



Phumelela Gaming

Phumelela Gaming and Leisure Limited



PRELIMINARY AUDITED RESULTS
FOR THE YEAR ENDED 31 JULY 2016
AND DIVIDEND DECLARATION

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

OPERATIONAL FEATURES OF THE YEAR



STRONG GROWTH from
fixed odds and international
operations



CONTINUED GROWTH
in tote betting on soccer



ONGOING INVESTMENT
in horseracing facilities and
infrastructure



DIVERSIFICATION
strategy locally and internationally
GATHERING MOMENTUM



Arena Racing Company
MEDIA RIGHTS DEAL
in UK effective 1 June 2016

FINANCIAL FEATURES OF THE YEAR



Earnings per share up **54%** to
163,62 CENTS



Headline earnings per share up
41% to **164,51 CENTS**



Final gross dividend increased
by **17%** to **70 CENTS**

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	%	Audited 12 months 31 Jul 2016 R'000	Audited 12 months 31 Jul 2015 R'000
	change		
Income			
– Local operations	15	1 226 382	1 067 062
– International operations	38	274 415	199 143
	19	1 500 797	1 266 205
Gross betting income			
– Local operations	15	1 198 796	1 044 329
Net betting income			
– Local operations	15	965 551	840 506
Other operating income			
– Local operations	10	252 603	230 269
– International operations	33	273 840	205 416
Investment income			
– Local operations	181	4 756	1 692
– International operations		575	382
Net income	17	1 497 325	1 278 265
Operating expenses and overheads			
– Stakes	7	(202 871)	(189 772)
– Local operations	21	(991 104)	(819 763)
– International operations	42	(198 781)	(139 604)
Profit before finance costs, income tax, depreciation and amortisation	(19)	104 569	129 126
Depreciation and amortisation	23	(61 471)	(49 825)
Profit from operations	(46)	43 098	79 301
Finance costs			
– Local operations	61	(9 368)	(5 828)
Profit before share of profit of equity accounted investees and fair value adjustment to investment	(54)	33 730	73 473
Equity accounted investee impaired			(8 545)
Share of profit of equity accounted investees after tax	101	94 694	47 060
Profit before fair value adjustment	15	128 424	111 988
Fair value adjustment to investment		5 578	(12 753)
Profit before income tax expense	35	134 002	99 235
Income tax expense	(35)	(12 912)	(19 713)
Profit for the year	52	121 090	79 522

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CONTINUED

	%	Audited 12 months 31 Jul 2016 R'000	Audited 12 months 31 Jul 2015 R'000
	change		
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss			
– Exchange differences on translating foreign operations	(174)	(579)	780
Total comprehensive income for the year	50	120 511	80 302
Profit attributable to:			
Ordinary equity holders of the parent	53	121 944	79 516
Non-controlling interest		(854)	6
Profit for the year	52	121 090	79 522
Total comprehensive income attributable to:			
Ordinary equity holders of the parent	51	121 365	80 296
Non-controlling interest		(854)	6
Total comprehensive income for the year	50	120 511	80 302
Earnings per ordinary share (cents)			
– Basic	54	163,62	105,98
– Diluted	53	155,01	101,14

SUPPLEMENTARY STATEMENT OF COMPREHENSIVE INCOME INFORMATION

	%	Audited 12 months 31 Jul 2016 R'000	Audited 12 months 31 Jul 2015 R'000
	change		
Reconciliation of headline earnings			
Earnings attributable to equity holders of parent	53	121 944	79 516
Adjusted for:			
Equity accounted investee impaired			8 545
Net loss/(profit) on disposal of property, plant and equipment		916	(315)
Tax effect		(256)	88
Headline earnings	40	122 604	87 834
Headline earnings per share (cents)	41	164,51	117,06
Diluted headline earnings per share (cents)	39	155,85	111,72
Net asset value per share (cents)	15	688,33	600,79
Dividend to shareholders			
Interim dividend			
Dividend per ordinary share (cents)	21	34,00	28,00
Final dividend			
Dividend per ordinary share (cents)	17	70,00	60,00
Number of shares in issue		74 535 485	74 525 485
Weighted average number of shares in issue for basic, headline and adjusted headline earnings per share calculation		74 528 006	75 032 549
Weighted average number of shares in issue for diluted earnings per share calculation		78 669 669	78 616 685

