



**Phumelela Gaming**  
Phumelela Gaming and Leisure Limited

ANNUAL  
REPORT  
**2022**



# CONTENTS

## PHUMELELA GAMING AND LEISURE LIMITED

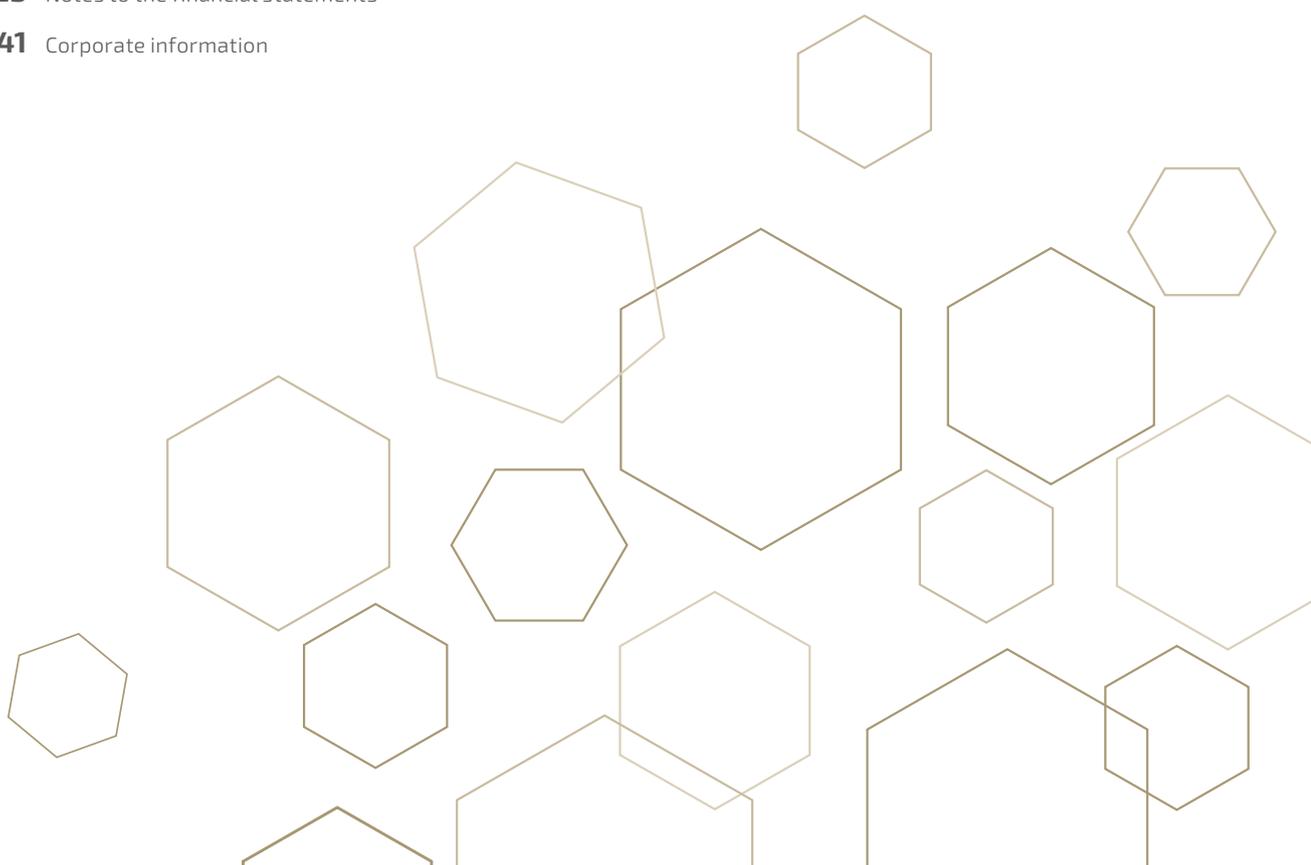
**Annual financial statements** for the year ended 31 July 2022.

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).

## FINANCIAL STATEMENTS

- 2** Directors' responsibility and approval statement
- 3** Report of the Company Secretary
- 4** Report of the Audit and Risk Committee
- 6** Report of the Directors
- 9** Independent Auditor's report
- 11** Statements of financial position
- 12** Statements of comprehensive income
- 13** Statements of cash flows
- 14** Statements of changes in equity
- 15** Accounting policies
- 23** Notes to the financial statements
- 41** Corporate information



# DIRECTORS' RESPONSIBILITY AND APPROVAL STATEMENT

for the year ended 31 July 2022

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 2022, 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.

Shareholders have authorised the business rescue practitioner to deregister, wind-up or liquidate the Company after he has discharged his obligations in terms of the business rescue plan. 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 4 November 2022 and signed.



