Phumelela Gaming

Phumelela Gaming and Leisure Limited

Integrated Report 2014

Welcome to Phumelela Gaming and Leisure Limited

We are one of South Africa's leading horseracing and betting companies. Our TAB trademark is one of the most recognised and trusted brands in the gambling industry.

Online, on the phone and **on the move**, we aim to provide betting and gaming services wherever and whenever a customer wants to take a bet.

Key features of the trading year

Financial highlights

- Profit before tax from international operations up 47%
- Earnings per share up 29% to 146,07 cents
- Headline earnings per share up 15% to 132,10 cents
- Final dividend of 60 cents declared

Non-financial highlights

- Fixed odds retail footprint up 42% to 57 outlets
- Growing attendance at local thoroughbred horserace meetings

Contents

Scope of the report

We are pleased to present our stakeholders with the Integrated Report of Phumelela Gaming and Leisure Limited (Phumelela) for the period 1 August 2013 to 31 July 2014. Our previous report was published in 2013. Phumelela is listed on the JSE under the share code PHM in the travel and leisure sector.

This report covers the financial activities of the Group and the non-financial aspects of the South African operations over which we have management control.

The sustainability section of the report aims to provide stakeholders with an overview of our social and environmental performance which are deemed to be material to the Group. To identify the issues material to our business we review the:

- Results of our business risk assessment process;
- Code of Corporate Practice and Conduct set out in the King II and III reports;
- Phumelela Code of Ethics;
- Topics and challenges reported by our peers or raised by industry associations; and
- External initiatives and best practice guidelines, including the GRI G3 guidelines.

In order to conform to the ethos of the sustainability report, that is, to be mindful of the environmental impact of our actions, we have this year decided to move the sustainability report to the website.

Data has been measured according to Phumelela's policies and has been presented for the specific indicators in the report, tabulated or graphed with units where applicable. Our data management systems are continually being improved and we aim to provide additional comparative figures each year.

The majority of our environmental sustainability data is limited to our racing operations as opposed to our betting operations, due to the different nature and sustainability impact of these business functions.

We have applied the Global Reporting Initiative (GRI) G3 guidelines to assist us in our assessment process and to identify performance indicators relevant to our business. Where data is not applicable, or where additional GRI responses could be presented, reference has been made in the GRI content index available on our website, http://www.irphumelela.com/. This report meets the self-declared application level C, and has not been externally assured.

We welcome your feedback and/or questions relating to the sustainability initiatives and data in this report. To do so, please contact AW Heide (aheide@phumelela.com).

Mission, vision, purpose and values

Phumelela Gaming and Leisure Limited is a JSE listed, level 2 B-BBEE business, which is licensed to operate horseracing and totalisator betting in seven of South Africa's nine provinces.

Our mission

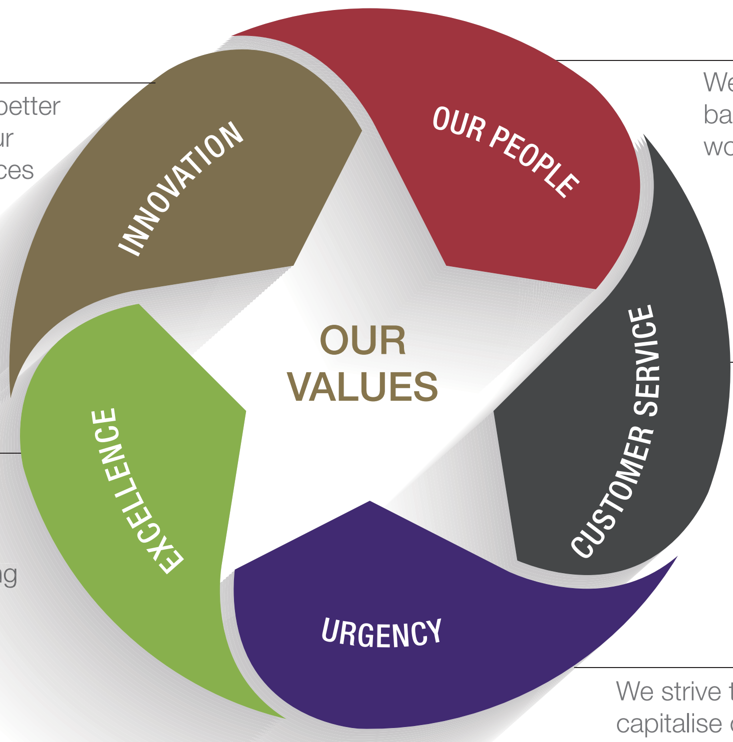
To create exciting opportunities that facilitate betting on sport and other events.

Our vision

To be recognised as a global leader in the betting market.

Our purpose

To grow the sport of thoroughbred horseracing in South Africa on a sustainable basis and make it globally respected and desirable.



We seek new and better ways to improve our products and services to achieve market leadership.

We build healthy relationships based on mutual respect, team work and integrity.

We value our customers as key to our success.

We strive to deliver on time and capitalise on all opportunities.

We strive for outstanding performance and delivery in everything we do.

Background and nature of the Group's operations

Phumelela was formed in 1997 and was listed on the JSE in June 2002 in order to facilitate the "corporatisation" of horseracing in Gauteng.

Phumelela's main shareholder, the Thoroughbred Horseracing Trust (35% shareholder), is a not-for-profit entity which was formed at the insistence of the Gauteng government. The principal objective of the Trust is to "promote the interest of all persons interested in, and affected by, the sport of thoroughbred horseracing in South Africa with a view to the long-term viability of the sport". Additional objectives relate to the promotion of B-BBEE initiatives and affirmative action schemes with the intention of facilitating transformation within horseracing.

Phumelela was formed in 1997 and was listed on the JSE in June 2002 in order to facilitate the "corporatisation" of horseracing in Gauteng.

"Corporatisation" came about at the behest of the Gauteng provincial government in order for the sport to remain competitive within a burgeoning gambling market that was about to legalise casinos and a national lottery in South Africa. A critical element of the restructuring was a commitment to rationalise the horseracing infrastructure in order to, inter alia, "facilitate transformation, transparency, accountability and create a sustainable business model". The three racing clubs that had run racing in the region until then transferred their assets to the new company (Phumelela) which took over the management of the sport in the province.

Horseracing in the Northern Cape, the Free State and Eastern Cape, subsequently joined the corporatisation process under the Phumelela umbrella. The tote business in the North West province was acquired by Phumelela shortly thereafter. The corporatisation process was a financial and competitive imperative given the significant challenges that faced the sport at the time, in particular the cycle of decline in betting turnovers, owners, horses, trainers, jockeys, prize money and financial reserves, all exacerbated by high betting taxes and the imminent legalisation of other forms of gambling (casinos and the national lottery). It is important to record that it was a political imperative imposed by government with a goal to transform the sport to a "transparent, accountable, professionally managed, governed and profit-driven enterprise with appropriate black economic empowerment credentials".

The Racing Association, with a membership comprising owners and former racing club members, was established to represent the interests of owners. The Racing Association is run by a board of directors elected from the ranks of its members. The directors appoint five of the seven trustees to the Thoroughbred Horseracing Trust, which holds racing's 35% share in Phumelela. Two trustees are appointed by SASCOC.

Phumelela is both a licensed totalisator and racing operator. In order to increase horseracing's competitiveness, it has recognised that collaboration and cooperation is vital to address the needs of horseracing as a sport. Accordingly, Gold Circle, Kenilworth Racing and Phumelela have cooperated in a number of areas – specifically the creation of a combined tote (Saftote) and a joint operation called the Tellytrack partnership which manages the production of televised horseracing as both a local (Tellytrack) and an export product. Gold Circle, Kenilworth and Phumelela also manage the production of one national horseracing database which is the core intellectual property upon which informed betting is based.

Phumelela has made significant strides in broadening its revenue base in terms of:

- sports totalisator betting on soccer and rugby;
- its international operations through the establishment of a totalisator on the Isle of Man and through the export of South African horseracing (televised coverage and racing data);
- fixed odds betting opportunities offered through the Group's wholly owned subsidiary company, Betting World (Pty) Limited (a licensed bookmaking concern); and
- limited payout machines.

In terms of a management agreement concluded with Kenilworth Racing, Phumelela manages the business of horseracing and totalisator betting in the Western Cape.

In terms of a technical support agreement concluded with Zimbabwe, Phumelela provides strategic and technical assistance to Mashonaland Turf Club's horseracing and totalisator betting business in Zimbabwe.

▹ TAB: Totalisator betting outlets	
Phumelela regions	
Gauteng	(82 branches – 31 agencies)
Limpopo	(11 branches – 6 agencies)
Mpumalanga	(9 branches – 4 agencies)
Northern Cape	(2 branches)
Free State	(14 branches – 3 agencies)
Eastern Cape	(12 branches – 8 agencies)
North West	(11 branches – 4 agencies)

▹ Telebet call centres
Phumelela region
Gauteng
Gold Circle region
KwaZulu-Natal

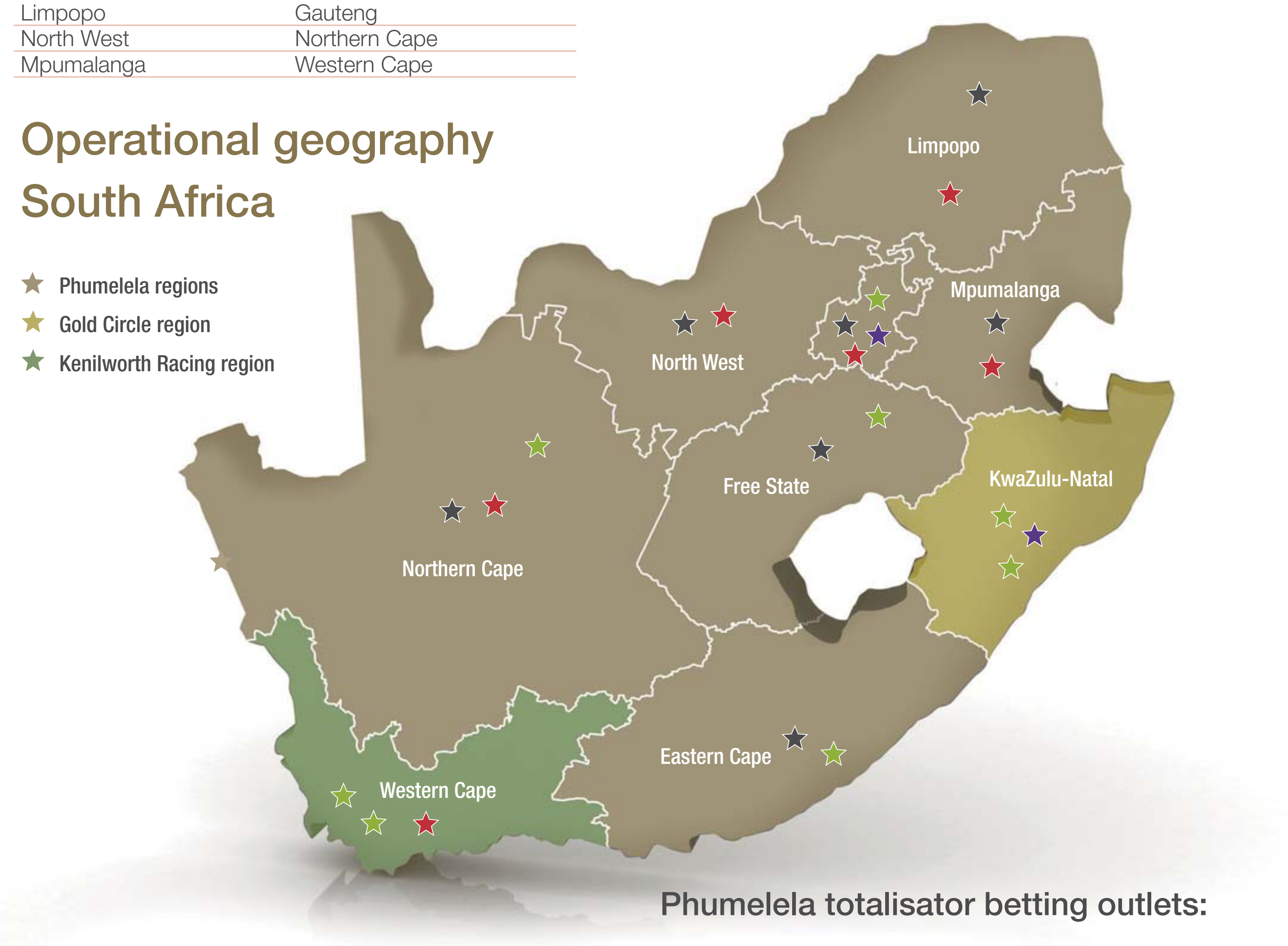
▹ Fixed odds outlets	
Limpopo	Gauteng
North West	Northern Cape
Mpumalanga	Western Cape

▹ Racecourses	
Phumelela regions	
Gauteng	Turffontein (Johannesburg)
Free State	Vaal (Vereeniging)
Northern Cape	Flamingo Park (Kimberley)
Eastern Cape	Fairview (Port Elizabeth)

▹ Gold Circle region	
KwaZulu-Natal	Greyville (Durban)
	Scottsville (Pietermaritzburg)

▹ Kenilworth Racing region	
Western Cape	Kenilworth (Cape Town)
	Durbanville (Cape Town)

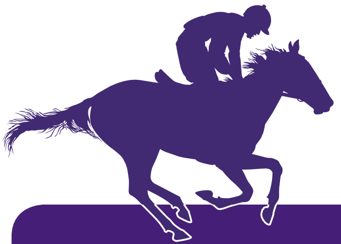
Operational geography South Africa



Phumelela totalisator betting outlets:

141 branches 56 agencies

Phumelela at a glance



HORSERACING AND DESTINATION MARKETING BUSINESS

BETTING AND INFORMATION BUSINESS

BUSINESS FOCUS

SCOPE OF PRODUCTS AND SERVICES

- Horseracing events, stabling and training facilities
- Horseracing and betting information
- Horseracing publications
- Television production/ broadcasting
- Sports betting and information

SCOPE OF GEOGRAPHICAL REACH

- **6 continents**
- **43 countries**
- **South Africa**

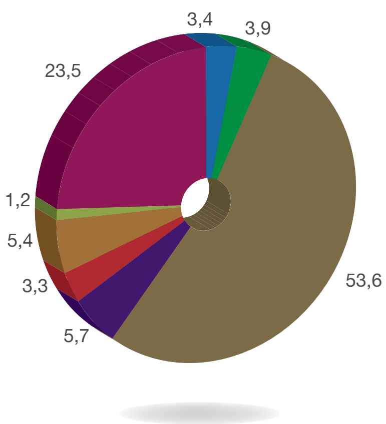
ANCHORED IN SOUTH AFRICA

- Revenue
- Resources
- Intellectual property
- Assets

Salient features

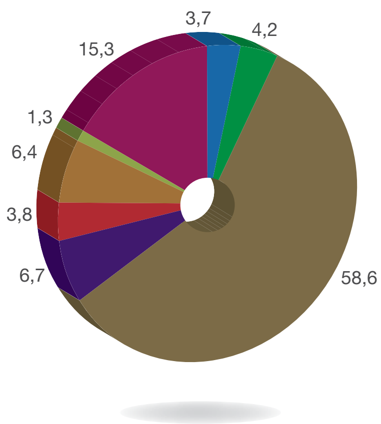
Betting handle by operational geography

	2014 R'000	2014 %	2013 R'000	2013 %
SA totalisator	3 107 232	76,5	2 990 434	78,7
Eastern Cape	139 557	3,4	143 078	3,8
Free State	159 688	3,9	161 716	4,3
Gauteng	2 177 739	53,6	2 098 890	55,2
Limpopo	232 078	5,7	230 435	6,1
Mpumalanga	134 068	3,3	132 359	3,5
North West	218 389	5,4	187 835	4,9
Northern Cape	45 712	1,2	36 121	0,9
Fixed odds	956 866	23,5	809 217	21,3
	4 064 098	100,0	3 799 651	100,0



Net betting income by operational geography

	2014 R'000	2014 %	2013 R'000	2013 %
SA totalisator	632 592	84,7	603 051	85,2
Eastern Cape	27 280	3,7	27 732	3,9
Free State	31 583	4,2	32 394	4,6
Gauteng	437 681	58,6	418 173	59,1
Limpopo	50 224	6,7	49 639	7,0
Mpumalanga	28 079	3,8	27 178	3,8
North West	48 032	6,4	40 375	5,7
Northern Cape	9 713	1,3	7 561	0,9
Fixed odds	113 999	15,3	104 801	14,8
	746 591	100,0	707 853	100,0



BUSINESS DRIVERS OF AN INTERDEPENDENT BUSINESS

INFRASTRUCTURE
- Racing
- Retail
- Technology
- Hospitality
- Systems/processes
- Media
- Publishing
- Security

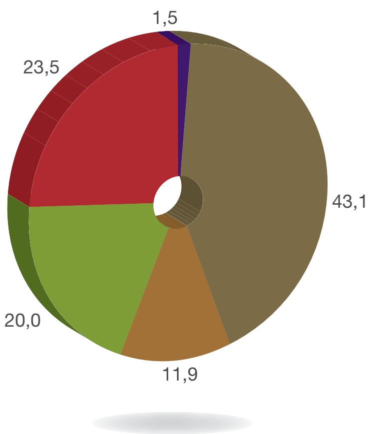
THE CUSTOMER
- Customer experience
- Retention
- Loyalty programmes
- Customer facilities
- Increased share of wallet
- Acquisition

MARKETING
- Brands/events
- Betting information
- Market intelligence
- Promotional activity
- Customer understanding
- Product/service development
- Stakeholder insights
- Channel development and management
- Database/CRM
- Loyalty/recognition programmes
- Publications/website

OUR PEOPLE
- Performance management
- Brand ambassadors
- Retention and upskilling
- Behaviours
- Recruitment
- Values
- Inspiration/motivation
- One team

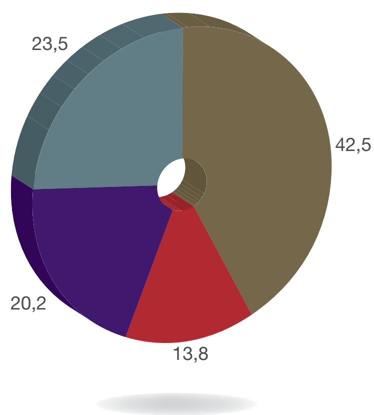
Betting handle by betting medium

	2014 R'000	2014 %	2013 R'000	2013 %
SA totalisator	**3 107 232**	**76,5**	**2 990 434**	**78,7**
On course	59 401	1,5	56 424	1,5
Off course				
– branches	1 751 307	43,1	1 659 791	43,7
– agents	482 414	11,9	561 430	14,8
– non-over-the-counter	814 109	20,0	712 789	18,7
Fixed odds	**956 866**	**23,5**	**809 217**	**21,3**
	4 064 098	**100,0**	**3 799 651**	**100,0**



Betting handle by betting product

	2014 R'000	2014 %	2013 R'000	2013 %
SA totalisator	**3 107 232**	**76,5**	**2 990 434**	**78,7**
South African horseracing	1 726 773	42,5	1 699 064	44,7
International horseracing	561 628	13,8	678 084	17,9
Other sports	818 831	20,2	613 286	16,1
Fixed odds	**956 866**	**23,5**	**809 217**	**21,3**
	4 064 098	**100,0**	**3 799 651**	**100,0**



Racing It's a rush

For the first time in the history of South African horseracing, a single unified brand now represents the sport from a marketing perspective. Racing It's a Rush can now bring horseracing back to the forefront of the lifestyle entertainment industry in South Africa.







www.itsarush.co.za

International representation

INTERNATIONAL

The rights to export South African horseracing are held by Phumelela Gaming and Leisure Limited (PGL) and are exercised through its international division, Phumelela International (PI).

PI has commercial relationships with 43 international jurisdictions across six continents. These relations enable the export of live South African horseracing globally, earning PGL foreign revenue on South African racing.

Daily imports of live television picture of foreign horseracing provide domestic punters with up to four times the quantity of horseracing betting opportunities daily.

Outbound

Racing in South Africa occurs on 364 days a year, with approximately 440 race meetings scheduled and broadcast each year. The television picture of South African racing is exported to various countries PI has relations with as an encrypted, live audio visual signal, using a combination of satellite, fibre-optic and web-streaming technologies. These distribution mechanisms permit the export of South African racing in the following formats:

- A "clean feed" television picture of South African racing, which excludes any South African produced television graphics displaying betting patterns and tips on the races. This broadcast enables the customer to integrate PI's racing picture into their own domestic television broadcast, and effectively distribute (simulcast) South African racing alongside their own racing, in a manner which suits their home markets;
- A South African produced television broadcast branded, Tellytrack 2 (international) is sent to a number of international markets. This channel integrates other international racing which PI has the rights to distribute, with racing from South Africa. The channel includes a line-up of South African, Kenyan, Mauritian, Singaporean (in territories where permission has been granted and where tote betting paths are available) and Zimbabwean racing; and
- A specifically tailored television broadcast, including customised graphics of South African racing is produced for the Cantonese market and is branded as Tellytrack 3 (Asia).

These three formats are sold to bricks and mortar betting operators (tote and fixed odds), online betting operations and betting exchanges around the world, with revenue streams earned being dependent on the type of operator procuring the product.

Tote operators will typically pay a content fee based on an agreed percentage of turnover they generate in their jurisdictions on South African racing. This turnover could either be generated on a standalone basis in the customer's home market or transferred into the South African-based tote pools through a process termed commingling, in which case a small additional fee is also levied.

In certain territories, the most effective mechanism for reaching the fixed-odds bookmaker retail outlets is through the selling of distribution rights to local agents for a predetermined fixed monthly fee.

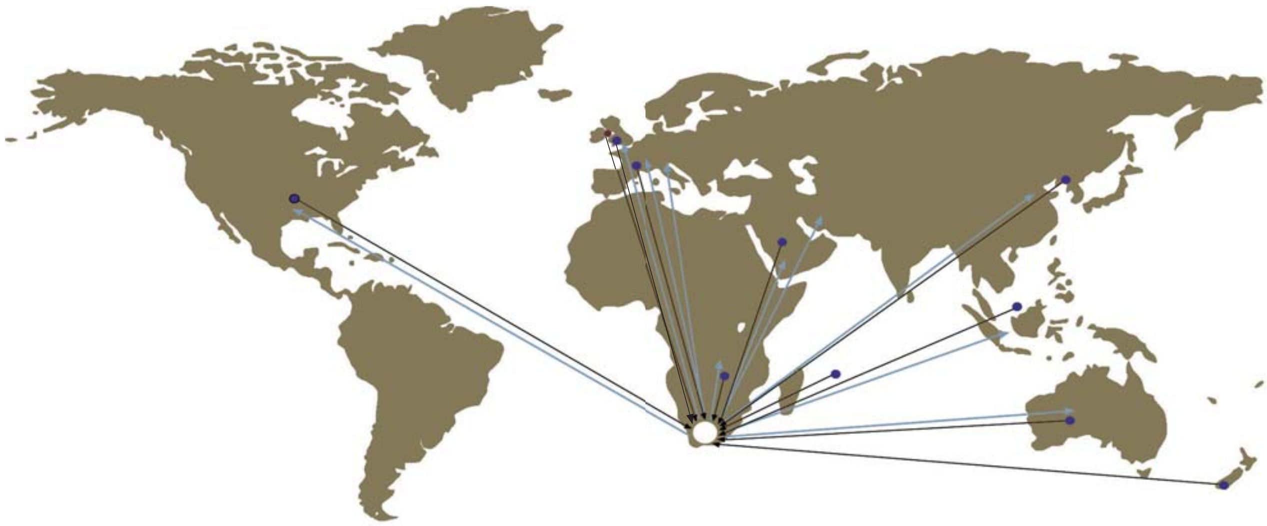
In territories where the audio-visual rights to South African racing are purchased directly by independent bookmaker groups, a fixed monthly fee is levied.

Revenue is also earned from internet operators authorised to receive and bet on the South African racing content. Where live video streams are made available to punters over the internet, a fee is also charged per stream viewed over the internet.

Inbound

Live horseracing from 15 other countries is currently imported to supplement South African product and expand the product offering made to punters in our local market. The importation of foreign product strengthens reciprocity with other jurisdictions, which generate revenue for PGL. This supplementary product is beamed via satellite from the various territories, down linked in the Tellytrack studios in Rivonia (Johannesburg, South Africa) and simulcast with South African racing, as part of the domestic Tellytrack channel offering broadcast on DStv to home viewers and through decoders at licensed betting shops.

The PGL tote also hosts, on behalf of Emirates Racing, the international totalisator pools for the Dubai World Cup Carnival, which includes the Dubai World Cup (DWC), the richest race in the world. The DWC commingling operation is the second



biggest in the world and sees 60 foreign totes connecting into the local PGL tote to create truly global pools.

In certain instances where PGL is unable to commingle local pools into a foreign tote, standalone pools are created in South Africa. However, where PGL is able to commingle, SA punters have the opportunity to bet into larger pools situated off shore.

ISLE OF MAN

Through a strategic partnership with Tabcorp in Australia, PGL jointly own an international tote operation on the Isle of Man, known as the Premier Gateway International (PGI). This subsidiary is licensed to conduct pari-mutual betting on the island.

PGI uses the same technology deployed in the South African tote operations, however, the PGI operation is the world's first 24-hour tote operation. PGI operates as a worldwide totalisator hub, connecting punters, tote operators and internet betting websites from around the world to each other, effectively permitting the creation of pools with much greater liquidity. The IOM effectively acts as a connectivity conduit for a variety of customers to approximately 900 tracks or totes around the world.

○ **South Africa**

● **Isle of Man tote**

• **Inbound**
Australia, Canada, Dubai, France, Hong Kong, Ireland, Kenya, Macau, Mauritius, New Zealand, Singapore, Sweden, UK, USA and Zimbabwe.

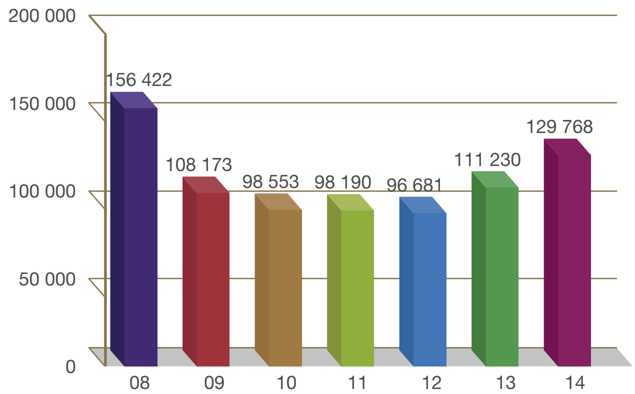
— **Outbound**
Austria, Australia, Barbados, Belgium, Bermuda, Cyprus, Finland, France, Germany, Guyana, Indonesia, Ireland, Italy, Ivory Coast, Jamaica, Kenya, Macau, Malaysia, Malta, Mauritius, Namibia, Netherlands, Pakistan, Philippines, Republic of Congo, Sierra Leone, Spain, Sri Lanka, Sweden, Thailand, Trinidad and Tobago, Turkey, Uganda, Zambia, Zimbabwe, Lesotho, Singapore, and UK.

Group review

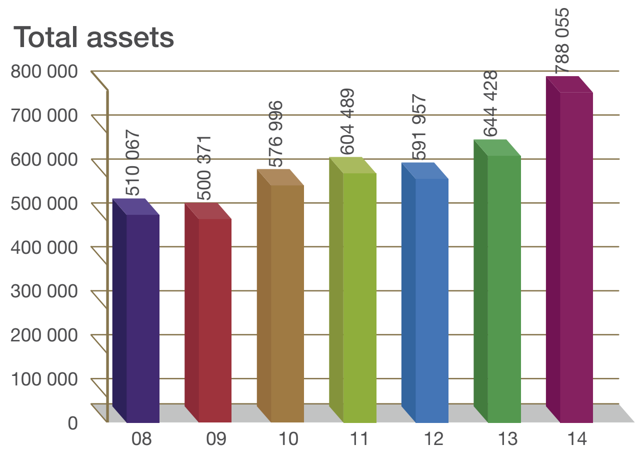
	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Group statements of comprehensive income							
Year ended 31 July							
Income	**1 192 109**	1 014 826	936 534	883 173	849 543	804 345	782 639
Profit from operations	**61 833**	85 304	82 546	98 367	93 863	104 860	152 494
Finance costs	**(1 183)**	(779)	(1 409)	(513)	(781)	(77)	(180)
Profit before share of profit of equity-accounted investees	**60 650**	84 525	81 137	97 854	93 082	104 783	152 314
Share of profit of equity-accounted investees*	**69 118**	26 705	15 544	336	5 471	3 390	4 108
Profit before income tax expense	**129 768**	111 230	96 681	98 190	98 553	108 173	156 422
Income tax expense	**(19 373)**	(25 257)	(27 801)	(31 429)	(30 485)	(37 508)	(43 361)
Profit for the year	**110 395**	85 973	68 880	66 761	68 068	70 665	113 061
Attributable to non-controlling interest	**14**	(102)	(206)	(4 402)	(4 730)		
Profit attributable to ordinary equity holders of the parent	**110 409**	85 871	68 674	62 359	63 338	70 665	113 061
Group statements of financial position							
At 31 July							
Assets							
Non-current assets	**567 518**	495 400	415 390	393 941	378 558	320 806	307 840
Current assets	**220 537**	149 028	176 567	210 548	198 438	179 565	202 227
Total assets	**788 055**	644 428	591 957	604 489	576 996	500 371	510 067
Equity and liabilities							
Total equity	**478 791**	432 345	403 881	410 791	394 682	363 980	347 110
Non-current liabilities	**9 397**	3 734	5 809	7 165	5 670	5 779	4 100
Current liabilities	**299 867**	208 349	182 267	186 533	176 644	130 612	158 857
Total equity and liabilities	**788 055**	644 428	591 957	604 489	576 996	500 371	510 067
Group Statements of cash flow							
Year ended 31 July							
Net cash flow from operating activities	**40 724**	66 706	53 883	67 243	82 153	(3 626)	67 411
Net cash flow from investing activities	**(11 293)**	(105 731)	(85 250)	(48 181)	(64 234)	(35 305)	(50 297)
Net cash flow from financing activities	**8 586**		(5 362)	(3 606)	(555)	(5 086)	(12 032)
Net increase/(decrease) in cash and cash equivalents	**38 017**	(39 025)	(36 729)	15 456	17 364	(44 017)	5 082

** Share of equity-accounted investees includes R11,1 million profit on conversion of equity-accounted investee to an investment in 2014 and a R4,4 million profit on step up of Betting World to becoming a subsidiary in 2010.*

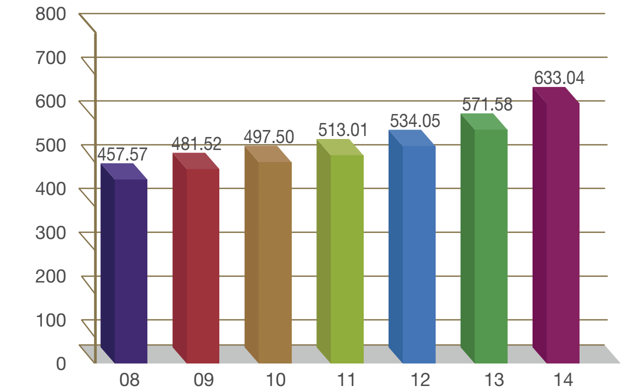
Profit before income tax expense



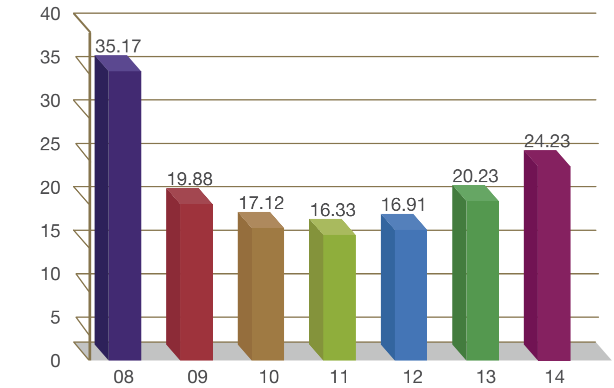
Total assets



Net asset value per share



Return on equity



	2014 (cents)	2013 (cents)	2012 (cents)	2011 (cents)	2010 (cents)	2009 (cents)	2008 (cents)
Year ended 31 July							
Basic earnings per share	**146,07**	113,61	90,85	82,50	83,79	93,35	148,13
Diluted earnings per share	**139,13**	110,85	89,09	82,08	83,43	93,35	147,73
Headline earnings per share	**132,10**	114,46	90,99	83,19	78,96	93,67	117,20
Diluted headline earnings per share	**125,83**	111,69	89,23	82,76	78,62	63,67	116,89
Net asset value per share	**633,04**	571,58	534,05	513,01	497,50	481,52	457,57
Dividends/capital distributions per share	**88,00**	88,00	76,00	68,00	68,00	68,00	65,00
	%	%	%	%	%	%	%
Profitability ratios							
Profit attributable/income	**9,26**	8,46	7,33	7,06	7,46	8,79	14,45
EBITDA[1] margin	**8,49**	12,34	12,85	14,88	14,57	15,53	21,68
Return on equity[2]	**24,23**	20,23	16,91	16,33	17,12	19,88	35,17
Return on total assets[3]	**16,26**	13,24	13,94	16,27	16,71	20,00	28,55
Solvency and liquidity ratios							
Solvency ratio[4]	**2,55**	3,04	3,15	3,12	3,16	3,67	3,13
Current ratio	**0,74**	0,72	0,97	1,13	1,12	1,37	1,27
Acid test ratio	**0,72**	0,69	0,94	1,10	1,09	1,33	1,24
Efficiency ratios							
Asset turnover[5]	**1,51**	1,57	1,58	1,46	1,47	1,61	1,53
Property, plant and equipment turnover[6]	**2,79**	2,91	2,68	2,61	2,79	2,79	2,79

[1] *Earnings before interest, tax, depreciation and amortisation to income.*
[2] *Profit attributable to average capital and reserves.*
[3] *Profit before interest and tax divided by total assets.*
[4] *Total assets divided by total liabilities.*
[5] *Income divided by total assets.*
[6] *Income divided by Property, Plant and Equipment.*

Value added statement

- Contribution to South African economy up 9,5% to R813 million
- Betting tax up 9,9% to R73 million

	%	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Value created							
Gross betting income	5,9	**927 253**	875 827	823 717	811 115	764 599	692 986
Other income	48,7	**441 021**	296 493	252 444	204 388	210 589	211 838
Income from investments	56,8	**2 815**	1 795	2 597	3 005	2 916	9 651
Income from equity-accounted investees	117,1	**57 983**	26 705	15 544	336	5 471	3 390
Income from operations	19,0	**1 429 072**	1 200 820	1 094 302	1 018 844	983 575	917 865
Other overhead costs	34,4	**(615 667)**	(457 944)	(436 638)	(398 068)	(384 648)	(349 538)
Total value created	9,5	**813 405**	742 876	657 664	620 776	598 927	568 327
Value distribution							
Stakes	6,0	**186 299**	175 689	165 149	153 863	157 986	156 982
Employees	12,0	**274 432**	245 115	202 418	189 548	170 072	147 613
Finance costs	51,8	**1 183**	779	1 409	513	781	77
Distribution to shareholders	11,4	**66 517**	59 713	51 399	51 399	51 402	51 585
Government	(1,1)	**197 202**	199 404	185 876	175 068	169 465	165 809
– Value added tax (paid on betting income)	6,0	**107 058**	100 994	95 075	86 922	84 197	75 748
– Betting tax	9,9	**73 604**	66 980	60 280	57 871	54 534	54 903
– Income tax	(47,4)	**16 540**	31 430	30 521	30 275	30 734	35 158
Total distributed	6,6	**725 633**	680 700	606 251	570 391	549 706	522 066
Reinvested in the Group to maintain and develop operations							
Depreciation and amortisation	(1,3)	**39 374**	39 885	38 018	33 122	32 803	24 831
Deferred tax	(145,9)	**2 833**	(6 173)	(2 720)	1 154	(249)	2 350
Retained profit	60,1	**45 565**	28 464	16 115	16 109	16 667	19 080
Total retained	41,2	**87 772**	62 176	51 413	50 385	49 221	46 261
Total value distributed/retained	9,5	**813 405**	742 876	657 664	620 776	598 927	568 327

Sustainability report

Highlights

- **First polytrack racecourse** in South Africa at our Fairview Racecourse
- **Randjesfontein Polytrack training track** continues to aid in the decrease of water consumption
- Petrol and diesel usage down **6%**
- Electricity consumption down **1%**
- None of the occupational health and safety incidents reported for 2014 were classified as fatal or disabling.

