

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months 31 Jan 2010 %	Unaudited 6 months 31 Jan 2009 R'000	Audited 12 months 31 Jul 2009 R'000
Revenue			
– Local operations			
Excluding Betting World	(1)	348 989	352 508
Betting World*		43 338	693 615
– International operations	(3)	55 023	56 860
	9	447 350	409 368
Net betting income			
– Local operations			
Excluding Betting World		272 443	273 056
Betting World*		37 234	538 719
– International operations	19	14 210	11 899
	14	323 887	284 955
Other operating income			
– Local operations			
Excluding Betting World	1	66 670	65 703
Betting World*		2 257	124 838
– International operations	(9)	40 736	44 903
			87 000
Net income	10	433 550	395 561
Operating expenses and overheads			
– Stakes	(1)	(79 350)	(80 457)
– Local operations			
Excluding Betting World		(212 889)	(212 574)
Betting World*		(28 170)	(412 558)
– International operations	(5)	(40 754)	(42 823)
			(84 593)
Profit before interest, income tax, depreciation and amortisation	21	72 387	59 707
Depreciation and amortisation	36	(16 316)	(12 034)
			(24 831)
Profit before interest and income tax	18	56 071	47 673
Investment income	(68)	1 978	6 136
Finance costs			
Excluding Betting World		(15)	(42)
Betting World*		(365)	(77)
Profit before share of profit of associated companies	7	57 669	53 767
Profit on remeasurement of Betting World becoming a subsidiary		4 443	
Share of profit of associated companies			
Automatic Systems Limited		560	574
Betting World*			1 031
			2 359
Profit before income tax	10	62 672	56 895
Income tax		(21 537)	(19 164)
			(37 508)
Profit for the period	9	41 135	37 731
Other comprehensive income/(expense) net of taxation			
– Exchange differences on translating foreign operations		(532)	(148)
			(172)
Total comprehensive income for the period		40 603	37 583
Profit attributable to:			
Equity holders of the parent	2	38 624	37 731
Non-controlling interest		2 511	70 665
Profit for the period		41 135	37 731
Total comprehensive income attributable to:			
Equity holders of the parent	1	38 092	37 583
Non-controlling interest		2 511	70 493
Total comprehensive income for the period		40 603	37 583

* The results of Betting World have been consolidated into those of the Group during the current period following the increase in the shareholding to 59%. In prior periods Betting World was accounted for as an associate.

Earnings per share (cents)			
– Basic	3	51.10	49.76
– Diluted basic	3	51.10	49.72

SUPPLEMENTARY STATEMENT OF COMPREHENSIVE INCOME INFORMATION

Reconciliation of headline earnings			
Earnings attributable to equity holders of parent	2	38 624	37 731
Adjusted for:			
Net loss on disposal of property, plant and equipment		243	359
Tax effect		(68)	(36)
Profit on remeasurement of Betting World becoming a subsidiary		(4 443)	
Tax effect		1 244	

**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 2010

- ★ ACQUISITION OF CONTROL OF BETTING WORLD
- ★ PBITDA UP 21% ★ HEPS DOWN 6%
- ★ CASH GENERATED FROM OPERATIONS UP R52 MILLION
- ★ DISTRIBUTION TO SHAREHOLDERS MAINTAINED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 Jan 2010 R'000	Unaudited 31 Jan 2009 R'000	Audited 31 Jul 2009 R'000
ASSETS			
Non-current assets	385 611	318 357	320 806
Property, plant and equipment	332 957	287 656	288 505
Intangible assets	30 143	500	500
Deferred tax asset	4 613	5 175	4 613
Goodwill	12 226	3 312	3 312
Interest in associated companies	4 781	21 165	22 985
Investments	891	549	891
Current assets	148 656	149 055	179 565
Inventories	5 833	5 849	5 823
Trade and other receivables	82 100	63 235	67 872
Income tax receivable	1 620	1 496	5 689
Cash and cash equivalents	59 103	78 475	100 181
Total assets	534 267	467 412	500 371
EQUITY AND LIABILITIES			
Total equity	386 921	347 940	363 980
Share capital and premium	1 890	1 889	1 890
Retained earnings	369 172	346 040	362 103
Non-distributable reserves	(545)	11	(13)
Equity attributable to ordinary shareholders	370 517	347 940	363 980
Non-controlling interest	16 404		
Non-current liabilities	6 823	4 100	5 779
Deferred tax liability	5 418	2 625	4 413
Retirement benefit obligations	1 366	1 475	1 366
Finance lease liabilities	39		
Current liabilities	140 523	115 372	130 612
Trade and other payables	132 378	115 372	130 594
Income tax payable	731		18
Short term loans from minority shareholders	7 414		
Total equity and liabilities	534 267	467 412	500 371

REVIEW OF RESULTS**GROUP RESULTS**

Total revenue increased by 9% to R447.4 million (2009: R409.4 million). The Group benefited from the inclusion of Betting World (Pty) Limited "Betting World" (a fixed odds bookmaking concern) as a subsidiary company, previously an equity accounted associate company.

