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

PHUMELELA GAMING AND LEISURE LIMITED

PRELIMINARY ANNUAL FINANCIAL RESULTS

FOR THE YEAR ENDED 31 JULY 2018
AND DIVIDEND DECLARATION

Phumelela is a multiple product betting and media rights Group of companies with an extensive international footprint

OPERATIONAL FEATURES OF THE YEAR

- South African economic environment continued to deteriorate
- Strong internal focus on improving competitive appeal of all betting offerings
- Voluntary severance programme completed within budget and yielding benefits
- Turn-key and fully odds managed solution for previously disadvantaged individuals gains momentum
- South African horseracing retains wide popular appeal in international markets

FINANCIAL FEATURES OF THE YEAR

- 16% rise in weighted average shares reflects the prior year rights issue to fund acquisitions
- Headline earnings up 6% to R155,6 million
- Headline earnings per share down 8% to 154,23 cents
- Normalised headline earnings up 20% to R175,1 million
- Normalised headline earnings per share up 3% to 173,55 cents
- Earnings per share down 9% to 153,78 cents
- Net asset value per share 1012,93 cents
- Final gross dividend per share of 62,00 cents, full year dividend maintained at 104,00 cents
- Continued strong financial position with net debt to equity 22,8%

COMMENTARY

THE YEAR IN PERSPECTIVE

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

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

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

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

In pursuit of our transformation initiatives, Betting World franchises and Tab agencies are being offered to selected previously disadvantaged individuals that wish to build a future in this exciting industry. Phumelela provides the necessary funding, training, know-how, and management of the odds to enable a shop to be up and running within a short period. Our shareholding in Omphe Tshiamo Investments Proprietary Limited in the North West is an example of what is achievable, and we see this as being scalable in other provinces subject to new betting licences being available.

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

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

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

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

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

SEGMENT REVIEW

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

Our horseracing operations are reflected within the new Media segment and comprise the selling of media and data rights of South African horseracing locally and internationally. The local horseracing operations remain loss making on a stand-alone basis with international profitable and supported by solid international demand. New Zealand has been added as a territory for commingling and fixed odds, the

SEGMENT REVIEW CONTINUED

Hong Kong Jockey Club imported twelve simulcast race meetings this year, there was extended simulcast in to Singapore and the Singapore Turf Club is seeking regulatory approval to promote new simulcasts, and there is expansion of coverage in Greece given that SA product generates substantially more turnover compared with competitor simulcast content.

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

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

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

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

GROUP FINANCIAL ANALYSIS

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

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

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

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

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

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

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

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

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

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

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

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

GROUP FINANCIAL ANALYSIS CONTINUED

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

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

Currency effects on the 2018 trading result were negligible.

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

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

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

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

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

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

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

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

SHARE CAPITAL

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

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

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

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

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

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

Summarised segmental analysis

		TOTAL		BETTING OPERATIONS	
	% change	**31 July 2018 R000**	31 July 2017 R000	**31 July 2018 R000**	31 July 2017 R000
Income					
Net betting income		**949 761**	948 603	**949 761**	948 603
Other income	2	**599 620**	588 498	**108 924**	89 753
Investment income	(15)	**13 547**	15 846		
Total income	1	**1 562 928**	1 552 947	**1 058 685**	1 038 356
Expenses					
Intellectual property rights fees	2	**191 287**	187 140	**109 851**	110 620
Operating expenses	1	**1 256 862**	1 245 571	**477 181**	463 565
Voluntary severance programme expense		**27 071**			
Total expenses	3	**1 475 220**	1 432 711	**587 032**	574 185
Profit/(loss) before depreciation and amortisation and finance costs	(27)	**87 708**	120 236	**471 653**	464 171
Depreciation and amortisation	(1)	**70 393**	71 207	**38 171**	38 030
Finance costs	70	**34 577**	20 323		
Profit/(loss) before share of equity accounted income	(160)	**(17 262)**	28 706	**433 482**	426 141
Share of profit on equity accounted income	38	**169 169**	122 591	**169 169**	122 591
Profit/(loss) before revaluation of investments		**151 907**	151 297	**602 651**	548 732
Fair value adjustment to investment	(42)	**546**	946		
Profit/(loss) before income tax expense		**152 453**	152 243	**602 651**	548 732
Local operations	73	**(51 862)**	(30 044)	**490 130**	459 947
International operations	12	**204 315**	182 287	**112 521**	88 785
Profit/(loss) before income tax expense		**152 453**	152 243	**602 651**	548 732

