



Phumelela Gaming

Phumelela Gaming and Leisure Limited



PRELIMINARY ANNUAL FINANCIAL RESULTS
FOR THE YEAR ENDED 31 JULY 2018
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

Phumelela is successfully transitioning to a multiple product betting and media rights group.

OPERATIONAL FEATURES OF THE YEAR

South African **ECONOMIC ENVIRONMENT** continued to deteriorate

Voluntary severance programme **COMPLETED WITHIN BUDGET** and yielding benefits

South African horseracing retains **WIDE POPULAR APPEAL** in international markets

Strong internal focus on **IMPROVING COMPETITIVE APPEAL** of all betting offerings

TURN-KEY AND FULLY ODDS MANAGED SOLUTION for previously disadvantaged individuals **GAINS MOMENTUM**

FINANCIAL FEATURES OF THE YEAR

16% RISE in **WEIGHTED AVERAGE SHARES** reflects the prior year rights issue to fund acquisitions

Headline earnings **UP 6%** to **R155,6 million**

Headline earnings per share **DOWN 8%** to **154,23 cents**

Normalised headline earnings **UP 20%** to **R175,1 million**

Normalised headline earnings per share **UP 3%** to **173,55 cents**

Earnings per share **DOWN 9%** to **153,78 cents**

Net asset value per share **1 012,93 cents**

Final gross dividend per share of **62,00 cents**, full year dividend maintained at **104,00 cents**

Continued **STRONG FINANCIAL POSITION** with net debt to equity **22,8%**

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	%	Audited 12 months 31 July 2018 R'000	Audited 12 months 31 July 2017 R'000
	change		
Income		1 526 979	1 520 515
Gross betting income		1 182 525	1 176 913
Net betting income			
– Local operations		949 761	948 603
Other operating income			
– Local operations	1	283 558	281 654
– International operations	3	316 062	306 844
Investment income			
– Local operations	(15)	12 928	15 200
– International operations	(4)	619	646
Net income	1	1 562 928	1 552 947
Operating expenses and overheads			
– Local operations	3	(1 223 305)	(1 218 794)
– Voluntary severance programme expense		(27 071)	
– International operations	5	(224 844)	(213 917)
Profit before finance costs, income tax, depreciation and amortisation	(27)	87 708	120 236
Depreciation and amortisation	(1)	(70 393)	(71 207)
Profit from operations	(65)	17 315	49 029
Finance costs			
– Local operations	70	(34 577)	(20 323)
(Loss)/profit before share of profit of equity-accounted investees	(160)	(17 262)	28 706
Share of profit of equity-accounted investees	38	169 169	122 591
Profit before fair value adjustment		151 907	151 297
Fair value adjustment to investment		546	946
Profit before income tax expense		152 453	152 243
Income tax expense	(93)	(707)	(9 641)
Profit for the year	6	151 746	142 602
Other comprehensive income net of taxation			
Items that may subsequently be reclassified to profit or loss			
– Exchange differences on translation of foreign subsidiaries		623	(151)
– Remeasurement of defined benefit obligation		1 395	
Total comprehensive income for the year	8	153 764	142 451

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CONTINUED

	%	Audited 12 months 31 July 2018 R'000	Audited 12 months 31 July 2017 R'000
	change		
Profit attributable to:			
Ordinary equity holders of the parent		155 112	146 520
Non-controlling interest		(3 366)	(3 918)
Profit for the year		151 746	142 602
Total comprehensive income attributable to:			
Ordinary equity holders of the parent		157 130	146 369
Non-controlling interest		(3 366)	(3 918)
Total comprehensive income for the year		153 764	142 451
Earnings per ordinary share (cents)			
– Basic	(9)	153,78	168,46
– Diluted	(4)	153,78	160,84



SUPPLEMENTARY STATEMENT OF COMPREHENSIVE INCOME INFORMATION

	%	Audited 12 months 31 July 2018 R'000	Audited 12 months 31 July 2017 R'000
	change		
Reconciliation of headline earnings			
Earnings attributable to equity holders of the parent	6	155 112	146 520
Adjusted for:			
Loss/(profit) on sale of property, plant and equipment		3 165	(605)
Impairment of goodwill		2 844	
Profit on disposal of intangible assets		(6 014)	
Tax effect		461	169
Headline earnings	6	155 568	146 084
Headline earnings per share (cents)	(8)	154,23	167,96
Diluted headline earnings per share (cents)	(4)	154,23	160,36
Net asset value per share (cents)		1 012,93	1 014,17
Dividend to shareholders			
<i>Interim dividend</i>			
Dividend per ordinary share (cents)	24	42,00	34,00
<i>Final dividend</i>			
Dividend per ordinary share (cents)	(11)	62,00	70,00
Number of shares in issue	(2)	99 969 347	101 559 769
Weighted average number of shares in issue for basic and headline earnings per share calculation	16	100 868 421	86 974 276
Weighted average number of shares in issue for diluted earnings per share calculation	11	100 868 421	91 097 698

SUPPLEMENTARY PRO FORMA INFORMATION

The pro forma normalised financial information has been compiled by the directors to illustrate the impact of the voluntary severance programme on the Group's reported financial performance for the year 31 July 2018 for illustrative purposes only. This information is the responsibility of the directors and due to the nature of the information it may not fairly present the Group's financial position, changes in equity, the results of operations and cash flows.

An unmodified reasonable assurance report has been issued by the Group's auditors KPMG Inc. in terms of ISAE 3420 Assurance Engagements to Report on the Compilation of the Pro Forma Information in a prospectus and is available for inspection at the Company's registered office. The pro forma information has been compiled in terms of the JSE Listing Requirements and the revised Guide on Pro Forma Information by SAICA.

	% change	12 months 31 July 2018 R'000	12 months 31 July 2017 R'000
Reconciliation of headline earnings to normalised headline earnings			
Headline earnings		155 568	146 084
Voluntary severance programme expense tax effected		19 491	
Normalised headline earnings	20	175 059	146 084
Normalised headline earnings per share after the elimination of the effects of the voluntary severance programme	3	173,55	167,96



SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited as at 31 July 2018 R'000	Audited as at 31 July 2017 R'000
ASSETS		
Non-current assets	1 338 850	1 280 609
Property, plant and equipment	464 707	468 388
Goodwill	12 362	15 206
Intangible assets	45 000	51 939
Interest in equity-accounted investees	690 421	638 074
Investments	12 108	11 562
Investment property	18 700	18 700
Long-term loans	63 341	64 309
Deferred taxation asset	32 211	12 431
Current assets	311 824	259 200
Inventories	3 773	2 466
Trade and other receivables	155 679	129 855
Defined benefit fund	14 650	9 029
Income tax receivable	23 348	19 395
Cash and cash equivalents	114 374	98 455
Total assets	1 650 674	1 539 809
EQUITY AND LIABILITIES		
Total equity	1 012 624	1 029 993
Share capital and premium	473 786	473 826
Retained earnings	546 092	560 678
Non-distributable reserves	30	(593)
Equity attributable to ordinary shareholders	1 019 908	1 033 911
Non-controlling interest	(7 284)	(3 918)
Non-current liabilities	301 319	123 370
Deferred taxation liability	872	1 393
Borrowings	300 447	121 977
Current liabilities	336 731	386 446
Trade and other payables	278 118	267 146
Short-term borrowings	1 639	2 400
Contingent consideration liability	28 806	101 434
Income tax payable	24	24
Betting dividends payable	13 965	13 621
Bank overdrafts	14 179	1 821
Total equity and liabilities	1 650 674	1 539 809



SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Audited 12 months 31 July 2018 R'000	Audited 12 months 31 July 2017 R'000
Net cash outflow from operating activities	(94 640)	(62 201)
Cash generated from operations	70 716	88 771
Movements in working capital	(7 815)	(43 022)
Cash generated from operating activities	62 901	45 749
Income tax paid	(24 961)	(15 082)
Investment income received	9 003	11 957
Finance costs paid	(27 849)	(17 950)
Dividends paid to shareholders	(113 734)	(86 875)
Net cash outflow from investing activities	(25 101)	(250 879)
Acquisition of property, plant and equipment and intangible assets	(67 515)	(82 223)
Proceeds on disposal of property, plant and equipment and intangible assets	626	1 664
Investment in equity-accounted investees	(3 993)	(255 010)
Contingent consideration liability paid	(86 979)	(330)
Net loans repaid/(advanced)	2 358	(24 432)
Dividend received from equity accounted investee	130 402	109 452
Net cash inflow from financing activities	122 679	332 195
Repayment of finance leases		(425)
Net borrowings raised	177 709	58 556
Share capital raised		288 340
Shares repurchased and options issued	(55 030)	(14 276)
Net increase in cash and cash equivalents	2 938	19 115
Effect of exchange fluctuations on cash and cash equivalents	623	(151)
Cash and cash equivalents at beginning of year	96 634	77 670
Cash and cash equivalents at end of year	100 195	96 634
Make up of balance of cash and cash equivalents		
Cash and cash equivalents	114 374	98 455
Bank overdraft	(14 179)	(1 821)
Cash and cash equivalents at end of year	100 195	96 634



SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and premium R'000	Trans-lation reserves R'000	Retained earnings R'000	Share-holders' equity R'000	Non-con-trolling interest R'000	Total equity R'000
Balance at 31 July 2016	1 863	(442)	511 630	513 051		513 051
Total comprehensive income for the year		(151)	146 520	146 369	(3 918)	142 451
– Profit for the year			146 520	146 520	(3 918)	142 602
– Other comprehensive income		(151)		(151)		(151)
Transactions with owners recorded directly in equity						
– Share issue						
– Rights offer	288 713			288 713		288 713
– Share issue						
– Acquisition shares	183 582			183 582		183 582
– Direct listing costs	(373)			(373)		(373)
– Share repurchase	(12)		(10 588)	(10 600)		(10 600)
– Shares issued in terms of the share option scheme	53		(3 729)	(3 676)		(3 676)
– Share-based payment			3 720	3 720		3 720
– Dividends paid to equity holders			(86 875)	(86 875)		(86 875)
Balance at 31 July 2017	473 826	(593)	560 678	1 033 911	(3 918)	1 029 993
Total comprehensive income for the year		623	156 507	157 130	(3 366)	153 764
– Profit for the year			155 112	155 112	(3 366)	151 746
– Other comprehensive income		623	1 395	2 018		2 018
Transactions with owners recorded directly in equity						
– Share repurchase	(79)		(54 950)	(55 029)		(55 029)
– Shares issued in terms of the share option scheme	39		(39)			
– Share-based payment			(2 370)	(2 370)		(2 370)
– Dividends paid to equity holders			(113 734)	(113 734)		(113 734)
Balance at 31 July 2018	2 499	30	546 092	1 019 908	(7 284)	1 012 624

COMMENTARY

THE YEAR IN PERSPECTIVE

The financial year ended 31 July 2018 marks a significant milestone for Phumelela. This is our first financial year as a fully-fledged multiple product betting and media rights group of companies. Supabets and Interbet are jointly controlled assets from which we have the benefit this year of 50% of the earnings of each company. Furthermore, the newly formed Supaworld, jointly owned by Betting World and Supabets, contributes a 75% share of earnings to Phumelela.

In a short time, Supabets and Interbet have had a re-energising effect on the Group and, together with the best of Supabets and Betting World within Supaworld, these companies are expected to have an increasingly important role in the growth of Phumelela and return for shareholders. We anticipate performance accelerating in the future as these assets realise their optimal potential.

This has been a very difficult year in South Africa. Trading has been hindered by political turbulence, militant labour unrest that directly affects the horseracing value chain, criminal activity that directly cost us in excess of R6 million in lost profitability, a stagnant economy, low business and consumer confidence, and increasing unemployment. Personal tax rates have risen yet again, and municipal charges are also rising above inflation, particularly utilities and property taxes. The rate of VAT was increased to 15% from 14% on 1 April 2018, of which we absorb the financial cost, estimated at R10 million in a full year, as the take-out ratio after provincial taxes and levies has not changed.

As a consumer-facing business with a large retail footprint, such negative factors impinge on discretionary income. In this respect we are not alone. But what we do have within our capability is to rise above the external circumstances and be as competitive as possible.

In pursuit of our transformation initiatives, Betting World franchises and Tab agencies are being offered to selected previously disadvantaged individuals that wish to build a future in this exciting industry. Phumelela provides the necessary funding, training, know-how, and management of the odds to enable a shop to be up and running within a short period.

Our shareholding in Omphé Tshiamo Investments Proprietary Limited in the North West is an example of what is achievable, and we see this as being scalable in other provinces subject to new betting licences being available.

Years of diversification have been the hallmark of Phumelela. The recent partnerships with the Supabets and Interbet teams are but two recent examples of many initiatives we have capitalised on over the years to ensure we thrive.



THE YEAR IN PERSPECTIVE CONTINUED

We have built a large international business off the excellent South African horseracing that Phumelela has been pivotal in nurturing at home. International income, through tote betting and media rights, is the largest contributor this year at 134% of pre-tax profit. As we grow our domestic fixed odds and tote offering organically and through acquisition, international will nevertheless continue to contribute a healthy portion of profits, with the foreign currency hedge an additional advantage.

We have revised segmental disclosure to better present our operational transition. These segments are Betting Operations, Media Operations, and Administrative and Support Services, with the latter providing shared services. In line with accounting convention, our segments represent wholly or majority-owned operations on a consolidated basis whilst our equity-accounted associates are represented within a single line item. The totality of all the businesses is considerably greater than that reflected on the income statement and balance sheet.

The year had its share of disappointments and challenges but despite this the Group ended the year on a positive operational and financial note and with a clear strategic purpose. Modernisation and repositioning for the future included meaningful cost savings, implemented by way of a voluntary severance programme, aligning the management structure to the way the Group is now managed, and investing in our retail footprint as we upgrade the customer experience.

The composition of the Board and Board committees has been substantially strengthened, with the appointment of outstanding individuals. Ms Fikile Magubane, Mr S'celo Mahlalela, Mr Steve Müller and Ms Lindiwe Rakharebe (pending regulatory approval) bring strong credentials to the Board in their roles as non-executive directors and members of Board committees. Furthermore, Mr Moses Tembe has joined the Board as Lead Independent Director, strengthening the role of the Chair and in the spirit of King IV fulfilling the duties usually assigned to a Deputy Chairman. The Group now has two female black non-executive directors (with a further appointment pending regulatory approval) and in total seven black non-executive directors.

SEGMENT REVIEW

The Betting Operations segment comprise over-the-counter ("OTC") retail stores and non-OTC, which comprises internet and telephone betting in South Africa and internationally. Equity-accounted income from the jointly owned Premier Gateway International ("PGI") tote operator on the Isle of Man is included in the non-OTC segment.



COMMENTARY CONTINUED

SEGMENT REVIEW CONTINUED

Our horseracing operations are reflected within the new Media segment and comprise the selling of media and data rights of South African horseracing locally and internationally. The local horseracing operations remain loss making on a stand-alone basis with international profitable and supported by solid international demand. New Zealand has been added as a territory for commingling and fixed odds, the Hong Kong Jockey Club imported twelve simulcast race meetings this year, there was extended simulcast in to Singapore and the Singapore Turf Club is seeking regulatory approval to promote new simulcasts, and there is expansion of coverage in Greece given that SA product generates substantially more turnover compared with competitor simulcast content.

Taking Betting World, TAB, Supabets, and Interbet together on a 100% consolidated basis the reach of the Group is now considerable, with over R8 billion in betting turnover flowing through these channels.

Income growth in Betting Operations slowed as the year progressed, ending the year marginally higher. Despite this we nevertheless managed to increase the sports betting turnover, with betting on soccer dominating and continuing to prove popular. We continue to refine product mix and ensure that odds management is effective. New international agreements have been concluded in several African countries.

Whilst the Group's strategic initiatives to drive non-OTC betting turnover are yielding positive results, largely through the internet and smart devices, physical retail stores remain popular as a socially appealing gathering place where fellow punters can share tips, celebrate or commiserate. Betting shops are an important part of our transformation franchise initiative, such as in the North West. The Supabets and the jointly owned Supaworld outlets are all large format physical stores that attract a large throng of customers throughout the day. Four Supaworld stores were operating by 31 July 2018 and we anticipate at least a dozen mega stores being operational within two years.

PGI located on the Isle of Man ended the year strongly in a competitive betting environment and benefited from securing a major new customer. Revenue from premium customers betting on local racing improved during the second half. International tote to tote commingled revenue was in line with the prior year.

GROUP FINANCIAL ANALYSIS

Consolidated net income of R1 563,0 million is in line with the prior year with Betting Operations contributing 68%, Media 30%, and Administrative and Support Services the balance.



GROUP FINANCIAL ANALYSIS CONTINUED

Operating expenses increased by 3% to R1 475,2 million. Excluding the R27,1 million voluntary severance programme expense, which is a once-off item, combined expenses increased by only 1%, reflecting tight expense control.

Depreciation and amortisation of R70,4 million decreased by 1% and is allocated 54% to Betting Operations, 36% to Media, and the balance to Administrative and Support Services. R67,5 million was spent on acquiring property, plant and equipment during the year.

Operating profit before the cost of the voluntary severance programme was R44,4 million, a 9% decrease on the R49,0 million in 2017. Including the costs of the voluntary severance programme operating profit decreased by 65% to R17,3 million.

Finance costs of R34,6 million, up by 70%, reflect higher borrowings arising from corporate investment activity.

Therefore, the Group incurred a loss before equity-accounted income of R17,3 million compared with a prior year profit of R28,7 million.

Profits from equity-accounted investees increased by 38% to R169,2 million, 111% of pre-tax profits, comprising our share of after-tax profits of PGI, Supabets, Interbet, Supaworld, and SW Security. Share of profits from PGI increased by a pleasing 27% to R112,5 million. Interbet performed to expectation, growing profits by double digits to R16,6 million. Supaworld made a small loss in its start-up phase and is budgeted to be profitable next year.

Supabets grew turnover substantially and is gaining market share, although at the expense of margin in the short term. Profits underperformed due to substantially higher expenditure on marketing without commensurate turnover growth, betting margin squeeze (impacted by the VAT increase and smaller take-out margins on the popular win and spin bet offering) and costs associated with expanding the customer call centre. Supabets' contribution to profits nevertheless doubled to R40,6 million.

