



PHUMELELA GAMING AND LEISURE LIMITED

(Registration number 1997/016610/06)

Audited Financial Results

FOR THE YEAR ENDED 31 JULY 2003



★ HEADLINE EARNINGS UP BY 167%

★ FINAL DIVIDEND OF 12,5 CENTS PER SHARE

The Group's audited financial results for the year ended 31 July 2003 are as follows:

Abridged Consolidated Income Statements

	2003 R'000	% Change	2002 R'000
Betting turnover	1 642 532	10	1 490 241
Income	456 482	16	393 814
Operating expenses	398 476		362 664
Operating profit before depreciation, amortisation of goodwill and interest	58 006		31 150
Depreciation and goodwill amortised	11 276		10 633
Operating profit before interest	46 730		20 517
Net interest received/(paid)	2 788		(1 357)
Profit before taxation	49 518		19 160
Taxation	5 441		(386)
Profit after taxation before outside shareholders' interest	44 077		19 546
Attributable to outside shareholders	-		2 136
Earnings attributable to ordinary shareholders	44 077	153	17 410
Earnings attributable to ordinary shareholders	44 077		17 410
Adjusted for:			
Surplus on disposal of property, plant and equipment	(555)		(1 911)
Impairment of Newmarket Racecourse	-		1 100
Amortisation of goodwill	1 071		89
Headline earnings	44 593	167	16 688
Number of shares in issue	70 000 285		70 000 285
Basic earnings per share	62,97		*24,87
Diluted earnings per share (cents)	60,63		*23,95
Headline earnings per share (cents)	63,70		*23,84
Net asset value per share based on number of shares in issue (cents)	162,73		105,77
Dividend per share (cents) - interim	7,5		-
Dividend per share (cents) - final	12,5		-

*Based on 70 000 285 shares in issue

Abridged Consolidated Balance Sheets

	2003 R'000	2002 R'000
ASSETS		
Non-current assets	154 658	161 251
Property, plant and equipment	142 626	152 153
Goodwill	4 198	5 269
Deferred taxation	1 214	3 829
Long-term debtor	6 370	-
Investment	250	-
Current assets	42 062	27 283
Inventories	547	1 239
Trade and other receivables	16 931	19 113
Cash and cash equivalents	24 584	6 931
Total assets	196 720	188 534
EQUITY AND LIABILITIES		
Capital and reserves	113 915	74 038
Share capital and premium	22 688	22 688
Accumulated profit	91 227	51 350
Non-current liabilities	29 353	60 810
Retirement benefit obligations	9 353	19 985
Interest bearing borrowing	-	700
Long-term borrowings	20 000	30 125
Grant for industry transformation	-	10 000
Current liabilities	53 452	53 686
Trade and other payables	47 382	45 780
Provisions	4 458	7 360
Taxation	1 612	546
Total equity and liabilities	196 720	188 534

Abridged Consolidated Cash Flow Statements

	2003 R'000	2002 R'000
Cash generated by operations	43 915	29 148
Movement in working capital	8 133	(2 745)
Cash generated by operating activities	52 048	26 403
Net interest, investment income, dividend paid and taxation	(4 671)	(1 869)
Net cash inflow from operating activities	47 377	24 534
Net cash outflow from investing activities	(8 849)	(20 453)
Net cash (outflow)/inflow from financing activities	(20 875)	2 263
Net increase in cash and cash equivalents	17 653	6 344
Cash and cash equivalents at beginning of year	6 931	587
Cash and cash equivalents at end of year	24 584	6 931

Abridged Statements of Changes in Group Equity

	2003 R'000	2002 R'000
Shareholders' interest at beginning of year	74 038	33 940
Net gain on financial instrument (AC133)	1 050	-
Changes in share capital	-	1 750
Changes in share premium	-	20 938
Net profit for year	44 077	17 410
Dividend paid	(5 250)	-
Shareholders' interest at end of year	113 915	74 038

★ Comments ★

REVIEW OF RESULTS AND FINANCIAL POSITION

The Board is more than satisfied with the Group's performance for the year ended 31 July 2003. Earnings attributable of R44,1 million, 153% up on last year, was achieved on turnover growth of 10% and the benefits from the lower gaming taxes in Gauteng and Limpopo announced during the previous year, coupled with the use of assessed tax losses which are now fully utilised. The February turnover impact of lottery carryovers and World Cup Cricket, referred to in the interim report, proved to be temporary with growth returning albeit at a slightly lower level than achieved in the first half. Interest income and a lower taxation rate in the second half of the year contributed to the better performance in the six months to 31 July 2003.