**E NKOSI**

Chairman

4 November 2022



**SH MÜLLER**

Non-executive director

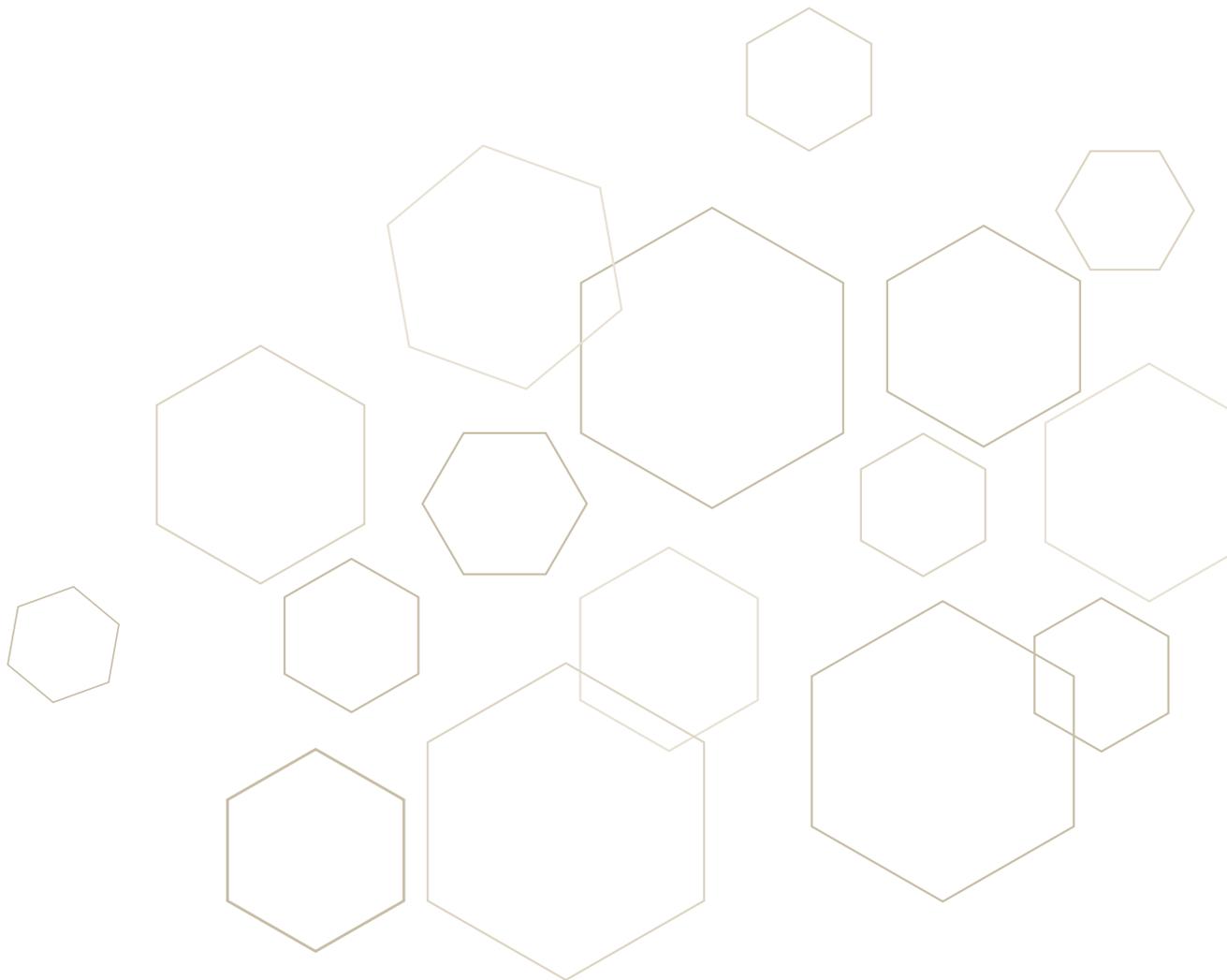
# REPORT OF THE COMPANY SECRETARY

for the year ended 31 July 2022

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  
4 November 2022



# REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 July 2022

The Audit and Risk Committee (“the committee”) presents its report for the financial year ended 31 July 2022. 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 fulfills the functions required under section 94(7) of the Companies Act for the Company and its wholly owned subsidiaries.

The 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.

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 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.

# REPORT OF THE AUDIT AND RISK COMMITTEE CONTINUED

for the year ended 31 July 2022

## 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.

## BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Shareholders have authorised the business rescue practitioner to deregister, wind-up or liquidate the Company after he has discharged his obligations in terms of the business rescue plan. 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 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*

4 November 2022

# REPORT OF THE DIRECTORS

for the year ended 31 July 2022

The directors hereby present the financial statements for the year ended 31 July 2022, which have been audited in compliance with the Companies Act. The preparation of these annual financial statements was supervised by Mr AR Langham CA(SA).

## 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.

For the period 1 August 2021 until 30 November 2021 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 20 race meetings a month 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 operated 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. The Company distributed simulcast products and coverage and performed international commingling of betting pools.

With effect from 1 December 2021 most of the Company's business, properties and fixed assets were sold as a going concern. The TellyTrack Partnership was active until 28 February 2022 while the operations in the North West and Northern Cape continued to be conducted throughout the financial year while awaiting regulatory approval to be transferred to the new business owner.

On 12 July 2022 the shareholders approved by special resolution that the business rescue practitioner be authorised to distribute funds to shareholders by way of dividend or return of capital and at a future date to deregister, wind-up or liquidate the Company.

## FINANCIAL RESULTS AND POSITION

The Company generated R184 million in profits for the 12 months ended 31 July 2022 (2021: R91 million). The Company's profitability in the year under review benefitted from provisions that were released after the Company had successfully defended its title to all the shares in Phumelela Gold International Limited ("PGI"), an Isle of Man registered company, and to all dividends declared by PGI out of profits earned by PGI since it became a wholly owned subsidiary in the 2014 financial year.

As at 31 July 2022 the equity attributable to ordinary shareholders was R289 million, resulting in a value per share of 289 cents (2021: 200 cents). A capital distribution of 100 cents per share was paid to shareholders on 29 July 2022.

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 the position of shareholders.

Of the R383 million of assets held at 31 July 2022, R323 million was held in cash, and R60 million of assets are still to be realised by the business rescue practitioner. Liabilities of R94 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 under review the Company sold its investment in SW Security.

# REPORT OF THE DIRECTORS CONTINUED

for the year ended 31 July 2022

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment were sold as part of the going concern business sale on 1 December 2021.

## SHARE CAPITAL

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

At 31 July 2022, issued share capital amounted to 99 969 347 shares (2021: 102 500 588). During the year the Company cancelled 2 531 211 shares previously held by a 100% owned subsidiary as treasury shares.

## BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Shareholders have authorised the business rescue practitioner to deregister, wind-up or liquidate the Company after he has discharged his obligations in terms of the business rescue plan. 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 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. 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.

## WINDING UP OF THE COMPANY'S AFFAIRS

Shareholders have authorised the business rescue practitioner to deregister, wind-up or liquidate the Company after he has discharged his obligations in terms of the business rescue plan.

Based on the accounting policies applied, the Company's assets exceeded its liabilities by R289 million as at 31 July 2022 (R205 million as at 31 July 2021).

## SUBSEQUENT EVENTS

Subsequent to year-end the following events occurred: the operations in the North West Province were transferred to the new business owner on 1 September 2022; the operations in the Northern Cape Province were transferred to the new business owner on 1 October 2022; the Company was released from the surety that it provided over Kenilworth Racing Proprietary Limited's banking facilities and consequently the Company released its interlinked security over property owned by Kenilworth Racing; various bank guarantees amounting to R6,8 million were cancelled and the cash security deposits held with a financial institution were released to the Company.

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](http://www.phumelela.com).

A further capital distribution of 125 cents per share was approved by the directors on 21 October 2022 for payment to shareholders on the later of 29 November 2022 or the date of issue of the audited 2022 annual financial statements.

An agreement has been entered into with IHH that the remaining debtor balance as at 31 October 2022 of R11 million will be settled from their share, as shareholder in the Company, of the distribution declared by the directors on 21 October 2022 (refer to note 10).

