

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Unaudited 6 months 31 Jan 2008 R'000	Unaudited 6 months 31 Jan 2007 R'000	Audited 12 months 31 Jul 2007 R'000
Net revenue	17 1 341 852	1 142 217	2 377 031
Net betting income			
– local operations	265 104	237 307	488 284
– international operations	6 467	1 307	5 118
	14 271 571	238 614	493 402
Other operating income			
– local operations			
Continuing operations	69 142	58 704	117 861
Compensation for early termination of Newmarket lease		36 300	35 573
Proceeds on termination		40 000	40 000
Impairment of Newmarket night racing lights and immovable assets		(3 700)	(4 427)
Surplus on disposal of Bloemfontein Racecourse	27 814		
– international operations	34 821	32 002	66 640
Net income	403 348	365 620	713 476
Operating expenses and overheads			
– stakes	71 082	65 716	132 701
– local operations	211 279	190 478	384 322
– international operations	30 256	22 036	50 409
Profit from operations	90 731	87 390	146 044
Finance costs	26	371	471
Profit before share of profit of associated company	90 705	87 019	145 573
Share of profit of associated company	1 269	1 647	2 805
Profit before income tax	91 974	88 666	148 378
Income tax	27 006	24 178	39 436
Profit for the period	64 968	64 488	108 942
Attributable to:			
– Equity holders of the parent	64 968	64 488	108 942
Earnings per share (cents)			
– Basic	85,26	86,53	145,33
– Diluted	84,83	84,28	143,36

SUPPLEMENTARY INCOME STATEMENT INFORMATION
Reconciliation of headline earnings

Earnings attributable to equity holders			
– derived from continuing operating activities	25	41 183	32 915
– compensation for early termination of Newmarket lease after tax			31 573
– surplus on disposal of Bloemfontein Racecourse after tax		23 785	30 951
		64 968	108 942

Adjusted for:			
Net (surplus)/loss on disposal of property, plant and equipment after tax		(23 520)	273
Impairment of Newmarket night racing lights and immovable assets after tax			2 627
			3 249
Headline earnings	(38)	41 448	67 388
Adjusted for:			
Compensation for early termination of Newmarket lease and impairment of night racing lights and immovable assets after tax			(34 200)
			(34 200)
Headline earnings from continuing operating activities	25	41 448	33 188
Headline earnings per share (cents)	(40)	54,40	90,42
Diluted headline earnings per share (cents)	(39)	54,12	88,07
Headline earnings per share from continuing operating activities (cents)	22	54,40	44,53
Diluted headline earnings per share from continuing operating activities (cents)	25	54,12	43,37
Net asset value per share (cents)	23	434,55	353,04
Interim dividend/distribution	25	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)			40,00

Number of shares in issue	76 653 585	74 998 135	75 765 285
Weighted average number of shares in issue for basic and headline earnings per share calculation	76 197 360	74 529 825	74 961 502
Weighted average number of shares in issue for diluted earnings per share calculation	76 585 455	76 515 006	75 993 693

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Unaudited 6 months 31 Jan 2008 R'000	Unaudited 6 months 31 Jan 2007 R'000	Audited 12 months 31 Jul 2007 R'000
Cash generated by operations	64 944	99 270	156 213
(Increase)/decrease in working capital	(14 356)	(5 236)	27 088
Cash generated by operating activities	50 588	94 034	183 301
Net finance costs, investment income and taxation paid	(26 434)	(22 611)	(27 094)
Post retirement benefit asset funding		79	
Dividends paid	(30 561)	(22 411)	(32 975)
Net cash (outflow)/inflow from operating activities	(6 407)	49 091	123 232
Net cash outflow from investing activities	(11 185)	(12 392)	(53 682)
Net cash inflow from financing activities before capital distribution	2 843	2 925	4 591
Capital distribution			(4 527)
Net (decrease)/increase in cash and cash equivalents	(14 749)	39 624	69 614
Cash and cash equivalents at beginning of period	139 116	69 502	69 502
Cash and cash equivalents at end of period	124 367	109 126	139 116


