



Phumelela Gaming

Phumelela Gaming and Leisure Limited

ANNUAL REPORT

2021





CONTENTS

PHUMELELA GAMING AND LEISURE LIMITED

Annual financial statements for the year ended 31 July 2021.

These financial statements represent the financial information of Phumelela Gaming and Leisure Limited.

These financial statements have been prepared under the supervision of Mr AR Langham CA(SA)
Interim Chief Financial Officer.

FINANCIAL STATEMENTS

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DIRECTORS' RESPONSIBILITY AND APPROVAL STATEMENT

for the year ended 31 July 2021

The Company's directors are responsible for the preparation and fair presentation of the annual financial statements of Phumelela Gaming and Leisure Limited ("the Company"), comprising the statements of financial position as at 31 July 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa ("the Companies Act"), and the directors' report.

The directors are of the opinion, based on the information and explanations given by management that the systems of internal control provide reasonable assurance that the financial records may be relied upon for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Based on the above, and to the best of their knowledge and belief, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the current reporting period.

The directors have considered the Company's ability to continue as a going concern. In assessing this, the following were considered:

- The business rescue plan of the Company, adopted on 1 September 2020, states under 8.2 that the Company mandates the business rescue practitioner to continue to trade its businesses while all its assets are sold or collected, and pay whatever funds remain to the employees, creditors and shareholders per the payment waterfall and preferences as set out in the plan.
- The business rescue plan published on 1 September 2020 states under 8.1.4 that "the business rescue practitioner is of the view that it is best for affected persons that once all distributions have been paid to creditors and shareholders, wind-up the affairs of the Company."
- In terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity.

The Audit and Risk Committee recommended to the Board that the financial statements not be prepared on a going concern basis but instead on an orderly realisation (break-up) basis as it is likely that the entity will be wound-up. The financial statements have been prepared in accordance with the Company's own accounting policies which have been derived from IFRS and interpretations of those standards as adopted by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act of South Africa. In terms of the break-up basis, in order to provide creditors and shareholders with an assessment as to whether creditors' claims will be met and a quantification of any surplus that may be available for distribution to shareholders, assets have been valued at estimated realisable value.

The auditor is responsible for reporting on whether the financial statements of Phumelela Gaming and Leisure Limited are fairly presented in accordance with the basis of preparation and accounting policies adopted.

The annual financial statements of Phumelela Gaming and Leisure Limited were approved by the Board of Directors on 26 October 2021 and signed.



E NKOSI

Chairman

26 October 2021



SH MÜLLER

Non-executive director



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REPORT OF THE COMPANY SECRETARY

for the year ended 31 July 2021

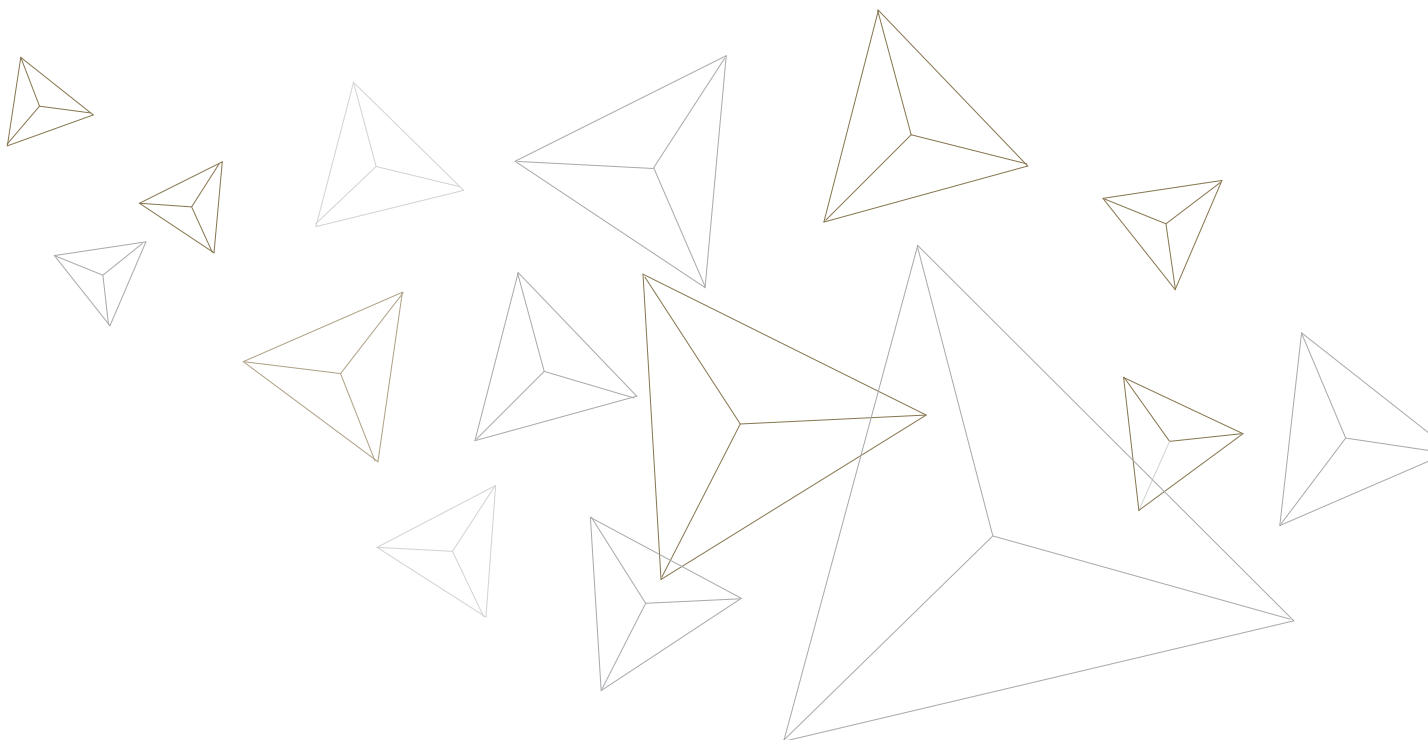
In terms of section 88(2) (e) of the Companies Act 71 of 2008 ("the Companies Act") I certify that to the best of my knowledge and belief, Phumelela Gaming and Leisure Limited has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns and notices prescribed by the Companies Act and all such notices appear to be true and up to date.



F MOLOI

Company Secretary

26 October 2021



REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 July 2021

The Audit and Risk Committee ("the committee") presents its report for the financial year ended 31 July 2021. The committee is satisfied that it has performed the statutory requirements for an audit and risk committee as set out in the Companies Act 71 of 2008 ("the Companies Act"), and that it has therefore complied with its legal responsibilities. The committee fulfils the functions required under section 94(7) of the Companies Act for the Company and its wholly owned subsidiaries.

The Audit and Risk Committee, which comprises independent non-executive directors, reviews the scope of the audit and the accounting policies. The committee further identifies key risk areas and evaluates exposure to significant risks and the appropriateness of internal controls.

The scope of the external audit, and reliance on internal controls are discussed between the committee and the auditors as part of the process of each audit. The auditors have unrestricted access to the committee and its Chairman.

The committee, with the auditors present, examines, reviews and discusses the audited financial statements and reports to be issued to the public before being submitted to the Board for approval.

At year end, the committee comprised of four independent non-executive directors, namely SH Müller (Chairman), NJ Mboweni, JB Walters, and SA Mahlalela.

MEETINGS

The committee met twice during the financial year. Senior employees and the external auditor all attend meetings of the committee by invitation.

At its meetings, the committee reviews the Company's financial results, receives and considers reports from the external auditors on the results of their work and attends generally to its responsibilities. The committee also seeks assurance from the external auditors that they have received full cooperation from management, while the committee Chairman meets with senior employees and the business rescue practitioner to review issues which require consideration by the committee.

EXTERNAL AUDIT

The Company's external auditor is BDO South Africa Incorporated.

The external auditor provides an independent assessment of systems of internal financial control and expresses an independent opinion on the annual financial statements. The external audit function offers reasonable, but not absolute assurance on the accuracy of financial disclosures.

The Audit and Risk Committee conducted an assessment of the performance and the independence of the external auditors and considered whether or not the external auditors comply with the requirements of section 90(2) of the Companies Act. The committee concluded and is satisfied that the external auditors comply with the relevant provisions.

AUDITOR INDEPENDENCE

The committee considered to its satisfaction the independence, objectivity and effectiveness of the external audit firm and the designated individual auditor, Mr Stephen Shaw.

This conclusion is, *inter alia*, based on the following:

- Auditing profession standards that preclude the external auditor's personnel from holding shares in or having other business relationships with the Group;
- The external auditor may not provide services that could be seen as participating in the management of the Group's affairs; and
- The assurance provided by the external auditor that internal governance processes within the audit firm support the claim to independence.



PHUMELELA GAMING
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REPORT OF THE AUDIT AND RISK COMMITTEE CONTINUED

for the year ended 31 July 2021

DISCHARGE OF RESPONSIBILITIES

During the reporting period the committee undertook the following:

- Reviewed the annual financial statements and recommended them for approval by the Board;
- Considered and assessed the Company's going concern status;
- Ensured that the appointment of the external auditor complied with the provisions of the Companies Act and other legislation relating to the appointment of auditors;
- Noted that non-audit services were not rendered during the financial year;
- Engaged with the business rescue practitioner as requested.

GOING CONCERN AND BASIS OF PREPARATION

The committee considered the Company's ability to continue as a going concern. In assessing this, the following were considered:

- The business rescue plan of the Company, adopted on 1 September 2020, states under 8.2 that the Company mandates the business rescue practitioner to continue to trade its businesses while all its assets are sold or collected, and pay whatever funds remain to the employees, creditors and shareholders per the payment waterfall and preferences as set out in the plan.
- The business rescue plan published on 1 September 2020 states under 8.14 that the business rescue practitioner is of the view that it is best for affected persons that once all distributions have been paid to creditors and shareholders, to wind-up the affairs of the Company.
- In terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity.

The committee recommended to the Board that the financial statements not be prepared on a going concern basis but instead on an orderly realisation (break-up) basis as it is likely that the entity will be wound-up. The financial statements have been prepared in accordance with the Company's own accounting policies which have been derived from International Financial Reporting Standards ("IFRS") and interpretations of those standards as adopted by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act of South Africa. In terms of the break-up basis, in order to provide creditors and shareholders with an assessment as to whether creditors' claims will be met and a quantification of any surplus that may be available for distribution to shareholders, assets have been valued at estimated realisable value. Refer to the basis of preparation in note 1.2.