Mainly as a result of a superb performance by the Group's Isle of Man totalisator operation and the inclusion of Betting World, net betting income increased by 14% to R323.9 million (2009: R285 million).

Other operating income that comprises, inter alia, bookmakers' levies, unclaimed dividends and breakages, stable rentals, and local and international broadcasting levies/fees decreased by 1% to R109.7 million (2009: R110.6 million).

Operating expenses and overheads increased by 8% to R361.2 million (2009: R335.9 million). Excluding Betting World operating expenses and overheads decreased by 1% to R333 million (2009: R335.9 million).

Profit before interest, income tax, depreciation and amortisation (PBITDA) increased by 21% to R72.4 million (2009: R59.7 million).

Mainly as a result of the R45 million capital expenditure spent on the Turffontein illumination project and the inclusion of Betting World, the depreciation charge increased by 36% to R16.3 million (2009: R12 million).

Profit before interest and income tax (PBIT) increased by 18% to R56.1 million (2009: R47.7 million).

As a result of the R44.1 million invested in property, plant and equipment (which included R27 million cash outlay on the Turffontein illumination project and R5.8 million to upgrade the training/racing facilities at Turffontein and the Vaal), R8.1 million spent on acquiring control of Betting World and a decrease in interest rates, investment income decreased by 68% to R2 million (2009: R6.1 million).

Profit before income tax (PBT) increased by 10% to R62.7 million (2009: R56.9 million) and attributable earnings increased by 2% to R38.6 million (2009: R37.7 million).

Headline earnings and headline earnings per share (HEPS) decreased by 6% to R35.6 million (2009: R38.1 million) and 47.10 cents per share (2009: 50.18 cents per share) respectively. Diluted HEPS decreased by 6% to 47.10 cents per share (2009: 50.15 cents per share).

LOCAL OPERATIONS

(2009: R44.9 million). At constant currencies, net betting income increased by a very pleasing 40% and income from other international initiatives by a satisfactory 4%.

Operating expenses and overheads decreased by 5% to R40.7 million (2009: R42.8 million) primarily due to the variable nature of certain operating expenses linked to income streams positively impacted by the strength of the Rand.

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) decreased by 2% to R560 000 (2009: R570 000).

PBT increased by 1% to R14.5 million (2009: R14.3 million) and continues to equate to 25% of the Group's PBT. At constant currencies PBT increased by 8%.

FINANCIAL POSITION

The Group has total assets of R534.3 million (2009: R467.4 million) including cash resources of R59.1 million (2009: R78.4 million) and insignificant gearing.

Cash generated from operations of R74.3 million was utilised to fund an increase in working capital of R15.5 million, pay income tax of R16.9 million and dividends of R32.5 million. A further R8.1 million (net of cash and cash equivalents acquired on acquisition) was utilised to purchase an additional shareholding in Betting World, R44.1 million for capital expenditure and R0.1 million for share repurchases.

ACQUISITION

Effective from 1 August 2009, the Company acquired a further 16.5% shareholding in Betting World for R12.9 million. This amount includes a R3 million contingent consideration payable on condition that Betting World achieves, inter alia, a profit after tax of R11.4 million for the current financial year. The Group's total shareholding in Betting World is now 59%. Total goodwill arising on the acquisition equates to R8.9 million.

The fair value of the assets and liabilities acquired on 1 August 2009 were:

	Book value R'000	Fair value adjustment R'000	Fair value R'000
Property, plant and equipment	17 045		17 045
Betting licenses and software	19 040	10 455*	29 495
Prepayments	4 760		4 760
Inventories	47		47
Trade and other receivables	9 665		9 665
Tax asset	19		19
Cash and cash equivalents	2 857		2 857
Finance lease liabilities	(39)		(39)
Deferred tax liability	(956)		(956)
Trade and other payables	(12 471)		(12 471)
Shareholder loans	(16 335)		(16 335)
Tax payable	(202)		(202)
Net assets	23 430	10 455	33 885
Less: Non-controlling interest			(13 893)
Fair value of identifiable assets			19 992
Less: Fair value of previous interest in the acquired			(14 207)
Less: Total purchase consideration			(14 700)
Goodwill			(8 915)
Current period purchase consideration			12 900
Add: Shareholders loan liability acquired			1 995
Less: Contingent consideration			(3 000)
Less: Consideration liability			(900)
Payment effected			10 995
Less: Cash and cash equivalents acquired			(2 857)
Net cash outflow on acquisition			8 138

* Adjustment to fair value of betting licenses resulting in a gain of R4.4 million recognised in profit or loss in the period.

