

SUMMARISED CONSOLIDATED INCOME STATEMENTS

	Audited 12 months 31 Jul 2009	Restated Audited 12 months 31 Jul 2008
	% change	R'000
Revenue		
- Local operations	1	693 615
- International operations	19	110 730
	3	804 345

Net betting income		
- Local operations	1	538 719
- International operations	76	23 616
	3	562 335

Other operating income		
- Local operations		
Ongoing operations	2	134 489
Surplus on disposal of Bloemfontein Racecourse		27 815
- International operations	9	87 000
		783 824

Net income		
Operating expenses and overheads		
- Stakes	10	156 982
- Local operations	3	436 889
- International operations	23	85 093
	(31)	104 860
Finance costs		77
Profit before share of profit of associated companies	(31)	104 783
Share of profit of associated companies	(17)	3 390
Profit before income tax	(31)	108 173
Income tax	(13)	37 508
Profit for the year	(37)	70 665

Attributable to:		
- Equity holders of the parent	(37)	70 665
- Basic	(37)	93,35
- Diluted	(37)	93,35

SUPPLEMENTARY INCOME STATEMENT INFORMATION

Reconciliation of headline earnings		
Earnings attributable to equity holders		
- Derived from ongoing operating activities	(20)	70 665
- Surplus on disposal of Bloemfontein Racecourse and bookmaking concern after tax		24 951
		70 665

Adjusted for:

Net loss/(surplus) on disposal of property, plant and equipment and bookmaking concern		355
Tax effect	(108)	4 119

Headline earnings	(21)	70 912
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Headline earnings per share (cents)	(20)	93,67
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Diluted headline earnings per share (cents)	(20)	93,67
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Net asset value per share (cents)	5	481,52
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<i>Interim dividend</i>		
Dividend per ordinary share (cents)		25,00

<i>Final dividend</i>		
Dividend per ordinary share (cents)		43,00

Number of shares in issue	75 590 371	75 859 571
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Weighted average number of shares in issue for basic and headline earnings per share calculation	75 700 146	76 325 185
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Weighted average number of shares in issue for diluted earnings per share calculation	75 700 146	76 530 533
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SUMMARISED CONSOLIDATED CASH FLOW STATEMENTS

	Audited 12 months 31 Jul 2009	Audited 12 months 31 Jul 2008
	R'000	R'000
Cash generated by operations	123 143	129 848
(Increase)/decrease in working capital	(21 607)	20 549
Cash generated by operating activities	101 536	150 397
Investment income	9 651	12 611
Net finance costs and taxation paid	(63 228)	(45 867)
Dividends paid	(51 585)	(49 730)
Net cash (outflow)/inflow from operating activities	(3 626)	67 411
Net cash outflow from investing activities	(35 305)	(50 297)
Net cash inflow from financing activities before share repurchases	969	3 683
Share re-purchases	(6 055)	(15 715)
Net (decrease)/increase in cash and cash equivalents	(44 017)	5 082
Cash and cash equivalents at beginning of year	144 198	139 116
Cash and cash equivalents at end of year	100 181	144 198

Directors: M P Malungani (Chairman), W A du Plessis* (Group Chief Executive), D R H Attenborough* (CEO South Africa), 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 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 summarised preliminary consolidated financial statements for the year ended 31 July 2009

- ★ REVENUE FROM INTERNATIONAL OPERATIONS UP 19%
- ★ HEADLINE EARNINGS PER SHARE DOWN 20%
- ★ CASH RESERVES OF R100 MILLION
- ★ DIVIDEND MAINTAINED AT 43 CENTS PER SHARE

SUMMARISED CONSOLIDATED BALANCE SHEETS

	Audited 31 Jul 2009	Audited 31 Jul 2008
	R'000	R'000
ASSETS		
Non-current assets	320 806	307 840
Property, plant and equipment	288 505	280 367
Deferred taxation	4 613	5 175
Goodwill	3 312	3 312
Intangible asset	500	400
Interest in associated companies	22 985	18 037
Investments	891	549
Current assets	179 565	202 227
Inventories	5 823	4 469
Trade and other receivables	67 872	53 560
Cash and cash equivalents	100 181	144 198
Income tax receivable	5 689	
Total assets	500 371	510 067

