Burswood Limited
ABN 36 075 071 537

ASX Preliminary final report – 30 June 2003

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1. This ASX Preliminary final report Appendix 4E relates to the period 1 July 2002 to 30 June 2003. Comparative information relates to the period 1 July 2001 to 30 June 2002.

2. Results for Announcement to the Market

				$'000
2.1 Revenue from ordinary activities	~~up/~~down	8.3%	to	333,230
2.2 Profit~~/(loss)~~ from ordinary activities after tax attributable to members	~~up/~~down	46.1%	to	11,095
2.3 Net profit~~/(loss)~~ for the period attributable to members	~~up/~~down	46.1%	to	11,095

2.4 Dividends	Amount per security	Franked amount per security
Final dividend	1.0 cents	1.0 cents
Interim dividend	0.75 cents	0.75 cents

2.5 Record date for determining entitlements to the final dividend — 19 September 2003

2.6 Explanatory notes

Explanation of Revenue
Revenue, other than that of casino operations, represents invoiced value for goods and services supplied. Casino revenue represents the net house takings from gaming. Revenue excludes the retail value of allowances provided on a complimentary basis to customers.

Explanation of Dividends
Provision is only made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the year but not distributed at balance date. As such, the final dividend of 1.0 cents has not been provided for but has still been disclosed in the accounts.

3. Preliminary consolidated statement of financial performance

	2003 $'000	2002 $'000
Revenue from ordinary activities	333,230	363,296
Casino tax	(39,182)	(43,862)
Junket commission and premium player rebates	(38,626)	(43,857)
Food and beverage cost of goods sold	(15,237)	(14,980)
Employee and payroll expenses	(113,912)	(118,411)
Depreciation and amortisation expenses	(25,944)	(24,905)
Borrowing costs	(19,043)	(19,536)
Advertising, promotion and sponsorship expenses	(14,043)	(17,278)
Rates and taxes expenses	(8,697)	(8,748)
Engineering and energy expenses	(7,820)	(8,501)
Other expenses from ordinary activities	(29,015)	(29,988)
Profit from ordinary activities before income tax	21,711	33,230
Income tax expense	(10,616)	(12,639)
Net profit	11,095	20,591
Net profit attributable to members of the Company	11,095	20,591
Total changes in equity other than those resulting from transactions with owners as owners	11,095	20,591

3.1 Detailed revenue analysis

	2003 $'000	2002 $'000
Revenue from operating activities		
Casino revenue	252,811	292,414
Food and beverage revenue	38,433	35,772
Rooms revenue	18,323	15,287
Convention and entertainment revenue	17,620	13,306
Other operating departments revenue	5,263	5,544
	332,450	362,323
Revenue from outside the operating activities		
Interest	312	120
Foreign exchange gains	129	223
Gross proceeds from sale of non-current assets	339	630
	780	973
Revenue from ordinary activities	333,230	363,296

3.2 Reconciliation of income tax expense

	2003 $'000	2002 $'000
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:		
Profit from ordinary activities before income tax	21,711	33,230
Income tax calculated at 30% (2002: 30%)	6,513	9,969
Tax effect of permanent differences:		
Non-deductible amortisation of casino licence	797	797
Non-deductible amortisation of goodwill	272	272
Non-deductible depreciation of buildings	1,245	1,220
Sundry items	388	375
Income tax adjusted for permanent differences	9,215	12,633
Under (over) provision in prior year [1]	1,401	6
Income tax expense	10,616	12,639

(1) Includes $1.383m lease taxation difference relating to an under provision in prior years.

4. Preliminary consolidated statement of financial position

	2003 $'000	2002 $'000
Current assets		
Cash assets	6,221	8,606
Receivables	11,289	9,123
Inventories	3,049	28,948
Tax assets	1,455	-
Other	4,000	3,299
Total current assets	26,014	49,976
Non-current assets		
Receivables	27,363	1,814
Inventories	-	32,600
Investments accounted for using the equity method	10,371	-
Other financial assets	925	-
Property, plant and equipment	512,820	523,120
Intangible assets	266,561	270,125
Deferred tax assets	10,642	11,614
Total non-current assets	828,682	839,273
Total assets	854,696	889,249
Current liabilities		
Payables	36,567	31,237
Interest bearing liabilities	-	62,534
Provisions	12,416	16,241
Current tax liabilities	-	2,448
Total current liabilities	48,983	112,460
Non-current liabilities		
Interest bearing liabilities	217,500	250,000
Provisions	1,445	1,313
Deferred tax liabilities	17,601	15,345
Total non-current liabilities	236,546	266,658
Total liabilities	285,529	379,118
Net assets	569,167	510,131
Equity		
Contributed equity	523,746	470,786
Reserves	3	1,208
Retained profits	45,418	38,137
Total equity	569,167	510,131