ECONOMIC CAPITAL
- Profitability
- Headline earnings per share
- Cash generated from operating activities
- Total asset/solvency ratio
- Value added statement

HUMAN CAPITAL
- Safety
- Health
- Employees
  - Turnover
  - Diversity and employment equity
- Training and development

ENVIRONMENT
- Water use
- Energy use
- Waste management

SOCIETY
- Corporate social investment
- Socio-economic development
- Transformation
- Product responsibility
- Commitment to external initiatives

Our complete sustainability report can be found on our website at http://www.irphumelela.com/sustainability.htm.

Africa's richest raceday

CHAMPIONS DAY

Champions Day was introduced by horseracing and tote betting company Phumelela in 1999.

Africa's richest raceday. Nine feature races are run, headlined by the R2 million President's Champions Challenge and total prize money for the day is more than R8.55 million! The feature races include four Grade 1 events in the Champions Challenge, the SA Derby, the SA Nursery and the Computaform Sprint, Africa's premier test of speed. The SA Derby is the third and final leg of the SASCOC SA Triple Crown, Africa's richest series of races for three-year-olds with a R2 million bonus for winning all three legs. Other feature races include the R1 000 000 SA Oaks, the third and final leg of the SA Triple Tiara for three-year-old fillies.

The day is great fun for everybody, with loads to do between races including an intercontinental village. There's secure parking and admission is free. Call 011 681 1899 to make a restaurant booking.







Louis the King
Two Million Rand
R2 000 000

Corporate governance

INTRODUCTION

The JSE Limited (JSE) advised companies listed on the exchange that, after 1 March 2010, they are required to produce integrated reports, in line with the recommendations of the South African Code of Corporate Practices and Conduct set out in the third King Report on Corporate Governance (King III).

The Phumelela Board is committed to good corporate governance and supports the integration of its non-financial and financial reporting. Integrated reporting not only allows us to apply the principles of King III, but it also allows us to use reporting to inform strategy within the business, to provide stakeholders with a meaningful account of the Company's performance and to build a reputation of transparency and trust within the investment community.

ENGAGEMENT WITH STAKEHOLDERS

Phumelela has identified a range of internal and external stakeholders with which it engages regularly. The stakeholders are identified as those parties who have a material interest in or are affected by Phumelela. The Company has assessed its involvement with them, or their potential impact on our business, at a corporate office and operational level. The issues raised by the stakeholders partly inform the selection of the Company's material issues.

The manner in which we engage with these stakeholders is addressed in the stakeholder table set out in the sustainability report found on our website (www.irphumelela/com/sustainability).

ENGAGEMENT WITH SHAREHOLDERS AND INVESTORS

Phumelela endeavours to ensure and justify shareholders' investment in the Company and to align the interests of management with those of shareholders. The formal mechanisms in place to enable this communication include one-on-one meetings with investors, presentations, the Annual General Meeting, press announcements of the interim and year-end results, the Company's website, its Integrated Report to shareholders and the form of proxy shareholders use to exercise their voting rights. As a new initiative, this year the 2014 interim and final results presentations were broadcast live on Business Day TV.

ENGAGING WITH EMPLOYEES

All stakeholders, particularly employees, are encouraged to raise concerns and/or suggestions through the appropriate Phumelela official. Departmental meetings are held where employee concerns are addressed and open dialogue with senior management is encouraged. Formal meetings are also held with trade union representatives.

TOWARDS COMPLIANCE WITH KING III CODE OF CORPORATE PRACTICES AND CONDUCT

Phumelela's directors endorse the Code of Corporate Practices and Conduct (the Code) as set out in the King Report on Corporate Governance (King III) and the Board took the necessary steps to ensure its recommendations were applied throughout the Company during the 2013/2014 financial year. The Board analysed the recommendations contained in the revised code, noted where it already applies the new code and where there are opportunities to implement changes that will improve governance standards within Phumelela in the future.

ESTABLISHING MATERIALITY

To apply the materiality principle of the Global Reporting Initiative (GRI) Phumelela determines the relevance and significance of issues to the Company and its stakeholders by assessing their ability to influence the decisions, actions and performance of ourselves and our stakeholders. To identify the material issues to our business we review the:

- Results of our business risk assessment process;
- Code of Corporate Practice and Conduct set out in the King II and III reports;
- Phumelela Code of Ethics;
- Topics and challenges reported by our peers or raised by industry associations; and
- External initiatives and best practice guidelines, including the GRI G3 guidelines.

GOVERNANCE

Phumelela's Board structure and Board committees were established to divide the responsibilities needed for effective governance of the issues material to the Company. To ensure a balance of power and authority there is a clear division of responsibilities among the Company's directors. One-third of the non-executive directors retire annually by rotation.

THE PHUMELELA BOARD

The responsibility for the success of the Company lies with the Board. The Board is expected to act in the best interests of its stakeholders and give strategic direction, identify risks, monitor performance against budgets and industry standards, as well as apply good corporate governance. Through this style of leadership the Company should achieve sustainable growth.

The Board approves the Group budget and monitors overall performance against objectives appropriate to the current stage of the business, providing input and determining strategic focus. The Board appoints the Group Chief Executive and ensures that succession is planned.

In the interests of transparency the Board ensures that stakeholders and investors are provided with timeous, accurate and relevant information.

BOARD CHARTER

The Phumelela Board Charter outlines the manner in which business is to be conducted by the Board following the principles of good corporate governance. The charter is reviewed annually to ensure compliance to local and international best practice. The current charter has been revised to incorporate the King III principles adopted by the Board.

The Charter provides a concise overview of the delineation of the roles, functions, responsibilities and powers of the Board, and the committees of the Phumelela Board. It also outlines the powers delegated to the Board committees and sets out the policies and practices in respect of matters such as corporate governance, declarations and conflicts of interest, Board meeting documentation and procedures and the nomination, appointment, induction, training and evaluation of the Board and the committees.

BOARD STRUCTURE

The Phumelela Board has a unitary Board structure consisting of eight independent non-executive directors*, one non-executive director and five executive directors. There were no new appointments to the Board during 2014. In accordance with the recommendations of the Code of Corporate Practices and Conduct, the majority of the members of the Phumelela Board, including the Chairman, are non-executive directors. To ensure a balance of power and authority there is a clear division of responsibilities among the Company's directors. One-third of the non-executive directors retire annually by rotation in terms of our Memorandum of Incorporation. The roles of the Chairman and Chief Executive are separate and the Chairman has no executive responsibilities.

**These are the criteria that Phumelela uses to define an independent director.*

An independent non-executive director is a non-executive director who:

1. *Is not a representative of a shareholder who has the ability to control or significantly influence management or the Board.*
2. *Does not have a direct or indirect interest in the Company (including any parent or subsidiary in a consolidated group with the Company) which exceeds 5% of the Group's total number of shares in issue.*
3. *Does not have a direct or indirect interest in the Company which is less than 5% of the Group's total number of shares in issues, but is material to his personal wealth. 5% is considered to be material.*
4. *Has not been employed by the Company or the Group of which it currently forms part in any executive capacity, or appointed as the designated auditor or partner in the Group's external audit firm, or senior legal adviser for the preceding three financial years.*
5. *Is not a member of the immediate family of an individual who is, or has during the preceding three financial years been employed by the Company or the Group in an executive capacity.*
6. *Is not a professional adviser to the Company or the Group, other than as a director.*
7. *Is free from any business or other relationship (contractual or statutory) which could be seen by an objective outsider to interfere materially with the individual's capacity to act in an independent manner, such as being a director of a material customer of or supplier to the Company.*
8. *Does not receive remuneration contingent upon the performance of the Company.*

Corporate governance (continued)

MEMBERSHIP

The procedures for appointing directors to the Board are formal and transparent. At 31 July 2014, six of the Board's members were black and one of its members was a black woman.

Non-executive directors	Executive directors
MP Malungani (56) – Chairman – independent	WA du Plessis (53) – Group Chief Executive
R Cooper (71) – independent	AW Heide (49) – Chief Operating Officer and Group Finance Director
MJ Jooste (53) – independent	VJ Moodley (46) – Sports Betting Executive
B Kantor (65)	ML Ramafalo (44) – Executive Director: Business Development and Risk Management
SKC Khampepe (63) – independent	JA Stuart (58) – International Executive and Tellytrack CEO
NJ Mboweni (53, female) – independent	
Dr E Nkosi (53) – independent	
CJH van Niekerk (66) – independent	
JB Walters (70) – independent	

CHAIRMAN

MP Malungani
Appointed 2 October 1997

The Chairman is an independent non-executive, as per the recommendations of King III.

He is responsible for the effectiveness of the Board and its committees and for ensuring that the Board provides effective leadership, upholds ethical standards, is responsible, accountable, fair, transparent and develops and implements strategies aimed at achieving sustainable economic, social and environmental performance.

GROUP CHIEF EXECUTIVE

WA du Plessis
Appointed 1 August 2008

The role of the Group Chief Executive has been separated from that of the Chairman to ensure a balance of authority and to preclude any one director from exercising unfettered powers of decision making. His role is to provide leadership to the Company, advising the Board on strategy and policy matters, developing, recommending and implementing the annual business plans and budgets that support the Company's short and long-term strategies.

DIRECTORS

The Board's non-executive directors are individuals of high calibre whose appointments at the highest level in major business and public organisations, enable them to bring independent judgement to the Board. Their experience enables them to evaluate strategy, performance, resources, transformation, diversity and employment equity, standards of conduct, as well as to act in the Group's best interests as a balance to the executive directors.

The non-executive directors have no fixed terms of appointment and no employment contracts with Phumelela.

The composition of the Board is regularly reviewed and the appointment of non-executive directors is determined after taking into account those attributes and qualifications that are required to supplement the Board's skills base, and ensure that the composition of the Board has a balance of authority and minimised the possibility of conflicts of interest.

Phumelela executives attend the meetings by invitation giving non-executive directors the opportunity to interact directly with them to obtain first-hand information on operational matters.

All new Board members are required to sign the Company's Code of Ethics, are brought up to date on important issues and are apprised of the business challenges and strategies being implemented.

EFFECTIVENESS OF THE BOARD

The Board is currently being reviewed for effectiveness. The following areas are being assessed:

- Leadership of the Chairman.
- Directors' level of skills and experience to meet the challenges of the future.
- Quality and quantity of ongoing directors' training.
- The overall performance of the Board, the audit committee and the remuneration committee.

COMPANY SECRETARY

The Group is sad to announce that the Company Secretary Mr R Gopaul passed away suddenly on Monday, 29 September 2014. Mr AW Heide, the current Finance Director and COO has been appointed interim Company Secretary.

The Company Secretary is responsible for ensuring that the Company complies with the JSE Limited Listings Requirements; applies King II; King III and Corporate Governance Requirements. In addition to these statutory duties, the Company Secretary is also responsible for ensuring that the proceedings and affairs of the directorate, the Company itself and, where appropriate, owners of securities in the Company, are properly administered in accordance with the relevant laws. It is his responsibility to provide the Board as a whole, and directors individually, with guidance as to how their responsibilities should be properly discharged in the best interests of the Company.

Board members have unlimited access to the Company Secretary, the subcommittees of the Board and the advice of independent professionals where appropriate. Directors and officers of the Company keep the Company Secretary advised of all dealings in Company securities.

Corporate governance (continued)

MP Malungani (56)[#*]

BCom, MAP, LDP

Chairman

Peter is Chairman and founder of Peu Group (Pty) Limited. Peter is also a director on the boards of Investec Limited, Investec Bank Limited, Investec Plc (member of the risk and capital committee) and Pretoria Portland Cement Limited (Chairman of the deal committee). He holds directorships on a number of Peu subsidiaries.

JB Walters (70)[#*†]

Barry is a past Chairman of the Racing Association and has been actively involved in the horseracing industry for many years, having acted as Chairman of Gosforth Park Turf Club and the Highveld Racing Authority. Barry was extensively involved in negotiations with Government to bring about corporatisation of the horseracing industry and is an owner and breeder.

SKC Khampepe (63)[#]

BA, MBA (UK)

Siza is the Chief Executive Officer of Indyebo Investments (Pty) Limited, the holding company of Indyebo Gaming and Leisure (Pty) Limited and Indyebo Financial Services.

Siza has been actively involved in developing black business in South Africa and the African continent and has contributed to the growth and success of the Enterprise Development Forum Black Business Executive Circle.

B Kantor (65)#*

CTA (Wits)

Bernard is a founding member of Investec having joined in 1978 and is currently the Group Managing Director. Living between London and Johannesburg for the past 15 years, Bernard has a broad experience of international business, has sat on various boards and leads many management teams in different parts of the world. He brings invaluable experience to the Phumelela Board. Bernard has a keen interest in the sport of horseracing, not only is he a passionate owner of race horses, but also enjoys breeding in many countries around the world. In recognition for his involvement in British horseracing and his efforts in securing the sponsorship of the Investec Epsom Derby, Bernard has been recognised with an Honorary Membership of the Jockey Club in the United Kingdom.

NJ Mboweni (53)#†

BA Ed, MAP

Nolwandle holds a Senior Teacher's Diploma from East Rand College, a BA in Education and MAP from Wits Business School. Nolwandle sits on a number of boards, namely: Afrisun Gauteng; Afrisun (Sun International); Allpay Pension Payouts (Absa subsidiary); Vela International; Mdumo Investments; Katekane Women's Investments; Total South Africa; and Tshahani Resources. She is involved with a number of community projects and is a Trustee of the Khotso Trust.

R Cooper (71)#§†

CA(SA)

Rob served articles and qualified as a Chartered Accountant with Charles Hewitt & Co. during the period 1961 to 1967. He then left the profession and worked for Hume Pipe and Standard Telephones and Cables for a total period of three and a half years. Rob then joined Alex Aiken & Carter (now KPMG) in 1971 and was appointed as a partner in 1982 which position he held until his retirement in February 2008.

#Non-executive director
**Member of remuneration committee*
†Member of audit committee
§Member of social and ethics committee

Corporate governance (continued)

MJ Jooste (53)#*

BAcc, CA(SA)

Markus is the Chief Executive Officer of Steinhoff International Limited and he also acts as Chairman of Steinhoff Africa Holdings (Pty) Limited. Markus serves on several boards within the Steinhoff group's operations in Europe, the United Kingdom and the Pacific Rim.

Markus also serves on the boards of the following companies:

KAP International Holdings Limited (member of the remuneration committee), PSG Group Limited (member of the remuneration committee) and Kenilworth Racing (Pty) Limited.

DR E Nkosi (53)#

MB ChB, MAP and MBA

Elijah is a general medical practitioner based in Soweto. He holds a Master of Business Administration (MBA) from Wits Business School, and qualified as a doctor at Medunsa in 1986. He is a shareholder of Dihla, which is an empowerment shareholder of Phumelela.

Elijah is a Trustee of Profmed Medical Aid; a director in the IPA Foundation of SA, a national network of General Practitioners; and is also the Executive Officer of a GP network called SP NET.

CJH van Niekerk (66)#*

Chris is a director of Botswana Soda Ash (Pty) Limited, Chlor Alkali Holdings (Pty) Limited, Walvisbay Salt Holdings (Pty) Limited, Ekango Salt (Pty) Limited, Kap International, Cape Thoroughbred Sales (Pty) Limited, Klawervlei Stud (Pty) Limited and Rainbow Beach Trading (Pty) Limited. He is also the Chairman of Kenilworth Racing (Pty) Limited.

WA du Plessis (53)[#]*

BAcc, CA(SA), HDip Tax

Group Chief Executive Officer

After a successful career in investment banking, Rian joined the Comparex Group on 1 February 1997. In his capacity as Director: Mergers and Acquisitions and International Finance, he was responsible for all of Comparex's acquisitions, as well as being Finance Director of the Group's international business. He was appointed Chief Executive Officer of Comparex Holdings Limited on 1 February 2000.

At the invitation of the board of directors of Comparex Holdings Limited and with effect from 1 November 2002, Rian led a team of European Managers in a management buy-out of the Group's European businesses.

Having successfully spearheaded the turnaround of Comparex in Europe within 19 months and with effect from 1 June 2004, Rian handed over his executive responsibilities and became non-executive Chairman of the Comparex Group.

Rian was a non-executive director of Homestyle Group Plc from July 2005 to March 2007. He also served on Homestyle's audit and nomination committees. Rian was also a non-executive director of Johannesburg listed Amalgamated Appliance Holdings Limited from November 2007 to June 2010. Rian was appointed Group CEO of Phumelela on 1 August 2008.

AW Heide (49)[§]

BCompt Hons, CTA, CA(SA)

Chief Operating Officer and Group Finance Director

Andreas served articles with PricewaterhouseCoopers in Johannesburg and qualified as a Chartered Accountant in 1996. Over the past 18 years he has held various senior positions within the horseracing industry and played key roles in the corporatisation and listing of Phumelela on the JSE in 2002. Andreas was appointed Group Finance Director in September 2009 and as Chief Operating Officer in April 2010.

V Moodley (45)

BComm

Executive Director: Sports Betting

Vee studied for a BComm Accounting at the University of Natal and worked as Group Accountant for the PMC Group of Companies in KwaZulu-Natal. In 2003 Vee opted for a career path change and joined the National Horseracing Authority as handicapper. His thorough knowledge and understanding of horseracing stood him in good stead and in 2007 he was promoted to Racing Control Manager and Chief Executive Officer designate of the National Horseracing Authority. Vee has a strong financial background and excellent knowledge of horseracing and betting and was appointed by Phumelela as Sport Betting Executive on 1 July 2010 and as Executive Director: Sports Betting on 1 October 2010.

[#]Non-executive director
**Member of remuneration committee*
[†]Member of audit committee
[§]Member of social and ethics committee

Corporate governance (continued)

JA Stuart (58)

BComm

John served his articles with KPMG before joining TAB KwaZulu-Natal in 1979 as Internal Auditor and occupied various positions there before leaving in 1996 as Assistant General Manager. He then joined TAB Transvaal (transferred to Phumelela as part of the corporatisation process) in 1997 and served in various positions before heading up the International division in 2006.

John is a Non-Executive Director of Automatic Systems Limited, one of the two totalisator operators in Mauritius, International Executive Director of Phumelela and was appointed Executive Director of Premier Gateway International in August 2011. John was recently appointed as CEO of the Tellytrack partnership.

ML Ramafalo (44)[§]

BProc, LLB, IEDP

Director: Business development and risk management

Mpho is a qualified Attorney and left legal practice in 1996 to join the Gauteng Provincial Government (Finance and Economic Affairs) where he held various senior positions including that of Director: Economic Policy, Planning and Research, Non-Executive Director of Gaumac (a small business development agency) and Chairperson: Gauteng Liquor Board. He joined Phumelela as Compliance Executive in February 2003 with Gaming Operations added to his portfolio in 2004. He was appointed to the Phumelela Board in 2005, becoming Executive Director: Gaming and Compliance. He took up the position of Director: Business Development and Risk Management in 2009.

[#]Non-executive director
**Member of remuneration committee*
[†]Member of audit committee
[§]Member of social and ethics committee

BOARD MEETINGS

A minimum of four Board meetings are scheduled each financial year, as well as strategy sessions as appropriate. The meetings follow a formal agenda ensuring that substantive matters are properly addressed, and all relevant information is supplied timeously. The Board requires that matters placed before it are properly researched and motivated.

Four Board meetings were held during the financial year ended 31 July 2014:

Board member	30 September 2013	4 December 2013	10 April 2014	22 July 2014	Number of meetings attended
MP Malungani (Chairman) Independent non-executive	✓	✓	✓	✓	4
WA du Plessis	✓	✓	✓	✓	4
R Cooper Independent non-executive	✓	✓	✓	✓	4
AW Heide	✓	✓	✓	✓	4
MJ Jooste Independent non-executive	✓	✓	✓	✓	4
B Kantor Non-executive	✓	✓	✓	✓	4
SKC Khampepe Independent non-executive	✓	✓	✓	✓	4
NJ Mboweni Independent non-executive	✓	✓	✓	✓	4
V Moodley	✓	✓	✓	✓	4
E Nkosi Independent non-executive	✓	✓	✓	✓	4
ML Ramafalo	✓	✓	✓	✓	4
JA Stuart	✓	✓	✓	✓	4
CJH van Niekerk Independent non-executive	✓	✓	✓	✓	4
JB Walters Independent non-executive	✓	✓	✓	✓	4

REMUNERATION COMMITTEE

Members: CJH van Niekerk (*Chairman*), B Kantor, MJ Jooste, MP Malungani, JB Walters

Role: The remuneration committee is responsible for designing and structuring the salary packages of executive directors and senior executives and agrees remuneration policy for the Group. This includes responsibility for:

- making recommendations to the Board regarding the Company's remuneration policy;
- making recommendations to the Board regarding the remuneration of non-executive directors;
- ensuring good governance and oversight of the remuneration policy; and
- succession planning and the evaluation of share incentive programmes to ensure they motivate sustainable high performance and retention of key executives. An economic value-added incentive programme and share option scheme is in place for senior management.

To achieve its mission and strategic objectives, Phumelela has adopted a remuneration policy which ensures that all staff are remunerated fairly and are treated consistently throughout the Group.

The Chairman and non-executive directors do not receive incentive awards geared to the share price or corporate performance. The remuneration policy will be placed before shareholders at the Annual General Meeting for their approval. All members of the remuneration committee are non-executive directors, four of which are independent.

Corporate governance (continued)

Two remuneration committee meetings were held during the financial year ended 31 July 2014:

Member	25 September 2013	22 July 2014	Number of meetings attended
CJH van Niekerk (Chairman)	✓	✓	2
B Kantor	✓	✓	2
MP Malungani	*	✓	1
JB Walters	✓	✓	2
MJ Jooste	*	✓	1

* *Indicates absence with apology.*

AUDIT COMMITTEE

Members: R Cooper (Chairman), NJ Mboweni, JB Walters

Role: The audit committee is responsible for the Company's financial reporting process on behalf of the Board and for achieving the highest level of financial management, accounting and reporting to shareholders. This is accomplished by:

- reviewing the scope of the audit and the accounting policies;
- identifying key risk areas and evaluating exposure to significant risks;
- evaluating the appropriateness of internal controls;
- meeting with external and internal auditors to discuss the scope of the external audit, internal audit and reliance on internal controls. The external auditors have unrestricted access to the audit committee and its Chairman;
- the audit committee, with the auditors' present, examines, reviews and discusses the audited annual financial statements and reports to be issued to the public before being submitted to the Board for approval;
- providing the Board with regular reports on the committee's activities;
- recommending the appointment of external auditors, the level of fees payable and the level of non-audit services; and
- considering environmental and social sustainability issues.

An audit committee charter, which supports these principles, has been approved by the Board.

Under the new Companies Act and King III, the audit committee is a statutory committee and as such shareholders are required to elect the members of this committee at each Phumelela Annual General Meeting. All members of the audit committee are independent non-executive directors.

Three audit committee meetings were held during the financial year ended 31 July 2014:

Member	17 September 2013	2 April 2014	7 July 2014	Number of meetings attended
R Cooper (Chairman)	✓	✓	✓	3
NJ Mboweni	✓	✓	✓	3
JB Walters	✓	✓	✓	3

The audit committee also identifies risk and compliance issues and makes appropriate recommendations regarding the responsibility for monitoring, developing and communicating the processes of managing risks across Phumelela. Phumelela defines risk as those material issues that have the potential to impact on shareholder value, regardless of whether their origin is financial, operational, environmental, social or to do with governance.

A risk register is maintained identifying significant risks and defining appropriate risk strategies to mitigate those risks that could impact significantly on the business.

Competence of the Finance Director

The audit committee has also considered and is satisfied of the appropriateness of the expertise and experience of the Finance Director, Mr Andreas Walter Heide.

SOCIAL AND ETHICS COMMITTEE

Members: R Cooper (Chairman), AW Heide, XL Kopolo, ML Ramafalo

Role: The social and ethics committee is responsible for ensuring that the Company is, and remains, a socially responsible corporate citizen. The committee supplements, supports, advises and provides guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development and social and ethics-related matters, which include the following:

- Ethics management.
- Corporate social investment.
- Environmental management. including health and public safety.
- Sustainability strategy and framework.
- Consumer relationships.
- Labour relationships.
- Transformation.

In performing its duties, the committee maintain effective working relationships with the Board of Directors and management. To perform their roles effectively, each committee member will obtain an understanding of the Company's business, operations and risks. The Chairman of the social and ethics committee is an independent non-executive director.

Two social and ethics committee meetings were held during the financial year ended 31 July 2014:

Member	14 August 2013	20 February 2013	Number of meetings attended
R Cooper (Chairman)	✓	✓	2
AW Heide	*	✓	1
XL Kopolo	✓	✓	2
MR Ramafalo	*	✓	1

* *Indicates absence with apology.*

ETHICS

Phumelela does not tolerate any fraudulent or illegal activities in relation to the running of the Company. This is covered in the Code of Ethics and is managed by the audit committee. Employees are encouraged to make use of the confidential crime line (079 890 3002) to report any incidents.

Areas identified as high risk for bribery and corruption is the awarding of tenders and procurement practices.

All incidents of fraud and robbery are reported to the audit committee, which interacts with management in implementing action whenever corrective action is required.

The National Horseracing Authority provide a competent and efficient racehorse and jockey control and monitoring service for the sport of horseracing which ensures the sport maintains a high standard of ethics.

DONATIONS TO POLITICAL PARTIES

The Phumelela policy states that all donations must be approved by the Board. No donations were made to political parties in the financial year.

CODE OF ETHICS

Phumelela aims to maintain the highest ethical standards and that our business practices are conducted in a manner which is honest and fair and that they are, in all reasonable circumstances, above reproach. The Board and all employees are required to sign Phumelela's Code of Ethics. All employees are encouraged to comply with both the written word and the spirit of the Code.

The Phumelela Code of Ethics sets out Phumelela's policies regarding fair dealing and integrity in the conduct of its business; compliance with laws and regulations; conflicts of interest; outside activities, employment and directorships; relationships with clients and suppliers; gifts, hospitality and favours; personal investments; remuneration; expenditure; discrimination; environmental responsibility; health and safety; political support; Phumelela assets and records; dealing with people and organisations outside Phumelela; privacy and confidentiality; fraud; and contravention of the Code of Ethics.

Corporate governance (continued)

BETTING WORLD (PTY) LIMITED

The Betting World board consists of:

Non-executive directors	Executive directors
WA du Plessis (Chairman)	M Weare (Managing Director)
AW Heide	M Modando
VJ Moodley	
ML Ramafalo	
P Mnganga	

Phumelela's various subcommittees are completed as a group, and thus the remuneration and nominations committee, audit committee and social and ethics committee incorporate Betting World activities.

ACCOUNTABILITY AND INTERNAL AUDIT

The Board of Directors is responsible for the Group's system of internal control. The Group's internal controls and systems are designed to provide reasonable and not absolute assurance as to the integrity and reliability of the financial statements. Internal audit is an independent function that evaluates the adequacy and effectiveness of internal controls against specified business risks and is a trusted adviser to the audit committee. The internal auditor reports regularly to the audit committee and has unrestricted access to the committee Chairman. An internal audit charter has been approved by the committee.

LEGAL COMPLIANCE

In order to ensure legal compliance, the Board has formed a risk management and compliance committee to which it has delegated its responsibilities to establish an effective compliance framework and process in the Company. This committee, which comprises senior management and meets at least four times a year, advises and regularly reports into the audit committee.

INVESTOR PROTECTION – DEALING IN PHUMELELA SHARES

The Board has implemented a closed period policy in accordance with the JSE Listings Requirements during which Board members, senior management and staff may not trade in the Company's shares. Directors and public officers may not trade in the Company's shares without first obtaining the clearance of the Chairman or, if the Chairman is unavailable a designated non-executive director. The Chairman may not trade in the Company's shares without first obtaining the clearance of a designated non-executive director. Details of all share dealings by the directors in the Company's shares are disclosed in accordance with the Listings Requirements of the JSE.

CONFLICTS OF INTEREST

Board members are required to disclose their shareholdings in Phumelela and other directorships so that any potential conflicts of interest can be identified.

Directors are required to declare any interests and a register of these interests is maintained to identify any potential conflict of interest.

INSURANCE

The Company purchases directors and public officers liability insurance cover. No claims under the policy were made during the year.

REMUNERATION REPORT

Introduction

Phumelela is a public listed company, committed to the principles of fair dealing, integrity and upholding and promoting the good name and standing of the industry.

The Group's vision and mission is to be acknowledged as a worldwide leader in the betting market and to create exciting opportunities that enable betting on live events.
The Group recognises that the achievement of this mission depends on the quality and commitment of its staff. Accordingly, one of its primary goals is to become an employer of choice.

To achieve its mission and strategic objectives, Phumelela is committed to a remuneration approach that ensures that all employees are remunerated fairly and are treated consistently throughout the Group. A key responsibility of executives at Phumelela is to attract, retain and motivate staff.

Objectives of the policy

The objectives of the remuneration policy are to ensure that the remuneration system:

- rewards individuals for the achievement of the Group's objectives and motivates high levels of performance;
- recognises exceptional performance by individuals;
- allows the Group to compete effectively in the labour market and to recruit and retain high-calibre staff;
- achieves fairness and equity in remuneration and reward;
- forms the basis of compensation within the Group;
- operates within a framework of good governance and oversight by the remuneration committee;
- is designed to support key business strategies and create a strong, performance-orientated environment; and
- is not only concerned with performance management and rewards, but is also an important part of an integrated management process incorporating retention, staff development and promotion and succession management.

Remuneration philosophy

The remuneration policy of Phumelela is aligned to the business goals and objectives of the Group. To this effect, Phumelela's remuneration philosophy is to attract, retain and motivate high-performing people who enjoy working in our business and subscribe to our culture, values and philosophies. All employees are encouraged to embrace innovation and a sense of urgency and to be passionate about the service they render to our customers.

Components of remuneration

- Payment of industry-competitive annual remuneration packages (consisting of base fixed salary and competitive benefits);
- Variable performance rewards (performance-based bonus schemes for staff, senior management, and executive directors); and
- A share incentive scheme (for senior management and executive directors).

Base salary and benefits

All employees' salaries are reviewed annually. Increases, if any, take into account a variety of factors as determined by the remuneration committee at its discretion, which may include one or a combination of the following factors:

- Economic factors such as inflation indices and the level of increases awarded by competitors and the industry.
- The Group's financial position and ability to afford increases.
- The employee's individual performance and contribution to the Group.
- Where applicable, team performance and contribution.
- The employee's overall compensation package in relation to the market.
- The Group's needs to protect and retain certain skills.

Benefits are structured to be competitive within the industry and are delivered through flexible, individually tailored packages. Core benefits include pension/provident fund schemes and life, disability and personal accident insurance. Medical cover and other related benefits are discretionary as dictated by competitive local market practices.

In order to bridge the gap between low and high-income earners, the Group's policy is to try and award relatively higher increases to lower income earners.

Collective bargaining

The increases for employees belonging to recognised trade unions are negotiated and agreed in collective bargaining forums.

Corporate governance (continued)

Executive directors and chief executive

The remuneration committee, in setting compensation policy, recognises the need to be competitive in the local and international markets. The committee's policy is to ensure that the executive directors are fairly and responsibly rewarded for high levels of performance.

Accordingly, executive directors receive base salaries comparable with companies of a similar size and international scope and have the opportunity to earn enhanced total compensation for meeting the performance targets set by the remuneration committee, both for individual performance, and the performance of the Group.

The components of remuneration for executive directors comprise base salary (a fixed sum payable monthly, reviewed annually), benefits (including car allowance, medical aid and pension contributions), an annual bonus, and long-term incentives (comprising share options).

The policy adopted by the remuneration committee ensures that a significant proportion of the remuneration of executives is aligned with the achievement of corporate performance targets, generating a strong alignment of interest with shareholders.

Annual performance bonus

The performance bonus schemes provide the variable element of the total compensation packages for all Group employees, and are designed to reward outstanding performance. All employees are eligible for an annual performance bonus.

The Group's bonus schemes comprise:

- A senior management and executive director performance bonus scheme; and
- An employee performance bonus scheme.

The annual bonus schemes and all bonus payments are subject to, inter alia, the achievement of predetermined Group, Company, team and individual performance targets.

Mechanism for determining bonus awards

The Group's financial and other strategic objectives are determined at the beginning of the financial year. These are devolved down to business unit levels, allowing:

- Performance objectives to be set for individual senior managers and executives at the beginning of the financial year. A target percentage bonus pool is determined at the beginning of the financial year. Participation in the pool is based on the achievement of Group and individual objectives expressed in percentage terms.

  At the end of each financial year, performance scores of participants are forwarded to the remuneration committee with recommendations for final decision and awards.
- All other Group employees are eligible to participate in a performance bonus scheme, which provides for payment of an annual bonus depending on Group and individual performance.

The awarding of bonus payments is managed by line management and is based on the achievement of measurable performance targets set at the beginning of the financial year.

Long-term share incentive plan

The Group believes that all senior management and executive directors should hold shares in Phumelela. Accordingly, the Group operates a share incentive scheme for senior management and executive directors to establish a motivational and performance-orientated structure that focuses on the creation of shareholder value. The scheme was approved by shareholders at the Annual General Meeting held in December 2008.

CHECKS AND BALANCES

Job grading and pay structures

In order to establish the relative worth of each position and ensure equity in remuneration, a job grading and evaluation system has been implemented and is consistently applied across all jobs. All support staff positions are assessed every five years or sooner if the job content has changed significantly.

All positions within the Group are evaluated and graded according to the Paterson Grading System, which confirms the compatibility of positions within the Group, as well as in comparison to the market.

Competitive pay levels

The Group policy is to pay industry-competitive salaries and wages. Accordingly, the Group seeks advice from external advisers when it considers it appropriate, in order to keep itself fully informed of developments and best practice in the field of remuneration and subscribes to a number of online salary surveys to ascertain the competitiveness of its pay levels.

Salaries and wages are benchmarked against market data published by reputable salary survey companies. Managers of high performers and employees with scarce skills that are critical to the business are encouraged continually to review their packages in relation to the market to improve retention.

While attracting and retaining scarce skills and rewarding high levels of performance, the remuneration policy must remunerate staff members in a manner that supports the achievement of Phumelela's mission, vision and strategic objectives. The policy does not permit and should not result in any special conditions, privileges or exemptions from normal job performance requirements.

Chairman's review

The results delivered are the product of foresight and the diversification of revenue streams, thereby securing the sustainability of the business in the face of external challenges

THE YEAR IN PERSPECTIVE

I wish to congratulate our leadership team and the entire staff complement of Phumelela on a pleasing result for the year ended July 2014. The results delivered are the product of foresight and the diversification of revenue streams, thereby securing the sustainability of the business in the face of external challenges.

Phumelela today has an expanded customer sports betting offering across different geographies and formats and is the leader in South Africa in staging world-class horseracing events at quality venues. We have a portfolio of strategically well-located properties, the replacement value of which is not fully reflected in our balance sheet.

Since October 1997, when Phumelela was first incorporated and I was appointed to the Board, the Group has changed fundamentally in the way it does business. I am also delighted that Phumelela is at the forefront of business transformation. We are not only proud of our AAA level 2 B-BBEE status but particularly of the fact we achieved this almost two years ahead of schedule and have met targets across the scoreboard. Phumelela understands that transformation is not a compliance but a business sustainability issue in building our young democracy.

We also strive to do business in an environmentally sustainable way. For example, we used 6% less fuel this year compared with the previous year while we also reduced our electricity consumption by 1%, with electricity consumption at Turffontein, our flagship venue, down by 5%. In addition, we provide meaningful horseracing industry support and our societal contributions are wide-ranging.

Phumelela also contributed materially to national and provincial revenue this past year with over R197 million in tax paid.

The year under review was beset by domestic economic difficulties, partly of our own making as South Africans, but also a result of global factors such as lower natural resources prices and weakness in certain major overseas markets. The worrisome labour strife, as exemplified by the five-month platinum mining sector strike and the metals industry strike in July, has implications for employment, disposable income and investment intentions. This negative situation creates uncertainty and stifles growth and development.

