Phumelela Gaming

Phumelela Gaming and Leisure Limited

ANNUAL REPORT 2020

CONTENTS

PHUMELELA GAMING AND LEISURE LIMITED

Group annual financial statements and annual financial statements
for the year ended 31 July 2020

These financial statements represent the financial information of Phumelela Gaming and Leisure Limited, and its investments in joint ventures, associates and subsidiaries.

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

FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY AND APPROVAL STATEMENT

for the year ended 31 July 2020

The Company's directors are responsible for the preparation and fair presentation of the Group annual financial statements and separate Company annual financial statements of Phumelela Gaming and Leisure Limited, comprising the statements of financial position as at 31 July 2020, 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 and the requirements of the Companies Act of South Africa, and the directors' report.

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

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

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

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

The Audit and Risk committee recommended to the Board that the financial statements not be prepared on a going concern basis but instead on an orderly realisation (break-up) basis as it is likely that the entity will be wound-up. The financial statements have been prepared in accordance with the companies own accounting policies which has been derived from International Financial Reporting Standards "IFRS" and interpretations of those standards as adopted by the International Accounting Standards Board 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 Group financial statements and separate financial statements of Phumelela Gaming and Leisure Limited are fairly presented in accordance with the basis of preparation and accounting policies adopted.

The Group annual financial statements and annual financial statements of Phumelela Gaming and Leisure Limited were approved by the Board of Directors on 24 March 2021 and signed.

E NKOSI
Chairman
24 March 2021

SH MÜLLER
Non-executive director

REPORT OF THE COMPANY SECRETARY

for the year ended 31 July 2020

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
24 March 2021

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 July 2020

The Audit and Risk Committee presents its report for the financial year ended 31 July 2020. 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 ("Companies Act"), and that it has therefore complied with its legal responsibilities. The committee fulfils the functions required under section 94(7) of the Companies Act for the Company and its wholly owned subsidiaries.

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

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

The committee, with the auditor's 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 eight times during the year, of which seven were prior to the board of directors applying to place the Company into business rescue. Senior employees and the external auditor all attend meetings of the committee by invitation. During the financial year, the Chief Operating Officer and Group Finance Director and the Chief Executive Officer resigned as employees on 31 March 2020 and 31 May 2020 respectively. The Chief Financial Officer retired on 31 March 2020 and an Interim Chief Financial Officer was appointed on 1 April 2020.

At its meetings, the committee reviews the Group'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 Group's external auditor is BDO South Africa Inc., appointed on 18 August 2020 following the resignation of KPMG Inc. as the Company's external auditors.

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

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

AUDITOR INDEPENDENCE

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

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

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

DISCHARGE OF RESPONSIBILITIES

During the reporting period the committee undertook the following:

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

GOING CONCERN

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

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

The 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 companies own accounting policies which has been derived from International Financial Reporting Standards "IFRS" and interpretations of those standards as adopted by the International Accounting Standards Board 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. This deviation in policy away from the going concern basis of preparation of the financial statements resulted in three assets, the interests in Premier Gateway International Limited, Betting World Proprietary Limited and the Arlington racecourse, being held at year-end at a combined value of R174 million above cost. Refer to the basis of preparation in note 1.2 and note 13.

ANNUAL FINANCIAL STATEMENTS

The committee has recommended the annual financial statements for approval to the Board. The Board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

On behalf of the Audit and Risk Committee.

SH MÜLLER
Audit And Risk Committee Chairman
24 March 2021

REPORT OF THE DIRECTORS

for the year ended 31 July 2020

The directors hereby in present the consolidated and separate financial statements for the year ended 31 July 2020, which have been audited in compliance with the Companies Act. The preparation of these annual financial statements was supervised by the Interim Chief Financial Officer, Mr AR Langham.

NATURE OF BUSINESS

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

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

South Africa

During the year under review the Group owned four racecourses with allied training centres in Gauteng, Free State, Northern Cape and Eastern Cape, and managed a stand-alone training centre in Gauteng. The Group staged approximately 240 race meetings and provided betting opportunities primarily on horseracing via its totalisator system and a network of branches, agents, an internet betting site, and telephone betting ("telebet") centres. Racing at the Northern Cape racecourse ceased during the year due to it being uneconomic to continue to do so.

The branch and agent outlets are situated in the above-mentioned provinces plus Limpopo, Mpumalanga and North West. Betting opportunities are also offered through the Group's subsidiary company Betting World Proprietary Limited, a licensed bookmaking concern.

The Group jointly owned Supabets SA Holdings Proprietary Limited, Supaworld Proprietary Limited and Uptonvale Proprietary Limited (trading as Interbet), leading bookmaking concerns licensed and operating in South Africa.