EQUITY AND LIABILITIES		
Total equity	363 980	347 110
Share capital and premium	1 890	1 897
Retained earnings	362 103	345 054
Non-distributable reserves	(13)	159
Non-current liabilities	5 779	4 100
Deferred taxation	4 413	2 625
Retirement benefit obligations	1 366	1 475
Current liabilities	130 612	158 857
Trade and other payables	130 594	136 535
Income tax payable	18	22 322
Total equity and liabilities	500 371	510 067

REVIEW OF RESULTS	
LOCAL OPERATIONS	
Totalisator betting income contracted in the second half of the year impacted by the negative economic climate and concomitant decline in consumer spending patterns. Despite the tough trading conditions revenue from local operations ended marginally up on the previous year at R693,6 million (2008: R689,7 million).	
Operating expenses and overheads were contained increasing by 7% on the previous year. Excluding stakes, which are governed by an agreement with the Racing Association and which increased by 10% to R156,9 million (2008: R142,6 million), manageable operating expenses and overheads increased by 3% to R436,9 million (2008: R423,1 million).	
The Group's share of profit from its associate company, Betting World (Pty) Ltd (a fixed odds bookmaking concern) decreased by 43% on the previous year to R2,4 million (2008: R4,1 million), the profit being mainly due to increased marketing and promotional spend, staff costs and leased premises rentals as Betting World continues to expand and improve on its local retail footprint and internet betting platform.	
Profit before taxation from ongoing local operations, excluding the R27,8 million profit on disposal of the Bloemfontein racecourse in the previous year, decreased by 22% to R61,6 million (2008: R104,7 million).	
INTERNATIONAL OPERATIONS	
Revenue from international operations slowed in the second half of the year impacted by the global economic recession and technological hurdles that delayed the rollout of further revenue generating opportunities.	

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SUMMARISED 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 2007	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			(18)	113 061	113 061
- Foreign currency translation reserve				(18)	(18)
Share re-purchases	(25)	(5 099)		(10 591)	(15 715)
Dividends paid to equity holders				(49 730)	(49 730)
Balance at 31 July 2008	1 897		159	345 054	347 110
Issue of share capital - options exercised	6	963			969
Total recognised income and expense for the year			(172)	70 665	70 493
- Profit for the year			(172)	70 665	70 665
- Foreign currency translation reserve				(172)	(172)
Share based payment				3 048	3 048
Share repurchases	(13)	(963)		(5 079)	(6 055)
Dividends paid to equity holders				(51 585)	(51 585)
Balance at 31 July 2009	1 890	-	(13)	362 103	363 980

REVIEW OF RESULTS (continued)

Despite this revenue increased by 19% on the previous year to R110,7 million (2008: R92,9 million) with the sale of Man totalisator operation showing strong growth with a 76% increase in net betting income to R23,6 million (2008: R13,4 million).

Operating expenses and overheads increased by 23% to R65,1 million (2008: R69 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 was a pleasing R1 million for the year (2008: Rnil).

Profit before taxation increased by 11% to R26,6 million (2008: R23,9 million) and equates to 25% (2008: 19%) of the Group's profit before taxation.

GROUP RESULTS
Total revenue increased by 3% to R904,3 million (2008: R872,6 million) with the increase derived mainly from international operations.

Other operating income that includes, inter alia, bookmakers levies, stable rentals, local and international broadcasting levies/fees and a R27,8 million profit on disposal of the Bloemfontein racecourse in the previous year decreased by 8% to R221,5 million (2008: R239,8 million). Excluding the profit on sale of Bloemfontein racecourse, other operating income increased by 5%.

Total operating expenses and overheads increased by 7% to R679 million (2008: R634,7 million). Excluding stakes operating costs increased by 6%.

Earnings before interest, taxation, depreciation and amortisation excluding the profit on sale of Bloemfontein racecourse in the previous year decreased by 8% to R120 million (2008: R130,9 million).

Headline earnings decreased by 21% to R70,9 million (2008: R89,4 million) and HEPS decreased by 20% to 93,67 cents per share (2008: 117,20 cents per share).

Diluted HEPS decreased by 20% to 93,67 cents per share (2008: 116,89 cents per share).