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited as at 31 Jul 2016 R'000	Audited as at 31 Jul 2015 R'000
ASSETS		
Non-current assets	635 466	575 088
Property, plant and equipment	458 914	444 682
Goodwill	15 206	12 362
Intangible assets	51 455	52 104
Interest in equity accounted investees	75 460	51 732
Investments	692	695
Long-term loan	24 790	10 603
Deferred taxation asset	8 949	2 910
Current assets	308 484	200 751
Inventories	1 920	879
Trade and other receivables	137 849	100 812
Defined benefit funds	8 183	7 075
Income tax receivable	19 233	10 941
Assets held for sale	28 624	23 046
Cash and cash equivalents	112 675	57 998
Total assets	943 950	775 839
EQUITY AND LIABILITIES		
Total equity	513 051	447 743
Share capital and premium	1 863	1 863
Retained earnings	511 630	445 743
Translation reserve	(442)	137
Non-current liabilities	64 489	54 735
Deferred taxation liability	1 531	4 652
Borrowings	62 895	49 595
Finance lease liability	63	488
Current liabilities	366 410	273 361
Trade and other payables	310 095	249 707
Borrowings	2 926	2 400
Contingent consideration liability	707	707
Income tax payable	1 683	1 625
Betting dividends payable	15 994	7 385
Bank overdrafts	35 005	11 537
Total equity and liabilities	943 950	775 839

SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOW

	Audited 12 months 31 Jul 2016 R'000	Audited 12 months 31 Jul 2015 R'000
Net cash inflow from operating activities	38 594	3 761
Cash generated by operations	113 046	117 405
Movements in working capital	29 949	(23 446)
Cash generated by operating activities	142 995	93 959
Income tax paid	(30 306)	(19 579)
Investment income received	5 331	1 598
Finance costs paid	(9 368)	(5 828)
Dividends to shareholders	(70 057)	(66 389)
Net cash outflow from investing activities	(19 549)	(54 057)
Acquisition of property, plant and equipment and intangible assets	(76 443)	(84 037)
Proceeds on disposal of property, plant and equipment and intangible assets	2 083	1 322
Acquisition of a subsidiary	(1 710)	
Investment in equity accounted investee and contingent settlements on investments	3	(33 801)
Loans (advanced)/recouped	(14 448)	10 271
Dividends received from equity accounted investees	70 966	52 188
Net cash inflow from financing activities	12 743	1 073
Repayment of finance leases	(557)	(474)
Non-controlling interest acquired		(130)
Net borrowings raised	13 300	43 278
Shares repurchased		(41 601)
Net increase/(decrease) in cash and cash equivalents	31 788	(49 223)
Effect of conversion of foreign operations on cash and cash equivalents	(579)	780
Cash and cash equivalents at beginning of year	46 461	94 904
Cash and cash equivalents at end of year	77 670	46 461
Make up of balance of cash and cash equivalents		
Cash and cash equivalents	112 675	57 998
Bank overdraft	(35 005)	(11 537)
Cash and cash equivalents at end of year	77 670	46 461

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Trans- lation reserve R'000	Retained earnings R'000	Equity attri- butable to ordinary share- holders R'000	Non- con- trolling interest R'000	Total equity R'000
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)	(21 755)		(21 755)
– Dividends paid to equity holders			(66 089)	(66 089)	(300)	(66 389)
Balance at 31 July 2015	1 863	137	445 743	447 743		447 743
Total comprehensive income for the year		(579)	121 944	121 365	(854)	120 511
– Profit for the year			121 944	121 944	(854)	121 090
– Foreign currency translation reserve		(579)		(579)		(579)
Transactions with owners recorded directly in equity						
– Purchase of controlling interest in subsidiary					854	854
– Share based payment			14 000	14 000		14 000
– Dividends paid to equity holders			(70 057)	(70 057)		(70 057)
Balance at 31 July 2016	1 863	(442)	511 630	513 051		513 051

RESULTS OVERVIEW

Phumelela is the leading racecourse owner, tote betting operator and racing media provider in South Africa with a significant presence internationally, complemented by fixed odds betting on horseracing, soccer and numbers.

