



The Group's unaudited condensed interim financial information
for the six months ended 31 January 2014



Phumelela Gaming

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

Share code: PHM ISIN: ZAE000039269

HIGHLIGHTS

- ▲ PBT FROM INTERNATIONAL OPERATIONS UP 52%**
- ▲ HEPS UP 30%**
- ▲ FIXED ODDS RETAIL FOOTPRINT UP 34%**
- ▶ DIVIDEND MAINTAINED IN LINE WITH THE BOARD'S DIVIDEND COVER POLICY**

Condensed consolidated statement of comprehensive income

	% change	Unaudited 6 months 31 Jan 2014 R'000	Unaudited 6 months 31 Jan 2013 R'000	Audited 12 months 31 Jul 2013 R'000
Income				
– Local operations	7	474 533	445 358	901 797
– International operations	143	112 095	46 147	113 029
	19	586 628	491 505	1 014 826
Gross betting income				
– Local operations	7	464 606	434 959	875 827
Net betting income				
– Local operations	6	373 871	351 419	707 853
Other operating income				
– Local operations	23	102 828	83 595	182 356
– International operations	141	112 468	46 574	114 137
Investment income				
– Local operations	(75)	270	1 072	1 753
– International operations	17	21	18	42
Net income	22	589 458	482 678	1 006 141
Operating expenses and overheads				
– Stakes	6	(92 110)	(86 960)	(175 689)
– Local operations	14	(360 560)	(315 576)	(661 529)
– International operations	387	(81 505)	(16 728)	(43 734)
Profit before finance costs, income tax, depreciation and amortisation	(13)	55 283	63 414	125 189
Depreciation and amortisation	21	(24 568)	(20 306)	(39 885)
Profit from operations	(29)	30 715	43 108	85 304
Finance costs				
– Local operations	(31)	(214)	(310)	(779)
Profit before share of profit of equity accounted investees	(29)	30 501	42 798	84 525
Share of profit of equity accounted investees	176	31 926	11 552	26 705
Profit before income tax expense	15	62 427	54 350	111 230
Income tax expense	(29)	(10 692)	(15 064)	(25 257)
Profit for the period	32	51 735	39 286	85 973
Other comprehensive income net of taxation				
Items that may subsequently be reclassified to profit or loss				
– Exchange differences on translating foreign operations	101	2 793	1 388	2 204
Total comprehensive income for the period	34	54 528	40 674	88 177
Profit attributable to:				
Ordinary equity holders of the parent	32	51 727	39 141	85 871
Non-controlling interest		8	145	102
Profit for the period	32	51 735	39 286	85 973
Total comprehensive income attributable to:				
Ordinary equity holders of the parent	35	54 520	40 529	88 075
Non-controlling interest		8	145	102
Total comprehensive income for the period	34	54 528	40 674	88 177
Earnings per ordinary share (cents)				
– Basic	32	68,43	51,78	113,61
– Diluted	29	65,64	50,78	110,85

Supplementary statement of comprehensive income information

	%	Unaudited 6 months 31 Jan 2014 R'000	Unaudited 6 months 31 Jan 2013 R'000	Audited 12 months 31 Jul 2013 R'000
	change			
Reconciliation of headline earnings				
Earnings attributable to equity holders of parent	32	51 727	39 141	85 871
Adjusted for:				
Net (profit)/loss on disposal of property, plant and equipment		(694)	496	901
Tax effect		194	(139)	(252)
Headline earnings	30	51 227	39 498	86 520
Headline earnings per share (cents)	30	67,77	52,26	114,46
Diluted headline earnings per share (cents)	27	65,01	51,24	111,69
Net asset value per share (cents)	9	585,69	538,66	571,58
Dividend to shareholders				
<i>Interim dividend</i>				
Dividend per ordinary share (cents)		28,00	28,00	28,00
<i>Final dividend</i>				
Dividend per ordinary share (cents)				60,00
Number of shares in issue		75 586 838	75 586 838	75 586 838
Weighted average number of shares in issue for basic and headline earnings per share calculation		75 586 838	75 586 838	75 586 838
Weighted average number of shares in issue for diluted earnings per share calculation		78 799 418	77 082 581	77 466 301

