



PHUMELELA GAMING AND LEISURE LIMITED

(Registration number 1997/016610/06)

The Group's audited financial results

for the year ended 31 July 2004

★ FINAL DIVIDEND OF 20 CENTS PER SHARE

★ PROFIT BEFORE TAX UP 14,9% DESPITE EQUINE FLU

★ WELL POSITIONED FOR GROWTH

The Group's audited financial results for the year ended 31 July 2004 are as follows:

ABRIDGED CONSOLIDATED INCOME STATEMENT

	2004 R'000	2003 R'000
Betting turnover	1 707 958	1 642 532
Net betting income	376 177	359 720
Other operating income	97 630	100 053
Net income	473 807	459 773
Operating expenses	417 173	409 752
Profit from operations	56 634	50 021
Finance costs	35	503
Profit before associated company's income	56 599	49 518
Share of associated company's income	305	-
Profit before taxation	56 904	49 518
Taxation	18 985	5 441
Earnings attributable to ordinary shareholders	37 919	44 077
Adjusted for:		
Surplus on disposal of property, plant and equipment	(452)	(555)
Amortisation of goodwill	1 072	1 071
Headline earnings	38 539	44 593
Weighted average number of shares in issue	70 057 416	70 000 285
Basic earnings per share	54,13	62,97
Diluted earnings per share (cents)	51,29	60,63
Headline earnings per share (cents)	55,01	63,70
Net asset value per share based on number of shares in issue (cents)	193,10	162,76
Dividend per share (cents) – interim	10,0	7,5
Dividend per share (cents) – final	20,0	12,5

ABRIDGED CONSOLIDATED BALANCE SHEET

	2004 R'000	2003 R'000
ASSETS		
<i>Non-current assets</i>	158 692	154 658
Property, plant and equipment	145 921	142 626
Goodwill	3 126	4 198
Deferred taxation	100	1 214
Long-term debtor	3 905	6 370
Investment in associated company	5 390	-
Investments	250	250
<i>Current assets</i>	70 804	43 176
Inventories	151	547
Trade and other receivables	24 499	18 045
Cash and cash equivalents	46 154	24 584
Total assets	229 496	197 834
EQUITY AND LIABILITIES		
<i>Capital and reserves</i>	136 424	113 931
Share capital and premium	23 012	22 688
Accumulated profit	113 412	91 243
<i>Non-current liabilities</i>	27 376	30 493
Retirement benefit obligations	5 999	9 353
Long-term borrowings	21 246	21 140
Deferred taxation	131	-
<i>Current liabilities</i>	65 696	53 410
Trade and other payables	51 085	47 323
Provisions	1 224	4 458
Taxation	13 387	1 629
Total equity and liabilities	229 496	197 834

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	2004 R'000	2003 R'000
Cash generated by operations	58 006	43 916
Movement in working capital	(3 332)	8 075
Cash generated by operating activities	54 674	51 991
Net interest, investment income, post retirement benefit asset funding, dividends paid and taxation	(19 189)	(14 654)
Net cash inflow from operating activities	35 485	37 337
Net cash outflow from investing activities	(17 846)	(8 850)
Net cash inflow/(outflow) from financing activities	3 931	(10 834)
Net increase in cash and cash equivalents	21 570	17 653
Cash and cash equivalents at beginning of year	24 584	6 931
Cash and cash equivalents at end of year	46 154	24 584

ABRIDGED STATEMENT OF CHANGES IN GROUP EQUITY

	2004 R'000	2003 R'000
Shareholders' interest at beginning of the year	113 931	74 038
Change in accounting policy – staff share trust	-	16
Net gain on financial instrument (AC133)	-	1 050
Issue of share capital	324	-
Net profit for the year	37 919	44 077
Dividends paid	(15 750)	(5 250)
Shareholders' interest at end of year	136 424	113 931

COMMENTS

REVIEW OF RESULTS AND FINANCIAL POSITION

The Group's performance in achieving both betting turnover and operating profit growth for the year ended 31 July 2004 was more than satisfactory given the impact of the equine flu from early December 2003 to late February 2004. Betting turnover lost due to the outbreak is estimated at approximately R150,0 million which, under normal business conditions, would have returned real earnings growth.