The R546 000 positive non-cash fair value adjustment relates to the investment in Automatic Systems Limited in Mauritius. These shares are not strategic but given that there is no imminent prospect of an open market sale they are held as an investment at market value.

Attributable profit for the year was 6% higher at R155,1 million, assisted by a lower income tax expense. Profit for the year of R151,8 million includes minority interests in the amount of R3,4 million.

COMMENTARY CONTINUED

GROUP FINANCIAL ANALYSIS CONTINUED

The 16% increase in the weighted number of shares in issue, stemming from the R284 million rights issue in 2017 to part-fund the acquisition of Supabets, has had a dilutionary effect on per share earnings.

Earnings per share decreased by 9% to 153,78 cents with diluted earnings per share decreasing by 4%, also to 153,78 cents.

Headline earnings increased by 6% to R155,6 million and headline earnings per share decreased by 8% to 154,23 cents. The R2,8 million goodwill impairment that is backed out within headline earnings relates to Betting World Eastern Cape.

Normalised headline earnings adjusted for the R19,5 million after-tax cost of the voluntary severance programme increased by 20% to R175,1 million with normalised headline earnings per share increasing by 3% to 173,55 cents.

Currency effects on the 2018 trading result were negligible.

The weighted average number of shares in issue increased by 16% to 100,9 million and on a fully diluted basis there was a 11% increase in weighted average shares, also to 100,9 million.

The Group bought back 3,1 million shares for R55,0 million at an average price of R17,49 per share. In all, 1,6 million shares were issued in terms of the share option scheme. The net effect of these transactions was to reduce the net issued share capital as at 31 July 2018 to 2% below the net issued share capital as at 31 July 2017.

A reduction in cash applied to working capital resulted in cash flow from operating activities improving to R62,9 million. Dividends paid to shareholders amounted to R113,7 million. Net loans received of R2,4 million compares to a net advance of R24,4 million. Net borrowings raised amounted to R177,7 million. A total of R79,0 million was paid of the contingent consideration in respect of Supabets and R8,0 million in respect of Interbet. Net dividends received from equity-accounted investees amounted to R130,4 million.

The statement of financial position reflects the material corporate activity in the 2017 financial year, with a considerable addition of cash-generating assets.



Total assets increased to R1 650,7 million and long-term assets increased to R1 338,9 million, with the value of equity-accounted investments at R690,4 million. Property, plant and equipment is valued at book of R464,7 million. Goodwill and intangibles of R57,4 million are small in the context of the entire balance sheet. The investment property valued at R18,7 million is the Arlington Racecourse in Port Elizabeth.

Included in our definition of gross debt of R345,1 million is a remaining contingent liability on Supabets of R28,8 million. Cash as at balance sheet date amounted to R114,4 million. Net debt is therefore R230,7 million compared with R129,2 million last year. The debt to equity ratio of 22,8% is conservative.

The Group retains its historically strong financial position and has sufficient cash flow and borrowing capacity to meet its ongoing operational needs.

Return on average equity of 15% on attributable profit is affected by the substantially changed capital structure, with the Supabets acquisition yet to fully contribute, and the once-off severance costs. Normalised return on equity is 17%.

SHARE CAPITAL

There has been no change in the authorised share capital of the Company.

Issued share capital decreased by 1 590 422 shares or 2% compared to 31 July 2017. During the year, 3 146 330 shares were purchased as treasury shares and 1 555 908 shares were released in terms of the share option scheme.

In 2017, issued share capital increased by 16 602 230 rights offer shares, issued in part to fund the purchase of Supabets SA Holdings Proprietary Limited, whilst a further 8 796 443 shares were issued to the seller in terms of the Supabets purchase consideration.

At 31 July 2018, issued share capital amounted to 99 969 347 shares, net of 2 531 211 treasury shares.



COMMENTARY CONTINUED

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

The Group offers betting opportunities on South African and international sports and numbers, and sells live media and data of South African horseracing content locally and internationally. Reporting disclosure corresponds to management reporting lines.

Summarised segmental analysis

		TOTAL	
	%	31 July 2018	31 July 2017
	change	R000	R000
Income			
Net betting income		949 761	948 603
Other income	2	599 620	588 498
Investment income	(15)	13 547	15 846
Total income	1	1 562 928	1 552 947
Expenses			
Intellectual property rights fees	2	191 287	187 140
Operating expenses	1	1 256 862	1 245 571
Voluntary severance programme expense		27 071	
Total expenses	3	1 475 220	1 432 711
Profit/(loss) before depreciation and amortisation and finance costs	(27)	87 708	120 236
Depreciation and amortisation	(1)	70 393	71 207
Finance costs	70	34 577	20 323
Profit/(loss) before share of equity accounted income	(160)	(17 262)	28 706
Share of profit on equity accounted income	38	169 169	122 591
Profit/(loss) before revaluation of investments		151 907	151 297
Fair value adjustment to investment	(42)	546	946
Profit/(loss) before income tax expense		152 453	152 243
Local operations	73	(51 862)	(30 044)
International operations	12	204 315	182 287
Profit/(loss) before income tax expense		152 453	152 243

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure approved by directors.

	2018	2017
	R'000	R'000
Contracted for	6 782	
Not contracted for	95 979	125 683

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



BETTING OPERATIONS		MEDIA		ADMINISTRATION AND SUPPORT SERVICES	
31 July 2018	31 July 2017	31 July 2018	31 July 2017	31 July 2018	31 July 2017
R000	R000	R000	R000	R000	R000
949 761	948 603				
108 924	89 753	475 227	457 128	15 469	41 617
				13 547	15 846
1 058 685	1 038 356	475 227	457 128	29 016	57 463
109 851	110 620	81 436	76 520		
477 181	463 565	650 301	638 118	129 380	143 888
				27 071	
587 032	574 185	731 737	714 638	156 451	143 888
471 653	464 171	(256 510)	(257 510)	(127 435)	(86 425)
38 171	38 030	25 052	24 419	7 170	8 758
				34 577	20 323
433 482	426 141	(281 562)	(281 929)	(169 182)	(115 506)
169 169	122 591	(281 562)	(281 929)	(169 182)	(115 506)
602 651	548 732	(281 562)	(281 929)	546	946
602 651	548 732	(281 562)	(281 929)	(168 636)	(114 560)
490 130	459 947	(373 356)	(375 431)	(168 636)	(114 560)
112 521	88 785	91 794	93 502		
602 651	548 732	(281 562)	(281 929)	(168 636)	(114 560)

COMMENTARY CONTINUED

INVESTMENTS

Further to the audited annual financial statements dated 6 October 2018, there has been no further movement with respect to investments.

MATTERS OF CORPORATE INTEREST AND LITIGATION

In terms of disclosure contained in the annual financial statements for the year ended 31 July 2017, other than disclosed there are no further developments in this regard.

In 2015, the South African Bookmakers' Association applied to the Pretoria High Court to have totalisator betting on sports other than horseracing declared unlawful. On 7 May 2018 this application was dismissed by the Pretoria High Court, with costs. The South African Bookmakers' Association applied for and was granted leave to appeal to the Supreme Court of Appeal.

In 2014, Tellytrack instituted action against Marshalls World of Sport in the Durban High Court in respect of the infringement of Tellytrack's copyright. On 13 February 2018 this claim was dismissed by the Durban High Court and on 3 August 2018 leave to appeal to the Supreme Court of Appeal was granted to Tellytrack.

As a result of proceedings which were instituted in 2014, Phumelela was charged with contravening condition 10 of its Turffontein race-meeting licence. This condition pertains to the visual broadcasts of race-meetings. On 31 August 2018, the disciplinary committee issued a preliminary recommendation to the Gauteng Gambling Board that Phumelela be found guilty of contravening its licence. The disciplinary committee found that Phumelela is obliged to provide the Tellytrack service to all bookmakers, regardless of their geographic location, on a cost recovery basis. Phumelela was afforded an opportunity to make further written submissions to the disciplinary committee. On 19 September 2018, the disciplinary committee confirmed its preliminary recommendation. Phumelela will be afforded an opportunity to make submissions regarding the sanction to be imposed on it.

If the Gauteng Gambling Board decides to find Phumelela guilty of contravening its licence conditions in accordance with the disciplinary committee's recommendation, Phumelela has been advised to apply to the High Court to have such decision reviewed and set aside.

Shareholders are reminded that the outcome of the relevant actions noted under Corporate interests and litigation, as described in the annual financial statements, remains uncertain and may have an impact on future earnings.

Shareholders' attention is drawn to the general update following the meeting of the Board of Directors of Phumelela on 12 July 2018 that was issued on the Johannesburg Stock Exchange News Service on 18 July 2018. The Board of Directors of Phumelela engaged in initial conceptual discussions with stakeholders of thoroughbred horses and breeders and the Thoroughbred Trust with regard to the administration of horseracing in South Africa and tote betting.



MATTERS OF CORPORATE INTEREST AND LITIGATION CONTINUED

These conceptual discussions could result in a change in ownership of the administration of horseracing and/or tote betting and /or the restructure if they came to fruition but as at the date of this report there is nothing further to convey.

