

## CONDENSED CONSOLIDATED INCOME STATEMENTS

	Unaudited 6 months 31 Jan 2009 R'000	Unaudited 6 months 31 Jan 2008 R'000	Audited 12 months 31 Jul 2008 R'000
Revenue			
– local operations	3 1 261 851	1 227 327	2 473 932
– international operations	56 178 275	114 525	256 634
	7 1 440 126	1 341 852	2 730 566
Net betting income			
– local operations	3 273 056	265 104	534 067
– international operations	84 11 899	6 467	13 391
	5 284 955	271 571	547 458
Other operating income			
– local operations			
Ongoing operations	4 71 839	69 142	132 438
Surplus on disposal of Bloemfontein racecourse		27 814	27 815
– international operations	29 44 903	34 821	79 501
Net income	401 697	403 348	787 212
Operating expenses and overheads			
– stakes	13 80 457	71 082	142 661
– local operations	6 224 374	211 279	423 058
– international operations	42 43 057	30 256	68 999
Profit from operations	(41) 53 809	90 731	152 494
Finance costs	42	26	180
Profit before share of profit of associated companies	(41) 53 767	90 705	152 314
Share of profit of associated companies	3 128	1 269	4 108
Profit before income tax	(38) 56 895	91 974	156 422
Income tax	19 164	27 006	43 361
Profit for the period	(42) 37 731	64 968	113 061
Attributable to:			
– Equity holders of the parent	(42) 37 731	64 968	113 061
Earnings per share (cents)			
– Basic	(42) 49,76	85,26	148,13
– Diluted	(41) 49,72	84,83	147,73

## SUPPLEMENTARY INCOME STATEMENT

INFORMATION			
<b>Reconciliation of headline earnings</b>			
Earnings attributable to equity holders			
– derived from ongoing operating activities	(8) 37 731	41 183	88 110
– surplus on disposal of Bloemfontein racecourse and bookmaking concern after tax		23 785	24 951
	37 731	64 968	113 061
Adjusted for:			
Net loss/(surplus) on disposal of property, plant and equipment and bookmaking concern after tax	323	(23 520)	(23 606)
Headline earnings	(8) 38 054	41 448	89 455
Headline earnings per share (cents)	(8) 50,18	54,40	117,20
Diluted headline earnings per share (cents)	(7) 50,15	54,12	116,89
Net asset value per share (cents)	6 460,45	434,55	457,57
<i>Interim dividend</i>			
Dividend per ordinary share (cents)	25,00	25,00	25,00
<i>Final dividend</i>			
Dividend per ordinary share (cents)			43,00
Number of shares in issue	75 565 471	76 653 585	75 859 571
Weighted average number of shares in issue for basic and headline earnings per share calculation	75 831 898	76 197 360	76 325 185
Weighted average number of shares in issue for diluted earnings per share calculation	75 880 878	76 585 455	76 530 533

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Unaudited 6 months 31 Jan 2009 R'000	Unaudited 6 months 31 Jan 2008 R'000	Audited 12 months 31 Jul 2008 R'000
Cash generated by operations	61 060	64 944	129 848
(Increase)/decrease in working capital	(32 218)	(14 356)	20 549
Cash generated by operating activities	28 842	50 588	150 397
Investment income	6 136	6 369	12 611
Net finance costs and taxation paid	(43 024)	(32 803)	(45 867)
Dividends paid	(32 694)	(30 561)	(49 730)
Net cash (outflow)/inflow from operating activities	(40 740)	(6 407)	67 411
Net cash outflow from investing activities	(19 746)	(11 185)	(50 297)
Net cash inflow from financing activities before share repurchases	818	2 843	3 683
Share repurchases	(6 055)		(15 715)
Net (decrease)/increase in cash and cash equivalents	(65 723)	(14 749)	5 082
Cash and cash equivalents at beginning of period	144 198	139 116	139 116
Cash and cash equivalents at end of period	78 475	124 367	144 198

Directors: : M P Malungani (Chairman), WA du Plessis\* (Group Chief Executive), D R H Attenborough\* (CEO South Africa), R Cooper, M J Jooste, B Kantor, S K C Khampepe, N J Mboweni (Mrs), Dr E Nkosi,