I encourage all who have a vested interest in South Africa's prosperity to put their individual differences aside and work for the common good. For example, a vigorous and timely implementation of the National Development Plan, that takes the needs of all role players into account and fosters socio-economic improvement, would be positive, not only for South Africans, but also for the way the world views South Africa as a place to visit, to invest in and to do business with. We as South Africans need to seek long-term solutions to these problems without eroding anyone's rights as enshrined in our constitution.

Encouragingly, the democratic process we have fought for and enjoy in South Africa was on display this past May when the country staged another successful general election. Notwithstanding the vigour with which we engage in debate in South Africa, we have a stable political backdrop.

We report our results for the first time in the absence of our beloved father of the nation – Madiba. On behalf of the Board and the people of Phumelela, I wish to salute Nelson Rolihlahla Mandela, a great South African leader and a statesman of international stature, who passed away in December 2013. Mr Mandela exemplified what can be achieved against seemingly impossible odds and it is his example that provides the inspiration to succeed and do good. His was a life well lived through his deeds. I wish to extend our boundless gratitude to Madiba, and to all those who contributed to who he was and his life, for his selfless service to our nation. In Mr Mandela's own words, "what counts in life is not the mere fact that we have lived, it is what difference we have made to the lives of others that will determine the significance of the life we lead."

Our Chief Executive Officer, Mr Rian du Plessis, has provided you with his strategic and operational analysis while our Group Finance Director, Mr Andreas Heide, has provided necessary qualitative detail in respect of the financial statements.

APPROPRIATE POLICY AND A FAIRER FUNDING DISPENSATION

Two overriding issues affect the economics of our business. The first is government policy and the second is the funding of the sport of thoroughbred horseracing.

If we are not commercially sustainable, none of the other sustainability factors that make for a holistic business are material.

Clarity is very necessary insofar as government policy and legislation towards gaming are concerned. Clarity is particularly important with regard to our traditional business of horseracing and tote betting thereon.

Our Group Finance Director has demonstrated in his review the degree to which our local operations are loss-making with local horseracing on a standalone basis making a loss of R150 million in 2014. This situation cannot continue. Phumelela is a

MP Malungani
Chairman

business that lawfully conducts totalisator betting in all sports, including horseracing, and is a racecourse operator with relatively high capital requirements and maintenance costs that has a material interest in the future of the industry.

More than three years ago, Phumelela presented evidence to the Gambling Review Commission and the department of Trade and Industry Parliamentary Portfolio Committee on gaming. Our submission was exhaustive in its description of the economic value chain associated with the industry that is horseracing. We made clear recommendations. The legislation in this regard remains unchanged.

Both the Gambling Review Commission and the Portfolio Committee, *inter alia*, are in favour of a level playing field and a reallocation of taxes to favour gambling institutions that are more labour intensive at the expense of those that are less labour intensive. The Gambling Commission observed that current funding models for the industry should be reviewed to ensure that the tax rates and levies paid to the industry are standardised across the board to create a level field while the Portfolio Committee noted that "bookmakers should not be allowed to take open bets, namely bets based on the odds of the totalisator."

The horseracing value chain is heavily subsidised by operators (who stage the events) and owners. Income comes largely from two sources – totalisator operators and taxes levied on punters' winnings on bets placed with fixed-odds bookmakers (of which Phumelela is one). The discrepancy between what bookmakers in general take from the sport and what they put back is material while the open bet practice, taking further market share from the tote, adds insult to injury.

The intellectual property of the sport of horseracing is not adequately compensated. This further removes funds for reinvestment.

Regulation should be consistent and not fragmented across provinces, given the complexities as a result of the national and provincial concurrency. Tax rates differ markedly across provinces as does requirements. The tax and administrative burden of horseracing is substantially higher than its share of total gambling revenue in all its forms.

The year under review has sadly absorbed unnecessary and costly time in litigation involving the Tellytrack partnership, in which Phumelela has a 61% interest, and certain bookmakers. The detail on this is in the public domain.

It is important to emphasise that seeking fair economic value for the intellectual property that is vested in Tellytrack, which broadcasts live horseracing content, will not prejudice bookmakers. Moreover, international content has grown from nothing to three-quarters of the races displayed. Content providers, both local and international, require compensation and it cannot be pirated.

A 3% fee on betting turnover for Tellytrack is the international norm, not the exception. Phumelela, Gold Circle and Kenilworth Racing pay 3% of tote turnover for the right to bet on one another's racing. They also pay an average 3% of tote turnover to the suppliers of international content.

Various competitive forces shape the business of horseracing, sport betting other than horseracing and the entire spectrum of gambling. The need for a fairer dispensation in respect of funding the sport and in levies and taxation is now imperative. We look forward to an equitable outcome for the good of all.

THE YEAR AHEAD

Phumelela has a number of continuing competitive initiatives, both local and international, that our CEO has shared with you. All of these reinforce the appeal of Phumelela for its many and varied stakeholders. The Phumelela team delivers a world-class product at a very keen cost.

My fellow board members provide continued wise counsel and I thank them for the excellent service they give to Phumelela.

MP Malungani
Chairman

Chief Executive Officer's review

South Africa is setting the trend in cost efficiencies in horseracing operations and in diversification of betting opportunities into sports other than thoroughbred horseracing

KEY OPERATIONAL FEATURES OF THE TRADING YEAR

- Appeal of South African horseracing content and betting thereon is driving international revenue
- Growing attendance at local thoroughbred horserace meetings
- Betting World continues with its store expansion
- Achievement of real growth in earnings despite a number of domestic business challenges

THE PAST YEAR

The past year has presented the Phumelela team with its usual fair share of challenges but also some reasons to celebrate. We continue to shape our destiny in full knowledge that no one owes us a living and we have to pay our way, preferably on a proverbial playing field that is rather more level from a horseracing funding point of view than is the case currently.

A sad event for all South Africans was the passing away of our great elder statesman and former State President, Mr Nelson Mandela. Our Chairman has paid fulsome tribute on behalf of us all at Phumelela to this towering individual but I also wish to express my personal sense of loss. In deference to Madiba, race meetings to be held on the day of his memorial service and official state funeral were rescheduled. All Phumelela race meetings prior to the official state funeral were dedicated to Mr Mandela. A moment's silence in his honour was observed at each meeting, flags were flown at half-mast and jockeys wore black armbands.

Another sad and untimely event for us at Phumelela was the recent passing of our friend and colleague, Rushen Gopaul. Rushen joined Phumelela in 2011 as Legal And Compliance Manager and was promoted to the position of Company Secretary in July 2012. Rushen served us with distinction, playing a key role too in the preparation of these annual results, and we mourn with his family.

In my closing remarks in the 2013 Integrated Report, I observed that Phumelela is not engaged in a sprint and is prepared to go the distance, with a demonstrable ability to achieve pleasing results in difficult times. We planned to maintain momentum in both the domestic and international market and we have achieved just that, in the process growing Group attributable income by 29% and headline earnings by 15%.

I thank all my colleagues for contributing to this splendid outcome. Despite the difficulties we have to face, our industry is an exciting one in which to build a career and take satisfaction from what we do.

As CEO I value the strategic guidance of my Chairman and the advantages bestowed by a strong Board of Directors with business acumen, experience, farsightedness and the good of our industry at heart. Thank you all kindly for your support this past year.

While the weaker Rand certainly helped boost our Group returns for the year, real growth in income was nevertheless achieved in both local and international operations.

WA du Plessis
Chief Executive Officer

The real growth in income, albeit modest, was hard won, but insufficient to prevent a further reduction in profitability and a further substantial loss on a standalone basis in our traditional business of thoroughbred horseracing and tote betting thereon. This situation is untenable, in large measure due to the imbalance in funding of the sport.

Phumelela's international operations, based upon the export of South African horseracing content, are a symbiotic and vital contributor to the Group's success. Without this contribution we would barely have a business today. From contributing virtually nothing to profits 10 years ago, our international operations have grown to such an extent this past year that they contributed a handsome R142,4 million or 110% of Group pre-tax income.

Financial features of the year are dealt with in more detail by Mr Andreas Heide, our Group Finance Director, in his financial review.

BUILDING A SUSTAINABLE BUSINESS

In the six years that I have served as CEO of Phumelela, I have continued with the groundwork laid by my predecessors to ensure the commercial sustainability and growth of the Group.

The corporatisation process, begun in the late 1990s, was a financial necessity and a political imperative. But above all, bold and visionary leadership was required to ensure that the sport of thoroughbred horseracing was not consigned to history. Despite challenges, the traditional business of thoroughbred horseracing is the foundation around which all else that we have is built, including betting opportunities on sports other than horseracing and the international operations. Today, all stakeholders in Phumelela, and they are many and varied, are beneficiaries of the funding vision.

Stakes, which are governed by our agreement with the Racing Association, increased to a record R186 million in the past year and are 30% higher than in 2008.

Increased race stakes have been an important contributor to our efforts to reinvigorate the sport of thoroughbred horseracing in South Africa and enhance its international appeal. We also provide owners and trainers with training facilities at no charge and we heavily subsidise their stabling costs.

In South Africa, there are approximately 440 race meetings staged each year on 364 days, with 3 800 races staged at eight tracks. With approximately 12 horses competing per race, South African horseracing makes for an exciting experience for all involved.

Results this past year demonstrate the appropriateness of decisions made and actions taken a number of years ago to broaden income streams and geographical sources of income. That income in turn has given us the cash resources to invest for growth beyond our traditional market while ensuring we do not neglect our historical base, even if returns are elusive at this point.

Together with totalisator betting on soccer and rugby, limited payout machines and our international operations through the totalisator on the Isle of Man and through the export of South African horseracing, Phumelela today offers its growing customer base a wide range of betting alternatives.

Our largest expense item is salaries and wages. There is little we can do to limit inflation on that line item other than to ensure that our people contribute productively and are aligned to our growth initiatives so that our growth in income exceeds that of our expenses.

I have little doubt that Phumelela is setting the trend in cost efficiencies in horseracing operations and in diversification of tote betting

Chief Executive Officer's review (continued)

opportunities into sports other than thoroughbred horseracing. Phumelela's cost engine is lean on any comparative measure.

OPERATIONAL ASSESSMENT

Against a challenging business and economic backdrop we have continued to invest in our traditional South African business, into other betting types and forms of gambling and into internationalising our sports betting offering. For the year under review, R67 million was invested and the Group continues to invest ahead of depreciation while seeking innovative ways to expand its offering.

This past year, for example, provision of increased weekly betting opportunities resulted in a 33% increase in tote betting on soccer. Furthermore, the appropriateness of our retail growth strategy was reinforced by a 61% rise in fixed odds net betting income on numbers. Fixed-odds betting opportunities are offered through Phumelela's wholly owned subsidiary Betting World. With growth in the past year to 57 stores we have plans to continue this growth into the future through new openings and acquisitions.

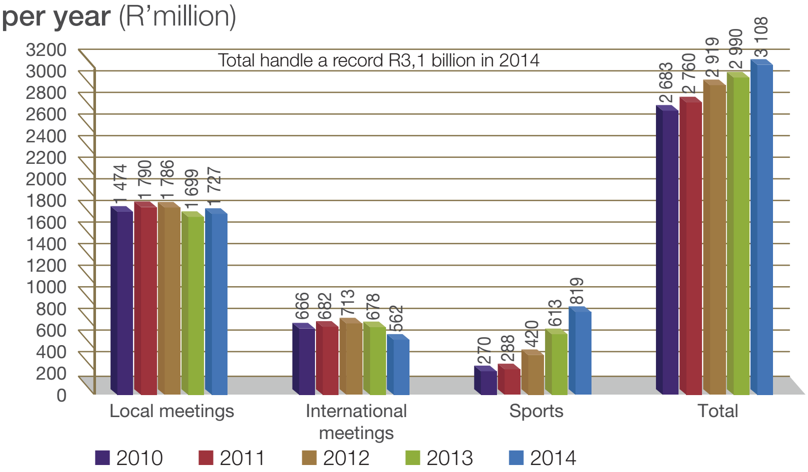
As indicated in the Group Finance Director's review, the Group result was underpinned by a very pleasing performance from international operations which contribute foreign currency and which are crucial to the financial wellbeing of Phumelela. The Group has a strong balance sheet and cash flows to meet our investment plans and pay a healthy dividend.

The investments we have made in supporting our traditional business in South Africa are fundamentally important to this outcome as we not only export South African thoroughbred horseracing media rights but we gain revenue from the concomitant betting thereon and from our Isle of Man totalisator partnership.

During 2014 the total local tote betting handle reached a record R3,1 billion of which local and international horserace meetings accounted for R2,3 billion and other sports R0,8 billion.

Pleasingly, we have seen good growth in local on-course attendances. Hospitality also showed encouraging growth.

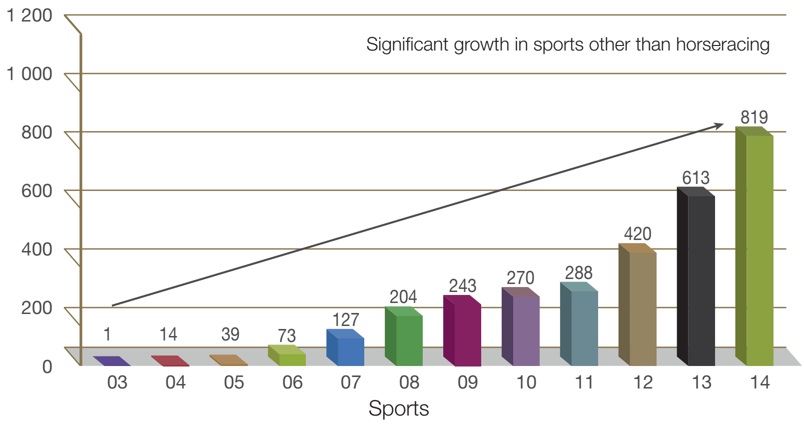
Local tote betting handle product mix – money wagered per year (R'million)



Tote betting on imported horseracing was negatively affected by weather-related disruptions to horseraces and the temporary suspension of the visual broadcast of international content on the Tellytrack channel. This suspension was at the instruction of the international content providers and was due to bookmakers' refusal to pay for the service. As a result, customers who could not watch live international racing from home reduced their betting on international racing content.

Other sports betting income continued to rise strongly, with soccer a particular favourite. This income has grown from negligible levels a decade ago to account for almost a quarter of money wagered on local tote betting.

Local tote betting handle – money wagered per year on sports other than horseracing (R'million)



Other initiatives also add to the appeal of our offering. These include the removal of couplings on the Pick 6 bet which lengthen the odds and create bigger pools through carry-overs, or the Soccer GG, which adds a horse race to five soccer matches.

In my previous report I commented that the proven appeal of a potentially life-changing bet has focused international attention on the benefits of commingling.

This trend continued in the past year with, for example, South Africa commingling into Sweden, Finland, Sri-Lanka and Turkey and with UK online streaming contracts. Hong Kong has now permitted inward commingling and we expect that our customers will benefit from betting into their substantial tote pools in the 2015 financial year.

In order to assist our neighbours in Zimbabwe, where the horseracing industry has been under extreme pressure, Phumelela has agreed to provide technical services and financial support in the form of a bridging loan. We believe this will be beneficial for both parties and play a significant role in ensuring the sustainability of Zimbabwean racing.

THE FUTURE

Phumelela's international operations, tote bets on sports other than horseracing, and fixed-odds numbers betting continue to grow. Under consideration are further initiatives that support the competitive appeal of South African thoroughbred horseracing, which has shown an encouraging renewal of interest, growth and on-course attendance.

Diversification and innovation in betting opportunities internationally is an essential component of the growth and financial success of Phumelela and we expect further progress in the short to medium term. Growth in commingling, notably with Singapore and Hong Kong, and introduction of tote soccer betting in Africa and Latin America are but a few of the initiatives in the pipeline. Our Isle of Man joint venture has significant further potential.

Phumelela will continue to be world leaders in commingling and simulcasting.

We are pursuing organic growth in our local retail footprint and this will be supplemented by selected acquisitions.

The Group continues targeting real growth in earnings.

WA du Plessis
Chief Executive Officer

Group Finance Director's review

Return on ordinary shareholders' equity of 24% achieved, profit attributable to ordinary shareholders up 29%

ANALYSIS OF THE GROUP'S FINANCIAL RESULT

The Group's financial result for the year ended 31 July 2014 featured another strong contribution from offshore operations. This helped the Group attain a return on average shareholders' equity of 24%. This positive momentum from international operations was maintained in both the first and second half of the year. Profit before tax from international operations was up 52% in the first half and up 47% for the full year.

Foreign currency income on translation to South African Rand benefited from a weaker Rand against most major currencies. The Rand, for example, averaged R17,17 to the British Pound during the year and was thus 22% weaker.

International operations in foreign currency are fundamentally important to the financial wellbeing of Phumelela and include contributions from South African thoroughbred horseracing media rights, together with the concomitant betting thereon, and income from the Group's Isle of Man joint operation. Profit before tax from international operations increased to R142,4 million from R97,0 million.

Local operations made a loss before tax of R12,6 million compared with a profit before tax of R14,3 million in the prior year. Horseracing and tote betting thereon continues to be loss making with tote betting on sports other than horseracing and fixed odds making a positive profit contribution.

Litigation involving the Tellytrack joint operation, in which Phumelela has a 61% interest, has been time consuming and costly and a related effect has been a reduction in turnover and earnings derived from local betting on international race meetings.

Despite these negative factors detracting from local earnings, the Group returned a very satisfactory result for the year.

Group profit after tax attributable to ordinary shareholders increased by 28% to R110,4 million from R85,9 million and headline earnings increased by 15% to R99,9 million from R86,5 million.

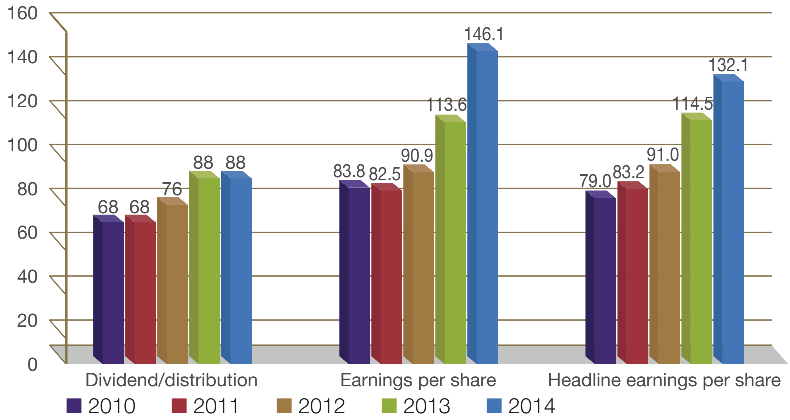
As the Group now holds a direct investment in Automatic Systems Limited (Mauritius) ("ASL") rather than indirectly through Phumelela Gold Enterprises, a profit of R11,1 million on unbundling was recorded.

International income and expenditure are now both 100% accounted for rather than proportionally consolidated at 61%.

A reduced tax charge of R19,4 million and a lower effective tax rate are due to the higher proportion of offshore income in relation to South African income.

Earnings per share for the year increased by 29% to 146,07 cents from 113,61 cents, while headline earnings per share for the year increased by 15% to 132,10 cents from 114,46 cents.

Dividends/distributions and earnings per share in cents – per year (2010 to 2014)



AW Heide
Group Finance Director

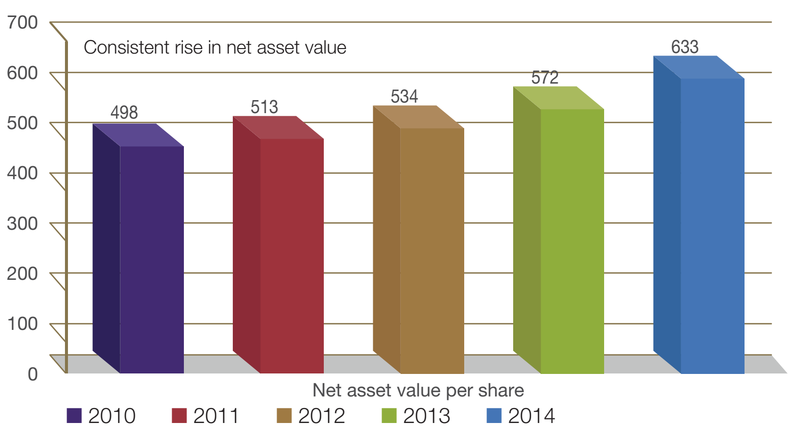
Headline earnings per share have increased steadily since 2010.

Dividends totalling 88 cents per share were declared in respect of this year's earnings and represent a cover ratio on headline earnings of 1,5 times.

The Group has cash on hand of R94,9 million, up from R60,2 million in the prior year, and negligible short-term borrowings. Of the total assets of R788,1 million, property, plant and equipment accounts for R426,7 million at carrying value.

Net asset value per share has increased by 11% to 633,04 cents and has risen consistently over the past few years.

Net asset value per share in cents – per year (2010 to 2014)



International income is positive for Group cash generation, with R126 million generated for the year after retention of cash from working capital. Cash balances were also bolstered by receipt of R51,1 million in dividends from equity-accounted investees.

ANALYSIS OF LOCAL OPERATIONS FINANCIAL RESULT

Income from local operations increased by 7% to R967,4 million with income from totalisator operations up 7% to R831,6 million and income from fixed-odds operations up 9% to R135,8 million. In the context of a sluggish local economy, growth above inflation is pleasing.

Total net betting income from local totalisator and fixed-odds operations increased by 5% to R746,6 million. Net betting income from tote operations, assisted by a 34% increase in tote bets on sports other than horseracing, increased by 5% to R632,6 million, while net betting income from fixed-odds operations increased by 9% to R114 million.

The popularity of the soccer offering together with increased betting opportunities resulted in a 33% increase in net tote betting income to R188,9 million.

Group Finance Director's review (continued)

The tote betting handle on international racing was adversely affected by weather-related disruptions and the suspension of the visual broadcast of content on the Tellytrack channel at the instruction of the international content service providers following the refusal by local bookmakers to pay fair market value for the right to display international content in their betting shops.

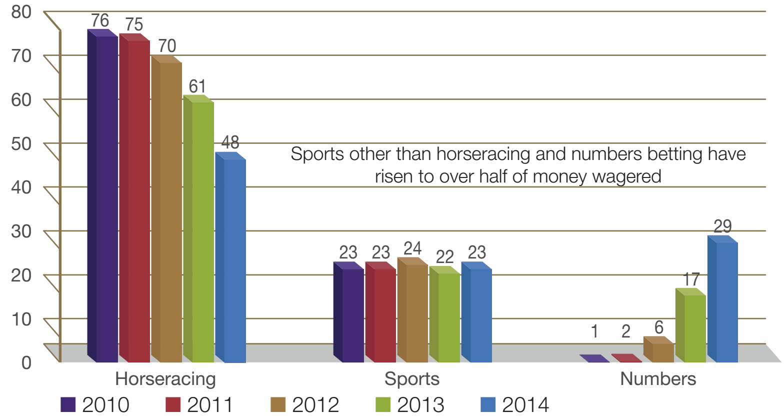
Betting World ended the year with 57 outlets, with the bespoke fixed odds betting software fully operational. Fixed-odds betting handle increased by 18% and the popularity of numbers is demonstrated by the fact that it constitutes 29% of the fixed-odds betting handle, up from only 1% in 2010, with horseracing at 48% and other sports at 23%.

Net betting income on numbers increased by 61% to R48,8 million. As a consequence of unfavourable horseracing and soccer results, net betting income on horseracing decreased by 17% to R45,7 million and on other sports by 1% to R19,5 million.

Other income in total increased by 7% to R195,5 million.

Normal operating expenses remain well controlled. Costs incurred in the retail expansion are being recouped as the new outlets generate income.

Fixed-odds betting handle mix – percentage share of money wagered per year (2010 to 2014)



Stakes paid out on horseracing increased by 6% to R186,3 million and reflects our commitment to the competitive appeal of horserace betting.

Nevertheless, the unfavourable situation in respect of the funding of local horseracing is evidenced by the fact that earnings before interest, depreciation and tax from totalisator operations decreased by 73% to R7,1 million with the pre-tax loss increasing to R21,1 million from R7,7 million.

Our fixed odds business, which incorporates Betting World, had a 29% decrease in earnings before interest, depreciation and tax to R20,2 million while pre-tax profit decreased by 62% to R8,4 million. This situation is expected to improve as the investment programme bears fruit.

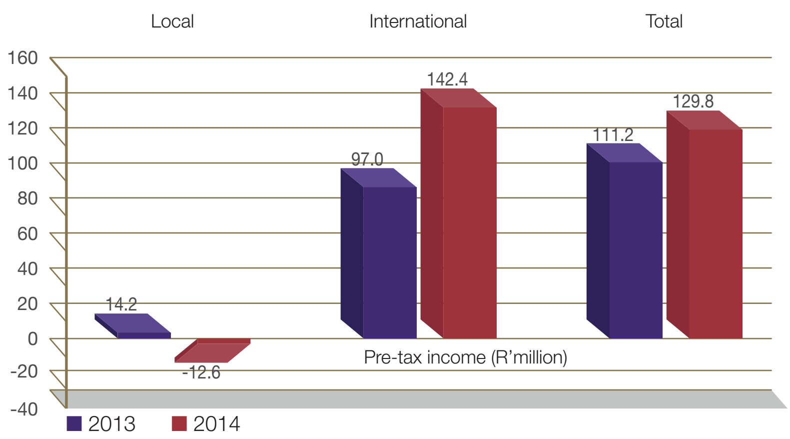
ANALYSIS OF INTERNATIONAL OPERATIONS FINANCIAL RESULT

Strong revenue growth was recorded in a number of countries as result of healthy demand for South African horseracing content and betting thereon. On a similar comparative basis, international income increased by 21% to R224,7 million, with intellectual property rights fees and operating expenses up in line with this increase.

Earnings before interest, depreciation and tax from international operations increased on a comparative basis by 38% to R73,9 million. In addition, our share of profit from equity-accounted investees increased by 31% on a comparative basis to R57,5 million. As mentioned, an abnormal profit of R11,1 million was recorded on the unbundling of the investment in ASL.

The extent of the Group reliance on foreign income is such that it is now 110% of pre-tax income.

Proactive strategy to innovate and diversify income streams



FINANCIAL AND OPERATIONAL DISCLOSURE

In addition to the comprehensive information provided for stakeholders in the annual Integrated Report, the Group publicly discloses useful financial and operational detail in the interim and annual results presentations which are available for download via the Group's website.

GOING FORWARD

The Group is in a sound financial position, with substantial net cash balances as at 31 July 2014, and has adequate banking facilities and reserve borrowing capacity. As we go into the new financial year, the Group will have a number of demands on its cash resources and has the capacity to meet these.

Inter alia, the Group will be buying shares to fulfil obligations in respect of shares that may be exercisable in terms of the executive option schemes. In addition, bridging finance in the amount of R20 million is to be extended to the Mashonaland Turf Club while capital expenditure commitments amount to R103 million.

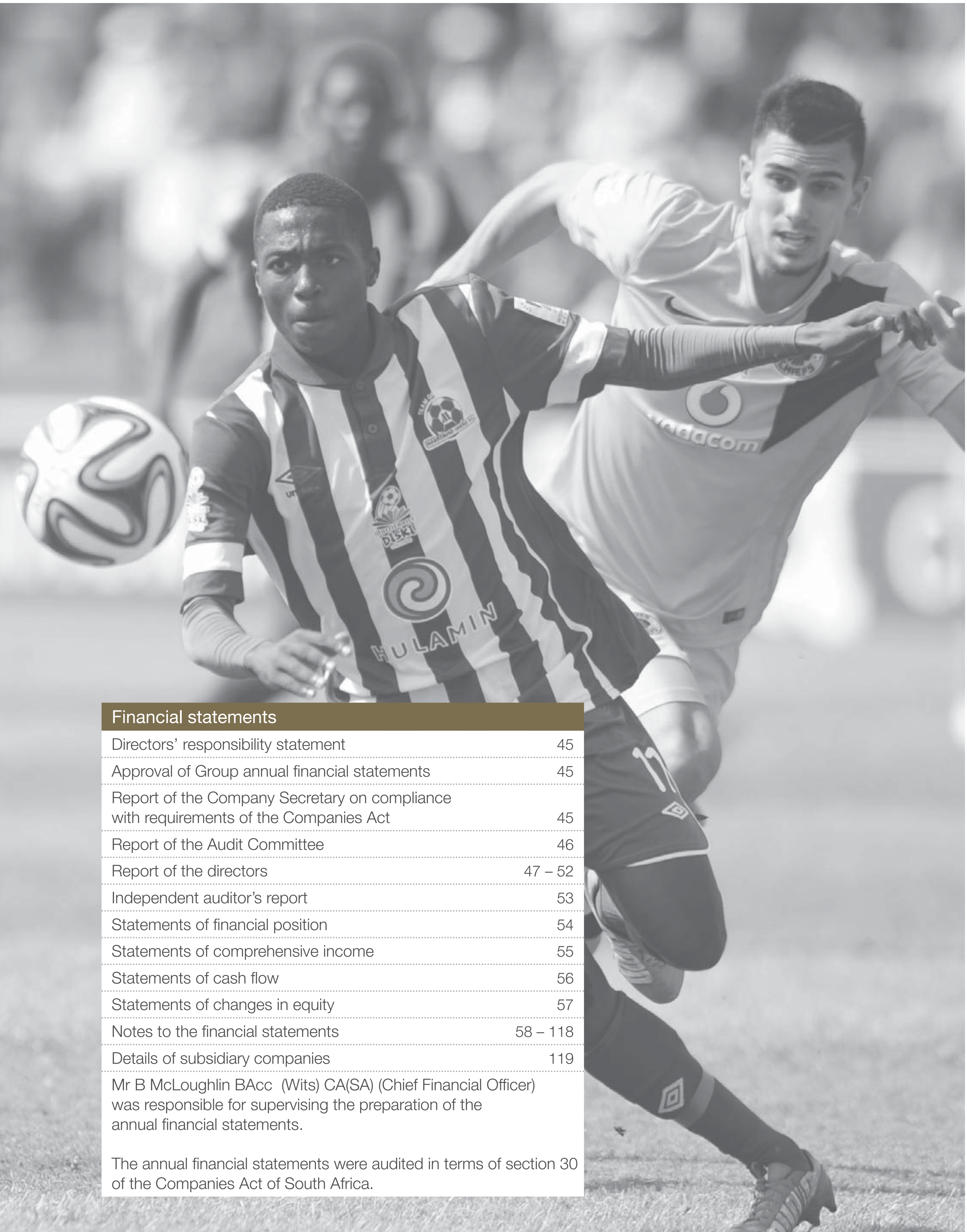
Retail expansion will be allocated a fair portion of the capital expenditure for sites, acquisitions, software and betting terminals.

Capital has also been allocated to consolidate Group IT operations at Turffontein and improve administrative efficiencies.

Despite the loss-making situation in respect of local horseracing, we remain committed to keeping our racing offer relevant and internationally competitive and will continue to be applied to this end.

AW Heide
Group Finance Director

Group and company annual financial statements



Financial statements

Mr B McLoughlin BAcc (Wits) CA(SA) (Chief Financial Officer) was responsible for supervising the preparation of the annual financial statements.

The annual financial statements were audited in terms of section 30 of the Companies Act of South Africa.

Directors' responsibility statement

for the year ended 31 July 2014

The Company's directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of Phumelela Gaming and Leisure Limited, comprising the statements of financial position as at 31 July 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Company and its subsidiaries' ability to continue as going concerns and there is no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the Group financial statements and financial statements of Phumelela Gaming and Leisure Limited are fairly presented in accordance with the applicable financial reporting framework.

Approval of Group annual financial statements and annual financial statements of Phumelela Gaming and Leisure Limited

for the year ended 31 July 2014

The Group annual financial statements and annual financial statements of Phumelela Gaming and Leisure Limited were approved by the Board of Directors on 3 October 2014 and signed on their behalf by:

MP Malungani
Chairman

WA du Plessis
Group Chief Executive Officer

Report of the Company Secretary on compliance with requirements of the Companies Act

for the year ended 31 July 2014

I certify that the Company has lodged with the Registrar all such returns as are required by the Companies Act and that all returns are true, correct and up to date.

AW Heide
BCompt Hons, CTA, CA(SA)
Interim Company Secretary
3 October 2014

Report of the Audit Committee

for the year ended 31 July 2014

The Board places strong emphasis on achieving the highest level of financial management, accounting and reporting to shareholders. An Audit Committee charter, which supports these principles, has been approved by the Board.

The Audit Committee, which comprises non-executive directors, reviews the scope of the audit and the accounting policies. The Audit Committee identifies key risk areas and evaluates exposure to significant risks and the appropriateness of internal controls.

The scope of the external audit, internal audit and reliance on internal controls are discussed between the Audit Committee and the external auditors as part of the process of each audit. The external auditors have unrestricted access to the Audit Committee and its chairman.

The Audit Committee, with the auditors present, examines, reviews and discusses the audited financial statements and reports to be issued to the public before being submitted to the Board for approval. The Board is provided with regular reports on the committee's activities. The committee recommends the appointment of external auditors, the level of fees payable and the level of non-audit services.

Committee members

The following independent non-executive directors served on the Committee during the year:
R Cooper (Chairman)
N J Mboweni
J B Walters

In line with King III the composition of the Audit Committee will be presented to the shareholders for approval at the annual general meeting.

Appropriateness and experience of the Financial Director

The Committee has satisfied itself that Mr AW Heide has the appropriate expertise and experience to meet the responsibilities of his appointment as Finance Director of the Group.

External audit

KPMG Inc. is the external auditor of the Group.

The external auditors provide an independent assessment of systems of internal financial control and express an independent opinion on the annual financial statements. The external audit function offers reasonable, but not absolute assurance on the accuracy of financial disclosures.

Based on processes followed and assurances received, the Audit Committee has no concerns regarding the external auditors independence.

The committee has recommended, for approval at the annual general meeting, the re-appointment of KPMG Inc. as external auditor for the 2015 financial year. The Committee has recommended Mr DD Thompson as the registered auditor responsible for the audit.

Terms of reference

For the year under review the Committee is satisfied that it has met its responsibilities in accordance with its terms of reference, as fully set out in the Integrated Report.

Annual financial statements

The Committee has recommended the annual financial statements for approval to the Board. The Board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

On behalf of the Audit Committee

R Cooper
Audit Committee Chairman
3 October 2014

Report of the directors

for the year ended 31 July 2014

NATURE OF BUSINESS

South Africa

The Group owns five racecourses with allied training centres in Gauteng, Free State, Northern Cape and Eastern Cape, and manages a standalone training centre in Gauteng. The Group stages approximately 250 race meetings annually and provides betting opportunities primarily on horseracing via its totalisator system and a network of branches, agents, an internet betting site, cellular phone and telephone betting (telebet) centres.

The branch and agent outlets are situated in the above mentioned provinces plus Limpopo, Mpumalanga and North West. Betting opportunities are also offered through the Group's subsidiary company Betting World (Pty) Limited, a licensed bookmaking concern.

International

The Group continues to expand its international presence by capitalising on its simulcast products and coverage and its strong technological platform that allows for international commingling of betting pools.

The Group jointly owns Premier Gateway International Limited (Tabcorp Holdings Limited (Australia) took up joint ownership effective 1 August 2011), a company incorporated in The Isle of Man (IOM). The Company owns a totalisator licence in the IOM and provides betting/commingling opportunities via its online totalisator operation to a worldwide customer base.

The Tellytrack Partnership, a joint operation between Phumelela Gaming and Leisure Limited, Gold Circle (Pty) Limited and Kenilworth Racing (Pty) Limited operates a television studio that broadcasts live horseracing audio, visual and data from South Africa, the UK and other international racecourses to betting shops and private subscribers worldwide.

REVIEW OF RESULTS AND FINANCIAL POSITION

The financial performance of the Group is set out in the statement of comprehensive income.

Group results

For the first six months of the financial year, during which earnings per share increased by 32%, the Group's result was underpinned by a very pleasing performance from international operations. This positive momentum continued in the second half with a weaker Rand providing a further benefit.

The results of the local operations reflect the negative impact of reduced betting on international racing and high legal costs.

The legal costs were incurred in answering complaints lodged with the Competition Commission and the Public Protector against Phumelela and Tellytrack's reply to complaints lodged at certain gambling boards.