Kalamojo Trading and Investments Proprietary Limited ("Kalamojo") owns 9 450 000 shares in the Group, representing 9,22% of the total issued share capital of 102 500 558 shares, including 2 531 211 treasury shares. In the interests of transparency, it is noted that ownership of Kalamojo is jointly held, equally to the extent of 50%, by Alldam Investment Holdings Proprietary Limited (owned by two family trusts of which Mr B Kantor, *inter alia*, is a beneficiary) and Mayfair Speculators Proprietary Limited and/or entities in which each has a beneficial interest and that each party has a pre-emptive right of first refusal on their respective shareholdings should one party wish to dispose of their shares.

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 2018 comprises 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 2018 were prepared on the going-concern basis and are available for inspection at the Company's registered office.

The accounting policies applied in the presentation of the preliminary summarised audited consolidated financial statements are in terms of IFRS and are consistent with those applied for the year ended 31 July 2017. They are prepared on the historical cost basis, except for certain financial instruments that are recognised at fair value.

COMMENTARY CONTINUED

BASIS OF PREPARATION CONTINUED

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 2018. The auditors were not engaged to report on the summary financial statements. 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 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 2018.

RELATED PARTIES

During the year Betting World Proprietary Limited sold four fixed odds licences to Supaworld Proprietary Limited, a company jointly owned by Betting World and Supabets.

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

Empowerdex has audited the Group as a level 4 with Empowering Supplier status. The Group continues to identify areas for improvement.

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

With effect from:

- 25 August 2017, Mr Brian Finch resigned from the Board as a non-executive director;
- 6 December 2017, Mr Markus Jooste resigned from the Board as a non-executive director;
- 12 December 2017, Mr Peter Malungani retired from the Board after twenty years of service;
- 13 December 2017, Mr Bernard Kantor, an independent non-executive director, assumed the role of Chairman;
- 24 January 2018, Mr Steve Müller was appointed to the Board as a non-executive director and on 3 July 2018, appointed as Chairman of the Audit Committee;
- 16 July 2018, Mr Siza Khampepe was appointed as member of the Remuneration and Nominations Committee;
- 16 July 2018, Ms Nolwandle Mboweni was appointed as member of the Social and Ethics Committee in addition to her membership to the Audit and Risk Committee;
- 16 July 2018, Mr S'celo Mahlalela was appointed as a non-executive director and member of the Audit and Risk Committee;
- 14 August 2018, Ms Fikile Magubane was appointed as a non-executive director and member of the Audit and Risk Committee;
- 17 September 2018, Mr Rian du Plessis resigned from the Board as Group CEO;
- 18 September 2018, Mr John Stuart was appointed as Group CEO;
- 21 September 2018, Mr Moses Tembe was appointed as lead independent director;
- Pending the date of approval of the relevant regulatory authorities, Ms Lindiwe Rakharebe was appointed as a non-executive director and member of the Social and Ethics Committee.

There are no other changes to the composition of the Board.

The Board expresses sincere thanks to Mr Malungani for his valued contribution and 20 years' loyal service to the Company as Chairman. The Board also wishes to thank Mr Finch and Mr Jooste for their contributions. The Board would like to thank Mr Du Plessis for his valued service and contribution over the past ten years and wishes him every success in his future endeavours. The Board further welcomes the appointment of Mr Kantor as Chairman, the appointments of Mr Müller, Mr Mahlalela, Ms Magubane, Ms Rakharebe (pending regulatory approval) and Mr Tembe to the Board and Mr Stuart as Group CEO.

PROSPECTS

We expect to achieve positive results from the integration of the Supabets sports and numbers offering in to Betting World retail outlets and a new Betting World website that has a Supabets sports betting offering, a state of the art in-play betting offering, and a customer loyalty programme. Supabets will introduce betting on horseracing, both in retail and online, using Betting World's odds management and software. The TAB website will be powered by software developed by Interbet, our joint venture online bookmaking business and betting exchange, whilst the Betting World website will be powered by Supabets.

The increase in VAT has cost the group R4 million in 2018 and will have an annual cost of R10 million going forward.

COMMENTARY CONTINUED

PROSPECTS CONTINUED

We expect to achieve accelerating returns from our investment in Supabets, where excellent synergies are already being unlocked and shared learnings benefiting both parties. Supaworld is no longer a concept but a reality and whilst ventures of this nature take time to gain traction we expect to be profitable in the 2019 financial year. Interbet continues to perform very well and we are delighted with the investment.

Our Betting Operations in South Africa face challenging economic headwinds but our proactive initiatives across all the offerings places us in a relatively strong position within the gaming industry. Our international Betting Operations had a good 2018 and we have further exciting plans in place. Demand for quality South African horseracing content abroad will remain a positive for the Media business.

The currency is an external factor beyond our control and so we measure our businesses in local currencies and budget to achieve real growth in constant currency terms.

The Group is authorised to buy back shares and will consider further purchases from time to time.

The Group is targeting growth in earnings per share.

Any forward-looking statements or 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 62,00 cents per share (49,60 cents per share net of dividend withholding tax at a rate of 20%) payable to shareholders recorded in the register on Friday, 2 November 2018. The issued share capital at the declaration date is 102 500 558 ordinary shares. Shareholders are advised that the last date to trade "*cum dividend*" will be Tuesday, 30 October 2018. As from commencement of business on Wednesday, 31 October 2018, all trading in Phumelela shares will be "*ex dividend*". Payment will be made on Monday, 5 November 2018. Share certificates may not be dematerialised or rematerialised between Wednesday, 31 October 2018 and Friday, 2 November 2018, both days inclusive. The Company's tax reference number is 9171/393/84/7.

For and on behalf of the Board

B Kantor

Chairman

Turffontein, Johannesburg

5 October 2018

JA Stuart

Chief Executive Officer





Phumelela Gaming

Phumelela Gaming and Leisure Limited



PRELIMINARY ANNUAL FINANCIAL RESULTS
FOR THE YEAR ENDED 31 JULY 2018
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



Results presentation to
Audited results for the twelve months ended 31 July 2018

Notes



Agenda

- **Welcome and Introduction: Mr Bernard Kantor, Chairman**
- **Financial analysis: Mr Andreas Heide, COO and Group Finance Director**
- **The year in perspective: Mr John Stuart, CEO**
- **Outlook: Mr John Stuart, CEO**
- **Q&A**
- **Supplementary data**



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Financial results for the twelve months ended 31 July 2018

Notes





Welcome and Introduction

Bernard Kantor

Notes



Committed to transformation, diversity, and good corporate governance

- The composition of the Board and Board committees has been substantially strengthened
- The appointment of a Lead Independent Director further strengthens the role of the Chair and in the spirit of King IV fulfilling the duties usually assigned to a Deputy Chairman
- The Group now has two female black non-executive directors (with a further appointment pending regulatory approval) and in total seven black non-executive directors
- Two long-serving Board colleagues will not be standing for re-election
- A warm word of thanks from the Board to our departing CEO following ten years of valuable service
- The Board welcomes the increased participation of our new CEO, an internal appointment



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Financial results for the twelve months ended 31 July 2018

Notes





Financial analysis Andreas Heide

Notes



Financial highlights – a strong financial platform

- 16% rise in weighted average shares to 100 868 421 (86 974 276) due to rights offer in 2017
- Consequently, a temporary dilutionary effect on EPS
- Net debt of R230,7m (22,8% of R1.0bn equity)
- Normalised *pro forma** return on equity 17%
- The Group retains its historically strong financial position

Balance sheet

- Up 6% to R155,1m (a record level)
- EPS decreases by 9% to 153,78c

Earnings

- Up 6% to R155,6m (a record level)
- HEPS decreases by 8% to 154,23c

Headline earnings

- Adjusts for R19,5m after-tax effect of voluntary severance
- Up 20% to R175,1m
- HEPS up 3% to 173,55c

Normalised *pro forma* headline earnings

* Pro forma adjusts for once off voluntary severance payments (R27,1m gross and R19,5m net) and is in terms of the JSE Listings Requirements and the Revised Guide on Pro Forma Information by SAICA. An unmodified reasonable assurance report has been issued by the Group's auditor KPMG

Financial results for the twelve months ended 31 July 2018

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Notes

Financial highlights – a strong financial platform

- Increased by 3%
 - Increased by 1% excluding voluntary severance
 - Tight expense control an ongoing feature
- Operating expenses
- Reflect higher borrowings due to corporate investment activity
 - Targeted to reduce as investments yield anticipated benefits
- Finance costs
- Internationalisation exposes the Group to multiple currencies
 - Unlike 2017, currency effect on the result is negligible, hence no constant currency presented
 - Foreign income translated at prevailing rates to ZAR
 - International operations have a natural cash flow hedge, limiting impact of currency fluctuations
- Foreign Exchange
- Final gross dividend of 62c, annual 104c maintained
 - 1,5x cover on HEPS and 1,7x cover on normalised HEPS
 - Interim and final dividends now more closely aligned
- Dividend

Financial results for the twelve months ended 31 July 2018

Notes

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Financial highlights – reporting disclosure reflects the operational transition

- Betting Operations
 - Wholly owned and joint ventures - 68% of income
- Media Operations
 - Horse racing and international broadcast – 30% of income
- Administrative & Support Services
 - Shared services to the Group - 2% of income