The committee also recommended to the Board that, after taking into consideration the disposals of most operating subsidiaries during the year and the valuation at estimated realisable value of the investments in the remaining subsidiaries, no purpose would be served in preparing consolidated Group accounts for the financial year.

ANNUAL FINANCIAL STATEMENTS

The committee has recommended the annual financial statements for approval to the Board. The Board has subsequently approved the financial statements.

On behalf of the Audit and Risk Committee.



SH MÜLLER

Audit and Risk Committee Chairman

26 October 2021

REPORT OF THE DIRECTORS

for the year ended 31 July 2021

The directors hereby present the financial statements for the year ended 31 July 2021, which have been audited in compliance with the Companies Act. The preparation of these annual financial statements was supervised by the Interim Chief Financial Officer, Mr AR Langham.

NATURE OF BUSINESS

The directors resolved on 8 May 2020 that the Company voluntarily commence business rescue proceedings and be placed under supervision as the Board had reasonable grounds to believe that it could be rescued despite it being financially distressed and reasonably unlikely that the Company would be able to pay all of its debts as they became due and payable within the immediately ensuing six months.

The business rescue plan was approved by creditors on 1 September 2020. The plan states that the Company mandates the business rescue practitioner to continue to trade its businesses while all its assets are sold, realised or collected and to pay the proceeds therefrom to the employees, creditors and shareholders per the payment waterfall and preferences as set out in the plan.

South Africa

During the year under review the Company owned three racecourses with allied training centres in Gauteng, Free State and Eastern Cape, and managed a stand-alone training centre in Gauteng. The Company staged approximately 210 race meetings and provided betting opportunities primarily on horseracing via its totalisator system and a network of branches, agents, an internet betting site, and telephone betting ("telebet") centres.

The branch and agent outlets are situated in the above-mentioned provinces plus Northern Cape, Limpopo, Mpumalanga and North West.

The Tellytrack Partnership, a joint operation between Phumelela Gaming and Leisure Limited, Gold Circle Proprietary Limited and Kenilworth Racing Proprietary Limited, produced a television channel containing live horseracing audio, visual and data from South Africa, the UK and other international racecourses to betting shops and private subscribers worldwide.

International

The Company distributed simulcast products and coverage and performed international commingling of betting pools.

FINANCIAL RESULTS AND POSITION

The Company generated R91 million in profits after accounting for investment income of a R144 million, a portion of which investment income resulted from horseracing operations. South African horseracing and related activities had an approximate break even result for the year (2020: R300 million loss).

As at 31 July 2021 the equity attributable to ordinary shareholders was R205 million and, including the treasury shares, 102,5 million shares were in issue resulting in a value per share of 200 cents. Shareholders are reminded that a number of estimates are used in arriving at values, and the outcomes resulting from future events may positively or negatively affect shareholders' position.

Of the R895 million of assets held at 31 July 2021, R464 million was held in cash, R287 million of assets are subject to sale agreements and R144 million are still to be realised by the business rescue practitioner. Liabilities of R689 million are still to be settled by the business rescue practitioner.

Further comment and detail are set out in the financial statements and accompanying notes.

INVESTMENTS

During the year the Company sold its investments in various operating entities known as Supabets, Supaworld, Interbet, Premier Gateway and Betting World. In addition, the land on which the former Arlington racecourse was situated was sold.



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REPORT OF THE DIRECTORS CONTINUED

for the year ended 31 July 2021

PROPERTY, PLANT AND EQUIPMENT

There was no change in the nature of the property, plant and equipment of the Company.

SHARE CAPITAL

There has been no change in the authorised share capital of the Company.

At 31 July 2021, issued share capital amounted to 102 500 588 shares, including 2 531 211 treasury shares.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Audit Committee considered the following;

- The business rescue plan of the Company, adopted on 1 September 2020, states under 8.2 that the Company mandates the business rescue practitioner to continue to trade its businesses while all its assets are sold or collected, and pay whatever funds remain to the employees, creditors and shareholders per the payment waterfall and preferences as set out in the plan.
- The business rescue plan published on 1 September 2020 states under 8.1.4 that the business rescue practitioner is of the view that it is best for affected persons that once all distributions have been paid to creditors and shareholders, to wind-up the affairs of the Company.
- In terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity.

Thereafter the Audit Committee recommended to the Board that the financial statements not be prepared on a going concern basis but instead on an orderly realisation (break-up) basis as it is likely that the entity will be wound-up. The financial statements have been prepared in accordance with the Company's own accounting policies which have been derived from International Financial Reporting Standards ("IFRS") and interpretations of those standards as adopted by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act of South Africa. In terms of the break-up basis of accounting and in order to provide creditors and shareholders with an assessment as to whether creditors' claims will be met and a quantification of any surplus that may be available for distribution to shareholders, assets have been valued at estimated realisable value. All significant operating subsidiaries and investments were disposed of during the year and all other subsidiaries have been valued at the estimated realisable value of their underlying net assets, therefore it has not been considered that presenting consolidated financial statements would provide additional useful information to users and consequently, consolidated financial statements have not been prepared. Refer to the basis of preparation in note 1.2.

GOING CONCERN

The adopted business rescue plan of the Company mandates the business rescue practitioner to wind-up the affairs of the Company.

The Company generated a profit for the year of R91 million (2020: R758 million loss).

Based on the accounting policies applied, the Company's assets exceeded its liabilities by R205 million as at 31 July 2021 (R114 million as at 31 July 2020).

SUBSEQUENT EVENTS

Conditional sales agreements have been entered into for the sale of most of the Company's racing assets and tote operations as part of an on-going business concern. A condition of the sales agreements is that should the transfer of the business not be approved for implementation by regulatory authorities on or before 30 November 2021, then the agreement may be extended by the purchaser until 31 March 2022 and thereafter be extended through mutual agreement by the parties. The values achieved in the sale of these assets aligns with the realisable values recorded in the financial statements.

Subsequent to year-end the Arlington properties were transferred to the new owner and the sale proceeds received by the Company's subsidiaries.

REPORT OF THE DIRECTORS CONTINUED

for the year ended 31 July 2021

SUBSEQUENT EVENTS CONTINUED

The business rescue practitioner publishes monthly status reports outlining progress on the implementation of the business rescue plan. These reports are available on the Company's website www.phumelela.com.

Other than the above there are no significant subsequent events that have had an impact on the financial information at 31 July 2021.

MATTERS OF CORPORATE INTEREST AND LITIGATION

Since entering into business rescue a dispute has arisen with Gold Circle regarding various financial claims made by Gold Circle. It is understood that Gold Circle claim that they are owed substantial amounts on the trading account and claim that they own 39% of the shares in the Group's Isle of Man subsidiary, Phumelela Gold International Limited. These claims are disputed by the Company. The Company has taken a conservative approach by providing for the possible outcome of the dispute.

Should Gold Circle not be successful with their monetary claim, approximately R220 million will be released from provisions to shareholders funds. Should Gold Circle not be successful with their share-ownership claim then approximately R85 million will be released from provisions to shareholders funds. A provision for the adverse income tax consequences that may arise from the outcome of the dispute has been made. The matter is due to be presented before a dispute hearing in April 2022. The outcome of the dispute hearing is subject to appeal.

A comprehensive report on legal disputes was included in the Report of the Directors in the 2019 Financial Statements. Material matters that remain unresolved are:

- The Review Application of the Gauteng Gambling Regulations, 1997 amendments published on 28 March 2019 that deprived the Company of a portion of the betting levies;
- The application by Nadomine Proprietary Limited against the NHRA and Phumelela declaring the licence to hold races at Turffontein to be invalid;
- Various applications by the South African Bookmakers' Association relating to their access to the TellyTrack service.

A High Court Review Application has resulted in the setting aside of the Public Protector's Final Report on her investigation into the 1997 memorandum of understanding between industry participants that led to the corporatisation of the horseracing industry. The setting aside of this report may have a positive effect on the outcome of the Company's Review Application of the Gauteng Gambling Regulations, as noted above. The Company has been deprived of approximately R6 million per month of levy income since the amendments to the Gauteng Gambling Board Regulations took effect in April 2019.

There are no contingent liabilities or provisions recognised in respect of the applications by Nadomine Proprietary Limited and the South African Bookmakers' Association.

Shareholders are reminded that the outcome of the relevant actions noted under Corporate Interests and Litigation, as described in the annual financial statements, remains uncertain and may have an impact on future earnings.

RELATED PARTIES

Other than in the normal course of business, there have been no significant transactions during the period with associates, joint operations or other related parties.

DIVIDENDS TO ORDINARY EQUITY HOLDERS

There were no dividends declared to shareholders during the year ending 31 July 2021 (2020: nil).



REPORT OF THE DIRECTORS CONTINUED

for the year ended 31 July 2021

DIRECTORS' EMOLUMENTS

The remuneration of directors is set out in note 25 on page 39.

SHARE INCENTIVE SCHEMES

Details pertaining to share option schemes approved by shareholders is set out in note 29 on pages 41.

AUDITORS

BDO South Africa Inc. are the appointed external auditors for the Company.