Following the refusal by bookmakers to pay a fair value for the right to display international content in their betting shops, the international racing operators instructed Tellytrack to remove their content from MultiChoice's channel 239 and to make such content available only to bookmakers who were prepared to pay for the rights to commercially exploit the content.

Consequently, the Group's customers who could not watch live international racing from home reduced their betting on international racing content.

Despite these negative factors detracting from local earnings in the second half, the Group nevertheless produced a very satisfactory result for the year with profit after tax increasing by 28% to R110,4 million and headline earnings increasing by 15% to R99,9 million.

The Group now holds a direct investment in Automatic Systems Limited (Mauritius) rather than indirectly through Phumelela Gold Enterprises ("PGE") with the result that a profit of R11,1 million on unbundling was recorded. This profit is excluded from headline earnings.

Report of the directors (continued)

for the year ended 31 July 2014

International operations in foreign currency are fundamentally important to the financial wellbeing of Phumelela and continue to enjoy real growth. The weakness of the South African Rand further enhanced this contribution. Profit before tax from international operations increased by 47% to R142 million, benefiting from the export of South African thoroughbred horseracing media rights together with the concomitant betting thereon and from the Group's Isle of Man joint operation.

Local operations made a loss of R12,6 million compared with a profit before tax of R14,3 million in the prior year. Horse racing and tote betting thereon continues to be loss making with tote betting on sports other than horseracing and fixed odds contributing positively to Group profitability. Litigation involving the Tellytrack joint operation, in which Phumelela has a 61% interest, has been time consuming and costly and a related effect has been a reduction in turnover and earnings derived from local betting on international race meetings.

Nevertheless, local on-course attendances, betting and hospitality have shown encouraging growth during the year with on-course attendance up by 20%. Tote betting on sports other than horseracing increased by 34% and now exceeds tote betting on international horseracing.

Costs associated with growing the retail footprint of Betting World had a temporary negative effect on fixed odds profitability but the appropriateness of the growth strategy was reinforced by a 95% increase in the fixed odds numbers betting handle.

Income from local operations increased by 7% to R967 million. With effect from 1 August 2013 the PGE international joint operation was dissolved and accounted for as a wholly owned operating division. The prior year reflects a 61% proportional consolidation. As a result, on a similar comparative basis international income increased by 21% to R225 million and total income for the Group increased by 10% to R1,2 billion.

Total net betting income from local totalisator and fixed odds operations increased by 5% to R747 million. Net betting income from tote operations, assisted by a 34% increase in tote bets on sports other than horseracing increased by 5% to R633 million, while net betting income from fixed odds operations increased by 9% to R114 million.

Other operating income increased by 16% on a similar comparative basis to R430 million. This income includes commission received from international totes and off-shore bookmakers for the rights to display and bet on South African racing, gambling board levies, unclaimed dividends and breakages, Tellytrack subscriptions, share of profits from Limited Payout Machines ("LPMs") installed in retail outlets and stable rentals.

Local operating expenses increased by 10% to R730 million and on a similar comparative basis international expenses increased by 21%.

Stakes paid out on horseracing increased by 6% to R186 million.

Profit before finance costs, income tax, depreciation and amortisation was R101 million for the year versus R108 million on a similar comparative basis in the prior year.

The Group's share of profit from equity-accounted investees, primarily from Premier Gateway International Limited (Isle of Man), was R58 million compared with R44 million in the prior year on a similar comparative basis.

Operational review of local operations

The provision of increased weekly betting opportunities resulted in a 33% increase in net tote betting income on soccer to R189 million.

A 17% fall in tote betting handle on international racing was due to weather-related disruptions and the suspension of the visual broadcast of content on the Tellytrack channel at the instruction of the international content service providers. As a consequence, net betting income on local and imported horseracing content fell by 4% to R444 million.

By year end Betting World had 57 outlets, an increase of 42%, and its bespoke fixed odds betting software is fully operational. Fixed odds betting handle increased by 18%, of which 48% (61%) was on horseracing, 23% (22%) on other sports and 29% (17%) on numbers. Betting margins were negatively impacted by unfavourable horseracing and soccer results, with the result that net betting income on horseracing decreased by 17% to R46 million and on other sports by 1% to R20 million. Net betting income on numbers benefited from the retail expansion, increasing by 61% to R49 million.

Other income increased by 7% to R195 million with LPM income up 6% to R18 million, gambling board levies down 2% to R53 million, unclaimed dividends and breakages up 2% to R30 million and royalties/commingling fees up 8% to R37 million.

Operating expense growth of 10% was elevated by investment in the retail expansion and legal and consultancy fees in relation to the Tellytrack/bookmakers dispute.

Operational review of international operations

Increased revenues from major trading partners were due to increased demand for South African racing and concomitant betting thereon and Rand weakness.

The Group has focused on expanding South African content abroad and has the advantage that horserace meetings are staged and visual content exported 364 days a year. Inbound horseracing content supplements local content.

Licence fees payable for South African racing content increased by 25%, while normal operating expenses increased by 21%. Expenses include legal and consultant fees and host track fees paid to generate the increased income.

FINANCIAL POSITION

The Group has cash on hand of R95 million, up from R60 million in the prior year, and negligible short-term borrowings.

Of the total assets of R788 million, property, plant and equipment accounts for R427 million at carrying value.

Net asset value per share has increased by 11% to 633,04 cents.

Cash generated from operations, after retention of cash from working capital, amounted to R126 million. From this, R20 million was utilised for payment of income tax, R67 million for dividends to shareholders, R67 million for capital expenditure and a further R12 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 equity-accounted investees amounted to R51 million.

PROPERTY, PLANT AND EQUIPMENT

There was no change in the nature of the property, plant and equipment of the Group and Company or in the policy regarding their use.

SHARE CAPITAL

There has been no change to the authorised and issued share capital of the Company during the year.

Details of shareholders who directly own more than 3% of the issued share capital of the Company are disclosed on page 121 Shareholder information".

SUBSEQUENT EVENTS

There are no significant subsequent events that have a material impact on the financial statements at 31 July 2014.

Report of the directors (continued)

for the year ended 31 July 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.

On 9 September 2014 the Gauteng, KwaZulu-Natal and Western Cape bookmaker associations issued a press release containing details of notices issued to a number of regulatory bodies and including a legal opinion asserting that certain totalisator bets offered by Phumelela, Gold Circle and Kenilworth Racing are unlawful. The bet types offered by the totalisator operators on sports other than horseracing are exempted from the provisions of the Lotteries Act and have been authorised and approved by the relevant provincial gambling boards. In 2003 the Minister of Trade and Industry and the National Lotteries Board instituted criminal and civil proceedings against Phumelela, in which they applied for an order declaring that Phumelela was contravening the Lotteries Act. The applicants withdrew the civil application on 25 June 2004 and tendered Phumelela's taxed party and party costs. During the financial year ended 31 July 2014, provincial betting taxes amounting to approximately R31 million were paid over to all provinces on these totalisator bets.

Phumelela has instructed its legal advisers to answer these notices in the appropriate forums and to take all such steps as are available to it to protect its interests.

LITIGATION

Phumelela is a respondent in an application instituted by Almenta (Pty) Limited and others in the High Court of South Africa, Gauteng Division, Johannesburg, for, *inter alia*, an order directing Phumelela not to alter the status quo as at 31 January 2014, with regard to the broadcasting of horseracing events.

Phumelela is a respondent in a Competition Commission complaint by the Africa Race Group which has been referred by the complainant to the Competition Tribunal.

RELATED PARTIES

With effect from 1 August 2013, the Phumelela Gold Enterprises (PGE) joint operation between Gold Circle (GC) and Phumelela (PGL) was dissolved. 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%.

During the year, the Group unbundled its indirect investment in Automatic Systems Limited (Mauritius) held through Phumelela Gold Enterprises and now holds a direct interest.

As a consequence comparative information for international operations may be misleading. A revised comparison is set out in the condensed segmental analysis as proforma 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 year with equity-accounted investees, joint operations and other related parties.

DIVIDENDS TO ORDINARY EQUITY HOLDERS

A final gross cash dividend of 60 cents per share (51 cents per share net of dividend withholding tax at a rate of 15%) for the year ended 31 July 2013 was declared to shareholders recorded in the register on 25 October 2013 and paid on 28 October 2013.

An interim gross cash dividend of 28 cents per share (23,80 cents per share net of dividend withholding tax at a rate of 15%) was declared to shareholders recorded in the register on 23 May 2014 and paid on 26 May 2014.

The Board has declared a final gross cash dividend of 60 cents per share (51 cents per share net of dividend withholding tax at a rate of 15%) for the year ended 31 July 2014 to shareholders recorded in the register on 31 October 2014 and payable on 3 November 2014.

SHARE INCENTIVE SCHEMES

The following share option schemes have been approved by the shareholders.

Executive Share Option Scheme

A maximum of 10% of the issued share capital at 5 December 2008 may be reserved for the executive scheme.

To date 11 982 000 share options have been granted under this scheme to senior employees as follows:

Effective grant date	Number of options	Number of options lapsed/forfeited	Number of options active	Strike rate (Rand)
1 August 2008	1 912 000	1 912 000		14,00
24 April 2009	200 000	200 000		9,25
8 April 2010	1 820 000	1 820 000		9,00
1 July 2010	300 000	300 000		9,93
17 January 2011	200 000	200 000		11,00
1 August 2011	1 820 000	265 000	1 555 000	11,60
7 November 2011	60 000		60 000	10,88
5 December 2012	2 250 000	150 000	2 100 000	8,38
1 October 2013	3 420 000		3 420 000	15,00
Total	**11 982 000**	**4 847 000**	**7 135 000**	

Except for the options granted on 1 August 2008 which vested over a three-year period with one half exercisable after two years and the balance after three years, options vest over a three-year period.

The exercise of options is conditional upon a minimum compounded annual growth rate in headline earnings per share of CPIX plus 5% over the vesting period and a minimum compounded annual growth rate in the share price of 10% over the vesting period. Should the minimum conditions be met the options are exercisable at the strike rate per share.

Should the growth rate in the share price increase by 15% compounded per annum the options may be exercised at half the strike rate per share and in the event that the share price increases by 20% compounded per annum the options may be exercised at R1 per share.

Group CEO Share Option Scheme

Effective from 20 January 2012, 1 500 000 share options were granted to the Group CEO.

The options vest after three years have elapsed.

The exercise of options is conditional upon a minimum compounded annual growth rate in the share price of 10% over the vesting period and if the participant has not sold, pledged or otherwise disposed of his matched shares during this period. Should the minimum conditions be met the options are exercisable at a strike rate of 2,50 cents per share.

Report of the directors (continued)

for the year ended 31 July 2014

AUDITORS

At the Annual General Meeting held on 4 December 2013, KPMG Inc. were re-appointed as auditors to the Group.

DIRECTORS

The following directors were re-elected to office at the Annual General Meeting held on 4 December 2013:
Mr R Cooper
Mr SKC Khampepe
Mrs NJ Mboweni

The following directors were elected to serve on the Audit Committee at the Annual General Meeting held on 4 December 2013:
Mr R Cooper
Mrs NJ Mboweni
Mr JB Walters

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

In terms of the Company's Memorandum of Incorporation, Messrs MJ Jooste, JB Walters and Dr E Nkosi retire at the Annual General Meeting and being eligible, offer themselves for re-election.

Particulars of the present directors and secretary are given under Company information on the inside back cover.

COMPANY SECRETARY

The Group is sad to announce that the Company Secretary Mr R Gopaul passed away suddenly on Monday, 29 September 2014. Mr AW Heide, the current Financial Director and COO has been appointed interim Company Secretary.

SUBSIDIARY COMPANIES

Details of subsidiary companies are disclosed on page 119.

Independent auditors' report
for the year ended 31 July 2014

TO THE SHAREHOLDERS OF PHUMELELA GAMING AND LEISURE LIMITED
We have audited the Group and Company financial statements of Phumelela Gaming and Leisure Limited, which comprise the statements of financial position at 31 July 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 54 to 119.

Directors' responsibility for the financial statements
The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Phumelela Gaming and Leisure Limited at 31 July 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the financial statements for the year ended 31 July 2014, we have read the report of the directors, the report of the Audit Committee and report of the Secretary on compliance with the requirements of the Companies Act for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.
Registered Auditor

Per DD Thompson
Chartered Accountant (SA)
Registered Auditor
Director

3 October 2014

KPMG Crescent
85 Empire Road
Parktown, Johannesburg

Statements of financial position

as at 31 July 2014

		GROUP		COMPANY	
	Note	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
ASSETS					
Non-current assets		**567 518**	495 400	**433 830**	389 647
Property, plant and equipment	4	**426 712**	404 467	**291 869**	277 360
Goodwill	5	**12 362**	12 227		
Intangible assets	6	**48 733**	45 529	**690**	96
Investment in subsidiaries	7			**96 613**	96 484
Interest in equity-accounted investees	8	**34 954**	15 765	**1 056**	
Investments	9	**18 263**	718	**18 263**	718
Long-term secured loan	10	**19 929**	7 434	**19 929**	7 434
Deferred taxation asset	11	**6 565**	9 260	**2 834**	4 979
Amounts owing by Group companies	12.1			**2 576**	2 576
Current assets		**220 537**	149 028	**205 636**	142 060
Inventories	13	**5 849**	5 629	**722**	315
Trade and other receivables	14	**114 705**	81 089	**90 861**	61 758
Amounts owing by Group companies	12.2			**31 343**	39 892
Pension fund surplus	17	**973**	1 568	**973**	1 568
Income tax receivable		**4 106**	542		229
Cash and cash equivalents	15	**94 904**	60 200	**81 737**	38 298
Total assets		**788 055**	644 428	**639 466**	531 707
EQUITY AND LIABILITIES					
Total equity		**478 791**	432 345	**279 101**	246 709
Equity attributable to ordinary shareholders		**478 497**	432 037	**279 101**	246 709
Share capital and premium	16.1	**1 890**	1 890	**2 221**	2 221
Retained earnings		**477 250**	427 477	**276 880**	244 488
Non-distributable reserves	16.2	**(643)**	2 670		
Non-controlling interest		**294**	308		
Non-current liabilities		**9 397**	3 734	**525**	1 660
Deferred taxation liability	11	**2 555**	2 074		
Retirement benefit obligations	17		1 660		1 660
Borrowings	20	**6 317**			
Financial lease liability	18	**525**		**525**	
Current liabilities		**299 867**	208 349	**359 840**	283 338
Trade and other payables	19	**285 999**	197 464	**249 433**	172 365
Borrowings	20	**2 400**			
Amounts owing to Group companies	21			**99 686**	101 259
Contingent consideration liability	22	**4 056**	3 000	**4 056**	3 000
Income tax payable		**408**	741	**248**	
Betting dividends payable		**7 004**	7 144	**6 417**	6 714
Total equity and liabilities		**788 055**	644 428	**639 466**	531 707

Statements of comprehensive income

for the year ended 31 July 2014

		GROUP		COMPANY	
	Note	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
Income	23	**1 192 109**	1 014 826	**1 042 792**	877 977
Gross betting income	24	**927 253**	875 827	**733 040**	716 049
Value added tax		**(107 058)**	(100 994)	**(83 674)**	(81 698)
Betting taxes		**(73 604)**	(66 980)	**(64 836)**	(60 398)
Net betting income	25	**746 591**	707 853	**584 530**	573 953
Other operating income					
– Local operations		**195 421**	182 356	**220 307**	194 689
– International operations		**234 466**	114 137	**233 801**	113 134
Investment income					
– Local operations		**1 228**	1 753	**2 079**	24 724
– International operations		**1 587**	42	**45 632**	
Net income		**1 179 293**	1 006 141	**1 086 349**	906 500
Stakes		**(186 299)**	(175 689)	**(186 299)**	(175 689)
National Horseracing Authority levies		**(24 696)**	(22 067)	**(24 696)**	(22 067)
Operating expenses and overheads					
– Local operations		**(744 182)**	(679 176)	**(617 005)**	(590 451)
– International operations		**(162 283)**	(43 905)	**(162 109)**	(43 806)
Profit from operations	26	**61 833**	85 304	**96 240**	74 487
Finance costs					
– Local operations	27	**(1 183)**	(779)	**(812)**	(979)
Profit before share of profit of equity-accounted investees		**60 650**	84 525	**95 428**	73 508
Profit on conversion of equity-accounted investees to investment		**11 135**		**14 594**	
Share of profit of equity-accounted investees	8	**57 983**	26 705		
Profit before income tax expense		**129 768**	111 230	**110 022**	73 508
Income tax expense	28	**(19 373)**	(25 257)	**(15 661)**	(15 197)
Profit for the year		**110 395**	85 973	**94 361**	58 311
Other comprehensive income for the year					
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss					
– Exchange differences on translation of foreign subsidiaries		**(3 313)**	2 204		
Items that will never be reclassified to profit or loss					
– Remeasurement of defined benefit obligation		**1 223**		**1 223**	
– Tax effect		**(342)**		**(342)**	
Total comprehensive income for the year		**107 963**	88 177	**95 242**	58 311
Profit attributable to:					
– Ordinary equity holders of the parent		**110 409**	85 871		
– Non-controlling interest		**(14)**	102		
		110 395	85 973		
Total comprehensive income attributable to:					
– Ordinary equity holders of the parent		**107 977**	88 075		
– Non-controlling interest		**(14)**	102		
		107 963	88 177		
Earnings per ordinary share	30	**cents**	cents		
Basic earnings per share		**146,07**	113,61		
Diluted earnings per share		**139,13**	110,85		

Statements of cash flow

for the year ended 31 July 2014

	Note	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Net cash inflow from operating activities		**40 724**	66 706	**64 722**	2 582
Cash generated by operations	35.1	**103 360**	124 747	**76 693**	82 854
Movements in working capital	35.2	**22 685**	26 787	**22 361**	(25 579)
Cash generated by operating activities		**126 045**	151 534	**99 054**	57 275
Income tax paid	35.3	**(20 436)**	(26 131)	**(13 381)**	(17 526)
Dividends paid to shareholders		**(66 517)**	(59 713)	**(67 850)**	(60 912)
Interest received		**2 815**	1 795	**2 079**	2 273
Dividends received				**45 632**	22 451
Finance costs paid		**(1 183)**	(779)	**(812)**	(979)
Net cash outflow from investing activities		**(11 293)**	(105 731)	**(21 152)**	(38 119)
Acquisition of intangible assets		**(5 281)**	(7 820)	**(687)**	(41)
Acquisition of property, plant and equipment		**(61 284)**	(96 603)	**(40 751)**	(37 501)
Proceeds on disposal of property, plant and equipment		**1 744**	440	**1 687**	22 144
Proceeds on disposal of intangible assets		**500**			
Dissolution of Phumelela Gold Enterprises joint operation	35.4	**24 031**		**31 097**	
Investments		**(3)**		**(3)**	
Investment in equity-accounted investees		**(9 647)**			
Loans advanced		**(12 495)**	(22 721)	**(12 495)**	(22 721)
Dividends received from equity-accounted investees		**51 142**	20 973		
Net cash inflow/(outflow) from financing activities		**8 586**		**(131)**	
Repayment of finance leases		**(131)**		**(131)**	
Short-term finance raised		**8 717**			
Net increase/(decrease) in cash and cash equivalents for the year		**38 017**	(39 025)	**43 439**	(35 537)
Effect of conversion of foreign operations on cash and cash equivalents		**(3 313)**	2 204		
Cash and cash equivalents at beginning of year		**60 200**	97 021	**38 298**	73 835
Cash and cash equivalents at end of year	15	**94 904**	60 200	**81 737**	38 298

Statements of changes in equity

for the year ended 31 July 2014

	Share capital R'000	Share premium R'000	Non-distri-butable reserves R'00	Retained earnings R'000	Share-holders' equity R'000	Non-controlling interest R'000	Total equity R'000
GROUP							
Balance at 31 July 2012	1 890		466	401 319	403 675	206	403 881
Total comprehensive income for the year			2 204	85 871	88 075	102	88 177
– Profit for the year				85 871	85 871	102	85 973
– Foreign currency translation reserve			2 204		2 204		2 204
Transactions with owners recorded directly in equity							
– Dividends paid to ordinary equity holders				(59 713)	(59 713)		(59 713)
Balance at 31 July 2013	**1 890**		**2 670**	**427 477**	**432 037**	**308**	**432 345**
Total comprehensive income for the year			(3 313)	111 290	107 977	(14)	107 963
– Profit for the year				110 409	110 409	(14)	110 395
– Remeasurement of defined benefit obligation				881	881		881
– Foreign currency translation reserve			(3 313)		(3 313)		(3 313)
Transactions with owners recorded directly in equity							
– Share-based payments				5 000	5 000		5 000
– Dividends paid to ordinary equity holders				(66 517)	(66 517)		(66 517)
Balance at 31 July 2014	**1 890**		**(643)**	**477 250**	**478 497**	**294**	**478 791**

	Share capital R'000	Share premium R'000	Non-distri-butable reserves R'00	Retained earnings R'000	Share-holders' equity R'000
COMPANY					
Balance at 31 July 2012	1 928	293		247 089	249 310
Total comprehensive income for the year					
– Profit for the year				58 311	58 311
Transactions with owners recorded directly in equity					
– Dividends paid to ordinary equity holders				(60 912)	(60 912)
Balance at 31 July 2013	**1 928**	**293**		**244 488**	**246 709**
Total comprehensive income for the year				95 242	95 242
– Profit for the year				94 361	94 361
– Remeasurement of defined benefit obligation				881	881
Transactions with owners recorded directly in equity					
– Share-based payments				5 000	5 000
– Dividends paid to ordinary equity holders				(67 850)	(67 850)
Balance at 31 July 2014	**1 928**	**293**		**276 880**	**279 101**

Notes to the financial statements

for the year ended 31 July 2014

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

1.1 Reporting entity

Phumelela Gaming and Leisure Limited (the Company) is a company listed on the Johannesburg Stock Exchange and is domiciled in the Republic of South Africa. The Group comprises the Company and the companies in which the Company holds a controlling interest, interests in equity-accounted investees and joint operations. Where reference is made in the accounting policies to Group it should be interpreted as being applicable to the consolidated or separate financial statements as the context requires.

1.2 Basis of preparation

The Group and Company financial statements set out on pages 45 to 119 are prepared on the historical cost basis except where stated otherwise, in accordance with International Financial Reporting Standards (IFRS), interpretations of those standards as adopted by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

The Group and Company financial statements are presented in South African Rand, which is the Company's functional currency and the Group's reporting currency. All values are rounded to the nearest Rand thousand except where otherwise indicated.

The Group and Company's accounting policies are consistent with those applied in the previous financial year, except for certain new standards and interpretations which became effective on or after 1 August 2013 and are applicable to the Group for the year ended 31 July 2014. These were:

- IFRS 7 amendment *Disclosures – Offsetting Financial Assets and Financial Liabilities*
  The adoption of this amendment has had no impact on the results for the year nor has it required the restatement of prior year numbers. The accounting policy is included in note 1.16 below and additional disclosure has been included in notes 14 and 19 of the financial statements.

- IFRS 10 – *Consolidated Financial Statements*
  IFRS 10 addresses the divergence arising from the control-based principles in IAS 27 and the risks and rewards based approach in SIC 12, and in addition, provides greater guidance on de facto control.

  Management has reassessed the control conclusion for each of its investees at 1 August 2013. No changes were identified and the adoption of this new standard has thus had no impact on the financial results.

- IFRS 11 – *Joint Arrangements*
  IFRS 11 identifies two types of joint arrangements, joint operations and joint ventures, and prohibits the use of proportionate consolidation for joint ventures.

  Management has re-evaluated the Group's involvement in the various joint arrangements and no changes in the accounting treatments were identified.

- IFRS 12 *Disclosure of Interests in Other Entities*
  The adoption of this standard has had no impact on the results for the year nor has it required the restatement of prior year numbers. Additional disclosures have been included under note 33, related parties.

- IFRS 13 – *Fair Value Measurement*
  IFRS 13 is a single cohesive standard consolidating the principles of fair value measurement and disclosures for financial reporting.

  In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.2 Basis of preparation continued

- IAS 19 – *Employee Benefits*

  The revised IAS 19 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value for the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

  The adoption of the changes to this statement have had a limited impact on the results of the Group as previously reported. No adjustment has been made to the results for the year to 31 July 2013 as the amounts are considered to be immaterial. The impact of the change in policy have been included in the results for the year to 31 July 2014.
- IAS 27 *Separate Financial Statements* (2011)

  The adoption of this standard has had no impact on the results for the year nor has it required the restatement of prior year numbers.

- IAS 28 *Investments in Associates and Joint Ventures* (2011)

  The adoption of this amendment has had no impact on the results for the year nor has it required the restatement of prior year numbers.

1.3 Basis of consolidation

The consolidated financial statements include those of the Company, its subsidiaries, joint operations and equity-accounted investees.

Transactions within the Group and intercompany balances have been eliminated in preparing the consolidated financial statements.

Adjustments have been made to the results of subsidiaries and equity-accounted investees, where necessary, to ensure that consistent accounting policies have been adopted by the Group.

Subsidiaries

Subsidiaries are defined as those entities in which the Group, either directly or indirectly, has control. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results are included in the financial statements from the date on which control commences to the date control ceased.

Investments in subsidiaries are accounted for at cost less any impairment in value in the Company's financial statements.

Investments in subsidiaries are reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Joint operations

Joint operations are contractual arrangements between two or more venturers establishing a company, partnership or other entity in which each of the venturers has rights to the assets and obligations for the liabilities relating to the arrangement. When making this assessment the Group considers the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Investments in joint operations are accounted on a line-by-line basis. The results of joint operations are included from the effective date that joint control is attained to the effective date that joint control is lost.

Notes to the financial statements (continued)

for the year ended 31 July 2014

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.3 Basis of consolidation continued

Equity-accounted investees

Equity-accounted investees are those companies in which the Group has significant influence, but not control or joint control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in equity-accounted investees are accounted for on the equity method, based on their most recent audited financial statements. If the most recent available audited financial statements are for an accounting period different to that of the Group, then the most recently available management accounting results for the same period as the Group are brought to account.

Where this is impracticable, then the financial statements drawn up to a different date are used and are adjusted for any significant intergroup events or transactions that occur between the Group's accounting date and that of the equity-accounted investees. The difference between the reporting date of the equity-accounted investees and investor is no more than three months. Interest in equity accounted investees are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition the investment in equity-accounted investees is carried in the Group statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the equity-accounted investees, less any impairment recognised. The statement of comprehensive income reflects the Group's share of the profit or loss of the equity-accounted investee. The Group's investment in its equity-accounted investee includes goodwill on acquisition, which is reviewed when there are indicators of impairment.

The Company accounts for investments in equity-accounted investees at cost less any accumulated impairment recognised.

1.4 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.4 Business combinations continued

Acquisitions between 1 January 2004 and 1 January 2010

For acquisitions between 1 January 2004 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2004 (date of transition to IFRS)

As part of its transition to IFRS, the Group elected to restate only those business combinations that occurred on or after 1 January 2003. In respect of acquisitions prior to 1 January 2003, goodwill represents the amount recognised under the Group's previous accounting framework.

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either: (i) at fair value; or (ii) at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

1.5 Goodwill

Goodwill represents the excess of the cost of acquisition of the Group's interests in subsidiaries, equity accounted investees or joint operations over the fair value of the identifiable assets, liabilities and contingent liabilities at dates of acquisition.

Goodwill arising on the acquisition of an equity-accounted investee is included within the carrying amount of the equity-accounted investee. Goodwill arising on the acquisition of subsidiaries is presented separately in the statements of financial position.

Goodwill is measured at cost less any impairment in value.

1.6 Intangible assets

Indefinite useful life intangible assets

Indefinite useful life intangible assets that are acquired by the Group are initially measured at cost and are not amortised. The carrying value is assessed at each reporting date for impairment.

The Group's indefinite useful life intangible assets comprise betting and bingo licences.

Finite useful life intangible assets

The Group's finite useful life intangible assets comprise an exclusivity fee and software development costs.

Software costs

Packaged software purchased and the direct costs associated with the development and installation thereof are capitalised and included in work-in-progress in computer software until commissioned. Once commissioned, the total cost capitalised to date is transferred to computer software and amortised on a straight-line basis over their estimated useful lives.

Notes to the financial statements (continued)

for the year ended 31 July 2014

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.6 Intangible assets continued

Software development costs

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalised only if development costs can be measured reliably, the product process is technically and commercially feasible, future economic benefits are probable, and the Group intends and has sufficient resources to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Finite useful life intangible assets that are acquired by the Group are initially measured at cost and are amortised over the useful lives of the assets at the following rates:

Exclusivity fee	20% per annum
Software costs and software development costs	10% to 33% per annum (once commissioned)

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Research and development

Expenditure on research, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

1.7 Property, plant and equipment

Racing surfaces, which are classified as land, are substantially made up of either grass or sand and by their very nature require continual maintenance. The ongoing maintenance programmes adequately cover any impairment of these surfaces and no depreciation is therefore provided. Sand and synthetic surfaces are depreciated over their expected useful lives which range between seven and 15 years.

Items of property, plant and equipment, other than racing surfaces, are measured at cost less accumulated depreciation and any accumulated impairment.

Buildings, plant and machinery, information technology equipment, motor vehicles, heavy duty trucks and trailers, and furniture and fittings are depreciated on a straight line basis to write each asset down to its residual value over the term of its useful life currently at the following rates:

Buildings	2% per annum
Plant and machinery	5% to 20% per annum
Information technology equipment	10% to 33,3% per annum
Motor vehicles, heavy duty trucks and trailers	10% to 20% per annum
Furniture and fittings	10% to 20% per annum
Marks and names	20% per annum

Leasehold improvements are depreciated over the shorter of the period of the lease or the useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of property, plant and equipment are recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.7 Property, plant and equipment continued

Useful lives and residual values

Property, plant and equipment are depreciated over their useful life taking into account any residual values where appropriate. The actual useful life and method of depreciation of these assets is assessed annually and could vary as a result of technological innovations and maintenance programmes. In addition, where applicable, residual values are reviewed annually after considering the current disposal values of all assets which are already of the age and in the condition expected at the end of its useful life.

1.8 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite lives are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. An impairment loss is allocated first to reduce the carrying value of related goodwill and thereafter against the other assets of the CGU on a pro-rata basis. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

1.8 Impairment of non-financial assets continued

Impairment losses recorded on goodwill are not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation, or amortisation if no impairment loss had been recognised.

1.9 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Inventories include construction work-in-progress on residential property developments being constructed for future sale.

1.10 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current or prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Notes to the financial statements (continued)

for the year ended 31 July 2014

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.10 Taxation continued

Income tax

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Income tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability settled.

Deferred tax is recognised in profit or loss or other comprehensive income except to the extent that it relates to a transaction that is recognised in equity as a business combination that is an acquisition. The effect on deferred tax of any change in tax rates is recognised in profit or loss or other comprehensive income except to the extent that it relates to an item recognised in equity.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and equity accounted investees to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and deferred tax liabilities are off set if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets relating to assessed losses carried forward and other deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which these assets can be utilised.

Dividend withholding tax

Dividend withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. Dividend tax is withheld on behalf of shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the tax charge but rather as part of the dividend paid recognised in equity.

Indirect taxes

Indirect taxes, including non-recoverable VAT, skills development levies and other duties are recognised in profit or loss as incurred.

1.11 Provisions

Provisions are recognised where the Group has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are recognised at the present value of expenditure required to settle the present obligation.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.12 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Gross betting income represents bets struck net of betting dividends paid to customers. Dividends from investments are recognised when the right to receive payment has been established. Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

1.13 Betting dividends

Betting dividends comprise punters winnings. Unclaimed betting dividends are recognised in the statement of financial position as betting dividends payable under current liabilities. Betting dividends not claimed within 60 (sixty) days from date of declaration are realised to profit or loss.

1.14 Borrowing costs

Borrowing costs are capitalised when incurred unless they are not directly attributable to an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying asset), when they are expensed.

For qualifying assets the borrowing costs will be capitalised to the asset to the extent that funds are borrowed specifically for the purpose of the asset. The amount of borrowing costs eligible for capitalisation are the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Where funds are not specifically borrowed for the asset, but the Group borrows funds generally and uses them for the purpose of the asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

1.15 Employee benefits

Post-retirement benefits are made up of those obligations which the Group has towards current and retired employees.

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. Short-term benefits are recognised on an undiscounted basis.

Defined contribution plans

The Group operates a defined contribution plan that requires contributions to be made to a separately administered fund. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further amounts. Contributions in respect of defined contribution plans are recognised as an expense in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Notes to the financial statements (continued)

for the year ended 31 July 2014

1. **SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION** continued

1.15 Employee benefits continued

Post-employment healthcare benefits

The Group provides certain post-employment healthcare benefits to employees who were members of the medical aid scheme at 1 August 1999. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in other comprehensive income in the year that they are incurred.

Equity participation plan

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a modified binomial valuation model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The amount recognised in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

1. **SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION** continued

1.16 Financial instruments

Financial instruments recognised on the statement of financial position date include investments, amounts owing by Group companies, trade and other receivables, cash and cash equivalents, trade and other payables, amounts owing to Group companies, amounts owing to/by equity-accounted investees, short-term loans and betting dividends payable. Financial instruments are initially measured at fair value, including transaction costs, except for instruments carried at fair value through profit or loss, when the Group becomes a party to their contractual arrangements.

Where the Group has both a legal right, and intends to settle on a net basis or simultaneously, related positive or negative values of financial instruments are off set within the statement of financial position.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within a period generally established by regulation or convention in the market place.

Gains or losses on disposal of financial assets are determined as the difference between proceeds from the sale thereof and the financial instrument's carrying amount and are recognised in profit or loss.

The Group derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards or ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The subsequent measurement of financial instruments is as follows:

Investments

An investment is classified at fair value through profit or loss if it is classified as held for trading or is designated as such on original recognition. Investments at fair value through profit or loss are measured at fair value and changes are recognised in profit or loss.

Trade and other receivables and amounts owing by Group companies

Trade and other receivables and amounts owing by Group companies are classified as loans and receivables and are subsequently measured at amortised cost using the effective interest method less an allowance for any impairment losses. The fair value of the receivables is estimated at the present value of future cash flows discounted at the market rate of interest at the reporting date. An impairment is recognised in profit or loss when it is probable that the Group will not be able to collect all amounts due (principal and interest) according to the contractual terms of the receivable. The carrying amount of the receivable is then reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

When the terms of financial assets, that would otherwise be past due or impaired, are renegotiated, the renegotiation is treated as a change in estimate. If the renegotiation is significant, it is treated as a derecognition of the original financial instrument and the recognition of a new financial instrument. The assessment of objective indicators of impairment for accounts receivable is done at each reporting date.

Notes to the financial statements (continued)

for the year ended 31 July 2014

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.16 Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand and short-term deposits, with an original maturity of three months or less, which are repayable on demand.

For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts.

Cash and cash equivalents are classified as loans and receivables, which are subsequently measured at amortised cost.

Financial liabilities

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Financial liabilities include trade and other payables, amounts owing to Group companies, short-term loans from non-controlling interests and betting dividends payable.

Derivative instruments

Derivative financial instruments are classified as held-for-trading and fall within the category of at fair value through profit or loss. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in profit or loss.

The Group does not apply hedge accounting.

Impairment of financial assets

If there is evidence of impairment, an impairment loss is recognised in accordance with IAS 39.

At each reporting date an assessment is made on a case-by-case basis of whether there is any objective evidence of impairment of a financial asset. Criteria used to determine whether there is objective evidence of an impairment loss include the following events:

- The receivable or investment is experiencing significant financial difficulty.
- The receivable defaults on interest or principal payments.
- The borrower will probably enter into bankruptcy or another financial reorganisation.
- Observable market data indicating that there is a measurable decrease in the estimated future cash flows from a financial asset or investment since the initial recognition.
- Disappearance of an active market for a financial asset because of financial difficulties.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.16 Financial instruments continued

Impairment of financial assets continued

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Fair value determination

Regarding trade and other receivables, cash and cash equivalents, trade and other payables and betting dividends payable, the effect of discounting is insignificant due to the very short-term nature of these accounts. Therefore, no formal fair value determination has been performed for these accounts as the fair value is expected to approximate the carrying amount of the instrument.

No terms and conditions relating to the settlement of amounts owing between Group companies have yet been established. Such terms and conditions will be established when settlement of the amounts owing occurs.