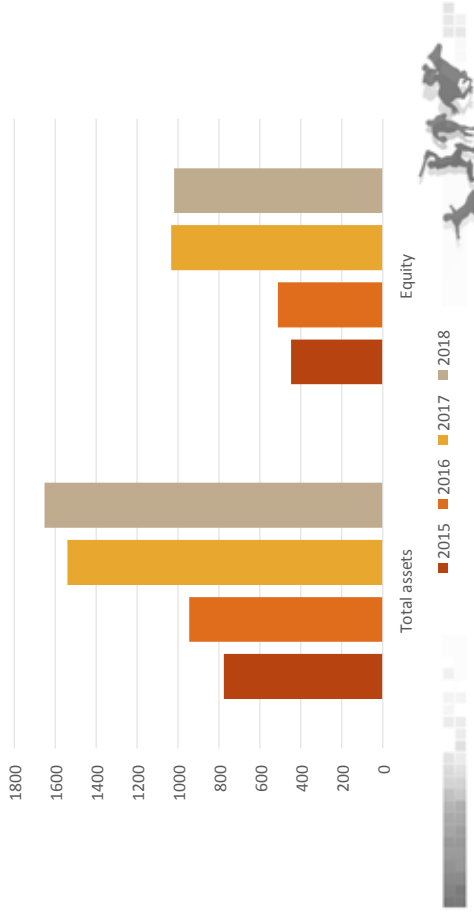
Total	Betting		Media		Support		
	Jul-18 R'000	Jul-17 R'000	Jul-17 R'000	Jul-18 R'000	Jul-17 R'000	Jul-18 R'000	
Income	1 562 928	1 552 947	1 058 685	475 227	457 128	29 016	57 463
Expenses	1 475 220	1 432 711	587 032	574 185	731 737	714 638	156 451
PBT	152 453	152 243	602 651	548 732	(281 562)	(281 929)	(168 636)
Local	(51 862)	(30 045)	490 130	459 947	(373 356)	(375 431)	(168 636)
International	204 315	182 288	112 521	88 785	91 794	93 502	(114 560)
PBT	152 453	152 243	602 651	548 732	(281 562)	(281 929)	(168 636)



Financial results for the twelve months ended 31 July 2018

Corporate activity adds considerably to cash generating assets between 2015 and 2018

- Total assets increased from R776m to R1,7bn
- Shareholder equity increased from R513m to R1,0bn
- R547m invested in 50% of Interbet and 50% of Supabets
- R288m rights offer at R17.39 per share - 1 February 2017
- Shares in issue increase from 74,5m to 100,0m

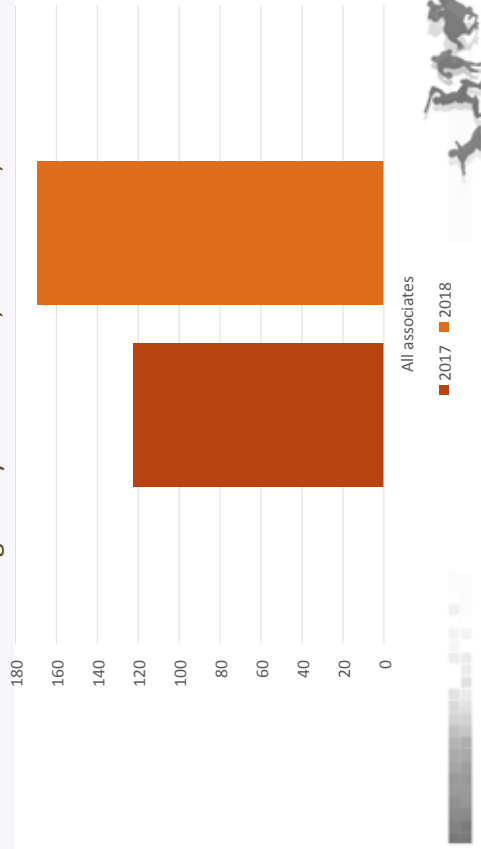


Financial results for the twelve months ended 31 July 2018

Notes

Associate income increasingly boosted by acquisitions and organic growth

- Supabets and Interbet (both 50% owned) combined contribution increased 78% to R57,3m
- Brand new Supaworld model made a marginal loss, profitable post year-end
- PGI (Isle of Man) increased income by 27% to R112,5m
- Total associate income grew by 38% or R46,6m to R169,2m



Financial results for the twelve months ended 31 July 2018



Financial guidance – accelerating returns from acquisitions and organic initiatives

- Investment and development has created a multiple product betting and media rights Group of companies with improved cash flow characteristics
- A diversified income stream from South Africa and International
- Supabets and Betting World within Supaworld JV has moved from concept to a profitable reality with encouraging prospects
- Medium-term financial results anticipated to reflect these assets realising anticipated potential



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Financial results for the twelve months ended 31 July 2018

Notes



Financial guidance – targeting growth in EPS in 2019

- VAT increase cost the group R4m in 2018 and will have an annual cost of R10m as the take-out ratio after provincial taxes and levies has not changed
- Capex as required to maintain the health and competitiveness of the estate
- Supaworld, jointly owned by Betting World and Supabets, contributes a see through 75% share of earnings to Phumelela
- Supabets and Interbet budgeted to perform well ahead of the traditional horse racing and betting operations
- International is well-placed after a good 2018 result
- Targeting growth in EPS in 2019



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Financial results for the twelve months ended 31 July 2018

Notes





The year in perspective John Stuart

Notes



2018 - a year of challenge, change, and realising opportunities

Business environment

- Strong internal focus on improving competitive appeal of all betting offerings in a deteriorating local environment
- South African horseracing retains wide popular appeal in international markets

Modernisation and repositioning

- Voluntary severance programme yielding benefits
- Management roles and reporting lines coincide with the way we now manage the Group

Embracing change

- Diversification, new partnerships, new concepts, and new products are a hallmark of a thriving Phumelela
- Successful track record that is earnings accretive

- A deep pool of capability throughout the Group and a continual nurturing of skills

Succession

- Executive Director of International Operations appointed as the new CEO on 18 September 2018
- A seamless transition with the new CEO enjoying the full cooperation and assistance of the outgoing CEO, who served with distinction for 10 years



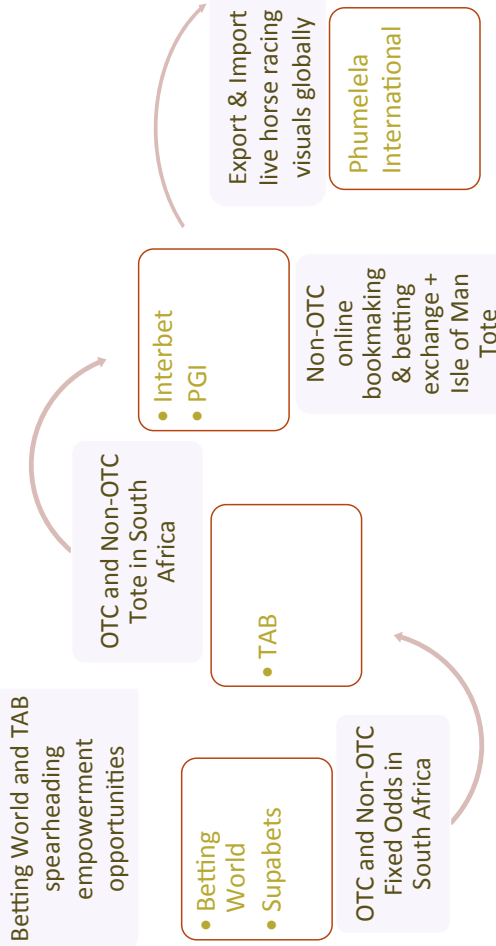
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Financial results for the twelve months ended 31 July 2018

Notes



A stable of complementary betting and media products in South Africa and internationally



Phumelela has transitioned in to a fully-fledged multiple product betting and media rights Group of companies



Betting operations - OTC bricks and mortar stores, non-OTC web and mobile betting, and Premier Gateway International (Isle of Man)

- Betting World, TAB, Supabets, and Interbet have considerable reach with over R8bn in consolidated betting turnover through these channels
- Sports betting handle increased, with betting on soccer dominating
- Getting the balance right between online and physical retail stores
- Betting shops an important part of our transformation franchise initiative
- PGI (Isle of Man) ended the year strongly and benefitted from securing new business and improved revenue from premium customers betting on local racing
- International tote to tote commingled revenue was in line with the prior year



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Financial results for the twelve months ended 31 July 2018

Notes



Betting operations – performance of OTC and non-OTC retail footprint

- 235 retail stores in South Africa and growing
- 71,000 m² of trading space
- 70,440 non-OTC active accounts
- R1,3bn in net betting income
- Existing fleet of Supabets stores generated sales of R25,412 per square metre

Retail footprint in South Africa Rand in '000	TAB & Betting World		Supabets		Supaworld*		Total Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Retail Stores (number)	220	223	11	11	4		235	234
Retail trading space (m2)	51 481	50 786	13 200	13 200	6 308		70 989	63 986
Non-OTC active accounts	38 996	37 030	31 444	22 820			70 440	59 850
OTC net betting income (NBI)	R 603 229	R 611 706	R 335 443	R 110 771	R 58 703		R 997 375	R 722 477
Non-OTC net betting income	R 199 090	R 193 902	R 86 371	R 28 746			R 285 461	R 222 648
OTC trading density per sqm (Rand)	11 717	12 045	25 412	8 392	9 306		14 050	11 291
Non-OTC NBI/account (Rand)	5 105	5 236	2 747	1 260			4 053	3 720