SHARE CAPITAL

During the period the Group purchased a further 8 033 of its own shares at a total cost of R89 300 bringing the total number of shares repurchased to date to 1 515 047. 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 the South African and international product in two geographic segments, namely South Africa and the rest of the world.

	Unaudited 31 Jan 2010 %	Unaudited 31 Jan 2009 R'000	Audited 31 Jul 2009 R'000
change			

LOCAL

Excluding Betting World

	Unaudited 31 Jan 2010 %	Unaudited 31 Jan 2009 R'000	Audited 31 Jul 2009 R'000
change			

LOCAL CONTINUED

Acquisition of Betting World continued		9 246	
Profit before interest and income tax		(365)	
Finance costs			
Profit from operations after finance charges		8 881	
Profit on remeasurement of associate becoming a subsidiary		4 443	
Profit before income tax		13 324	
Assets	15	491 200	427 548
Liabilities	23	133 927	109 212
			441 256
			106 493
INTERNATIONAL			
Revenue	(3)	55 023	56 860
Net income	(3)	54 946	56 802
Net operating expenses	(5)	(40 754)	(42 823)
			(84 593)
Profit before interest, income tax, depreciation and amortisation	2	14 192	13 979
Depreciation and amortisation		(260)	(234)
			26 023
Profit before share of profit of associated company		13 932	13 745
Share of profit of associated company	(2)	560	574
			1 031
Profit before income tax	1	14 492	14 319
Assets	8	43 067	39 864
Liabilities	31	13 419	10 260
			59 115
			29 898

GROUP**Excluding Betting World**

Revenue	(1)	404 012	409 368
Net income		394 059	395 561
Stakes	(1)	(79 350)	(80 457)
Other net operating expenses	(1)	(253 643)	(255 397)
			(497 151)
Profit before interest, income tax, depreciation and amortisation	2	61 066	59 707
Depreciation and amortisation	18	(14 241)	(12 034)
			(24 831)
Profit before interest and income tax	(2)	46 825	47 673
Investment income	(68)	1 978	6 136
Finance costs	(64)	(15)	(42)
			(77)
Profit before share of profit of associated companies	(9)	48 788	53 767
Share of profit of associated companies	(82)	560	3 128
			3 390
Profit before income tax	(13)	49 348	56 895

Acquisition of Betting World

Revenue		43 338	
Net income		39 491	
Operating expenses		(28 170)	
Profit before interest, income tax, depreciation and amortisation		11 321	
Depreciation and amortisation		(2 075)	
Profit before interest and income tax		9 246	
Finance costs		(365)	
Profit from operations after finance charges		8 881	
Profit on remeasurement of associate becoming a subsidiary		4 443	
Profit before income tax		13 324	

TOTAL

Revenue	9	447 350	409 368
Net income	10	433 550	395 561
Stakes	(1)	(79 350)	(80 457)
Other net operating expenses	10	(281 813)	(255 397)
			(497 151)
Profit before interest, income tax, depreciation and amortisation	21	72 387	59 707
Depreciation and amortisation	36	(16 316)	(12 034)
			(24 831)
Profit before interest and income tax	18	56 071	47 673
Investment income	(68)	1 978	6 136
Finance costs	805	(380)	(42)
			(77)
Profit before share of profit of associated company	7	57 669	53 767
Share of profit of associate companies	(82)	560	3 128
		</	

Betting World becoming a subsidiary				
Tax effect				
		1 244		
Headline earnings	(6)	35 600	38 054	70 912
Headline earnings per share (cents)	(6)	47.10	50.18	93.67
Diluted headline earnings per share (cents)	(6)	47.10	50.15	93.67
Headline earnings per share excluding Betting World (cents)	(10)	42.05	46.81	90.56
Net asset value per share (cents)	6	490.22	460.45	481.52
<i>Interim distribution/dividend</i>				
Distribution out of share premium (cents)		7.5		
Dividend per ordinary share (cents)		17.5	25.00	25.00
<i>Final dividend</i>				
Dividend per ordinary share (cents)				43.00
Number of shares in issue		75 582 338	75 565 471	75 590 371
Weighted average number of shares in issue for basic and headline earnings per share calculation		75 590 240	75 831 898	75 700 146
Weighted average number of shares in issue for diluted earnings per share calculation		75 590 240	75 880 878	75 700 146