The cash generating nature of the Group's business resulted in a R17,6 million increase in cash holdings after the R5,3 million interim dividend payment, R10,1 million repayment of long-term borrowings and R10,0 million funding of post retirement medical aid liability. The large reduction in non-current liabilities and the sale of surplus assets further strengthened the balance sheet, which now has no interest bearing debt, substantial cash and largely funded retirement benefit obligations. The Group continues with the programme of investing in technology and refurbishing of facilities.

GAMING TAXATION

The North West Province has repaid the R1,6 million backdated gaming tax that was paid over and expensed in the first six months. On 1 August 2003 Mpumalanga Province reduced their gaming tax to 2,5% of betting turnover.

SEGMENTAL ANALYSIS

The Group currently operates in the business segment of horse racing and betting, and in one significant geographic segment, South Africa.

ACCOUNTING POLICIES AND AUDIT

The financial statements are prepared on the historical cost basis in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate accounting policies that are consistent with those applied in the prior year except for the adoption of AC 133, the impact is noted in changes in Group equity.

The results have been audited by Ernst & Young and Ngubane & Co and their unqualified report is available for inspection at the registered office.

SOCIAL RESPONSIBILITY

Phumelela is an empowerment company supported by appropriate employment equity and training programmes and due consideration is given to the previously disadvantaged when awarding contracts.

RACING ASSOCIATION LOAN and GRANT FOR INDUSTRY TRANSFORMATION

In terms of an agreement between Phumelela and the Racing Association, Phumelela repaid R10,1 million of their long-term loan and wrote off the stakes prepayment while the Racing Association assumed the obligations of the transformation grant. The stakes prepayment resulted from the stakes payments being in excess of that required by the stakes formula. The advantages of the agreement will be the earlier indirect settlement of the grant to The Thoroughbred Horse Racing Trust, which was previously linked to the proceeds from the sale of Gosforth Park (to be received over 4 years), and the elimination of the stakes prepayment which would have otherwise limited stakes increases in future years.

LITIGATION

The Minister of Trade and Industry and the National Lotteries Board have made application to court for an order to declare that the Soccer 6 is in contravention of the provisions of the Lotteries Act, 57 of 1997. Prior to the launch of the bet the company had obtained senior counsel's opinion, which confirmed that Phumelela was acting within its rights and will therefore defend this action.

PROSPECTS

The improving betting turnover trend, a stronger local economy which should generate more disposable income, and overseas initiatives are confidently expected to support ongoing real growth in operating profit.

DIVIDEND

Notice is hereby given that the Board has declared a final dividend of 12,5 cents per share payable to shareholders recorded in the register on Friday, 24 October 2003. Shareholders are advised that the last date to trade "cum dividend" will be Friday, 17 October 2003. As from commencement of business on Monday, 20 October 2003 all trading of Phumelela shares will be "ex dividend". Payment will be made on Monday, 27 October 2003. Share certificates may not be dematerialised or rematerialised between Monday, 20 October 2003 and Friday, 24 October 2003, both days inclusive.

For and on behalf of the Board

M P MALUNGANI
Chairman

B D MEHL
Chief Executive

Johannesburg
29 September 2003

Directors: M P Malungani (Chairman), B D Mehl* (Chief Executive), S E Abrahams, K J Hlongwane, B Kantor, S Khampepe, K E Latilla, J S Tennant* (Finance), G J Thula, J B Walters (*Executive)

Company Secretary: A F Wintour

Registered Office: Turffontein Racecourse, 14 Turf Club Street, Turffontein

Share code: PHM **ISIN:** ZAE000039269

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