Other than the above there are no significant subsequent events that have had an impact on the financial information at 31 July 2022.

# REPORT OF THE DIRECTORS CONTINUED

for the year ended 31 July 2022

## MATTERS OF CORPORATE INTEREST AND LITIGATION

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 until the Company transferred its operational licences on 1 December 2021.

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

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 related parties.

## DISTRIBUTIONS TO ORDINARY EQUITY HOLDERS

A distribution of capital of 100 cents per share was paid to shareholders on 29 July 2022 (2021: nil).

A further capital distribution of 125 cents per share was approved by the directors on 21 October 2022 for payment to shareholders on the later of 29 November 2022 or the date of issue of the audited 2022 annual financial statements.

## DIRECTORS' EMOLUMENTS

The remuneration of directors is set out in note 24 on page 34.

## SHARE INCENTIVE SCHEMES

All share incentive schemes have lapsed. Details pertaining to share option schemes approved by shareholders is set out in note 29 on page 36.

## AUDITORS

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

## DIRECTORS AND SECRETARY

There were no changes to the composition of the Board during the year under review.

On 12 July 2022 shareholders approved a special resolution amending the Company's Memorandum of Incorporation which included the removal of the provision for non-executive directors to retire by rotation.

Particulars of the present directors and secretary are given under corporate information set out on page 41.

## SUBSIDIARY COMPANIES

Details of subsidiary companies are disclosed in note 31 on page 39.

In the year under review the Company successfully defended its title to the shares in Phumelela Gold International Limited ("PGI"), thereafter the remaining retained income of PGI was declared as a dividend to the Company and, after application by the board of PGI, the Isle of Man Companies Registry issued a declaration of dissolution.

# INDEPENDENT AUDITOR'S REPORT

for the year ended 31 July 2022

## OPINION

We have audited the financial statements of Phumelela Gaming and Leisure Limited set out on pages 11 to 40, which comprise the statement of financial position as at 31 July 2022, 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 2022 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 1.18, 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 and settled 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 2022", 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 to not make use of the going concern basis of accounting if 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 2022

## 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 an alternative basis of accounting other than that of a going concern 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

We report that BDO South Africa Inc. has been the auditor of Phumelela Gaming and Leisure Limited for three years.

*BDO South Africa Inc.*

### **BDO South Africa Incorporated**

Registered Auditors

### **Stephen Shaw**

Director

Registered Auditor

4 November 2022

Wanderers Office Park

52 Corlett Drive

Illovo, 2196

# STATEMENTS OF FINANCIAL POSITION

as at 31 July 2022

	Note	COMPANY	
		2022 R'000	2021 R'000
<b>ASSETS</b>			
<b>Assets held for sale</b>		<b>2 244</b>	187 031
Property, plant and equipment	4	-	155 805
Intangible assets	5	-	10 000
Investment in subsidiaries	6.1	<b>2 244</b>	16 107
Investment in associate	7	-	5 119
<b>Other current assets</b>		<b>380 798</b>	707 618
Inventories	8	-	699
Trade and other receivables	9	<b>5 010</b>	96 841
Other receivables	10	<b>28 203</b>	78 000
Right-of-use assets	11	-	6 477
Amounts owing by subsidiary companies	6.2	<b>1 202</b>	46 940
Benefit fund surpluses	12	<b>23 426</b>	14 650
Cash and cash equivalents	13	<b>322 957</b>	464 011
<b>Total assets</b>		<b>383 042</b>	894 649
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>		<b>288 997</b>	205 195
Share capital and premium	14	<b>374 174</b>	474 143
Retained earnings		<b>(85 177)</b>	(268 948)
<b>Current liabilities</b>		<b>94 045</b>	689 454
Trade and other payables	15	<b>39 013</b>	129 615
Lease liability	16	-	7 759
Borrowings	17	-	185 000
Business rescue creditors	18	-	360 751
Amounts owing to subsidiary companies	19	<b>6 934</b>	1 769
Dividends payable		<b>48 098</b>	0
Betting dividends payable		-	4 560
<b>Total equity and liabilities</b>		<b>383 042</b>	894 649

# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 July 2022

	Note	COMPANY	
		2022 R'000	2021 R'000
<b>Betting income</b>		<b>156 301</b>	586 424
Other operating income			
– Local operations		<b>78 969</b>	198 495
– International operations		<b>90 933</b>	305 223
Investment income		<b>50 026</b>	144 568
<b>Income</b>	20	<b>376 229</b>	1 234 710
Stakes		<b>(43 970)</b>	(110 007)
Value added tax		<b>(19 588)</b>	(73 151)
Betting taxes		<b>(14 858)</b>	(56 284)
National Horseracing Authority levies		<b>(12 342)</b>	(34 087)
Operating expenses and overheads		–	–
– Local operations		<b>(130 363)</b>	(611 508)
– Impairments		–	(18 362)
– International operations		<b>(57 870)</b>	(211 274)
<b>Profit before finance costs</b>	21	<b>97 238</b>	120 037
Finance costs			
– Local operations	22	<b>(466)</b>	(29 217)
<b>Profit before income tax expense</b>		<b>96 772</b>	90 820
Income tax expense	23		
<b>Total comprehensive income for the period</b>		<b>96 772</b>	90 820
<b>Other comprehensive income for the period</b>			
Realisation surplus	25	<b>87 000</b>	–
<b>Total income for the period</b>		<b>183 772</b>	90 820

# STATEMENTS OF CASH FLOWS

for the year ended 31 July 2022

	Note	COMPANY	
		2022 R'000	2021 R'000
<b>Net cash outflow from operating activities</b>		<b>(138 579)</b>	(121 009)
Cash generated/(utilised) by operations	30.1	61 615	(7 943)
Movements in working capital	30.2	(219 133)	(102 517)
Cash utilised by operating activities		<b>(157 518)</b>	(110 460)
Income tax refunded/(paid)	30.3	-	-
Interest received		19 405	17 161
Finance costs paid		(466)	(27 710)
<b>Net cash inflow from investing activities</b>		<b>237 605</b>	604 935
Acquisition of property, plant and equipment		(434)	(2 059)
Proceeds on disposal of property, plant and equipment		148 000	-
Proceeds on disposal of intangible assets		10 000	-
Proceeds on sale of investments		4 806	220 526
Investment in associates		-	(21)
Loans repaid		49 796	-
Dividends received		25 437	386 489
<b>Net cash outflow from financing activities</b>		<b>(240 080)</b>	(129 893)
Operating lease payments in respect of right-of-use assets		(2 528)	(16 202)
Capital distributions paid		(52 552)	-
Borrowings raised		-	296 037
Borrowings repaid		(185 000)	(409 728)
<b>(Decrease)/increase in cash and cash equivalents for the year</b>		<b>(141 054)</b>	354 033
<b>Cash and cash equivalents at beginning of year</b>		<b>464 011</b>	109 978
<b>Cash and cash equivalents at end of year</b>		<b>322 957</b>	464 011
Make up of balance of cash and cash equivalents			
Cash and cash equivalents	13	322 957	464 011
<b>Cash and cash equivalents at end of period</b>		<b>322 957</b>	464 011