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

International

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

The Group jointly owned Premier Gateway International Limited, a company incorporated in The Isle of Man ("IOM"). The remaining shares are held by Tabcorp Holdings Limited (Australia). Premier Gateway owns a totalisator license in the IOM and provides betting and commingling opportunities via its on-line totalisator operation to a worldwide customer base.

FINANCIAL RESULTS

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

At 31 July 2020, issued share capital amounted to 99 969 347 shares, net of 2 531 211 treasury shares.

GOING CONCERN

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

The Group incurred a loss for the year of R924 million (2019: R96 million) and the Company a loss for the year of R758 million (2019: R72 million).

GOING CONCERN CONTINUED

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

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

The 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 companies own accounting policies which has been derived from International Financial Reporting Standards "IFRS" and interpretations of those standards as adopted by the International Accounting Standards Board 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. This deviation in policy away from the going concern basis of preparation of the financial statements resulted in three assets, the interests in Premier Gateway International Limited, Betting World Proprietary Limited and the Arlington racecourse, being held at year-end at a combined value of R174 million above cost. Refer to the basis of preparation in note 1.2 and note 13.

Based on the accounting policy applied, the Group's assets exceeded its liabilities by R114 million as at 31 July 2020.

SUBSEQUENT EVENTS

Subsequent to the year end, the Group has disposed of various assets in terms of the business rescue plan adopted on 1 September 2020. Assets which have been disposed of consist of the Group and Company's equity interests in Premier Gateway International Limited, and Uptonvale Services Proprietary Limited. Conditional sales agreements have been entered into for the sale of Supabets SA Holding Proprietary Limited, Supaworld Proprietary Limited, Betting World Proprietary Limited and most of the Group's racing assets and tote operations. The values achieved in the sale of these assets aligns with the realisable values recorded in the financial statements.

In October 2020 a draw-down was made of one third of the R550 million post commencement finance facility as outlined in the business rescue plan published on 18 August 2020.

The business rescue practitioner has published monthly status reports outlining progress on the implementation of the business rescue plan.

Other than the above there are no significant subsequent events that have had an impact on the financial information at 31 July 2020.

MATTERS OF CORPORATE INTEREST AND LITIGATION

Since entering into business rescue a dispute has arisen with Gold Circle regarding various financial claims made by Gold Circle. Gold Circle claim that they are owed substantial amounts on the trading account and claim that they own an effective 39% of the shares in the Group's Isle of Man gaming operations. These claims are disputed by Phumelela, however it has taken a conservative approach in accounting for the possible outcome of the dispute.

A comprehensive report on legal disputes was included in the Report of the Directors included 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 Phumelela of a portion of the betting levies;
- The High Court Review Application to set aside 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;

REPORT OF THE DIRECTORS CONTINUED

for the year ended 31 July 2020

MATTERS OF CORPORATE INTEREST AND LITIGATION CONTINUED

- 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.

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

During the year Betting World Proprietary Limited sold one fixed odds license to Supaworld Proprietary Limited, a company jointly owned by Betting World and Supabets. Refer note 33.

Other than in the normal course of business, there have been no significant transactions during the period with equity-accounted investees, joint operations, and other related parties.

DIVIDENDS TO ORDINARY EQUITY HOLDERS

There were no dividends declared to shareholders during the year ending 31 July 2020 (2019: R62 million).

DIRECTORS' EMOLUMENTS

The remuneration of directors is set out in note 30 on page 57.

SHARE INCENTIVE SCHEMES

Details pertaining to share option schemes approved by shareholders' is set out in note 34 on pages 61 and 62.

AUDITORS

On 18 August 2020, BDO South Africa Inc. were appointed as the external auditors for the Group.

DIRECTORS AND SECRETARY

The following directors were re-elected to office at the Annual General Meeting held on 21 January 2020:

- Mr JB Walters
- Dr E Nkosi
- Ms NJ Mboweni

The following directors were elected to serve on the Audit and Risk Committee at the Annual General Meeting held on 21 January 2020

- Mr SH Müller
- Mr SA Mahlalela
- Mrs NJ Mboweni
- Mr JB Walters

With effect from:

- 30 October 2019, Ms F Magubane resigned from the Board as non-executive director.
- 21 January 2020, Mr B Kantor retired as chairman of the Board and non-executive director.
- 21 January 2020, Mr M Tembe was appointed as Chairman and relinquished the role of Lead Independent Director.
- 27 March 2020, Mr AW Heide, Chief Operating Officer and Group Finance Director, resigned from the Board and from all positions held within the Group on 31 March 2020.
- 15 May 2020, Mr JA Stuart, Chief Executive Officer, resigned from the Board and from all positions within the Group on 31 May 2020.

Subsequent to the year end, Mr M Tembe resigned from the Board with effect from 18 February 2021. Furthermore, Mr KC Khampepe resigned from the Board with effect from 19 February 2021. There are no other changes to the composition of the Board.