M L Ramafalo\*, JS Tennant, 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



# 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 2009

- ★ REVENUE FROM INTERNATIONAL OPERATIONS UP 56%
- ★ PBT FROM INTERNATIONAL OPERATIONS UP 30%
- ★ DIVIDEND MAINTAINED AT 25 CENTS PER SHARE

## CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited 31 Jan 2009 R'000	Unaudited 31 Jan 2008 R'000	Audited 31 Jul 2008 R'000
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	287 656	253 389	280 367
Deferred taxation	5 175	5 247	5 175
Goodwill	3 312	3 312	3 312
Intangible assets	500		400
Interest in associated companies	21 165	14 010	18 037
Investments	549	770	549
<i>Current assets</i>	149 055	179 171	202 227
Inventories	5 849	3 598	4 469
Trade and other receivables	63 235	51 206	53 560
Cash and cash equivalents	78 475	124 367	144 198
Income tax receivable	1 496		
Total assets	467 412	455 899	510 067
<b>EQUITY AND LIABILITIES</b>			
<i>Total equity</i>			
Share capital and premium	1 889	6 181	1 897
Retained earnings	346 040	326 721	345 054
Non-distributable reserves	11	194	159
<i>Non-current liabilities</i>	4 100	5 913	4 100
Deferred taxation	2 625	3 645	2 625
Retirement benefit obligations	1 475	2 268	1 475
<i>Current liabilities</i>	115 372	116 890	158 857
Trade and other payables	115 372	98 995	136 535
Income tax payable		17 895	22 322
Total equity and liabilities	467 412	455 899	510 067

## 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.

## 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 2008.

## 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
<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 repurchases	(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
Issue of share capital – options exercised	5	813			818
Total recognised income and expense for the period			(148)	37 731	37 583
– Profit for the period				37 731	37 731
– Foreign currency translation reserve			(148)		(148)
Share based payment				1 178	1 178
Share repurchases	(13)	(813)		(5 229)	(6 055)
Dividends paid to equity holders				(32 694)	(32 694)
<b>Balance at 31 January 2009</b>	1 889		11	346 040	347 940

## REVIEW OF RESULTS

### Local operations

Trading conditions in South Africa were negatively impacted by the downturn in the economic climate further exacerbated by cancelled race meetings due to inclement weather conditions. As a consequence revenue growth slowed to R1,3 billion, 3% up on the comparative period. Net betting income, which is a factor of betting revenue, increased by 3% on the comparative period to R273,1 million.

Operating expenses and overheads were managed down and contained within inflation increasing by 8% on the comparative period. Excluding stakes, which are governed by an agreement with the Racing Association and which increased by 13% to R80,4 million, manageable operating expenses and overheads increased by 6% to R224,4 million.

The Group's share of profit from its associate company, Betting World (Pty) Limited (a fixed odds bookmaking concern) increased to R2,6 million, 101% up on the comparative period. Betting World continues to expand and improve on its local retail footprint and internet betting platform offering a wide range of betting opportunities on horseracing and sporting events.

Profit before income tax from ongoing local operations excluding the R27,8 million profit on disposal of the Bloemfontein racecourse in the comparative period, decreased by 20% to R42,6 million.

### International operations

Despite the global economic meltdown, international operations continued to grow superbly with revenue 56% up on the comparative period to R178,3 million.

Operating expenses and overheads increased by 42% to R43,1 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, equates to R0,6 million for the period (2008:Rnil)

Profit before income tax from international operations increased by 30% on the comparative period to R14,3 million.

### Consolidated results

Total revenue increased by 7% on the comparative period to R1,4 billion (2008: R1,3 billion) generating a 5% increase in net betting income of R284,9 million (2008: R271,6 million).

Other operating income that includes, bookmakers levies, stable rentals, local and international broadcasting levies/fees and a R27,8 million profit on disposal of the Bloemfontein racecourse in the comparative period decreased by 11% to R116,7 million (2008: R131,8 million). Excluding the profit on sale of Bloemfontein racecourse, other operating income increased by 12% on the comparative period.

Total operating expenses and overheads increased by 11% on the comparative period to R347,9 million (2008: R312,6 million).

