PHUMELELA GAMING AND LEISURE LIMITED

(Registration number 1997/016610/06)

The Group's summarised preliminary consolidated financial statements

for the year ended 31 July 2009

★ REVENUE FROM INTERNATIONAL OPERATIONS UP 19%
★ HEADLINE EARNINGS PER SHARE DOWN 20%
★ CASH RESERVES OF R100 MILLION
★ DIVIDEND MAINTAINED AT 43 CENTS PER SHARE

SUMMARISED CONSOLIDATED INCOME STATEMENTS

	% change	Audited 12 months 31 Jul 2009 R'000	Restated Audited 12 months 31 Jul 2008 R'000
Revenue			
– Local operations	1	**693 615**	689 679
– International operations	19	**110 730**	92 960
	3	**804 345**	782 639
Net betting income			
– Local operations	1	**538 719**	534 067
– International operations	76	**23 616**	13 391
	3	**562 335**	547 458
Other operating income			
– Local operations			
Ongoing operations	2	**134 489**	132 438
Surplus on disposal of Bloemfontein Racecourse			27 815
– International operations	9	**87 000**	79 501
Net income		**783 824**	787 212
Operating expenses and overheads			
– Stakes	10	**156 982**	142 661
– Local operations	3	**436 889**	423 058
– International operations	23	**85 093**	68 999
Profit from operations	(31)	**104 860**	152 494
Finance costs		**77**	180
Profit before share of profit of associated companies	(31)	**104 783**	152 314
Share of profit of associated companies	(17)	**3 390**	4 108
Profit before income tax	(31)	**108 173**	156 422
Income tax	(13)	**37 508**	43 361
Profit for the year	(37)	**70 665**	113 061
Attributable to:			
– Equity holders of the parent	(37)	**70 665**	113 061
Earnings per share (cents)			
– Basic	(37)	**93,35**	148,13
– Diluted	(37)	**93,35**	147,73
SUPPLEMENTARY INCOME STATEMENT INFORMATION			
Reconciliation of headline earnings			
Earnings attributable to equity holders			
– Derived from ongoing operating activities	(20)	**70 665**	88 110
– Surplus on disposal of Bloemfontein Racecourse and bookmaking concern after tax			24 951
		70 665	113 061
Adjusted for:			
Net loss/(surplus) on disposal of property, plant and equipment and bookmaking concern		**355**	(27 725)
Tax effect		**(108)**	4 119
Headline earnings	(21)	**70 912**	89 455
Headline earnings per share (cents)	(20)	**93,67**	117,20
Diluted headline earnings per share (cents)	(20)	**93,67**	116,89
Net asset value per share (cents)	5	**481,52**	457,57
Interim dividend			
Dividend per ordinary share (cents)		**25,00**	25,00
Final dividend			
Dividend per ordinary share (cents)		**43,00**	43,00
Number of shares in issue		**75 590 371**	75 859 571
Weighted average number of shares in issue for basic and headline earnings per share calculation		**75 700 146**	76 325 185
Weighted average number of shares in issue for diluted earnings per share calculation		**75 700 146**	76 530 533

SUMMARISED CONSOLIDATED CASH FLOW STATEMENTS

	Audited 12 months 31 Jul 2009 R'000	Audited 12 months 31 Jul 2008 R'000
Cash generated by operations	**123 143**	129 848
(Increase)/decrease in working capital	**(21 607)**	20 549
Cash generated by operating activities	**101 536**	150 397
Investment income	**9 651**	12 611
Net finance costs and taxation paid	**(63 228)**	(45 867)
Dividends paid	**(51 585)**	(49 730)
Net cash (outflow)/inflow from operating activities	**(3 626)**	67 411
Net cash outflow from investing activities	**(35 305)**	(50 297)
Net cash inflow from financing activities before share repurchases	**969**	3 683
Share re-purchases	**(6 055)**	(15 715)
Net (decrease)/increase in cash and cash equivalents	**(44 017)**	5 082
Cash and cash equivalents at beginning of year	**144 198**	139 116
Cash and cash equivalents at end of year	**100 181**	144 198

