

CONDENSED CONSOLIDATED INCOME STATEMENTS

	%	Audited	Audited
	growth	31 July	31 July
	year on	2007	2006
	year	R'000	R'000
Revenue	13	2 385 408	2 118 719
Net betting income			
– local operations	10	488 284	442 464
– international operations	151	13 495	5 384
	12	501 779	447 848
Other operating income			
– local operations			
Continuing operations	11	117 861	106 145
Compensation for early termination of Newmarket lease		35 573	
Proceeds on termination		40 000	
Impairment of night racing lights and immovable non-current assets		(4 427)	
– international operations	40	66 640	47 734
Net income	20	721 853	601 727
Operating expenses and overheads			
– stakes	8	132 701	122 554
– local operations	10	384 322	347 969
– international operations	35	58 786	43 385
Profit from operations	66	146 044	87 819
Finance costs		471	1 738
Profit before share of profit of associated company	69	145 573	86 081
Share of profit of associated company		2 805	251
Profit before income tax	72	148 378	86 332
Income tax		39 436	25 778
Profit for the year	80	108 942	60 554
Attributable to:			
– Equity holders of the parent	81	108 942	60 338
– Minority interests		–	216
	80	108 942	60 554
Earnings per share (cents)			
– Basic	75	145,33	82,97
– Diluted	81	143,36	79,36

SUPPLEMENTARY INCOME STATEMENT INFORMATION

Reconciliation of headline earnings

Earnings attributable to equity holders			
– derived from continuing operating activities	29	77 991	60 338
– compensation for early termination of Newmarket lease after tax		30 951	
	80	108 942	60 338

Adjusted for:

Net loss/(profit) on disposal of property, plant and equipment after tax		430	(387)
Impairment of Newmarket night racing lights and immovable non-current assets after tax		3 249	
Headline earnings	88	112 621	59 951
Headline earnings per share (cents)	82	150,24	82,44
Diluted headline earnings per share (cents)	88	148,20	78,85
Headline earnings per share excluding compensation for early termination of Newmarket lease (cents)	27	104,62	82,44
Net asset value per share (cents)	31	390,45	297,09
Interim dividend/distribution	25	20,00	16,00
Dividend per ordinary share (cents)		14,00	8,00
Distribution out of share premium (cents)		6,00	8,00
Final dividend			
Dividend per ordinary share (cents)	33	40,00	30,00

Number of shares in issue	75 765 285	73 909 635
Weighted average number of shares in issue for basic and headline earnings per share calculation	74 961 502	72 724 683
Weighted average number of shares in issue for diluted earnings per share calculation	75 993 693	76 033 155

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Audited	Audited
	31 July	31 July
	2007	2006
	R'000	R'000
Cash generated by operations	156 213	97 431
Decrease in working capital	27 088	10 202
Cash generated by operating activities	183 301	107 633
Net finance costs, investment income and taxation paid	(27 094)	(29 191)
Post retirement benefit asset funding		(79)
Dividends paid	(32 975)	(6 002)
Net cash inflow from operating activities	123 232	72 361
Net cash outflow from investing activities	(53 682)	(13 353)
Net cash inflow/(outflow) from financing activities before capital distribution	4 591	(17 359)
Capital distribution	(4 527)	(23 272)
Net increase in cash and cash equivalents	69 614	18 377
Cash and cash equivalents at beginning of year	69 502	51 125
Cash and cash equivalents at end of year	139 116	69 502



PHUMELELA GAMING AND LEISURE LIMITED

(Registration number 1997/016610/06)

The Group's audited condensed consolidated financial statements

for the year ended 31 July 2007

★ **PROFIT BEFORE TAX FROM CONTINUING OPERATIONS UP 31%**

★ **HEPS FROM CONTINUING OPERATIONS UP 27%**

★ **OPERATING CASH FLOWS UP 70%**

★ **DISTRIBUTION TO SHAREHOLDERS UP 30%**

CONDENSED CONSOLIDATED BALANCE SHEETS

	Audited	Audited
	31 July	31 July
	2007	2006
	R'000	R'000
ASSETS		
<i>Non-current assets</i>	236 302	215 761
Property, plant and equipment	223 176	187 052
Goodwill	3 312	3 312
Intangible asset		16 170
Interest in associated company	9 044	8 857
Investments	770	370
<i>Current assets</i>	188 984	116 141
Inventories	956	250
Trade and other receivables	44 727	42 204
Cash and cash equivalents	139 116	69 502
Assets classified as held for sale	4 185	4 185
Total assets	425 286	331 902
EQUITY AND LIABILITIES		
<i>Total equity</i>	295 829	219 576
Share capital and premium	3 338	3 274
Retained earnings	292 314	216 250
Non-distributable reserves	177	52
<i>Non-current liabilities</i>	5 913	7 842
Deferred taxation	3 645	5 793
Retirement benefit obligations	2 268	2 049
<i>Current liabilities</i>	123 544	104 484
Trade and other payables	105 125	74 808
Income tax payable	18 419	11 350
Short-term financial liability		18 326
Total equity and liabilities	425 286	331 902