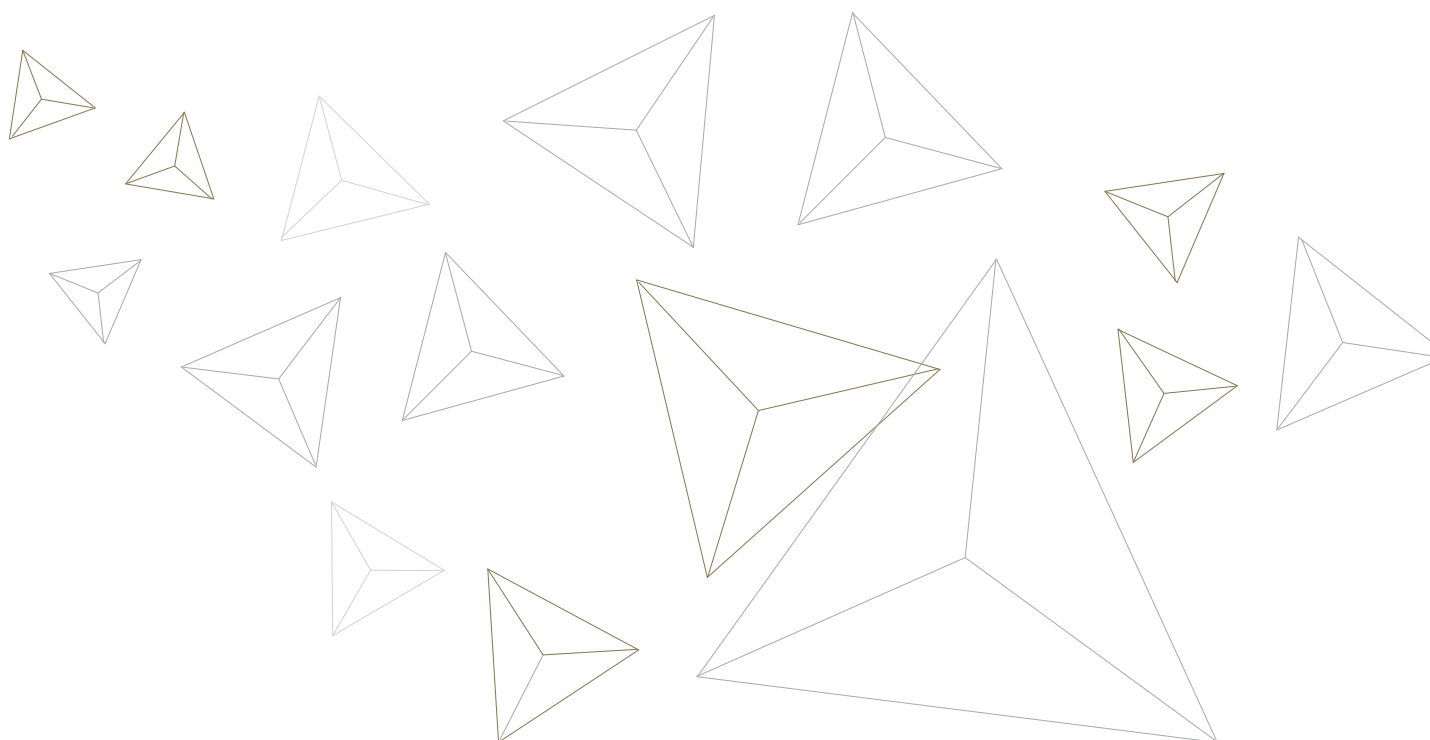
DIRECTORS AND SECRETARY

Mr M Tembe resigned from the Board with effect from 18 February 2021. Furthermore, Mr KC Khampepe resigned from the Board with effect from 22 February 2021. The remaining board members elected Dr E Nkosi to chair the Board following the resignation of Mr M Tembe. There are no other changes to the composition of the Board.

Particulars of the present directors and secretary are given under company information set out on the inside of the back cover.

SUBSIDIARY COMPANIES

Details of subsidiary companies are disclosed in note 31 on page 44.



INDEPENDENT AUDITOR'S REPORT

for the year ended 31 July 2021

OPINION

We have audited the financial statements of Phumelela Gaming and Leisure Limited ("the Company") set out on pages 12 to 46, which comprise the statement of financial position as at 31 July 2021, the statement of comprehensive income and other comprehensive income, the statement of cash flows, and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Phumelela Gaming and Leisure Limited for the year ended 31 July 2021 have been prepared, in all material respects, in accordance with the basis of preparation as set out in note 1.2, the accounting policies as set out in notes 1.3 to 1.20, and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER – BASIS OF PREPARATION AND GOING CONCERN

We draw attention to note 1.2 to the financial statements which explains that the directors, once all distributions have been made to creditors and shareholders, intend to wind up the affairs of the Company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the Company has changed the basis of accounting used to determine the carrying amounts of assets and liabilities from the going-concern basis to a basis that reflects the amounts to be realised from the winding up of the Company as described in note 1.2. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Phumelela Gaming and Leisure Limited Annual Report 2021", which includes the Report of the Company Secretary, Report of the Audit and Risk Committee, and the Report of the Directors as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the financial statements in accordance with the basis of preparation as disclosed in note 1.2 and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



INDEPENDENT AUDITOR'S REPORT CONTINUED

for the year ended 31 July 2021

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern or alternative basis of accounting based on the audit evidence obtained. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Inc. has been the auditor of Phumelela Gaming and Leisure Limited for 2 years.



BDO South Africa Incorporated

Registered Auditors

Stephen Shaw

Director

Registered Auditor

26 October 2021

Wanderers Office Park

52 Corlett Drive

Illovo, 2196

STATEMENTS OF FINANCIAL POSITION

as at 31 July 2021

	Note	COMPANY	
		2021 R'000	2020 R'000
ASSETS			
Assets held for sale		187 031	702 240
Property, plant and equipment	4	155 805	155 318
Intangible assets	5	10 000	
Investment in subsidiaries	7,1	16 107	71 256
Investment in associates	8	5 119	171 872
Amounts owing by subsidiary companies	7,2		93 837
Realisation surplus	9		209 957
Other current assets		707 618	306 695
Inventories	10	699	2 756
Trade and other receivables	11	96 841	106 941
Other receivables	12	78 000	
Right-of-use assets	6	6 477	18 498
Amounts owing by subsidiary companies	7,3	46 940	53 582
Income tax receivable			290
Defined benefit funds	13,1	14 650	14 650
Cash and cash equivalents	14	464 011	109 978
Total assets		894 649	1 008 935
EQUITY AND LIABILITIES			
Total equity		205 195	114 375
Share capital and premium	15	474 143	474 143
Retained earnings		(268 948)	(359 768)
Current liabilities		689 454	894 560
Trade and other payables	17	129 615	166 780
Lease liability	18	7 759	20 937
Short-term borrowings	16	185 000	40 606
Business rescue creditors	19	360 751	631 335
Amounts owing to subsidiary companies	20	1 769	31 459
Betting dividends payable		4 560	3 443
Total equity and liabilities		894 649	1 008 935

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 July 2021

	Note	COMPANY	
		2021 R'000	2020 R'000
Betting income		586 424	506 311
Other operating income			
– Local operations		198 495	140 637
– International operations		305 223	299 862
Investment income		144 568	160 801
Income	21	1 234 710	1 107 611
Stakes		(110 007)	(134 536)
Value added tax		(73 151)	(63 563)
Betting taxes		(56 284)	(48 510)
National Horseracing Authority levies		(34 087)	(35 548)
Operating expenses and overheads			
– Local operations		(611 508)	(754 655)
– Impairments		(18 362)	(510 571)
– International operations		(211 274)	(256 589)
Profit/(loss) before finance costs	22	120 037	(696 361)
Finance costs			
– Local operations	23	(29 217)	(36 104)
Profit/(loss) before income tax expense		90 820	(732 465)
Income tax expense	24		(25 225)
Profit/(loss) for the year		90 820	(757 690)
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss			
– Revaluation surplus	9		209 957
Total comprehensive income for the year		90 820	(547 733)

STATEMENTS OF CASH FLOWS

for the year ended 31 July 2021

	Note	COMPANY	
		2021 R'000	2020 R'000
Net cash outflow from operating activities		(121 009)	(78 008)
Cash utilised by operations	30,1	(7 943)	(274 653)
Movements in working capital	30,2	(102 517)	203 805
Cash utilised by operating activities		(110 460)	(70 848)
Interest received		17 161	12 403
Finance costs paid		(27 710)	(19 562)
Net cash inflow from investing activities		604 935	169 754
Acquisition of property, plant and equipment		(2 059)	(974)
Proceeds on sale of investments		220 526	
(Increase)/decrease in investment in associates		(21)	990
Loans advanced			(14 726)
Loans repaid			37 402
Dividends received		386 489	147 062
Net cash outflow from financing activities		(129 893)	(10 821)
Operating lease payments in respect of:			
Right-of-use assets		(16 202)	(20 821)
Borrowings raised		296 037	40 000
Borrowings repaid		(409 728)	(30 000)
Increase in cash and cash equivalents for the year		354 033	80 926
Cash and cash equivalents at beginning of year		109 978	29 052
Cash and cash equivalents at end of year		464 011	109 978
Make up of balance of cash and cash equivalents			
Cash and cash equivalents	14	464 011	109 978
Cash and cash equivalents at end of year		464 011	109 978

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2021

	Share capital R'000	Share premium R'000	Retained earnings R'000	Share- holders' equity R'000
COMPANY				
Balance at 31 July 2019	2 563	471 580	187 965	662 108
Total comprehensive income for the year				
– Loss for the year			(757 690)	(757 690)
– Other comprehensive income			209 957	209 957
Balance at 31 July 2020	2 563	471 580	(359 768)	114 375
Total comprehensive income for the year				
– Profit for the year			90 820	90 820
Balance at 31 July 2021	2 563	471 580	(268 948)	205 195

ACCOUNTING POLICIES

for the year ended 31 July 2021

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

1.1 Reporting entity

Phumelela Gaming and Leisure Limited ("the Company") is domiciled in the Republic of South Africa. The Company was delisted by the Johannesburg Stock Exchange on 9 December 2020.

1.2 Basis of preparation

The Company financial statements set out on page 12 to 46 have not been prepared on a going concern basis as, in terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity. The business rescue plan of the Company, adopted on 1 September 2020, states under 8.1.4 that "the business rescue practitioner is of the view that it is best for affected persons that once all distributions have been paid to creditors and shareholders, to wind-up the affairs of the Company."

The financial statements have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards ("IFRS"), interpretations of those standards as adopted by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act of South Africa ("the Companies Act"), except as stated below and under note 1.8 (Provisions) and 1.13 (Guarantees).

The financial statements are not prepared on the going concern basis, as set out above, which has resulted in consideration being given to the break-up value of the Company in order to provide an assessment as to whether the realisation of the assets will satisfy creditors and result in a surplus for distribution to shareholders. On initial application of this policy, where an asset's realisable value was estimated to be higher than cost, a realisation surplus was recognised as reflected in note 9. Any subsequent profit or loss arising as a result of the realisation of the assets has been recognised in profit or loss.

Subsidiaries are defined as those entities in which the Company, either directly or indirectly, has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company's investment in associates comprise of both associates and joint ventures. Associates are those companies in which the Company has significant influence but not control or joint control over the financial and operating policies.