SUMMARISED CONSOLIDATED BALANCE SHEETS

	Audited 31 Jul 2009 R'000	Audited 31 Jul 2008 R'000
ASSETS		
Non-current assets	**320 806**	307 840
Property, plant and equipment	**288 505**	280 367
Deferred taxation	**4 613**	5 175
Goodwill	**3 312**	3 312
Intangible asset	**500**	400
Interest in associated companies	**22 985**	18 037
Investments	**891**	549
Current assets	**179 565**	202 227
Inventories	**5 823**	4 469
Trade and other receivables	**67 872**	53 560
Cash and cash equivalents	**100 181**	144 198
Income tax receivable	**5 689**	
Total assets	**500 371**	510 067
EQUITY AND LIABILITIES		
Total equity	**363 980**	347 110
Share capital and premium	**1 890**	1 897
Retained earnings	**362 103**	345 054
Non-distributable reserves	**(13)**	159
Non-current liabilities	**5 779**	4 100
Deferred taxation	**4 413**	2 625
Retirement benefit obligations	**1 366**	1 475
Current liabilities	**130 612**	158 857
Trade and other payables	**130 594**	136 535
Income tax payable	**18**	22 322
Total equity and liabilities	**500 371**	510 067

REVIEW OF RESULTS

LOCAL OPERATIONS

Totalisator betting income contracted in the second half of the year impacted by the negative economic climate and concomitant decline in consumer spending patterns. Despite the tough trading conditions revenue from local operations ended marginally up on the previous year at R693,6 million (2008: R689,7 million).

Operating expenses and overheads were contained increasing by 7% on the previous year. Excluding stakes, which are governed by an agreement with the Racing Association and which increased by 10% to R156,9 million (2008: R142,6 million), manageable operating expenses and overheads increased by 3% to R436,9 million (2008: R423,1 million).

The Group's share of profit from its associate company, Betting World (Pty) Ltd (a fixed odds bookmaking concern) decreased by 43% on the previous year to R2,4 million (2008: R4,1 million), the profit decline mainly due to increased marketing and promotions spend, staff costs and leased premises rentals as Betting World continues to expand and improve on its local retail footprint and internet betting platform.

Profit before taxation from ongoing local operations, excluding the R27,8 million profit on disposal of the Bloemfontein racecourse in the previous year, decreased by 22% to R81,6 million (2008: R104,7 million).

INTERNATIONAL OPERATIONS

Revenue from international operations slowed in the second half of the year impacted by the global economic recession and technological hurdles that delayed the rollout of further revenue generating opportunities.

REVIEW OF RESULTS (continued)

Despite this revenue increased by 19% on the previous year to R110,7 million (2008: R92,9 million) with the Isle of Man totalisator operation showing strong growth with a 76% increase in net betting income to R23,6 million (2008: R13,4 million).

Operating expenses and overheads increased by 23% to R85,1 million (2008: R69 million) driven mainly by further costs incurred on improving the quality and feed of satellite broadcasts of live horse racing around the globe, a further investment in human capital and increased host track fees incurred on expanding the international horse racing content.

The Group's share of profit from its associate company, Automatic Systems Limited, a company listed on the Mauritius Stock Exchange and one of two licensed totalisator operators on the island was a pleasing R1 million for the year (2008: Rnil).

Profit before taxation increased by 11% to R26,6 million (2008: R23,9 million) and equates to 25% (2008: 19%) of the Group's profit before taxation.

GROUP RESULTS

Total revenue increased by 3% to R804,3 million (2008: R782,6 million) with the increase derived mainly from international operations.

Other operating income that includes, inter alia, bookmakers levies, stable rentals, local and international broadcasting levies/fees and a R27,8 million profit on disposal of the Bloemfontein racecourse in the previous year decreased by 8% to R221,5 million (2008: R239,8 million). Excluding the profit on sale of Bloemfontein racecourse, other operating income increased by 5%.