1.17 Leases

Finance leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the lessee. Assets subject to finance leases are capitalised at the lower of fair value of the leased assets and the present value of minimum lease payments and depreciated over the shorter of their estimated useful lives or the lease term subsequent to initial recognition. These assets are treated in the same manner as owned assets and are included in property, plant and equipment. Lease payments are apportioned between lease finance costs and capital repayments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. Finance costs are recognised in profit or loss over the period of the lease using the effective interest method.

Operating leases

Operating leases are leases where the substantial risks and rewards of ownership of an asset do not pass from the lessor to the lessee.

Operating lease rentals are charged against profit or loss on a straight-line basis over the term of the lease.

1.18 Foreign currency transactions and balances

Foreign currency transactions are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at exchange rate ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Notes to the financial statements (continued)

for the year ended 31 July 2014

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.18 Foreign currency transactions and balances continued

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

1.19 Foreign currency translations

The assets and liabilities of foreign subsidiaries are translated into the Group and Company's presentation currency at the rate of exchange ruling at the reporting date. The statements of comprehensive income are translated at the weighted average exchange rates for the year.

Exchange differences arising on translation are recognised directly in a foreign currency translation reserve in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to the foreign operation is recognised in profit or loss.

1.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues or incur expenses. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other Group segments. Intersegment transfer pricing is based on cost plus an appropriate margin. Reconciling items comprise intercompany eliminations.

1.21 Dividends

Dividends are recognised when the shareholders' right to payment, being the declaration date, is established.

1.22 Use of estimates, judgements and assumptions made in the preparation of the financial statements

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgments are inherent in the formation of estimates.

Significant estimates and judgements made relate to the measurement of impairment losses relating to trade and other receivables, residual values, useful lives and depreciation methods, employee obligations, estimating the fair value of share options granted and asset impairment tests. The nature and carrying amounts of the items affected by these estimates, where applicable, are indicated in the notes relating to these items. Other judgements made relate to classifying financial assets and liabilities into categories.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.22 Use of estimates, judgements and assumptions made in the preparation of the financial statements continued

Significant judgements include:

Trade receivables, loans or other receivables

The Group assesses its trade receivables and/or loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from an asset.

The impairment for trade receivables and loans and other receivables is calculated on a portfolio basis, based on the historical loss ratios, adjusted for national and industry-specific conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to the loan balances in the portfolio and scaled to estimate loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then have an impact on our estimations and may require a material adjustment to the carrying value of intangible and tangible assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying value may not be recoverable. In addition, goodwill and assets with indefinite useful lives are tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of goodwill and other assets are inherently uncertain and could change materially over time.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of the legislation. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these taxes is different from the amounts initially recorded, such difference impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future benefit related to deferred income tax assets to the extent that it is probable that the temporary differences will reverse in the foreseeable future. Assessing the recoverability of the deferred tax asset requires the Group to make significant estimates related to expectations of future income. Estimates of future taxable income are based on focused cash flows from the operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred asset could be impacted.

Notes to the financial statements (continued)

for the year ended 31 July 2014

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.22 Use of estimates, judgements and assumptions made in the preparation of the financial statements continued

Share-based incentives

Calculation of market value of the shares at the reporting date may vary from time to time dependent on the Group results and the actual exercise date resulting in additional charges or releases to profit or loss.

Property, plant and equipment

Each year the Group determines value-in-use and the expected useful life and residual value of assets. Changing market and economic conditions may result in the assets not achieving their carrying cost. These adjustments would affect future reporting periods as and when they are determined.

1.23 Earnings per share

The Group presents basic and diluted earnings per share and headline earnings per share and diluted headline earnings per share for its ordinary shares.

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Headline earnings per share are calculated by dividing headline earnings attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted headline earnings per share are determined by adjusting the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares which comprise share options granted to employees.

1.24 Share capital and equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax from the proceeds.

Repurchase and reissue of shares (Treasury shares)

When share capital recognised as equity is repurchased, the amount of consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as Treasury shares and are presented as a reduction of share capital.

When Treasury shares are sold or reissued subsequently, the amount received is as an increase in equity and the resulting surplus or deficit on the transaction is presented as share premium.

1.25 Related parties

A party is related to the Company if any of the following are met:

- The party has control, joint control or significant influence over the Company;
- The party is a member of key management personnel of the entity or its parent; or
- The party is a close family member of the family or individual referred to above.

Close family member of an individual includes:

- The individual's spouse, domestic partner and children;
- Children of the individual's spouse, domestic partner; and
- Dependants of the individual or the individual's spouse or domestic partner.

2. FINANCIAL RISK MANAGEMENT

Capital management

The Board's policy is to maintain healthy capital ratios so as to maintain investor, creditor and market confidence and to sustain future development of the business on a capital-efficient basis. The Group has been funded primarily through equity as a consequence. The Board does, however, recognise that debt may become an important component of its capital structure to fund future growth.

The Board monitors the level of dividends to ordinary shareholders.

From time to time the Group repurchases its shares on the market primarily to provide for the shares to be incurred in terms of the share incentive scheme. There is, however, no defined share buyback plan.

Risks arising from the Group and Company's financial instruments are credit risk, liquidity risk and market risk comprising interest rate risk, foreign currency risk and equity price risk. The Group and Company policies for managing these risks are set out below.

Credit risk management

Credit risk is the risk of financial loss to the Group arising from the risk that a counterparty may default or not meet its obligations timeously.

Credit risk on trade and other receivables arises from the risk of default of the debtor on repayment of debts owed to the entity. The maximum exposure thereon is the carrying amount as disclosed in note 14. Such credit risk is managed by the entity only trading with recognised, creditworthy third parties. It is the Group and Company policy that customers who wish to trade on credit terms are subject to credit verification procedures. Trade receivables balances are monitored on an ongoing basis.

With respect to credit risk arising from other financial assets of the entity, which comprise cash and cash equivalents, long-term secured loans and amounts owing by Group companies, the exposure to the credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The entity manages its credit risk relating to cash and cash equivalents by investing cash surplus funds with major banks of high-quality credit standing. The credit risk on loans granted is limited by obtaining adequate security. There is no formal process to manage the credit risk relating to amounts owing by Group companies as the companies concerned are all within the same group, causing credit risk to be minimal.

The Group measures the credit risk by reference to the extent of its exposure to individual trade and other receivables balances.

There have been no significant changes during the year to the Group's exposures to credit risk other than the dissolution of the Phumelela Gold Enterprises joint operation into the international operations, a division of the Company, and the Tellytrack joint operation. The effect of this is that the full accounts receivable in respect of the international operations are now carried in the company as opposed to the 61% in the previous year. The Tellytrack joint operation is accounted for on a line-by-line basis at 61%. There has been no change to the Group's policies to manage the risk.

Concentrations of credit risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions.

Management determines the concentration of credit risk of trade and other receivables with reference to the currency in which the financial asset is denominated. The entity's exposure to credit risk, split according to concentrations of risk relating to trade and other receivables, has been disclosed in note 14.

Notes to the financial statements (continued)

for the year ended 31 July 2014

2. FINANCIAL RISK MANAGEMENT continued

Credit risk management continued

Management determines the concentration of credit risk relating to amounts owing from Group companies with reference to the level of trading activity of the Group company. The exposure of the company to credit risk according to these concentrations for dormant Group companies is R2 576 000 (2013: R2 576 000) and active trading Group companies R31 343 000 (2013: R39 892 000).

Management determines the concentration of credit risk relating to cash and cash equivalents with reference to the geographical location of the bank at which the Group holds its cash and cash equivalents, as well as the currency in which the cash and cash equivalents is denominated. The Group holds most of its cash and cash equivalents within South Africa, but does hold, on a short-term basis and per South African Reserve Bank approval, some foreign denominated cash and cash equivalents. The Group's exposure to these concentrations are disclosed in note 15.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
The maximum exposure to credit risk at the reporting date was as follows:				
Investments	**18 263**	718	**18 263**	718
Long-term secured loan (prior year unsecured)	**19 929**	7 434	**19 929**	7 434
Amounts owing by Group companies			**33 919**	42 468
Trade and other receivables	**114 705**	81 089	**90 861**	61 758
Cash and cash equivalents	**94 904**	60 200	**81 737**	38 298
	247 801	149 441	**244 709**	150 676

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group is exposed to liquidity risk in terms of being required to settle its financial liabilities within the next operating cycle. Its financial liabilities comprise trade and other payables, amounts owing to Group companies, betting dividends payable and short-term interest-bearing advances.

The Group's objective in managing liquidity risk is to manage cash flows in line with the business's needs. As investment or business opportunities arise, the Group may consider obtaining external financing. The entity manages its liquidity risk by ensuring that it has adequate banking facilities and reserve borrowing capacity to meet liquidity needs. The entity measures its liquidity risk by reference to its cash flow projections for the foreseeable future.

There have been no significant changes during the year to the Group's exposures to liquidity risk other than the receipt of short-term interest-bearing advances (refer note 20), the entering into certain finance leases in respect of information technology equipment (refer note 18) and the dissolution of the Phumelela Gold Enterprises joint operation into the international operations, a division of the Company, and the Tellytrack joint operation. The effect of this is that the full liabilities in respect of the international operations are now carried in the Group and Company as opposed to the 61% in the previous year. The Tellytrack partnership is accounted for on a line-by-line basis at 61%. There has been no change to the Group's policies to manage the risk.

Management determines its concentration of liquidity risk for trade and other payables by reference to the geographical location of the payable and the currency in which the balance is denominated. The entity's exposure to such liquidity risk is disclosed in note 19.

Management determines its concentration of liquidity risk for amounts owing to Group companies by reference to the level of trading activity of the Group company. The entity's exposure to such liquidity risk regarding dormant Group companies is R8 799 000 (2013: R8 799 000) and regarding active companies is R90 887 000 (2013: R92 460 000).

2. FINANCIAL RISK MANAGEMENT continued

Liquidity risk management continued

Management determines its concentration of liquidity risk for betting dividends payable by reference to the geographical location of payables. The entity's exposure to such liquidity risk is disclosed on the face of the statement of financial position.

Financial liabilities maturity analysis

The following tables summarise the maturity profiles of the Group and Company's financial liabilities at 31 July based on contractual, undiscounted payments. Due to contractual undiscounted payments being used, the total of this analysis does not agree to the statement of financial position total of financial liabilities.

	On demand R'000	Less than one year R'000	Two to five years R'000	>Five years R'000	Total R'000
Group 2014					
Trade and other payables	**42 874**	**242 636**			**285 510**
Finance lease		**555**	**564**		**1 119**
Borrowing		**3 047**	**7 046**		**10 093**
Contingent consideration liability		**4 056**			**4 056**
Operating leases		**40 427**	**66 864**	**2 775**	**110 066**
Betting dividends payable	**7 004**				**7 004**
Total	**49 878**	**290 721**	**74 474**	**2 775**	**417 848**
Group 2013					
Trade and other payables	126 152	71 312			197 464
Contingent consideration liability	3 000				3 000
Operating leases		36 882	57 271	4 601	98 754
Betting dividends payable	7 144				7 144
Total	136 296	108 194	57 271	4 601	306 362
Company 2014					
Trade and other payables	**43 299**	**205 645**			**248 944**
Finance lease		**555**	**564**		**1 119**
Contingent consideration liability		**4 056**			**4 056**
Operating leases		**27 279**	**36 808**		**64 087**
Betting dividends payable	**6 417**				**6 417**
Owing to Group companies	**99 686**				**99 686**
Total	**149 402**	**237 535**	**37 372**		**424 309**
Company 2013					
Trade and other payables	101 709	70 656			172 365
Contingent consideration liability	3 000				3 000
Operating leases		25 000	38 770		63 770
Betting dividends payable	6 714				6 714
Owing to Group companies	101 259				101 259
Total	212 682	95 656	38 770		347 108

The Group has minimised its liquidity risk by ensuring that it has adequate banking facilities and reserve borrowing capacity.

Notes to the financial statements (continued)

for the year ended 31 July 2014

2. FINANCIAL RISK MANAGEMENT continued

Interest rate risk management

The Group is exposed to interest rate risk on its interest bearing borrowings, financial lease liability, long-term secured loan and cash and cash equivalents.

No concentration of such risk exists in addition to that mentioned above. The carrying amounts of the entity's financial instruments carried at amortised cost and available-for-sale instruments have been disclosed and represent the entity's exposure to interest rate risk.

The policy objectives regarding managing interest rate risk are to minimise the need to pay interest. This is accomplished by managing cash funds and daily operational needs and borrowing funds at favourable rates with reputable financial institutions in South Africa.

During the year there have been no significant changes in the entity's exposure to interest rate risk and in policies to manage this risk.

The interest rate profile of the Group's interest bearing financial instruments is as follows:

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Fixed rate instruments				
– Financial liabilities	**(1 014)**		**(1 014)**	
Variable rate instruments	**106 116**	67 634	**101 666**	45 732
– Financial assets	**114 833**	67 634	**101 666**	45 732
– Financial liabilities	**(8 717)**			
Total	**105 102**	67 634	**100 652**	45 732
A reasonable change of 100 basis points in interest rates would have increased or decreased equity and profit or loss by	**757**	487	**725**	449

Foreign currency risk management

Phumelela international division (formerly part of Phumelela Gold Enterprises) undertakes transactions denominated in foreign currencies (refer notes 14,15 and 19) and is therefore exposed to foreign currency risk.

Exposure to exchange rate fluctuations is limited by the natural cash flow hedge in foreign denominated revenue streams and by securing forward cover contracts in respect of such transactions as deemed necessary.

The entity measures its foreign currency risk by reference to its net foreign currency balance, which comprises the foreign currency balances (in each respective foreign currency) of trade and other receivables, cash and cash equivalents, and trade and other payables.

Concentration of foreign currency risk is determined by reference to the currency denomination of foreign trade and other receivables, foreign cash and cash equivalents balances held and foreign trade and other payables. The entity's exposure to such foreign currency risk is disclosed under notes 14, 15 and 19 respectively.

The following analysis demonstrates the sensitivity to a reasonably possible change in the exchange rates the entity is exposed to, with all other variables held constant, of the Group and Company's profit before tax.

The sensitivity analysis is based on the net foreign currency balance of a particular foreign currency which existed at 31 July. This net foreign currency balance is calculated as the sum of the foreign currency trade and other receivables balance and the foreign currency cash and cash equivalents balance, less the foreign currency trade and other payables balance. The foreign currency balances used in the calculation can be found in notes 14, 15 and 19 respectively.
The translation of the net foreign currency balance is adjusted at the reporting date for a change in foreign currency rates. A positive number indicates an increase in profit or loss and equity where the ZAR weakens against the relevant currency. A strengthening of the ZAR would have an equal but opposite effect.

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2. FINANCIAL RISK MANAGEMENT continued

Interest rate risk management continued

	Group profit or loss impact		Company profit or loss impact		
	Net foreign currency balance	Profit or loss impact R'000	Net foreign currency balance	Profit or loss impact R'000	Increase or decrease in currency rate %
Foreign currency exchange risk 2014					
Australian Dollar	**909 135**	**453**	**909 135**	**453**	**5**
British Pound	**1 420 486**	**1 285**	**1 270 597**	**1 149**	**5**
Euro	**1 157 380**	**830**	**1 157 380**	**830**	**5**
Mauritian Rupee	**(12 200)**	**(0,2)**	**(12 200)**	**(0,2)**	**5**
Singapore Dollar	**312 595**	**134**	**312 595**	**134**	**5**
Swedish Krona	**755 963**	**59**	**755 963**	**59**	**5**
United States Dollar	**200 407**	**107**	**200 407**	**107**	**5**
Foreign currency exchange risk 2013					
Australian Dollar	493 590	219	493 590	219	5
British Pound	1 272 746	956	776 490	584	5
Euro	994 214	654	994 214	654	5
Mauritian Rupee	5 890 383	95	(121 591)	(2)	5
Singapore Dollar	146 580	57	146 580	57	5
United States Dollar	61 272	30	61 272	30	5

The following significant exchange rates applied during the year:

	Year end Group and Company		Average Group and Company	
	2014 R	2013 R	2014 R	2013 R
Australian Dollar	**9,96**	8,89	**9,61**	9,12
British Pound	**18,09**	15,03	**17,18**	14,05
Euro	**14,34**	13,16	**14,20**	11,64
Mauritian Rupee	**0,35**	0,32	**0,36**	0,29
Singapore Dollar	**8,59**	7,78	**8,31**	7,23
Swedish Krona	**1,55**		**1,59**	
United States Dollar	**10,72**	9,91	**10,44**	8,95

Notes to the financial statements (continued)

for the year ended 31 July 2014

2. FINANCIAL RISK MANAGEMENT continued

Interest rate risk management continued

Foreign exchange markets remain unpredictably impacted by the slow recovery in respect of the global recession experienced, a widening trade account deficit, the disruptive labour market in South Africa and inflationary pressures leading to prime lending rates being increased.

Management assesses that the foreign exchange markets will remain unpredictable in the short to medium term and that taking a view on the ZAR for the coming 12 months would be speculative. The table on the previous page provides guidance as to the impact of a 5% increase/decrease in currency rates based on the Group's net foreign exchange risk portfolio at year end.

Profit or loss exposure is mainly attributable to the exposure on Australian and US Dollar, British Pound and Euro-denominated trade and other receivables, cash and cash equivalents, and trade and other payables balances at year-end.

The Group and Company had taken out no forward exchange cover at the 31 July 2014 (2013: none).

Fair value of financial instruments

The carrying amounts reported in the statement of financial position for long-term loans, investments, trade and other receivables, cash and cash equivalents, trade and other payables, short-term receivables, betting dividends payable and financial liabilities approximate fair value due to the short time period between initiation and settlement thereof. The effect of discounting is not material.

Regarding amounts owing to or from Group companies, where there are no fixed terms of repayment, many of the balances have been outstanding for more than one financial period and as a result, the effect of discounting is immaterial. The amortised cost carrying value disclosed for these accounts does therefore approximate the fair value of the financial instruments. The fair value of the amount owing by Group companies is R33 919 000 (2013: R42 468 000). The fair value of the amount owing to Group companies is R99 686 000 (2013: R101 259 000).

3. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Class of financial instrument	At fair value R'000	Loans and receivables R'000	Financial liabilities subsequently measured at amortised cost R'000	Non-financial instruments R'000	Total R'000
Group 2014					
Financial assets					
Investments	17 102	1 161			18 263
Long-term secured loan		19 929			19 929
Trade and other receivables		105 697		9 008	114 705
Cash and cash equivalents		94 904			94 904
Total	17 102	221 691		9 008	247 801
Financial liabilities					
Finance lease			1 014		1 014
Borrowings			8 717		8 717
Trade and other payables			238 816	46 694	285 510
Contingent consideration liabilities			4 056		4 056
Betting dividends payable			7 004		7 004
Total			259 607	46 694	306 301
Group 2013					
Financial assets					
Investments		718			718
Long-term loan		7 434			7 434
Trade and other receivables		74 145		6 944	81 089
Cash and cash equivalents		60 200			60 200
Total		142 497		6 944	149 441
Financial liabilities					
Trade and other payables			168 171	29 293	197 464
Contingent consideration liabilities			3 000		3 000
Betting dividends payable			7 144		7 144
Total			178 315	29 293	207 608

Notes to the financial statements (continued)

for the year ended 31 July 2014

3. CLASSIFICATION OF FINANCIAL INSTRUMENTS continued

Class of financial instrument	At fair value R'000	Loans and receivables R'000	Financial liabilities sub-sequently measured at amortised cost R'000	Non-financial instruments R'000	Total R'000
Company 2014					
Financial assets					
Investments	**17 102**	**1 161**			**18 263**
Long-term secured loan		**19 929**			**19 929**
Amounts owing by Group companies		**33 919**			**33 919**
Trade and other receivables		**86 712**		**4 149**	**90 861**
Cash and cash equivalents		**81 737**			**81 737**
Total	**17 102**	**223 458**		**4 149**	**244 709**
Financial liabilities					
Finance leases			**1 014**		**1 014**
Trade and other payables			**202 243**	**46 701**	**248 944**
Amounts owing to Group companies			**99 686**		**99 686**
Contingent consideration liabilities			**4 056**		**4 056**
Betting dividends payable			**6 417**		**6 417**
Total			**313 416**	**46 701**	**360 117**
Company 2013					
Financial assets					
Investments		718			718
Long-term loan		7 434			7 434
Amounts owing by Group companies		42 468			42 468
Trade and other receivables		59 667		2 091	61 758
Cash and cash equivalents		38 298			38 298
Total		148 585		2 091	150 676
Financial liabilities					
Trade and other payables			143 072	29 293	172 365
Amounts owing to Group companies			101 259		101 259
Contingent consideration liabilities			3 000		3 000
Betting dividends payable			6 714		6 714
Total			254 045	29 293	283 338

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings							
	Freehold R'000	Leasehold R'000	Plant and machinery R'000	Information technology equipment R'000	Motor vehicles, heavy duty trucks and trailers R'000	Furniture and fittings R'000	Marks, names and signage R'000	Total R'000
Group								
2014								
Balance at beginning of year	**235 093**	**34 854**	**73 975**	**27 397**	**8 833**	**22 579**	**1 736**	**404 467**
Current year movements								
– Additions	**7 455**	**16 244**	**12 658**	**13 324**	**6 405**	**6 213**	**293**	**62 592**
– Disposals		**(12)**	**(273)**	**(1 821)**	**(210)**	**(234)**		**(2 550)**
– Depreciation	**(6 087)**	**(13 489)**	**(6 024)**	**(5 013)**	**(2 687)**	**(3 924)**	**(573)**	**(37 797)**
Balance at end of year	**236 461**	**37 597**	**80 336**	**33 887**	**12 341**	**24 634**	**1 456**	**426 712**
Made up as follows:								
Assets at cost	**269 825**	**80 198**	**148 814**	**69 811**	**27 069**	**46 004**	**3 834**	**645 555**
Accumulated depreciation and impairment	**(33 364)**	**(42 601)**	**(68 478)**	**(35 924)**	**(14 728)**	**(21 370)**	**(2 378)**	**(218 843)**
Carrying value	**236 461**	**37 597**	**80 336**	**33 887**	**12 341**	**24 634**	**1 456**	**426 712**
2013								
Balance at beginning of year	190 281	27 279	70 763	23 727	14 187	20 955	1 743	348 935
Current year movements								
– Additions	50 355	15 734	8 843	13 294	2 594	5 166	617	96 603
– Reclassification of asset classes		1 673	5 246	(1 900)	(5 282)	263		
– Disposals	(600)	(129)	(55)	(154)	(89)	(313)		(1 340)
– Depreciation	(4 943)	(9 703)	(10 822)	(7 570)	(2 577)	(3 492)	(624)	(39 731)
Balance at end of year	235 093	34 854	73 975	27 397	8 833	22 579	1 736	404 467
Made up as follows:								
Assets at cost	262 370	64 006	142 300	76 351	21 596	40 331	3 541	610 495
Accumulated depreciation and impairment	(27 277)	(29 152)	(68 325)	(48 954)	(12 763)	(17 752)	(1 805)	(206 028)
Carrying value	235 093	34 854	73 975	27 397	8 833	22 579	1 736	404 467

Notes to the financial statements (continued)

for the year ended 31 July 2014

4. PROPERTY, PLANT AND EQUIPMENT continued

	Land and buildings							
	Freehold R'000	Leasehold R'000	Plant and machinery R'000	Inform-ation tech-nology equipment R'000	Motor vehicles, heavy duty trucks and trailers R'000	Furniture and fittings R'000	Marks, names and signage R'000	Total R'000
Company								
2014								
Balance at beginning of year	145 285	23 358	72 284	16 872	7 770	10 099	1 692	277 360
Current year movements								
– Additions	6 305	6 575	12 474	8 677	5 833	1 936	257	42 057
– Reclassification of asset classes								
– Disposals			(267)	(1 753)	(221)			(2 241)
– Depreciation	(3 846)	(10 018)	(5 619)	(1 038)	(2 348)	(1 907)	(531)	(25 307)
Balance at end of year	147 744	19 915	78 872	22 758	11 034	10 128	1 418	291 869
Made up as follows:								
Assets at cost	172 983	51 347	144 442	49 992	24 036	23 001	3 657	469 458
Accumulated depreciation and impairment	(25 239)	(31 432)	(65 570)	(27 234)	(13 002)	(12 873)	(2 239)	(177 589)
Carrying value	147 744	19 915	78 872	22 758	11 034	10 128	1 418	291 869
2013								
Balance at beginning of year	164 835	20 520	69 041	14 801	13 159	10 581	1 610	294 547
Current year movements								
– Additions	7 749	9 914	8 342	7 311	2 222	1 346	617	37 501
– Transfer to Group company	(21 789)							(21 789)
– Reclassification of asset classes			5 282		(5 282)			
– Disposals	(593)		(48)	(9)	(78)			(728)
– Depreciation	(4 917)	(7 076)	(10 333)	(5 231)	(2 251)	(1 828)	(535)	(32 171)
Balance at end of year	145 285	23 358	72 284	16 872	7 770	10 099	1 692	277 360
Made up as follows:								
Assets at cost	166 679	44 822	137 963	57 911	19 009	20 810	3 401	450 595
Accumulated depreciation and impairment	(21 394)	(21 464)	(65 679)	(41 039)	(11 239)	(10 711)	(1 709)	(173 235)
Carrying value	145 285	23 358	72 284	16 872	7 770	10 099	1 692	277 360

A register containing the information required by the Companies Act is available for inspection at the registered office of the Company.

The Company and the Group lease information technology equipment with a carrying value of R1 076 000 (2013: Rnil). The leased equipment secures the lease liability reflected in note 18.

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
5. GOODWILL				
Acquired on acquisition of TAB North West (Pty) Limited	**3 126**	3 126		
Acquired on acquisition of the minority shareholder's interest in Phumelela Gold International Limited	**186**	186		
Acquired on dissolution of Phumelela Gold Enterprises	**135**			
Acquired on acquisition of Betting World (Pty) Limited	**8 915**	8 915		
Balance at end of year	**12 362**	12 227		
The impairment review process for goodwill is set out in note 6.1.				
6. INTANGIBLE ASSETS				
Intangible assets				
Indefinite useful life intangible assets (note 6.1)	**25 340**	25 840		
Finite useful life intangible assets (note 6.2)	**60**	120		
Development costs (note 6.3)		1 600		
Computer software (note 6.4)	**23 333**	17 969	**690**	96
	48 733	45 529	**690**	96
6.1 Indefinite useful life intangible assets				
Made up of:				
Bingo licences		500		
Betting licences	**25 340**	25 340		
	25 340	25 840		
Cost				
Balance at beginning of year	**25 840**	25 840		
Disposals – bingo licences	**(500)**			
Balance at end of year	**25 340**	25 840		

Betting licences

Assessment of the Group's indefinite useful life of betting licences

The Group has classified the betting licences as having indefinite useful lives. This conclusion is supported by the following factors:

- The Group is able to use the licences for the foreseeable future and there are no historic indicators that suggest otherwise; and
- There have been no indicators of impairment during the year.

Impairment tests for intangible assets with indefinite useful lives and goodwill

Detailed impairment testing is performed for indefinite life intangible assets and goodwill annually and for all other intangible assets whenever impairment indicators are present.

Our impairment review process is as follows:

For indefinite useful life intangible assets, each year and whenever impairment indicators are present, we calculate the recoverable amount of the asset and record an impairment loss for the excess of the carrying value over the recoverable amount, if any. The value-in-use calculation is generally measured as the net present value of projected cash flows. In addition, a re-evaluation of the remaining useful life of the asset is performed to determine whether continuing to characterise the asset as having an indefinite life is appropriate.

The discount rate used to present value these cash flows takes systematic risks into account and is a market risk-free rate of interest.

Notes to the financial statements (continued)

for the year ended 31 July 2014

6. INTANGIBLE ASSETS continued

6.1 Indefinite useful life intangible assets

Key assumptions used in the value-in-use calculations

Growth in earnings before interest and tax	Determined from financial budgets for 2015 approved by management and forecasts increasing by 5% per annum for five years.
Taxation	Taxation has been forecast at 28% for the current period which is consistent with current income tax rates applicable to companies in South Africa. The nature of operations does not result in significant permanent or temporary differences, which would cause the effective taxation rate to differ significantly from the statutory rate.
Capital expenditure	Capital expenditure on financial budgets and management forecasts.
Working capital movements	Working capital movements have been forecast on the ratio of working capital employed to revenue.
Weighted average cost of capital	17,5% (2013: 17,5%)
Cost of equity	
– Risk-free rate	8,28% – R186 at 31 July 2014
– Beta of peer company	0,82 – average beta of a company exposed to normal systemic risk is 1
– South African market premium	6% – generally accepted in South Africa
Cost of debt	
– Lending rate specific to the Company	8%
– Tax rate	28% – per current tax legislation
Target debt:equity	25:75

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
6.2 Finite useful life intangible assets				
Exclusivity fee				
Cost				
Balance at beginning and end of year	**360**	360		
Accumulated amortisation				
Balance at beginning of year	**(240)**	(180)		
Amortisation charge	**(60)**	(60)		
Balance at end of year	**(300)**	(240)		
Carrying amount				
Balance at end of year	**60**	120		

This intangible asset relates to the Group obtaining exclusive rights to operate its fixed odds licence at a specific location.

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
6. INTANGIBLE ASSETS continued				
6.3 Development costs				
Cost				
Balance at beginning of year	**1 600**	11 694		
Expended during the year		7 779		
Transfer to computer software	**(1 600)**	(17 873)		
Balance at end of year		1 600		
6.4 Computer software				
Cost				
Balance at beginning of year	**17 969**	149	**96**	149
Transfer from development costs	**1 600**	17 873		
Amortisation	**(1 517)**	(94)	**(93)**	(94)
Expended during the year	**5 281**	41	**687**	41
Balance at end of year	**23 333**	17 969	**690**	96

	COMPANY 2014 R'000	COMPANY 2013 R'000
7. INVESTMENT IN SUBSIDIARIES		
Subsidiaries	**96 284**	96 284
Phumelela Gold International Limited (held through Phumelela Gold Enterprises, a joint operation in the prior year)	**329**	200
Balance at end of year	**96 613**	96 484
Details of investments in subsidiaries are disclosed on page 119.		

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
8. INTEREST IN EQUITY-ACCOUNTED INVESTEES				
Premier Gateway International Limited (8.1)	**22 512**	10 550		
Premier Gateway Services Limited (8.2)	**1 266**	492		
SW Security Solutions SA (Pty) Limited (8.3)	**1 530**		**1 056**	
Betting World Nigeria Limited (8.4)	**9 646**			
Automatic Systems Limited (8.5)		4 723		
	34 954	15 765	**1 056**	

Notes to the financial statements (continued)

for the year ended 31 July 2014

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
8. INTEREST IN EQUITY-ACCOUNTED INVESTEES continued				
8.1 Premier Gateway International Limited				
Shareholding (%)	**50**	31		
Company licensed to conduct pari-mutual betting on the Isle of Man and is jointly owned with Tabcorp Holdings Limited (Australia).				
PGI is a replica of the tote betting facilities in South Africa and operates as a worldwide totalisator hub.				
Balance at beginning of year				
– At cost	**1**	1		
Share of post-acquisition reserves	**22 511**	10 549		
– Balance at beginning of year	**10 549**	5 061		
– Share of current years profit	**56 735**	25 635		
– *Less*: dividend received	**(44 773)**	(20 147)		
Balance at end of year	**22 512**	10 550		
Summarised financial information of Premier Gateway International Limited for the year ended 31 July				
Assets				
Non-current assets				
Property, plant and equipment	**33**	284		
Current assets	**500 182**	419 203		
Trade and other receivables	**46 387**	38 599		
Owing by Group companies	**114 245**	78 083		
Prepayments	**790**	110		
Cash on hand	**338 760**	302 411		
Total assets	**500 215**	419 487		
Equity and liabilities				
Capital and reserves	**141 841**	123 083		
Liabilities				
Non-current liabilities				
Shareholders' loan	**4 342**	3 609		
Current liabilities				
Trade and other payables	**354 032**	292 795		
Total equity and liabilities	**500 215**	419 487		
Income	**1 599 036**	1 106 001		
Expenditure	**(1 164 856)**	(782 752)		
Profit before finance income	**434 180**	323 249		
Finance income	**1 083**	1 574		
Profit for the year	**435 263**	324 823		

The share of profits of the shareholders are determined as follows:
– 100% of profit originating from the shareholders home market
– 50% of profit from international markets

Dividends paid to shareholders are based on the profits accruing to them, as a result the carrying value reflects the Group share of profits.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
8. INTEREST IN EQUITY-ACCOUNTED INVESTEES continued				
8.2 Premier Gateway Services Limited				
Shareholding (%)	**50**	31		
Company provides logistical support for Premier Gateway International Limited on the Isle of Man and is jointly owned with Tabcorp Holdings Limited (Australia).				
Balance at beginning of year				
– At cost including goodwill	**1**	1		
Share of post-acquisition reserves	**1 265**	491		
– Balance at beginning of year	**491**	322		
– Share of current year's profit	**774**	260		
– *Less*: dividend received		(91)		
Balance at end of year	**1 266**	492		
Summarised financial information of Premier Gateway International Limited for the year ended 31July				
Assets				
Non-current assets				
Property, plant and equipment	**4 746**	3 493		
Current assets	**707**	145		
Trade and other receivables	**319**			
Cash on hand	**388**	145		
Total assets	**5 453**	3 638		
Equity and liabilities				
Capital and reserves	**3 075**	1 201		
Liabilities				
Current liabilities	**2 378**	2 437		
Trade and other payables	**2 175**	2 286		
Owing by Group companies	**203**	151		
Total equity and liabilities	**5 453**	3 638		
Income	**32 284**	20 413		
Expenditure	**(30 735)**	(19 562)		
Profit for the year	**1 549**	851		

The carrying value reflects the Group share of profits.

Notes to the financial statements (continued)

for the year ended 31 July 2014

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
8. INTEREST IN EQUITY-ACCOUNTED INVESTEES continued				
8.3 SW Security Solutions SA (Pty) Limited				
Shareholding (%)	33		33	
Company provides security solutions				
At cost including goodwill	1 056		1 056	
Share of post-acquisition reserves				
– Share of current year's profit after taxation	474			
Balance at end of year	1 530		1 056	
Summarised financial information of SW Security Solutions SA (Pty) Limited for the year ended 31 July				
Assets				
Non-current assets	593			
Property, plant and equipment	444			
Goodwill	149			
Current assets	3 138			
Trade and other receivables	1 912			
Cash on hand	1 226			
Total assets	3 731			
Equity and liabilities				
Capital and reserves	1 435			
Liabilities				
Current liabilities	2 296			
Trade and other payables	1 687			
Loans from related parties	609			
Total equity and liabilities	3 731			
Income	3 540			
Expenditure	(1 742)			
Profit before income tax expense	1 798			
Income tax expense	362			
Profit for the year	1 436			
The carrying value of the associate can be reconciled to the share of capital and reserves as follows:				
Share of capital and reserves	474			
Goodwill	1 056			
Carrying value	1 530			

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
8. INTEREST IN EQUITY-ACCOUNTED INVESTEES continued				
8.4 Betting World Nigeria Limited				
Shareholding (%)	**26**			
Company provides bookmaking services in Nigeria.				
Balance at beginning of year				
– At cost including goodwill	**9 646**			
Share of post-acquisition reserves				
– Share of current year's profit after taxation	**–**			
Balance at end of year	**9 646**			
Summarised financial information of Betting World Nigeria Limited for the year ended 31 July				
Assets				
Non-current assets				
Property, plant and equipment	**1 233**			
Current assets	**444**			
Trade and other receivables	**227**			
Cash on hand	**217**			
Total assets	**1 677**			
Equity and liabilities				
Capital and reserves	**(1 079)**			
Liabilities				
Current liabilities				
Trade and other payables	**2 756**			
Total equity and liabilities	**1 677**			
Income	**3 325**			
Expenditure	**(3 304)**			
Profit for the year	**21**			

The carrying value of the associate can be reconciled to the share of capital and reserves as follows:		
Share of capital and reserves	**(281)**	
Goodwill	**9 927**	
Carrying value	**9 646**	

Notes to the financial statements (continued)

for the year ended 31 July 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
8. INTEREST IN EQUITY-ACCOUNTED INVESTEES continued				
8.5 Automatic Systems Limited (listed on Mauritius Stock Exchange)				
One of two companies licensed to operate a totalisator on the island				
Balance at beginning of year				
– At cost including goodwill	**4 212**	4 212		
– Exchange rate adjustment	**(480)**	(480)		
– Unbundling of investment in Automatic Systems Limited	**(3 732)**			
Share of post-acquisition reserves		991		
– Balance at beginning of year	**991**	915		
– Share of current year's income after taxation		810		
– *Less*: liquidation dividend received	**(991)**	(734)		
Balance at end of year	**–**	4 723		

During the course of the year the Company's indirect holding in Automatic Systems Limited became a direct holding following the voluntary liquidation of Phumelela Gold Enterprises (Mauritius) Limited (refer note 9.1).