Condensed consolidated statement of financial position

	Unaudited as at 31 Jan 2014 R'000	Unaudited as at 31 Jan 2013 R'000	Audited as at 31 Jul 2013 R'000
ASSETS			
Non-current assets	540 009	436 950	495 400
Property, plant and equipment	407 994	364 005	404 467
Goodwill	12 362	12 227	12 227
Intangible assets	48 016	42 185	45 529
Interest in equity accounted investees	26 989	13 103	15 765
Investments	718	714	718
Long-term loan	34 670		7 434
Deferred taxation asset	9 260	4 716	9 260
Current assets	239 677	139 126	149 028
Inventories	6 920	5 743	5 629
Trade and other receivables	137 270	70 398	81 089
Pension fund surplus	1 568	1 568	1 568
Income tax receivable	4 807	3 411	542
Cash and cash equivalents	89 112	58 006	60 200
Total assets	779 686	576 076	644 428
EQUITY AND LIABILITIES			
Total equity	443 021	407 506	432 345
Share capital and premium	1 890	1 890	1 890
Retained earnings	435 352	403 411	427 477
Non-distributable reserves	5 463	1 854	2 670
Equity attributable to ordinary shareholders	442 705	407 155	432 037
Non-controlling interest	316	351	308
Non-current liabilities	3 993	5 835	3 734
Deferred taxation liability	2 096	4 186	2 074
Finance lease liability	237		
Retirement benefit obligations	1 660	1 649	1 660
Current liabilities	332 672	162 735	208 349
Trade and other payables	282 861	149 054	197 464
Bank overdrafts	31 441		
Short-term borrowings	7 768		
Contingent consideration liability	3 000	3 000	3 000
Income tax payable	526		741
Betting dividends payable	7 076	10 681	7 144
Total equity and liabilities	779 686	576 076	644 428

Condensed consolidated statements of cash flow

	Unaudited 6 months 31 Jan 2014 R'000	Unaudited 6 months 31 Jan 2013 R'000	Audited 12 months 31 Jul 2013 R'000
Net cash (outflow)/inflow from operating activities	(885)	(8 987)	66 706
Cash generated by operations	55 798	64 468	124 747
Movements in working capital	3 742	(22 793)	26 787
Cash generated by operating activities	59 540	41 675	151 534
Income tax paid	(15 150)	(12 893)	(26 131)
Investment income	291	1 090	1 795
Finance costs	(214)	(310)	(779)
Dividends to shareholders	(45 352)	(38 549)	(59 713)
Net cash inflow/(outflow) from investing activities	15 430	(31 019)	(83 010)
Acquisition of property, plant and equipment and intangible assets	(30 742)	(40 367)	(104 423)
Proceeds on disposal of property, plant and equipment and intangible assets	1 610	156	440
Dissolution of PGE joint operation	24 032		
Prepayment in respect of fixed odds investment opportunity	(7 231)		
Dividend received from equity accounted investee	27 761	9 192	20 973
Net cash outflow from financing activities	(19 867)		(22 721)
Finance lease payments	(31)		
Finance raised	7 400		
Loan extended to Kenilworth Racing	(27 236)		(22 721)
Net decrease in cash and cash equivalents	(5 322)	(40 006)	(39 025)
Effect of exchange fluctuations on cash and cash equivalents	2 793	991	2 204
Cash and cash equivalents at beginning of period	60 200	97 021	97 021
Cash and cash equivalents at end of period	57 671	58 006	60 200

Condensed consolidated statement of changes in equity

	Share capital R'000	Non-distributable reserves R'000	Retained earnings R'000	Equity attributable to ordinary shareholders R'000	Non-controlling interest R'000	Total equity R'000
Balance at 31 July 2012	1 890	466	401 319	403 675	206	403 881
Total comprehensive income for the period		1 388	39 141	40 529	145	40 674
– Profit for the period			39 141	39 141	145	39 286
– Foreign currency translation reserve		1 388		1 388		1 388
Share-based payment Transactions with owners recorded directly in equity			1 500	1 500		1 500
– Dividends paid to equity holders			(38 549)	(38 549)		(38 549)
Balance at 31 January 2013	1 890	1 854	403 411	407 155	351	407 506
Total comprehensive income for the period		816	46 730	47 546	(43)	47 503
– Profit for the period			46 730	46 730	(43)	46 687
– Foreign currency translation reserve		816		816		816
Share-based payment Transactions with owners recorded directly in equity			(1 500)	(1 500)		(1 500)
– Dividends paid to equity holders			(21 164)	(21 164)		(21 164)
Balance at 31 July 2013	1 890	2 670	427 477	432 037	308	432 345
Total comprehensive income for the period		2 793	51 727	54 520	8	54 528
– Profit for the period			51 727	51 727	8	51 735
– Foreign currency translation reserve		2 793		2 793		2 793
Share-based payment Transactions with owners recorded directly in equity			1 500	1 500		1 500
– Dividends paid to equity holders			(45 352)	(45 352)		(45 352)
Balance at 31 January 2014	1 890	5 463	435 352	442 705	316	443 021