The pleasing financial results are reflective of a strategic imperative in place more than a decade to internationalise and diversify its activities outside of the company's traditional roots.

Diversifying and taking South African thoroughbred horseracing to the world has sustained our horseracing business in the face of strong cost pressures and despite the ongoing funding imbalance in respect of horseracing that exists between tote operators and bookmakers.

Growth in tote betting on sports other than horseracing, fixed odds betting and a substantial increase in contribution from international operations, were the drivers of this year's result. Fixed odds and international pre-tax income combined is 76% higher at R233 million which compares with a pre-tax loss of R104 million from our traditional horseracing operations.

Phumelela's 26% interest in Interbet contributed for a full twelve months compared with nine months in the previous financial year. The relationship with our partners is working very well and the investment is a perfect fit with Phumelela's horseracing and sports betting products.

Phumelela continues to invest in South African thoroughbred horseracing. Tote betting volumes are stable, a quality racing experience encourages on-course attendance, particularly for high-profile race meetings. Horseracing is the foundation of our business and despite an economic playing field that is manifestly unfair, we are resolute in playing a key role in ensuring South African racing remains top class. This year we invested a further R51 million on our betting and racing facilities.

The Group ended the year with 75 fixed odds retail shops, up from 66 as at January 2016. A 51% investment in Afrivet, which operates in the Eastern Cape, became unconditional with effect from February, adding to the Group's retail footprint. Total capital expenditure in Betting World amounted to R23 million in 2016.

Under strengthened leadership, Betting World is focused on taking the bet to the people and enhancing the punter experience, and on nurturing franchise opportunities for previously disadvantaged individuals.

Income increased across the fixed odds retail footprint and profits more than trebled. International operations performed well in foreign currency terms and with an even better performance on translation to rand, benefiting from increased volume of demand for a world-class South African thoroughbred horseracing export product.

RESULTS ANALYSIS CONTINUED

A fairer funding dispensation for the sport of thoroughbred horseracing is imperative. Within this context, flagrant piracy of the Group's intellectual property by certain bookmakers is unconscionable. Civil and criminal lawsuits have been filed and will continue to be filed against bookmakers unlawfully displaying Tellytrack. As of the date of this report, 274 bookmakers have subscribed to Tellytrack for live horseracing televisual and audio rights whilst 255 bookmakers have subscribed to the live international horseracing televisual and audio rights.

GROUP FINANCIAL ANALYSIS

Total income increased by 19% to R1 500,8 million with local income growing by 15% to R1 226,4 million and international income growing by 38% to R274,4 million.

Local net betting income grew by 15% to R965,6 million and other local income grew by 10% to R252,6 million. Other operating income from international operations grew by 33% to R273,8 million. Net income, after investment income of R5,3 million, was 17% higher at R1 497,3 million.

Local expenses, stakes and levies increased by 19% to R1 255,2 million and international expenses, which includes intellectual property rights fees, increased by 42% to R199,1 million.

Reward for exceptional performance plays a vital part in ensuring the Group continues to achieve its targets and our human capital is pivotal in this regard. Salaries are competitive but supplemented by appropriate monetary recognition as circumstances warrant. In this regard, local expenses also capture incentive awards and share-based payment charges.

Expenses on a like-for-like basis increased in line with budget and fixed odds costs reflect investment in expansion. The 23% increase in the Group depreciation charge reflects the investment commitment Phumelela is making in keeping its estate up-to-date and appealing to customers.

Local operations recorded a loss of R41,6 million compared to a profit of R7,6 million. The combination of international pre-tax profits of R75,3 million and international and local equity accounted profits of R94,7 million resulted in total Group pre-tax profit of R128,4 million, an increase of 7% before non-cash impairments and fair value adjustments.

Net attributable income increased by 53% to R121,9 million, assisted by a positive fair value adjustment and a slightly lower effective tax rate. Headline earnings adjustments were minimal with the prior year including a R9 million impairment of the Group's 26% interest in Betting World Nigeria. Headline earnings increased by 40% to R122,6 million.

To fulfill obligations in respect of shares exercisable in terms of the executive option schemes, the company previously repurchased shares and so the weighted average number of shares in issue was 0,67% lower. Earnings per share therefore grew by 54% and headline earnings per share grew by 41%.