When racing resumed subsequent to the flu outbreak, the programme was supplemented with the staging of additional races and this together with a successful advertising campaign to renew punter interest, helped restore betting turnover growth, which increased by 8,8% for the six months to 31 July and turned the first half reduction of 3,4% to a 4,0% increase for the year.

Pre-tax profit grew 14,9% assisted by continued focus on expense management, lower racing costs due to fewer race meetings held over the full year, and higher interest income. The profits now being fully taxed and STC of R2,0 million on dividends paid resulted in a 13,6% decline in headline earnings.

Cash generated by operations of R58,0 million was more than sufficient to fund the increase in working capital, to cover the dividend payments and STC thereon and the R17,8 million in investments.

SEGMENTAL ANALYSIS

The group currently operates in the business segment of horseracing and betting, and mostly 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 consolidation of the Phumelela Staff Share Trust to conform with JSE requirements. The effect of this change was limited to the Group's balance sheet and cash flow statement as the Trust does not hold any unallocated shares. Comparative figures have been restated, the major impact being an increase in both current assets and long-term borrowings of R1,1 million.

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 empowered company with appropriate BEE and employment equity, training programmes and procurement policy.

EQUINE FLU INSURANCE CLAIM

Phumelela has lodged an insurance claim under the business interruption section of its insurance policy for the loss of profits caused by the equine flu, but the insurer has not accepted the claim. Phumelela has instituted legal proceedings against the insurer.

ACQUISITIONS

UK Racing

Phumelela-Gold Enterprises (PGE), the partnership with Gold Circle, concluded an agreement on 21 May 2004 with Racing UK, the holder of television and related race day data rights to 30 of the major racecourses in the United Kingdom. PGE now has the exclusive worldwide rights outside the United Kingdom and the Republic of Ireland to exploit the television broadcast of their horseraces from which PGE will earn management fees plus a share of the revenue generated once minimum threshold levels have been exceeded. Concurrently PGE and the UK Totalizator have agreed to commingle totalizator pools on UK and South African racing. PGE has licenced bookmakers in Sri Lanka, the Caribbean and Germany, and totalizator operators in Russia, Armenia, France, Kenya, Ghana and Italy to receive and bet on the UK and South African racing products.

Data licenced exclusively to PGE by Racing UK continues to be offered in the international market place by the previous broadcaster and an application has been made to the United Kingdom courts to prevent the unlawful use of these intellectual property rights with the court case currently scheduled for early October.

Betting World

Effective 1 March, a 40% interest was acquired in the horse racing and sports fixed odds betting business, operated by Gold Circle in the Western Cape and KwaZulu Natal and which has now expanded to the Gauteng and North West Provinces with a current total of 21 outlets.

Isle of Man

Exchange control approval has been obtained to commence operating this strategically important totalizator licence.

LITIGATION

The Minister of Trade and Industry and the National Lotteries Board have withdrawn their Soccer 6 action and tendered party costs. This clears the way for further development of the sports betting market.

On 12 February 2004 Phumelela succeeded in obtaining a Pretoria High Court ruling that bookmakers may not take bets which are in any way linked to tote dividends, as this amounted to unlawful competition and the judge further ruled that acceptance of open bets in Gauteng is in contravention of the local Gambling and Betting Act. This matter is being taken on appeal to the Supreme Court of Appeal.

PROSPECTS

The improving trend in betting turnover, an expanded retail network, developing technologies, a stronger local economy, fixed odds betting and overseas developments, are expected to deliver real growth in operating profit.

DIVIDEND

Notice is hereby given that the Board has declared a final dividend of 20 cents per share payable to shareholders recorded in the register on Friday 22 October 2004. Shareholders are advised that the last date to trade "cum dividend" will be Friday 15 October 2004. As from commencement of business on Monday 18 October 2004 all trading of Phumelela shares will be "ex dividend". Payment will be made on Monday 25 October 2004. Share certificates may not be dematerialised or rematerialised between Monday 18 October 2004 and Friday 22 October 2004 both days inclusive.

For and on behalf of the Board

M P MALUNGANI

Chairman

Johannesburg
29 September 2004

B D MEHL

Chief Executive

Directors: M P Malungani (Chairman), B D Mehl* (Chief Executive), S E Abrahams, K J Hlongwane, B Kantor, S K C Khampepe, 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

Transfer secretaries: Computershare Investor Services 2004 (Pty) Ltd
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Share code: PHM **ISIN:** ZAE000039269

Sponsor: Investec Bank Limited

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