Total operating expenses and overheads increased by 7% to R679 million (2008: R634,7 million). Excluding stakes operating costs increased by 6%.

Earnings before interest, taxation, depreciation and amortisation excluding the profit on sale of Bloemfontein racecourse in the previous year decreased by 8% to R120 million (2008: R130,9 million).

Headline earnings decreased by 21% to R70,9 million (2008: R89,4 million) and HEPS decreased by 20% to 93,67 cents per share (2008: 117,20 cents per share).

Diluted HEPS decreased by 20% to 93,67 cents per share (2008: 116,89 cents per share).

FINANCIAL POSITION

The Group has total assets of R500,4 million (2008: R510,1 million) including cash balances of R100,2 million (2008: R144,2 million) adequately covering total liabilities of R136,4 million (2008: R163 million). The balance sheet remains strong with no gearing.

Cash and cash equivalents decreased by R44 million. Cash generated by operations of R123,1 million was utilised to fund an increase in working capital of R21,6 million (attributable mainly to an increase in international operations trade receivables and a decrease in trade and other payables), pay income tax of R63,2 million and dividends of R51,6 million. A further R33,5 million was utilised for capital expenditure and R6,1 million for share repurchases.

BINGO OPERATION

During the year agreements for the transfer of the operating rights inclusive of an option to purchase the two bingo licenses held by the Group's subsidiary company, Silks Gaming and Leisure (Pty) Limited were concluded subject to certain conditions precedent being met. As a result the bingo outlet situated at Turffontein racecourse ceased operations during the year.

SHARE CAPITAL

During the year the Group purchased a further 500 000 of its own shares at a total cost of R6,1 million bringing the total number of shares repurchased to date at 1 507 014. 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.

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure approved by directors.

	2009 R'000	2008 R'000
Contracted for	**26 326***	1 100
Not contracted for	**30 335**	63 900

*Mainly for illumination of the Turffontein race tracks for night racing.

SUMMARISED 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
Balance at 31 July 2007	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)
Balance at 31 July 2008	1 897		159	345 054	347 110
Issue of share capital – options exercised	6	963			969
Total recognised income and expense for the year			(172)	70 665	70 493
– Profit for the year				70 665	70 665
– Foreign currency translation reserve			(172)		(172)
Share based payment				3 048	3 048
Share repurchases	(13)	(963)		(5 079)	(6 055)
Dividends paid to equity holders				(51 585)	(51 585)
Balance at 31 July 2009	**1 890**	**–**	**(13)**	**362 103**	**363 980**

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

The Group stages and broadcasts horseracing events and offers betting opportunities on both South African and international product in two geographic segments, namely South Africa and the rest of the world.

	% change	Audited 31 Jul 2009 R'000	Restated Audited 31 Jul 2008 R'000
LOCAL			
Revenue	1	**693 615**	689 679
Net income	1	**673 208**	666 505
Stakes	10	**(156 982)**	(142 661)
Other net operating expenses	3	**(436 889)**	(423 058)
Profit from ongoing operations		**79 337**	100 786
Finance costs		**(77)**	(180)
Profit before share of profit of associated company		**79 260**	100 606
Share of profit of associated company	(43)	**2 359**	4 108
Profit before income tax from ongoing operations	(22)	**81 619**	104 714
Surplus on disposal of Bloemfontein Racecourse			27 815
Profit before tax from operations	(38)	**81 619**	132 529
Assets		**441 256**	451 623
Liabilities		**106 493**	128 836
INTERNATIONAL			
Revenue	19	**110 730**	92 960
Net income	19	**110 616**	92 892
Net operating expenses	23	**(85 093)**	(68 999)
Profit before share of profit of associated company	7	**25 523**	23 893
Share of profit of associated company		**1 031**	
Profit before income tax from ongoing operations	11	**26 554**	23 893
Assets		**59 115**	58 444
Liabilities		**29 898**	34 121
TOTAL			
Revenue	3	**804 345**	782 639
Profit from ongoing operations	(16)	**104 860**	124 679
Finance costs		**(77)**	(180)
Profit before share of profit of associated company		**104 783**	124 499
Share of profit of associated companies	(17)	**3 390**	4 108
Profit before income tax from ongoing operations	(16)	**108 173**	128 607
Surplus on disposal of Bloemfontein racecourse			27 815
Profit before tax from operations	(31)	**108 173**	156 422
Assets		**500 371**	510 067
Liabilities		**136 391**	162 957

