



PHUMELELA GAMING AND LEISURE LIMITED

(Registration number 1997/016610/06)

The Group's unaudited financial results

for the 6 months ended 31 January 2006



★ HEADLINE EARNINGS UP 41%

★ HEPS UP 38%

★ OPERATING CASH FLOWS UP 83%

★ DISTRIBUTION TO SHAREHOLDERS UP 33%

The Group's unaudited financial results for the six months ended 31 January 2006 are as follows:

ABRIDGED CONSOLIDATED INCOME STATEMENTS

	Unaudited 6 months 31 Jan 2006 R'000	Restated unaudited 6 months 31 Jan 2005 R'000	Restated audited 12 months 31 Jul 2005 R'000
Revenue	9 1 043 306	956 601	1 946 811
Net betting income	8 221 522	205 871	415 661
Other operating income			
– local operations	5 53 236	50 937	99 595
– international operations	156 22 357	8 734	33 817
Net income	297 115	265 542	549 073
Operating expenses and overheads			
– Stakes	8 60 030	55 515	116 022
– local operations	8 176 446	163 278	324 484
– international operations	19 18 171	15 253	39 349
Profit from operations	35 42 468	31 496	69 218
Finance costs	782	7	1 026
Profit before associated company's income	32 41 686	31 489	68 192
Share of associated company's results	(113)	151	9
Profit before taxation	31 41 573	31 640	68 201
Taxation	12 549	11 179	20 324
Profit for the period	42 29 024	20 461	47 877
Attributable to:			
– Ordinary equity holders			
– of the parent	28 807	20 461	47 877
– Minority interests	217	–	–
	42 29 024	20 461	47 877
Profit for the period	29 024	20 461	47 877
Adjusted for:			
Surplus on disposal of fixed odds operation			(730)
Net (surplus)/loss on disposal of property, plant and equipment	(73)	45	(1 655)
Headline earnings	41 28 951	20 506	45 492
Number of ordinary shares in issue	72 804 585	71 017 285	71 809 785
Weighted average number of ordinary shares in issue for basic and headline earnings per share	72 363 559	70 918 589	71 022 038
Weighted average number of ordinary shares in issue for diluted earnings per share	77 044 981	75 083 408	76 462 428
Basic earnings per share (cents)	39 40.11	28.85	67.41
Diluted earnings per share (cents)	38 37.67	27.25	62.62
Headline earnings per share (cents)	38 40.01	28.91	64.05
Net asset value per share (cents)	17 273.06	232.46	257.45
Dividend per ordinary share (cents)	8.00	12.00	12.00
Distribution out of share premium (cents)	8.00	–	24.00

ABRIDGED STATEMENT OF CHANGES IN GROUP EQUITY

	Unaudited 6 months 31 Jan 2006 R'000	Restated unaudited 6 months 31 Jan 2005 R'000	Restated audited 12 months 31 Jul 2005 R'000
Total equity at beginning of period	184 877	158 318	158 318
Changes in share capital and premium	2 132	47	574
Share based payment reserve	246	446	824
Net profit for the period	29 024	20 461	47 877
Foreign currency translation reserve	(46)	–	3
Dividends paid	–	(14 188)	(22 719)
Capital distribution	(17 435)	–	–
Total equity at end of period	198 798	165 084	184 877
Attributable to:			
– Ordinary equity holders of the parent	198 608	165 084	184 877
– Minority interests	190	–	–
	198 798	165 084	184 877

ABRIDGED CONSOLIDATED BALANCE SHEETS

	Unaudited 31 Jan 2006 R'000	Restated unaudited 31 Jan 2005 R'000	Restated audited 31 Jul 2005 R'000
ASSETS			
<i>Non-current assets</i>	223 582	194 492	220 624
Property, plant and equipment	183 187	182 763	169 932
Intangible assets	29 507	3 126	39 720
Deferred taxation	2 209	100	2 209
Investment and loan – associated company	8 098	5 613	6 712
Unlisted investments	370	250	370
Long term debtor	211	2 640	1 681
<i>Current assets</i>	101 405	61 287	105 308
Inventories	217	147	126
Trade and other receivables	22 760	24 140	32 057
Debtor for sale of Newmarket Racecourse	22 000	–	22 000
Cash and cash equivalents	56 428	37 000	51 125
Total assets	324 987	255 779	325 932
EQUITY AND LIABILITIES			
<i>Total equity</i>	198 798	165 084	184 877
Share capital and premium	8 283	23 059	23 586
Retained earnings	190 368	142 025	161 288
Non-distributable reserves	(43)	–	3
Minority interests	190	–	–
<i>Non-current liabilities</i>	17 254	34 011	27 746
Deferred taxation	8 362	7 966	8 362
Long term borrowings	–	20 046	–
Financial liability	6 506	–	16 919
Retirement benefit obligations	2 386	5 999	2 465
<i>Current liabilities</i>	108 935	56 684	113 309
Trade and other payables	55 990	47 804	54 335
Taxation	10 458	7 656	16 487
Provisions	–	1 224	–
Short-term financial liability	20 487	–	20 487
Short-term borrowings	22 000	–	22 000
Total equity and liabilities	324 987	255 779	325 932