Summarised segmental analysis continued

	MEDIA		ADMINISTRATION AND SUPPORT SERVICES	
	31 July 2018 R000	31 July 2017 R000	**31 July 2018 R000**	31 July 2017 R000
Income				
Net betting income				
Other income	**475 227**	457 128	**15 469**	41 617
Investment income			**13 547**	15 846
Total income	**475 227**	457 128	**29 016**	57 463
Expenses				
Intellectual property rights fees	**81 436**	76 520		
Operating expenses	**650 301**	638 118	**129 380**	143 888
Voluntary severance programme expense			**27 071**	
Total expenses	**731 737**	714 638	**156 451**	143 888
Profit/(loss) before depreciation and amortisation and finance costs	**(256 510)**	(257 510)	**(127 435)**	(86 425)
Depreciation and amortisation	**25 052**	24 419	**7 170**	8 758
Finance costs			**34 577**	20 323
Profit/(loss) before share of equity accounted income	**(281 562)**	(281 929)	**(169 182)**	(115 506)
Share of profit on equity accounted income				
Profit/(loss) before revaluation of investments	**(281 562)**	(281 929)	**(169 182)**	(115 506)
Fair value adjustment to investment			**546**	946
Profit/(loss) before income tax expense	**(281 562)**	(281 929)	**(168 636)**	(114 560)
Local operations	**(373 356)**	(375 431)	**(168 636)**	(114 560)
International operations	**91 794**	93 502		
Profit/(loss) before income tax expense	**(281 562)**	(281 929)	**(168 636)**	(114 560)

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure approved by directors.

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

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

INVESTMENTS

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

MATTERS OF CORPORATE INTEREST AND LITIGATION

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

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

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

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

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

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

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

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

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

REPORTING ENTITY

Phumelela Gaming and Leisure Limited is a company domiciled in South Africa. The summarised consolidated financial statements as at and for the year ended 31 July 2018 comprises the Company and its subsidiaries and the Group's interests in equity-accounted investees and joint operations.

STATEMENT OF COMPLIANCE

The preliminary summarised audited consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial

COMMENTARY CONTINUED

STATEMENT OF COMPLIANCE CONTINUED

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

BASIS OF PREPARATION

The preliminary summarised audited consolidated financial statements do not include all the information and disclosures required for the audited consolidated financial statements. The preliminary summarised audited consolidated financial statements should be read in conjunction with the audited consolidated financial statements. The audited consolidated financial statements for the Group as at and for the year ended 31 July 2018 were prepared on the going-concern basis and are available for inspection at the Company's registered office.

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

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

REPORT OF THE INDEPENDENT AUDITORS

The auditors, KPMG Inc., have issued their opinion on the Group's consolidated financial statements for the year ended 31 July 2018. The auditors were not engaged to report on the summary financial statements. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified opinion. A copy of the auditors' report together with a copy of the audited consolidated financial statements is available at the Company's registered office.

The preliminary summarised audited consolidated financial statements have been derived from the Group's consolidated financial statements and are consistent in all material respects with the Group's consolidated financial statements. The auditors' report does not necessarily report on all of the information contained in this announcement. Any reference to future financial information included in this announcement has not been reviewed or reported on by the auditors. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of that report together with the accompanying financial information from the Company's registered office. The summarised report is extracted from the audited information but is itself not audited. The directors take full responsibility for the preparation of the preliminary results and the financial information is correctly extracted from the underlying annual financial statements.

SUBSEQUENT EVENTS

There are no significant subsequent events that have an impact on the financial information at 31 July 2018.

RELATED PARTIES

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

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

SOCIAL RESPONSIBILITY

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

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

DIRECTORS

With effect from:

- 25 August 2017, Mr Brian Finch resigned from the Board as a non-executive director;
- 6 December 2017, Mr Markus Jooste resigned from the Board as a non-executive director;
- 12 December 2017, Mr Peter Malungani retired from the Board after twenty years of service;
- 13 December 2017, Mr Bernard Kantor, an independent non-executive director, assumed the role of Chairman;
- 24 January 2018, Mr Steve Müller was appointed to the Board as a non-executive director and on 3 July 2018, appointed as Chairman of the Audit Committee;
- 16 July 2018, Mr Siza Khampepe was appointed as member of the Remuneration and Nominations Committee;

