

## CONDENSED CONSOLIDATED INCOME STATEMENTS

	Audited 12 months 31 July 2008 R'000	Audited 12 months 31 July 2007 R'000
Revenue		
– local operations	2 473 932	2 259 527
– international operations	118 256 634	117 504
	15 2 730 566	2 377 031
Net betting income		
– local operations	534 067	488 284
– international operations	13 391	5 118
	11 547 458	493 402
Other operating income		
– local operations		
Ongoing operations	132 438	117 861
Compensation for early termination of Newmarket lease		35 573
Proceeds on termination		40 000
Impairment of Newmarket night racing lights and immovable assets		(4 427)
Surplus on disposal of Bloemfontein Racecourse	27 815	
– international operations	79 501	66 640
Net income	787 212	713 476
Operating expenses and overheads		
– stakes	142 661	132 701
– local operations	423 058	384 322
– international operations	68 999	50 409
Profit from operations	152 494	146 044
Finance costs	180	471
Profit before share of profit of associated company	152 314	145 573
Share of profit of associated company	4 108	2 805
Profit before income tax	156 422	148 378
Income tax	43 361	39 436
Profit for the year	113 061	108 942
Attributable to:		
– Equity holders of the parent	113 061	108 942
Earnings per share (cents)		
– Basic	148,13	145,33
– Diluted	147,73	143,36

## SUPPLEMENTARY INCOME STATEMENT INFORMATION

Reconciliation of headline earnings		
Earnings attributable to equity holders		
– derived from ongoing operating activities	13	88 110
– compensation for early termination of Newmarket lease after tax		30 951
– surplus on disposal of Bloemfontein Racecourse and bookmaking concern after tax		24 951
		113 061

Adjusted for:		
Net (surplus)/loss on disposal of property, plant, equipment and bookmaking concern after tax	(23 606)	430
Impairment of Newmarket night racing lights and immovable assets after tax		3 249
Headline earnings	(21)	89 455
Adjusted for:		
– compensation for early termination of Newmarket lease and impairment of night racing lights and immovable assets after tax		(34 200)

Headline earnings from ongoing operating activities	14	89 455	78 421
Headline earnings per share (cents)	(22)	117,20	150,24
Diluted headline earnings per share (cents)	(21)	116,89	148,20
Headline earnings per share from ongoing operating activities (cents)	12	117,20	104,62
Diluted headline earnings per share from ongoing operating activities (cents)	13	116,89	103,19
Net asset value per share (cents)	17	457,57	390,45
Interim dividend/distribution		25,00	20,00
Dividend per ordinary share (cents)		25,00	14,00
Distribution out of share premium (cents)			6,00
Final dividend			
Dividend per ordinary share (cents)		43,00	40,00
Number of shares in issue	75 859 571		75 765 285
Weighted average number of shares in issue for basic and headline earnings per share calculation	76 325 185		74 961 502
Weighted average number of shares in issue for diluted earnings per share calculation	76 530 533		75 993 693

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Audited 12 months 31 July 2008 R'000	Audited 12 months 31 July 2007 R'000
Cash generated by operations	129 848	156 213
Changes in working capital	20 549	27 088
Cash generated by operating activities	150 397	183 301
Investment income	12 611	7 892
Net finance costs and taxation paid	(45 867)	(34 986)
Dividends paid	(49 730)	(32 975)
Net cash inflow from operating activities	67 411	123 232
Net cash outflow from investing activities	(50 297)	(53 682)
Net cash inflow from financing activities before capital distribution and share re-purchases	3 683	4 591
Capital distribution		(4 527)
Share re-purchases	(15 715)	
Net increase in cash and cash equivalents for the year	5 082	69 614
Cash and cash equivalents at beginning of year	139 116	69 502
Cash and cash equivalents at end of year	144 198	139 116

**Directors:** M P Malungani (Chairman), S E Abrahams, D R H Attenborough\*, M J Jooste, B Kantor, S K C Khampepe, N J Mboweni (Mrs), Dr E Nkosi, M L Ramafalo\*, J S Tennant\*, C J H Van Niekerk, J B Walters (\*Executive)

**Group Chief Executive:** W A Du Plessis **Company Secretary:** A F Wintour

**Registered Office:** Turffontein Racecourse, 14 Turf Club Street, Turffontein **Transfer Secretaries:** Computershare Investor Services (Pty) Limited