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 2008

★ HEADLINE EARNINGS FROM CONTINUING OPERATIONS UP 25%
★ HEPS FROM CONTINUING OPERATIONS UP 22%
★ DISTRIBUTION TO SHAREHOLDERS UP 25%
CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited 31 Jan 2008 R'000	Unaudited 31 Jan 2007 R'000	Audited 31 Jul 2007 R'000
ASSETS			
<i>Non-current assets</i>	276 728	207 151	236 302
Property, plant and equipment	253 389	188 415	223 176
Deferred taxation	5 247		
Goodwill	3 312	3 312	3 312
Intangible asset		5 957	
Interest in associated companies	14 010	9 097	9 044
Investments	770	370	770
<i>Current assets</i>	179 171	157 605	188 984
Inventories	3 598	255	956
Trade and other receivables	51 206	44 039	44 727
Cash and cash equivalents	124 367	109 126	139 116
Assets classified as held for sale		4 185	4 185
Total assets	455 899	364 756	425 286

EQUITY AND LIABILITIES

<i>Total equity</i>	333 096	264 774	295 829
Share capital and premium	6 181	6 199	3 338
Retained earnings	326 721	258 423	292 314
Non-distributable reserves	194	152	177
<i>Non-current liabilities</i>	5 913	6 848	5 913
Deferred taxation	3 645	4 720	3 645
Retirement benefit obligations	2 268	2 128	2 268
<i>Current liabilities</i>	116 890	93 134	123 544
Trade and other payables	98 995	71 412	105 125
Income tax payable	17 895	11 939	18 419
Short-term financial liability		9 783	
Total equity and liabilities	455 899	364 756	425 286

BASIS OF PRESENTATION

The interim 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 has been complied with in this announcement.

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 equity R'000
Balance at 31 July 2006	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 – Isle of Man Tote Limited	–	–	125	–	125
Share based payment	–	–	–	97	97
Distributions paid to equity holders	–	(4 527)	–	(32 975)	(37 502)
Balance at 31 July 2007	1 894	1 444	177	292 314	295 829
Issue of share capital – options exercised	22	2 821	–	–	2 843
Total recognised income and expense for the period	–	–	17	64 968	64 985
– Profit for the period	–	–	–	64 968	64 968
– Foreign currency translation reserve – Isle of Man Tote Limited	–	–	17	–	17
Dividends paid to equity holders	–	–	–	(30 561)	(30 561)
Balance at 31 January 2008	1 916	4 265	194	326 721	333 096

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 2007.

Certain comparative amounts have been reclassified in order to make comparative information more meaningful.

REVIEW OF RESULTS

Headline earnings from continuing operations (excluding the surplus of R27,8 million on disposal of Bloemfontein Racecourse in the current period and the R36,3 million compensation for early termination of the Newmarket lease in the comparative period) increased by 25% to R41,4 million (2007: R33,2 million), attributable mainly to the satisfactory growth in revenues earned for the period and the containment of manageable operating expenses. HEPS from continuing operations increased by 22% to 54,40 cents per share.

Revenue for the six months increased by 17% on the comparative period with local revenue up 12% and international revenue up 153%, the Isle of Man Tote operation now beginning to show its potential with revenue growth of 462% on the comparative period. The increased revenues flowed to net betting income that was up 14% on the comparative period.

Operating expenses increased by 12% on the comparative period with local operations (inclusive of stakes) up 10% reflecting the Group's on-going investment in upgrading and expanding the local retail outlet network and betting technology. International operations increased by 37% mainly attributable to the continued investment in additional resources and capital infrastructure to meet the increased demand for international products and services and to progress further international opportunities.

Profit from continuing operations before tax, finance costs and share of profit of associated company increased by 23% on the comparative period to R62,9 million (2007: R51,1 million) with local operations up by 30% and international operations down 2%, the 24% increase in international income utilised by a 37% increase in international operating costs that were affected by the Isle of Man Tote operation and the RUK earn-out of approximately R5 million in the comparative period.

FINANCIAL POSITION

The financial position of the Group which is set out in the balance sheet shows total assets of R455,9 million (2007: R364,8 million) including cash balances of R124,4 million (2007: R109,1 million) adequately covering total liabilities of R122,8 million (2007: R100,0 million).