COMMENTARY CONTINUED

DIRECTORS CONTINUED

- 16 July 2018, Ms Nolwandle Mboweni was appointed as member of the Social and Ethics Committee in addition to her membership to the Audit and Risk Committee;
- 16 July 2018, Mr S'celo Mahlalela was appointed as a non-executive director and member of the Audit and Risk Committee;
- 14 August 2018, Ms Fikile Magubane was appointed as a non-executive director and member of the Audit and Risk Committee;
- 17 September 2018, Mr Rian du Plessis resigned from the Board as Group CEO;
- 18 September 2018, Mr John Stuart was appointed as Group CEO;
- 21 September 2018, Mr Moses Tembe was appointed as lead independent director;
- Pending the date of approval of the relevant regulatory authorities, Ms Lindiwe Rakharebe was appointed as a non-executive director and member of the Social and Ethics Committee.

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

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

PROSPECTS

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

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

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

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

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

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

The Group is targeting growth in earnings per share.

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

CASH DIVIDEND TO SHAREHOLDERS

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

For and on behalf of the Board

B Kantor
Chairman

JA Stuart
Chief Executive Officer

Turffontein, Johannesburg
5 October 2018

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Audited 12 months 31 July 2018 R'000	Audited 12 months 31 July 2017 R'000
Income		**1 526 979**	1 520 515
Gross betting income		**1 182 525**	1 176 913
Net betting income			
– Local operations		**949 761**	948 603
Other operating income			
– Local operations	1	**283 558**	281 654
– International operations	3	**316 062**	306 844
Investment income			
– Local operations	(15)	**12 928**	15 200
– International operations	(4)	**619**	646
Net income	1	**1 562 928**	1 552 947
Operating expenses and overheads			
– Local operations	3	**(1 223 305)**	(1 218 794)
– Voluntary severance programme expense		**(27 071)**	
– International operations	5	**(224 844)**	(213 917)
Profit before finance costs, income tax, depreciation and amortisation	(27)	**87 708**	120 236
Depreciation and amortisation	(1)	**(70 393)**	(71 207)
Profit from operations	(65)	**17 315**	49 029
Finance costs			
– Local operations	70	**(34 577)**	(20 323)
(Loss)/profit before share of profit of equity-accounted investees	(160)	**(17 262)**	28 706
Share of profit of equity-accounted investees	38	**169 169**	122 591
Profit before fair value adjustment		**151 907**	151 297
Fair value adjustment to investment		**546**	946
Profit before income tax expense		**152 453**	152 243
Income tax expense	(93)	**(707)**	(9 641)
Profit for the year	6	**151 746**	142 602
Other comprehensive income net of taxation			
Items that may subsequently be reclassified to profit or loss			
– Exchange differences on translation of foreign subsidiaries		**623**	(151)
– Remeasurement of defined benefit obligation		**1 395**	
Total comprehensive income for the year	8	**153 764**	142 451
Profit attributable to:			
Ordinary equity holders of the parent		**155 112**	146 520
Non-controlling interest		**(3 366)**	(3 918)
Profit for the year		**151 746**	142 602
Total comprehensive income attributable to:			
Ordinary equity holders of the parent		**157 130**	146 369
Non-controlling interest		**(3 366)**	(3 918)
Total comprehensive income for the year		**153 764**	142 451
Earnings per ordinary share (cents)			
– Basic	(9)	**153,78**	168,46
– Diluted	(4)	**153,78**	160,84

SUPPLEMENTARY STATEMENT OF COMPREHENSIVE INCOME INFORMATION

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

SUPPLEMENTARY PRO FORMA INFORMATION

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

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

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

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOW

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

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Directors:	B Kantor (Chairman), M Tembe (Lead Independent Director), JA Stuart* (Group Chief Executive), AW Heide* (Finance Director and COO), P Anastassopoulos, R Cooper, SKC Khampepe, FS Magubane (Ms), SA Mahlalela, NJ Mboweni (Mrs), VJ Moodley*, SH Müller, Dr E Nkosi, CJH van Niekerk, JB Walters *(*Executive)*
Company Secretary:	F Moloi (Mrs)
Sponsor:	Investec Bank Limited
Registered Office:	Turffontein Racecourse, 14 Turf Club Street, Turffontein
Transfer Secretaries:	Computershare Investor Services Proprietary Limited
Share code:	PHM
ISIN:	ZAE000039269
Website:	**www.phumelela.com**