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2022

	Share capital R'000	Share premium R'000	Retained earnings R'000	Share- holders' equity R'000
<b>COMPANY</b>				
Balance at 31 July 2020	2 563	471 580	(359 768)	114 375
Total comprehensive income for the year				
– Loss for the year			90 820	90 820
Balance at 31 July 2021	2 563	471 580	(268 948)	205 195
Total comprehensive income for the period				
– Profit for the period			96 772	96 772
– Other comprehensive income			87 000	87 000
– Treasury shares cancelled	(64)	64		
– Capital distributions paid		(99 969)		(99 969)
<b>Balance at 28 February 2022</b>	<b>2 499</b>	<b>371 675</b>	<b>(85 176)</b>	<b>288 998</b>

# ACCOUNTING POLICIES

for the year ended 31 July 2022

## 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 11 to 41 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." On 12 July 2022 shareholders resolved that the affairs of the Company be wound up.

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), 1.9 and 1.10 (recognition of unclaimed betting dividends to income), 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. A realisation surplus was recognised on initial application of this policy where an asset's realisable value was estimated to be higher than cost. Any subsequent profit or loss arising from 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 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 last two financial years. Remaining investments in subsidiaries 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 (as reflected in note 6). 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.

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 4 November 2022.

### 1.3 Intangible assets

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

### 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.

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.

# ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2022

## 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

### 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 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.

#### *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.

# ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2022

## 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

### 1.7 Taxation continued

#### *Deferred tax continued*

#### **Distributions withholding tax**

Distributions 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.

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 (Refer to note 1.10 below).

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 based on historical claims experience, even through legal prescription periods have not passed.

### 1.11 Borrowing costs

Borrowing costs are expensed as and when incurred.

# ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2022

## 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

### 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 operated a defined contribution plan that required 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. The plan transferred with the sale of the business on 1 December 2021.

#### *Equity participation plan*

Employees of the Company received 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.

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.

# ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2022

## 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

### 1.13 Financial instruments continued

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.

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.

# ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2022

## 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

### 1.13 Financial instruments continued

#### **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.

#### **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.

# ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2022

## 1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

### 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 Distributions to shareholders

Distributions of capital to shareholders 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.

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

# ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2022

## 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

#### *Taxation continued*

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.

#### *Assessment of going concern*

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." On 12 July 2022 shareholders resolved that the affairs of the Company be wound up.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2022

## 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
<b>COMPANY</b>		
<b>2022</b>		
Trade and other payables	39 013	39 013
Business rescue creditors		
Borrowings		
Betting dividends payable		
Lease liability		
Owing to subsidiaries	6 934	6 934
<b>Total</b>	<b>45 947</b>	<b>45 947</b>
<b>2021</b>		
Trade and other payables	129 615	129 615
Creditors owing at business rescue date	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
<b>Total</b>	<b>690 150</b>	<b>690 150</b>

### Interest rate risk management

The Company is exposed to interest rate risk on its 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 the post commencement finance facility of R185 million was re-paid.

Should interest rates increase/decrease by 100 basis points, and all other factors remain constant, the effects on the Company's earning and equity would increase/decrease by R3,3 million (2021: R1,85 million).

### Foreign currency risk management

Phumelela International division undertakes transactions denominated in foreign currencies (refer notes 9 and 15) and is therefore exposed to foreign currency risk.

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.

The entity measures its foreign currency risk by reference to its net foreign currency balance, which comprises the foreign currency balances of trade and other receivables, cash and cash equivalents and trade and other payables.

### 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 US dollar and euro-denominated trade and other receivables, cash and cash equivalents and trade and other payables balances at year end.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

## 2. FINANCIAL RISK MANAGEMENT CONTINUED

### 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 companies, 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 are carried at fair value, being the estimated realisable value of their underlying net assets.

## 3. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Class of financial instrument	At fair value through profit and loss R'000	Loans and receivables measured at amortised cost R'000	COMPANY		Total R'000
			Financial liabilities measured at amortised cost R'000	Non-financial instruments R'000	
<b>2022</b>					
<b>Financial assets</b>					
Investment in subsidiaries	2 244				2 244
Investment in associates					
Trade and other receivables		4 622		388	5 010
Amounts owing by subsidiary companies		1 202			1 202
Cash and cash equivalents		322 957			322 957
<b>Total</b>	<b>2 244</b>	<b>328 781</b>	<b>–</b>	<b>388</b>	<b>331 413</b>
<b>Financial liabilities</b>					
Borrowings					
Trade and other payables			38 152	861	39 013
Business rescue creditors					
Amounts owing to subsidiaries			6 934		6 934
Dividends payable			48 098		48 098
Betting dividends payable					
<b>Total</b>	<b>–</b>	<b>–</b>	<b>93 184</b>	<b>861</b>	<b>94 045</b>
<b>2021</b>					
<b>Financial assets</b>					
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
<b>Total</b>	<b>21 226</b>	<b>604 642</b>	<b>–</b>	<b>3 150</b>	<b>629 018</b>
<b>Financial liabilities</b>					
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
<b>Total</b>	<b>–</b>	<b>–</b>	<b>670 971</b>	<b>10 724</b>	<b>681 695</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

