



# PHUMELELA GAMING AND LEISURE LIMITED

(Registration number 1997/016610/06)

## The Group's unaudited financial results for the 6 months ended 31 January 2004

★ EARNINGS RESILIENCE DEMONSTRATED DESPITE EQUINE FLU

★ DIVIDEND OF 10 CENTS PER SHARE

★ ATTRIBUTABLE EARNINGS IMPACTED BY FULL TAXATION CHARGE

The Group's unaudited financial results for the six months ended 31 January 2004 are as follows:

### ABRIDGED CONSOLIDATED INCOME STATEMENT

	Unaudited Six months 31 Jan 2004 R'000	Unaudited Six months 31 Jan 2003 R'000	Audited Twelve months 31 Jul 2003 R'000
Betting turnover	802 462	831 059	1 642 532
Net betting income	185 105	188 825	359 720
Other operating income	40 971	38 621	100 053
Net income	226 076	227 446	459 773
Operating expenses	200 348	201 408	409 752
Profit from operations	25 728	26 038	50 021
Finance costs	11	344	503
Profit before taxation	25 717	25 694	49 518
Taxation	8 909	4 111	5 441
<b>Earnings attributable to ordinary shareholders</b>	<b>16 808</b>	<b>21 583</b>	<b>44 077</b>
Earnings attributable to ordinary shareholders	16 808	21 583	44 077
Adjusted for:			
Surplus on disposal of property, plant and equipment	(370)	(405)	(555)
Amortisation of goodwill	536	536	1 071
<b>Headline earnings</b>	<b>16 974</b>	<b>21 714</b>	<b>44 593</b>
Number of shares in issue	70 000 285	70 000 285	70 000 285
Weighted average number of shares	70 000 285	70 000 285	70 000 285
Diluted earnings per share (cents)	22,95	29,78	60,63
Headline earnings per share (cents)	24,25	31,02	63,70
Earnings per share (cents)	24,01	30,83	62,97
Net asset value per share (cents)	174,25	136,60	162,73
Dividend per share (cents)	10,00	7,50	20,00

### ABRIDGED CONSOLIDATED BALANCE SHEET

	Unaudited 31 Jan 2004 R'000	Unaudited 31 Jan 2003 R'000	Audited 31 Jul 2003 R'000
<b>ASSETS</b>			
<i>Non-current assets</i>	154 414	163 354	154 658
Property, plant and equipment	143 602	154 792	142 626
Goodwill	3 662	4 733	4 198
Deferred taxation	1 214	3 829	1 214
Long-term debtor	5 686	-	6 370
Investment	250	-	250
<i>Current assets</i>	42 338	40 345	42 062
Inventories	434	626	547
Trade and other receivables	16 541	17 115	16 931
Cash and cash equivalents	25 363	22 604	24 584
<b>Total assets</b>	<b>196 752</b>	<b>203 699</b>	<b>196 720</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Capital and reserves</i>	121 973	95 621	113 915
Share capital and premium	22 688	22 688	22 688
Accumulated profit	99 285	72 933	91 227
<i>Non-current liabilities</i>	27 853	50 110	29 353
Retirement benefit obligations	7 853	9 985	9 353
Racing Association loan	20 000	30 125	20 000
Grant for industry transformation	-	10 000	-
<i>Current liabilities</i>	46 926	57 968	53 452
Trade and other payables	36 555	47 190	47 382
Provisions	3 131	7 258	4 458
Taxation	7 240	3 520	1 612
<b>Total equity and liabilities</b>	<b>196 752</b>	<b>203 699</b>	<b>196 720</b>

### ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 31 Jan 2004 R'000	Unaudited 31 Jan 2003 R'000	Audited 31 Jul 2003 R'000
Cash generated by operations (Increase)/decrease in working capital	27 028 (10 324)	30 135 3 919	43 915 8 133
Cash generated by operating activities	16 704	34 054	52 048
Net interest, investment income and taxation	(857)	(236)	579
Dividend paid	(8 750)	-	(5 250)
Net cash inflow from operating activities	7 097	33 818	47 377
Net cash outflow from investing activities	(5 502)	(7 445)	(8 849)
Net cash outflow from financing activities	(816)	(10 700)	(20 875)
Net increase in cash and cash equivalents	779	15 673	17 653
Cash and cash equivalents at beginning of period	24 584	6 931	6 931
Cash and cash equivalents at end of period	25 363	22 604	24 584
<b>ABRIDGED STATEMENT OF CHANGES IN GROUP EQUITY</b>			
	Unaudited 31 Jan 2004 R'000	Unaudited 31 Jan 2003 R'000	Audited 31 Jul 2003 R'000
Shareholders' interest at beginning of period	113 915	74 038	74 038
Gains on loans and receivables originated on first time application of AC 133	-	-	1 050
Net profit for period	16 808	21 583	44 077
Dividend paid	(8 750)	-	(5 250)
Shareholders' interest at end of period	121 973	95 621	113 915

### COMMENTS

#### REVIEW OF RESULTS AND FINANCIAL POSITION

The Board considers the results for the six months to 31 January 2004 to be reasonable given the impact of the equine flu from early December 2003. In the period under review the net betting turnover lost due to the outbreak is estimated to exceed R120,0 million, which would have yielded additional attributable earnings of approximately R10,0 million. Betting turnover lost would have been higher but for the importation of additional foreign racing product.

The resultant 3,4% reduction in betting turnover was partially compensated for by reduced expenses following fewer race meetings and higher interest income, which enabled the profit before tax to be in line with the comparative. The full tax charge and STC of R1,1 million on last year's final dividend caused the 21,8% fall in headline earnings.

Cash generated in the six months was sufficient to fund the increase in working capital, to cover the payment of the final dividend and STC thereon, plus the funding of a further R1,5 million post retirement medical aid liability, and capital expenditure of R5,5 million. The increase in working capital was a consequence of the equine flu where the lower activity level caused the reduction in trade and other payables. The programme of investing in technology and refurbishing facilities has been continued albeit at a slower rate.

#### 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 and Phumelela is therefore taking the necessary steps to pursue the claim.

#### 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

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.

#### 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, and further ruled that acceptance of open bets in Gauteng is in contravention of the local Gambling and Betting Act. Leave to appeal to the Supreme Court of Appeal has been granted. Should the High Court judgement be upheld, the implications are that only bookmakers who have been appointed agents in Phumelela's region may accept tote bets on behalf of Phumelela and may not hold such bets themselves. This would be earnings enhancing in the long-term.

Phumelela has requested a hearing date for the Soccer 6 action brought by the Minister of Trade and Industry and the National Lotteries Board following their failure to lodge a reply to our affidavit.

#### PROSPECTS

The racing programme returned to normal from 24 February 2004 in Gauteng with Eastern Cape and Western Cape having resumed on 23 January and 8 February respectively (as per our trading update of 6 February 2004). The equine flu impact on the six months to 31 July 2004 will therefore be less than on the first six months. However, it could take time for turnover levels to normalise.

Progress on overseas initiatives continues and on 18 February 2004 Phumelela Gold Enterprises, the partnership with Gold Circle, was awarded a tote licence on the Isle of Man. Although this will not yield any short-term benefit, the licence has long-term strategic

importance. The export of the Tuesday night racing product to the USA resumed on 2 March 2004. While the commission earned is currently small, the outlook is encouraging.

#### DIVIDEND

Notice is hereby given that the Board has declared an interim dividend of 10 cents per share payable to shareholders recorded in the register on Friday 23 April 2004. Shareholders are advised that the last date to trade "cum dividend" will be Friday 16 April 2004. As from commencement of business on Monday 19 April 2004 all trading of Phumelela shares will be "ex dividend". Payment will be made on Monday 26 April 2004. Share certificates may not be dematerialised or rematerialised between Monday 19 April 2004 and Friday 23 April 2004, both days inclusive.

For and on behalf of the Board

**M P MALUNGANI**

Chairman

Johannesburg  
17 March 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 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

**Share code:** PHM **ISIN:** ZAE000039269

**Web site:** www.phumelela.com