BASIS OF PRESENTATION

The annual financial results have been prepared and presented in accordance with International Financial Reporting Standards and the Companies Act 1973. The presentation and disclosure requirements of IAS 34: Interim Reporting have been complied with in this announcement.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

	Share capital	Share premium	Non-distributable reserves	Retained earnings	Total	Minority interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 31 July 2005	1 795	21 791	3	161 288	184 877	–	184 877
Issue of share capital – options exercised	53	2 907	–	–	2 960	–	2 960
Total recognised income and expense for the year	–	–	49	60 375	60 424	179	60 603
– Profit for the year	–	–	–	60 338	60 338	216	60 554
– Foreign currency translation reserve – Isle of Man Tote Limited	–	–	49	10	59	(10)	49
– Minority share of previous year loss realised	–	–	–	27	27	(27)	–
Share based payment	–	–	–	424	424	–	424
Dividend paid to minority shareholders of Isle of Man Tote Limited	–	–	–	–	–	(165)	(165)
Acquisition of minority shareholding in Isle of Man Tote Limited	–	–	–	–	–	(14)	(14)
Distributions paid to equity holders	–	(23 272)	–	(5 837)	(29 109)	–	(29 109)
Balance at 31 July 2006	1 848	1 426	52	216 250	219 576	–	219 576
Issue of share capital – options exercised	46	4 545	–	–	4 591	–	4 591
Total recognised income and expense for the year	–	–	125	108 942	109 067	–	109 067
– Profit for the year	–	–	–	108 942	108 942	–	108 942
– Foreign currency translation reserve – Isle of Man Tote Limited	–	–	125	–	125	–	125
Share based payment	–	–	–	97	97	–	97
Distributions paid to equity holders	–	(4 527)	–	(32 975)	(37 502)	–	(37 502)
Balance at 31 July 2007	1 894	1 444	177	292 314	295 829	–	295 829

ACCOUNTING POLICIES

The accounting policies used in preparing the annual financial statements are consistent with those used in the annual financial statements for the year ended 31 July 2006.

AUDIT REPORT

The consolidated results for the year have been audited by KPMG Inc. and their unqualified audit report is available for inspection at the Company's registered office.

REVIEW OF RESULTS

Revenue increased by 13% year on year to R2,4 billion (2006: R2,1 billion) with revenue from local operations up 11% to R2,3 billion and revenue from international operations up 70% to R126 million.

Earnings attributable to ordinary equity holders was favourably impacted by the proceeds of R40 million received on termination of the Newmarket use agreement and increased by 81% to R108,9 million (2006: R60,3 million) with headline earnings per share (HEPS) increasing by 82% to 150,24 cents per share (2006: 82,44 cents per share). Excluding the compensation on termination of the Newmarket use agreement, HEPS increased by 27% to 104,62 cents per share.

The strong growth in international operations continued with operating profits increasing by 119% on the previous year to R21,3 million (2006: R9,7 million), the benefits of unlocking further value from existing European agreements and concluding new agreements in the Asian and Australasian markets flowing through.

Local operating costs increased by 10% year on year with the Group continuing to invest in its retail operations and betting technology. Operating costs were generally contained within inflation other than costs incurred on health and safety, staff training, social responsibility projects, marketing and the new Bingo hall at Turffontein racecourse.

International operating costs increased by 35% year on year due to the growth in international contracts concluded and increased operating costs incurred in investing in the Isle of Man Totalisator operation.

FINANCIAL POSITION

The financial position of the Group which is set out in the balance sheet shows total assets of R425,3 million (2006: R331,9 million) including cash balances of R139,1 million (2006: R69,5 million).

Cash generated from operating activities increased by 70% to R123,2 million (2006: R72,3 million), R53,7 million (2006: R13,3 million) was applied in investing activities with R60,7 million

FINANCIAL POSITION (continued)

(2006: R34 million) invested in property, plant and equipment and R0,06 million was generated from (2006: R40,6 million utilised for) financing activities resulting in a net increase in cash and cash equivalents of R69,6 million (2006: R18,4 million) for the year.

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

	Audited	Audited
	31 July	31 July
	2007	2006
	R'000	R'000
LOCAL		
Revenue	2 259 527	2 044 463
Net income	641 718	548 609
Stakes	132 701	122 554
Other net operating expenses	384 322	347 969
Profit from operations	124 695	78 086
Assets	398 984	294 450
Liabilities	119 645	83 997
INTERNATIONAL		
Revenue	125 881	74 256
Net income	80 135	53 118
Net operating expenses	58 786	43 385
Profit from operations	21 349	9 733
Assets	26 302	37 452
Liabilities	9 812	28 329
TOTAL		
Revenue	2 385 408	2 118 719
Profit from operations	146 044	87 819
Assets	425 286	331 902
Liabilities	129 457	112 326

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure approved by directors.

	2007	2006
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