



The Group's audited financial results for the year ended 31 July 2005

★ DISTRIBUTION OUT OF SHARE PREMIUM OF 24 CENTS PER SHARE ★ 22% GROWTH IN ATTRIBUTABLE EARNINGS
★ INTERNATIONAL OPERATIONS POSITIONED FOR REAL GROWTH

The Group's audited financial results for the year ended 31 July 2005 are as follows:

ABRIDGED CONSOLIDATED INCOME STATEMENT

	2005 R'000	% Growth year on year	2004 R'000
Revenue	1 946 811	12	1 736 895
Net betting income	415 661	10	376 177
Other operating income	133 412		97 630
Local operations	99 595		86 397
International operations	33 817		11 233
Net income	549 073	16	473 807
Total operating expenses	482 810		417 173
Local operating expenses	327 439		300 551
Stakes	116 022		102 743
International operating expenses	39 349		13 879
Profit from operations	66 263	17	56 634
Finance costs	1 026		35
Profit before associated company's income	65 237		56 599
Share of associated company's income	9		247
Profit before taxation	65 246	15	56 846
Taxation	19 117		18 927
Earnings attributable to ordinary shareholders	46 129	22	37 919
Adjusted for:			
Surplus on disposal of property, plant and equipment	(1 655)		(452)
Surplus on disposal of North West fixed odds operation	(730)		-
Amortisation of goodwill	-		1 072
Headline earnings	43 744	13	38 539
Weighted average number of shares in issue	71 022 038		70 057 416
Basic earnings per share (cents)	64,95	20	54,13
Diluted earnings per share (cents)	60,33	18	51,29
Headline earnings per share (cents)	61,59	12	55,01
Net asset value per share based on number of shares in issue (cents)	223,38	16	193,10
Dividend per share (cents) – interim	12,0	20	10,0
Dividend per share (cents) – final	-		20,0
Distribution out of share premium (cents)	24,0		-
Total distribution to shareholders for the year (cents)	36,0	20	30,0

COMMENTS

REVIEW OF RESULTS

Annual revenue was 12% up on the comparative with most of this growth flowing through to net betting income. Local operating income experienced good growth while international income started to reveal its potential. The dispute over Racing UK broadcast rights was resolved in February 2005 and has negatively impacted revenues generated.

Local operating expenses were mostly contained within inflation, however expenses incurred on health and safety and track refurbishments had an adverse impact. Stakes increased by 13% which included R5,0 million carried over from the previous year's equine flu interrupted program.

International operating expenses were R39,3 million which gave rise to a R5,5 million loss from international operations for the year. The second half yielded a profit of R1,0 million after the R6,5 million interim loss. The costs associated with the Racing UK deal were in the comparative for 2 and a half months.

Profit from operations increased by 17%, which after the lower tax charge yielded a 22% growth in attributable earnings. Headline earnings per share were 12% higher after the adjustment for surplus on asset disposals of R2,4 million and the dilutionary effect of share options exercised.

FINANCIAL POSITION

Cash generated by operations of R68,0 million funded the increase in working capital of R4,4 million, the R18,2 million taxation paid, the R22,7 million dividends paid and the R24,8 million acquisition of property plant and equipment. Cash and cash equivalents increased by R5,0 million.

RACING UK

As previously reported, PGE, the partnership with Gold Circle, concluded an agreement with Racing UK in May 2004 in respect of the use of the exclusive world wide broadcasting rights outside of UK and Ireland to 31 of the leading UK racecourses. The initial term of the agreement is 3 years renewable for a further 5 years if certain performance criteria are met. Following the February 2005 resolution of the data rights and the cessation of pirating by a previous broadcaster, AC133 on financial instruments became applicable. Accordingly, the financial liability of the remaining minimum royalty payments and the corresponding intangible broadcasting rights asset were recognised. At 31 July 2005 these amounted to an intangible asset of R36,6 million after providing for amortisation, a non-current financial liability of R16,9 million and a short term liability of R20,5 million.

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.

ABRIDGED CONSOLIDATED BALANCE SHEET

	2005 R'000	2004 R'000
ASSETS		
<i>Non-current assets</i>	187 796	158 692
Property, plant and equipment	137 104	145 921
Intangible assets	39 720	3 126
Deferred taxation	2 209	100
Long-term debtor	1 681	3 905
Investment in associated company	6 712	5 390
Investments	370	250
<i>Current assets</i>	105 308	70 804
Inventories	126	151
Trade and other receivables	32 057	24 499
Debtor for sale of Newmarket racecourse	22 000	-
Cash and cash equivalents	51 125	46 154
Total assets	293 104	229 496
EQUITY AND LIABILITIES		
<i>Capital and reserves</i>	160 411	136 424
Share capital and premium	23 586	23 012
Accumulated profit	136 822	113 412
Non-distributable reserves	3	-
<i>Non-current liabilities</i>	19 384	27 376
Financial liability	16 919	-
Retirement benefit obligations	2 465	5 999
Long-term borrowings	-	21 246
Deferred taxation	-	131
<i>Current liabilities</i>	113 309	65 696
Trade and other payables	54 335	51 085
Provisions	-	1 224
Taxation	16 487	13 387
Short-term financial liability	20 487	-
Short-term borrowings	22 000	-
Total equity and liabilities	293 104	229 496

ACCOUNTING POLICIES AND AUDIT

The financial statements are prepared on the historical cost basis or at valuation. The group's accounting policies conform with South African Statements of Generally Accepted Accounting Practice, and are consistent with those applied in the previous year except for AC 140: Business Combinations, the revised AC 128: Impairment of Assets and the revised AC 129: Intangible Assets which were adopted during the year.