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 31 Jan 2010 R'000	Unaudited 31 Jan 2009 R'000	Audited 31 Jul 2009 R'000
Net cash inflow/(outflow) from operating activities	10 972	(40 740)	(3 626)
Cash generated from operations	74 296	61 060	123 143
Increase in working capital	(15 531)	(32 218)	(21 607)
Cash generated from operating activities	58 765	28 842	101 536
Taxation paid	(16 885)	(42 982)	(63 151)
Investment income	1 978	6 136	9 651
Finance costs	(380)	(42)	(77)
Dividends paid	(32 506)	(32 694)	(51 585)
Net cash outflow from investing activities	(51 961)	(19 746)	(35 305)
Acquisition of investments		(100)	(442)
Acquisition of Betting World net of loan funds repaid	(7 961)		
Associated companies investment and loan			(1 500)
Acquisition of property, plant and equipment	(44 057)	(19 646)	(33 467)
Proceeds on disposal of property, plant and equipment	57		104
Net cash outflow from financing activities	(89)	(5 237)	(5 086)
Issue of share capital		818	969
Share re-purchases	(89)	(6 055)	(6 055)
Net decrease in cash and cash equivalents	(41 078)	(65 723)	(44 017)
Cash and cash equivalents at beginning of period	100 181	144 198	144 198
Cash and cash equivalents at end of period	59 103	78 475	100 181

decreased by 6% to 47,10 cents per share (2009: 50,15 cents per share).

LOCAL OPERATIONS

Revenue from local operations increased by 11% on the comparative period to R392,3 million (2009: R352,5 million) primarily due to the inclusion of Betting World as a subsidiary of the Group.

Excluding Betting World revenue declined by 1% to R349 million (2009: R352,5 million). Local trading conditions remained challenging as consumers' spend came under increasing pressure in a depressed economic climate.

Totalisator revenue generated on local and imported international horseracing declined by 5% whilst the Group's soccer sports bet gained momentum in the build up to the 2010 world cup soccer tournament, increasing by a very pleasing 25%.

Operating expenses and overheads increased by 9% to R320,4 million (2009: R293 million). Excluding Betting World and stakes (which decreased by 1% to R79,4 million (2009: R80,5 million)), operating expenses and overheads were well contained, increasing marginally to R212,9 million (2009: R212,6 million).

Betting World's PBT increased by 8% to R8,7 million. In addition a profit of R4,4 million on re-measurement of the fair value of the net assets of the Company was realised on acquisition of the further 16,5% shareholding in the Company.

PBT from local operations increased by 13% to R48,2 million (2009: R42,6 million).

INTERNATIONAL OPERATIONS

Revenue from international operations was negatively impacted by the strength of the Rand and decreased by 3% to R55 million (2009: R56,9 million). At constant currencies, revenue increased by 12%.

Despite difficult trading conditions globally, the Group's Isle of Man totalisator operation continued to perform strongly with net betting income increasing by 19% to R14,2 million (2009: R11,9 million) whilst income generated from other international initiatives decreased by 9% to R40,7 million

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Retained earnings R'000	Equity attributable to ordinary shareholders R'000	Non-controlling interest R'000	Total equity R'000
Balance at 31 July 2008	1 897	–	159	345 054	347 110		347 110
Issue of share capital – options exercised	5	813			818		818
Total comprehensive income for the period			(148)	37 731	37 583		37 583
– Profit for the period				37 731	37 731		37 731
– Foreign currency translation reserve			(148)		(148)		(148)
Share based payment				1 178	1 178		1 178
Share re-purchases	(13)	(813)		(5 229)	(6 055)		(6 055)
Dividends paid to equity holders of parent				(32 694)	(32 694)		(32 694)
Balance at 31 January 2009	1 889	–	11	346 040	347 940		347 940
Issue of share capital – options exercised	1	150			151		151
Total comprehensive income for the period			(24)	32 934	32 910		32 910
– Profit for the period				32 934	32 934		32 934
– Foreign currency translation reserve			(24)		(24)		(24)
Share based payment				1 870	1 870		1 870
Share re-purchases		(150)		150	–		–
Dividends paid to equity holders of parent				(18 891)	(18 891)		(18 891)
Balance at 31 July 2009	1 890	–	(13)	362 103	363 980		363 980
Non-controlling interest on associate becoming a subsidiary						13 893	13 893
Total comprehensive income for the period			(532)	38 624	38 092	2 511	40 603
– Profit for the period				38 624	38 624	2 511	41 135
– Foreign currency translation reserve			(532)		(532)		(532)
Share based payment				1 040	1 040		1 040
Share re-purchases				(89)	(89)		(89)
Dividends paid to equity holders of parent				(32 506)	(32 506)		(32 506)
Balance at 31 January 2010	1 890	–	(545)	369 172	370 517	16 404	386 921