5. Preliminary consolidated statement of cash flows

	2003 $'000	2002 $'000
Cash flows from operating activities		
Receipts from patrons	367,065	397,067
Payments to suppliers and employees	(296,826)	(317,708)
Interest received	314	138
Borrowing costs	(18,924)	(19,359)
Income taxes paid	(11,207)	(15,605)
Net cash inflow from operating activities	40,422	44,533
Cash flows from investing activities		
Payments for property, plant and equipment and land held for resale	(16,524)	(71,000)
Proceeds from sale of plant and equipment	339	630
Payments for investments	(925)	-
Net cash outflow from investing activities	(17,110)	(70,370)
Cash flows from financing activities		
Proceeds from borrowings	83,000	55,000
Repayment of borrowings	(110,200)	(17,000)
Repayments under finance leases	(67,834)	(1,761)
Repayment of loan from associate entity	26,000	-
Proceeds from issue of shares	50,107	-
Dividend reinvestment plan transaction costs	(105)	-
Dividends paid	(6,701)	(14,092)
Net cash inflow (outflow) from financing activities	(25,733)	22,147
Net (decrease) in cash held	(2,421)	(3,690)
Cash at the beginning of the financial year	8,606	12,292
Effects of exchange rate changes on cash	36	4
Cash at the end of the financial year	6,221	8,606

5.1 Reconciliation of profit from ordinary activities after income tax to net cash flow from operating activities

	2003 **$'000**	2002 $'000
Operating profit after income tax	11,095	20,591
Amortisation and depreciation	25,944	24,905
Net amounts set aside to provisions	1,353	2,814
Loss on sale of plant and equipment	1,408	452
Unrealised foreign exchange gain	(36)	(4)
Shares issued under the Burswood Limited Employee Share Ownership Plan	-	306
Change in assets and liabilities:		
(Increase)/decrease in receivables	(2,612)	7,112
(Increase)/decrease in inventories	(101)	381
(Increase)/decrease in prepayments	(702)	87
(Increase)/decrease in future income tax benefit	972	(1,333)
Increase/(decrease) in payables	4,748	(9,144)
Decrease in provision for income tax payable	(3,903)	(3,713)
Increase in provision for deferred income tax	2,256	2,079
Net cash inflow from operating activities	40,422	44,533

6. Dividend information

Details of dividends declared or paid during or subsequent to the year ended 30 June 2003 are as follows:

Record date	Payment date	Type	Amount per security	Total dividend $'000	Franked amount per security
18 September 2002	26 September 2002	Final	1.5 cents	6,042	1.5 cents
7 March 2003	17 March 2003	Interim	0.75 cents	3,620	0.75 cents
19 September 2003	26 September 2003	Final	1.0 cents	4,849	1.0 cents

7. Dividend Reinvestment Plan

The dividend reinvestment plan approved by shareholders at the General Meeting held on 26 October 1999 was activated on 22 July 2002. Shares issued during the year under the plan were at a discount of 5.0% to the weighted average market price, free of brokerage, commission, stamp duty or other transaction costs.

Shares issued under the plan in respect of the final 2003 dividend payable on 26 September 2003 will not be issued at a discount.

The last date for the receipt of an election notice for participation in the dividend reinvestment plan is 19 September 2003.