All significant investments owned by the Company were disposed of during the financial year. Remaining investments in subsidiaries and associates are carried at fair value through profit and loss. Fair value being determined and represented by the Company's share in the underlying net assets of the subsidiary or associate (as reflected in notes 7 and 8). It has therefore been considered that preparing consolidated financial statements would not provide additional useful information and consequently, consolidated financial statements have not been prepared. This is not consistent with the prior year, where consolidated financial statements were prepared and investments in subsidiaries and associates in the separate Company financial statements were accounted for at cost less any impairment in value, unless realisable value exceeded cost. In such instances, these investments were recognised at their realisable value and a realisation surplus recognised, as described above.

The Company's accounting policies are consistent with those applied in the previous financial year other than mentioned above.

The Company financial statements are presented in South African rand, which is the Company's functional currency and the Company's reporting currency. Values are rounded to the nearest rand thousand except where otherwise indicated.

The financial statements were approved by the Board of Directors for issue on 26 October 2021.

1.3 Intangible assets

The Company's intangible assets comprise betting licences and are valued at their net realisable value.



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ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2021

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.4 Property, plant and equipment

Property, plant and equipment has been classified as assets held for sale, and are carried at the lower of cost less depreciation and impairment, or fair value less costs to sell. Prior to being classified as assets held for sale, property, plant and equipment was accounted for as set out below.

Racing surfaces, which are classified as land, are substantially made up of either grass or sand and by their very nature require continual maintenance. The ongoing maintenance programmes adequately cover any deterioration of these surfaces and no depreciation is therefore provided. Synthetic surfaces are depreciated over their expected useful lives which range between 7 and 15 years.

Items of property, plant and equipment, other than racing surfaces, are measured at cost less accumulated depreciation and any accumulated impairment required to reflect their net realisable value.

Leasehold improvements are depreciated over the shorter of the period of the lease or the useful life.

Buildings, plant and machinery, information technology equipment, motor vehicles, heavy-duty trucks and trailers, and furniture and fittings are depreciated on a straight-line basis to write each asset down to its residual value over the term of its useful life currently at the following rates:

Buildings	2% per annum
Plant and machinery	5% to 20% per annum
Information technology equipment	10% to 33,3% per annum
Motor vehicles, heavy-duty trucks and trailers	10% to 20% per annum
Furniture and fittings	10% to 20% per annum
Marks, names and signage	20% per annum

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on derecognition of property, plant and equipment are recognised in profit or loss.

1.5 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated. Intangible assets with indefinite lives are tested at least annually for impairment or whenever there is an indicator. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation, or amortisation if no impairment loss had been recognised.

1.6 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

1.7 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current or prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2021

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.7 Taxation continued

Income tax

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Income tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability settled.

Deferred tax is recognised in profit or loss or other comprehensive income except to the extent that it relates to a transaction that is recognised in equity as a business combination that is an acquisition. The effect on deferred tax of any change in tax rates is recognised in profit or loss or other comprehensive income except to the extent that it relates to an item recognised in equity.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and investment in associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets relating to assessed losses carried forward and other deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which these assets can be utilised.

Dividend withholding tax

Dividend withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. Dividend tax is withheld on behalf of shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the tax charge, but rather as part of the dividend paid recognised in equity.

Indirect taxes

Indirect taxes, including non-recoverable VAT, skills development levies and other duties are recognised in profit or loss as incurred.

1.8 Provisions

Provisions are recognised where the Company has a present legal or constructive obligation as a result of a past event and for future costs relating to winding-up of the business under the business rescue process, where a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are recognised at the present value of expenditure required to settle the obligation.

1.9 Revenue recognition

Revenue is recognised when the performance obligation has been met in accordance with the requirements of IFRS 15.

Betting income for the totaliser represents bets struck net of betting dividends paid to customers and is recognised in income when the bet has been resulted.

Betting income from fixed odds is a derivative instrument. Net winnings are presented, this amount is the total of bets struck less betting dividends paid, refunds and rebates and is recognised in income when the bet has been resulted.



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ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2021

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.9 Revenue recognition continued

Other income includes commingling fees charged for hosting the pools and supplying betting content, subscription fees for provision of content for betting both locally and internationally, stable rental and other incidental income is recognised in income when invoiced in terms of the contract with the customer. If denominated in a foreign currency is converted into rand at the rate ruling on the day of invoicing.

Other income also includes unclaimed dividends, gambling boards levies and commission received on limited pay-out machines.

Unclaimed dividends are recognised in income when the dividend is not claimed within the contract period.

Gambling board levies and commission received on limited pay-out machines are recognised in income on receipt of the funds.

Dividends from investments are recognised when the right to receive payment has been established. Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

1.10 Betting dividends

Betting dividends comprise punters' winnings. Unclaimed betting dividends are recognised in the statements of financial position as betting dividends payable under current liabilities. Betting dividends not claimed within 60 (sixty) days from date of declaration are recognised in income.

1.11 Borrowing costs

Borrowing costs are expensed as and when incurred.

1.12 Employee benefits

Post-retirement benefits are made up of those obligations which the Company has towards current and retired employees.

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. Short-term benefits are recognised on an undiscounted basis.

Defined contribution plans

The Company operates a defined contribution plan that requires contributions to be made to a separately administered fund. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further amounts. Contributions in respect of defined contribution plans are recognised as an expense in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Equity participation plan

Employees of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a Black-Scholes-Merton model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The amount recognised in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2021

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.12 Employee benefits continued

Equity participation plan continued

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

1.13 Financial instruments

Financial instruments recognised at the reporting date include investments in subsidiaries and associates, amounts owing by subsidiary companies, trade and other receivables, cash and cash equivalents, trade and other payables, amounts owing to subsidiary companies, short-term loans and betting dividends payable. Financial instruments are initially measured at fair value, including transaction costs, except for instruments carried at fair value through profit or loss, when the Company becomes a party to their contractual arrangements.

Where the Company has both a legal right and intends to settle on a net basis or simultaneously, related positive or negative values of financial instruments are offset within the statements of financial position.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within a period generally established by regulation or convention in the marketplace.

Gains or losses on disposal of financial assets are determined as the difference between proceeds from the sale thereof and the financial instrument's carrying amount and are recognised in profit or loss.

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The subsequent measurement of financial instruments is as follows:

Investment in subsidiaries and associates

Investments in subsidiaries and associates are carried at fair value through profit and loss, fair value being determined and represented by the Company's share in the underlying net assets of the subsidiary or associate.

Trade and other receivables and amounts owing by subsidiary companies

Trade and other receivables and amounts owing by subsidiary companies are classified at amortised cost and are subsequently measured at amortised cost using the effective interest method less an allowance for any impairment losses. An expected credit loss is recognised in profit or loss when it is probable that the Company will not be able to collect all amounts due (principal and interest) according to the contractual terms of the receivable.

The carrying amount of the receivable is then reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2021

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.13 Financial instruments continued

Trade and other receivables and amounts owing by subsidiary companies continued

When the terms of financial assets that would otherwise be past due or impaired are renegotiated, the renegotiation is treated as a change in estimate. If the renegotiation is significant, it is treated as a derecognition of the original financial instrument and the recognition of a new financial instrument. The assessment of objective indicators of impairment for accounts receivable is done at each reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand and short-term deposits, with an original maturity of three months or less, which are repayable on demand.

Cash and cash equivalents are classified as financial instruments, which are subsequently measured at amortised cost.

Financial liabilities

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Financial liabilities include trade and other payables, business rescue creditors, amounts owing to subsidiaries, short-term borrowings and betting dividends payable.

Guarantees

The Company has not recognised any liabilities in respect of financial guarantees reflected in note 27, as the Company holds security in excess of the value of the guarantees granted.

Expected credit loss of financial instrument

At each reporting date an assessment is made on a case-by-case basis of whether there is any objective evidence of an expected credit loss of a financial asset both at an individual asset and a collective level. Criteria used to determine whether there is objective evidence of an expected credit loss include the following events:

- The receivable or investment is experiencing significant financial difficulty;
- The receivable defaults on interest or principal payments;
- The borrower will probably enter into bankruptcy or another financial reorganisation;
- Observable market data indicating that there is a measurable decrease in the estimated future cash flows from a financial asset or investment since the initial recognition; and
- Disappearance of an active market for a financial asset because of financial difficulties.

A financial asset is considered to have an expected credit loss if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An expected credit loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

1.14 Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities and right-of-use assets are initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2021

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.14 Leases continued

Subsequent measurement of right-of-use assets and lease liabilities

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

1.15 Foreign currency transactions and balances

Foreign currency transactions are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined.

1.16 Foreign currency translations

The assets and liabilities of foreign subsidiaries are translated into the Company presentation currency at the rate of exchange ruling at the reporting date. The statements of comprehensive income are translated at the average exchange rates for the year.

Exchange differences arising on translation are recognised directly in a foreign currency translation reserve in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to the foreign operation is recognised in profit or loss.

1.17 Dividends

Dividends are recognised when the shareholders' right to payment, being the declaration date, is established.

1.18 Use of estimates, judgements and assumptions made in the preparation of the financial statements

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgements are inherent in the formation of estimates.

Significant estimates and judgements made relate to the measurement of 'expected credit losses' ("ECL") relating to trade and other receivables, residual values, useful lives and depreciation methods, employee obligations, estimating the fair value of share options granted and asset impairment tests. The nature and carrying amounts of the items affected by these estimates, where applicable, are indicated in the notes relating to these items. Other judgements made relate to classifying financial assets and liabilities into categories.

Significant estimates and judgements:

Trade receivables, loans or other receivables

The Company assesses its trade receivables and/or loans and receivables for impairment at each reporting date.

In determining whether an impairment loss should be recognised in profit or loss, the Company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from an asset.

The Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss.



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ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2021

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.18 Use of estimates, judgements and assumptions made in the preparation of the financial statements continued

Trade receivables, loans or other receivables continued

The Company applies the simplified approach to calculate the ECL of trade receivables and loans receivable.

The provision rates are based on days past due for grouping that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates and is then adjusted with forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of the legislation. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these taxes is different from the amounts initially recorded, such difference impacts the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future benefit related to deferred tax assets to the extent that it is probable that the temporary differences will reverse in the foreseeable future. Assessing the recoverability of the deferred tax asset requires the Company to make significant estimates related to expectations of future income. Estimates of future taxable income are based on focused cash flows from the operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred asset could be impacted.

1.19 Use of estimates, judgements and assumptions made in the preparation of the financial statements

Share-based incentives

Calculation of market value of the shares at the reporting date may vary from time to time dependent on the Company results and the actual exercise date resulting in additional charges or releases to profit or loss.