## 4. PROPERTY, PLANT AND EQUIPMENT

	COMPANY							Total R'000
	Land and buildings		Plant and machinery R'000	Infor- mation technology equipment R'000	Motor vehicles, heavy duty trucks and trailers R'000	Furniture and fittings R'000	Marks, names and signage R'000	
	Freehold R'000	Leasehold improve- ments R'000						
<b>2022</b>								
Balance at beginning of period	130 429		21 318	1 245	896	1 917		155 805
Current year movements								
– Additions			80	354				434
– Disposals	(130 429)		(21 398)	(1 449)	(896)	(1 397)		(155 569)
– Depreciation				(150)		(520)		(670)
<b>Balance at end of year</b>	–	–	–	–	–	–	–	–
<b>2021</b>								
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		
<b>Balance at end of year</b>	130 429	–	21 318	1 245	896	1 917	–	155 805
<b>Made up as follows:</b>								
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)
<b>Carrying value</b>	130 429	–	21 318	1 245	896	1 917	–	155 805

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

	COMPANY	
	2022	2021
	R'000	R'000
<b>5. INTANGIBLE ASSETS</b>		
Intangible assets		
Indefinite useful life intangible assets		10 000
	-	10 000
<b>Indefinite useful life intangible assets</b>		
Balance at beginning of year		
Reclassification of investment	10 000	10 000
Disposal	(10 000)	
<b>Balance at end of year</b>	-	10 000
<b>6. INVESTMENT IN SUBSIDIARIES</b>		
<b>6.1 Investment in subsidiaries</b>		
Investment held in subsidiaries	2 244	16 107
<b>Total investment in subsidiaries</b>	2 244	16 107
Details of investments held in subsidiaries are disclosed in note 30.		
<b>6.2 Amounts owing by subsidiary companies – Current assets</b>		
Glenfiddich Investments Proprietary Limited	44	251
Hadrian Investments Proprietary Limited		24
Injector Investments Proprietary Limited		24
Shelanu Investments Proprietary Limited		23
East Cape Racing Proprietary Limited	952	46 087
TAB North West Proprietary Limited		352
Tote Property Investments Proprietary Limited	66	
Rand Sporting Club Proprietary Limited	140	179
	1 202	46 940
<b>Total investment in subsidiaries</b>	3 446	63 047
The amounts owing by subsidiary companies bear no interest and have no fixed terms of repayment.		
The investment in subsidiaries are represented by the following underlying assets and liabilities:		
Property, plant and equipment		25 250
Treasury shares		5 062
Receivables	1 670	27 809
Cash and cash equivalents	2 116	5 681
Other	7 117	914
Payables	(8 659)	(1 669)
<b>Total investment in subsidiaries</b>	2 244	63 047

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

	COMPANY	
	2022 R'000	2021 R'000
<b>7. INVESTMENT IN ASSOCIATE</b>		
SW Security Solutions Group		5 119
	-	5 119
<b>Movement</b>		
Balance at beginning of year	5 119	171 872
Disposal	(4 806)	(171 806)
Share repurchase		21
Adjustment to realisable value	(313)	5 032
<b>Balance at end of year</b>	-	5 119
<b>SW Security Solutions Group</b>		
- 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 disposed of its 34,03% shareholding in SW Security SA Proprietary Limited. Shareholding is 0% (2021: 34,03%)		
<b>8. INVENTORIES</b>		
Digital satellite decoders		699
	-	699
<b>9. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	18 273	110 010
Allowance for expected credit losses	(16 947)	(23 255)
Trade receivables after impairment	1 326	86 755
Prepayments	388	3 692
Deposits	3 219	4 648
Other receivables	77	1 746
	5 010	96 841
Trade receivables consist of non-interest-bearing receivables.		
Included in trade receivables is the equivalent of R13,4 million (2021: R73 million) denominated in foreign currencies. The majority of foreign currencies are EURO and USD. The Company does not hold long-term positions in any one currency and the mix of currencies held is dynamic.		
<b>Reconciliation of the expected credit loss provision recognised with regard to trade and other receivables</b>		
Allowance at beginning of year	23 255	25 680
Increase in allowance for expected credit losses	17 617	2 938
Written back to profit and loss	(11 822)	(4 370)
Utilised during the year	(12 103)	(993)
<b>Allowance at end of year</b>	16 947	23 255
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.		

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

	COMPANY	
	2022 R'000	2021 R'000
<b>10. OTHER RECEIVABLES</b>		
<b>Other receivables</b>		
IHH Company Proprietary Limited	28 203	78 000
	<b>28 203</b>	<b>78 000</b>

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 31 October 2022. The outstanding balance is secured over the shares sold and 8 796 443 shares in PGL.

<b>11. RIGHT-OF-USE ASSETS</b>		
<b>Current assets</b>		
Carrying amount at beginning of year	6 477	18 498
Additions for new leases and lease renewals		1 513
Depreciation	(2 020)	(13 534)
Derecognition of leases	(4 457)	
Carrying amount at end of year	–	6 477

Right-of use assets relate to betting shops which are leased by the Company from various landlords.

On 1 December 2021, lease contracts with landlords were transferred to a 3rd party and right of use asset derecognised.

## 12. BENEFIT FUND SURPLUSES

The Company has the following funds registered under and governed by the Pension Fund Act, 1956 as amended.

### Defined benefit funds

*Central Management Company (Sporting Clubs) Cusada Pension Plan (in process of being wound-up)*

*Totalisator Agency Board (Transvaal) Pension Plan (in liquidation)*

*Newmarket Pension Fund (in deregistration)*

The funds are closed, and there are no current members, while all pensioner members were outsourced to Old Mutual with effect from 1 January 2018 and as such the funds no longer has any obligation in respect of pensioners.

As there are no more pensioners the funds are being wound up with the remaining surplus to be distributed to the Company. The assets of the fund are invested in cash and or cash equivalents pending the winding up of the funds.

	COMPANY	
	2022 R'000	2021 R'000
<b>Pension fund surplus</b>		
Balance at beginning of period	14 650	14 650
Actuarial remeasurement included in profit and loss	8 776	
<b>Balance at end of period</b>	<b>23 426</b>	<b>14 650</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

	COMPANY			Total
	Central Management Company (Sporting Clubs) Cusada Pension Plan	Totalisator Agency Board (Transvaal) Pension Plan	Newmarket Pension Fund	
<b>12. BENEFIT FUND SURPLUSES CONTINUED</b>				
Estimated return to employer on liquidation of the pension fund	14 872	8 554	–	23 426

	COMPANY	
	2022 R'000	2021 R'000
<b>13. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	314 586	381 356
Short-term bank deposits	67	55 005
Deposits held with financial institutions against guarantees issued	8 304	15 650
Deposit held in Attorneys trust accounts		12 000
	<b>322 957</b>	464 011

Included in cash is the equivalent of R0,1 million (2021: R23 million) denominated in foreign currencies.