Against the British pound, the rand averaged R21,43 for the year compared with R18,11, an 18% adverse move that resulted in more rand recognised on translation of foreign currency. The Group benefited from a foreign exchange gain of R8,2 million.

SOUTH AFRICAN OPERATIONS

Tote betting increased by 3% to R3,4 billion with tote betting on sports other than horseracing increasing by 13% to R1,1 billion and with tote betting on horseracing remaining flat at R2,3 billion. Tote betting on sports other than horseracing comprises 32% of the tote betting and is up from 29% last year. Tote betting on local racing now comprises 50% of tote betting with betting on international racing the balance at 18%.

Interactive is now 30% of tote bets placed. Interactive is a key component of the Group's future strategy and the Group will continue to invest in the expansion of this part of its business.

Fixed odds had an excellent year with the investment in growth over the past few years manifesting in accelerating profitability at improved margin. Fixed odds betting increased by 25% to R1,8 billion. Net fixed odds betting income for the year of R263,1 million, growth of 63%, is more than three times what Phumelela earned as recently as five years ago.

Fixed odds betting on horseracing has shown a very pleasing improvement, increasing by 35% since 2014. Other sports and in particular numbers betting, which increased by 54%, continue to grow in popularity.

The expanded retail presence is a big factor in bringing in the punters, with strong growth in betting in provinces such as KwaZulu Natal, Mpumalanga, Eastern Cape and Limpopo.

Total operating expenses in the local tote and fixed odds operations grew by 19% to R1 255,2 million. This reflects the growth in retail, IFRS 2 share-based payment charges, human capital spend, and legal and consulting fees associated with combating piracy of the Group's intellectual property by bookmakers and related legal matters.

RESULTS ANALYSIS CONTINUED

Prize monies (stakes) increased by 7% to R202,9 million in accordance with the formula set out in the stakes agreement with the Racing Association. Stakes are calculated retrospectively on prior year results and the increase is reflective of the 2015 financial year results as they pertain to the formula.

A consequence of the drought is an additional R8,6 million spent on watering our racing and training facilities.

Like-for-like normalised expenses in the local tote operations, excluding stakes and depreciation, grew by 8%. Across both tote and fixed odds operations like-for-like expenses, also excluding stakes and depreciation, grew by 13%. Day to day operating expenses are under constant scrutiny.

Interbet positively affected equity accounted income with share of profits of R5 million in the current year, up from R1,6 million in the previous year, the prior year representing nine months share of profits effective from 1 November 2014.

INTERNATIONAL OPERATIONS

International operations contributed an extremely pleasing R163,0 million pre-tax compared with R110,6 million in the prior year.

Phumelela's international operations provide a substantial rand hedge with profits favourably impacted by a weaker rand relative to major trading currencies during the year.

Phumelela's 50% investment in Premier Gateway International ("PGI"), located on the Isle of Man, the export of live broadcast of South African horseracing, and the first-time contribution of Arena Racing Company all contributed to an excellent result.

The combined pre-tax profit contribution comprises 127% of Group pre-tax profit before the ASL fair value adjustment of R5,6 million. The Group's investment in ASL is held for sale.

With effect from May, win, place and swinger bets on Hong Kong races have been commingled into Hong Kong's tote pools. Commingling gives local punters the opportunity to participate in the one of the largest tote pools in the world.

Included in operating expenses of R199,1 million is R104,0 million in intellectual property rights fees, which increased by 52%.

FINANCIAL POSITION

The Group has a strong financial position.

Cash generated from operating activities, after a release of cash from working capital of R29,9 million, was R143,0 million.

Dividends received from equity accounted investees contributed an additional R71,0 million.

Capital expenditure, including stay in business and expansion, was R76,4 million of which R74,2 million was on property, plant and equipment and R2,2 million on intangibles. R8 million was spent converting the Vaal sand track to grass.

Dividends paid to shareholders amounted to R70,1 million.

Total assets are R944,0 million, which includes property, plant and equipment at a carrying value of R458,9 million, goodwill and intangibles valued at R66,7 million, and equity accounted investees valued at R75,5 million.