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
9. INVESTMENTS				
Listed investments (9.1)	**17 099**		**17 099**	
Unlisted investments (9.2)	**1 164**	718	**1 164**	718
	18 263	718	**18 263**	718
9.1 Listed investments				
Automatic Systems Limited	**17 099**		**17 099**	
The Company owns 421 323 ordinary shares in Automatic Systems Limited, a company registered on the Mauritius Stock Exchange. The shares are fair valued through profit or loss using the closing share price on the last date to trade in the financial year. The investment is categorised as a level 1 as there is a market value readily available.				
9.2 Unlisted investments				
Investment in Horseracing South Africa (Pty) Limited				
– At cost (less than R50)				
– Loan to company				
– Balance at beginning of year	**718**	1 161	**718**	1 161
– Amount provided	**443**	(443)	**443**	(443)
Total unlisted investments at end of year	**1 161**	718	**1 161**	718
Directors' valuation	**1 161**	1 161	**1 161**	1 161
2PU France				
Acquisition	**3**		**3**	
Directors' valuation	**3**		**3**	

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
10. LONG-TERM SECURED LOANS				
Kenilworth Racing (Pty) Limited				
Balance at beginning of year	**7 434**		**7 434**	
Amounts advanced during year	**66 518**	26 530	**66 518**	26 530
Less: set-off applied to amounts owing	**(54 023)**	(19 096)	**(54 023)**	(19 096)
Balance at end of year	**19 929**	7 434	**19 929**	7 434

The advance bears interest at the rate of prime minus 2% and is secured by means of a first mortgage bond registered over Kenilworth Racing (Pty) Limited Milnerton property in the amount of R60 million. There are no fixed terms of payment and is not expected to be settled within 12 months of the reporting date.

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
11. DEFERRED TAXATION				
Deferred tax				
Deferred tax asset	**6 565**	9 260	**2 834**	4 979
Deferred tax liability	**(2 555)**	(2 074)		
Balance at end of year	**4 010**	7 186	**2 834**	4 979
The deferred tax asset/(liability) arises as a result of:				
Property, plant and equipment	**(5 358)**	(3 200)	**(5 429)**	(4 532)
Intangible assets	**(826)**	(826)		
Provisions and accruals	**8 521**	9 150	**7 993**	7 470
Lease straight lining	**1 247**	824	**677**	479
Deferred revenue	**48**	1 318	**48**	1 159
Tax losses	**842**			
Prepayments	**(122)**	(76)	**(113)**	(68)
Other	**(342)**	(4)	**(342)**	471
	4 010	7 186	**2 834**	4 979
Deferred tax asset/(liability) raised				
Balance at beginning of year	**7 186**	1 012	**4 979**	(1 201)
Charge to other comprehensive income	**(342)**		**(342)**	
(Charge)/credit to profit or loss	**(2 834)**	6 174	**(1 803)**	6 180
Balance at end of year	**4 010**	7 186	**2 834**	4 979

Deferred tax has been provided at a rate of 28% other than for capital temporary differences where a rate of 18,6% has been applied.

Notes to the financial statements (continued)

for the year ended 31 July 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
12. AMOUNTS OWING BY GROUP COMPANIES				
12.1 Non-current assets				
Glenfiddich Investments (Pty) Limited			**24**	24
Hadrian Investments (Pty) Limited			**24**	24
Injector Investments (Pty) Limited			**24**	24
Shelanu Investments (Pty) Limited			**24**	24
Transvaal Racing Holdings (Pty) Limited			**2 480**	2 480
			2 576	2 576
Amounts owing by Group companies bear no interest, have no fixed terms of repayment and are not expected to be settled within 12 months of the reporting date.				
12.2 Current assets				
Betting World (Pty) Limited			**14 799**	13 299
East Cape Racing (Pty) Eliminated			**15 695**	23 739
Glenfiddich Investments (Pty) Limited			**244**	244
Highveldt Training Centre (Pty) Limited			**605**	605
Phumelela Gold Enterprises Mauritius Limited				2 005
			31 343	39 892
Amounts owing by Group companies			**33 919**	42 468
The amounts owing by Group companies bear no interest other than the loan to Betting World, which attracts interest at the rate of 8%. The amounts receivable have no fixed terms of repayment.				
13. INVENTORIES				
Consumable stores at cost[1]	**346**	558	**305**	315
Digital satellite decoders	**417**		**417**	
East Cape property development – construction work-in-progress[2]	**5 086**	5 071		
– Balance at beginning of year	**5 071**	5 063		
– Development costs incurred	**15**	8		
	5 849	5 629	**722**	315

[1] *Consumable stores are made up of fuel, betting vouchers, food and beverages stock on hand.*

[2] *Approval to establish a residential housing estate consisting of 183 erven and business premises on a portion of the land held at Arlington Racecourse in Port Elizabeth was received from the local council on 22 November 2007. The Group's intention is to unlock the potential value of the property and further enhance the horseracing venue. Following the change of intention in use of the portion of property to be developed, the value of the property and related costs was transferred from non-current assets (property, plant and equipment) to current assets (inventories and construction work-in-progress). All subsequent expenditure related to progressing the development has been allocated to the cost of construction as work-in-progress. An independent valuation of the property was carried out in January 2008 with the valuator valuing the property at R38 million in its current state of development. The property is currently on the market for sale and current indications are the property will realise approximately R50 million.*

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
14. TRADE AND OTHER RECEIVABLES				
Trade receivables	72 660	52 709	71 242	50 104
Allowance for impairment	(7 669)	(5 817)	(7 655)	(5 803)
Trade receivables after impairment	64 991	46 892	63 587	44 301
Prepayments	9 008	6 304	4 149	1 512
Other receivables	40 706	27 893	23 125	15 945
	114 705	81 089	90 861	61 758
Trade receivables consist of non-interest-bearing receivables and are generally on 30 to 60-day terms.				
Where the service agreement includes a set-off arrangement the set-off has been applied as follows:				
Gross amount receivable	22 558	24 776	22 558	24 776
Gross amount payable	(78 694)	(21 516)	(77 320)	(21 516)
Net amount (payable)/receivable	(56 136)	3 260	(54 762)	3 260
Included in:				
Trade and other receivables	2 957	3 260	2 957	3 260
Trade and other payable (note 19)	(59 093)		(57 719)	
Net amount (payable)/receivable	(56 136)	3 260	(54 762)	3 260
Trade and other receivables include the following foreign currency-denominated monetary assets:				
South African Rand thousands				
Australian Dollar	3 608	1 836	3 608	1 836
British Pound	9 052	6 173	8 730	4 932
Euro	25 982	17 408	25 982	17 408
Singapore Dollar	2 751	1 300	2 751	1 300
Swedish Kroner		1 112		
United States Dollar	3 066	2 697	3 066	2 697
	44 459	30 526	44 137	28 173
Foreign currency				
Australian Dollar	362 112	206 424	362 112	206 424
British Pound	500 373	410 483	482 580	327 975
Euro	1 811 622	1 322 783	1 811 622	1 322 783
Singapore Dollar	320 275	167 074	320 275	167 074
Swedish Kroner		733 509		
United States Dollar	286 104	271 974	286 104	271 974
Movements in the allowance for the impairment of trade and other receivables were as follows:				
Trade and other receivables individually impaired				
Allowance at beginning of year	5 817	8 323	5 803	7 953
New and increased impairment charges	2 614	3 278	2 614	3 634
Written back	(967)	(5 042)	(967)	(5 042)
Arising on dissolution of Phumelela Gold Enterprises	1 198		1 198	
Utilised impairment charges	(993)	(742)	(993)	(742)
Allowance at end of year	7 669	5 817	7 655	5 803

The factors considered in determining the individually impaired financial assets for the Group and Company included non-payment by the receivable for more than 120 days, cash flows from the receivables and market-related information gathered on the receivable, such as liquidations entered into.

Notes to the financial statements (continued)

for the year ended 31 July 2014

	Total R'000	Neither past due nor impaired Current R'000	Past due but not impaired 30 to 60 days R'000	60 to 90 days past due R'000	>90 days past due R'000
14. TRADE AND OTHER RECEIVABLES continued					
As at 31 July, the ageing of trade receivables is as follows:					
Group					
2014	**64 991**	**40 246**	**8 210**	**4 351**	**12 184**
2013	46 892	34 708	2 711	2 703	6 770
Company					
2014	**63 587**	**38 828**	**8 210**	**4 351**	**12 198**
2013	44 301	32 118	2 711	2 702	6 770

The impairment allowance at 31 July relates to receivables more than 60 days past due. The Group and the Company hold a bond over the Mashonaland Turf Club to secure an amount of R2 760 000 included in >90 past due.

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
15. CASH AND CASH EQUIVALENTS				
Cash on cash management at bank and on hand	**60 636**	15 019	**51 734**	6 661
Short-term bank deposits and income dividend funds	**34 268**	45 181	**30 003**	31 637
	94 904	60 200	**81 737**	38 298
Included in cash and cash equivalents are the following foreign currency-denominated monetary assets:				
South African Rand thousands				
Australian Dollar	**7 349**	2 929	**7 349**	2 929
British Pound	**20 130**	15 539	**17 692**	9 054
Euro	**24 767**	13 712	**24 767**	13 712
Mauritius Rupee		777		–
Swedish Kroner		1 571		1 571
United States Dollar	**57**	396	**57**	396
	52 303	34 924	**49 865**	27 662
Foreign currency				
Australian Dollar	**737 579**	329 419	**737 579**	329 419
British Pound	**1 112 735**	1 033 372	**977 968**	602 113
Euro	**1 726 927**	1 041 949	**1 726 927**	1 041 949
Mauritius Rupee		2 415 383		
Swedish Kroner		1 036 823		1 036 823
United States Dollar	**5 289**	39 977	**5 289**	39 977

Foreign currency translation rates applied at the reporting date as set out in note 2.

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
16. SHARE CAPITAL AND PREMIUM				
16.1 Share capital				
Authorised				
480 000 000 ordinary shares of 2,5 cents each	**12 000**	12 000	**12 000**	12 000
Issued				
77 101 885 ordinary shares of 2,5 cents each	**1 928**	1 928	**1 928**	1 928
1 515 047 ordinary shares of 2,5 cents each repurchased	**(38)**	(38)		
	1 890	1 890	**1 928**	1 928
Share premium				
Balance at beginning of year			**293**	293
Total share capital and premium	**1 890**	1 890	**2 221**	2 221

There were no changes to the authorised or issued share capital in the current year. Rand Sporting Club (Pty) Limited has purchased 1 515 047 shares (as follows: 2008: 1 007 014; 2009: 500 000; 2010: 8 033). The shares are currently held as Treasury shares and are primarily intended to be used for issuing shares under the Group's share option programme as set out in note 34.

	Direct beneficial	Indirect beneficial	Total	Percentage
Directors' interests in share capital at 31 July 2014				
Non-executive directors				
B Kantor		**6 451 777**	**6 451 777**	**8,37**
MJ Jooste		**1 839 892**	**1 839 892**	**2,39**
CJH van Niekerk	**47 200**		**47 200**	**0,06**
JB Walters		**31 850**	**31 850**	**0,04**
Executive directors				
WA du Plessis		**2 100 000**	**2 100 000**	**2,72**
AW Heide	**200 000**		**200 000**	**0,26**
JA Stuart	**155 800**		**155 800**	**0,20**
	403 000	**10 423 519**	**10 826 519**	**14,04**
There has been no movement in the disclosed interests during the period 31 July 2014 to the date of signature of this report.				
Directors' interests in share capital at 31 July 2013				
Non-executive directors				
B Kantor		6 308 388	6 308 388	8,18
MJ Jooste		1 839 892	1 839 892	2,39
CJH van Niekerk	47 200		47 200	0,06
Executive directors				
WA du Plessis		2 100 000	2 100 000	2,72
AW Heide	200 000		200 000	0,26
JA Stuart	155 800		155 800	0,20
	403 000	10 248 280	10 651 280	13,81

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
16.2 Non-distributable reserves				
Foreign currency translation reserve arising on consolidation of the interests held in Phumelela Gold International Limited and the equity-accounted investees	(643)	2 670		

Notes to the financial statements (continued)

for the year ended 31 July 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
17. RETIREMENT BENEFIT INFORMATION				
Provision for post-retirement pension top-up benefits (note 17.1)		500		500
Post-retirement medical benefits (note 17.3)		1 160		1 160
		1 660		1 660
The Group has the following defined benefit and defined contribution funds registered under and governed by the Pension Funds Act, 1956, as amended:				
17.1 Defined benefit funds				
Provision for post-retirement pension top-up benefits				
Balance at beginning of year	**500**	500	**500**	500
Reduction in provision due to payment made to Newmarket Pension Fund	**(500)**		**(500)**	
Balance at end of year		500		500
Pension fund surplus				
Balance at beginning of year	**1 568**	1 568	**1 568**	1 568
Payment made to Newmarket Pension Fund including interest	**(595)**		**(595)**	
Balance at end of year	**973**	1 568	**973**	1 568
Central Management Company (Sporting Clubs) Cusada Pension Plan				
Totalisator Agency Board (Transvaal) Pension Plan				
Newmarket Pension Fund				

The above funds were inherited by the Company as part of the corporatisation process and effectively transferred to Phumelela on 1 April 1999. These funds have been closed funds for the past 15 years.

New employees have the option of joining either of the Phumelela defined contribution provident or pension funds.

The most recent actuarial valuations performed at 31 July 2014 on the above funds showed that these funds are adequately funded.

Applications for surplus distribution in terms of the Pension Funds Act have been approved by the Financial Services Board. The surplus apportionment in respect of the Central Management Company Cusada Pension Fund was approved on 22 December 2009. In terms of the scheme, R1 568 000 was allocated to the employer. It is the intention of the employer to utilise a portion of the surplus to fund a contribution holiday. R500 000 was provided for post-retirement pension top-up benefits in respect of the Newmarket Pension Fund. During the year, the Financial Services Board approved the top-up benefits and this was paid.

17. RETIREMENT BENEFIT INFORMATION continued

17.1 Defined benefit funds continued

The funded status of the defined benefit funds is as follows:

	GROUP AND COMPANY		
	Central Management Company (Sporting Clubs) Cusada Pension Plan R'000	Totalisator Agency Board (Transvaal) Pension Plan R'000	Newmarket Pension Fund R'000
2014			
Fair value of assets	**26 565**	**41 054**	**2 347**
Benefit obligations	**22 349**	**37 746**	**3 933**
Funded benefit plan assets	**4 216**	**3 308**	**(1 586)**
2013			
Fair value of assets	23 181	40 186	2 267
Benefit obligations	18 389	28 164	2 897
Funded benefit plan assets	4 792	12 022	(630)

	Central Management Company (Sporting Clubs) Cusada Pension Plan		Totalisator Agency Board (Transvaal) Pension Plan		Newmarket Pension Fund	
	2014	2013	**2014**	2013	**2014**	2013
The funds are actuarially valued on an annual basis and were last valued on 31 July 2014. The following main assumptions were made by the actuary:						
Investment returns (per annum compound)	**9%**	9%	**9%**	9%	**9%**	9%
Discount rate (per annum compound)	**9%**	9%	**9%**	9%	**9%**	9%
Price inflation (per annum compound)	**4,8%**	4%	**7,2%**	7%	**2,4%**	2%
Pensioner mortality	**PA90**	PA90	**PA90**	PA90	**PA90**	PA90
Membership at date of valuation						
Pensioners	**21**	23	**36**	38	**11**	13

Notes to the financial statements (continued)

for the year ended 31 July 2014

17. RETIREMENT BENEFIT INFORMATION continued

17.2 Defined contribution funds

New employees have the option of joining either of the Phumelela defined contribution provident or pension funds.

	Members	Employer contri-butions R'000
2014		
Phumelela Pension Fund	**138**	**879**
Phumelela Provident Fund	**1 369**	**9 268**
TAB Provident Fund	**35**	**216**
Saccawu National Provident Fund	**7**	**75**
T&G Provident Fund	**3**	**15**
		10 454
2013		
Phumelela Pension Fund	149	855
Phumelela Provident Fund	1 351	8 583
TAB Provident Fund	38	306
Saccawu National Provident Fund	7	71
T&G Provident Fund	3	14
		9 829

17.3 Post-retirement benefits

The Company and its subsidiaries operated defined benefit medical aid schemes for the benefit of permanent employees. Post-retirement medical aid benefits are offered to certain employees who were members of the medical aid scheme at 1 August 1999 by subsidising a portion of the medical aid contribution after retirement. An actuarial valuation, performed at 31 July 2014, confirmed that the Company had no further liability in respect of post-retirement medical aid.

	GROUP AND COMPANY Medical aid 2014 R'000	2013 R'000
Post-retirement benefit liability		
Opening balance as previously reported	**1 160**	1 149
(Income)/expense recognised in the statement of comprehensive income	**(1 130)**	124
Contributions paid	**(30)**	(113)
Closing balance	**–**	1 160
Made up as follows:		
Present value of obligation at end of year	**–**	1 160
Recognised in the statement of comprehensive income		
Current service cost		
Interest cost	**93**	89
Net actuarial curtailments recognised in the year	**(1 223)**	35
(Income)/expense recognised in the statement of comprehensive income	**(1 130)**	124

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
18. FINANCIAL LEASE LIABILITY				
Leases taken out during the year	1 145		1 145	
Payment made	(131)		(131)	
Balance at end of year	1 014		1 014	
Non-current liability	525		525	
Current liability included in trade and other payables	489		489	
	1 014		1 014	

The liabilities are secured through information technology equipment with a carrying value of R1 076 000. The liability is repayable over 36 months at the rate of R35 730 per month with interest rates varying between 7,9% and 8,5%.

	2014 Future minimum lease payment R'000	2014 Interest R'000	2014 Present value of lease payments R'000
Less than one year	555	66	489
Two to five years	564	39	525
	1 119	105	1 014

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
19. TRADE AND OTHER PAYABLES				
Trade payables	129 030	86 203	126 921	84 483
Accruals – staff costs	37 652	34 425	36 750	33 847
Accruals – other	48 250	48 360	28 143	36 013
Betting taxes	2 958	2 771	2 786	2 771
Financial lease liability – current	489		489	
Other payables	67 620	25 705	54 344	15 251
	285 999	197 464	249 433	172 365
Trade payables are non-interest bearing and are normally settled between 30 to 60 days.				
Other payables are non-interest bearing and have an average term of three months.				
Where the service agreement includes a set-off arrangement, the set-off has been applied as follows:				
Gross amount receivable	22 558	24 776	22 558	24 776
Gross amount payable	(78 694)	(21 516)	(77 320)	(21 516)
Net amount (payable)/receivable	(56 136)	3 260	(54 762)	3 260
Included in:				
Trade and other receivables (note 14)	2 957	3 260	2 957	3 260
Trade and other payable	(59 093)		(57 719)	
Net amount (payable)/receivable	(56 136)	3 260	(54 762)	3 260

Notes to the financial statements (continued)

for the year ended 31 July 2014

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
19. TRADE AND OTHER PAYABLES continued				
Trade and other payables include the following foreign currency-denominated liabilities:				
Liabilities				
South African Rand thousands				
Australian Dollar	**1 899**	376	**1 899**	376
British Pound	**3 485**	2 572	**3 436**	2 310
Euro	**34 150**	18 036	**34 150**	18 036
Mauritian Rupee	**4**		**4**	39
Singapore Dollar	**66**	160	**66**	160
Swedish Krona	**1 174**	192	**1 174**	192
United States Dollar	**975**	2 486	**975**	2 486
	41 753	23 822	**41 705**	23 599
Foreign currency				
Australian Dollar	**190 556**	42 252	**190 556**	42 252
British Pound	**192 621**	171 109	**189 951**	153 598
Euro	**2 381 169**	1 370 518	**2 381 169**	1 370 518
Mauritian Rupee	**12 200**		**12 200**	121 591
Singapore Dollar	**7 680**	20 494	**7 680**	20 494
Swedish Krona	**755 963**	83 561	**755 963**	83 561
United States Dollar	**90 987**	250 679	**90 987**	250 679

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
20. BORROWINGS				
Unsecured borrowings				
– Long term	**6 317**			
– Current portion	**2 400**			
	8 717			

The short-term borrowing is unsecured, bears interest at 0,75% below prime and is repayable in monthly instalments of R200 000.

	COMPANY	
	2014 R'000	2013 R'000
21. AMOUNTS OWING TO GROUP COMPANIES		
Highveld Racing Authority Technical Services (Pty) Limited	8 799	8 799
Rand Sporting Club (Pty) Limited	37 874	36 660
East Cape Racing (Pty) Limited		
TAB North West (Pty) Limited	45 526	48 763
Tote Property Investments (Pty) Limited	4 549	4 145
Highveld Training Centre (Pty) Limited	277	277
Silks Gaming and Leisure (Pty) Limited	2 635	2 589
Phumelela Gaming and Leisure Limited Share Incentive Trust	26	26
	99 686	101 259

Other than the advance from Silks Gaming and Leisure (Pty) Limited, amounts owing to Group companies bear no interest and have no fixed terms of repayment.

The amount owing to Silks Gaming and Leisure (Pty) Limited bears interest at prime less 1,5% per annum and has no fixed term of repayment

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
22. CONTINGENT CONSIDERATION LIABILITY				
Contingent consideration	4 056	3 000	4 056	3 000

A provision has been raised for the contingent consideration in respect of the purchase of Betting World of R3 000 000 and is payable on condition that Betting World is granted bookmakers' licences in KwaZulu-Natal which requires the relevant gaming legislation to be amended to allow for corporate ownership of bookmakers' licences.

The purchase consideration in respect of SW Security Solutions SA of R1 056 000 is payable in terms of a cession to future dividends to the seller to the amount of the purchase consideration.

Notes to the financial statements (continued)

for the year ended 31 July 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
23. INCOME				
Income comprises:				
Gross betting income (note 24)	**927 253**	875 827	**733 040**	716 049
International division				
Proportionate share of Tellytrack partnership (2013 Phumelela Gold Enterprises)				
– Derived from international ventures	**223 115**	112 987	**223 115**	112 987
– Derived from local operations	**38 926**	24 217	**38 926**	24 217
Interest received	**1 266**	1 795	**2 079**	2 273
Dividends received	**1 549**		**45 632**	22 451
	1 192 109	1 014 826	**1 042 792**	877 977
24. GROSS BETTING INCOME				
Bets struck net of betting dividends paid, refunds and rebates:				
– South Africa – totalisator	**791 641**	751 627	**733 040**	702 407
– South Africa – fixed odds	**135 612**	124 200		13 642
	927 253	875 827	**733 040**	716 049
25. NET BETTING INCOME				
Net betting income derived from bets struck:				
– South Africa – totalisator	**632 592**	603 051	**584 530**	562 751
– South Africa – fixed odds	**113 999**	104 802		11 202
	746 591	707 853	**584 530**	573 953

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
26. PROFIT FROM OPERATIONS				
The profit from operations is stated after:				
26.1 Income				
Dividends received				
– Unlisted investments			44 083	22 451
– Listed investments	1 549		1 549	
Fair value adjustment – investments	2 023		2 023	
Interest received	1 266	1 795	2 079	2 273
Gambling board levies received	52 836	54 130	52 836	54 130
Unclaimed dividends and breakages	29 669	29 194	27 407	29 194
Profit on foreign exchange	11 728	3 347	11 728	3 347
26.2 Expenses				
Auditors' remuneration	3 070	1 782	2 223	852
– Audit fee	3 009	2 448	2 223	1 572
– Prior year's overprovision		(800)		(800)
– Other services	61	134		80
Depreciation	37 797	39 731	25 307	32 171
On owned assets				
– Buildings	6 087	4 943	3 846	4 917
– Plant and machinery	6 024	10 822	5 619	10 333
– Information technology equipment and software	5 013	7 570	1 038	5 231
– Motor vehicles, heavy duty trucks and trailers	2 687	2 577	2 348	2 251
– Furniture and fittings	3 924	3 492	1 907	1 828
– Marks, names and signage	573	624	531	535
On leasehold				
– Fittings and improvements	13 489	9 703	10 018	7 076
Amortisation on intangible assets	1 577	154	93	94
Agents commission	37 168	31 519	35 693	30 226
– Horseracing	27 672	24 032	27 241	23 409
– Other sports	9 496	7 487	8 452	6 817
Operating lease expenses	58 709	47 243	38 180	32 205
– Office equipment	3 636	2 593	2 289	2 150
– Premises	55 073	44 650	35 891	30 055
Employee costs (permanent and part time)	274 432	245 115	220 952	203 149
– Salaries and wages	257 146	229 570	207 029	189 863
– Retirement benefits	12 927	10 723	9 767	9 313
– Social security	4 359	4 822	4 156	3 973
Share-based payment expense	5 000		5 000	
Loss on disposal of property, plant and equipment	804	901	554	372

Notes to the financial statements (continued)

for the year ended 31 July 2014

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
27. FINANCE COSTS				
Interest paid	**1 183**	779	**812**	979
28. INCOME TAX EXPENSE				
Current year	**16 540**	31 430	**13 858**	21 377
South African tax	**19 309**	33 324	**16 627**	23 271
Less: foreign withholding taxes paid	**(2 769)**	(1 894)	**(2 769)**	(1 894)
Deferred				
Current year	**2 833**	(6 173)	**1 803**	(6 180)
Total tax charge	**19 373**	25 257	**15 661**	15 197
Taxation reconciliation				
South African normal taxation at standard rate 28%	**36 335**	31 144	**30 806**	20 582
Adjusted for:				
Share of profit of equity-accounted investee	**(16 235)**	(7 477)		
Tax rate difference – foreign subsidiary	**(789)**	(264)		
Exempt income/disallowable expenses	**62**	1 854	**(15 145)**	(5 385)
Taxation in the current year	**19 373**	25 257	**15 661**	15 197

	COMPANY 2014 R'000	COMPANY 2013 R'000
29. DIRECTORS' EMOLUMENTS		
Non-executive directors		
Fees as directors		
MP Malungani	**330**	300
R Cooper	**132**	120
MJ Jooste*	**132**	90
B Kantor**	**132**	120
SKC Khampepe	**132**	120
NJ Mboweni	**132**	120
E Nkosi	**132**	120
C van Niekerk*	**132**	120
JB Walters	**132**	90
Other services		
MP Malungani	**101**	34
R Cooper	**253**	170
MJ Jooste*	**52**	
B Kantor**	**70**	30
NJ Mboweni	**66**	60
CJH Van Niekerk	**99**	34
JB Walters	**103**	94
E Nkosi	**33**	
	2 161	1 622

* *Fees paid to Steinhoff International Holdings Limited as management and administration fees.*

** *Fees paid to Investec Bank Limited as management and administration fees.*

	COMPANY	
	2014 R'000	2013 R'000
29. DIRECTORS' EMOLUMENTS continued		
Executive directors		
Fees for management services		
*WA du Plessis***	**7 150**	5 461
Basic salary (2014: £229 166, 2013: £220 000)	**3 983**	3 101
Retirement, medical, accident and health benefits (2014: £49 073, 2013: £46 576)	**825**	644
Bonuses and performance-related payments on prior year results (2014: £145 000, 2013: £125 000)	**2 342**	1 716
AW Heide	**2 655**	2 450
Basic salary	**1 650**	1 558
Retirement, medical, accident and health benefits	**205**	192
Bonuses and performance-related payments on prior year results	**800**	700
V Moodley	**2 504**	2 200
Basic salary	**1 536**	1 351
Retirement, medical, accident and health benefits	**168**	149
Bonuses and performance-related payments on prior year results	**800**	700
ML Ramafalo	**1 940**	1 781
Basic salary	**1 379**	1 279
Retirement, medical, accident and health benefits	**121**	112
Bonuses and performance-related payments on prior year results	**440**	390
JA Stuart	**2 553**	2 250
Basic salary	**1 509**	1 327
Retirement, medical, accident and health benefits	**194**	173
Bonuses and performance-related payments on prior year results	**850**	750
Total executive emoluments paid	**16 802**	14 142
Current year share-based payment expense allocated as follows:*		
WA du Plessis	**150**	
AW Heide	**590**	
V Moodley	**520**	
ML Ramafalo	**410**	
JA Stuart	**520**	
Total directors' emoluments	**21 153**	15 764

* *None of the shares in the share-based payment expense had vested in terms of the option scheme.*

** *Fees to WA du Plessis amounting to £94 280 (R1 577 000) were paid by Phumelela Gold International Limited.*

Other services include attending audit committee meetings, social and ethics committee meetings, remuneration and nomination committee meetings, strategy sessions and ad-hoc meetings as required.

Notes to the financial statements (continued)

for the year ended 31 July 2014

	COMPANY 2014 R'000	2013 R'000
29. DIRECTORS' EMOLUMENTS continued		
Prescribed officers' emoluments		
– Basic salary	**6 280**	7 005
– Retirement, medical, accident and health benefits	**676**	654
– Bonuses and performance-related payments on prior year results	**2 160**	2 015
Prescribed officers' emoluments paid	**9 116**	9 674
Current year share-based payment expense*	**1 800**	
Total prescribed officers' emoluments	**10 916**	9 674
Paid by:		
The Company	**26 502**	25 438
A subsidiary	**1 577**	
Share-based payment expensed	**3 990**	
Total directors and prescribed officers' emoluments	**32 069**	25 438

Prescribed officers

C Basel	Horseracing sales executive
P Davis	Racing executive
M Weare	Managing director (Betting World)
B McLoughlin	Chief Financial Officer
The late R Gopaul	Company Secretary

* *None of the shares in the share-based payment expense had vested in terms of the option scheme.*

There were no options exercised in the current year (2013: nil.)

	GROUP 2014 cents	GROUP 2013 cents
30. EARNINGS PER ORDINARY SHARE		
Basic earnings per share	**146,07**	113,61
Diluted earnings per share	**139,13**	110,85
Headline earnings per share	**132,10**	114,46
Diluted headline earnings per share	**125,83**	111,69
	R'000	R'000
Reconciliation of basic/diluted earnings to headline earnings		
Earnings attributable to ordinary shareholders for basic and diluted earnings per share	**110 409**	85 871
Adjusted for:		
Profit on conversion of equity-accounted investee to investment	**(11 135)**	
Loss on disposal of property, plant and equipment	**804**	901
Tax effect	**(225)**	(252)
Headline earnings attributable to ordinary shareholders	**99 853**	86 520
	Number 2014	Number 2013
Number of shares in issue	**75 586 838**	75 586 838
Weighted average number of ordinary shares in issue for basic and headline earnings per share	**75 586 838**	75 586 838
Weighted average number of ordinary shares in issue for diluted earnings per share	**79 356 413**	77 466 301
Weighted average number of ordinary shares in issue for basic and headline earnings per share	**75 586 838**	75 586 838
Potential dilutive impact of outstanding share options	**3 769 575**	1 879 463
Number of outstanding options	**8 635 000**	5 215 000
Number of options deemed to be issued at fair value or not vesting	**(4 865 425)**	(3 335 537)
Weighted average number of ordinary shares in issue for diluted basic and headline earnings per share	**79 356 413**	77 466 301
Dividends per ordinary share		
Final dividend declared to shareholders recorded in the register on 25 October 2013 – Paid on 28 October 2013*	**60,00**	51,00
Interim dividend declared to shareholders recorded in the register on 23 May 2014 – Paid on 26 May 2014*	**28,00**	28,00
	88,00	79,00

(The final and interim dividend were 51,00 and 23,80 cents per share respectively, net of the dividend withholding tax at a rate of 15%.)

Notes to the financial statements (continued)

for the year ended 31 July 2014

31. SHARE OF JOINT OPERATION

Tellytrack partnership (Tellytrack) (formerly Phumelela Gold Enterprises (PGE))

Effective from 1 August 2013 the PGE joint operation between the Company and Gold Circle (Pty) Limited was dissolved and replaced by the Tellytrack joint operation between the Company, Gold Circle (Pty) Limited and Kenilworth Racing (Pty) Limited. Pursuant to the agreements concluded between the parties, the right to exploit the joint commercial interests and intellectual property in respect of South African race meetings outside of South Africa (international operations), previously held by PGE, were distributed to the Company with a concomitant intellectual property rights fee payable to Gold Circle (Pty) Limited and Kenilworth Racing (Pty) Limited respectively. The Company's 61% share of PGE's international operations was previously proportionately consolidated. Effective from 1 August 2013 international operations form part of the Company's business operations. As a consequence comparative information for international operations may be misleading.

In terms of the joint control agreement, the Company's share of the partnership income and expenditure for the year is 61% (2013: 61%).

Share of assets, liabilities, income and expenses for Tellytrack (comparatives PGE) accounted for on a line-for-line basis

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Assets				
Non-current assets	**2 005**	14 604	**2 005**	579
Property, plant and equipment	**2 005**	378	**2 005**	378
Investments		14 040		201
Intangible asset		186		
Current assets	**8 299**	124 607	**12 399**	114 769
Inventories	**417**		**417**	
Amounts owing by Group companies		25 653	**4 100**	27 659
Trade and other receivables	**3 781**	51 791	**3 781**	47 209
Cash and cash equivalents	**4 101**	47 163	**4 101**	39 901
Capital and reserves				
Partners' accounts	**1 831**	92 540	**5 931**	70 917
Non-distributable reserve		3 081		
Liabilities				
Current liabilities				
Trade and other payables	**8 473**	43 590	**8 473**	44 431
Cash flow				
Cash flows from operating activities	**8 058**	51 093	**8 058**	43 507
Cash flows from investing activities	**345**	18 583	**345**	22 315
Cash flows from financing activities	**(16 104)**	(45 429)	**(16 104)**	(45 415)
Net (decrease)/increase in cash and cash equivalents	**(7 701)**	24 247	**(7 701)**	20 407
Income	**20 087**	172 348	**24 498**	168 095
Expenditure	**38 802**	92 891	**38 802**	93 837
(Loss)/profit for the year	**(18 715)**	79 457	**(14 304)**	74 258

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
32. COMMITMENTS AND CONTINGENCIES				
32.1 Capital expenditure				
Commitments in respect of capital expenditure approved by directors				
– Contracted for	**4 939**	2 162	**4 939**	2 162
– Not contracted for	**97 856**	81 600	**78 696**	58 931
The above capital expenditure will be financed out of cash and cash equivalents generated by operations or borrowing facilities as and when required.				
32.2 Operating leases				
Commitments in respect of operating leases				
Office equipment	**9 424**	8 064	**8 310**	7 591
– Within one year	**5 918**	3 191	**5 536**	2 829
– Between two and five years	**3 506**	4 873	**2 774**	4 762
Leasehold properties	**100 642**	90 689	**55 777**	56 179
– Within one year	**34 509**	33 690	**21 743**	22 171
– Between two and five years	**63 358**	52 398	**34 034**	34 008
– More than five years	**2 775**	4 601		
	110 066	98 753	**64 087**	63 770

Operating lease commitments do not contain any abnormal terms and conditions.

32.3 Guarantees and surety issued

Guarantees in lieu of operating lease deposits amount to R1 262 699 (2013: R1 262 669) and are held by insurers and banks.

The Company has issued a surety in favour of a bank in order for the bank to issue guarantees in favour of the gambling boards in respect of the Betting World (Pty) Limited and Silks Gaming and Leisure (Pty) Limited in the amount of R15 090 600 million (2013: R15 090 600).

The Company has stood surety in respect of the banking facilities of Kenilworth Racing (Pty) Limited in the amount of R30 million which is secured by means of a first bond over the Milnerton property owned by Kenilworth Racing (Pty) Limited in the amount of R60 million. At the year end the utilisation of the facility amounted to R23 700 000 (2013: Rnil).

Notes to the financial statements (continued)

for the year ended 31 July 2014

33. RELATED PARTIES

Related parties include shareholders of the Company, the subsidiary companies, joint ventures and equity-accounted investees, as well as senior employees and directors. During the year, the Company entered into various transactions with related parties in the normal course of business.

