief Financial Officer) was responsible for supervising the preparation of the annual financial statements and preparing the summarised financial statements.



Registered Office:

Transfer Secretaries:

Sponsor:

Web site:

Turffontein Racecourse, 14 Turf Club Street, Turffontein

Computershare Investor Services (Pty) Limited

Investec Bank Limited

[www.phumelela.com](http://www.phumelela.com)