Property, plant and equipment and Intangible assets

Each year the Company determines value in use and the expected useful lives and residual value of assets. Changing market and economic conditions may result in the assets not achieving their carrying value. These adjustments would affect future reporting periods as and when they are determined.

Realisation surplus

At 31 July 2020, the Company recognised a realisation surplus in respect of those assets anticipated to realise a surplus upon sale (refer note 9).

The determination of the surplus was based on conditional offers received or values anticipated to realised through a public auction. Significant estimates and judgements were made relating to the determination of the surplus recognised.

Assessment of going concern

Going concern is assessed applying management's best estimates and assumptions to financial forecasts assuming trading conditions remain relatively consistent. The Financial Statements have not been prepared on a going concern basis as, in terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity. The business rescue plan of the Company, adopted on 1 September 2020, states under 8.1.4 that "the business rescue practitioner is of the view that it is best for affected persons that once all distributions have been paid to creditors and shareholders, to wind-up the affairs of the Company."

1.20 Share capital and equity

Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

2. FINANCIAL RISK MANAGEMENT

Liquidity risk management

The following tables summarise the maturity profiles of the Company's financial liabilities at 31 July based on contractual undiscounted payments.

	Less than one year R'000	Total R'000
COMPANY		
2021		
Trade and other payables	129 615	129 615
Business rescue creditors	360 751	360 751
Borrowings	185 000	185 000
Betting dividends payable	4 560	4 560
Lease liability*	8 455	8 455
Owing to subsidiaries	1 769	1 769
Total	690 150	690 150
2020		
Trade and other payables	166 780	166 780
Business rescue creditors	631 335	631 335
Borrowings	40 606	40 606
Betting dividends payable	3 443	3 443
Lease liability	22 490	22 490
Owing to subsidiaries	31 459	31 459
Total	896 113	896 113

* Lease liabilities are classified as less than one year even though the contractual payments exceed one year, as these leases will be renegotiated in terms of the business rescue process within the next year.

Interest rate risk management

The Company is exposed to interest rate risk on its interest-bearing borrowings, long-term secured loans and cash and cash equivalents.

No concentration of such risk exists in addition to that mentioned above. The carrying amounts of the entity's financial instruments carried at amortised cost have been disclosed and represent the entity's exposure to interest rate risk.

During the year an additional post commencement finance facility was received. Other than this there have been no significant changes in the entity's exposure to interest rate risk. Should interest rates increase/decrease by 100 basis points, and all other factors remain constant, the effects on the Company's earnings and equity would increase/decrease by R2,77 million (2020: R3,26 million).

Credit risk management

Credit risk is the risk of financial loss to the Company arising from the risk that a counterparty may default or not meet its obligations timeously.

Credit risk on trade and other receivables arises from the risk of default of the debtor on repayment of debts owed to the entity. The maximum exposure thereon is the carrying amount as disclosed in note 11. Such credit risk is managed by the entity only trading with recognised, creditworthy third parties. It is the Company policy that customers who wish to trade on credit terms are subject to credit verification procedures. Trade receivables balances are monitored on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

2. FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk management continued

With respect to credit risk arising from other financial assets of the entity, which comprise cash and cash equivalents, loans and amounts owing by subsidiaries, the exposure to the credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The entity manages its credit risk relating to cash and cash equivalents by investing cash surplus funds with major banks of high-quality credit standing. The credit risk on loans granted is limited by obtaining adequate security. There is no formal process to manage the credit risk relating to amounts owing by subsidiaries as the companies concerned are all within the same Group, causing credit risk to be minimal.

Concentrations of credit risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions.

Management determines the concentration of credit risk of trade and other receivables with reference to the currency in which the financial asset is denominated. The entity's exposure to credit risk, split according to concentrations of risk relating to trade and other receivables, has been disclosed under note 11.

Foreign currency risk management

Phumelela International division undertakes transactions denominated in foreign currencies (refer notes 11, 14, 17 and 19) and is therefore exposed to foreign currency risk.

The majority of foreign currencies are Australian and US dollar, British pound, Euro, Singapore dollar and Hong Kong dollar. The Company has no single concentration of risk to any single currency. The Company does not hold long-term positions in any one currency and the mix of currencies held is dynamic.

Foreign exchange markets remain unpredictable.

Management assesses that the foreign exchange markets will remain unpredictable in the short to medium term and that taking a view on the ZAR for the coming 12 months would be speculative.

Profit and loss exposure is mainly attributable to the exposure on Australian and US dollar, British pound and euro-denominated trade and other receivables, cash and cash equivalents and trade and other payables balances at year end.

Fair value of financial instruments

The carrying amounts reported in the statement of financial position for loans and borrowings, trade and other receivables, cash and cash equivalents, trade and other payables, betting dividends payable and financial liabilities approximate fair value due to the short time period between initiation and settlement thereof. The effect of discounting is not material.

Regarding amounts owing to or from subsidiaries investments, these are all expected to be settled in a short time period under the business rescue process. The effect of discounting is not material.

Equity investments in subsidiaries and associates are carried at fair value, being the estimated realisable value of their underlying net assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

3. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Class of financial instrument	COMPANY				Total R'000
	At fair value through profit and loss R'000	Loans and receivables measured at amortised cost R'000	Financial liabilities measured at amortised cost R'000	Non-financial instruments R'000	
2021					
Financial assets					
Investment in subsidiaries	16 107				16 107
Investment in associates	5 119				5 119
Trade and other receivables		93 691		3 150	96 841
Amounts owing by subsidiary companies		46 940			46 940
Cash and cash equivalents		464 011			464 011
Total	21 226	604 642		3 150	629 018
Financial liabilities					
Borrowings			185 000		185 000
Trade and other payables			118 891	10 724	129 615
Business rescue creditors			360 751		360 751
Amounts owing to subsidiary			1 769		1 769
Betting dividends payable			4 560		4 560
Total			670 971	10 724	681 695
2020					
Financial assets					
Amounts owing by subsidiary companies		147 419			147 419
Trade and other receivables		102 803		4 138	106 941
Cash and cash equivalents		109 978			109 978
Total		360 200		4 138	364 338
Financial liabilities					
Borrowings			40 606		40 606
Trade and other payables			140 724	26 056	166 780
Business rescue creditors			631 335		631 335
Amounts owing to subsidiary companies			31 459		31 459
Betting dividends payable			3 443		3 443
Total			847 567	26 056	873 623

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

4. PROPERTY, PLANT AND EQUIPMENT

	COMPANY							Total R'000
	Land and buildings Freehold R'000	Leasehold improve- ments R'000	Plant and machinery R'000	Informa- tion technology equipment R'000	Motor vehicles, heavy duty trucks and trailers R'000	Furniture and fittings R'000	Marks, names and signage R'000	
2021								
Balance at beginning of year	130 429		23 601	996		292		155 318
Current year movements								
– Additions			122	1 032	905			2 059
– Impairment			(5)	(783)	(9)	(775)		(1 572)
– Transfer between categories			(2 400)			2 400		
Balance at end of year	130 429		21 318	1 245	896	1 917		155 805
Made up as follows:								
Assets at cost	211 399	29 444	194 813	66 187	36 892	31 595	2 955	573 285
Accumulated depreciation and impairment	(80 970)	(29 444)	(173 495)	(64 942)	(35 996)	(29 678)	(2 955)	(417 480)
Carrying value	130 429		21 318	1 245	896	1 917		155 805
2020								
Balance at beginning of year	160 113	16 763	73 934	20 138	10 867	9 109	2 563	293 487
Current year movements								
– Additions	38			936				974
– Disposals	(51)		(125)	(809)				(985)
– Depreciation	(4 453)	(5 900)	(12 628)	(5 607)	(1 982)	(2 026)	(643)	(33 239)
– Impairment	(25 218)	(10 863)	(37 580)	(13 662)	(8 885)	(6 791)	(1 920)	(104 919)
Balance at end of year	130 429		23 601	996		292		155 318
Made up as follows:								
Assets at cost	211 399	29 444	197 091	65 155	35 987	29 195	2 955	571 226
Accumulated depreciation and impairment	(80 970)	(29 444)	(173 490)	(64 159)	(35 987)	(28 903)	(2 955)	(415 908)
Carrying value	130 429		23 601	996		292		155 318

A register containing the information required by the Companies Act is available for inspection at the registered office of the Company.

All of the property, plant and equipment has been treated as assets for sale as these assets will be realised as a direct sale of the assets in terms of the business rescue plan. Assets have been valued at the lower of carrying amount or fair value less cost to sell.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

		COMPANY	
		2021	2020
		R'000	R'000
5. INTANGIBLE ASSETS			
Intangible assets			
Indefinite useful life intangible assets		10 000	
		10 000	
Indefinite useful life intangible assets			
Balance at beginning of year			
Reclassification from realisable reserve		10 000	
Balance at end of year		10 000	
Right to an intangible asset relates to two fixed odds betting licences which did not form part of the sale of Betting World. These licenses are still issued in the name of Betting World and will be transferred to new owners once the relevant approvals are given by the respective gambling boards.			
6. RIGHT-OF-USE ASSET			
Current assets			
Carrying amount at beginning of year		18 498	
Impact of changes in accounting policies			36 691
Derecognition of IAS 17 lease smoothing accrual			(1 486)
Additions for new leases and lease renewals		1 513	1 630
Depreciation		(13 534)	(18 337)
Carrying amount at end of year		6 477	18 498
Right-of use assets relate to betting shops which are leased by the Company from various landlords.			
7. INVESTMENT IN SUBSIDIARIES			
7.1 Investment in subsidiaries			
Investment held in subsidiaries		16 107	71 256
		16 107	71 256
Details of investments held in subsidiaries are disclosed in note 31.			
7.2 Amounts owing by subsidiary companies - Assets held for sale			
Betting World Proprietary Limited			93 837
			93 837
During the year the interests in Betting World Proprietary limited were disposed of.			