Shareholders

Details of the shareholders are set out on page 121.

Details of the directors' shareholding and options are set out in note 16 and 34 respectively.

Treasury shares are set out in Note 16.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 7 and on page 119.

Amounts owing by/to Group companies are disclosed in notes 12 and 21.

Details of material transactions with subsidiaries not disclosed elsewhere in the financial statements are as follows:

	COMPANY	
	2014 R'000	2013 R'000
Turnover levies received from TAB North West (Pty) Limited	**31 953**	18 688
Support fee paid to Betting World (Pty) Limited for fixed odds operations in Phumelela Gaming and Leisure Limited		(7 033)
Marketing sponsorship from Betting World (Pty) Limited	**5 268**	5 279
Sub-lease rental income received from Betting World (Pty) Limited	**4 140**	799
Interest received from Betting World (Pty) Limited	**1 122**	1 064
Tellytrack licence fees paid	**1 963**	
Interest paid to Silks (Pty) Limited	**(187)**	(201)
Leasehold property rentals paid to Tote Property Investments (Pty) Limited	**(359)**	(359)
Leasehold property rentals paid to East Cape Racing (Pty) Limited	**(9 943)**	(9 656)
Commission paid to Betting World (Pty) Limited	**(2 278)**	(2 105)

Guarantees

The Group has signed unlimited cross guarantees between the operating 100%-owned subsidiaries that operate on the Group's managed facilities. The companies affected are Phumelela Gaming and Leisure Limited, Rand Sporting Club (Pty) Limited, TAB North West (Pty) Limited, East Cape Racing (Pty) Limited, and Tote Properties (Pty) Limited.

Directors

Details regarding the directors' emoluments in the Company are disclosed in note 29 and directors' interests in the Company in note 16.

Joint operations

Details of investments are disclosed in note 31.

Equity-accounted investees

Details of investments in equity-accounted investees are disclosed in note 8.

34. SHARE OPTION SCHEMES

Summary of share options granted

Executive option scheme 2008

Shareholders' approval for reserving 10% of the issued share capital of Phumelela Gaming and Leisure Limited for the executive share option scheme was obtained at the Company's Annual General Meeting held on 5 December 2008.

The exercise of the options is conditional upon a minimum compound annual growth rate in headline earnings per share of CPIX plus 5% over the vesting period and a minimum growth rate in the share price of 10% compound per annum over the vesting period.

Should both the above conditions be met the options are exercisable at the strike price.

Should the growth rate in the share price increase by 15% compound per annum the options are exercisable at 50% of the strike price and should the growth rate in the share price increase by 20% compound per annum the options are exercisable at R1.

For purposes of IFRS 2 *Share-based Payments*, the share option scheme was valued by an independent valuer using a modified binomial valuation model.

Executive share option scheme 2008

Date of option	1 August 2011	7 November 2011	5 December 2012	1 October 2013
Number of shares	1 555 000	60 000	2 100 000	3 420 000
Dividend yield	5,84%	6,48%	7,26%	4,76%
Interest rate	6,41%	5,63%	6,15%	6,93%
Volatility	28,50%	34,10%	29,69%	32,00%
Option take-up	100,00%	100,00%	100,00%	100,00%
Equity price	R11,60	R10,88	R8,38	R15,00
Maturity date	1 August 2014	7 November 2014	5 December 2015	1 October 2016

	2014		2013	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Summary of share options granted				
Balance at beginning of year	**3 715 000**	**9,77**	3 810 000	10,32
Granted 1 October 2013	**3 420 000**	**15,00**	2 250 000	8,38
Lapsed			(1 620 000)	9,00
Lapsed			(300 000)	9,93
Forfeited			(200 000)	11,00
Forfeited			(75 000)	11,60
Forfeited			(150 000)	8,38
	7 135 000	**12,28**	3 715 000	9,77

Notes to the financial statements (continued)

for the year ended 31 July 2014

34. SHARE OPTION SCHEMES continued

Summary of share options granted continued

	2014 Number of shares	2014 Weighted average exercise price	2013 Number of shares	2013 Weighted average exercise price
Made up as follows:				
Granted to directors				
WA du Plessis – 5 December 2012	250 000	8,38	250 000	8,38
AW Heide – 1 August 2011	190 000	11,60	190 000	11,60
AW Heide – 5 December 2012	180 000	8,38	180 000	8,38
AW Heide – 1 October 2013	390 000	15,00		
ML Ramafalo – 1 August 2011	120 000	11,60	120 000	11,60
ML Ramafalo – 5 December 2012	150 000	8,38	150 000	8,38
ML Ramafalo – 1 October 2013	270 000	15,00		
J Stuart – 1 August 2011	160 000	11,60	160 000	11,60
J Stuart – 5 December 2012	170 000	8,38	170 000	8,38
J Stuart – 1 October 2013	350 000	15,00		
V Moodley – 1 August 2011	160 000	11,60	160 000	11,60
V Moodley – 5 December 2012	170 000	8,38	170 000	8,38
V Moodley – 1 October 2013	350 000	15,00		
Granted to staff				
Effective grant date – 1 August 2011	925 000	11,60	925 000	11,60
Effective grant date – 7 November 2011	60 000	10,88	60 000	10,88
Effective grant date – 5 December 2012	1 180 000	8,38	1 180 000	8,38
Effective grant date – 1 October 2013	2 060 000	15,00		
Balance at end of year	7 135 000	12,28	3 715 000	9,77
The above options may be exercised between the following dates:				
2 August 2014 to 31 January 2015	1 555 000	11,60	1 555 000	11,60
8 November 2014 to 7 May 2015	60 000	10,88	60 000	10,88
6 December 2015 to 5 June 2016	2 100 000	8,38	2 100 000	8,38
2 October 2016 to 1 March 2017	3 420 000	15,00		
	7 135 000	12,28	3 715 000	9,77

Group Chief Executive option scheme 2008

Shareholder approval for the granting of 1 500 000 options to the Group Chief Executive was obtained at the Company's Annual General Meeting held on 6 December 2011.

The exercise of the options is conditional upon a minimum compound annual growth rate in the share price of 10% compound per annum over the vesting period.

Group Chief Executive option scheme 2011

Date of option	20 January 2012
Number of shares	1 500 000
Dividend yield	6,67%
Interest rate	6,15%
Volatility	29,20%
Option take-up	100,00%
Equity price	9,55
Maturity date	20 January 2015

34. SHARE OPTION SCHEMES continued

Summary of share options granted continued

	2014 Number of shares	2014 Exercise price cents	2013 Number of shares	2013 Exercise price cents
Summary of share options granted				
Effective grant date – 20 January 2012	**1 500 000**	**2,50**	1 500 000	2,50
Granted to director				
WA du Plessis	**1 500 000**	**2,50**	1 500 000	2,50
The above options may be exercised between the following dates:				
20 January 2015 to 19 July 2015	**1 500 000**	**2,50**	1 500 000	2,50

35. NOTES TO THE CASH FLOW STATEMENTS

35.1 Cash generated by operations

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Profit before income tax expense	**129 768**	111 230	**110 022**	73 508
Adjustments for:				
Share of profit of equity-accounted investees	**(57 983)**	(26 705)		
Investment income	**(2 815)**	(1 795)	**(47 711)**	(24 724)
Finance costs	**1 183**	779	**812**	979
Depreciation	**37 797**	39 731	**25 307**	32 171
Amortisation of intangible assets	**1 577**	154	**93**	94
Loss on disposal of property, plant and equipment	**804**	901	**554**	374
Surplus on conversion of equity-accounted investee to subsidiary	**(11 135)**		**(14 594)**	
Revaluation of investment	**(551)**		**(2 505)**	
Post-retirement curtailments	**158**	9	**158**	9
Provision for investments	**(443)**	443	**(443)**	443
Share-based payment	**5 000**		**5 000**	
	103 360	124 747	**76 693**	82 854

Notes to the financial statements (continued)

for the year ended 31 July 2014

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
35. NOTES TO THE CASH FLOW STATEMENTS continued				
35.2 Movements in working capital				
(Increase)/decrease in inventories	**(220)**	78	**(407)**	218
(Increase)/decrease in trade and other receivables	**(10 789)**	(13 918)	**(6 278)**	(16 415)
Decrease/(increase) in amounts owing from Group companies			**8 549**	(23 629)
Decrease in amounts owing to Group companies			**(1 573)**	(21 001)
Increase in trade and other payables	**33 694**	40 627	**22 070**	35 248
	22 685	26 787	**22 361**	(25 579)
35.3 Taxation paid				
Balance at beginning of year	**199**	(5 100)	**(229)**	(4 080)
Current year charge (note 28)	**16 539**	31 430	**13 858**	21 377
Balance at end of year	**3 698**	(199)	**(248)**	229
	20 436	26 131	**13 381**	17 526
35.4 Dissolution of Phumelela Gold Enterprises joint venture				
Property, plant and equipment	**(161)**		**(161)**	
Trade and other receivables	**(22 825)**		**(22 825)**	
Goodwill	**(136)**			
Investment			**(129)**	
Equity-accounted investee	**(7 059)**			
Cash and cash equivalents	**(24 031)**		**(24 031)**	
Trade and other payables	**54 212**		**54 212**	
Proceeds on disposal	**–**		**7 066**	
Less: cash and cash equivalents	**24 031**		**24 031**	
Disposal of operation, net of cash and cash equivalents	**24 031**		**31 097**	

36. SEGMENTAL ANALYSIS

The directors consider the Group to be organised into a business segment providing betting opportunities primarily on horseracing.

The secondary reporting format is by geographic analysis and the directors consider there to be two geographic segments being South Africa and international.

Both primary and secondary segments are disclosed in the statement of comprehensive income.

The following information, which is internally forwarded to the executive team and chief operating decision maker, is provided to enable users to better understand the source of betting revenue generated by the Group. The proforma supplementary information for the 12 months ended 31 July 2013 represents what the figures would have been had the PGE joint operation been dissolved and replaced by the Tellytrack joint operation on 1 August 2012 (similar comparative basis). It is provided to enable users to better understand the results of the Group.

	% change	**12 months 31 July 2014 R'000**	12 months 31 July 2013 R'000	Proforma similar comparative value % change	Proforma similar comparative value 12 months 31 July 2013 R'000
Local					
Excluding fixed odds					
Income	7	**831 567**	777 178	7	777 178
Net betting income					
– Horseracing	(4)	**443 746**	461 046	(4)	461 046
– Other sports	33	**188 846**	142 006	33	142 006
Net betting income	5	**632 592**	603 052	5	603 052
Other income	6	**184 849**	173 659	6	173 659
Investment income	(25)	**999**	1 334	(25)	1 334
Net income	5	**818 440**	778 045	5	778 045
Stakes	6	**(186 299)**	(175 689)	6	(175 689)
Operating expenses	9	**(625 009)**	(575 965)	9	(575 965)
Profit before depreciation and amortisation	(73)	**7 132**	26 391	(73)	26 391
Depreciation and amortisation	(16)	**(28 039)**	(33 281)	(16)	(33 281)
Loss from operations	203	**(20 907)**	(6 890)	203	(6 890)
Finance costs	(20)	**(626)**	(779)	(20)	(779)
Profit before share of equity-accounted investee	181	**(21 533)**	(7 669)	181	(7 669)
Share of profit of equity-accounted investee		**474**			
Profit before income tax expense	175	**(21 060)**	(7 669)	175	(7 669)
Fixed odds					
Income	9	**135 840**	124 619	9	124 619
Net betting income					
– Horseracing	(17)	**45 720**	54 847	(17)	54 847
– Other sports	(1)	**19 503**	19 727	(1)	19 727
– Other	61	**48 776**	30 227	61	30 227
Net betting income	9	**113 999**	104 801	9	104 801
Other income	22	**10 572**	8 697	22	8 697
Investment income	(45)	**229**	419	(45)	419
Net income	10	**124 800**	113 917	10	113 917
Operating expenses	22	**(104 632)**	(85 565)	22	(85 565)
Profit before depreciation and amortisation	(29)	**20 168**	28 352	(29)	28 352
Depreciation and amortisation	74	**(11 198)**	(6 433)	74	(6 433)
Profit from operations	(59)	**8 970**	21 919	(59)	21 919
Finance costs		**(557)**			
Profit before income tax expense	(62)	**8 413**	21 919	(62)	21 919

Notes to the financial statements (continued)

for the year ended 31 July 2014

	% change	12 months 31 July 2014 R'000	12 months 31 July 2013 R'000	Proforma similar comparative value % change	Proforma similar comparative value 12 months 31 July 2013 R'000
36. SEGMENTAL ANALYSIS continued					
International					
Income	99	**224 702**	113 029	21	185 293
Other income	105	**234 466**	114 137	25	187 110
Investment income	3 679	**1 587**	42	2 200	69
Net income	107	**236 053**	114 179	26	187 179
Licence fee payable for South African product		**(82 504)**		33	(62 004)
Operating expenses	82	**(79 643)**	(43 733)	11	(71 694)
Profit before depreciation and amortisation	5	**73 906**	70 446	38	53 481
Depreciation and amortisation	(20)	**(136)**	(171)	(51)	(280)
Profit from operations	5	**73 770**	70 275	39	53 201
Profit on conversion of an equity-accounted investee to an investment		**11 135**			
Share of profit of equity-accounted investees	115	**57 509**	26 705	31	43 779
Profit before income tax expense	47	**142 414**	96 980	47	96 980
Total for the Group					
Income	17	**1 192 109**	1 014 826	10	1 087 090
Net betting income					
– Horseracing	(5)	**489 466**	515 893	(5)	515 893
– Other sports	29	**208 349**	161 733	29	161 733
– Other	61	**48 776**	30 227	61	30 227
Net betting income	5	**746 591**	707 853	5	707 853
Other income	45	**429 887**	296 493	16	369 466
Investment income	57	**2 815**	1 795	55	1 822
Net income	17	**1 179 293**	1 006 141	9	1 079 141
Stakes	6	**(186 299)**	(175 689)	6	(175 689)
Licence fee payable for South African product		**(82 504)**		33	(62 004)
Operating expenses	15	**(809 284)**	(705 263)	11	(733 224)
Profit before depreciation and amortisation	(19)	**101 206**	125 189	(6)	108 224
Depreciation and amortisation	(1)	**(39 373)**	(39 885)	(2)	(39 994)
Profit from operations	(28)	**61 833**	85 304	(9)	68 230
Finance costs	52	**(1 183)**	(779)	52	(779)
Profit before share of equity-accounted investees	(28)	**60 650**	84 525	(10)	67 451
Profit on conversion of an equity-accounted investee to an investment		**11 135**			
Share of profit of equity-accounted investees	117	**57 983**	26 705	32	43 779
Profit before income tax expense	17	**129 768**	111 230	17	111 230

37. STANDARDS AND INTERPRETATIONS

At the date of authorisation of the financial statements for the year ended 31 July 2014, there are a number of standards and interpretations were in issue but not yet effected.

Those that are relevant to the Group are set out below:

Effective for the financial year commencing 1 August 2014

- IAS 32 *Offsetting Financial Assets and Financial Liabilities* (amendments)
- IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* (amendments)
- IFRIC 21 *Levies*

Effective for the financial year commencing 1 August 2015

- IAS 19 *Defined Benefit Plans: Employee Contributions* (amendments)

Effective for the financial year commencing 1 August 2016

- IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (amendments)

Effective for the financial year commencing 1 August 2017

- IFRS 15 *Revenue from Contracts with Customers*

Effective for the financial year commencing 1 August 2018

- IFRS 9 *Financial Instruments*

All standards and interpretations will be adopted at their effective date.

The directors are of the opinion that the impact of the application of the standards and interpretations will be as follows:

IAS 32 *Offsetting Financial Assets and Financial Liabilities* (amendments)

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment will have no material effect to the financial statements. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* (amendment)

The amendments reverse the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite life intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2014 with early adoption permitted. The Group will adopt the amendments for the year ending 31 June 2015.

IFRIC 21 *Levies*

Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. Current practice on how to account for these levies is mixed. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 *Provisions, Contingent Liabilities and Assets*. The impact on the Group is not considered significant. The interpretation is effective for annual periods commencing on or after 1 January 2014 with retrospective application.

Notes to the financial statements (continued)

for the year ended 31 July 2014

37. STANDARDS AND INTERPRETATIONS continued

IAS 19 *Defined Benefit Plans: Employee Contributions* (amendments)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The Group's defined benefit plans are in wind down and therefore this is not expected to have a significant effect on the Group. The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted.

IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (amendments)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. As a consequence of these amendments, the Group will amend its accounting policy with effect from 1 August 2016 for acquisitions of interests in a joint operation.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

IFRS 15 *Revenue from Contracts with Customers*

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC 31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have an impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 31 July 2015 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

IFRS 9 *Financial Instruments*

On 24 July 2014 the IASB issued the final IFRS 9 *Financial Instruments Standard*, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

Details of subsidiary companies

at 31 July 2014

Name and nature of business	2014 Investment R'000	2014 Issued capital R	2014 % held	2013 Investment R'000	2013 Issued capital R	2013 % held
Direct subsidiaries incorporated in South Africa						
Highveld Racing Authority Technical Services (Pty) Limited – Dormant	4 253	8	100	4 253	8	100
HRA Racehorse Transport (Pty) Limited – Dormant		3 600	100		3 600	100
Highveld Training Centre (Pty) Limited – Dormant	277	3	100	277	3	100
Rand Sporting Club (Pty) Limited – Property holding	22 960	200	100	22 960	200	100
Hadrian Investments (Pty) Limited – Property holding		200	100		200	100
Shelanu Investments (Pty) Limited – Property holding		200	100		200	100
Injector Investments (Pty) Limited – Property holding		200	100		200	100
Glenfiddich Investments (Pty) Limited – Property holding		200	100		200	100
Transvaal Racing Holdings (Pty) Limited – Property holding		37 500	100		37 500	100
Tote Property Investments (Pty) Limited – Property holding	1 967	50 000	100	1 967	50 000	100
Vaal Racecourse (Pty) Limited – Property holding		1 070	100		1 070	100
East Cape Racing (Pty) Limited – Property holding	11 227	100	100	11 227	100	100
TAB North West (Pty) Limited – Betting outlets	8 100	4 000	100	8 100	4 000	100
Betting World (Pty) Limited – Entertainment and wagering industry	47 500	1 000	100	47 500	1 000	100
Silks Gaming and Leisure (Pty) Limited – Bingo operations		100	90		100	90
Phumelela Gold International Limited – Investment Holding Company	25	100	100			
	96 284			96 284		

Indirect subsidiary incorporated in the Isle of Man	2014 Investment GBP	2014 Issued capital GBP	2014 Effective % holding	2013 Invest-ment GBP	2013 Issued capital GBP	2013 Effective % holding
Phumelela Gold Enterprises 100% shareholding in:						
Phumelela Gold International Limited – Licensed sports bookmaker and worldwide internet pari-mutual service provider				25	100	61

Indirectly held subsidiaries held through Betting World (Pty) Limited	
National Horseracing Investment (Pty) Limited	Owned 100% by Betting World (Pty) Limited (2013: 100%)
Cerino Trading 13 (Pty) Limited	Owned 100% by Betting World (Pty) Limited (2013: 100%)

Salient information

Salient information

for the year ended 31 July 2014

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	338	32,38	175 384	0,23
1 001 – 10 000 shares	462	44,25	1 742 541	2,26
10 001 – 100 000 shares	185	17,72	5 869 126	7,61
100 001 – 1 000 000 shares	47	4,50	13 684 161	17,75
1 000 001 shares and over	12	1,15	55 630 673	72,15
Totals	1 044	100,00	77 101 885	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks	8	0,76	6 402 869	8,30
Close corporations	10	0,96	96 582	0,12
Empowerment	3	0,29	11 133 800	14,44
Endowment funds	6	0,57	118 274	0,15
Individuals	809	77,49	6 837 065	8,87
Insurance companies	13	1,24	1 196 838	1,55
Investment companies	9	0,86	699 599	0,91
Medical aid scheme	1	0,10	12 930	0,02
Mutual funds	29	2,78	7 285 913	9,45
Other corporations	11	1,05	2 164 565	2,81
Private companies	33	3,16	3 470 251	4,50
Public companies	4	0,38	4 820 153	6,25
Retirement funds	10	0,96	984 755	1,28
Share trust	1	0,10	933 675	1,21
Treasury stock	1	0,10	1 515 292	1,97
Trusts	96	9,20	29 429 324	38,17
Totals	1 044	100,00	77 101 885	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	16	1,53	51 714 823	67,07
Directors of the Company	9	0,86	10 946 892	14,19
Strategic holdings more than 10%	2	0,19	27 185 164	35,26
Own holdings/treasury stock	1	0,10	1 515 292	1,97
Share trust	1	0,10	933 675	1,21
Empowerment	3	0,28	11 133 800	14,44
Public shareholders	1 028	98,47	25 387 062	32,93
Totals	1 044	100,00	77 101 885	100,00
Beneficial shareholders holding 3% or more				
The Thoroughbred Horseracing Trust			27 185 164	35,26
B Kantor			6 451 777	8,36
Gride Investments (Pty) Limited			3 880 887	5,03
Dihla Investment Holdings (Pty) Limited			3 752 913	4,87
Yerranzano Property Investments Limited			3 689 596	4,79
Vela Phumelela Investments			3 500 000	4,54
Sanlam			2 708 667	3,51
Totals			51 169 004	66,36

Tote outlets

GAUTENG BRANCHES

Actonville
812 Singh Street, Actonville

Alexandra
Shop 5, corner 1st Street and Old Pretoria Road, Wynberg

Atteridgeville
Masopha and Ramaokgopa Street, Saulsville

Baramall
Shop 43, Lower Ground Level, Baramall, corner Old Potch Road and Nichlas Drive, Diepkloof

Bedfordview
Shop U7, corner Bradford and Smith Street, Bedford Centre

Benoni
Corner Kemston Avenue and Bunyan Street, Benoni

Boksburg
Corner Commissioner and Victor Streets, Boksburg East

Brakpan
Shop 17, Shoprite Centre, Kritzinger Avenue, Brakpan

Bramley
27 and 28 Post Office Centre, 663 Louis Botha Avenue, Bramley

Carletonville
Shop 7, Gateway Centre, Osmium Street

Centurion
Office 101, Doringkloof Mall, off Botha Avenue, Doringkloof

Chris Hani
Shop 107 and 108, Chris Hani Mall, Crossing, corner Brickfield and Bierman Roads, Vosloorus

Chiawelo
Shop 1, Mangalani Centre, corner Tsianda and Vhembe Streets

Church Street
Corner Church and Schubart Streets, Pretoria

Daveyton
Lido Shopping Centre, 20010 Dumisani Street

Dube
Stand 2228, Mahalefele Drive, Soweto

Dunkeld
Shop 15, Dunkeld West Shopping Centre, Jan Smuts Avenue, Dunkeld West

Ekhaya
Shop C9, Ekhaya Shopping Centre, KwaThema, Springs

Eldorado Park
Shop 29, Shoprite Shopping Centre, Circle Road

Evaton
Shop 26, Evaton Plaza, Evaton West

Florida
Tote Centre, 8 Goldman Street

Fordsburg
Corner May and Mint Roads

Garankuwa
Stand 700, Molopo Centre, Zone 16, Garankuwa

Germiston
Shop 66, Station Bazaar Centre, Railway Street

Gezina
Shop 1, 512 Voortrekker Road

Harrison Street
2A Harrison Street, Johannesburg

Hillbrow
98 Twist Street, Hillbrow

Industria
Industria Centre, corner Commando and Maraisburg Roads, Industria West

Jacob Mare
189 Jacob Mare Street, Pretoria

Kagiso
1461 Masedi Street, Kagiso

Katlehong
Shop 10, Letsoho Shopping Centre, Katlehong

Kempton Park
Kraayenbrink Street, Kempton Park

Kensington
Darras Centre, Shop 6 and 7, corner Kitchener Avenue and Juno Street

Koedoespoort
Shop 1 East Side Plaza, corner Baviaanspoort Road and Malgas Street, Pretoria

Kramerville
Shop 4, 5 and 6, corner Brian and Kramer Streets

Krugersdorp
Corner Rissik and Human Streets, Krugersdorp

Lenasia
Lenasia Station Mall, 196 Lenasia Drive, Portion of Major Retails, Lenasia

Mabopane
170 of Unit N, Main Road, Mabopane

Main Street
141 Main Street, Johannesburg

Malvern
334 Jules and 3rd Street, Malvern

Mamelodi
14843 Mathaba Street, Mamelodi

Meyerton
32 Loch Street, Erf 240, Meyerton

Mitchell Street
101C Mitchell Street, Pretoria West

GAUTENG BRANCHES (continued)

Morula
Shop Al 1, B/C, Morula Shopping Centre, Morula View

Newlands
Shop 4, corner Main and 8th Streets, Newlands

Nigel
Shop 7, Northern Road, next to Oriental Plaza

Northrand (Randjesfontein)
Plot 357, Old Pretoria Road, Randjesfontein

Olifantsfontein
Shop 16, corner Main Street and Olifantsfontein Road, Olifantsfontein

Pan Africa
Shop FF02, corner Watt and 3rd Street, Pan Africa Junction Centre, Alexandra

Polly Street
Shop B, first floor, Film Trust House, 108 Polly Street, Johannesburg

Protea
10a Protea Point Shopping Centre, Ndaba Drive, Protea North, Soweto

Randburg
Oriental Plaza, corner Hendrik Verwoerd Drive and Jan Smuts Avenue

Randfontein
Shop 15C, The Village Square Shopping Centre, Main Reef Road

Randfontein Station
Shop 14,
Intersection of Station and Sutherland Roads, Randfontein

Roodepoort
4 Van Wyk Street

Rosebank
Shop 4, Baker Square, 33 Baker Street

Rosslyn
7 Rosslyn Plaza, De Waal Street, Rosslyn

Sebokeng Plaza
Shop 18, Sebokeng Plaza, Moshweshwe Street, Sebokeng South, Vereeniging

Soshanguve
Shop 759, Block H, Soshanguve

Soshanguve Plaza
Shop 206, Soshanguve Plaza, Buitenkant Street

Springs
Tattersalls building, 6th Street North

Struben
365 Struben Street, corner Prinsloo Street, Pretoria

Supabets Yeoville
53 Raleigh Street, Yeoville, Johannesburg

Supabets Kruis
45 Kruis Street, Johannesburg

TAB The Angelo Nigel
Shop 27, The Angelo North Easter, corner R42 and Rhodes Avenue, Nigel

Temba
Shop 42, corner Kopanong Shopping Centre, Burglarsens Road, Hammanskraal

Tembisa
Shop 101A, Tembisa Mall, Erven 232 and 233, Igqagqa Section

Thebe House
PTN of 1st floor, Thebe House, 166 Jan Smuts Avenue, Rosebank

Thorntree Plaza
Shop 2058, Thorntree Shopping Centre, corner Hebron and Mphafa Roads, Soshanguve

Tsakane Mall
Shop 1A, corner Malandela and Modjadji Streets, Tsakane

The Buzz
The Buzz Shopping Centre, Fourways Shop 2 and 5, corner Witkoppen Road and Nerine Place, Ext 116, Fourways

The Village
Shop 44, China Gate Shopping Centre, Kempton Park West

Turffontein
Turffontein Racecourse, corner Turf Road and 6th Street, La Rochelle Extension

Vanderbijlpark
Shop 2, Ericson Street

Vereeniging
25 Senator Marks Avenue

Viva Bingo Alberton
Shop 44, 44-46, Voortrekker Street, Alberton

Viva Tavern – Quick Tab
47 Mentz Road, Booysens

Vosloorus
Shop 41, Lesedi Shopping Centre, MC Botha Drive

Waltloo
Dardene Despatch Zasm and Jacob Mare Street, Pretoria

Waterglen
Shop 1, Waterglen Shopping Centre, Waterkloof Glen, Pretoria

Winning Post
Shop 16, Trust Shopping Centre, corner Voortrekker and Penzance Streets, Alberton

Westonaria
4 Codrington Street

Tote outlets (continued)

GAUTENG AGENCIES

Boom Street
93 Boom Street, Gateway Shopping Centre, Pretoria

Bruma
Bruma Sporting Club, corner Mercia, Ernest and Oppenheimer Streets

Caesars
Shop 21A, The Emporium at Caesars, Gauteng, 65 Jones Road, Jet Park, Kempton Park

Carnival City
Corner Century and Elsburg Roads, Brakpan

Cedars
Shop L5, Kyalami Downs Shopping Centre, Barbecue Downs, Kyalami

Colt and Filly
African Connection Centre, 12 Buccleuch Drive, Buccleuch

Daytona
192 Trichardt Street, Boksburg North

Edenvale Tatts Agency
Shop 17, 18 and 19, Glen Curve Shopping Centre, corner Beech and Elm Street, Edenvale

Ekangala Agency
Stand 4994/7B, Ekangala

Five Star Pool Agency
Corner Purcell Street and Nansen Place, Tulisa Park

Germiston Tatts Agency
Karen Street, El Torro Centre, Lambton Gardens, Stand 169, Germiston

Gold Reef City
1211 Ormonde, Ext 30, Northern Parkway, Ormonde

Kempton Tatts Agency
43 Long Street, Kempton Park

Key West Sporting Club
Shop EO5, Key West Shopping Centre, corner Paardekraal and Viljoens Street, Krugersdorp

Knights Bar Agency
Knights Centre, Cnr Stanley Road and Max Street, Germiston

Laudium
1st floor, Office 1 and 2, Carrims Arcade, 266 Tangerine Street

Le Domaine Agency
485 Rachel De Beer Street, Pretoria North, Pretoria

Lenasia Tatts
Corner Albert and Jacaranda Streets, Ext 6, Lenasia

Lynnwood Tatts Agency
297A Lynnwood Road, Menlo Park

Pavillion
Turffontein Racecourse, 14 Turf Club Street, Turffontein

Republic
16 Van Riebeeck Street, Elsburg

Riebeeck Hotel Agency
20 Second Avenue, Springs

Sports Pavilion
1st floor, 117 William Road, Norwood

Stardust
114 Third Street, Springs

Tab @ Fish Monger
Shop 5, Ridgeway Gardens Shopping Centre, corner Swartgoud and Leatitia Street, Ridgeway

The Bull Ring
Shop 36 and 37, Northcliff Shopping Centre, corner Beyers Naude and Milne Drive, Northcliff

The Winning Streak
Shop 1, Isando Junction, corner Neserton Drive and Sandvale Road, Isando

Three Rivers
Manrob CC building, corner Berg and Assegai Streets, Three Rivers

Thokoza Agency
3520 Mokoena Street, Tlokweng Centre

Top Bet Market Street
111 Commissioner building, corner Market and Joubert Street, Johannesburg

Toto's
Shop 16, Beacon Isle Shopping Centre, Ontdekkers Road, Roodepoort

LIMPOPO BRANCHES

Giyani
Masingita Complex, Shop 4 BA36

Library Gardens
61 Hans van Rensburg Street, Polokwane

Groblersdal
13 Mark Street

Louis Trichardt
3 Le Marc building, 86 Kruger Street

Maake Plaza
Corner Lydenburg Road and Dr CM Phatudi, Maake

Marblehall
Shop 2, I and G building, 3rd Avenue

Phalaborwa
Rentmeester building, Wildevy Avenue

Polokwane
105 General Joubert Street

Potgietersrus
49 Rabe Street

Thohoyandou
Shop 10, Thohoyandou Shopping Centre, corner Main Boulevard and Ephefu Street, Thohoyandou

Tzaneen
Shop 97, Agatha Street

LIMPOPO AGENCIES

Burgersfort
Shop 5, Castle Square Shopping Complex, Dirk Winterbach Street

Duiwelskloof
Imp Inn Hotel, Botha Street

Jane Furse
819 Vergelegen B

Mankweng
Palm Centre, 586 Unit A

Mopani
Mapani Restaurant, Main Road

Top Spot
Top Spot Shopping Centre, Zoetmelksfontein Dennilton

MPUMALANGA BRANCHES

Bethel
Shop 3 and 4, corner Market and Clerco Streets

Embalenhle
55, 652 Khama Street, Embalenhle

Hazyview
Shop 13, Numbi Centre

Kinross
Shop 3, Gerris building, 1 Rasool Malek Street, Kinross

Middelburg
Shop 13, Picadilly Centre, 165 Cowen Ntuli Street, Middelburg

Nelspruit
23 Anderson Street

Secunda
9 Laing Street

White River
3 Theo Kleynhans Street, White River

Witbank
Tab building, 45 Smuts Road

MPUMALANGA AGENCIES

Africa Star (Ermelo) Agency
41 Murray Street, Ermelo

Kwaguqa Agency
Sedibeng Complex, Site 4903, Ackerville, Witbank

Lydenburg Agency
16 Voortrekker Street

Siyabuswa Agency
B.J. building, Siyabuswa Centre, Bar Lounge, Section A

NORTHERN CAPE BRANCHES

Kimberley
19 Transvaal Road

Kuruman
3 Steward Street, Kuruman

FREE STATE BRANCHES

Bethlehem
Corner Pretorius and Richter Street

Bloemfontein
Corner Charles and 50 East Burger Street

Ficksburg
24 Voortrekker Street

Frankfort
57 Brand Street

Harrismith
Dennenburg Arcade, Piet Retief Street

Kroonstad
29 Buitenkant Street

Ladybrand
24D Erasmus Street

Odendaalsrus
50 Steyn Street

Parys
28 Phillip Street

QwaQwa
Shop W28, Midtown Shopping Centre, Mampoi Street, Phuthaditjhaba

Sasolburg
Corner John Vorster and Wentenaar Streets

Tote outlets (continued)

FREE STATE BRANCHES (continued)

Vaal Branch
Vaal Racecourse, Viljoensdrift

Virginia
Thasos building, 19 Toring Street, Omega building, Bullion Street, Virginia

Welkom
Enkeldoring Plein

FREE STATE AGENCIES

Bernies Betting Shop
1 Maselspoort Road, Schoeman Park, Bowling Club, Oos Einde, Bloemfontein

Fourways Hotel Agency
Heidedal, Bloemfontein

Heidedal Agency
2 Dewetsdorp Road

EASTERN CAPE BRANCHES

Bethelsdorp
70 Adam Street

Commercial Road
138 Commercial Road, Port Elizabeth

East London
Corner Milner and St Johns Road, East London

Hiles Street
Shop 1A/B, Lingham Centre, Korsten, Port Elizabeth

King Williamstown
127a Alexandra Road

Linton Grange
Shop 6, Linton Court, Salvia Crescent, Port Elizabeth

Mthatha
Shop 1, Circus Triangle, Shopping Centre, Port St Johns Road, Mthatha

Newton
15 Newton Street, Newton Park, Port Elizabeth

Queenstown
Shop 4, Robinson Street Arcade, Robinson Street

Royal Hotel
23 Buxton Street, East London

Uitenhage
161A, Durban Road

Walmer
Shop 3, Heugh Value Mall, Heugh Road, Walmer, Port Elizabeth

EASTERN CAPE AGENCIES

Cradock
85 Frere Street, Cradock

Gonubie Agency
Gonubie Hotel, 141 Main Street

Hunters Retreat Agency
Hunters Retreat Hotel, Cape Road, Port Elizabeth

Spin and Win Bizana
Shop 7, Bizana Square, Bizana

Spin and Win Mthatha
Shop 73, Mthatha Plaza, 74 Nelson Mandela Drive, Mthatha

Spin and Win Matatiele
Shop 1B, 7 Market Square, corner Long and Market Street, Matatiele

Vincent
3 Balfour Road, Vincent, East London

Wharf Street
Corner Bank Lane and Wharf Street, Port Alfred

NORTH WEST BRANCHES

Brits
Shop 11, Jan Brecht building, Main Road

Klerksdorp
61 Bishop Desmond Tutu Street

Lichtenburg
44C Buchanan Street

Mafikeng
Stand 1081, Main Road

Orkney
Riesling building, Shakespeare Avenue

Potchefstroom
23 Gouws Street

Rustenburg
Corner Nelson Mandela and Berg Streets

Sun Village
Shop 33 and 34, Sun Village Shopping Complex, Sun Village

Taung
Shop 3, Taung Shopping Centre, Station Road, Taung

Taxi Rank
Shop 35, Transforum Shopping Centre, Rustenburg

Zeerust
Shop 15 and 16, Anisa Shopping Centre, Russel Street

NORTH WEST AGENCIES

Hartebees
2 Scott Street, Schoemansville

Lethlabile
255 Zone 1

Noordkom
Shop 14, 15, 16, 21, corner Noord and Commissioner Street

Ventersdorp
Moonlight Inn, 529 Manaka Street

Notice of Annual General Meeting

for the year ended 31 July 2014

PHUMELELA GAMING AND LEISURE LIMITED
(incorporated in the Republic of South Africa)
Registration Number: 1997/016610/06
JSE share code: PHM
ISIN: ZAE000039269

DEFINITIONS

"Amended Scheme"	Amended Phumelela (2008) Executive Share Option Scheme
"CEO Scheme"	The Phumelela (2014) Group Chief Executive Officer Share Option Scheme
"Companies Act"	The Companies Act, 71 of 2008, as amended, from time to time
"Executive Scheme"	The Phumelela (2014) Executive Share Option Scheme
"JSE"	JSE Limited
"Schemes"	The CEO Scheme and the Executive Scheme
"the Company"	Phumelela Gaming and Leisure Limited (registration number 1997/016610/06)

INTRODUCTION

Notice is hereby given to the shareholders of the Company, that the 15th Annual General Meeting of the shareholders of the Company will be held in the Bold Cherry Room, Turffontein Racecourse, 14 Turf Club Street, Turffontein, Johannesburg, on Thursday, 4 December 2014 at 09:00 for the purpose of considering the ordinary and special resolutions set out below.