FINANCIAL POSITION

The Group has total assets of R500,4 million (2008: R510,1 million) including cash balances of R100,2 million (2008: R144,2 million) adequately covering total liabilities of R136,4 million (2008: R163 million). The balance sheet remains strong with no gearing.

Cash and cash equivalents decreased by R44 million. Cash generated by operations of R123,1 million was utilised to fund an increase in working capital of R21,6 million (attributable mainly to an increase in international operations trade receivables and a decrease in trade and other payables), pay income tax of R63,2 million and dividends of R51,6 million. A further R33,5 million was utilised for capital expenditure and R6,1 million for share repurchases.

BINGO OPERATION

During the year agreements for the transfer of the operating rights inclusive of an option to purchase the two bingo licenses held by the Group's subsidiary company, Silks Gaming and Leisure (Pty) Limited were concluded subject to certain conditions precedent being met. As a result the bingo outlet situated at Turffontein racecourse ceased operations during the year.

SHARE CAPITAL

During the year the Group 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.

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure approved by directors.

	2009 R'000	2008 R'000
Contracted for	26 326*	1 100
Not contracted for	30 335*	63 900

*Mainly for illumination of the Turffontein race tracks for night racing.

SUMMARISED 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.

	% change	Audited 31 Jul 2009 R'000	Restated Audited 31 Jul 2008 R'000
LOCAL			
Revenue	1	693 615	689 679
Net income	1	673 208	666 505
Stakes	10	(156 982)	(142 661)
Other net operating expenses	3	(436 889)	(423 058)
Profit from ongoing operations		79 337	100 786
Finance costs		(77)	(180)
Profit before share of profit of associated company		79 260	100 606
Share of profit of associated company	(43)	2 369	4 108
Profit before income tax from ongoing operations	(22)	81 619	104 714
Surplus on disposal of Bloemfontein Racecourse			27 815
Profit before tax from operations	(38)	81 619	132 529
Assets		441 256	451 623
Liabilities		106 493	128 836

INTERNATIONAL		
Revenue	19	110 730
Net income	19	110 616
Net operating expenses	23	(85 093)
Profit before share of profit of associated company	7	25 523
Share of profit of associated company		1 031
Profit before income tax from ongoing operations	11	26 554
Assets		59 115
Liabilities		29 898
TOTAL		
Revenue	3	804 345
Profit from ongoing operations	(16)	104 860
Finance costs		(77)
Profit before share of profit of associated company	(17)	104 783
Share of profit of associated companies	(17)	3 390
Profit before income tax from ongoing operations	(16)	108 173
Surplus on disposal of Bloemfontein racecourse		27 815
Profit before tax from operations	(31)	108 173
Assets		500 371
Liabilities		136 391

STATEMENT OF COMPLIANCE

The preliminary summarised consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of IFRS, its interpretations adopted by the International Accounting Standards Board (IASB), the presentation and the disclosure requirements of IAS3 - Interim Financial Reporting, the Listing Requirements of the JSE Limited and the requirements of the South African Companies Act.

BASIS OF PRESENTATION

The financial statements are prepared in thousands of South African Rand on the historical cost basis, except for certain derivative financial instruments that are recognised at fair value.

The accounting policies are presented in the annual financial statements for the year ended 31 July 2009 and have been applied consistently to the periods presented in these summarised consolidated financial statements and by all Group entities with the exception of the disclosure of revenue in the income statement which has been restated. Previously revenue included 'betting turnover' representing bets struck on the totalisator net of VAT and rebates. In order to be more consistent with general industry practice 'betting turnover' has been replaced with 'gross betting income' representing bets struck, net of betting dividends paid to customers and customer rebates. As a result the following comparative amounts have been restated:

	As previously reported 2008 R'000	As restated 2008 R'000
Revenue		
- Local operations	689 679	2 473 932
- International operations	92 960	256 634
	782 639	2 730 566

The restatement had no impact on income tax and profit after tax.

REPORTS OF THE INDEPENDENT AUDITORS

The unmodified audit reports of KPMG Inc., the independent auditors, on the annual financial statements and the summarised financial statements contained herein for the year ended 31 July 2009, dated 2 October 2009, are available for inspection at the registered office of the Company.

POST BALANCE SHEET EVENTS

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

SOCIAL RESPONSIBILITY

The Group recognises that it