ABRIDGED CONSOLIDATED CASH FLOW STATEMENTS

	Unaudited 6 months 31 Jan 2006 R'000	Restated unaudited 6 months 31 Jan 2005 R'000	Restated audited 12 months 31 Jul 2005 R'000
Cash generated by operations	45 862	33 857	67 963
Decrease/(increase) in working capital	10 861	(2 917)	(4 361)
Cash generated by operating activities	56 723	30 940	63 602
Net finance costs, investment income and taxation paid	(17 676)	(14 393)	(15 691)
Post retirement benefit asset funding	(79)	–	(1 535)
Dividends paid	–	(14 188)	(22 719)
Net cash inflow from operating activities	38 968	2 359	23 657
Net cash outflow from investing activities	(19 832)	(11 625)	(22 316)
Net cash inflow from financing activities before capital distribution	3 602	112	3 630
Capital distribution	(17 435)	–	–
Net movement in cash and cash equivalents	5 303	(9 154)	4 971
Cash and cash equivalents at beginning of period	51 125	46 154	46 154
Cash and cash equivalents at end of period	56 428	37 000	51 125

BASIS OF PRESENTATION

The information presented has been prepared in accordance with International Financial Reporting Standards (IFRS) applicable at 31 January 2006.

IFRS continues to evolve through the issue and development of new standards and interpretations that may result in IFRS financial information contained herein differing from that at year-end for the following reasons:

- Further standards and interpretations may be issued that are applicable for 2006 reporting or which are applicable to later accounting periods but with an option to adopt for earlier periods; or
- Different practice may develop with regard to interpretation and application of the standards.

The financial impact on transition to IFRS is set out under the heading Transitional Report.

REVIEW OF RESULTS

Headline earnings increased by 41% on the comparative period with international operations turning a loss from operations of R6,5 million in the comparative period to a profit from operations of R4,2 million in the current period. HEPS improved by 38% to 40.01 cents per share.

Revenue for the six months was up 9% on the comparative period with local revenue up 8% and international revenue up 156% as the signing of international contracts gained momentum. Local revenue growth was below expectation after cancellation/abandonment of many meetings due to inclement weather conditions experienced since November 2005. The increase in local revenue flowed through to net betting income that was up 8% on the comparative period.

Local operating expenses, including stakes increased by 8% on the comparative period with the group continuing to invest in expanding and upgrading the retail, internet, GPRS betting and telebetting channels.

International expansion expenses increased by 19% on the comparative period after the growth in international contracts concluded.

FINANCIAL POSITION

Cash and cash equivalents increased by R5,3 million during the six months to R56,4 million at 31 January 2006. Cash generated by operating activities of R56,7 million funded taxation payments of R18,5 million, a cash distribution out of share premium of R17,4 million, capital expenditure of R18,8 million and investments of R1,5 million. Capital commitments approved by the directors not contracted for at 31 January 2006 were R21,2 million.

Note: The balance of R22 million due under the debtor for sale of Newmarket Racecourse was received on 10 March 2006 following registration of transfer of ownership to the purchaser on 8 March 2006. The proceeds have subsequently been remitted to the Racing Association (RA) in settlement of the obligation to the RA disclosed under short-term borrowings.

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.

	Unaudited 31 Jan 2006 R'000	Restated unaudited 31 Jan 2005 R'000	Restated audited 31 Jul 2005 R'000
LOCAL			
Revenue (net of VAT)	1 020 949	947 867	1 912 994
Net income	274 758	256 808	515 256
Stakes	60 030	55 515	116 022
Other net operating expenses	176 446	163 278	324 484
Profit from operations	38 282	38 015	74 750
Assets	282 221	247 974	276 362
Liabilities	89 195	81 997	99 215
INTERNATIONAL			
Revenue	22 357	8 734	33 817
Net income	22 357	8 734	33 817
Net operating expenses	18 171	15 253	39 349
Profit/(loss) from operations	4 186	(6 519)	(5 532)
Assets	42 766	7 805	49 570
Liabilities	36 994	8 698	41 840
TOTAL			
Revenue (net of VAT)	1 043 306	956 601	1 946 811
Profit from operations	42 468	31 496	69 218
Assets	324 987	255 779	325 932
Liabilities	126 189	90 695	141 055

ACCOUNTING POLICIES

In line with the listing requirements of the JSE Limited, the group has adopted International Financial Reporting Standards (IFRS) for the first time in the current period and the interim financial statements for the six months ended 31 January 2006 have accordingly been prepared in compliance with IAS 34 – Interim Financial Reporting and the listing requirements of the JSE Limited.