8. Retained Earnings

	2003 $'000	2002 $'000
Previously reported retained profits at the end of the previous financial year	38,137	31,644
Change in accounting policy for providing for dividends	6,042	-
Change in accounting policy for providing for annual leave	(194)	-
Restated retained profits at the beginning of the year	43,985	31,644
Net profit attributable to members of the Company	11,095	20,591
Total available for appropriation	55,080	52,235
Dividends provided for or paid	(9,662)	(14,098)
Restated retained profits at the end of the year	45,418	38,137

9. NTA Backing

	2003	2002
Net tangible asset backing per ordinary share	62.4 cents	60.0 cents

10. Investments in Controlled Entities

Name of entity	Country of incorporation	Class of share/unit	Interest held **2003** %	Interest held 2002 %
Burswood Partnership Pty Ltd	Australia	Ordinary	100	-

Acquisition of controlled entity

During the year, the Company incorporated Burswood Partnership Pty Ltd as a subsidiary of Burswood Ltd. The purpose of the incorporation is to enter into a partnership with the InterContinental Hotels Group. All operating results of the entity have been included in the consolidated statement of financial performance since the date of incorporation.

11. Investments in Associates

Name of entity	Principal Activity	Ownership Interest **2003** %	Ownership Interest 2002 %	Consolidated Carrying Amount **2003** **$'000**	Consolidated Carrying Amount 2002 $'000
BL Developments Pty Ltd	Property Development	50	-	10,371	-

On 28 February 2003, the Company sold one share (50%) of BL Developments Pty Ltd. At the time of the sale, the net asset position of BL Developments Pty Ltd was $2.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

Prior to the deconsolidation of BL Developments Pty Ltd, borrowing and development costs of $2.4 million expensed for the 6 months ending 31 December 2002 were capitalised to the cost of land held for resale. Current and prior period borrowing costs of $10.4 million which previously formed part of the cost of land held for resale now represent the cost of investment in BL Development Pty Ltd at 30 June 2003. These costs were previously accounted for on consolidation and did not form part of the cost of land held for resale in the accounting records of BL Developments Pty Ltd. Accordingly there has been no cash outflow to acquire this investment.

	Consolidated **2003** **$'000**	Consolidated 2002 $'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	-	-
Investment recognised upon deconsolidation of BL Developments Pty Ltd	10,371	-
Share of profits from ordinary activities after income tax	-	-
Carrying amount at the end of the financial year	10,371	-

Other significant information

Material factors affecting the revenues and expenses of the economic entity for the current period

	2003 **$'000**	2002 $'000
Organisational restructuring costs (expense)	1,160	2,998

Further information on revenue and expenses is detailed in 14.5 – Trends in Performance.

Material factors affecting the assets, liabilities and equity of the economic entity for the current period

During the financial year contributed equity increased by $53.0 million to $523.7 million. Details of the movement are set out in 14.2 – Returns to Shareholders.

Material factors affecting the cash flows of the economic entity for the current period

There are no material factors affecting the cash flows of the economic entity for the current period.

Change in accounting policies

Change in accounting policy for providing for annual leave

Provision is made for the amount of annual leave to be paid based on nominal amounts. The nominal amount is calculated using remuneration rates which the Company expects to pay and does not discount cash flows to their present value.

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1028 Employee Benefits and applied to the year ended 30 June 2003. In previous years, the provision for annual leave was measured at pay rates current at the report date.

An adjustment of $194,000 was made against the consolidated retained profits at the beginning of the year to increase the amount provided at 30 June 2002 to the nominal rates of annual leave. This increased the consolidated current liabilities – other and total liabilities at the beginning of the year by $194,000 with a corresponding decrease in consolidated net assets, retained profits and total equity.

Change in accounting policy for providing for dividends

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1044 Provisions, Contingent Liabilities and Contingent Assets released in October 2001 and applied to the year ended 30 June 2003. In previous periods, in addition to providing for the amount of any dividends declared, determined or publicly recommended by the Directors on or before the end of the period but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the period where the dividend was proposed, recommended or declared between the end of the period and the completion of the financial report.

An adjustment of $6,042,000 was made against the consolidated retained profits at the beginning of the year to reverse the amount provided at 30 June 2002 for the proposed final dividend for the year ended on that date that was recommended by the Directors between the end of the financial year and the completion of the financial report. This reduced the consolidated current liabilities – provisions and total liabilities at the beginning of the year by $4,834,000 and consolidated reserves by $1,208,000 with corresponding increases in consolidated net assets, retained profits, total equity and the total dividends provided for or paid during the current period.

Fundamental errors

There are no fundamental errors to report in the financial statements.

Extraordinary items

There are no extraordinary items to report in the financial statements.