	COMPANY	
	2022 R'000	2021 R'000
<b>14. SHARE CAPITAL AND PREMIUM</b>		
<b>Share capital</b>		
<b>Authorised</b>		
480 000 000 ordinary shares of 2,5 cents each	12 000	12 000
<b>Issued</b>		
99 969 347 ordinary shares (2021:102 500 558) of 2,5 cents each	2 499	2 563
<b>Share capital</b>	2 499	2 563
<b>Share premium</b>	371 611	471 580
<b>Total share capital and premium</b>	<b>374 174</b>	474 143

Rand Sporting Club Proprietary Limited, a 100% subsidiary of the Company, holds nil (2021: 2 531 211) ordinary shares.

During the financial year all the ordinary shares held by Rand Sporting Club Proprietary Limited in the Company were declared as a dividend in specie to the Company, and subsequently cancelled.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

	Direct beneficial	Total	Percentage %
<b>14. SHARE CAPITAL AND PREMIUM CONTINUED</b>			
<b>Directors' interests in share capital at 31 July 2022</b>			
<i>Non-executive directors</i>			
E Nkosi	14 465	14 465	0,01
JB Walters	59 228	59 228	0,06
	<b>73 693</b>	<b>73 693</b>	<b>0,07</b>

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 2021

##### *Non-executive directors*

E Nkosi	14 465	14 465	0,01
JB Walters	59 228	59 228	0,06
	<b>73 693</b>	<b>73 693</b>	<b>0,07</b>

	COMPANY	
	2022	2021
	R'000	R'000
<b>15. TRADE AND OTHER PAYABLES</b>		
Trade payables	6 402	84 495
Accruals – staff costs	312	9 346
Accruals – other	28 632	11 857
Other payables	3 667	
Betting taxes		1 937
Punters liabilities		21 980
	<b>39 013</b>	<b>129 615</b>

Trade payables are non-interest-bearing and are normally settled between 30 and 60 days.

Included in creditors is the equivalent of Rnil (2021: R25 million) denominated in foreign currencies.

#### 16. LEASE LIABILITY

<b>Carrying amount at beginning of year</b>	<b>7 759</b>	<b>20 937</b>
Impact of changes in accounting policy		
Additions for new leases and lease renewals		1 517
Repayments	<b>(2 528)</b>	<b>(16 202)</b>
Net interest expense	<b>245</b>	<b>1 507</b>
Derecognition of leases	<b>(5 476)</b>	
<b>Carrying amount at end of year</b>	<b>–</b>	<b>7 759</b>

Lease liabilities relate to betting shops which are leased by the Company from landlords.

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.

On 1 December 2021, lease contracts with landlords were transferred to a 3rd party and the lease liability derecognised.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

	COMPANY	
	2022 R'000	2021 R'000
<b>17. BORROWINGS</b>		
<b>Current liability</b>		
Post commencement finance "B"		185 000
	-	185 000
<b>Post commencement finance "A"</b>		
Balance at beginning of year		40 606
Advances		40 000
Repaid		(81 654)
Interest		1 048
<b>Balance at end of year</b>	-	-
<b>Post commencement finance "B"</b>		
Balance at beginning of year	185 000	
Advances		256 037
Repaid	(185 000)	(82 168)
Interest		11 131
<b>Balance at end of year</b>	-	185 000
The post commencement finance bore no interest during the financial year and was fully repaid on 30 November 2021.		
<b>18. BUSINESS RESCUE CREDITORS</b>		
Unsecured creditors		17 127
Disputed creditors		343 624
<b>Total business rescue creditors</b>	-	360 751
<b>Unsecured creditors</b>		
International creditors		1 996
Local creditors		15 131
	-	17 127
<b>Disputed creditors</b>		
Local creditors		343 624
	-	343 624
All business rescue creditors have been settled as at 31 July 2022.		
<b>19. AMOUNTS OWING TO SUBSIDIARY COMPANIES</b>		
TAB North West Proprietary Limited	6 934	
Transvaal Racing Holdings Proprietary Limited		1 103
Silks Gaming and Leisure Proprietary Limited		25
Tote Property Investments Proprietary Limited		364
Highveldt Training Centre Proprietary Limited		277
	6 934	1 769
The amounts owing to subsidiary companies bear no interest and have no fixed terms of repayment.		

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

	COMPANY	
	2022	2021
	R'000	R'000
<b>20. INCOME</b>		
Revenue comprises:		
Betting income	156 301	586 424
Bets struck net of betting dividends paid, refunds and rebates		
– South Africa – totalisator	156 301	576 546
– South Africa – fixed odds		9 878
International division		
– Derived from international ventures	90 933	305 223
Proportionate share of Tellytrack Partnership		
– Derived from local operations	2 223	18 615
Investment income	50 026	144 568
– Interest received	19 405	17 161
– Dividends received in cash	25 437	386 489
– Recognised in the prior year*		(290 278)
– Dividends from subsidiaries settled via loan account	5 184	31 196
Other local income	76 746	179 880
– Gambling Board levies received	4 205	10 379
– Unclaimed dividends	5 331	9 677
– Breakages	1 518	3 858
– LPM Commission	8 127	20 759
– Sales and Marketing	2 626	8 177
– Other	54 939	127 030
	<b>376 229</b>	<b>1 234 710</b>
<i>* Amounts recognised in the prior year in terms of the Company's accounting policy to value assets at estimated realisable value.</i>		
<b>21. PROFIT FROM OPERATIONS</b>		
<b>Income</b>		
Dividends received from unlisted investments	30 621	127 408
Interest received	19 415	17 161
– Interest received on loans	19 415	6 595
– Interest received from banks		10 566
Gambling Board levies received	4 205	10 379
Unclaimed dividends and breakages	6 849	13 535
Profit on disposal of assets		22 578
Profit on foreign exchange	295	13 647
<b>Expenses</b>		
Auditors' remuneration	1 124	2 709
Loss on disposal of assets	7 858	
Impairment of assets	(313)	18 362
Agents' commission	8 639	50 350
– Horseracing	4 957	27 776
– Other sports	3 682	22 574
Operating lease expenses	9 596	32 490
– Office equipment	891	3 274
– Premises	8 705	29 216
Employee costs (permanent and part-time)	72 808	194 020
– Salaries and wages	68 562	176 024
– Retirement benefits	2 921	9 046
– Social security	1 325	3 630
– Voluntary retrenchment programme		5 320