Review of results

GROUP RESULTS

The Group's profit after tax ("PAT") and earnings per share ("EPS") increased by 32% to R52 million and 68,43 cents per share respectively and headline earnings per share ("HEPS") by 30% to 67,77 cents per share.

The results were underpinned by a very pleasing 52% increase in profit before tax ("PBT") from international operations that benefited from a 176% increase in the Group's share of profits from the Isle of Man operation, revenue growth from the export of South African thoroughbred horseracing media rights and concomitant betting thereon and rand weakness.

Whilst local trading conditions remained challenging, the Group's local betting division, racing operations, and on-course attendance and hospitality performed ahead of expectations. Most notably totalisator soccer pool bets increased by 32% and now exceed betting on international horse racing, on-course attendances increased by 15% and totalisator betting on local horse racing increased by 2%. Betting World's profits were adversely affected by the start-up costs attendant to the 34% increase in its retail footprint. Despite this fixed odds numbers betting handle surged by 119%.

Total income increased by 19% to R587 million and comprises local operations up 7% to R475 million and international operations up 143% to R112 million. Effective from 1 August 2013 the PGE joint operation (previously proportionately consolidated at 61%) was dissolved ("the PGE dissolution") and income relating to international operations is now accounted for at 100%. On a revised comparative basis total income increased by 13%.

Net betting income comprising local totalisator and fixed odds operations increased by 6% to R374 million. Net betting income from totalisator operations benefitted from a 30% increase in soccer pools and increased by 6% to R320 million. Net betting income from fixed odds operations benefitted from a 106% increase on numbers betting and increased by 7% to R54 million.

Other operating income comprises, inter alia, commission received from international totes betting on South African racing (up 43%), fees paid by offshore bookmakers for the rights to display South African racing (up 27%), local bookmakers' levies (down 5%), unclaimed dividends and breakages (up 12%), Tellytrack subscriptions (up 24%), share of profits from LPMs installed in retail outlets (up 3%) and stable rentals (up 7%). Other operating income increased by 65% to R215 million.

Operating expenses increased by 27% to R534 million inclusive of stakes that increased by 6% to R92 million. As a result of the PGE dissolution all operating costs relating to international operations (previously proportionately consolidated at 61%) are now accounted for at 100%. On a revised comparative basis operating costs increased by 15%.

Profit before finance costs, income tax, depreciation and amortisation (PBITDA) decreased by 13% to R55 million. On a revised comparative basis PBITDA decreased by 1%.

The Group invested a further R31 million in its capital infrastructure during the period under review. This coupled with the R40 million invested in a synthetic track (commissioned during the period under review) and general upgrade of facilities at the Fairview racecourse in the previous year increased the depreciation and amortisation charge by 21% to R25 million.

Share of profit from equity accounted investees (previously proportionately consolidated at 61% and now accounted for at 100%) increased by 176% to R32 million. On a revised comparative basis, share of profit from equity accounted investees increased by 69%.

Local operations

Income from local operations increased by 7% to R475 million with income from fixed odds operations up 7% to R64 million and income from totalisator, racing and other operations up 6% to R411 million.

Net betting income increased by 6% to R374 million comprising totalisator operations which increased by 6% to R320 million and fixed odds operations which increased by 7% to R54 million.

Net betting income from totalisator operations was underpinned by a pleasing 30% increase in totalisator soccer pool betting income to R94 million. Soccer pools continue to gain momentum assisted by increased betting opportunities on a weekly basis. Net betting income from local and imported horseracing product decreased by 1%

to R227 million primarily due to an 11% drop in betting on international racing, which was adversely impacted by inclement weather conditions.