Attributable equity amounts to R513,1 million and represents a net asset value per share of 688,33 cents.

Return on opening equity of 27% is very pleasing and exceeds cost of capital by a substantial margin.

The Group has a net cash position of R11,9 million and has adequate borrowing facilities. The Group has sufficient cash flow and borrowing capacity to meet its ongoing operational needs.

A combination of recurring income, in the form of broadcast rights, variable but reasonably consistent transactional income, and the benefits of incremental income from investment in growth and development of international and local tote, fixed odds and media income provides a relatively dependable cash flow. Whilst regulatory factors are a risk of doing business the Board believes these are mitigated and that relationships with relevant authorities are constructive and cooperative.

SHARE CAPITAL

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

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

The Group stages horseracing events in South Africa, offers betting opportunities on South African and international sports, and exports televisual horseracing content internationally. Reporting disclosure corresponds to management reporting lines.

RESULTS ANALYSIS CONTINUED

Summarised consolidated segmental analysis continued

	% change	31 Jul 2016 R'000	31 Jul 2015 R'000
Local sports betting and media gross income	15	1 226 382	1 067 062
International ventures gross income	38	274 415	199 143
Total local and international income	19	1 500 797	1 266 205
Local tote and fixed odds net betting and other income	14	1 222 910	1 072 467
International other income	33	274 415	205 798
Total local and international net income	17	1 497 325	1 278 265
Local expenses, stakes and levies	19	(1 255 160)	(1 059 070)
International expenses	42	(199 067)	(139 894)
Total expenses	21	(1 454 227)	(1 198 964)
Local operating (loss)/profit	(337)	(32 250)	13 397
Local finance costs	61	(9 368)	(5 828)
Local (loss)/profit from operations	(642)	(41 618)	7 569
International pre-tax profit	13	75 348	65 904
International and local equity accounted profits	101	94 694	47 060
Total Group pre-tax profit	7	128 424	120 533
Fair value adjustment in respect of assets held for sale		5 578	(12 753)
Equity accounted investee impaired			(8 545)
Profit before income tax expense	35	134 002	99 235

Note: Segmental information extracted from audited financial statements.

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure approved by directors.

	2016 R'000	2015 R'000
Contracted for	4 261	2 709
Not contracted for	164 953	120 004

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

INVESTMENT

On 9 December 2015, Phumelela announced an intension to acquire 50% of the shares of Supabets SA Holdings Proprietary Limited ("Supabets"). Supabets is one of the leading and fastest growing sports betting and gaming groups in Africa with a specific focus in the high growth fixed odds sports betting market. Information relating to this transaction is in the public domain and available for view via the investor relations portal on the Group website.

MATTERS OF CORPORATE INTEREST AND LITIGATION

On 13 July 2016, the Competition Commission issued a notice of non-referral in respect of consolidated complaints lodged by Gauteng Off-Course Bookmakers' Association, the KwaZulu-Natal Bookmakers' Society, and various individual bookmakers with the Competition Commission.

On 9 March 2016 Cabinet approved the National Gambling Policy Review Document which forms the basis of a National Gambling Amendmend Bill that was recently published for broader public comment. Whilst a number of Phumelela's concerns have been favourably addressed including the bookmakers' "open bet" and the right to be compensated for the use of the Group's intellectual property, a few pressing issues remain, the most notable being:

- Operators in the business of taking bets or wagers should be prevented from collecting bets on the lottery results or conducting sports pools in terms of a licence issued under gambling legislations across the country. Bets on lottery results and sports pools must only be authorised in terms of the lottery legislation; or
- Operators must be required to contribute a reasonable percentage from their gross gambling revenue into the National Lotteries Distribution Trust Fund ("NLDTF") as shall be prescribed by the Minister after consulting Council.

Implementation of the policy in respect of Tote bets on sports other than horseracing would put the Tote operators at a competitive disadvantage to bookmakers and the National Lottery and could potentially have a detrimental effect on Phumelela, horseracing and betting taxes earned by each of the provinces. Phumelela offered Tote bets on sports other than horseracing prior to the introduction of the National Lottery and has done so with approval from the provincial gambling boards ever since. Phumelela believes that the removal of its right to offer Tote bets on sports other than horseracing would be unconstitutional and has engaged Government in this regard.