The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the Company for the purposes of determining which shareholders are entitled to receive notice of and participate in and vote at the Annual General Meeting is Friday, 21 November 2014.

ORDINARY RESOLUTIONS

Shareholders will be asked to consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions:

Acceptance of annual financial statements

Ordinary resolution number 1 is proposed to receive and accept the annual financial statements of the Company for the financial year ended 31 July 2014 together with the reports by the Company's auditors, directors, and audit committee. The complete annual financial statements of the Company for the financial year ended 31 July 2014 are contained in the Integrated Report 2014. Additional copies of the Integrated Report can be obtained from the Company's registered office.

1. **Ordinary resolution number 1**

   "Resolved that the audited annual financial statements of the Company for the financial year ended 31 July 2014 together with the reports of the Company's auditors, directors and audit committee, be and are hereby received and accepted."

   In order for this ordinary resolution number 1 to be adopted, the resolution is required to be supported by more than 50% (fifty percent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

Re-election of directors

In terms of article 8.1.5 of the Company's Memorandum of Incorporation, at every Annual General Meeting at least one-third of the directors of the Company must retire and the directors to so retire shall be those who have been longest in office since their last election. Further, if at the date of any Annual General Meeting any director shall have held office for a period of three years since his last election or appointment, he shall retire at such meeting either as one of the directors to retire by rotation, or additionally thereto.

Mr MJ Jooste, Dr E Nkosi and Mr JB Walters are required to retire by rotation and they have offered themselves for re-election. Brief biographies in respect of Mr MJ Jooste, Dr E Nkosi and Mr JB Walters are contained on pages 22 to 24 of the Integrated Report and Annexure A to this notice. The Board of Directors of the Company ('the Board') recommends the re-election of each of these retiring directors.

Accordingly, ordinary resolutions numbers 2 to 4 are proposed to re-elect Mr MJ Jooste, Dr E Nkosi and Mr JB Walters, in accordance with article 8.1.2 of the Company's Memorandum of Incorporation and who, being eligible for re-election, offer themselves for re-election.

Notice of Annual General Meeting (continued)

2. **Ordinary resolution number 2**
“Resolved that Mr MJ Jooste, who retires as a director of the Company in terms of article 8.1.5 of the Company’s Memorandum of Incorporation, and who is eligible and available for re-election, be and is hereby elected as a director of the Company.”

In order for this ordinary resolution number 2 to be adopted, the resolution is required to be supported by more than 50% (fifty percent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

3. **Ordinary resolution number 3**
“Resolved that Dr E Nkosi, who retires as a director of the Company in terms of article 8.1.5 of the Company’s Memorandum of Incorporation, and who is eligible and available for re-election, be and is hereby elected as a director of the Company.”

In order for this ordinary resolution number 3 to be adopted, the resolution is required to be supported by more than 50% (fifty percent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

4. **Ordinary resolution number 4**
“Resolved that Mr JB Walters, who retires as a director of the Company in terms of article 8.1.5 of the Company’s Memorandum of Incorporation, and who is eligible and available for re-election, be and is hereby elected as a director of the Company.”

In order for this ordinary resolution number 4 to be adopted, the resolution is required to be supported by more than 50% (fifty percent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

Election of audit committee
Ordinary resolution number 5 is proposed to elect an audit committee in terms of section 94(2) of the Companies Act and the King Report on Corporate Governance for South Africa (‘King III’).

Section 94 of the Companies Act requires that, at each Annual General Meeting, shareholders of the Company must elect an audit committee comprising at least three members.

The Board recommends the election of Mr R Cooper, Mrs NJ Mboweni and Mr JB Walters to the audit committee. Brief biographies in respect of each proposed member standing for election are set out on pages 22 to 23 of the Integrated Report 2014 and Annexure A to this notice.

The Board is satisfied that the proposed members meet the requirements of section 94(4) of the Companies Act, that they are independent according to King III and they possess the required qualifications and experience as prescribed in Regulation 42 of the Companies Act Regulations 2011, which requires that at least one-third of the members of a Company’s audit committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

5. **Ordinary resolution number 5**
“Resolved that an audit committee comprising the independent and non-executive directors set out below be and is hereby elected in terms of section 94(2) of the Companies Act to hold office until the next Annual General Meeting and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and King III and to perform such other duties and responsibilities as may, from to time be delegated to it by the Board.
   1. Mr R Cooper
   2. Mrs NJ Mboweni
   3. Mr JB Walters

In order for this ordinary resolution number 5 to be adopted, the resolution is required to be supported by more than 50% (fifty percent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

Appointment of external auditors
Ordinary resolution number 6 is proposed to approve the appointment of KPMG Inc. as the external auditors of the Company for the financial year ending 31 July 2015 and to remain in office until the conclusion of the next Annual General Meeting, and to authorise the directors to determine their remuneration.

Subject to the passing of the resolution, Mr D Thompson will be the individual registered auditor who will undertake the audit for the financial year ending 31 July 2015.

Section 90(1) of the Companies Act requires the Company to appoint an auditor each year at its Annual General Meeting. The audit committee conducted an assessment of the performance and the independence of the external auditors and considered whether or not the external auditors comply with the requirements of section 90(2) of the Companies Act and section 22 of the Listings Requirements of the JSE. The Board is satisfied that the proposed external auditors comply with the relevant provisions and are duly accredited by the JSE.

6. Ordinary resolution number 6

"Resolved that KPMG Inc. be reappointed as external auditors until the conclusion of the next Annual General Meeting, Mr D Thompson be appointed as the designated auditor to hold office for the ensuing year and that the auditors' remuneration for the financial year ending 31 July 2015 shall be determined by the directors."

In order for this ordinary resolution number 6 to be adopted, the resolution is required to be supported by more than 50% (fifty percent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

7. Ordinary resolution number 7

"Resolved that, subject to the Listings Requirements of the JSE Limited, the Companies Act and the Company's Memorandum of Incorporation, as a general authority valid until the conclusion of the next Annual General Meeting of the Company, that the Company's authorised but unissued shares be and are hereby placed under the control of the directors to issue, grant options over or otherwise deal with or dispose of, on such terms and conditions and to such persons, whether they be shareholders or not, as the directors in their discretion deem fit."

In order for this ordinary resolution number 7 to be adopted, the resolution is required to be supported by more than 50% (fifty percent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

8. Ordinary resolution number 8

"Resolved that the directors of the Company be and are hereby authorised by way of a general authority to issue up to 11 500 000 ordinary shares of 2,5 cents each in the authorised share capital of the Company for cash, as and when they in their discretion deem fit, subject to the following limitations:

- That this authority is valid until the Company's next Annual General Meeting provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- That a paid press announcement giving full details including the impact on the net asset value, headline earnings per share and earnings per share will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue;
- That issues in the aggregate in any 1 (one) financial year may not exceed 15% (fifteen percent) of the number of shares in the Company's issued share capital;
- That in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of those shares as determined over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company; and
- That any such issue will only be made to public shareholders as defined by the Listings Requirements of the JSE and further, will not be made to any related parties, as defined by the Listings Requirements of the JSE.

Pursuant to the requirements of the Listings Requirements of the JSE, the resolution is required to be supported by at least 75% (seventy-five percent) of the voting rights exercised on the resolution by all shareholders present or represented by proxy at the general meeting.

Non-binding advisory note on remuneration policy

The purpose of ordinary resolution number 9 is to endorse, by way of non-binding advisory vote, the remuneration policy elements in the remuneration report on pages 30 to 33 of the Integrated Report 2014.

King III recommends that every year the Company's remuneration policy should be tabled to shareholders for a non-binding advisory vote at the Annual General Meeting.

9. Ordinary resolution number 9

"Resolved that in terms of the recommendations of the King III , the remuneration policy of the Company, as set out on pages 30 to 33 of the Integrated Report 2014 under the heading "Remuneration Report" be and is hereby adopted by way of a non binding advisory vote."

In order for this ordinary resolution 9 to be adopted, the resolution is required to be supported by more than 50% (fifty percent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

Notice of Annual General Meeting (continued)

Executive Scheme

The purpose of ordinary resolution number 10 is the directors of the Company consider it to be in the best interest of the Company that the Executive Scheme be adopted so as to ensure that appropriate incentives are granted to employees of the Company to encourage and motivate continued growth and profitability within the Company and to promote the retention of the Company's employees.

10. Ordinary resolution number 10

"Resolved that, the Phumelela (2014) Executive Share Option Scheme, details of which are set out in Annexure B, be and is hereby approved and that the directors of the Company be and they are hereby authorised to take such steps as may be necessary for the establishment and carrying into effect of the scheme, including the grant of options on the terms and conditions set out in the Scheme, to participants of the scheme, including directors of the Company."

The scheme document is available for inspection by equity securities holders during normal business hours at the issuer's registered office. The full scheme will be open for inspection for a minimum 14 days from the date of posting of this notice of annual general meeting.

In terms of the JSE Listings Requirements, the passing of ordinary resolution number 10 requires a 75% (seventy-five percent) majority of the votes cast in favour of the resolution by the Company's shareholders, excluding votes attaching to shares which are owned or controlled by persons who are existing participants in the scheme which shares have been previously acquired in terms of the scheme.

CEO Scheme

The purpose of ordinary resolution number 11 is the directors of the Company consider it to be in the best interest of the Company that the CEO Scheme be adopted so as to ensure that appropriate incentives are granted to the Chief Executive of the Company to encourage and motivate continued growth and profitability within the Company and to promote the retention of the Chief Executive.

11. Ordinary resolution number 11

"Resolved that, the Phumelela (2014) Chief Executive Share Option Scheme, details of which are set out in Annexure B, be and is hereby approved and that the directors of the Company be and they are hereby authorised to take such steps as may be necessary for the establishment and carrying into effect of the scheme, including the grant of an option on the terms and conditions set out in the scheme to the participant of the scheme."

The scheme document is available for inspection by equity securities holders during normal business hours at the issuer's registered office. The full scheme will be open for inspection for a minimum 14 days from the date of posting of this notice of annual general meeting.

In terms of the JSE Listings Requirements, the passing of ordinary resolution number 11 requires a 75% (seventy-five percent) majority of the votes cast in favour of the resolution by the Company's shareholders, excluding votes attaching to shares which are owned or controlled by persons who are existing participants in the scheme which shares have been previously acquired in terms of the scheme.

12. Ordinary resolution number 12

"Resolved that, subject to the passing of ordinary resolutions numbers 10 and 11, any of the directors of the Company be and are hereby authorised and empowered, for and on behalf of the Company, to take all necessary steps and do all acts, matters and things and sign or depose to all such documents as may be necessary or desirable to give effect to ordinary resolutions number 10 and 11 passed at this meeting, and generally to do all things as may be necessary or expedient in order to give effect to this/these resolution(s), and things done or to be done by the aforesaid director on behalf of the Company be and are hereby ratified and approved.

In terms of the JSE Listings Requirements, the passing of ordinary resolution number 12 requires a 50% (fifty percent) majority of the votes cast in favour of the resolution by the Company's shareholders, excluding votes attaching to shares which are owned or controlled by persons who are existing participants in the scheme which shares have been previously acquired in terms of the scheme.

SPECIAL RESOLUTIONS

Shareholders will be asked to consider and if deemed fit, to pass, with or without modification, the following special resolutions:

Non-executive directors' fees

Section 66(8) (read with section 66(9) of the Companies Act) provides, to the extent permitted in the Company's Memorandum of Incorporation, the Company may pay remuneration to its directors for their services as directors provided that such remuneration may only be paid in accordance with a special resolution approved by shareholders within the previous two years. Article 8.10.2.3 of the Company's Memorandum of Incorporation provides that any director who serves on any committee may be remunerated for their services as such.

The reason for and effect of special resolution number 1 is to grant the Company the authority to pay fees to its non-executive directors for their services as directors, in line with the recommendations of King III and the Companies Act.

1. **Special resolution number 1**

"Resolved as a special resolution that the non-executive directors' remuneration for the ensuing 12-month period is as follows:

Per meeting attended	2015 R	2014 R
Board Chairman	**87 450**	82 500
Board member	**34 980**	33 000
Audit committee Chairman	**60 000**	44 000
Audit committee member	**30 000**	22 000
Remuneration committee Chairman	**50 000**	33 000
Remuneration committee member	**20 000**	18 700
Social and ethics committee Chairman	**29 150**	27 500
Social and ethics committee member	**18 550**	17 500

In order for this special resolution number 1 to be adopted, the resolution is required to be supported by at least 75% (seventy-five percent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

Loans or other financial assistance to related or interrelated companies

Section 45 of the Companies Act provides, among other things, that, except to the extent that the Memorandum of Incorporation of the Company provides otherwise, the Board may authorise the Company to provide direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation and securing any debt or obligation) to a related or interrelated company or corporation, provided that such authorisation shall be made pursuant to a special resolution of the shareholders adopted within the previous two years, which approved such assistance either for the specific recipient or generally for a category of potential recipients and the specific recipients fall within that category.

The reason for and effect of special resolution number 2 is to grant the directors of the Company the authority to cause the Company to provide financial assistance, in the normal course of business, to any company or corporation which is related or interrelated to the Company. It does not authorise the provision of financial assistance to a director or prescribed officer of the Company.

Notice of Annual General Meeting (continued)

2. Special resolution number 2

"Resolved that the directors, in terms of and subject to the provisions of the Companies Act, be authorised to cause the Company to provide any financial assistance to any company or corporation which is related or interrelated to the Company."

In order for this special resolution number 2 to be adopted, the resolution is required to be supported by at least 75% (seventy-five percent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

Authority to acquire Company's own shares

The effect of special resolution number 3 and the reason therefore is to grant the Company (or a subsidiary of the Company) a general approval in terms of the Companies Act for the acquisition by the Company (or a subsidiary of the Company of up to 10%) of the Company's ordinary issued share capital, which general approval shall be valid until the earlier of such next Annual General Meeting of the Company or its variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company; provided that the general authority shall not extend beyond 15 months from the date of this Annual General Meeting.

The Board intends acquiring shares in fulfilment of its obligations in respect of the tranche of shares that may be exercisable as per the Executive Scheme and the CEO Scheme during the financial year ending 31 July 2015.

Disclosures with regard to the requirements of the JSE applying to special resolution number 3 in terms of Rule 11.26 of the Listings Requirements and as contained in the Integrated Report is set out in Annexure C.

3. Special resolution number 3

"Resolved that, the Company (or a subsidiary of the Company) be and is hereby authorised to acquire up to 10% of the Company's ordinary issued share capital, subject to the requirements of the Companies Act, the Company's Memorandum of Incorporation and the Listings Requirements of the JSE, being that:

- any such acquisition of ordinary shares shall be implemented on the open order book of the JSE and without any prior arrangement
- authorisation must be given in terms of the Company's Memorandum of Incorporation
- the Company undertakes to advise the sponsor before entering the market to commence any share repurchases
- this general authority shall be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 3
- an announcement will be published as soon as the Company has acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue prior to the acquisition pursuant to which the aforesaid 3% threshold is reached, containing full details of such acquisitions
- acquisitions of shares in aggregate in any one financial year may not exceed 10% of the Company's ordinary issued share capital as at the date of passing this special resolution number 3
- in determining the price at which ordinary shares issued by the Company are acquired by it in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by the Company
- repurchases may not take place during a prohibited period unless the Company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period

- repurchases may only be effected by one agent at any given time
- it is the opinion of the Company's Board of Directors that following the repurchase of shares:
  - the Company and the Group will be able, in the ordinary course of business, to pay its debts for a period of 12 months from the date of this notice;
  - the assets of the Company and the Group will be in excess of the liabilities, measured in accordance with the accounting policies used in the audited annual financial statements for 12 months from the date of this notice;
  - the ordinary share capital and reserves of the Company and the Group will be adequate for a period of 12 months from the date of this notice; and
  - the working capital of the Company and the Group will be adequate for a period of 12 months from the date of this notice. In terms of the Companies Act the solvency and liquidity test will be applied before any repurchase.
- prior to the implementation of a repurchase, the Company and the Group will have passed the solvency and liquidity test and that since the last test was performed there would have been no material changes to the financial position of the Group.

In order for this special resolution number 3 to be adopted, the resolution is required to be supported by at least 75% (seventy-five percent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

Identification

Section 63(1) of the Companies Act requires that the meeting participants provide identification. Such identification must be to the reasonable satisfaction of the Chairman of the Annual General Meeting.

Electronic participation by shareholders

Should any shareholder (or a proxy for a shareholder) wish to participate in the Annual General Meeting by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate to the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001, (PO Box 61051, Marshall Town, 2107) to be received by the transfer secretaries at least five business days prior to the Annual General Meeting in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative or proxy) with details as to how to access any electronic participation to be provided. The Company reserves the right not to provide for electronic participation at the Annual General Meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the Company.

By order of the Board

AW Heide
BCompt Hons, CTA, CA(SA)
Interim Company Secretary
31 October 2014

Annexure A

BRIEF BIOGRAPHIES OF DIRECTORS FOR ELECTION AND RE-ELECTION

Rob Cooper (71)
CA(SA)
Rob served articles and qualified as a Chartered Accountant with Charles Hewitt & Co. during the period 1961 to 1967. He then left the profession and worked for Hume Pipe and Standard Telephones and Cables for a total period of three and a half years. Rob then joined Alex Aiken & Carter (now KPMG) in 1971 and was appointed as a partner in 1982 which position he held until his retirement in February 2008.

MJ Jooste (53)
BAcc, CA(SA)
Markus is the Chief Executive Officer of Steinhoff International Limited and he also acts as Chairman of Steinhoff Africa Holdings (Pty) Limited. Markus serves on several boards within the Steinhoff group's operations in Europe, the United Kingdom and the Pacific Rim. Markus also serves on the boards of the following companies:

KAP International Holdings Limited (member of the remuneration committee), PSG Group Limited (member of the remuneration committee), and Kenilworth Racing (Pty) Limited.

Nolwandle Mboweni (53)
BA Ed, MAP
Nolwandle holds a Senior Teacher's Diploma from East Rand College, a BA in Education and MAP from Wits Business School. Nolwandle sits on a number of boards, namely: Afrisun Gauteng; Afrisun (Sun International); Allpay Pension Payouts (Absa subsidiary); Vela International; Mdumo Investments; Katekane Women's Investments; Total South Africa; and Tshahani Resources. She is involved with a number of community projects and is a Trustee of the Khotso Trust.

John Barry Walters (70)
Barry is the past Chairman of the Racing Association and has been actively involved in the horseracing industry for many years, having acted as Chairman of Gosforth Park Turf Club and the Highveld Racing Authority. Barry was extensively involved in negotiations with government to bring about corporatisation of the horseracing industry and is an owner and breeder.

Dr E Nkosi (53)
MB ChB, MAP and MBA
Elijah is a general medical practitioner based in Soweto. He holds a Master of Business Administration (MBA) from Wits Business School, and qualified as a doctor at Medunsa in 1986. He is a shareholder of Dihla, which is an empowerment shareholder of the Company. Elijah is a Trustee of Profmed Medical Aid; a director in the IPA Foundation of SA, a national network of general practitioners; and is also the executive officer of a GP network called SP NET.

Annexure B

SALIENT FEATURES OF THE PHUMELELA (2014) EXECUTIVE SHARE OPTION SCHEME AND THE PHUMELELA (2014) GROUP CHIEF EXECUTIVE OFFICER SHARE OPTION SCHEME

Introduction

The Company wishes to advise its shareholders of the proposed Schemes and to approve the ordinary resolutions necessary to give effect to the Schemes.

Rationale

Executive Scheme

The Amended Scheme was originally approved by the JSE and shareholders in 2008 and thereafter amended to bring it into line with changes to the JSE Listing Requirements.

The Executive Scheme is replacing the Amended Scheme with amendments being made to refer to the current Companies Act and to allow the Company or a subsidiary of the Company to acquire shares, whether directly or indirectly, by purchasing shares or entering into call options, forward purchases or any similar type of arrangement and permitting them to be held until required for the Executive Scheme.

CEO Scheme

In 2008 and 2011 the Group Chief Executive Officer of the Company ("the Participant") was granted options to acquire fully paid shares, subject to certain hurdles being met at the end of the respective three year vesting periods. Under the previous option scheme in 2008 the hurdles were not met and so the option was not capable of being exercised.

The directors of the Company consider it to be in the best interests of the Company to enter into this CEO Scheme to grant the Participant the option to acquire shares on similar terms as the previous option schemes of 2008 and 2011. There will be no dilution of shareholding as the shares will be acquired through the market.

The CEO Scheme is replacing the previous option schemes to bring it in line with the Companies Act and the JSE Listing Requirements. Shareholders are referred to the ordinary resolutions contained in the notice of general meeting. Principal details of the Schemes and of the compliance of the Schemes with schedule 14 of the JSE Listing Requirements are set out below.

SALIENT FEATURES OF THE SCHEME

Executive Scheme

The directors of the Company consider it to be in the best interest of the Company that the Executive Scheme be adopted so as to ensure that appropriate incentives are granted to employees of the Company to encourage and motivate continued growth and profitability within the Company and to promote the retention of the Company's employees.

The number of shares which will be issued or transferred to a participant on exercise of an option or a portion thereof shall depend on certain growth rates being met and will be settled in shares or the cash equivalent in accordance with a prescribed formula set out in the Executive Scheme. The options are to be exercised in various tranches.

The Executive Scheme incorporates the provisions set out below in order for the Executive Scheme to comply with schedule 14 of the JSE Listings Requirements. The Executive Scheme:

- identifies the category of persons who are entitled to participate in the scheme as senior employees and directors of any Company within the Group;
- sets out the maximum number of shares which may be utilised for purposes of the Executive Scheme as 7 600 000 (seven million, six hundred thousand) shares and removes the reference to a percentage of the issued share capital of the Company;
- records the fixed maximum number of shares to which any one participant may be entitled under the Executive Scheme as 760 000 (seven hundred and sixty thousand) shares;
- provides for the establishing of criteria for the award of options, which once established cannot be amended after the option is granted;

Annexure B (continued)

- provides if an option becomes exercisable, a participant may be required to pay the par value of shares that he/she will acquire upon exercise of the option, so that the shares which are acquired by any participant will be fully paid, and all shares will rank *pari passu* in all respects, including but not limited to in respect of rights to voting, dividends, transfer, as well as rights arising on a liquidation, with existing issued shares;
- does not allow for options to be re-priced;
- records that awards are made by the board to identified senior employees and directors of any company within the group in order to reward such persons for their contribution to the Group and to incentivise their continued contribution;
- provides that on a takeover, merger or corporate action, provided that an option becomes exercised unless determined otherwise by the directors, an option may be exercised so that the participant would then acquire shares or further shares in the Company;
- provides that should the participant leave the employ of the Group –
  – if arising out of a resignation or dismissal then the option lapses immediately;
  – if arising out of retirement or incapacity then the option lapses within 3 (three) months;
  – if arising out of death, then the option lapses within one year, to be exercised by the executor;
- records that the above provisions may not be amended without the approval of the Company in general meeting by way of an ordinary resolution passed by a 75% (seventy-five percent) majority of all votes cast by holders of shares, present in person or by proxy;
- provides that the directors of the Company may, at their absolute discretion, pay the Participants the cash equivalent of the shares, being the market value as at the settlement determination date, in lieu of allotting and issuing or transferring the shares to the Participants;
- provides for adjustments to the maximum numbers of shares and the maximum number of shares to which any one participant may be entitled under the Executive Scheme in the event of a consolidation or sub-division of the Company's shares and for adjustments in the case of capitalisation shares being issued or rights issues or a reduction of the ordinary share capital being implemented by the Company, excluding where equity securities are issued as consideration for an acquisition, for cash or under a vendor consideration placing. Any adjustment should give a Participant entitlement to the same proportion of the equity capital as that to which he/she was previously entitled. Before such adjustments are implemented the auditors must confirm that such adjustments are in accordance with the Executive Scheme. If a special dividend is declared during a vesting period then the directors may adjust the strike price;
- requires the Company's auditor, or other independent advisers acceptable to the JSE must confirm to the JSE, in writing, that any such adjustments are in accordance with the provisions of the Executive Scheme;
- adjustments must be reported in the annual financial statements of the Company;
- does not allow for options to be back-dated; and
- authorises the Company to acquire shares on the market to fulfil the obligations of the Company under the Executive Scheme.

The Executive Scheme permits the Company to acquire the shares, whether directly or indirectly, by purchasing the shares or entering into call options, forward purchases or any similar type of arrangement, and, if need be, using one of its wholly owned subsidiaries.

CEO Scheme

The object and purpose of the CEO Scheme is to grant the option to acquire shares in the Company to the Participant to enable him to acquire a further amount of fully paid shares in the Company in the manner and on the terms and conditions set out in the CEO Scheme.

The directors of the Company consider it to be in the best interest of the Company that the CEO Scheme be adopted so as to ensure that appropriate incentives are granted to the Participant to encourage and motivate continued growth and profitability within the Company and to promote the retention of the Participant.

The CEO Scheme incorporates the provisions set out below in order for the CEO Scheme to comply with Schedule 14 of the JSE Listings Requirements. The CEO Scheme:

- identifies Willem Adriaan du Plessis as the Participant; sets out the maximum number of shares which may be utilised for purposes of the CEO Scheme as 1 500 000 (one million, five hundred thousand) shares and removes the reference to a percentage of the issued share capital of the Company;
- records that the Participant may not dispose of the 1 500 000 (one million, five hundred thousand) shares which he has already acquired as a prerequisite for him being eligible for the option in terms of the CEO Scheme;
- provides for the establishing of criteria for the award of options, which, once established, cannot be amended after the option is granted;
- provides if an option becomes exercisable, a participant may be required to pay the par value of shares that he will acquire upon exercise of the option, so that the shares which are acquired by any participant will be fully paid, and all shares will rank *pari passu* in all respects, including but not limited to in respect of rights to voting, dividends, transfer, as well as rights arising on a liquidation, with existing issued shares;
- does not allow for options to be re-priced;
- provides that on a takeover, merger or corporate action, provided that an option becomes exercised unless determined otherwise by the directors, an option may be exercised so that the participant would then acquire shares or further shares in the Company;
- provides that should the participant leave the employ of the Group –
  – if arising out of a resignation or dismissal then the option lapses immediately;
  – if arising out of retirement or incapacity then the option lapses within 3 (three) months;
  – if arising out of death, then the option lapses within one year, to be exercised by the executor;
- records that the above provisions may not be amended without the approval of the Company in general meeting by way of an ordinary resolution passed by a 75% (seventy five percent) majority of all votes cast by holders of shares, present in person or by proxy;
- provides for adjustments to the maximum numbers of shares and the maximum number of shares to the Participant may be entitled under the CEO Scheme in the event of a consolidation or sub-division of the Company's shares and for adjustments in the case of capitalisation shares being issued or rights issues or a reduction of the ordinary share capital being implemented by the Company, excluding where equity securities are issued as consideration for an acquisition, for cash or under a vendor consideration placing. Any adjustment should give the Participant entitlement to the same proportion of the equity capital as that to which he was previously entitled. Before such adjustments are implemented the auditors must confirm that such adjustments are in accordance with the CEO Scheme;
- requires the Company's auditor, or other independent advisers acceptable to the JSE must confirm to the JSE, in writing, that any such adjustments are in accordance with the provisions of the CEO Scheme;
- adjustments must be reported in the annual financial statements of the Company;
- does not allow for options to be back-dated; and
- authorises the Company to acquire shares on the market to fulfil the obligations of the Company under the CEO Scheme.

The CEO Scheme permits the Company to acquire the shares, whether directly or indirectly, by purchasing the shares or entering into call options, forward purchases or any similar type of arrangement, and, if need be, using one of its wholly owned subsidiaries. Furthermore, the CEO Scheme records that the Participant has already acquired 1 500 000 (one million, five hundred thousand) shares which are the "Matched Shares" which he continues to hold.

Annexure C

DISCLOSURES WITH REGARD TO THE REQUIREMENTS OF THE JSE APPLYING TO SPECIAL RESOLUTION NUMBER 3 IN TERMS OF RULE 11.26 OF THE LISTINGS REQUIREMENTS AND AS CONTAINED IN THE ANNUAL REPORT

The Listings Requirements of the JSE prescribe certain disclosures, which are disclosed in the audited financial statements and the Integrated Report as provided below.

Details of directors and management

Directors' details and management details can be found on pages 20 – 26 and 106 of the Integrated Report.

Material change

There has been no material change in the financial or trading position of the Company and its subsidiaries since the date of publication of the Company's annual results on 3 October 2014.

Directors' interests in securities

The interests of the directors in the share capital of the Company are set out on page 95 of the Integrated Report.

Share capital of the Company

Details of the share capital of the Company are set out on page 95 of the Integrated Report.

Major shareholders

Details of major shareholders of the Company are set out on page 121 of the Integrated Report.

Directors' responsibility statement

The directors, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable inquiries to ascertain such facts have been made.

Certificated shareholders and dematerialised shareholders with "own-name" registration

A shareholder of the Company entitled to attend and vote at the Annual General Meeting of shareholders is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead. In order to be valid, completed forms of proxy must be lodged at the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by 09:00 on Wednesday, 3 December 2014.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the Company present in person or represented by proxy shall have one vote for every share in the Company held by such shareholder.

Dematerialised shareholders other than "own-name" registration

The shareholders of the Company, who have dematerialised their shares in the Company, through a Central Securities Depository Participant ('CSDP') or broker other than "own-name" registration and who wish to attend the Annual General Meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

Should shareholders of the Company, who have dematerialised their shares wish to vote by way of proxy, they must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and their CSDP or broker, except for shareholders who have elected own-name registration in the sub-register through a CSDP or broker, which shareholders must complete the attached form of proxy and return it in accordance with the instructions contained therein to the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to be received by them no later than 09:00 on Wednesday, 3 December 2014, or in terms of the custody agreement entered into between the dematerialised own-name shareholders and their CSDP.

A proxy need not be a shareholder of the Company. A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend, participate in and vote at the Annual General Meeting in the place of a shareholder.

In respect of dematerialised shares, it is important to ensure that the person or entity (such as a nominee) whose name has been entered into the relevant sub-register maintained by a CSDP completes the form of proxy in terms of which he/she appoints a proxy to vote at the Annual General Meeting of shareholders in accordance with the instructions received from dematerialised beneficial holders.

Form of proxy

PHUMELELA GAMING AND LEISURE LIMITED
Registration number 1997/016610/06
Share code: PHM ISIN ZAE 000039269
("Phumelela" or "the Company")

For use by the holders of certificated shares or "own-name" dematerialised shareholders at the Annual General Meeting of shareholders to be held in the Bold Cherry Room, Turffontein Racecourse, 14 Turf Club Street, Turffontein, Johannesburg, on Thursday, 4 December 2014 at 09:00.

I/We (names in full) ____________________

of address ____________________

being the holder(s) of __________ certificated shares or "own-name" dematerialised shares of Phumelela hereby appoint (see note 1)

1. ____________________ #and/or failing him*

2. ____________________ #and/or failing him*,

3. the Chairman of the meeting, as my/our* proxy to act for me/us* at the Annual General Meeting of the Company which will be held on Thursday, 4 December 2014 at 09:00 and at every adjournment or postponement thereof for the purpose of considering and, if deemed fit, passing with or without modification the resolutions to be proposed thereat and to vote for and/or against such resolutions and/or* abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our* name (see note 2) as follows:

	Number of votes		
Ordinary resolutions	**In favour of**	**Against**	**Abstain**
1. To receive and adopt the annual financial statements for the year ended 31 July 2014			
Re-election of the following directors:			
2. Mr MJ Jooste			
3. Dr E Nkosi			
4. Mr JB Walters			
5. To elect the following audit committee members:			
Mr R Cooper			
Mrs NJ Mboweni			
Mr JB Walters			
6. Reappointment of KPMG Inc. as independent auditors for the ensuing year			
7. Placement of shares under the control of the directors			
8. General authority to issue shares for cash			
9. Non-binding advisory approval of Remuneration Policy			
10. Approval of the Executive Share Option Scheme			
11. Approval of the Chief Executive Share Option Scheme			
12. Approval of the directors to act in terms of ordinary resolutions 10 and 11			
Special resolutions			
1. To approve the non-executive directors' remuneration for the ensuing year			
2. To enable the provision of financial assistance to related or interrelated companies or corporations			
3. A general approval for the Company to acquire Phumelela Gaming and Leisure Limited Shares			

and generally to act as my/our* proxy at the said general meeting. (If no directions are given, the proxy holder will be entitled to vote or abstain from voting as that proxy holder deems fit.)

Signed at ____________ this ____________ day of ____________ 2014

Signature ____________________

Assisted by me (where applicable) ____________________

(State capacity and full name) ____________________

Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder/s of the Company) to attend, speak and vote in place of that shareholder at the general meeting.

**Delete as applicable. #Two or more persons may be appointed as proxies concurrently.*

Please read the notes on the reverse hereof.

Notes to the form of proxy

1. A shareholder entitled to attend and vote at a shareholder's meeting shall be entitled to appoint a proxy to participate in, speak and vote at the meeting in his stead. A proxy need not be a shareholder of the Company. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholders' votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.

3. Forms of proxy must be lodged with or posted to the Company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to reach them no later than 09:00 on Wednesday, 3 December 2014.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairman of the Annual General Meeting.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

7. If any shares are jointly held, the first name appearing in the register shall, in the event of any dispute, be taken as the shareholder.

8. A proxy appointment remains valid for one year after the date of signature and is revocable by the shareholder appointing the proxy by cancellation in writing, a later inconsistent appointment of a proxy and delivery of a copy of the revocation instrument to the proxy and the Company.

9. A proxy may not delegate his/her authority to act on behalf of a shareholder to another person.

Company information

DIRECTORS

MP Malungani	(*Chairman*)
WA du Plessis	(*Group Chief Executive Officer*)
AW Heide	(*Chief Operating Officer and Group Finance Director*)
ML Ramafalo	(*Executive Director, Business Development and Risk Management*)
JA Stuart	(*International Executive Director*)
V Moodley	(*Executive Director, Sports Betting*)
R Cooper	
MJ Jooste	
B Kantor	
SKC Khampepe	
NJ Mboweni	
E Nkosi	
CJH van Niekerk	
JB Walters	

INTERIM COMPANY SECRETARY

AW Heide (*Chief Operating Officer and Group Finance Director*)

REGISTERED OFFICE

Turffontein Racecourse
14 Turf Club Street
Turffontein
Johannesburg

AUDITORS

KPMG Inc.

PRINCIPAL BANKER

First National Bank – a division of FirstRand Bank Limited

ATTORNEYS

Roodt Inc.

MERCHANT BANK

Investec Bank Limited

SPONSOR

Investec Securities Limited

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited

COMPANY REGISTRATION NUMBER

1997/016610/06

COUNTRY OF INCORPORATION

South Africa

WEBSITE

www.phumelela.com

LISTING

Travel and Leisure – JSE Limited
(ISIN: ZAE000039269 Share Code: PHM)

BASTION GRAPHICS