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

SUBSIDIARY COMPANIES

Details of subsidiary companies are disclosed in note 40 on page 66.

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 July 2020

QUALIFIED OPINION

We have audited the consolidated and separate financial statements of Phumelela Gaming and Leisure Limited (the company) set out on pages 12 to 66, which comprise the consolidated and separate statements of financial position as at 31 July 2020, the consolidated and separate statements of comprehensive income and other comprehensive income, the consolidated and separate statements of cash flows, and the consolidated and separate statements 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, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, the financial statements of Phumelela Gaming and Leisure Limited for the year ended 31 July 2020 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 1.24, and the requirements of the Companies Act of South Africa.

BASIS FOR QUALIFIED OPINION

The audit of the associates Supebets SA Holdings Proprietary Limited and Supaworld Proprietary Limited were not finalised at the date of these financial statements and therefore we do not have sufficient and appropriate audit evidence to support the amounts recorded in the Share of profit of equity-accounted investee after tax, and as consequence, the impairment expense relating to the these two associates as presented in the Statement of Comprehensive income for the year ended 31 July 2020. Similarly, we do not have sufficient and appropriate audit evidence for the disclosures included in Note 9 Interest in Equity-Accounted Investees relating to these two associates. As a result, we were unable to determine whether any contra adjustments would be required between Share of profit of equity-accounted investee and Impairments in the Statement of Comprehensive income, or to the disclosures in Note 9 arising from equity accounting the results of Supebets SA Holdings Proprietary Limited and Supaworld Proprietary Limited.

We have obtained sufficient and appropriate audit evidence relating to the Interest in equity accounted-investees in respect of Supebets SA Holdings Proprietary Limited and Supaworld Proprietary Limited as reported in the statement of financial position as at 31 July 2020 by agreeing the carrying value of the interest in these equity accounted investees to sales agreements concluded after year end for the disposal of these investments.

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 qualified opinion.

EMPHASIS OF MATTER – BASIS OF PREPARATION AND GOING CONCERN

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

OTHER MATTER

The financial statements of Phumelela Gaming and Leisure Limited for the year ended 31 July 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 28 November 2019.

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 2020", 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

for the year ended 31 July 2020

OTHER INFORMATION CONTINUED

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described in note 39 to the financial statements.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

Stephen Shaw
Director
Registered Auditor
31 March 2021

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

STATEMENTS OF FINANCIAL POSITION

as at 31 July 2020

	Note	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
ASSETS					
Non-current assets			1 322 828		1 019 771
Property, plant and equipment	4		439 836		293 487
Goodwill	5		12 362		
Intangible assets	6		42 694		1 511
Investment in subsidiaries	8				96 336
Interest in equity-accounted investees	9		710 367		581 531
Investment property	10		18 700		
Deferred taxation asset	11		48 039		25 225
Amounts owing by subsidiary companies	12.1				340
Assets held for sale		**767 119**		**702 240**	
Property, plant and equipment	4	**235 447**		**155 318**	
Goodwill	5	**9 236**			
Intangible assets	6	**27 046**			
Right-of-use assets	7.1	**20 744**			
Investment in subsidiaries	8			**71 256**	
Interest in equity-accounted investees	9	**253 254**		**171 872**	
Investment property	10	**18 458**			
Deferred taxation asset	11	**28 769**			
Amounts owing by subsidiary companies	12.2			**93 837**	
Realisation surplus	13	**174 165**		**209 957**	
Other current assets		**294 493**	268 773	**306 695**	363 143
Inventories	14	**3 261**	4 249	**2 756**	3 134
Trade and other receivables	15	**125 642**	131 353	**106 941**	113 904
Right-of-use assets	7.2	**19 499**		**18 498**	
Amounts owing by subsidiary companies	12.3			**53 582**	144531
Loans	16.2	**1 215**	50 830		21 341
Income tax receivable		**7 683**	27 186	**290**	17 017
Defined benefit funds	17.1	**14 650**	14 650	**14 650**	14 650
Cash and cash equivalents	18	**122 543**	91 335	**109 978**	69 907
Total assets		**1 061 612**	1 591 601	**1 008 935**	1 382 914
EQUITY AND LIABILITIES					
Total equity		**114 375**	849 684	**114 375**	662 107
Equity attributable to ordinary shareholders		**114 375**	860 491	**114 375**	662 107
Share capital and premium	19.1	**473 786**	473 786	**474 143**	474 143
Retained earnings		**(359 683)**	386 832	**(359 768)**	187 964
Translation reserve	19.2	**272**	(127)		
Non-controlling interest			(10 807)		
Non-current liabilities			1 498		
Deferred taxation liability	11		1 309		
Borrowings	20		189		
Current liabilities		**947 237**	740 419	**894 560**	760 807
Trade and other payables	21	**223 256**	359 976	**166 780**	321 120
Lease liability	22	**45 070**		**20 937**	
Short-term borrowings	20	**43 026**	300 640	**40 606**	300 000
Creditors owing at business rescue date	23	**631 335**		**631 335**	
Amounts owing to subsidiary companies	24			**31 459**	24 578
Contingent consideration liability	25		28 806		28 806
Deferred taxation liability	11	**11**	1 309		
Betting dividends payable		**4 539**	10 142	**3 443**	5 448
Bank overdraft	20		40 855		40 855
Total equity and liabilities		**1 061 612**	1 591 601	**1 008 935**	1 382 914