* 2018 annualised

Financial results for the twelve months ended 31 July 2018

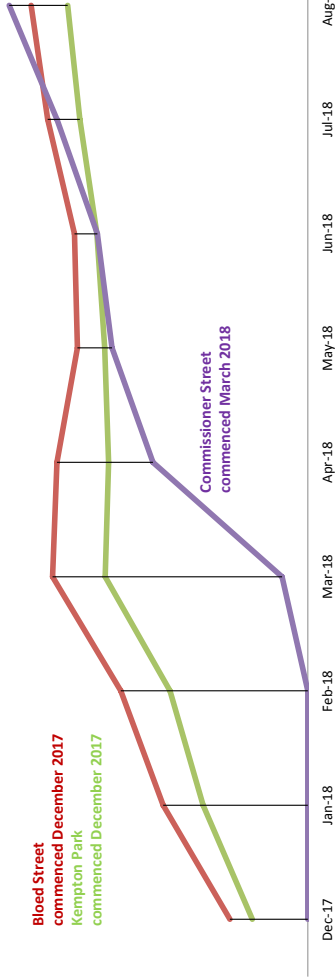
Notes



Betting operations – Supaworld run rate is very good

- From opening, strategically located Supaworld JV large-format stores, branded Supabets, experience a sharp acceleration in turnover and gaming revenue
- Sustainably profitable both before and after set-up costs by month 9 and optimally profitable within 18 months
- Post year end indications indicate very encouraging trading density for Supaworld JV
- Hammanskraal, Daveyton, and Benoni coming on stream

**Turnover (Incl)
Dec 17 - Aug 18**



Financial results for the twelve months ended 31 July 2018

Notes

Empowering entrepreneurs

- Turn-key and fully odds managed solution within Betting World and TAB
- Betting World franchises and Tab agencies are being offered to selected previously disadvantaged individuals that wish to build a future in this exciting industry
- Phumelela provides the necessary funding, training, know-how, and management of the odds to enable a shop to be up and running within a short period
- Our shareholding in Omphe Tshiamo Investments (Pty) Limited in the North West is an example of what is achievable
- These franchise initiatives show that betting shops are an important part of our future, complemented by online
- Scalable to other provinces subject to new betting licenses being available.



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Financial results for the twelve months ended 31 July 2018

Notes



Shared learnings and shared systems a win-win

- In a short time, Supabets and Interbet have had a reenergising effect on the Group
- Betting World website will be powered by Supabets
- Supabets' sports is being integrated in to Betting World outlets
- Betting World website including a wider Supabets sports and state of the art in-play offering
- Customer loyalty programme at Betting World
- Supabets to bring in retail and online betting on horseracing using Betting World's odds management and software
- TAB website converging on to software developed by Interbet, our joint venture online bookmaking business and betting exchange



Media operations - Sale of media and data rights of South African horseracing locally and internationally + South African horseracing

- Horse racing now included within Media and also comprises the selling of media and data rights of South African horse racing locally and internationally
- Local horse racing operations remain loss making on a stand-alone basis
- Internationally, an exciting pipeline of existing business and new opportunities
- New Zealand was added as a territory for comingling and fixed odds
- The Hong Kong Jockey Club imported 3 simulcast race meetings (12 races) in 2018
- Singapore proving to be a good market and the Singapore Turf Club is seeking regulatory approval to promote additional simulcasts
- Greece is a promising and growth market - SA product generates substantially more turnover compared with competitor simulcast content
- Fixed odds online betting on horses in Italy is imminent, boosting revenue
- New contract with an online bookmaker in Australia
- Exciting Africa initiatives being realised
- Continued strong demand from international betting operators for the media and data rights of South African thoroughbred racing



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Financial results for the twelve months ended 31 July 2018

Notes



Restructuring possibilities for the horse racing industry?

- The board of directors of Phumelela has engaged in conceptual discussions with stakeholders of thoroughbred horses and breeders and the Thoroughbred Trust
- These discussions have regard to the administration of horse racing in South Africa and tote betting
- These are conceptual discussions that could result in a change in ownership of the administration of horse racing and/or tote betting if they came to fruition
- Various possible scenarios have been sketched out
- At this time, there is nothing further to convey
- These discussions do not warrant a cautionary announcement per JSE listings requirements nor is there financial materiality to be assumed
- The sport continues to face challenges on several fronts but the industry remains truly world-class and has adapted over decades to changing dynamics
- Phumelela remains committed to supporting a high-quality racing experience





Outlook John Stuart

Notes



Outlook

- Tangible synergies between Phumelela, Supabets, and Interbet being realised
 - Positive learnings for both ourselves and our joint venture colleagues
 - Strong internal reporting systems and accountability in place across the board
 - Re-launch of both the Tabonline and Betting World online websites
 - Strong migration marketing plan in place to follow this up
 - Positive energy and commitment from the new retail operations team
 - Supaworld JV expected to be profitable in 2019
 - Proactive initiatives across all the offerings places the Group in a relatively strong position within the South African gaming industry
 - Media segment continues to be buoyed by international growth
 - Online betting on football in Africa through Phumelela International
-
- Despite a change in CEO, there is no imminent change in strategy or direction
 - The focus is on sticking to our knitting and making sure that the large investments that have been made realise their best potential and return on investment for shareholders



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Financial results for the twelve months ended 31 July 2018

Notes





Q&A

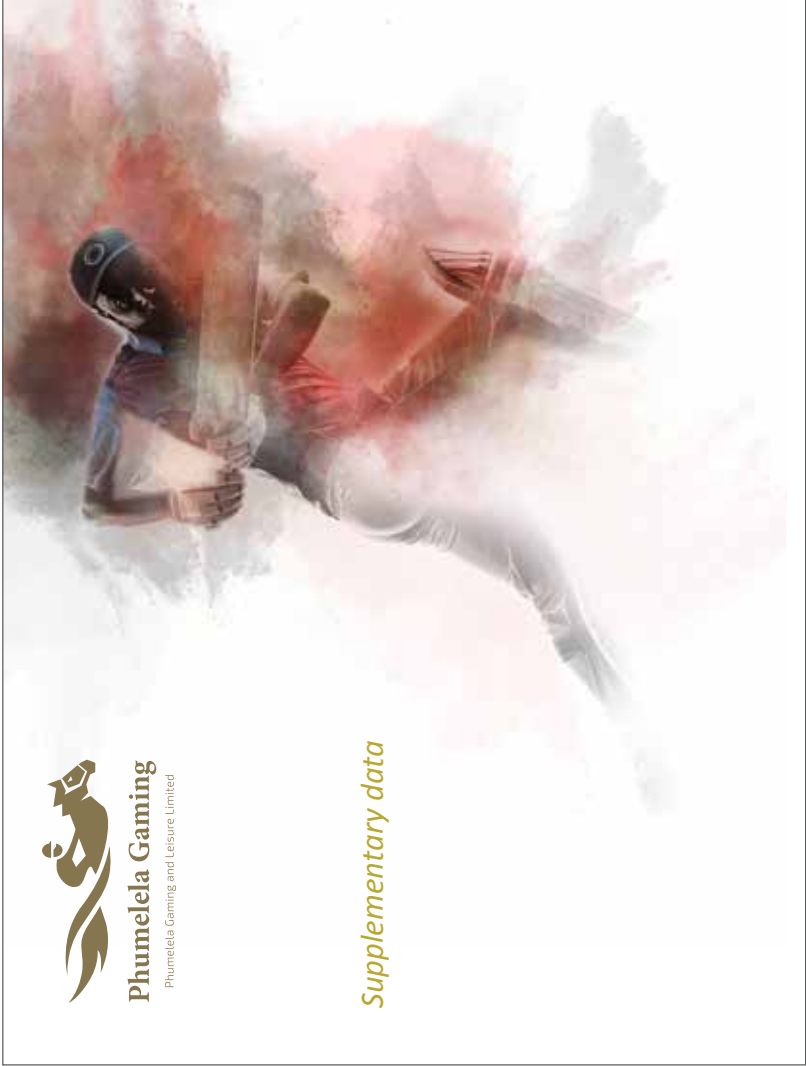


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Financial results for the twelve months ended 31 July 2018