Phumelela is a defendant in respect of three applications in the High Court of South Africa.

Details pertaining to Matters of Corporate Interest and Litigation are disclosed in full in the Report of the Directors in the annual financial statements.

The outcome of the relevant actions noted under Matters of Corporate Interest and Litigation remains uncertain and may have an impact on future earnings.

RESULTS ANALYSIS CONTINUED

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 2016 comprises of the company and its subsidiaries and the Group's interests in equity accounted investees and joint operations.

STATEMENT OF COMPLIANCE

The preliminary summarised audited consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

BASIS OF PREPARATION

The preliminary summarised audited consolidated financial statements do not include all the information and disclosures required for the audited consolidated financial statements. The preliminary summarised audited consolidated financial statements should be read in conjunction with the audited consolidated financial statements.

The audited consolidated financial statements for the Group as at and for the year ended 31 July 2016 were prepared on the going-concern basis and are available for inspection at the Company's registered office and will be made available on the Group website on or before 31 October 2016.

The accounting policies applied in the presentation of the preliminary summarised audited consolidated financial statements are consistent with those applied for the year ended 31 July 2015, except for new standards and interpretations that became effective on 1 August 2015 and deemed applicable to the Group. They are prepared on the historical cost basis, except for certain financial instruments that are recognised at fair value.

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.

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 2016. 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.

The preliminary summarised audited 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. The summarised report is extracted from the audited information but is itself not audited. The directors take full responsibility for the preparation of the preliminary results and the financial information is correctly extracted from the underlying annual financial statements.

SUBSEQUENT EVENTS

There are no significant subsequent events that have an impact on the financial information at 31 July 2016.

RELATED PARTIES

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 was independently rated in March 2015 as an AAA level two broad-based black economic empowerment contributor. The Department of Trade and Industry has subsequently issued revised Codes of Good Practice under the Broad-Based Black Economic Empowerment Act and Phumelela is working towards achieving this status in terms of the new criteria in the shortest possible time. Phumelela was ranked eighth on the Johannesburg Stock Exchange in the most recent top 100 Most Empowered Companies 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

Other than the appointment of Mr. Brian Finch as a director of the Company, there were no other changes to the composition of the Board during the year.

RESULTS ANALYSIS CONTINUED

PROSPECTS

The acquisition of Supabets is to be funded through a combination of new shares issued to the seller, a rights issue to shareholders and any remainder through the Group's cash and debt facilities. The investment is expected to contribute positively to earnings per share going forward.

Our international operations thrive on the quality of the year-round South African horseracing, for which there is strong and growing demand. Phumelela is opening up new markets to South African punters. The Group's agreement with Arena Racing Company will contribute meaningfully to Group earnings in 2017.

The Group is delivering the anticipated returns from investments made in the fixed odds retail footprint and expects further improvement in profitability in 2017.

Off a strong platform and with the benefit of acquisitions, the Group is targeting another year of real growth in earnings per share.

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 gross cash dividend from income reserves of 70 cents per share (59,50 cents per share net of dividend withholding tax at a rate of 15%) payable to shareholders recorded in the register on Friday 4 November 2016. The issued share capital at the declaration date is 77 101 885 ordinary shares. Shareholders are advised that the last date to trade "*cum dividend*" will be Tuesday 1 November 2016. As from commencement of business on Wednesday 2 November 2016 all trading in Phumelela shares will be "*ex dividend*". Payment will be made on Monday 7 November 2016. Share certificates may not be dematerialised or rematerialised between Wednesday 2 November 2016 and Friday 4 November 2016, both days inclusive. The Company's tax reference number is 9171/393/84/7.

For and on behalf of the Board

MP Malungani
Chairman
Turffontein, Johannesburg
7 October 2016

WA du Plessis
Chief Executive Officer

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

COMPANY SECRETARY: F Moloï (Mrs)

SPONSOR: Investec Bank Limited

REGISTERED OFFICE: Turffontein Racecourse, 14 Turf Club Street, Turffontein

TRANSFER SECRETARIES: Computershare Investor Services Proprietary Limited

SHARE CODE: PHM

ISIN: ZAE000039269

SPONSOR: Investec Bank Limited

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