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 July 2020

		GROUP		COMPANY	
		2020	2019	**2020**	2019
	Note	**R'000**	R'000	**R'000**	R'000
Income	26	**1 065 167**	1 416 110	**984 186**	1 222 284
Betting income		**746 237**	1 066 907	**506 311**	717 253
Other operating income					
– Local operations		**140 808**	253 531	**140 637**	240 102
– International operations		**300 795**	323 878	**299 862**	320 223
Investment income	26				
– Local operations		**11 454**	13 147	**160 801**	163 462
– International operations		**4**	826		826
Net income	26	**1 199 298**	1 658 289	**1 107 611**	1 441 866
Stakes		**(134 536)**	(216 440)	**(134 536)**	(216 440)
Value added tax		**(93 465)**	(129 969)	**(63 563)**	(86 885)
Betting taxes		**(60 675)**	(86 526)	**(48 510)**	(67 185)
National Horseracing Authority levies		**(35 548)**	(37 119)	**(35 548)**	(37 119)
Operating expenses and overheads					
– Local operations		**(1 016 658)**	(1 161 033)	**(754 655)**	(838 953)
– Impairments		**(578 587)**	(32 623)	**(510 571)**	(692)
– International operations		**(256 960)**	(234 401)	**(256 589)**	(234 198)
Loss from operations	27	**(977 131)**	(239 822)	**(696 361)**	(39 606)
Finance costs					
– Local operations	28	**(39 588)**	(35 488)	**(36 104)**	(35 418)
Loss before share of profit of equity-accounted investees		**(1 016 719)**	(275 310)	**(732 465)**	(75 024)
Share of profit of equity-accounted investee after tax	9	**112 906**	163 310		
Loss before assets held for sale fair value adjustment		**(903 813)**	(112 000)	**(732 465)**	(75 024)
Fair value adjustment in respect of investments			2 964		2 964
Loss before income tax expense		**(903 813)**	(109 036)	**(732 465)**	(72 060)
Income tax expense	29	**(16 868)**	13 220	**(25 225)**	
Loss for the year		**(920 681)**	(95 816)	**(757 690)**	(72 060)
Other comprehensive income for the year					
Other comprehensive income		**174 564**	(157)	**209 957**	
Items that may subsequently be reclassified to profit or loss					
– Revaluation surplus	13	**174 165**		**209 957**	
– Exchange differences on translation of foreign subsidiaries		**399**	(157)		
Total comprehensive income for the year		**(746 117)**	(95 973)	**(547 733)**	(72 060)
Loss attributable to:					
– Ordinary equity holders of the parent		**(920 680)**	(92 293)		
– Non-controlling interest			(3 523)		
		(920 680)	(95 816)		
Total comprehensive income attributable to:					
– Ordinary equity holders of the parent		**(920 281)**	(92 450)		
– Non-controlling interest			(3 523)		
		(920 281)	(95 973)		