Notes





Phumelela Gaming

Phumelela Gaming and Leisure Limited

Supplementary data

Notes



Group presented as though consolidated and reclassified back to IFRS reporting

	Phumelela		Supabets		Supaworld		Interbet		Premier Gateway IOM		Group total		Reclassified to Equity/c/share		In terms of IFRS		
	Jul-18	Jul-17	Jul-18	Jul-17	Jul-18	Jul-17	Jul-18	Jul-17	Jul-18	Jul-17	Jul-18	Jul-17	Jul-18	Jul-17	Jul-18	Jul-17	Jul-18
R000																	
Equity holding	100%		50%	50%	50%	50%	26%/50%										
Betting turnover	5 073 963	5 182 228	2 276 524	688 161	217 417	615 239	512 618	18 906 258	18 883 850	27 089 401	22 236 957	22 015 438	17 044 729	5 073 963	5 192 228		
Income																	
Net betting income	948 761	948 603	419 671	198 517	29 326	39 354	33 535	1 428 810	1 282 021	2 866 922	2 403 736	1 917 161	1 455 133	948 761	948 603		
Other income	599 600	588 488	71 610	21 486	1 945	24 823	29 035	21 329	23 383	79 527	682 202	119 907	73 004	599 600	588 488		
Investment income	33 567	15 846	8 513	4 389	15	1 860	1 311	2 255	2 025	2 578	23 789	22 262	7 923	33 567	15 846		
Total income	1 362 928	1 532 947	499 794	185 389	31 286	65 857	64 141	1 452 294	1 307 829	3 682 238	3 089 707	2 049 310	1 536 760	1 362 928	1 532 947		
Operating expenses	(1 475 220)	(1 432 711)	(389 521)	(100 150)	(30 827)	(16 733)	(20 183)	(862 824)	(783 145)	(2 745 136)	(2 286 189)	(1 328 909)	(852 488)	(1 475 220)	(1 432 711)		
Total Expenses	(1 475 220)	(1 432 711)	(389 521)	(100 150)	(30 827)	(16 733)	(20 183)	(862 824)	(783 145)	(2 745 136)	(2 286 189)	(1 328 909)	(852 488)	(1 475 220)	(1 432 711)		
EBITDA	87 708	100 236	140 273	65 238	469	48 904	43 949	589 769	574 884	867 113	808 508	779 405	683 272	87 708	100 236		
D&A	(70 393)	(71 207)	(15 239)	(4 965)	(3 421)	(1 238)	(785)	(2 469)	(1 208)	(92 698)	(78 165)	(23 306)	(6 958)	(70 393)	(71 207)		
Finance costs	(34 577)	(20 323)	(3 595)	(1 113)	-	-	-	(381 900)	(381 900)	(21 436)	(21 436)	(3 613)	(1 113)	(34 577)	(20 323)		
Revaluations	546	946	-	-	-	-	-	546	946	-	946	-	-	546	946		
Equity a/c income																	
Profit and loss before tax	(16 716)	29 652	121 439	59 161	(2 981)	47 666	43 164	587 360	572 876	736 769	704 853	753 485	675 201	(16 716)	29 652		

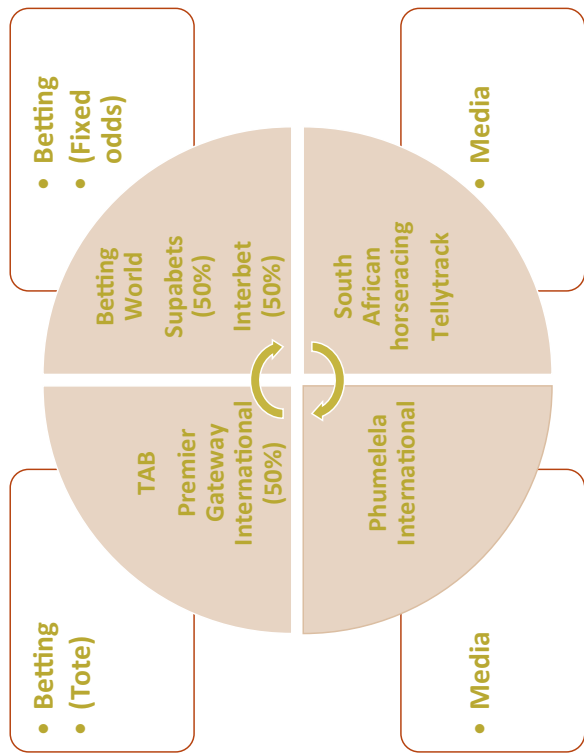
* Not a 100% Group flow through
Share of profits determined by:
100% of profits originating from the shareholders' home market
50% of profits from international markets



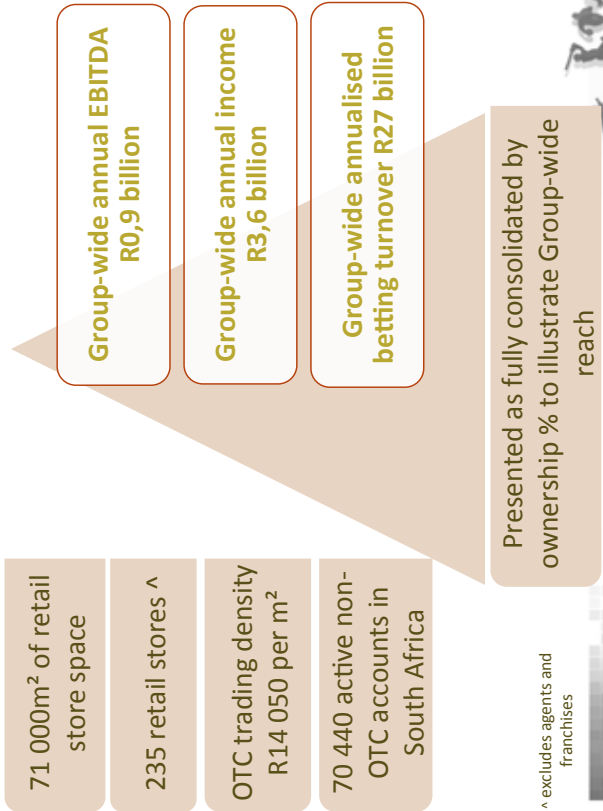
Financial results for the twelve months ended 31 July 2018

Notes

Phumelela is a betting and media rights group offering a full-spectrum of betting opportunities for customers in South Africa and internationally



Significant progress in strategically repositioning for long-term sustainable growth by building scale and depth



Financial results for the twelve months ended 31 July 2018

Notes



Contextualising the financial reach of Group-wide betting

Annualised Data	Betting World & TAB	Supabets & Supaworld	Interbet	PGI *	Group
Betting Turnover	R5,1 billion	R2,5 billion	R0,6 billion	R18,9 billion	R27,1 billion
Total income	R1,6 billion	R530 million	R66 million	R1,4 billion	R3,6 billion
EBITDA	R88 million	R140 million	R49 million	R590 million	R0,9 billion

Presented as fully consolidated by ownership %
to illustrate Group-wide reach

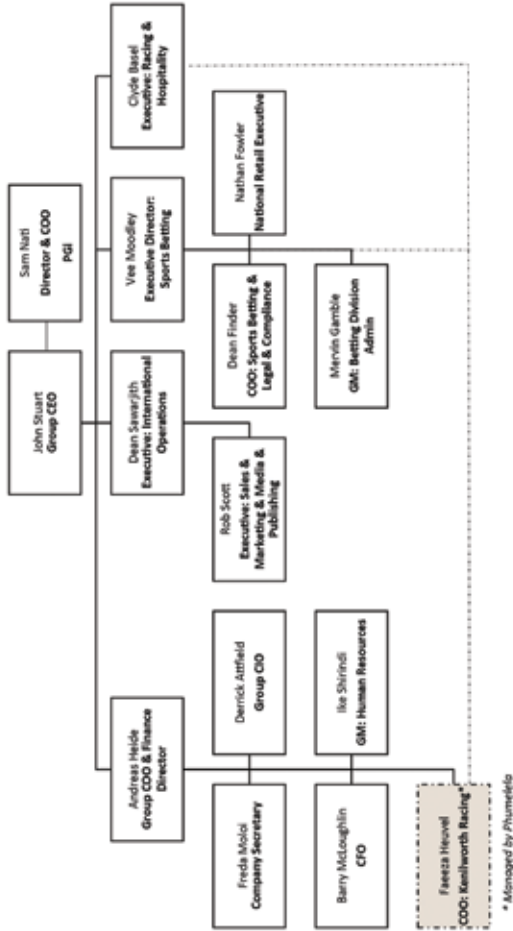
* Not a 100% Group flow through
Share of profits determined by:
100% of profit originating from the
shareholders' home market
50% of profits from international markets



Financial results for the twelve months ended 31 July 2018



Management organogram



Financial results for the twelve months ended 31 July 2018

Notes



Group result

	R'000	F2018	F2017	% chg
Income				
Income from local operations		1 216 665	1 213 025	-
Income from international operations		310 314	307 490	1%
Total income		1 526 979	1 520 515	(27%)
PBITDA		87 708	120 236	38%
Equity accounted profit		169 169	122 591	6%
Profit for the year		151 746	142 602	6%
Headline earnings		155 568	146 084	20%
Adjusted headline earnings*		175 059	146 084	(8%)
HEPS – cents		154,23	167,96	3%
Adjusted HEPS – cents*		173,55	167,96	-
Ordinary dividend - cents		104,00	104,00	
Financial position				
Total assets		1 650 674	1 539 809	7%
Ordinary equity		1 019 908	1 033 911	(1%)
Net debt		(230 697)	(129 177)	78%
Net asset value per share – cents		1 012,93	1 014,17	

* Excluding non-recurring voluntary severance costs

Financial results for the twelve months ended 31 July 2018

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Local excluding fixed odds as per previous disclosure