The group will be adopting International Financial Reporting Standards ("IFRS") in the next financial year in line with local requirements.

The results have been audited by Ernst & Young and Sizwe Ntsaluba VSP and their unqualified audit report is available for inspection at the registered office.

SOCIAL RESPONSIBILITY

Phumelela is an empowered company with appropriate BEE and employment equity, training programs and procurement policies. Phumelela's empowerment credentials were recognized with the overall second place achievement in the annual Financial Mail Top Empowerment Companies awards and leader in the leisure and hotels category.

LITIGATION

On 12 February 2004 the Pretoria High Court ruled that bookmakers may not take bets which are in any way linked to tote dividends as this amounted to unlawful competition. This was subsequently overturned by the Supreme Court of Appeal in May 2005. The company has now made application to the Constitutional Court for leave to appeal the Supreme Court ruling and a hearing date of 15 November 2005 has been granted.

A trial date has been scheduled for 3 November 2005 against the company's insurance underwriters in respect of the loss of profits claim following the December 2003 outbreak of equine flu.

NEWMARKET RACECOURSE

Newmarket racecourse was sold effective 1 June 2005 to a property development consortium for R22 million. This sum will be paid to the Racing Association in settlement of their loan and for cancelling the option and pledge agreements. In terms of the use agreement concluded between Phumelela and the purchaser, Phumelela shall be entitled to the use of the Newmarket racing facilities for the purposes of hosting a maximum of 36 racemeetings per annum, for the seven years to 31 May 2012 with an option to renew for successive 3-year periods.

CAPITAL COMMITMENTS

	2005 R'000	2004 R'000
- contracted for	5 809	800
- not contracted for	34 191	26 160

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	2005 R'000	2004 R'000
Cash generated by operations	67 963	57 948
Movements in working capital	(4 361)	(3 332)
Cash generated by operating activities	63 602	54 616
Net interest, investment income, dividend paid and taxation	(39 945)	(19 131)
Net cash inflow from operating activities	23 657	35 485
Net cash outflow from investing activities	(22 316)	(17 846)
Net cash inflow from financing activities	3 630	3 931
Net movements in cash and cash equivalents for the year	4 971	21 570
Cash and cash equivalents at beginning of year	46 154	24 584
Cash and cash equivalents at end of year	51 125	46 154

ABRIDGED STATEMENT OF CHANGES IN GROUP EQUITY

	2005 R'000	2004 R'000
Shareholders' interest at beginning of year	136 424	113 931
Issue of share capital	574	324
Net profit for the year	46 129	37 919
Non-distributable reserves	3	-
Dividends paid	(22 719)	(15 750)
Shareholders' interest at end of year	160 411	136 424

SEGMENTAL ANALYSIS

	Local	Inter-national	Total
2005			
Revenue (net of VAT)	1 912 994	33 817	1 946 811
Net operating profit	245 954	(5 532)	240 422
Stakes	(116 022)	-	(116 022)
National Horseracing Authority levies	(15 550)	-	(15 550)
Other net operating expenses	(43 613)	-	(43 613)
Profit before associated company's income	70 769	(5 532)	65 237
2004			
Revenue (net of VAT)	1 725 662	11 233	1 736 895
Net operating profit	212 462	(2 646)	209 816
Stakes	(102 743)	-	(102 743)
National Horseracing Authority levies	(15 413)	-	(15 413)
Other net operating expenses	(35 061)	-	(35 061)
Profit before associated company's income	59 245	(2 646)	56 599

DIRECTORS

Messrs C J H van Niekerk, M J Jooste and Dr E Nkosi have been invited to join the board once the necessary regulatory requirements have been fulfilled.

PROSPECTS

The concluding of international contracts continues to gather pace and international operations are expected to make a contribution to profits in the year ending 31 July 2006.

The strong local economy together with further investment in expanding and upgrading the retail and teletabling channels, while leveraging technology such as GPRS betting and providing better access to information with more betting opportunities should deliver real growth in operating profits.

DISTRIBUTION OUT OF SHARE PREMIUM

Notice is hereby given that the Board has, subject to approval by the shareholders at the general meeting to be held on 7 October 2005, declared a cash distribution out of share premium of 24 cents per share, in lieu of a dividend, payable to shareholders recorded in the register on 21 October 2005. Shareholders are advised that the last date to trade "cum cash distribution" will be Friday, 14 October 2005. As from commencement of business on Monday, 17 October 2005 all trading in Phumelela shares will be "ex cash distribution". Payment will be made on Monday, 24 October 2005. Share certificates may not be dematerialised between Monday, 17 October 2005 and Friday, 21 October 2005 both days inclusive.

For and on behalf of the Board

M P MALUNGANI

Chairman

Johannesburg
29 September 2005

J S TENNANT

Chief Executive

Directors:

M P Malungani (Chairman), S E Abrahams, D R H Attenborough* (Chief Operating Officer), B Kantor, S Khampepe, Mrs N J Mboweni, B D Mehl* (Deputy Chairman), M L Ramafalo* (Betting & Compliance), J S Tennant* (Chief Executive), J B Walters (*Executive)

Company Secretary: A F Wintour

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

Share code: PHM ISIN: ZAE00039269

Web site: www.phumelela.com