

The Group's unaudited financial results for the 6 months ended 31 January 2005

★ REVENUE UP 17%

★ DIVIDEND UP 20%

The Group's unaudited financial results for the six months ended 31 January 2005 are as follows:

ABRIDGED CONSOLIDATED INCOME STATEMENTS

	Unaudited Six months 31 Jan 2005 R'000	Unaudited Six months 31 Jan 2004 R'000	Audited Twelve months 31 Jul 2004 R'000
Revenue	956 601	816 273	1 736 895
Net betting income	205 871	177 262	376 177
Other operating income	59 671	48 814	97 630
Net income	265 542	226 076	473 807
Local operating expenses	165 177	157 044	309 026
Stakes	55 515	43 304	102 743
International expansion	15 253	–	5 404
Total operating expenses	235 945	200 348	417 173
Profit from operations	29 597	25 728	56 634
Finance costs	7	11	35
Profit before associated company's income	29 590	25 717	56 599
Share of associated company's income	151	–	305
Profit before taxation	29 741	25 717	56 904
Taxation	10 499	8 909	18 985
Earnings attributable to ordinary shareholders	19 242	16 808	37 919
Adjusted for:			
Loss/(surplus) on disposal of property, plant and equipment	45	(370)	(452)
Amortisation of goodwill	–	536	1 072
Headline earnings	19 287	16 974	38 539
Number of ordinary shares in issue	71 017 285	70 000 285	70 649 985
Weighted average number of shares	70 918 589	70 000 285	70 057 416
Basic earnings per share (cents)	27,13	24,01	54,13
Diluted earnings per share (cents)	25,63	22,95	51,29
Headline earnings per share (cents)	27,20	24,25	55,01
Net asset value per share (cents)	199,28	174,25	193,10
Dividend declared per share (cents)	12,00	10,00	30,00

ABRIDGED CONSOLIDATED BALANCE SHEETS

	Unaudited 31 Jan 2005 R'000	Unaudited 31 Jan 2004 R'000	Audited 31 Jul 2004 R'000
ASSETS			
<i>Non-current assets</i>	163 098	154 414	158 692
Property, plant and equipment	151 369	143 602	145 921
Goodwill	3 126	3 662	3 126
Deferred taxation	100	1 214	100
Long-term debtor	2 640	5 686	3 905
Investment in associated company	5 613	–	5 390
Investment	250	250	250
<i>Current assets</i>	61 287	42 338	70 804
Inventories	147	434	151
Trade and other receivables	24 140	16 541	24 499
Cash and cash equivalents	37 000	25 363	46 154
Total assets	224 385	196 752	229 496
EQUITY AND LIABILITIES			
<i>Capital and reserves</i>	141 525	121 973	136 424
Share capital and premium	23 059	22 688	23 012
Accumulated profit	118 466	99 285	113 412
<i>Non-current liabilities</i>	26 176	27 853	27 376
Retirement benefit obligations	5 999	7 853	5 999
Long-term borrowings	20 046	20 000	21 246
Deferred taxation	131	–	131
<i>Current liabilities</i>	56 684	46 926	65 696
Trade and other payables	47 804	36 555	51 085
Provisions	1 224	3 131	1 224
Taxation	7 656	7 240	13 387
Total equity and liabilities	224 385	196 752	229 496

ABRIDGED CONSOLIDATED CASH FLOW STATEMENTS

	Unaudited Six months 31 Jan 2005 R'000	Unaudited Six months 31 Jan 2004 R'000	Audited Twelve months 31 Jul 2004 R'000
Cash generated by operations	33 857	27 028	58 006
Movement in working capital	(2 917)	(10 324)	(3 332)
Cash generated by operating activities	30 940	16 704	54 674
Net interest, investment income, dividend paid and taxation	(28 581)	(9 607)	(19 189)
Net cash inflow from operating activities	2 359	7 097	35 485
Net cash outflow from investing activities	(11 625)	(5 502)	(17 846)
Net cash inflow/(outflow) from financing activities	112	(816)	3 931
Net movement in cash and cash equivalents	(9 154)	779	21 570
Cash and cash equivalents at beginning of period	46 154	24 584	24 584
Cash and cash equivalents at end of period	37 000	25 363	46 154
ABRIDGED STATEMENT OF CHANGES IN GROUP EQUITY			
	Unaudited Six months 31 Jan 2005 R'000	Unaudited Six months 31 Jan 2004 R'000	Audited Twelve months 31 Jul 2004 R'000
Shareholders' interest at beginning of period	136 424	113 915	113 931
Issue of share capital	47	–	324
Net profit for period	19 242	16 808	37 919
Dividend paid	(14 188)	(8 750)	(15 750)
Shareholders' interest at end of period	141 525	121 973	136 424

COMMENTS

REVIEW OF RESULTS

Revenue for the 6 months was 17% up on the comparative period, which included the effects of the equine flu incident. The revenue growth flowed through to net betting income, which was 16% up. The increase in other operating income reflects the initial benefits of the overseas developments, which are only now gathering momentum following the recent resolution of the Racing UK data licence issue with the previous broadcaster around which a settlement agreement is being finalised.

Local operating expenses were generally held to inflationary increases except for stakes, which increased by R12,2 million (28% increase) following an uninterrupted racing programme.

International expansion expenditure was R15,3 million. The delayed income flow due to the Racing UK licence dispute has resulted in a before tax loss on these overseas initiatives of R6,5 million for the 6 months.

Headline earnings were 14% higher after a full tax provision and R1,8 million STC on the final dividend paid while HEPS increased by 12%.

FINANCIAL POSITION

Cash generated by operations during the 6 months of R33,9 million funded the increase in working capital, the payment of the final dividend with STC thereon and the taxation payments. Capital expenditure of R11,4 million and investments of R0,2 million contributed to the R9,2 million decrease in cash and cash equivalents. Capital commitments approved by the directors and contracted for at 31 January 2005 were R2,6 million, and not contracted for were R12,9 million.

SEGMENTAL ANALYSIS

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

ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice AC 127 and the listing requirements of the JSE Securities Exchange South Africa. The accounting policies used in preparing the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 July 2004.

EMPOWERMENT

Phumelela's empowerment credentials were recognised with the overall second place achievement in the annual Financial Mail Top Empowerment Companies awards and leader in the leisure and hotels category.

LITIGATION

The Supreme Court of Appeal on the matter of bookmakers taking bets that are linked to tote dividends was heard on 10 March 2005 and judgement has been reserved.

The court date for the hearing of the equine flu insurance claim, lodged early last year, has been set down for 3 November 2005 and the outcome will be accounted for thereafter.

PROSPECTS

The positive trend in betting turnover, which has continued through February and is supported by a strong local economy, together with the expanded retail network with their ongoing upgrade programme, the overseas developments which are expected to be profitable for the second half, plus growth in fixed odds, are expected to yield an improved profit performance in the second half.

DIVIDEND

Notice is hereby given that the Board has declared an interim dividend of 12 cents per share payable to shareholders recorded in the register on Friday 22 April 2005. Shareholders are advised that the last date to trade "cum dividend" will be Friday 15 April 2005. As from commencement of business on Monday 18 April 2005 all trading of Phumelela shares will be "ex dividend". Payment will be made on Monday 25 April 2005. Share certificates may not be dematerialised or rematerialised between Monday 18 April 2005 and Friday 22 April 2005, both days inclusive.

For and on behalf of the Board

M P MALUNGANI

Chairman

Johannesburg
16 March 2005

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, N J Mboweni, J S Tennant* (Finance), 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

Share code: PHM **ISIN:** ZAE000039269

Sponsor: Investec Bank Limited

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