STATEMENT OF COMPLIANCE

The preliminary summarised consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of IFRS, its interpretations adopted by the International Accounting Standards Board (IASB), the presentation and the disclosure requirements of IAS34 – Interim Financial Reporting, the Listing Requirements of the JSE Limited and the requirements of the South African Companies Act.

BASIS OF PRESENTATION

The financial statements are prepared in thousands of South African Rands on the historical cost basis, except for certain derivative financial instruments that are recognised at fair value.

The accounting policies are those presented in the annual financial statements for the year ended 31 July 2009 and have been applied consistently to the periods presented in these summarised consolidated financial statements and by all Group entities with the exception of the disclosure of revenue in the income statement which has been restated. Previously revenue included 'betting turnover' representing bets struck on the totalisator net of VAT and rebates. In order to be more consistent with general industry practice 'betting turnover' has been replaced with 'gross betting income' representing bets struck net of betting dividends paid to customers and customer rebates. As a result the following comparative amounts have been restated:

	Restated 2008 R'000	As previously reported 2008 R'000
Revenue		
– Local operations	689 679	2 473 932
– International operations	92 960	256 634
	782 639	2 730 566

The restatement had no impact on income tax and profit after tax.

REPORTS OF THE INDEPENDENT AUDITORS

The unmodified audit reports of KPMG Inc., the independent auditors, on the annual financial statements and the summarised financial statements contained herein for the year ended 31 July 2009, dated 2 October 2009, are available for inspection at the registered office of the Company.

POST BALANCE SHEET EVENTS

There are no significant post balance sheet events that have a material impact on the financial statements at 31 July 2009.

SOCIAL RESPONSIBILITY

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

DIRECTORS

Mr S E Abrahams retired from office at the Annual General Meeting of shareholders held on 5 December 2008. The Board acknowledges his invaluable contribution as Audit Committee Chairman and non-executive director during his tenure and wishes him well in his retirement years. With effect from 14 January 2009, Messrs WA du Plessis and R Cooper were appointed to the Board as executive director and non-executive director respectively. Mr J S Tennant resigned as a director on 29 May 2009 for health reasons. The Board records their appreciation for his invaluable contribution as the previous Chief Executive and subsequently non-executive director and wish him well and a speedy recovery to good health.

PROSPECTS

Trading conditions both locally and internationally are expected to remain challenging in the short to medium term. Continued emphasis will be on cost containment, growing local revenues through the use of technology and the introduction of new bet types and expanding our international customer base.

DIVIDEND TO SHAREHOLDERS

Notice is hereby given that the Board has declared a final dividend of 43 cents per share payable to shareholders recorded in the register on Friday 23 October 2009. Shareholders are advised that the last date to trade "cum dividend" will be Friday 16 October 2009. As from commencement of business on Monday, 19 October 2009 all trading in Phumelela shares will be "ex dividend". Payment will be made on Monday, 26 October 2009. Share certificates may not be dematerialised or rematerialised between Monday, 19 October 2009 and Friday 23 October 2009, both days inclusive.

For and on behalf of the Board

M P Malungani
Chairman
Johannesburg

W A du Plessis
Group Chief Executive
5 October 2009

Directors: M P Malungani (Chairman), W A du Plessis* (Group Chief Executive), D R H Attenborough* (CEO South Africa), A W Heide* (Finance Director), R Cooper, M J Jooste, B Kantor, S K C Khampepe, N J Mboweni (Mrs), Dr E Nkosi, M L Ramafalo*, C J H Van Niekerk, J B Walters **Company Secretary:** A F Wintour (*Executive)

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

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