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

	COMPANY	
	2021	2020
	R'000	R'000
7. INVESTMENT IN SUBSIDIARIES CONTINUED		
7.3 Amounts owing by subsidiary companies - Current assets		
Glenfiddich Investments Proprietary Limited	251	269
Hadrian Investments Proprietary Limited	24	24
Injector Investments Proprietary Limited	24	24
Shelanu Investments Proprietary Limited	23	23
East Cape Racing Proprietary Limited	46 087	52 656
TAB North West Proprietary Limited	352	586
Rand Sporting Club Proprietary Limited	179	
	46 940	53 582
Total investment in subsidiaries	63 047	218 675
The amounts owing by subsidiary companies bear no interest and have no fixed terms of repayment.		
The investment in and loans to subsidiaries are represented by the following underlying assets and liabilities of the subsidiaries:		
Property, plant and equipment	25 250	88 677
Investment property		18 458
Intangible assets		17 647
Investments	5 062	89 393
Receivables	27 809	43 466
Cash and cash equivalents	5 681	12 565
Other	914	12 771
Payables	(1 669)	(64 302)
Total investment in subsidiaries	63 047	218 675
8. INVESTMENT IN ASSOCIATES		
Supabets SA Holdings Proprietary Limited		106 806
SW Security Solutions Group	5 119	66
Uptonvale Services Proprietary Limited		65 000
	5 119	171 872
Movement		
Balance at beginning of year	171 872	581 531
Disposal	(171 806)	
Share repurchase	21	(990)
Adjustment to realisable value	5 032	(408 669)
Balance at end of year	5 119	171 872

SW Security Solutions Group

- Comprising SW Security Solutions SA Proprietary Limited, SW Fire Services (Gauteng) Proprietary Limited, SW Fire Services (Cape) Proprietary Limited, SW Fire Services (KZN) Proprietary Limited and SW Security Solutions Africa Limited.

During the year the Company acquired 107 additional shares in SW Security Solutions Group.

Shareholding is 34,03% (2020: 31,35%).

The Group provides security and fire protection solutions in South Africa and Africa.

The investment is carried at fair value, being the estimated realisable value of their underlying net assets and liabilities as at 31 July 2021.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

		COMPANY	
		2021	2020
		R'000	R'000
9. REALISATION SURPLUS			
Investment in associates			209 957
			209 957
Investment in associates			
Premier Gateway International Limited			209 957
			209 957
The realisation surplus recognised in the prior period, reflects the surplus that was anticipated to be realised over and above the carrying amount.			
During the year the investment in Premier Gateway International Limited was disposed of and the realisation surplus was realised.			
10. INVENTORIES			
Digital satellite decoders	699	2 756	
	699	2 756	
11. TRADE AND OTHER RECEIVABLES			
Trade receivables	110 010	117 159	
Allowance for expected credit losses	(23 255)	(25 680)	
Trade receivables after impairment	86 755	91 479	
Prepayments	3 692	8 974	
Deposits	4 648	3 406	
Other receivables	1 746	3 082	
	96 841	106 941	
Trade receivables consist of non-interest-bearing receivables and are generally on 30-to-60-day terms.			
Included in debtors is the equivalent of R73 million (2020: R61 million) denominated in foreign currencies. The majority of foreign currencies are USD, GBP, EUR, SGD and HKD. The Company has no single concentration of risk to any single currency. The Company does not hold long-term positions in any one currency and the mix of currencies held is dynamic.			
Reconciliation of the expected credit loss provision recognised with regard to trade and other receivables			
Allowance at beginning of year	25 680	18 388	
Increase in allowance for expected credit losses	2 938	9 063	
Written back to profit and loss	(4 370)	2 151	
Utilised during the year	(993)	(3 922)	
Allowance at end of year	23 255	25 680	
Trade and other receivables are considered for impairment under the expected credit loss model. Trade and other receivables are impaired when there is no reasonable prospect that the amounts will be recovered.			
The impairment allowance at 31 July relates to trade receivables more than 60 days past due. There were no expected credit losses relating to the other receivable categories.			

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

	COMPANY	
	2021	2020
	R'000	R'000
12. OTHER RECEIVABLES		
Other receivables		
IHH Company Proprietary Limited	78 000	
	78 000	

Receivable relates to the proceeds for the sale of the Company's equity interests in Supabets Holdings SA Proprietary Limited.

The outstanding proceeds will be settled in terms of a payment plan set out in the share sales agreement and will be settled in full by 30 September 2022. The outstanding balance is secured over the shares sold.

13. RETIREMENT BENEFIT INFORMATION

The Company has the following defined benefit and defined contribution funds registered under and governed by the Pension Funds Act, 1956 as amended.

13.1 Defined benefit funds

Central Management Company (Sporting Clubs) Cusada Pension Plan

Totalisator Agency Board (Transvaal) Pension Plan

Newmarket Pension Fund

The above funds were inherited by the Company as part of the corporatisation process and effectively transferred as closed funds to the Company on 1 April 1999. All pensioners were outsourced to Old Mutual with effect from 1 January 2018 and as such the funds no longer have any obligation in respect of pensioners.

As there are no more pensioners the funds are being closed down with the remaining surplus to be distributed to the Company. A liquidator is in the processes of being appointed to determine the finalisation of the funds and the payment of the surplus to the Company, based on the 2018 valuation reflected in table below, and as such no further valuations are required. The assets of the fund are invested in cash and or cash equivalents pending the winding-up of the fund.

	COMPANY	
	2021	2020
	R'000	R'000
Pension fund surplus		
Balance at beginning of year	14 650	14 650
Balance at end of year	14 650	14 650

The funded status of the defined benefit funds, based on the last valuation done in 2018, is as follows:

	COMPANY			
	Central Management Company (Sporting Clubs) Cusada Pension Plan	Totalisator Agency Board (Transvaal) Pension Plan	Newmarket Pension Fund	Total
Fair value of assets	10 715	4 535	1 412	16 662
Benefit obligations			(2 012)	(2 012)
Funded benefit plan assets	10 715	4 535	(600)	14 650

The shortfall in Newmarket Pension Fund will be paid out of the surpluses on the other two funds.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

13. RETIREMENT BENEFIT INFORMATION CONTINUED

13.2 Defined contribution funds

New employees have the option of joining either of the Phumelela defined contribution provident or pension funds.

	COMPANY	
	Members at 31 July	Employer contributions R'000
2021		
Phumelela Pension Fund	1	981
Phumelela Provident Fund	1 004	7 614
TAB Provident Fund	14	61
Saccawu National Provident Fund	3	25
	1 022	8 682
2020		
Phumelela Pension Fund	146	1 279
Phumelela Provident Fund	928	8 989
TAB Provident Fund	16	72
Saccawu National Provident Fund	3	37
	1 093	10 377

	COMPANY	
	2021 R'000	2020 R'000
14. CASH AND CASH EQUIVALENTS		
Cash on cash management at bank and on hand	381 356	77 415
Short-term bank deposits	55 005	32 563
Deposits held with financial institutions against guarantees issued	15 650	
Deposit held in attorneys trust accounts*	12 000	
	464 011	109 978

* Deposit is held in the Company's attorney's trust account and will be released to the Company on 31 May 2022, subject to no proven warranty claims relating to the sale of Betting World.

Included in cash is the equivalent of R23 million (2020: R13 million) denominated in foreign currencies. The majority of foreign currencies are USD, GBP, EUR, AUD and SGD. The Company has no single concentration of risk to any single currency. The Company does not hold long-term positions in any one currency and the mix of currencies held is dynamic.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

	COMPANY	
	2021 R'000	2020 R'000
15. SHARE CAPITAL, RESERVES AND NON-CONTROLLING INTEREST		
15.1 Share capital		
Authorised		
480 000 000 ordinary shares of 2,5 cents each	12 000	12 000
Issued		
102 500 558 ordinary shares of 2,5 cents each	2 563	2 563
Share capital	2 563	2 563
Share premium	471 580	471 580
Total share capital and premium	474 143	474 143

Rand Sporting Club Proprietary Limited, a 100% subsidiary of the Company, holds 2 531 211 (2020: 2 531 211) ordinary shares at year end.

	Direct beneficial	Total	Percentage %
Directors' interests in share capital at 31 July 2021			
Non-executive directors			
E Nkosi	14 465	14 465	0,01
JB Walters	59 228	59 228	0,06
	73 693	73 693	0,07

There has been no movement in the disclosed interests during the period 31 July 2021 to the date of signature of this report.

Directors' interests in share capital at 31 July 2020

Non-executive directors

E Nkosi	14 465	14 465	0,01
JB Walters	59 228	59 228	0,06
	73 693	73 693	0,07

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

	COMPANY	
	2021	2020
	R'000	R'000
16. BORROWINGS		
Current liability		
Post commencement finance "A"		40 606
Post commencement finance "B"	185 000	
	185 000	40 606
Post commencement finance "A"		
Balance at beginning of year	40 606	
Advances	40 000	40 000
Repaid	(81 654)	
Interest	1 048	606
Balance at end of year		40 606
The Company received post commencement finance during the prior year, amounting to R40 million, and bearing interest at prime plus 4% per annum. At 31 July 2021 the PCF facility including interest was repaid in full.		
Post commencement finance "B"		
Balance at beginning of year		
Advances	256 037	
Repaid	(82 168)	
Interest	11 131	
Balance at end of year	185 000	
The Company received additional post commencement finance during the year which bears interest at prime plus 4% per annum.		
From 10 June 2021, the parties agreed that no interest would be charged on the loan until 30 November 2021, at which time the terms of the loan will be renegotiated if not yet fully repaid.		
17. TRADE AND OTHER PAYABLES		
Trade payables	84 495	58 091
Accruals – staff costs	9 346	20 074
Accruals – other	11 857	52 937
Betting taxes	1 937	2 516
Punters liabilities	21 980	33 162
	129 615	166 780
Trade payables are non-interest-bearing and are normally settled between 30 and 60 days.		
Included in creditors is the equivalent of R25 million (2020: R48 million) denominated in foreign currencies. The majority of foreign currencies are USD, GBP, EUR and SEK. The Company has no single concentration of risk to any single currency. The Company does not hold long-term positions in any one currency and the mix of currencies held is dynamic.		