During the period under review Betting World increased its retail footprint by 34% to 55 outlets. In addition the roll out of its bespoke fixed odds betting software commenced in late 2013. As a consequence fixed odds betting handle comprising 52% (2013: 64%) on horseracing, 20% (2013: 22%) on other sports and 28% (2013: 14%) on numbers, increased by 10%. Net betting income on horseracing was down 5% to R25 million, on other sports down 55% to R5 million and on numbers up 106% to R23 million.

Other income increased by 23% to R103 million and includes LPM income of R9 million (up 4%), bookmaker levies of R25 million (down 5%), unclaimed dividends and breakages of R16 million (up 12%) and royalties/commingling fees of R28 million (up 80%).

Operating expenses (inclusive of stakes that increased by 6% to R92 million) increased by 12% to R453 million. The increase is primarily due to employee, water and lights, rates and taxes, transport, security, lease rentals and regulatory compliance costs further compounded by the increased retail footprint.

PBT from local operations decreased by 103% to a loss of R0,4 million. Increased operating costs associated with expanding the Betting World retail footprint outweighed the benefits derived from commencing business during the period under review.

International operations

Income from other international operations increased by 143% to R112 million assisted by rand weakness and increased revenues from the Group's major trading partners, primarily due to increased demand for South African racing and concomitant betting thereon. As a result of the PGE dissolution, all income and operating expenses relating to international operations (previously proportionately consolidated at 61%) is now accounted for at 100%. On a revised comparative basis income increased by 48%.

Operating expenses increased by 387% to R82 million. On a revised comparative basis operating expenses increased by 46% primarily due to legal and consultant fees and host track fees paid to generate the increased income.

The Group's share of profit from its equity accounted investees Premier Gateway International Limited (Isle of Man) and Automatic Systems Limited (Mauritius) increased by 176% to R32 million. On a revised comparative basis share of profit from its equity accounted investees increased by 69%.

PBT from international operations increased by 52% to R63 million and equates to 101% (2013: 76%) of the Group's PBT.

FINANCIAL POSITION

The Group has total assets of R780 million including net cash resources of R58 million and insignificant gearing. The Group's net asset value per share increased to 585,69 cents per share.

Cash generated from operations of R56 million was utilised to pay income tax of R15 million and dividends of R45 million. A further R31 million was utilised for capital expenditure and R27 million was extended to Kenilworth Racing as a bridging finance loan. The dissolution of the PGE joint operation resulted in an increase in cash reserves of R24 million. Dividends received from the Isle of Man amounted to R27 million.

SHARE CAPITAL

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

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

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

Review of results *(continued)*

CONDENSED SEGMENTAL ANALYSIS

				Supplementary information		
	% change	Unaudited 6 months 31 Jan 2014 R'000	Unaudited 6 months 31 Jan 2013 R'000	% change	Revised 6 months 31 Jan 2013 R'000	Audited 12 months 31 Jul 2013 R'000
LOCAL						
Excluding fixed odds						
Income	6	410 723	385 907	6	385 907	777 178
Net betting income	6	320 260	301 308	6	301 308	603 052
– Horseracing	(1)	226 529	229 136	(1)	229 136	461 046
– Other sports	30	93 731	72 172	30	72 172	142 006
Other income	17	95 788	81 850	17	81 850	173 659
Investment income	(81)	186	954	(81)	954	1 334
Net income	8	416 234	384 112	8	384 112	778 045
Stakes	6	(92 110)	(86 960)	6	(86 960)	(175 689)
Operating expenses	12	(311 497)	(277 766)	12	(277 766)	(575 965)
Profit before depreciation and amortisation	(35)	12 627	19 386	(35)	19 386	26 391
Depreciation and amortisation	17	(19 891)	(16 988)	17	(16 988)	(33 281)
Profit before finance costs and income tax expense	(403)	(7 264)	2 398	(403)	2 398	(6 890)
Finance costs	(35)	(200)	(310)	(35)	(310)	(779)
(Loss)/profit before income tax expense	(457)	(7 464)	2 088	(457)	2 088	(7 669)
Fixed odds						
Income	7	63 810	59 451	7	59 451	124 619
Net betting income	7	53 611	50 111	7	50 111	104 801
– Horseracing	(5)	25 478	26 777	(5)	26 777	54 847
– Other sports	(55)	5 547	12 370	(55)	12 370	19 727
– Other	106	22 586	10 964	106	10 964	30 227
Other income	303	7 040	1 745	303	1 745	8 697
Investment income	(29)	84	118	(29)	118	419
Net income	17	60 735	51 974	17	51 974	113 917
Operating expenses	30	(49 063)	(37 810)	30	(37 810)	(85 565)
Profit before depreciation and amortisation	(18)	11 672	14 164	(18)	14 164	28 352
Depreciation and amortisation	41	(4 580)	(3 250)	41	(3 250)	(6 433)
Profit before finance costs and income tax expense	(35)	7 092	10 914	(35)	10 914	21 919
Finance costs		(14)				
Profit before income tax expense	(35)	7 078	10 914	(35)	10 914	21 919