STATEMENTS OF CASH FLOWS

for the year ended 31 July 2020

		GROUP		COMPANY	
		2020	2019	**2020**	2019
	Note	**R'000**	R'000	**R'000**	R'000
Net cash (outflow)/inflow from operating activities		**(93 254)**	(174 698)	**(78 008)**	(198 881)
Cash utilised by operations	35.1	**(202 507)**	(145 708)	**(274 653)**	(150 091)
Movements in working capital	35.2	**130 458**	60 851	**203 805**	40 998
Cash utilised by operating activities		**(72 049)**	(84 857)	**(70 848)**	(109 093)
Income tax refunded/(paid)	35.3	**3 880**	(1 691)		1 551
Dividends paid to shareholders			(61 981)		(63 550)
Interest received		**7 787**	9 319	**12 403**	7 629
Finance costs paid		**(32 873)**	(35 488)	**(19 562)**	(35 418)
Net cash inflow/(outflow) from investing activities		**179 221**	126 397	**169 754**	150 854
Acquisition of intangible assets			(1 090)		(983)
Acquisition of property, plant and equipment		**(5 635)**	(55 659)	**(974)**	(30 388)
Proceeds on disposal of property, plant and equipment		**935**	17 101		2 100
Proceeds on sale of investments		**990**	14 380	**990**	14 380
Investment in equity-accounted investees		**2 186**	(4 342)		
Loans advanced		**34 773**	(17 435)	**(14 726)**	(11 000)
Loans repaid			23 774	**37 402**	23 774
Dividends received from equity-accounted investees		**145 972**	149 668	**147 062**	152 971
Net cash (outflow)/inflow from financing activities		**(14 303)**	(1 257)	**(10 821)**	
Operating lease payments in respect of right-of-use assets		**(38 997)**		**(20 821)**	
Borrowings raised		**24 694**		**40 000**	
Borrowings repaid			(1 257)	**(30 000)**	
Increase/(decrease) in cash and cash equivalents for the year		**71 664**	(49 558)	**80 926**	(48 027)
Effect of conversion of foreign operations on cash and cash equivalents		**399**	(157)		
Cash and cash equivalents at beginning of year		**50 480**	100 195	**29 052**	77 079
Cash and cash equivalents at end of year		**122 543**	50 480	**109 978**	29 052
Make up of balance of cash and cash equivalents					
Cash and cash equivalents	18	**122 543**	91 335	**109 978**	69 907
Bank overdraft	20		(40 855)		(40 855)
Cash and cash equivalents at end of year		**122 543**	50 480	**109 978**	29 052

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2020

	Share capital R'000	Share premium R'000	Translation reserves R'000	Retained earnings R'000	Shareholders' equity R'000	Non-controlling interest R'000	Total equity R'000
GROUP							
Balance at 31 July 2018	2 499	471 287	30	546 092	1 019 908	(7 284)	1 012 624
Total comprehensive income for the year			(157)	(92 293)	(92 450)	(3 523)	(95 973)
– Loss for the year				(92 293)	(92 293)	(3 523)	(95 816)
– Other comprehensive income			(157)		(157)		(157)
Transactions with owners recorded directly in equity							
– Share-based payment				(4 986)	(4 986)		(4 986)
– Dividends paid to equity holders				(61 981)	(61 981)		(61 981)
Balance at 31 July 2019	2 499	471 287	(127)	386 832	860 491	(10 807)	849 684
Total comprehensive income for the year			**399**	**(746 515)**	**(746 116)**		**(746 116)**
– Loss for the year				**(920 680)**	**(920 680)**		**(920 680)**
– Other comprehensive income			**399**	**174 165**	**174 564**		**174 564**
Transactions with owners recorded directly in equity							
– Derecognition of subsidiary						**10 807**	**10 807**
Balance at 31 July 2020	**2 499**	**471 287**	**272**	**(359 683)**	**114 375**		**114 375**
COMPANY							
Balance at 31 July 2018	2 563	471 580		328 560	802 703		
Total comprehensive income for the year							
– Loss for the year				(72 060)	(72 060)		
Transactions with owners recorded directly in equity							
– Share-based payment				(4 986)	(4 986)		
– Dividends paid to equity holders				(63 550)	(63 550)		
Balance at 31 July 2019	2 563	471 580		187 964	662 107		
Total comprehensive income for the year							
– Loss for the year				**(757 689)**	**(757 689)**		
– Other comprehensive income				**209 957**	**209 957**		
Balance at 31 July 2020	**2 563**	**471 580**		**(359 768)**	**114 375**		

ACCOUNTING POLICIES

for the year ended 31 July 2020

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 2021. The Group comprises the Company and the companies in which the Company holds a controlling interest, interests in equity-accounted investees and joint operations. Where reference is made in the accounting policies to Group it should be interpreted as being applicable to the consolidated and separate financial statements as the context requires.

1.2 Basis of preparation

The Group and Company financial statements set out on page 12 to 66 have not been prepared on a going concern basis as, in terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity. The business rescue plan of the Company, adopted on 1 September 2020, states under 8.1.4 that "the business rescue practitioner is of the view that it is best for affected persons that once all distributions have been paid to creditors and shareholders, to wind-up the affairs of the Company."

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

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 Group 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. Where the asset realisable value is estimated to be higher than cost, a realisation surplus has been recognised as reflected in note 13. This is not consistent with the previous financial year where assets were carried at the lower of cost or net realisable value.

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

The Group and Company's accounting policies are consistent with those applied in the previous financial year other than mentioned above ,and the effects of the implementation of IFRS 16 Leases (refer accounting policy 1.18 Leases) which replaces IAS 17 Leases (refer accounting policy 1.18 Leases).