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

	COMPANY	
	2022 R'000	2021 R'000
<b>22. FINANCE COSTS</b>		
<b>Interest paid</b>	<b>466</b>	29 217
– Interest paid on overdraft		2 794
– Interest paid on borrowings		24 412
– Interest on lease liability	<b>245</b>	1 507
– Interest paid other	<b>221</b>	504
<b>23. INCOME TAX (CREDIT)/EXPENSE</b>		
Current tax charge	–	–
– Current year		
– Prior year adjustment		
Deferred tax charge	–	–
– Current year		
– Prior year adjustment		
<b>Total tax charge</b>	<b>–</b>	<b>–</b>
<b>Taxation reconciliation</b>		
Profit/loss before taxation	<b>183 772</b>	90 820
South African normal taxation at standard rate 28%	<b>51 456</b>	25 430
<b>Adjusted for:</b>		
Tax rate difference – foreign subsidiary	<b>(5 688)</b>	
Reduced tax rate for capital gain tax		(1 436)
Exempt dividend income	<b>(8 574)</b>	(35 674)
Employee tax Incentive allowance	<b>(37)</b>	(35)
Assessed loss utilised	<b>(38 361)</b>	
Assessed loss not recognised		34 194
Capital profit/loss on disposal asset/right of use asset	<b>(786)</b>	
Exempt Income		(22 479)
Disallowable expenses	<b>1 990</b>	
<b>Taxation in the current year</b>	<b>–</b>	<b>–</b>
<b>Estimated tax losses reconciliation</b>		
Estimated tax losses brought forward	<b>778 176</b>	632 998
Prior year adjustment	<b>(71 626)</b>	23 058
Estimated loss utilised in the current year	<b>(137 701)</b>	
Estimated loss incurred in the current year		122 120
Estimated losses derecognised	<b>(568 849)</b>	(778 176)

Deferred tax liabilities of R1,8 million 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 R569 million upon which a deferred tax asset of R154 million (2021: R217 million) is not recognised.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

	COMPANY	
	2022 R'000	2021 R'000
<b>24. DIRECTORS' EMOLUMENTS</b>		
<b>Non-executive directors</b>		
NJ Mboweni	29	6
SH Müller	29	6
E Nkosi	29	6
JB Walters	29	6
SA Mahlalela	29	6
<b>Other services*</b>		
NJ Mboweni	12	21
SH Müller	35	21
JB Walters	35	21
SA Mahlalela	12	21
	<b>239</b>	<b>114</b>
<b>Total directors' emoluments</b>	<b>239</b>	<b>114</b>

\* Other services include attending Audit and ad hoc meetings as required.

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.

<b>25. REALISATION SURPLUS</b>		
Additional surplus on realisation of investment	87 000	
<b>Total revaluation surplus</b>	<b>87 000</b>	<b>-</b>

In line with the Company's basis of preparation of the annual financial statements as set out in note 1.2, and upon the first time application of this basis of preparation, where an asset's realisable value was expected to be higher than cost, the asset was written up to realisable value through Other Comprehensive Income.

At the time of initially adopting this basis for preparation for the financial year ended 31 July 2020, the Company's effective shareholding in Phumelela Gold International Limited ("PGI") was disputed. Accordingly, the Company only recognised a realisation surplus on its investment in PGI to the extent relating to its shareholding that was not in dispute.

During the year under review, the Company successfully defended its title to all the shares in PGI. The R87 million now recognised in Other Comprehensive Income reflects the release from provisions of the proceeds from the sale of PGI during the 2021 financial year that was attributable to the shareholding being disputed.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

## 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 partnership ceased active operations on 28 February 2022. 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% (2021: 61%) which is as follows:

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

	COMPANY	
	2022 R'000	2021 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment		2 139
<b>Current assets</b>	10	3 236
Inventories		192
Trade and other receivables	4	2 233
Cash and cash equivalents	6	811
	10	5 375
<b>CAPITAL AND RESERVES</b>		
Partners' accounts	(111)	
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	121	5 021
	10	5 021
<b>CASH FLOW</b>		
Cash flows from operating activities	(12 999)	(9 841)
Cash flows from investing activities		
Cash flows from financing activities	10 726	8 690
Net increase/(decrease) in cash and cash equivalents	(2 273)	(1 151)
<b>INCOME</b>	(2 809)	18 615
<b>EXPENDITURE</b>	13 529	(24 746)
<b>Loss for the year</b>	10 720	(6 131)

## 27. COMMITMENTS AND CONTINGENCIES

### Capital expenditure

There were no commitments in respect of capital expenditure as at 31 July 2022 (2021: nil).

### Guarantees and surety issued

As at 31 July 2022, the Company stood surety for the banking facilities of Kenilworth Racing Proprietary Limited in the amount of R50 million which was secured by means of a first bond over the Milnerton property owned by Kenilworth Racing Proprietary Limited. Subsequent to the year end the surety was cancelled by the bankers and the security released.

The Company's bankers have issued guarantees on behalf of the Company to regulatory authorities and utility providers for amounts totalling R8,3 million. Subsequent to the year end guarantees to the value of R6,8 million have been cancelled by the bank.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

## 28. RELATED PARTIES

Related parties include shareholders of the Company, the subsidiary companies, joint venture and associate.

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

### Subsidiaries

Details of investments in subsidiaries are disclosed in note 6.1

Related party balances are disclosed in notes 6.2 and 19.

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

	COMPANY	
	2022 R'000	2021 R'000
Turnover levies received from TAB North West Proprietary Limited	5 901	19 204
Leasehold property rentals paid to East Cape Racing Proprietary Limited	(1 147)	(6 068)
Security costs paid to SW Security Solutions SA Proprietary Limited	(6 719)	(21 167)

### Directors

Details regarding the director's emoluments in the Company are disclosed in note 24, director's interests in the Company in note 14.

### Jointly controlled operation

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

### Investment in associate

Details of investment in associate are disclosed in note 7.

## 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 were exercisable at the strike price. For purposes of IFRS 2.

There were no active share options at 31 July 2022 and consequently there were none valued for the purposes of IFRS 2.