	% change	Supplementary information				Audited 12 months 31 Jul 2013 R'000
		Unaudited 6 months 31 Jan 2014 R'000	Unaudited 6 months 31 Jan 2013 R'000	% change	Revised 6 months 31 Jan 2013 R'000	
INTERNATIONAL						
Income	143	112 095	46 147	48	75 651	113 029
Other income	141	112 468	46 574	47	76 350	114 137
Investment income	17	21	18	(30)	30	42
Net income	141	112 489	46 592	47	76 380	114 179
Intellectual property rights fees		(41 598)			(26 436)	
Operating expenses	139	(39 907)	(16 728)	46	(27 423)	(43 733)
Profit before depreciation and amortisation	4	30 984	29 864	38	22 521	70 446
Depreciation and amortisation	43	(97)	(68)	(13)	(111)	(171)
Profit from operations	4	30 887	29 796	38	22 410	70 275
Share of profit of equity accounted investees	176	31 926	11 552	69	18 938	26 705
Profit before income tax expense	52	62 813	41 348	52	41 348	96 980
TOTAL FOR THE GROUP						
Income	19	586 628	491 725	13	521 009	1 014 826
Net betting income	6	373 871	351 419	6	351 419	707 853
– Horseracing	(2)	252 007	255 913	(2)	255 913	515 893
– Other sports	17	99 278	84 542	17	84 542	161 733
– Other	106	22 586	10 964	106	10 964	30 227
Other income	65	215 296	130 169	35	159 945	296 493
Investment income	(73)	291	1 090	(74)	1 102	1 795
Net income	22	589 458	482 678	15	512 466	1 006 141
Stakes	6	(92 110)	(86 960)	6	(86 960)	(175 689)
Intellectual property rights fees		(41 598)			(26 436)	
Operating expenses	21	(400 467)	(332 304)	17	(342 999)	(705 263)
Profit before depreciation and amortisation	(13)	55 283	63 414	(1)	56 071	125 189
Depreciation and amortisation	21	(24 568)	(20 306)	21	(20 349)	(39 885)
Profit before finance costs and income tax expense	(29)	30 715	43 108	(14)	35 722	85 304
Finance costs	(31)	(214)	(310)	(31)	(310)	(779)
Profit before share of equity accounted investee	(29)	30 501	42 798	(14)	35 412	84 525
Share of profit of equity accounted investees	176	31 926	11 552	69	18 938	26 705
Profit before income tax expense	15	62 427	54 350	15	54 350	111 230

Review of results *(continued)*

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure approved by directors.

	2014 R'000	2013 R'000
Contracted for	5 781	29 009
Not contracted for	51 328	52 601

Not contracted for commitments include R11 million to upgrade and expand the totalisator retail footprint, R11 million to maintain racing operations facilities, machinery, motor vehicles and equipment, R5 million to upgrade broadcasting equipment, R5 million to expand Turffontein's office space and R8 million to upgrade and maintain the existing IT equipment and infrastructure.

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

REPORTING ENTITY

Phumelela Gaming and Leisure Limited is a company domiciled in South Africa. The condensed consolidated interim financial information as at and for the period ended 31 January 2014 comprises the Company and its subsidiaries, and the Group's interests in equity accounted investees and joint operations.

STATEMENT OF COMPLIANCE AND PRESENTATION

The condensed consolidated interim financial statements for the six months ended 31 January 2014 have been prepared in accordance with the framework concepts, the recognition and measurement requirements of IFRS, the presentation and the disclosure requirements of IAS34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act. The financial information does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 July 2013.

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

The accounting policies applied in the presentation of the condensed consolidated interim financial statements are consistent with those applied for the year ended 31 July 2013, except for new standards and interpretations that became effective on 1 August 2013 and deemed applicable to the Group. The adoption of these standards and interpretations had no impact on the results for the period nor has it required the restatement of any prior year figures. The amounts disclosed are not audited or reviewed by the auditors, except if indicated otherwise.

