

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

		Unaudited 6 months 31 Jan 2007 R'000	Unaudited 6 months 31 Jan 2006 R'000	Audited 12 months 31 Jul 2006 R'000
Revenue	10	<b>1 143 882</b>	1 043 306	2 118 719
Net betting income	7	<b>237 307</b>	221 522	447 848
Other operating income				
- local operations				
Continuing operations	10	<b>58 704</b>	53 236	100 761
Compensation for early termination of Newmarket lease		<b>36 300</b>		
Proceeds on termination		<b>40 000</b>		
Impairment of Newmarket night racing lights		<b>(3 700)</b>		
- international operations	56	<b>34 974</b>	22 357	53 118
Net income		<b>367 285</b>	297 115	601 727
Operating expenses and overheads				
- stakes	9	<b>65 716</b>	60 030	122 554
- local operations	8	<b>190 478</b>	176 446	347 969
- international operations	30	<b>23 701</b>	18 171	43 385
Profit from operations	106	<b>87 390</b>	42 468	87 819
Finance costs		<b>371</b>	782	1 738
Profit before associated company's income	109	<b>87 019</b>	41 686	86 081
Share of associated company profit/(loss)		<b>1 647</b>	(113)	251
Profit before income tax	113	<b>88 666</b>	41 573	86 332
Income tax		<b>24 178</b>	12 549	25 778
Profit for the period	122	<b>64 488</b>	29 024	60 554
Attributable to:				
- Equity holders of the parent		<b>64 488</b>	28 807	60 338
- Minority interests		<b>-</b>	217	216
	122	<b>64 488</b>	29 024	60 554
Earnings per share (cents)				
- Basic	117	<b>86,53</b>	39,81	82,97
- Diluted	125	<b>84,28</b>	37,39	79,36

**SUPPLEMENTARY INCOME STATEMENT INFORMATION**

<b>Reconciliation of headline earnings</b>				
Earnings attributable to equity holders				
- derived from continuing operating activities	14	<b>32 915</b>	28 807	60 338
- compensation for early termination of Newmarket lease after income tax and impairment of the Newmarket night racing lights		<b>31 573</b>		
		<b>64 488</b>	28 807	60 338
Adjusted for:				
Net loss/(profit) on disposal of property, plant and equipment		<b>273</b>	(73)	(387)
Impairment of Newmarket night racing lights after deferred tax		<b>2 627</b>		
Headline earnings	135	<b>67 388</b>	28 734	59 951
Headline earnings per share (cents)	128	<b>90,42</b>	39,71	82,44
Headline earnings per share excluding compensation for early termination of Newmarket lease (cents)	12	<b>44,53</b>	39,71	82,44
Net asset value per share (cents)	29	<b>353,04</b>	273,06	297,08
Dividends per ordinary share (cents)		<b>14,00</b>	8,00	38,00
Distribution out of share premium (cents)		<b>6,00</b>	8,00	8,00
Number of shares in issue	<b>74 998 135</b>		72 804 585	73 909 635
Weighted average number of shares in issue for basic and headline earnings per share calculation	<b>74 529 825</b>		72 363 559	72 724 683
Weighted average number of shares in issue for diluted earnings per share calculation	<b>76 515 006</b>		77 044 981	76 033 155

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Unaudited 6 months 31 Jan 2007 R'000	Unaudited 6 months 31 Jan 2006 R'000	Audited 12 months 31 Jul 2006 R'000
Cash generated by operations	<b>99 270</b>	45 862	97 431
(Increase)/decrease in working capital	<b>(5 236)</b>	10 861	10 202
Cash generated by operating activities	<b>94 034</b>	56 723	107 633
Net finance costs, investment income and taxation paid	<b>(22 611)</b>	(17 676)	(29 191)
Post retirement benefit asset funding	<b>79</b>	(79)	-
Dividends paid	<b>(22 411)</b>	-	(6 002)
Net cash inflow from operating activities	<b>49 091</b>	38 968	72 361
Net cash outflow from investing activities	<b>(12 392)</b>	(19 832)	(13 353)
Net cash inflow/(outflow) from financing activities before capital distribution	<b>2 925</b>	3 602	(17 359)
Capital distribution	<b>-</b>	(17 435)	(23 272)
Net increase in cash and cash equivalents	<b>39 624</b>	5 303	18 377
Cash and cash equivalents at beginning of period	<b>69 502</b>	51 125	51 125
Cash and cash equivalents at end of period	<b>109 126</b>	56 428	69 502

**Directors:** M P Malungani (Chairman), B D Mehl (Deputy Chairman), J S Tennant\* (Chief Executive), S E Abrahams, D R H Attenborough\*, A B Hogg, 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 (\*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



# PHUMELELA GAMING AND LEISURE LIMITED

(Registration number 1997/016610/06)