**Share code:** PHM **ISIN:** : ZAE000039269 **Sponsor:** Investec Bank Limited **Web site:** www.phumelela.com



# PHUMELELA GAMING AND LEISURE LIMITED

(Registration number 1997/016610/06)

## The Group's audited condensed consolidated financial statements

for the year ended 31 July 2008

- ★ REVENUE FROM INTERNATIONAL OPERATIONS UP 118%
- ★ HEADLINE EARNINGS FROM ONGOING OPERATIONS UP 14%
- ★ DILUTED HEPS FROM ONGOING OPERATIONS UP 13%
- ★ CASH RESOURCES OF R144 MILLION

## CONDENSED CONSOLIDATED BALANCE SHEETS

	Audited 31 July 2008 R'000	Audited 31 July 2007 R'000
<b>ASSETS</b>		
<i>Non-current assets</i>	307 840	236 302
Property, plant and equipment	280 367	223 176
Deferred taxation	5 175	
Goodwill	3 312	3 312
Intangible assets	400	
Interest in associated companies	18 037	9 044
Investments	549	770
<i>Current assets</i>	202 227	188 984
Inventories	4 469	956
Trade and other receivables	53 560	44 727
Cash and cash equivalents	144 198	139 116
Assets classified as held for sale		4 185
Total assets	510 067	425 286
<b>EQUITY AND LIABILITIES</b>		
<i>Total equity</i>	347 110	295 829
Share capital and premium	1 897	3 338
Retained earnings	345 054	292 314
Non-distributable reserves	159	177
<i>Non-current liabilities</i>	4 100	5 913
Deferred taxation	2 625	3 645
Retirement benefit obligations	1 475	2 268
<i>Current liabilities</i>	158 857	123 544
Trade and other payables	136 535	105 125
Income tax payable	22 322	18 419
Total equity and liabilities	510 067	425 286

## BASIS OF PRESENTATION AND AUDIT REPORT

These annual results have been prepared in accordance with the recognition and measurement requirements of IFRS and the presentation and disclosure requirements of IAS34. The annual results have been summarised from the complete set of annual financial statements on which the auditors, KPMG Inc. have expressed and unqualified audit opinion. The audit report is available for inspection at the Company's registered office.

## 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 2007.

Certain comparative amounts have been re-classified within the income statement in order to make comparative information more meaningful.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Retained earnings R'000	Total equity R'000
<b>Balance at 31 July 2006</b>	1 848	1 426	52	216 250	219 576
Issue of share capital – options exercised	46	4 545			4 591
Total recognised income and expense for the year			125	108 942	109 067
– Profit for the year				108 942	108 942
– Foreign currency translation reserve			125		125
Share-based payment				97	97
Distributions paid to equity holders		(4 527)		(32 975)	(37 502)
<b>Balance at 31 July 2007</b>	1 894	1 444	177	292 314	295 829
Issue of share capital – options exercised	28	3 655			3 683
Total recognised income and expense for the year			(18)	113 061	113 043
– Profit for the year				113 061	113 061
– Foreign currency translation reserve			(18)		(18)
Share re-purchases	(25)	(5 099)		(10 591)	(15 715)
Dividends paid to equity holders				(49 730)	(49 730)
<b>Balance at 31 July 2008</b>	1 897	–	159	345 054	347 110

## REVIEW OF RESULTS

Revenue increased by 15% year on year to R2,7 billion (2007: R2,4 billion) with revenue from local operations up 9% to R2,5 billion and revenue from international operations up 118% to R256,6 million (2007: R117,5 million).

Earnings attributable to equity holders increased marginally year on year mainly due to the post tax effect on earnings of the R24,5 million surplus on disposal of Bloemfontein Racecourse in the current year set off against the R31 million compensation received on termination of the Newmarket use agreement in the previous year. Excluding the favourable impact of these transactions, earnings attributable from ongoing operations increased by 13% to R88,1 million (2007: R78 million) with headline earnings per share (HEPS) from ongoing operations up by 12% to 117,20 cents per share (2007: 104,62 cents per share).

Earnings growth in the second half of the year slowed as a result of the economic downturn experienced in both local and global markets. Despite this, year on year profit before interest and tax (PBIT) from ongoing operations for international operations increased by 12% to R23,9 million (2007: R21,3 million) and local operations by 13% to R100,8 million (2007: R89,1 million).

Local operating costs increased by 10% year on year with the Group continuing to invest in its local retail operations and betting technology. Operating costs were generally contained within inflation other than costs incurred on social responsibility projects, promotions and marketing, racing information publications, information technology and the Bingo operation at Turffontein racecourse.