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

Mr B K McLoughlin CA(SA) (Chief Financial Officer) was responsible for supervising the preparation of the annual financial statements and preparing these condensed consolidated interim financial statements.

SUBSEQUENT EVENTS

There are no significant subsequent events that have an impact on the financial information at 31 January 2014.

CORPORATE INTERESTS

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

The directors consider the possibility of an outflow of resources as remote.

The Group is in the process of unbundling its indirect investment in Automatic Systems Limited (Mauritius) ("ASL") previously held through Phumelela Gold Enterprises ("PGE") with a view of holding the shares in ASL directly. Phumelela and Gold Circle have agreed to distribute the shares in equal proportion between them.

LITIGATION

Phumelela is a respondent in an application instituted by Almenta (Pty) Limited and others in the Gauteng local division of the High Court for an order directing, inter alia, Phumelela and Tellytrack to continue to provide the Tellytrack channel to certain bookmakers in Gauteng pending the outcome of a number of complaints lodged with the Gauteng Gambling Board, the Eastern Cape Gambling and Betting Board, the National Gambling Board and the Independent Communications Authority of South Africa.

The Court has reserved judgement, the outcome of which may have an impact on future earnings.

RELATED PARTIES

With effect from 1 August 2013, the Phumelela Gold Enterprises ("PGE") joint operation between Gold Circle ("GC") and Phumelela (PGL) was terminated. Concurrently PGL, GC and Kenilworth Racing (KR) concluded:

- the Tellytrack Partnership Agreement to operate, for the exclusive benefit of the partnership, the Tellytrack Channel,
- a substitute Sport Administration Agreement to regulate the administration of the sport, and
- a Licence Agreement whereby GC and KR grant PGL the right to use and exploit their commercial rights and intellectual property internationally (excluding South Africa and Namibia) for 10 years from the effective date. In consideration for these rights, PGL shall pay GC 24,96% and KR 14,04% of profits derived from international operations.

As a result the international business previously accounted as a division of PGE and proportionately consolidated at 61% was transferred to PGL as a separate operating division and is now accounted for at 100%.

As a consequence comparative information for international operations may be misleading. A revised comparison is set out in the condensed segmental analysis as supplementary information.

Other than reported above, there have been no significant changes in related party relationships since the previous year.

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

SOCIAL RESPONSIBILITY

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

The Group is a "AAA Level Two Contributor".

DIRECTORS

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

PROSPECTS

The sport of thoroughbred horse racing in South Africa is growing again, with on course betting and attendances growing by more than 10%.

Tellytrack's agreements with the 3 bookmaker associations have ended and it has made its services available to all bookmakers for display in their betting outlets at a fee which should enable Tellytrack to earn a fair economic return going forward. We are hopeful that the future Tellytrack license fees will contribute to a reduction in the imbalance of the funding of the sport in South Africa.

Review of results *(continued)*

The Group's international operations, soccer pools and fixed odds numbers betting continue to enjoy buoyant demand.

The Group continues to target 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 gross interim cash dividend for the six months ended 31 January 2014 from income reserves of 28 cents per share (23,80 cents per share net of dividend withholding tax at a rate of 15%) payable to shareholders recorded in the register on Friday 23 May 2014. The Company has no secondary tax on companies' credits available. The issued share capital at the declaration date is 77 101 885 ordinary shares. Shareholders are advised that the last date to trade "cum distribution" will be Friday 16 May 2014. As from commencement of business on Monday 19 May 2014 all trading in Phumelela shares will be "ex dividend". Payment will be made on Monday 26 May 2014. Share certificates may not be dematerialised or rematerialised between Monday 19 May 2014 and Friday 23 May 2014, both days inclusive. The Company's tax reference number is 9171/393/84/7.

For and on behalf of the Board

M P Malungani

Chairman

Johannesburg

11 April 2014

W A du Plessis

Group Chief Executive

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

(*Executive)

Company Secretary: R Gopaul

Registered Office: Turffontein Racecourse, 14 Turf Club Street, Turffontein

Transfer Secretaries: Computershare Investor Services (Pty) Ltd

Sponsor: Investec Bank Limited



Phumelela Gaming

For more information on our business please go to:

www.phumelela.co.za