As a consequence of adopting IFRS 16 and recognising of a realisation surplus as mentioned above, the following adjustments have been made:

- IFRS 16 deals with the principles for recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The Group has adopted IFRS 16 in the current year (refer note 1.18), in the comparative year operating leases were accounted for in terms of IAS 17.
- Where the asset realisable value is estimated to be higher than cost, a realisation surplus has been recognised as reflected in note 13. This is not consistent with the previous financial year where assets were carried at the lower of cost or net realisable value.

The financial statements were approved by the Board of Directors for issue on 24 March 2021.

1.3 Basis of consolidation

The consolidated financial statements include those of the Company, its subsidiaries, joint operations and equity-accounted investees. Transactions within the Group and intercompany balances have been eliminated in preparing the consolidated financial statements.

Adjustments have been made to the results of subsidiaries and equity-accounted investees, where necessary, to ensure that consistent accounting policies have been adopted by the Group.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.3 Basis of consolidation continued

Subsidiaries

Subsidiaries are defined as those entities in which the Group, either directly or indirectly, has control. The Group 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 financial results are included in the financial statements from the date on which control commences to the date control ceased.

Investments in subsidiaries are accounted for at cost less any impairment in value in the Company's financial statements.

Investments in subsidiaries are reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Non-controlling interests

Non-controlling interests are measured at the proportional share of the minorities' interest in the identifiable net assets at acquisition date and adjusted in the same proportion according to the profit and losses at each reporting date.

Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

Joint operations

Joint operations are contractual arrangements between two or more venturers establishing a company, partnership or other entity in which each of the venturers has rights to the assets and obligations for the liabilities relating to the arrangement. When making this assessment the Group considers the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Investments in joint operations are accounted on a line-by-line basis. The results of joint operations are included from the effective date that joint control is attained to the effective date that joint control is lost.

Equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those companies in which the Group has significant influence but not control or joint control over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control and is equity-accounted. Investments in equity-accounted investees are accounted for on the equity method, based on their most recent audited financial statements. If the most recent available audited financial statements are for an accounting period different to that of the Group, then the most recently available management accounting results for the same period as the Group are brought to account.

Where this is impracticable, then the financial statements drawn up to a different date are used and are adjusted for any significant events or transactions that occur between the Group's accounting date and that of the equity-accounted investees. The difference between the reporting date of the equity-accounted investees and investor is no more than three months. Interest in equity-accounted investees is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition the investment in equity-accounted investees is carried in the Group statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the equity-accounted investees, less any impairment recognised. The statement of comprehensive income reflects the Group's share of the profit or loss of the equity-accounted investee. The Group's investment in its equity-accounted investee includes goodwill on acquisition, which is reviewed when there are indicators of impairment.

The Company accounts for investments in equity-accounted investees at cost less any accumulated impairment recognised.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2020

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.4 Business combinations

For acquisitions the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

1.5 Goodwill

Goodwill represents the excess of the cost of acquisition of the Group's interests in subsidiaries, equity-accounted investees or joint operations over the fair value of the identifiable assets, liabilities and contingent liabilities at dates of acquisition.

Goodwill arising on the acquisition of an equity-accounted investee is included within the carrying amount of the equity-accounted investee. Goodwill arising on the acquisition of subsidiaries is presented separately in the statements of financial position.

Goodwill is measured at cost less any impairment in value.

1.6 Intangible assets

Indefinite useful life intangible assets

Indefinite useful life intangible assets that are acquired by the Group are initially measured at cost and are not amortised.

The Group's indefinite useful life intangible assets comprise betting licences.

Finite useful life intangible assets

The Group's finite useful life intangible assets comprise software and software development costs.

Software costs

Packaged software purchased and the direct costs associated with the development and installation thereof are capitalised and included in work-in-progress in computer software until commissioned. Once commissioned, the total cost capitalised to date is transferred to computer software and amortised on a straight-line basis over its estimated useful life.

Software development costs

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalised only if development costs can be measured reliably, the product process is technically and commercially feasible, future economic benefits are probable, and the Group intends and has sufficient resources to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.6 Intangible assets continued

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Finite useful life intangible assets that are acquired by the Group are initially measured at cost and are amortised over the useful lives of the assets at the following rates:

- Software costs and software development costs 10% to 33% per annum (once commissioned).

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Research costs

Expenditure on research, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

1.7 Property, plant and equipment

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

Items of property, plant and equipment, other than racing surfaces, are measured at cost less accumulated depreciation and any accumulated impairment.

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

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

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

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

Useful lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account any residual values where appropriate. The actual useful life and method of depreciation of these assets are assessed annually and could vary as a result of technological innovations and maintenance programmes. In addition, where applicable, residual values are reviewed annually after considering the current disposal values of all assets which are already of the age and in the condition expected at the end of its useful life.

Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is capitalised if it is probable that future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replacement part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.8 Investment property

Investment properties are properties owned by the Group to earn rental income, or held for capital appreciation, or both. Investment properties are not properties owned by the Group and occupied by the Group for its own operations. Investment property is measured at cost less accumulated depreciation and impairment losses. Depreciation is charged at 2% on improvements but is based on the residual value and useful life of the property. Land is not depreciated. Any gain or loss on disposal of investment property is recognised in profit or loss.

1.9 Impairment of non-financial assets

The carrying amounts of the Group'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. Goodwill and intangible assets with indefinite lives are tested at least annually for impairment or whenever there is an indicator. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. An impairment loss is allocated first to reduce the carrying value of related goodwill and thereafter against the other assets of the CGU on a pro rata basis. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Impairment losses recorded in goodwill are not reversed. For other assets, 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.

1.10 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.

1.11 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.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.11 Taxation continued

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 equity-accounted investees to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

Dividend withholding tax

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

Indirect taxes

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

1.12 Provisions

Provisions are recognised where the Group has a present legal or constructive obligation as a result of a past event, 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 present obligation.

1.13 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.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.13 Revenue recognition continued

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

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

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

1.14 Betting dividends

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

1.15 Borrowing costs

Borrowing costs are expensed as and when incurred.

For qualifying assets the borrowing costs will be capitalised to the asset to the extent that funds are borrowed specifically for the purpose of the asset. The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Where funds are not specifically borrowed for the asset, but the Group borrows funds generally and uses them for the purpose of the asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

1.16 Employee benefits

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

Equity participation plan

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

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group'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.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.16 Employee benefits continued

***Equity participation plan** continued*

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

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

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

1.17 Financial instruments

Financial instruments recognised at the reporting date include investments, amounts owing by Group companies, trade and other receivables, cash and cash equivalents, trade and other payables, amounts owing to Group companies, amounts owing to/by equity-accounted investees, short-term and long-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 Group becomes a party to their contractual arrangements.

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

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group 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 Group 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 Group is recognised as a separate asset or liability.

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

The subsequent measurement of financial instruments is as follows:

Investments

An investment is classified at fair value through profit or loss if it is classified as held for trading or is designated as such on original recognition. Investments at fair value through profit or loss are measured at fair value and changes are recognised in profit or loss.

Trade and other receivables, long-term secured loans and amounts owing by Group companies

Trade and other receivables, long-term secured loans and amounts owing by Group 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 Group will not be able to collect all amounts due (principal and interest) according to the contractual terms of the receivable.

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

ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2020

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.17 Financial instruments continued

Trade and other receivables, long-term secured loans and amounts owing by Group companies *continued*

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

Cash and cash equivalents

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

For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts.

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, amounts owing to Group companies, short-term loans from non-controlling interests and betting dividends payable.

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.

1.18 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 are 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 group'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.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.18 Leases continued

Right-of-use assets are initially measured at the amount of the lease liability.

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.

1.19 Foreign currency transactions and balances

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

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

1.20 Foreign currency translations

The assets and liabilities of foreign subsidiaries are translated into the Group 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.

1.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues or incur expenses. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other Group segments. Intersegment transfer pricing is based on cost plus an appropriate margin. Reconciling items comprise intercompany eliminations.

1.22 Dividends

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

1.23 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 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.

ACCOUNTING POLICIES CONTINUED

for the year ended 31 July 2020

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

Significant estimates and judgements:

Trade receivables, loans or other receivables

The Group 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 Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from an asset.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. IFRS 9 requires the Group to recognise an allowance for ECL for all debt instruments not held at fair value through profit or loss and contract assets.

The Group applies the simplified approach to calculate the ECL of trade receivables and contract assets. The provision rates are based on days past due for grouping that have similar loss patterns. The provision matrix is initially based on the Group'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.

Impairment testing – goodwill and indefinite useful life intangible assets

The recoverable amounts of CGUs and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then have an impact on our estimations and may require a material adjustment to the carrying value of intangible and tangible assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying value may not be recoverable. In addition, goodwill and assets with indefinite useful lives are tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and other assets are inherently uncertain and could change materially over time.

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 Group 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 Group 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 Group to make significant estimates related to expectations of future income. Estimates of future taxable income are based on focused cash flows from the operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred asset could be impacted.

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

Share-based incentives

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

Property, plant and equipment and Intangible assets

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

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

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

Valuation of the equity-accounted investment's intangible assets and goodwill

Management made use of external experts to perform the purchase price allocation for the purchase of its shares. The purchase price allocation valued separately identifiable intangible assets and goodwill arising on acquisition. The key assumptions used in the valuations included long-term revenue growth rates, royalty rates and discount rates.

The resulting values are disclosed in note 9.

Each year the Group reviews the carrying value in the light of market and economic conditions which may result in the investment not achieving their carrying value. An impairment would then be applied to the respective investment.