International operating costs increased by 37% year on year due to increased costs incurred in investing and promoting the broadcasting rights held under the RUK agreement, the Isle of Man Totalisator operation with further costs incurred on acquiring additional human capital.

## FINANCIAL POSITION

The financial position of the Group which is set out in the balance sheet shows total assets of R510,1 million (2007: R425,3 million) including cash balances of R144,2 million (2007: R139,1 million).

Cash generated from operating activities decreased by 18% to R150,4 million (2007: R183,3 million) and was utilised to fund, inter alia, R45,7 million (2007: R34,5 million) in income tax payments, R49,7 million (2007: R33 million) in dividends paid to shareholders with R78,2 million (2007: R60,7 million) invested in property, plant and equipment.

## SHARE CAPITAL

During the year the Company purchased 1 007 014 of its own shares traded on the open order book of the JSE Limited at a total cost of R15,7 million. 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.

## ACQUISITIONS

In December 2007 Phumelela Gold Enterprises, a jointly controlled operation between Phumelela and Gold Circle, acquired an indirect shareholding of 20% of the issued capital in Automatic Systems Limited (ASL), a company listed on the Mauritius Stock Exchange, for R5,7 million. ASL is one of two companies licensed to operate a totalisator on the island.

In May 2008, Phumelela acquired an additional 2,5% equity interest in its associate company, Betting World (Pty) Limited for R1,4 million, increasing Phumelela's equity holding to 42,5%.

## DISPOSAL

On 1 February 2008, Phumelela sold its entire equity interest in its subsidiary company, Phumelela Gaming and Leisure Services (Pty) Limited (spread betting operation) to its associate company, Betting World (Pty) Limited, for R370 000.

## CAPITAL COMMITMENTS

Commitments in respect of capital expenditure approved by directors.

	2008 R'000	2007 R'000
Contracted for	1 100	56 712
Not contracted for	63 900	54 008

## POST BALANCE SHEET EVENTS

There are no significant post-balance sheet events that have a material impact on the financial statements at 31 July 2008.

Initial discussions for the sale of the two Bingo licences held in the Group's subsidiary company, Silks Gaming and Leisure (Pty) Limited commenced in September 2008. The Group is currently considering an offer received from a potential purchaser.

## SOCIAL RESPONSIBILITY

Phumelela 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.

## LITIGATION

The Company's legal action instituted against its insurance underwriters in respect of the business interruption claim arising from the loss of profits caused by the equine flu was dismissed by the Arbitrator in April 2008.

## CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

	Audited 31 July 2008 R'000	Audited 31 July 2007 R'000
<b>LOCAL</b>		
Revenue	2 473 932	2 259 527
Net income	666 505	606 145
Stakes	142 661	132 701
Other net operating expenses	423 058	384 322
Profit from ongoing operations	100 786	89 122
Compensation for early termination of Newmarket lease		35 573
Surplus on disposal of Bloemfontein Racecourse	27 815	
Profit from operations	128 601	124 695
Assets	451 623	398 984
Liabilities	128 836	119 645
<b>INTERNATIONAL</b>		
Revenue	256 634	117 504
Net income	92 892	71 758
Net operating expenses	68 999	50 409
Profit from operations	23 893	21 349
Assets	58 444	26 302
Liabilities	34 121	9 812
<b>TOTAL</b>		
Revenue	2 730 566	2 377 031
Profit from ongoing operations	124 679	110 471
Compensation for early termination of Newmarket lease		35 573
Surplus on disposal of Bloemfontein Racecourse	27 815	
Profit from operations	152 494	146 044
Assets	510 067	425 286
Liabilities	162 957	129 457
<b>DIRECTORS</b>		
Mr B D Mehl retired as a Director and Deputy Chairman of the Company on 2 October 2007. His invaluable contribution, first as CEO and then as Director and Deputy Chairman of the Company is acknowledged by the Board.		
Mr J S Tennant retired as CEO of the Group on 31 July 2008. The Board acknowledges his invaluable contribution during his tenure. He will continue to serve on the Board as an Executive Director until January 2009.		
The Board is pleased to announce that Mr W A Du Plessis has been appointed as Group Chief Executive Officer and CEO of the Company's international operations with effect from 1 August 2008.		
Mr D R H Attenborough has been appointed to the position of CEO of Phumelela's South African based operations with effect from 1 August 2008.		
<b>PROSPECTS</b>		
Short to medium-term trading conditions		