	31-Jul 2018	31-Jul 2017
% Change	R'000	R'000
LOCAL		
Excluding fixed odds		
Income	(-1%) 848 358	856 104
Net betting income	(-1%) 649 753	655 732
- Horseracing	(-5%) 407 149	427 976
- Other sports	6% 242 604	227 816
Other income	(-1%) 238 017	241 297
Investment income	(-36%) 7 549	11 706
Net income	(-1%) 895 319	908 795
Stakes	0% (209 520)	(208 756)
Operating expenses	2% (809 478)	(790 579)
Profit before depreciation and amortisation	37% (123 679)	(90 540)
Depreciation and amortisation	(-11%) (42 861)	(48 078)
Loss before finance costs and income tax expense	20% (166 540)	(138 618)
Finance costs	69% (32 491)	(19 233)
Loss from operations	26% (199 031)	(157 851)
Share of profit on equity-accounted investee	70% 57 449	33 805
Profit before fair value adjustment and equity accounted impairm	14% (141 582)	(124 046)

Financial results for the twelve months ended 31 July 2018

Notes



Local fixed odds as per previous disclosure

	31-Jul 2018	31-Jul 2017
Change	R'000	R'000
Fixed odds	3%	356 921
Income	368 307	300 008
Net betting income	2%	77 725
– Horseracing	(-9%)	71 258
– Other sports	7%	158 015
– Other	7%	45 541
Other income	13%	5 379
Investment income	54%	350 928
Net income	4%	(231 375)
Operating expenses	5%	336 662
Profit before depreciation and amortisation	2%	119 553
Depreciation and amortisation	19%	(27 493)
Profit before finance costs and income tax expense	(-2%)	92 060
Finance costs	91%	(2 086)
Profit before fair value adjustment and equity accounted impairrr	(-3%)	89 974
Share of profit on equity-accounted investee		(801)
Profit before fair value adjustment and equity accounted impairrr	(-4%)	89 173
		93 056

Financial results for the twelve months ended 31 July 2018

Notes

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International as previously reported

	31-Jul 2018	31-Jul 2017
Change	R'000	R'000
INTERNATIONAL		
Income	1%	307 490
Other income	3%	306 844
Investment income	(-4%)	646
Net income	3%	307 490
Intellectual property rights fees	13%	(111 146)
Operating expenses	(-3%)	(102 770)
Profit before depreciation and amortisation	(-2%)	93 574
Depreciation and amortisation	(-46%)	(72)
Profit from operations	(-2%)	93 502
Share of profit on equity-accounted investee	27%	88 785
Profit before fair value adjustment and equity accounted impairm	12%	182 287

Financial results for the twelve months ended 31 July 2018

Notes



Group as previously reported - consolidated and equity accounted investments

		31-Jul 2018	31-Jul 2017
	% Change	R'000	R'000
TOTAL FOR THE GROUP			
Income	0%	1 526 979	1 520 515
Net betting income	0%	949 761	948 603
- Horseracing	(-6%)	477 884	505 701
- Other sports	7%	313 862	294 615
- Other	7%	158 015	148 287
Other income	2%	599 620	588 498
Investment income	(-15%)	13 547	15 846
Net income	1%	1 562 928	1 552 947
Stakes	0%	(209 520)	(208 756)
Intellectual property rights fees	13%	(125 319)	(111 146)
Operating expenses	2%	(1 140 381)	(1 112 809)
Profit before depreciation and amortisation	(-27%)	87 708	120 236
Depreciation and amortisation	(-1%)	(70 893)	(71 206)
Profit before finance costs and income tax expense	(-65%)	17 315	49 030
Finance costs	70%	(34 577)	(20 323)
Share of profit of equity-accounted investees	(-160%)	(17 262)	28 707
Share of profit of equity-accounted investees	38%	169 169	122 590
Profit before fair value adjustment and equity accounted impairment	0%	151 907	151 297
Fair value adjustments in respect of assets held for sale	(-42%)	546	946
Profit before tax expense	0%	152 453	152 243

Financial results for the twelve months ended 31 July 2018

Notes



Net betting income per company F2018

R'000	Jul-18	Jul-17	
Phumelela	949 761	948 603	
- Over the counter	706 021	711 522	(1%)
- Non over the counter	243 740	237 081	3%
Supabets	419 671	138 517	201%
- Over the counter	333 300	110 771	201%
- Non over the counter	86 371	28 746	200%
Supaworld	29 326	-	
- Over the counter	29 326	-	
- Non over the counter	-	-	
Premier Gateway International	1 428 810	1 282 021	11%
- Over the counter	1 428 810	1 282 021	
- Non over the counter	-	-	
Interbet	39 354	33 595	17%
- Over the counter	39 354	33 595	
- Non over the counter	-	-	
Group total	2 866 922	2 403 736	19%
- Over the counter	1 068 647	822 293	30%
- Non over the counter	1 798 275	1 581 443	14%
Over the counter	37%	34%	
Non over the counter	63%	66%	

Financial results for the twelve months ended 31 July 2018

Notes



TAB and Betting World net betting income South Africa

Tote 2018



Tote 2017



Fixed Odds 2018



Fixed Odds 2017



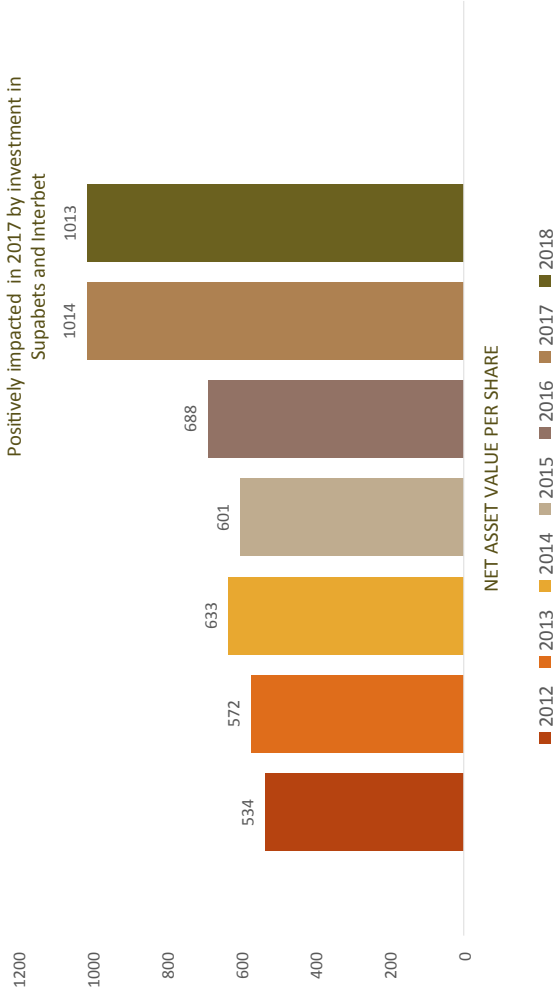
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Financial results for the twelve months ended 31 July 2018

Notes



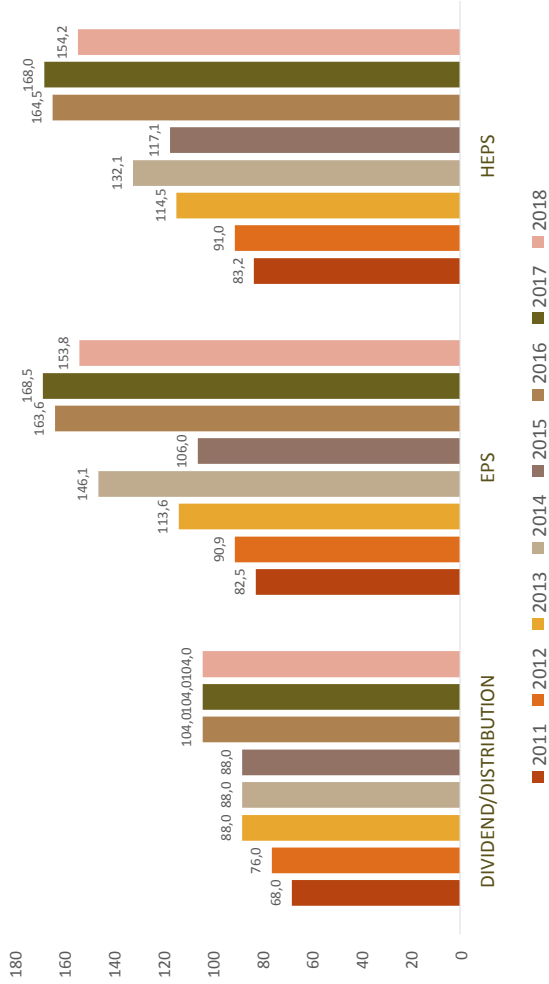
Net asset value per share in cents – per year 2012–2018



Financial results for the twelve months ended 31 July 2018



Dividends/distributions and earnings per share in cents – per year 2011–2018



Financial results for the twelve months ended 31 July 2018

Notes

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Phumelela Gaming

Phumelela Gaming and Leisure Limited

**Results presentation
Audited results for the twelve months ended 31 July 2018**

Notes



Directors:	B Kantor (Chairman), M Tembe (Lead Independent Director), JA Stuart* (Group Chief Executive), AW Heide* (Finance Director and COO), P Anastassopoulos, R Cooper, SKC Khampepe, FS Magubane (Ms), SA Mahlalela, NJ Mboweni (Mrs), VJ Moodley*, SH Müller, Dr E Nkosi, CJH van Niekerk, JB Walters (<i>*Executive</i>)
Company Secretary:	F Moloi (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
Website:	www.phumelela.com