13. N/A as not a foreign entity

14.1 Earnings per Share

	2003	2002
Basic earnings per share (cents)	2.5	5.1
Diluted earnings per share (cents)	2.5	5.1
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	452,358,403	402,590,463
Weighted average number of ordinary shares and potential ordinary shares outstanding during the year used in the calculation of diluted earnings per share	452,622,754	402,987,791
Options granted under the Senior Executive Share Option Plan which have not been used in the calculation of diluted earnings per share.	8,118,951	3,000,000
	2003 $'000	2002 $'000
Earnings used in the calculation of basic and diluted earnings per share	11,095	20,591

14.2. Returns to shareholders

Movements in ordinary share capital

Date	Details	Number of Shares	Issue Price	$'000
1 July 2002	Opening Balance	402,784,413		470,786
26 September 2002	Burswood Limited Dividend Reinvestment Plan issue (1)	1,996,051	$0.76	1,414
8 November 2002	Burswood Limited Share Placement issue (1)	53,030,304	$0.66	33,785
18 December 2002	Burswood Limited Share Purchase Plan issue (1)	24,864,553	$0.66	16,322
17 March 2003	Burswood Limited Dividend Reinvestment Plan issue (1)	2,179,950	$0.66	1,439
30 June 2003	Balance	484,855,271		523,746

(1) The total addition to share capital is net of transaction costs associated with the equity raising.

Share Placement

During October/November 2002, the Company raised $35 million through a share placement to institutional investors to assist with funding the purchase of the Burswood Hotel and to improve gearing levels. A total of 53,030,304 shares were issued at $0.66. Costs of $1,215,000 associated with the share placement were deducted from ordinary shareholder equity.

Share Purchase Plan

During November/December 2002 the Company made an offer via a Share Purchase Plan to all shareholders in Australia and New Zealand to purchase up to $5,000 worth of ordinary shares in the Company. A total of 24,864,553 shares were issued at $0.66 being the same price paid for ordinary shares by institutional investors in the share placement. Costs of $89,000 associated with the share purchase plan were deducted from ordinary shareholder equity.

14.3 Significant features of operating profit

	2003 $'000	2002 $'000
Net gains		
Foreign exchange gains	129	223
Expenses		
Borrowing costs		
Interest and finance charges paid/payable	17,677	16,861
Finance charges relating to finance leases	3,625	4,674
Amount capitalised	(2,259)	(1,999)
Borrowing costs expensed	19,043	19,536
Depreciation of:		
Buildings	8,270	6,276
Plant and equipment	12,201	12,074
Total depreciation	20,471	18,350
Amortisation of:		
Casino licence	2,656	2,656
Goodwill	908	907
Leased assets capitalised	1,909	2,992
Total amortisation	5,473	6,555
Amounts set aside for employee entitlements	9,243	9,237
Amounts set aside for doubtful debts and dishonoured cheques	528	1,131
Bad debts written off	95	60
Net loss on disposal of plant and equipment	1,408	452
Minimum operating lease rental expense	288	82

14.4 Segment Information

Business Segments

The consolidated entity is organised into the following divisions by product and service type:

Local Gaming

Comprises all gaming activity excluding international gaming.

International Gaming

Comprises international players who are non-residents of Australia and are paid commission or provided with benefits based on gaming turnover or bets placed.

Hospitality

Comprises the hotel and food and beverage operations.

Other

Includes conference and function services, entertainment events and other miscellaneous operating activities. None of these activities constitutes a separately reportable segment.

Inter Segment Transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arms length basis and are eliminated on consolidation.

Geographical Segment

The consolidated entity operates in one geographical segment, Australia.

Segment Reporting

Segment result is segment revenue less direct costs. Segment revenues, expenses and results include transfers between segments. Such transfers are at negotiated prices and are eliminated on consolidation.

Borrowing costs, energy and engineering expenses, certain rates, taxes, administration and corporate expenses and other costs not directly attributable to a segment, have not been allocated due to the integrated nature of operations.

It is not considered reasonable to allocate all assets, depreciation expense and amortisation expense to segments. This is due to the integrated nature of the Company's operations whereby many assets are recorded on a group basis and cannot be allocated to individual segments. This includes land, some buildings and plant and equipment which may be used by one or more segments.