The transitional adjustments from South African Statements of Generally Accepted Accounting Practice (SA GAAP) to IFRS are set out in the transitional report below.

TRANSITIONAL REPORT

The group's date of transition to IFRS is 1 August 2004. Comparative figures have been restated to reflect the transition from SA GAAP to IFRS.

The following transitional exemptions from retrospective application under "IFRS 1 – First-time Adoption of International Financial Reporting Standards" were elected:

Business combinations

The group has elected not to apply "IFRS 3 – Business Combinations" retrospectively. The carrying amount of goodwill at transition date is its carrying amount under the previous SA GAAP and has been tested for impairment on an annual basis since.

Property, plant and equipment

The group has elected to use the fair value as deemed cost for property, plant and equipment at date of transition.

Share-based payments

The group has elected not to apply "IFRS 2 – Share-based payments" to equity instruments granted on or before 7 November 2002 or to equity instruments granted after 7 November 2002 that vested before 1 January 2005.

RECONCILIATION OF PREVIOUS SA GAAP TO IFRS

	IFRS transition 1 Aug 2004 R'000	6 months 31 Jan 2005 R'000	12 months 31 Jul 2005 R'000
Reconciliation of total equity			
As previously reported under SA GAAP	136 424	141 525	160 411
Property, plant and equipment	29 049	31 394	32 828
Deferred tax on PPE adjustment	(7 155)	(7 835)	(8 362)
Total equity restated under IFRS	158 318	165 084	184 877
Reconciliation of non-current liabilities			
As previously reported under SA GAAP	27 376	26 176	19 384
Deferred tax on PPE adjustment	7 155	7 835	8 362
Non-current liabilities restated under IFRS	34 531	34 011	27 746
Reconciliation of non-current assets			
As previously reported under SA GAAP	158 692	163 098	187 796
Property, plant and equipment	29 049	31 394	32 828
Non-current assets restated under IFRS	187 741	194 492	220 624
Reconciliation of profit attributable to ordinary holders			
As previously reported under SA GAAP	–	19 242	46 129
Property, plant and equipment	–	2 345	3 779
Deferred tax on PPE adjustment	–	(680)	(1 207)
Share based payments	–	(446)	(824)
Profit attributable to ordinary holders restated under IFRS	–	20 461	47 877

EMPOWERMENT

Phumelela is an empowered company with appropriate BEE and employment equity, training and procurement policies.

LITIGATION

The trial date scheduled for 3 November 2005 against the company's insurance underwriters in respect of the loss of profits claim following the December 2003 outbreak of equine flu was postponed at the instance of the company's insurers and a new trial date has been set for 12 October 2006.

The company's application to the Constitutional Court for leave to appeal the Supreme Court ruling allowing bookmakers to take bets linked to tote dividends was heard on 15 November 2005. The Court reserved judgement to a date to be advised.

PROSPECTS

The growth in international operations should continue in the second half of the year with profits expected to improve on those of the first half.

Local operations should benefit from the buoyant economy and the on-going investment in the retail footprint and betting technology. Betting turnovers for February have been negatively impacted by the loss of race meetings due to inclement weather conditions, however, on the assumption that we can reschedule lost meetings, local operations are expected to yield real growth in the second half of the year.

DISTRIBUTION TO SHAREHOLDERS

Notice is hereby given that the Board has declared an interim dividend of 8 cents per share and a cash distribution out of share premium of 8 cents per share in lieu of a dividend, payable to shareholders recorded in the register on Friday, 28 April 2006. Shareholders are advised that the last date of trade "cum" the distribution will be Thursday, 20 April 2006. As from commencement of business on Friday, 21 April 2006 all trading in Phumelela shares will be "ex" the distribution. Payment will be made on Tuesday, 2 May 2006. Share certificates may not be dematerialised or rematerialised between Friday, 21 April 2006 and Friday, 28 April 2006 both days inclusive.

For and on behalf of the Board

M P MALUNGANI Chairman	J S TENNANT Chief Executive	Johannesburg 23 March 2006
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Directors: M P Malungani (Chairman) B D Mehl* (Deputy Chairman) J S Tennant* (Chief Executive) S E Abrahams D R H Attenborough* M J Jooste B Kantor K C S Khampepe Mrs. N J Mboweni Dr E Nkosi M L Ramafalo* C J H van Niekerk J B Walters (*Executive) Company Secretary: A F Wintour

Registered Office: Turffontein Racecourse 14 Turf Club Street Turffontein Transfer Secretaries: Computershare Investor Services 2004 (Pty) Ltd Share code: PHM ISIN: ZAE000039269 Sponsor: Investec Bank Limited Web site: www.phumelela.com