Headline earnings and HEPS decreased by 8% on the comparative period to R38 million (2008: R41,4 million) and 50,18 cents per share (2008: 54,40 cents per share) respectively.

Diluted HEPS decreased by 7% on the comparative period to 50,15 cents per share (2008: 54,12 cents per share).

## FINANCIAL POSITION

The Group has total assets of R467,4 million (2008: R455,9 million) including cash balances of R78,5 million (2008: R124,4 million) adequately covering total liabilities of R119,5 million (2008: R122,8 million). The balance sheet remains strong with no gearing.

Cash and cash equivalents decreased by R65,7 million. Cash generated by operations of R61,1 million was utilised to fund an increase in working capital of R32,2 million (attributable mainly to an increase in international operations trade receivables and a decrease in trade and other payables), pay income tax of R43 million and dividends of R32,7 million. A further R19,6 million was utilised for capital expenditure and R6,1 million for share repurchases.

## SHARE CAPITAL

During the six month period ended 31 January 2009 the Company 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.

## 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 2009 R'000	Unaudited 31 Jan 2008 R'000	Audited 31 Jul 2008 R'000
<b>LOCAL</b>			
Revenue	3 1 261 851	1 227 327	2 473 932
Net income	3 344 895	334 246	666 505
Stakes	13 80 457	71 082	142 661
Other net operating expenses	6 224 374	211 279	423 058
Profit from ongoing operations	40 064	51 885	100 786
Finance costs	42	26	180
Profit before share of profit of associated companies	40 022	51 859	100 606
Share of profit of associated company	101 2 554	1 269	4 108
Profit before income tax from ongoing operations	(20) 42 576	53 128	104 714
Surplus on disposal of Bloemfontein racecourse		–	27 815
Profit before tax from operations	(47) 42 576	80 942	132 529
Assets	427 548	418 840	451 623
Liabilities	109 212	104 823	128 836
<b>INTERNATIONAL</b>			
Revenue	56 178 275	114 525	256 634
Net income	38 56 802	41 288	92 892
Net operating expenses	42 43 057	30 256	68 999
Profit before share of profit of associated companies	25 13 745	11 032	23 893
Share of profit of associated company		574	–
Profit before income tax from ongoing operations	30 14 319	11 032	23 893
Assets	39 864	37 059	58 444
Liabilities	10 260	17 980	34 121
<b>TOTAL</b>			
Revenue	7 1 440 126	1 341 852	2 730 566
Profit from ongoing operations	(14) 53 809	62 917	124 679
Finance costs	42	26	180
Profit before share of profit of associated companies	53 767	62 891	124 499
Share of profit of associated companies	146 3 128	1 269	4 108
Profit before income tax from ongoing operations	(11) 56 895	64 160	128 607
Surplus on disposal of Bloemfontein racecourse		–	27 815
Profit before tax from operations	(38) 56 895	91 974	156 422
Assets	467 412	455 899	510 067
Liabilities	119 472	122 803	162 957

## CAPITAL COMMITMENTS

Commitments in respect of capital expenditure approved by directors.

	31 Jan 2009 R'000	31 Jan 2008 R'000
Contracted for	27 529*	44 858*
Not contracted for	17 824	115 862

\*Includes R24,5 million (2008: R30 million) for the revived project for illumination of the Turffontein race tracks for night racing.

## POST BALANCE SHEET EVENTS

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

Agreements for the sale of the two Bingo licenses held by the Group's subsidiary company, Silks Gaming and Leisure (Pty) Limited have been concluded subject to certain conditions precedent.

## 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.

## DIRECTORS

Mr SE 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.

## PROSPECTS

Short to medium term trading conditions in South Africa are expected to continue to be challenging.

The adverse trading conditions have been further exacerbated by inclement weather conditions that have caused the cancellation of race meetings in South Africa and the United Kingdom in February and March.

Management remains confident that its international operations, although impacted by delays in new customers commencing betting, are well positioned to continue to grow in the second six months and beyond.

Headline earnings for the full year are expected to be below the previous year, with growth resuming in the 2010 financial year.

## 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 Thursday, 30 April 2009. Shareholders are advised that the last date to trade "cum dividend" will be Tuesday, 21 April 2009. As from commencement of