Cash and cash equivalents decreased by R14,7 million during the six months to R124,4 million at 31 January 2008. Cash generated by operations of R64,9 million was utilised to fund an increase in working capital of R14,4 million (attributable mainly to an increase in international operations trade receivables and a decrease in trade and other payables), and pay taxation of R32,8 million and dividends of R30,6 million. The R32,0 million received on disposal of Bloemfontein Racecourse was reinvested in capital expenditure of R39,7 million.

ACQUISITION

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.

CONDENSED 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.

	Unaudited 31 Jan 2008 R'000	Unaudited 31 Jan 2007 R'000	Audited 31 Jul 2007 R'000
LOCAL			
Net revenue	1 227 327	1 096 980	2 259 527
Net income	334 246	296 011	606 145
Stakes	71 082	65 716	132 701
Other net operating expenses	211 279	190 478	384 322
Profit from continuing operations	51 885	39 817	89 122
Compensation for early termination of Newmarket lease		36 300	35 573
Surplus on disposal of Bloemfontein Racecourse	27 814		
Profit from operations	79 699	76 117	124 695
Assets	418 840	330 985	398 984
Liabilities	104 823	82 051	119 645
INTERNATIONAL			
Net revenue	114 525	45 237	117 504
Net income	41 288	33 309	71 758
Net operating expenses	30 256	22 036	50 409
Profit from operations	11 032	11 273	21 349
Assets	37 059	33 771	26 302
Liabilities	17 980	17 931	9 812
TOTAL			
Net revenue	1 341 852	1 142 217	2 377 031
Profit from continuing operations	62 917	51 090	110 471
Compensation for early termination of Newmarket lease		36 300	35 573
Surplus on disposal of Bloemfontein Racecourse	27 814		
Profit from operations	90 731	87 390	146 044
Assets	455 899	364 756	425 286
Liabilities	122 803	99 982	129 457

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure approved by directors.

	2008 R'000	2007 R'000
Contracted for	44 858*	40 800*
Not contracted for	115 862^	17 400

* Includes R30 million (2007: R35 million) for illumination of the Turffontein race tracks for night racing.

^ Includes R50 million for the improvement of the Arlington estate in Port Elizabeth.

POST BALANCE SHEET EVENTS

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

In the budget speech delivered on 20 February 2008, the South African Minister of Finance announced a reduction in the company tax rate from 29% to 28%, effective for years of assessment ending on or after 1 April 2008. At the reporting date, the tax rate reduction was not substantively enacted and the current rate of 29% has accordingly been applied. The non-adjusting financial effect of the tax rate reduction on deferred tax at the reporting date is immaterial.

The appeal lodged against the Gauteng Department of Agriculture, Conservation and Environment's decision to authorise the installation of light masts and lamps for night racing at Turffontein Racecourse was dismissed by the Gauteng MEC on 11 March 2008. Construction of the lights is planned to commence within the four months ending 31 July 2008.

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 is currently in arbitration following the Court's inability to hear the case on the trial date previously set for 31 October 2007. The arbitrator's decision is expected in May 2008.

No income accrual has been recognised by the Company to date.

DIRECTORS

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.

PROSPECTS

Local trading conditions are expected to be tougher following the challenges the economy has to face. However, provided the macro-economic conditions do not deteriorate further, management expects real earnings growth in the six months ending 31 July 2008 and remains confident of the long-term outlook for local and international operations.

DIVIDEND TO SHAREHOLDERS

Notice is hereby given that the Board has declared an interim dividend of 25 cents per share payable to shareholders recorded in the register on Friday 25 April 2008. Shareholders are advised that the last date to trade "cum dividend" will be Friday 18 April 2008. As from commencement of business on Monday 21 April 2008 all trading in Phumelela shares will be "ex dividend". Payment will be made on Tuesday 29 April 2008. Share certificates may not be dematerialised or rematerialised between Monday 21 April 2008 and Friday 25 April 2008, both days inclusive.

For and on behalf of the Board

M P MALUNGANI
Chairman
Johannesburg
2 April 2008

J S TENNANT
Chief Executive

Directors: : M P Malungani (Chairman), J S Tennant* (Chief Executive), 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*,

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