## The Group's unaudited condensed consolidated interim financial statements for the six months ended 31 January 2007

★ **PROFIT BEFORE TAX FROM CONTINUING OPERATIONS UP 26%**

★ **OPERATING CASH FLOWS UP 66%**

★ **DISTRIBUTION TO SHAREHOLDERS UP 25%**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	Unaudited 31 Jan 2007 R'000	Unaudited 31 Jan 2006 R'000	Audited 31 Jul 2006 R'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	<b>188 415</b>	183 187	187 052
Intangible assets	<b>9 269</b>	29 507	19 482
Deferred taxation	<b>-</b>	2 209	-
Investment - associated company	<b>9 097</b>	8 098	8 857
Investments	<b>370</b>	370	370
Long term receivable	<b>-</b>	211	-
<i>Current assets</i>	<b>153 420</b>	101 405	111 956
Inventories	<b>255</b>	217	250
Trade and other receivables	<b>44 039</b>	22 760	42 204
Receivable for sale of Newmarket Racecourse	<b>-</b>	22 000	-
Cash and cash equivalents	<b>109 126</b>	56 428	69 502
Assets classified as held for sale	<b>4 185</b>	-	4 185
Total assets	<b>364 756</b>	324 987	331 902
<b>EQUITY AND LIABILITIES</b>			
<i>Total equity</i>			
Share capital and premium	<b>6 199</b>	8 283	3 274
Retained earnings	<b>258 423</b>	190 368	216 250
Non-distributable reserves	<b>152</b>	(43)	52
Minority interests	<b>-</b>	190	-
<i>Non-current liabilities</i>	<b>6 848</b>	17 254	7 842
Deferred taxation	<b>4 720</b>	8 362	5 793
Financial liability	<b>-</b>	6 506	-
Retirement benefit obligations	<b>2 128</b>	2 386	2 049
<i>Current liabilities</i>	<b>93 134</b>	108 935	104 484
Trade and other payables	<b>71 412</b>	55 990	74 808
Income tax payable	<b>11 939</b>	10 458	11 350
Short-term financial liability	<b>9 783</b>	20 487	18 326
Short-term borrowings	<b>-</b>	22 000	-
Total equity and liabilities	<b>364 756</b>	324 987	331 902

**CONDENSED STATEMENT OF CHANGES IN GROUP EQUITY**

	Share capital R'000	Share premium R'000	Non- distributable reserves R'000	Retained earnings R'000	Total R'000	Minority interest R'000	Total equity R'000
<b>Balance at 31 July 2005</b>	1 795	21 791	3	161 288	184 877	-	184 877
Issue of share capital - options exercised	53	2 907	-	-	2 960	-	2 960
Profit for the year	-	-	-	60 338	60 338	216	60 554
Minority share of previous year loss realised	-	-	-	27	27	(27)	-
Share based payment	-	-	-	424	424	-	424
Foreign currency translation reserve - Isle of Man Tote Limited	-	-	49	10	59	(10)	49
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)
<b>Balance at 31 July 2006</b>	1 848	1 426	52	216 250	219 576	-	219 576
Issue of share capital - options exercised	27	2 898	-	-	2 925	-	2 925
Profit for the period	-	-	-	64 488	64 488	-	64 488
Share based payment	-	-	-	96	96	-	96
Foreign currency translation reserve - Isle of Man Tote Limited	-	-	100	-	100	-	100
Distributions paid to equity holders	-	-	-	(22 411)	(22 411)	-	(22 411)
<b>Balance at 31 January 2007</b>	1 875	4 324	152	258 423	264 774	-	264 774

**BASIS OF PRESENTATION**

The interim financial results have been prepared and presented in accordance with International Financial Reporting Standards and the Companies Act 1973.

**ACCOUNTING POLICIES**

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

**REVIEW OF RESULTS**

Headline earnings increased by 135% on the comparative period attributable mainly to the proceeds of R40 million (R34,2 million post tax) received on termination of the Newmarket use agreement and a 169% increase in the profit from international operations to R11,3 million (2006: R4,2 million). HEPS increased by 128% to 90,42 cents per share (excluding compensation for early termination of the Newmarket lease, HEPS increased by 12% to 44,53 cents per share).

Revenue for the six months increased by 10% on the comparative period with local revenue up 7% and international revenue up 110%. The increase in local revenue flowed through to net betting income that was up 7% on the comparative period.

The strong growth in international operations continued with operating income up 56% on the comparative period to R35 million (2006: R22,4 million), the benefits of unlocking further value from existing European agreements and concluding new agreements in the Asian and Australasian markets coupled with favourable foreign exchange rates flowing through.

Local operating expenses, including stakes increased by 8% on the comparative period with the Group's on-going program of investing in expanding and upgrading the retail, internet, interactive voice recognition platform and telebetting channels continuing.

International expenses increased by 30% on the comparative period with international operations investing in additional resources, satellite and broadcasting networks and capital infrastructures to meet the increased demand for international products and services and strengthening the global platform.

**FINANCIAL POSITION**

The financial position of the Group which is set out in the balance sheet shows total assets of R364,8 million (2006: R325 million) including cash balances of R109,1 million (2006: R56,4 million).

Cash and cash equivalents increased by R39,6 million during the six months to R109,1 million at 31 January 2007. Cash generated by operating activities of R94 million funded taxation payments of R24,7 million, dividends paid of R22,4 million and capital expenditure of R16,8 million.

**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 2007 R'000	Unaudited 31 Jan 2006 R'000	Audited 31 Jul 2006 R'000
<b>LOCAL</b>			
Revenue (net of VAT)	<b>1 096 980</b>	1 020 949	2 044 463
Net income	<b>332 311</b>	274 758	548 609
Stakes	<b>65 716</b>	60 030	122 554
Other net operating expenses	<b>190 478</b>	176 446	347 969
Profit from operations	<b>76 117</b>	38 282	78 086
Assets	<b>330 985</b>	282 221	294 450
Liabilities	<b>82 051</b>	89 195	83 997
<b>INTERNATIONAL</b>			
Revenue	<b>46 902</b>	22 357	74 256
Net income	<b>34 974</b>	22 357	53 118
Net operating expenses	<b>23 701</b>	18 171	43 385
Profit from operations	<b>11 273</b>	4 186	9 733
Assets	<b>33 771</b>	42 766	37 452
Liabilities	<b>17 931</b>	36 994	28 329
<b>TOTAL</b>			
Revenue (net of VAT)	<b>1 143 882</b>	1 043 306	2 118 719
Profit from			