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

	COMPANY	
	2021 R'000	2020 R'000
18. LEASE LIABILITY		
Carrying amount at beginning of year	20 937	
Impact of changes in accounting policy		38 317
Additions for new leases and lease renewals	1 517	
Repayments	(16 202)	(20 821)
Net interest expense	1 507	3 440
Carrying amount at end of year	7 759	20 937
Lease liabilities relate to betting shops which are leased by the Company from landlords.		
In most instances, the lease period varies between three to five years and some leases have an option to renew on expiry. The lease term will include this renewal period if the Company is reasonably certain it will exercise the renewal option.		
The discount rate used to determine the present value of future lease payments is generally based on the lessee's incremental borrowing rate, as in most instances, the interest rate implicit in the lease cannot be readily determined. The discount rate applied to new leases concluded during the year was 11,23%.		
The classification of future minimum contractual payments are disclosed in note 2.		
19. BUSINESS RESCUE CREDITORS		
Secured creditors		324 878
Unsecured creditors	17 127	241 297
Disputed creditors	343 624	65 160
Total business rescue creditors	360 751	631 335
Secured creditors		
Revolving credit facility		282 497
Bank overdraft		42 381
		324 878
Unsecured creditors		
International creditors	1 996	129 877
Local creditors	15 131	111 420
	17 127	241 297
Disputed creditors		
Local creditors	343 624	65 160
	343 624	65 160
Secured and unsecured creditors are the best estimate of business rescue creditors owing at the end of the year.		
Disputed creditors are claims that have been lodged with the business rescue practitioner and will be resolved through the dispute resolution process as set out in the business rescue plan.		
Included in creditors is the equivalent of R2 million (2020: R130 million) denominated in foreign currencies. The majority of foreign currencies are Australian Dollars. The Company does not hold long-term positions in any one currency and the mix of currencies held is dynamic.		

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

	COMPANY	
	2021 R'000	2020 R'000
20. AMOUNTS OWING TO SUBSIDIARY COMPANIES		
Highveld Racing Authority Technical Services Proprietary Limited		8 799
Transvaal Racing Holdings Proprietary Limited	1 103	6 417
Rand Sporting Club Proprietary Limited		13 727
Silks Gaming and Leisure Proprietary Limited	25	9
Tote Property Investments Proprietary Limited	364	2 210
Highveldt Training Centre Proprietary Limited	277	277
	1 769	31 459
The amounts owing to subsidiary companies bear no interest and have no fixed terms of repayment.		
21. INCOME		
Revenue comprises:		
Betting income	586 424	506 311
Bets struck net of betting dividends paid, refunds and rebates		
– South Africa – totalisator	576 546	503 862
– South Africa – fixed odds	9 878	2 449
International division		
– Derived from international ventures	305 223	299 862
Proportionate share of Tellytrack Partnership		
– Derived from local operations	18 615	17 213
Investment income	144 568	160 801
– Interest received	17 161	13 739
– Dividends received in cash	386 489	147 062
– Recognised in the prior year*	(290 278)	
– Dividends from subsidiaries settled via loan account	31 196	
Other local income	179 880	123 424
– Gambling Board levies received	10 379	11 851
– Unclaimed dividends and breakages	13 535	14 731
– LPM Commission	20 759	15 560
– Sales and Marketing	8 177	9 740
– Other	127 030	71 542
	1 234 710	1 107 611

* Amounts recognised in the prior year in terms of the Company's accounting policy to value assets at estimated realisable value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

	COMPANY	
	2021 R'000	2020 R'000
22. PROFIT/LOSS FROM OPERATIONS		
22.1 Income		
Dividends received from unlisted investments	127 408	147 062
Interest received	17 161	13 739
– Interest received on loans	6 595	1 810
– Interest received from banks	10 566	3 508
– Interest received from subsidiaries		8 421
Gambling Board levies received	10 379	11 851
Unclaimed dividends and breakages	13 535	14 731
Profit on disposal of property, plant and equipment	22 578	153
Profit on foreign exchange	13 647	15 303
22.2 Expenses		
Auditors' remuneration	2 709	4 111
Depreciation		33 239
– Buildings		4 453
– Plant and machinery		12 628
– Information technology equipment and software		5 607
– Motor vehicles, heavy duty trucks and trailers		1 982
– Furniture and fittings		2 026
– Marks and signs		643
– Fittings and improvements		5 900
Amortisation on intangible assets		802
Impairment of assets	18 362	510 571
Agents' commission	50 350	31 792
– Horseracing	27 776	17 200
– Other sports	22 574	14 592
Operating lease expenses	32 490	47 953
– Office equipment	3 274	4 094
– Premises	29 216	43 859
Employee costs (permanent and part-time)	194 020	214 297
– Salaries and wages	176 024	194 640
– Retirement benefits	9 046	10 835
– Social security	3 630	3 390
– Voluntary retrenchment programme	5 320	5 432

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

	COMPANY	
	2021 R'000	2020 R'000
23. FINANCE COSTS		
Interest paid	29 217	36 104
– Interest paid on overdraft	2 794	5 755
– Interest paid on borrowings	24 412	26 778
– Interest on lease liability	1 507	3 440
– Interest paid other	504	131
24. INCOME TAX (CREDIT)/EXPENSE		
Current tax charge		
Deferred tax charge		25 225
– Current year		
– Prior year adjustment		25 225
Total tax charge		25 225
Taxation reconciliation		
Profit/(loss) before taxation	90 820	(732 465)
South African normal taxation at standard rate 28%	25 430	(205 090)
Adjusted for:		
Tax rate difference – foreign subsidiary		25 225
Reduced tax rate for capital gain tax	(1 436)	
Exempt dividend income	(35 674)	(41 177)
Employee tax Incentive allowance	(35)	(143)
Assessed loss not recognised	34 194	82 913
Exempt income	(22 479)	
Disallowable expenses		163 497
Taxation in the current year		25 225
Estimated tax losses reconciliation		
Estimated tax losses brought forward	632 998	108 254
Prior year adjustment	23 058	228 627
Estimated loss incurred in the current year	122 120	296 117
Estimated losses	(778 176)	(632 998)

Deferred tax liabilities of R6 million (2020: R9 million) on timing differences expected to realise in future periods have been reduced to nil by recognition of deferred tax assets available to the Company.

The Company has estimated tax losses of R778 million upon which a deferred tax asset of R218 million (2020: R177 million) is not recognised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

	COMPANY	
	2021 R'000	2020 R'000
25. DIRECTORS' EMOLUMENTS		
Non-executive directors		
B Kantor ¹		333
KC Khampepe ²		233
NJ Mboweni	6	233
SH Müller	6	233
E Nkosi	6	233
JB Walters	6	233
M Tembe ³		533
SA Mahlalela	6	200
FS Magubane ⁴		67
Other services*		
B Kantor ¹		41
NJ Mboweni	21	
SH Müller	21	
E Nkosi		88
JB Walters	21	
M Tembe ³		191
SA Mahlalela	21	
FS Magubane ⁴		34
	114	2 652
Executive directors		
Fees for management services		
AW Heide ⁵		2 172
Basic salary		1 959
Retirement, medical, accident and health benefits		213
JA Stuart ⁶		5 561
Basic salary		2 807
Retirement, medical, accident and health benefits		354
Lump sum payment		2 400
Total executive emoluments paid		7 733
Total directors' emoluments		10 385

* Other services include attending Audit, Social and Ethics and Remuneration and Nominations Committee meetings, strategy sessions and ad hoc meetings as required.

¹ Retired January 2020

² Resigned February 2021

³ Resigned February 2021

⁴ Resigned October 2019

⁵ Resigned March 2020

⁶ Resigned May 2020

The Company is in business rescue and under control of the business rescue practitioner, who exercises control over all material decisions in the Company. Consequently no prescribed officers have been identified.

All fees paid to the business rescue practitioner were made in accordance with the approved business rescue plan.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

26. SHARE OF JOINTLY CONTROLLED OPERATION

Tellytrack Partnership ("Tellytrack")

The Tellytrack Partnership is a joint operation between the Company, Gold Circle Proprietary Limited and Kenilworth Racing Proprietary Limited. Pursuant to the agreements concluded between the parties Tellytrack has the right to exploit the joint commercial interests and intellectual property in respect of South African race meetings within the confines of South Africa, Namibia and Zimbabwe. The decision-making and partnership agreement determines that the partnership is a jointly controlled operation. In terms of the joint control agreement, the Company's share of the partnership income and expenditure for the year is 61% (2020: 61%) which is as follows:

Proportionate share of assets, liabilities, income and expenses for Tellytrack

	COMPANY	
	2021	2020
	R'000	R'000
ASSETS		
Non-current assets		
Property, plant and equipment	2 139	3 689
Current assets	3 236	4 860
Inventories	192	705
Trade and other receivables	2 233	2 194
Cash and cash equivalents	811	1 962
	5 375	8 549
CAPITAL AND RESERVES		
Partners' accounts	354	(17 421)
LIABILITIES		
Current liabilities		
Trade and other payables	5 021	25 970
	5 375	8 549
CASH FLOW		
Cash flows from operating activities	(9 841)	(74 039)
Cash flows from investing activities		(831)
Cash flows from financing activities	8 690	76 120
Net increase/(decrease) in cash and cash equivalents	(1 151)	1 251
INCOME	18 615	23 860
EXPENDITURE	(24 746)	(88 474)
Loss for the year	(6 131)	(64 614)

27. COMMITMENTS AND CONTINGENCIES

27.1 Capital expenditure

There were no commitments in respect of capital expenditure commitments as at 31 July 2021 (2020: nil).

27.2 Guarantees and surety issued

The Company has stood surety in respect of the banking facilities of Kenilworth Racing Proprietary Limited in the amount of R50 million which is secured by means of a first bond over the Milnerton property owned by Kenilworth Racing Proprietary Limited in the amount of R60 million. At year end the facility was fully utilised (2020: R48 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

28. RELATED PARTIES

Related parties include shareholders of the Company, the subsidiary companies, joint venture and investment in associates.

Other than in the normal course of business, there have been no significant transactions during the period with associates, joint operations or other related parties.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 7.1 and 31.

Related party balances are disclosed in notes 7.3 and 20.

Details of material transactions with subsidiaries not disclosed elsewhere in the financial statements are as follows:

	COMPANY	
	2021	2020
	R'000	R'000
Turnover levies received from TAB North West Proprietary Limited	19 204	18 875
Marketing sponsorship from Betting World Proprietary Limited		4 437
Sub-lease rental income received from Betting World Proprietary Limited		10 726
Tellytrack licence fees paid by Betting World Proprietary Limited		1 548
Interest received from Betting World Proprietary Limited		8 421
Sponsorship paid to Tellytrack by Uptonvale Services Proprietary Limited group		1 150
Leasehold property rentals paid to Betting World Proprietary Limited		(16)
Commission paid to Betting World Proprietary Limited		(3 195)
Leasehold property rentals paid to East Cape Racing Proprietary Limited	(6 068)	(5 688)
Agents commission paid to Uptonvale Services Proprietary Limited		(18 243)
Security costs paid to SW Security Solutions SA Proprietary Limited	(21 167)	(27 965)

Directors

Details regarding the directors' emoluments in the Company are disclosed in note 25, directors' interests in the Company in note 15 and share options in note 29.