### 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.

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	01 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 2021

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

## 29. SHARE OPTION SCHEMES CONTINUED

	2022		2021	
	Number of shares	Weighted average exercise price R	Number of shares	Weighted average exercise price R
<b>Summary of share options granted</b>				
Balance at beginning of year	771 003	12,53	971 003	12,69
Forfeited	(771 003)	(12,53)	(200 000)	13,29
	-	-	771 003	12,53
	2022		2021	
	Number of shares	Exercise price cents	Number of shares	Exercise price cents
<b>Total options issued</b>	-	-	771 003	-
<b>Made up as follows:</b>				
<b>Granted to staff</b>				
Effective grant date – 12 April 2018			221 003	14,76
Effective grant date – 1 August 2018			250 000	13,82
Effective grant date – 1 April 2019			300 000	9,82
<b>Balance at end of year</b>	-	-	771 003	-
The above options may be exercised between the following dates:				
13 April 2021 to 12 October 2021			221 003	14,76
2 August 2021 to 1 February 2022			250 000	13,82
2 April 2022 to 1 October 2022*			300 000	9,82
	-	-	771 003	-

\* The options have been forfeited, as the conditions set out in the options agreement have not been met.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

	COMPANY	
	2022 R'000	2022 R'000
<b>30. NOTES TO THE CASH FLOWS STATEMENTS</b>		
<b>30.1 Cash utilised by operations</b>		
Profit for the year before income tax expense	96 772	90 820
Adjustments for:		
Investment income	(50 026)	(144 568)
Finance costs	222	27 710
Interest on lease liability	245	1 507
Derecognition of lease liability	(5 475)	
Depreciation of assets	670	
Amortisation of intangible assets	(8 776)	
Depreciation of right of use asset	2 020	13 534
Derecognition of right of use asset	4 457	
Loss on disposal of property, plant and equipment	7 569	
Profit on sale of assets		(22 578)
Impairments of property, plant and equipment		1 572
Loss on disposal of revaluation surplus		7 015
Fair value adjustment of investments		7 429
Impairment of inventory	20	
Impairment of investments	13 862	
Impairments of loans	(258)	9 361
Adjustment to realisable value of associates	313	(5 032)
Withholding tax written off		5 287
	<b>61 615</b>	<b>(7 943)</b>
<b>30.2 Movements in working capital</b>		
Decrease in inventories	679	2 057
Decrease in trade and other receivables	91 831	10 100
Decrease/(increase) in amounts owing from subsidiary companies	45 718	(7 671)
Increase/(decrease) in amounts owing to subsidiary companies	10 625	(29 690)
(Decrease)/increase in business rescue creditors	(273 751)	40 719
Decrease in trade and other payables	(94 235)	(118 032)
	<b>(219 133)</b>	<b>(102 517)</b>
<b>30.3 Taxation paid</b>		
Balance at beginning of year		290
Transfer to accounts receivable		(290)
Balance at end of year		-
	-	-

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

## 31. DETAILS OF SUBSIDIARY COMPANIES

Name and nature of business	Invest- ment R'000	2022 Issued capital R	% Held	Invest- ment R'000	2021 Issued capital R	% Held
<b>Direct subsidiaries incorporated in South Africa</b>						
Highveld Racing Authority Technical Services Proprietary Limited*					8	100
Highveldt Training Centre Proprietary Limited		3	100		3	100
Rand Sporting Club Proprietary Limited		200	100	5 860	200	100
Hadrian Investments Proprietary Limited		200	100	226	200	100
Shelanu Investments Proprietary Limited		200	100	226	200	100
Injector Investments Proprietary Limited		200	100	226	200	100
Glenfiddich Investments Proprietary Limited		200	100		200	100
Transvaal Racing Holdings Proprietary Limited		37 500	100	1 046	37 500	100
Tote Property Investments Proprietary Limited	16	50 000	100	1 428	50 000	100
Vaal Racecourse Proprietary Limited *					1 070	100
East Cape Racing Proprietary Limited		100	100		100	100
TAB North West Proprietary Limited	2 228	4 000	100	1 030	4 000	100
Silks Gaming and Leisure Proprietary Limited		100	100		100	100
<b>Direct subsidiaries incorporated in Isle of Man</b>						
Phumelela Gold International Limited **				6 065	100	100
	<b>2 244</b>			<b>16 107</b>		

\* The entity was dissolved during the year.

\*\* The entity was dissolved during the year

## 32. SUBSEQUENT EVENTS

Subsequent to year-end the following events occurred: the operations in the North West Province were transferred to the new business owner on 1 September 2022; the operations in the Northern Cape Province was transferred to the new business owner on 1 October 2022; the Company was released from the surety that it provided over Kenilworth Racing Proprietary Limited's banking facilities and consequently the Company released its security over the Milnerton property; cash deposits held with a financial institution amounting to R6,8 million were released to the Company and the related guarantees were cancelled.

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](http://www.phumelela.com).

A further capital distribution of 125 cents per share was approved by the directors on 21 October 2022 for payment to shareholders on the later of 29 November 2022 or the date of issue of the audited 2022 annual financial statements.

An agreement has been entered into with IHH that the remaining debtor balance as at 31 October 2022 of R11 million will be settled from their share, as shareholder in the Company, of the distribution declared by the directors on 21 October 2022 (refer to note 10).

Other than the above there are no significant subsequent events that have had an impact on the financial information at 31 July 2022.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2022

## 33. GOING CONCERN

Shareholders have authorised the business rescue practitioner to deregister, wind-up or liquidate the Company after he has discharged his obligations in terms of the business rescue plan. 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 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 exceeds its liabilities by R289 million (2020: R205 million) as at 31 July 2022.

---

## 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 2022, the following standards and interpretations applicable to the entity were in issue but not yet effective:

### Effective for the financial year commencing 1 August 2022

- 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.

---

## CORPORATE INFORMATION

<b>DIRECTORS</b>	Dr Elijah Nkosi (Chairman) John Barry Walters Nolwandle Jacqueline Mboweni S'celo Andreas Mahlalela Stephanus Hilgard Müller
<b>SECRETARY</b>	Freda Moloji
<b>BUSINESS RESCUE PRACTITIONER</b>	John Evans
<b>REGISTERED OFFICE</b>	Turffontein Racecourse 14 Turf Club Street Turffontein
<b>AUDITORS</b>	BDO South Africa Inc.
<b>PRINCIPAL BANKER</b>	First National Bank – A division of FirstRand Bank Limited
<b>ATTORNEYS</b>	Fluxmans Inc.
<b>MERCHANT BANK</b>	Investec Bank Limited
<b>COMPANY REGISTRATION NUMBER</b>	1997/016610/06
<b>COUNTRY OF INCORPORATION</b>	South Africa
<b>WEBSITE</b>	<a href="http://www.phumelela.com">www.phumelela.com</a>