Directors: M P Malungani (Chairman), W A du Plessis* (Group Chief Executive), 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 (*Executive)

Company Secretary: A F Wintour

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

LOCAL Excluding Betting World				
Revenue	(1)	348 989	352 508	693 615
Net income		339 113	338 759	663 557
Stakes	(1)	(79 350)	(80 457)	(156 982)
Other net operating expenses		(212 889)	(212 574)	(412 558)
Profit before interest, income tax, depreciation and amortisation	3	46 874	45 728	94 017
Depreciation and amortisation	18	(13 981)	(11 800)	(24 331)
Profit before interest and income tax	(3)	32 893	33 928	69 686
Investment income	(68)	1 978	6 136	9 651
Finance costs	(64)	(15)	(42)	(77)
Profit before share of profit of associated company	(13)	34 856	40 022	79 260
Share of profit of associated company	(100)		2 554	2 359
Profit before income tax	(18)	34 856	42 576	81 619
Acquisition of Betting World				
Revenue		43 338		
Net income		39 491		
Operating expenses		(28 170)		
Profit before interest, income tax, depreciation and amortisation		11 321		
Depreciation and amortisation		(2 075)		

BASIS OF PRESENTATION

The condensed consolidated interim financial statements are presented in South African Rands rounded to the nearest thousand 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 except for those listed below and have been applied consistently to the periods presented in these condensed consolidated financial statements and by all Group entities. The following new and revised accounting standards were adopted during the period:

IAS 1: Presentation of Financial Statements – requires all non-owner changes in equity to be presented in a single statement of comprehensive income and owner changes in equity in the statement of changes in equity. The adoption of this standard did not have a material impact on the Group's financial results.

IFRS 3: Business Combinations – requires, inter alia, that for successive share purchases (step acquisitions) the identifiable assets and liabilities are recognised at fair value when control is obtained, and the gain and loss on acquisition is recognised in profit and loss for the difference between the carrying value of the previously held equity interest and the fair value thereof.

Effective from 1 August 2009 the Company obtained a controlling interest in Betting World (Pty) Ltd that resulted in a fair value adjustment gain of R4,4 million recognised in profit and loss for the period.

IFRS 8: Operating Segments – requires segment reporting to be based on the information that management uses internally for evaluating segment performance and when deciding how to allocate resources to operating segments. The adoption of this standard did not have a material impact on the Group's financial results.

SUBSEQUENT EVENTS

There are no significant subsequent events that have a material impact on the financial statements at 31 January 2010.

The international distribution rights held by Phumelela Gold Enterprises (PGE) under agreement with Racecourse Media Group (the umbrella organisation for the 30 UK racecourses that operate Racing UK) terminated on 28 February 2010. Significant progress has been made in establishing alternative strategic relationships.

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.

In January 2010 the Group was awarded "A" (Level Four Contributor) status by Empowerdex (Economic Empowerment Rating Agency) having achieved a generic scorecard total of 73,68%.

DIRECTORS

With effect from 9 September 2009, Mr A W Heide was appointed to the Board as an Executive Director. Effective from 1 April 2010 he was appointed as Group Chief Operating Officer and will continue in his capacity as Group Finance Director.

Mr D R H Attenborough resigned as a director on 31 March 2010 to take up a position with Tabcorp Holdings Ltd in Australia. The Board records their appreciation for his invaluable contribution as Chief Executive Officer (SA) and wishes him well in his new position.

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 exploring alternate international business opportunities to replace the Racecourse Media Group agreement and expand our international customer base. As mentioned under subsequent events significant progress has been made in establishing alternative strategic relationships.

DISTRIBUTION TO SHAREHOLDERS

Notice is hereby given that the Board has declared an interim dividend of 17,5 cents per share and a cash distribution by way of a capital reduction out of share premium ("the distribution") of 7,5 cents per share payable to shareholders recorded in the register on Friday 7 May 2010. Shareholders are advised that the last date to trade "cum distribution" will be Friday 30 April 2010. As from commencement of business on Monday 3 May 2010 all trading in Phumelela shares will be "ex distribution". Payment will be made on Monday 10 May 2010. Share certificates may not be dematerialised or rematerialised between Monday 3 May 2010 and Friday 7 May 2010, both days inclusive.

For and on behalf of the Board

M P MALUNGANI
Chairman
Johannesburg
8 April 2010

W A du PLESSIS
Group Chief Executive