Jointly controlled operation

Details of investments in joint operation are disclosed in note 26.

Investment in associates

Details of investments in associates are disclosed in note 8.

29. SHARE OPTION SCHEMES

The exercise of the options is conditional upon a minimum compound annual growth rate in headline earnings per share of consumer price index excluding mortgage costs ("CPIX") plus 5% over the vesting period and a minimum growth rate in the share price of 10% compound per annum over the vesting period.

Should both the above conditions be met the options are exercisable at the strike price.

For purposes of IFRS 2 Share-based Payments, active share options were not valued as they are unlikely to be exercised.

Summary of share options granted

Executive option scheme 2018

Shareholders' approval for reserving 10% of the issued share capital of Phumelela Gaming and Leisure Limited for the executive share option scheme was obtained at the Company's annual general meeting held on 5 December 2008, extended at a meeting on 4 December 2014, was again extended at the meeting held on 12 December 2017 with the maximum number of shares stipulated at 10 250 000 shares.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

29. SHARE OPTION SCHEMES CONTINUED

The scheme rules relevant to exercising the options are identical to the 2014 scheme rules set out above.

Date of option	12 April 2018	1 August 2018	1 October 2018	1 April 2019
Number of shares	221 003	250 000	200 000	300 000
Dividend yield	6,58%	6,58%	6,58%	6,58%
Interest rate	7,43%	7,43%	7,43%	7,43%
Option take-up	100%	100%	100%	100%
Equity price	R14,76	R13,82	R13,29	R9,82
Maturity date	12 April 2021	1 August 2021	1 October 2021	1 April 2022

	2021		2020	
	Number of shares	Weighted average exercise price R	Number of shares	Weighted average exercise price R
Summary of share options granted				
Balance at beginning of year	971 003	12,69	7 520 123	16,04
Granted				
Forfeited	(200 000)	13,29	(6 549 120)	16,37
	771 003	12,53	971 003	12,69

	2021		2020	
	Number of shares	Exercise price cents	Number of shares	Exercise price cents
Total options issued	771 003		971 003	
Made up as follows:				
Granted to staff				
Effective grant date – 12 April 2018	221 003	14,76	221 003	14,76
Effective grant date – 1 August 2018	250 000	13,82	250 000	13,82
Effective grant date – 1 October 2018			200 000	13,29
Effective grant date – 1 April 2019	300 000	9,82	300 000	9,82
Balance at end of year	771 003		971 003	
The above options may be exercised between the following dates:				
13 April 2021 to 12 October 2021*	221 003	14,76	221 003	14,76
2 August 2021 to 1 February 2022	250 000	13,82	250 000	13,82
2 October 2021 to 1 April 2022			200 000	13,29
2 April 2022 to 1 October 2022	300 000	9,82	300 000	9,82
	771 003		971 003	

* Subsequent to year end, these options have not been exercised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

	COMPANY	
	2021 R'000	2020 R'000
30. NOTES TO THE CASH FLOWS STATEMENTS		
30.1 Cash utilised by operations		
Profit/(loss) before income tax expense	90 820	(732 465)
Adjustments for:		
Investment income	(144 568)	(160 801)
Finance costs	27 710	32 664
Interest on lease liability	1 507	3 440
Depreciation		33 239
Amortisation of intangible assets		802
Depreciation of right-of-use asset	13 534	18 337
Lease modifications		(857)
Loss on disposal of property, plant and equipment		985
Profit on sale of investments	(22 578)	
Loss on realisation of revaluation surplus	7 015	
Impairments of property, plant and equipment	1 572	104 919
Impairments of intangible assets		709
Impairments of investment in associates		379 863
Impairments of investments	7 429	25 080
Impairments of loans	9 361	
Adjustment to realisable value of associates	(5 032)	
Withholding tax written off	5 287	19 430
	(7 943)	(274 653)
30.2 Movements in working capital		
Decrease in inventories	2 057	378
Decrease in trade and other receivables	10 100	4 260
Increase in amounts owing from subsidiary companies	(7 671)	(2 549)
(Decrease)/increase in amounts owing to subsidiary companies	(29 690)	6 882
Transfer to business rescue creditors	40 719	348 835
Decrease in trade and other payables	(118 032)	(154 001)
	(102 517)	203 805
30.3 Taxation paid		
Balance at beginning of year	290	17 017
Transfer to accounts receivable	(290)	(16 727)
Balance at end of year		(290)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

31. DETAILS OF SUBSIDIARY COMPANIES

Name and nature of business	Invest- ment R'000	2021 Issued capital R	% Held	Invest- ment R'000	2020 Issued capital R	% Held
Direct subsidiaries incorporated in South Africa						
Highveld Racing Authority Technical Services Proprietary Limited						
– Dormant		8	100	2 926	8	100
Highveldt Training Centre Proprietary Limited						
– Dormant		3	100		3	100
Rand Sporting Club Proprietary Limited						
– Property holding	5 860	200	100	16 808	200	100
Hadrian Investments Proprietary Limited						
– Property holding	226	200	100		200	100
Shelanu Investments Proprietary Limited						
– Property holding	226	200	100		200	100
Injector Investments Proprietary Limited						
– Property holding	226	200	100		200	100
Glenfiddich Investments Proprietary Limited						
– Property holding		200	100		200	100
Transvaal Racing Holdings Proprietary Limited						
– Property holding	1 046	37 500	100		37 500	100
Tote Property Investments Proprietary Limited						
– Property holding	1 428	50 000	100	1 000	50 000	100
Vaal Racecourse Proprietary Limited						
– Property holding		1 070	100		1 070	100
East Cape Racing Proprietary Limited						
– Property holding		100	100		100	100
TAB North West Proprietary Limited						
– Betting outlets	1 030	4 000	100	2 693	4 000	100
Betting World Proprietary Limited						
– Entertainment and wagering industry				47 500	1 000	100
Silks Gaming and Leisure Proprietary Limited						
– Dormant operations		100	100		100	100
Direct subsidiaries incorporated in Isle of Man						
Phumelela Gold International Limited	6 065	100	100	329	100	100
– Sports bookmaker						
	16 107			71 256		

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

32. SUBSEQUENT EVENTS

Conditional sales agreements have been entered into for the sale of most of the Company's racing assets and tote operations as part of an on-going business concern. A condition of the sales agreements is that should the transfer of the business not be approved for implementation by regulatory authorities on or before 30 November 2021, then the agreement may be extended by the purchaser until 31 March 2022 and thereafter be extended through mutual agreement by the parties. The values achieved in the sale of these assets aligns with the realisable values recorded in the financial statements.

Subsequent to year-end the Arlington properties were transferred to the new owner and the sale proceeds received by the Company's subsidiaries.

The business rescue practitioner publishes monthly status reports outlining progress on the implementation of the business rescue plan. These reports are available on the Company's website www.phumelela.com.

Other than the above there are no significant subsequent events that have had an impact on the financial information at 31 July 2021.

33. GOING CONCERN

The Board are required to assess the ability of the Company to continue as a going concern and have disclosed their considerations below.

The Company generated a profit for the year of R91 million (2020: R758 million loss).

The Board considered the Company's ability to continue as a going concern. In assessing this, the following were considered:

- The business rescue plan of the Company, adopted on 1 September 2020, states under 8.2 that the Company mandates the business rescue practitioner to continue to trade its businesses while all its assets are sold or collected, and pay whatever funds remain to the employees, creditors and shareholders per the payment waterfall and preferences as set out in the plan.
- The business rescue plan published on 1 September 2020 states under 8.1.4 that the business rescue practitioner is of the view that it is best for affected persons that once all distributions have been paid to creditors and shareholders, to wind-up the affairs of the Company.
- In terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity.

The Audit and Risk Committee recommended to the Board that the financial statements not be prepared on a going concern basis but instead on an orderly realisation (break-up) basis as it is likely that the entity will be wound-up. The financial statements have been prepared in accordance with the Company's own accounting policies which have been derived from International Financial Reporting Standards ("IFRS") and interpretations of those standards as adopted by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act of South Africa. In terms of the break-up basis, in order to provide creditors and shareholders with an assessment as to whether creditors' claims will be met and a quantification of any surplus that may be available for distribution to shareholders, assets have been valued at estimated realisable value.

The Company's assets exceeded its liabilities by R205 million (2020: R114 million) as at 31 July 2021.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2021

34. STANDARDS AND INTERPRETATIONS

At the date of authorisation of the financial statements of Phumelela Gaming and Leisure Limited for the year ended 31 July 2021, the following standards and interpretations applicable to the entity were in issue but not yet effective:

Effective for the financial year commencing 1 August 2021

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Amendments to IFRS 16 Leases due to Covid-19 related rent concessions (Amendments to IFRS 16)
- Amendments to costs fulfilling a contract relating to onerous contracts (Amendments to IAS 37)
- Amendments to classification of liabilities as current or non-current (Amendments to IAS 1)
- Amendments to disclosure of accounting policies (Amendments to IAS 1)
- Amendments to deferred tax related to assets and liabilities arising from Single Transaction (Amendments to IAS 12)

All standards and interpretations will be adopted at their effective date, except for those standards and interpretations that are not applicable to the entity. The standards and interpretations to be adopted by the Company as noted above, are not expected to have a material impact, other than additional disclosure note requirements.







2021

ANNUAL REPORT



CORPORATE INFORMATION

DIRECTORS

Dr Elijah Nkosi (*Chairman*)
John Barry Walters
Nolwandle Jacqueline Mboweni
S'celo Andreas Mahlalela
Stephanus Hilgard Müller

SECRETARY

Freda Moloi

REGISTERED OFFICE

Turffontein Racecourse
14 Turf Club Street
Turffontein

AUDITORS

BDO South Africa Inc.

PRINCIPAL BANKER

First National Bank – A division of FirstRand Bank Limited

ATTORNEYS

Fluxmans Inc.

MERCHANT BANK

Investec Bank Limited

COMPANY REGISTRATION NUMBER

1997/016610/06

COUNTRY OF INCORPORATION

South Africa

WEBSITE

www.phumelela.com



phumelela.com