Comparative information has been restated to reflect any changes in segments and allocations in the current reporting period to present the information on a consistent basis.

14.4 Segment Information (continued)

	Local Gaming $'000s	International Gaming $'000s	Hospitality $'000s	Other $'000s	Inter Segment Eliminations/ Unallocated $'000s	Consolidated $'000s
30 June 2003						
Sales to external customers	197,476	55,334	56,757	22,883	-	332,450
Intersegment sales	-	-	8,980	2,542	(11,522)	-
Total sales revenue	197,476	55,334	65,737	25,425	(11,522)	332,450
Unallocated revenue	-	-	-	-	780	780
Total revenue	197,476	55,334	65,737	25,425	(10,742)	333,230
Segment Result	93,513	(16,235)	4,777	(451)	-	81,604
Unallocated expenses	-	-	-	-	(59,893)	(59,893)
Profit from ordinary activities before income tax expense	93,513	(16,235)	4,777	(451)	(59,893)	21,711
Income tax expense						(10,616)
Net profit						11,095
Segment Assets	228,156	61,661	167,418	41,539	355,922	854,696
Segment Liabilities	19,382	5,732	6,598	3,853	249,964	285,529
Acquisitions of property, plant and equipment and other non-current segment assets	5,018	80	7,557	796	398	13,849
Depreciation and amortisation expense	4,060	549	9,879	4,455	7,001	25,944
30 June 2002						
Sales to external customers	194,126	98,288	51,059	18,850	-	362,323
Intersegment sales	-	-	10,520	3,139	(13,659)	-
Total sales revenue	194,126	98,288	61,579	21,989	(13,659)	362,323
Unallocated revenue	-	-	-	-	973	973
Total revenue	194,126	98,288	61,579	21,989	(12,686)	363,296
Segment Result	89,960	8,685	248	(1,975)	-	96,918
Unallocated expenses	-	-	-	-	(63,688)	(63,688)
Profit from ordinary activities before income tax expense	89,960	8,685	248	(1,975)	(63,688)	33,230
Income tax expense						(12,639)
Net profit						20,591
Segment Assets	233,552	58,825	167,388	43,982	385,502	889,249
Segment Liabilities	18,748	5,548	73,774	3,722	277,326	379,118
Acquisitions of property, plant and equipment and other non-current segment assets	11,964	32	28,983	25,734	479	67,192
Depreciation and amortisation expense	3,878	547	9,511	4,036	6,933	24,905

14.5 Trends in performance

The consolidated entity's operating revenue decreased by 8.3% from $363.3 million to $333.2 million. Revenue for each of the major operating divisions was as follows:

- Local gaming revenue increased by $3.4 million from $194.1 million to $197.5 million. All local sectors, including table games, electronic gaming machines, international room and keno increased revenue from the previous year.
- International revenue decreased from $98.3 million to $55.3 million due principally to a lower win percentage (0.9% compared to 1.42% for the previous corresponding period) and a decrease in turnover from $6.0 billion to $5.2 billion in international commission business.
- Food and Beverage revenue increased by $2.6 million or 7.4% from $35.8 million to $38.4 million due mainly to the addition of new and improved Resort facilities.
- Rooms revenue increased by $3.0 million or 19.9% from $15.3 million to $18.3 million. This result reflected the benefits of refurbished facilities and an increase in occupancy from 70% to 77%, despite strong local five-star hotel market competition.
- Convention and entertainment revenue increased by $4.3 million or 32.4% from $13.3 million to $17.6 million. This growth in revenue was primarily due to the new grand ballroom which attracted a greater number of events.

Borrowing costs decreased by $0.5 million from $19.5 million to $19.0 million. Borrowing costs were lower in the second half of the financial year following the capital raising.

Income tax expense increased from 38.0% of pre-tax operating profit in 2002 to 48.9% in 2003 due mainly to the impact of permanent differences on the lower level of profit and lease taxation differences under provided in prior years. The effective tax rate of the consolidated entity is higher than the company rate of 30% principally due to permanent differences arising on the amortisation of intangibles and non-deductible depreciation on buildings.

14.6 Events occurring after reporting date

There are no significant events occurring after reporting date.

15. Audit

This report is based on accounts which are in the process of being audited.