Realisation surplus

At 31 July 2020, the Group and Company has recognised a realisation surplus in respect of those assets anticipated to realise a surplus upon sale (refer note 13).

The determination of the surplus is based on conditional offers received or values anticipated to realise through a public auction. Significant estimates and judgements have been made relating to the determination of the surplus recognised.

Tellytrack revenue recognition

Customers are using the Tellytrack channel for their own revenue-generating purposes. Customers are required to pay for the use of this channel when generating their revenue. In the prior year as the revenue recognition was subject to numerous legal procedures that are ongoing, the recognition of the Group and Company's revenue required management's estimation and judgements; however, following the adoption of IFRS 15 by the Group, no subscription revenue has been recognised in the current year.

Assessment of going concern

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

1.24 Share capital and equity

Ordinary shares are classified as equity.

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

Repurchase and reissue of shares (treasury shares)

When share capital recognised as equity is repurchased, the amount of consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a reduction of share capital.

When treasury shares are sold or reissued subsequently, the amount received is as an increase in equity and the resulting surplus or deficit on the transaction is presented as share premium.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2020

2. FINANCIAL RISK MANAGEMENT

Liquidity risk management

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

	On demand R'000	Less than one year R'000	Two to five years R'000	Total R'000
GROUP				
2020				
Trade and other payables	**106 087**	**117 169**		**223 256**
Creditors owing at business rescue date		**631 335**		**631 335**
Borrowings		**43 026**		**43 026**
Betting dividends payable	**4 539**			**4 539**
Lease liability		**45 070**		**45 070**
Total	**110 626**	**836 600**		**947 226**
2019				
Trade and other payables	51 591	284 889		336 480
Borrowings		300 640	189	300 829
Contingent consideration liability		28 806		28 806
Betting dividends payable	10 142			10 142
Bank overdraft	40 855			40 855
Total	102 588	614 335	189	717 112
COMPANY				
2020				
Trade and other payables	**95 775**	**71 005**		**166 780**
Creditors owing at business rescue date		**631 335**		**631 335**
Borrowings		**40 606**		**40 606**
Betting dividends payable	**3 443**			**3 443**
Lease liability		**20 937**		**20 937**
Owing to subsidiaries	**31 459**			**31 459**
Total	**130 677**	**763 883**		**894 560**
2019				
Trade and other payables	45 139	266 469		311 608
Borrowings		300 000		300 000
Contingent consideration liability		28 806		28 806
Betting dividends payable	5 448			5 448
Bank overdraft	40 855			40 855
Owing to subsidiaries	24 578			24 578
Total	116 020	595 275		711 295

Interest rate risk management

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

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

During the year post commencement finance facility was received, other than this there have been no significant changes in the entity's exposure to interest rate risk. Should interest rates increase/decrease by 100 basis points, and all other factors remain constant, the effects on the Group's earning and equity would increase/decrease by R1,76 million (2019: R1,44 million).

2. FINANCIAL RISK MANAGEMENT CONTINUED

Foreign currency risk management

Phumelela International division undertakes transactions denominated in foreign currencies (refer notes 15, 16 and 20) and is therefore exposed to foreign currency risk.

Exposure to exchange rate fluctuations is limited by the natural cash flow hedge in foreign-denominated revenue streams and by securing forward cover contracts in respect of such transactions as deemed necessary.

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

Concentration of foreign currency risk is determined by reference to the currency denomination of foreign trade and other receivables, foreign cash and cash equivalents balances held and foreign trade and other payables. The entity's exposure to such foreign currency risk is disclosed under 15, 16 and 20 respectively.

The following analysis demonstrates the sensitivity to a reasonably possible change in the exchange rates the entity is exposed to, with all other variables held constant, of the Group and Company's profit and equity.

The sensitivity analysis is based on the net foreign currency balance of a particular foreign currency which existed at 31 July. This net foreign currency balance is calculated as the sum of the foreign currency trade and other receivables balance and the foreign currency cash and cash equivalents balance, less the foreign currency trade and other payables balance. The foreign currency balances used in the calculation can be found in notes 15, 16 and 20 respectively.

The translation of the net foreign currency balance is adjusted at the reporting date for a change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the ZAR weakens against the relevant currency. A strengthening of the ZAR would have an equal but opposite effect.

		GROUP PROFIT OR LOSS IMPACT		COMPANY PROFIT OR LOSS IMPACT	
	Increase or decrease in currency rate %	Net foreign currency balance	Profit or loss impact R'000	Net foreign currency balance	Profit or loss impact R'000
Foreign currency exchange risk 2020					
Australian dollar	**5**	**169 974**	**104**	**169 974**	**104**
British pound	**5**	**595 119**	**663**	**588 748**	**655**
Euro	**5**	**311 856**	**313**	**311 856**	**313**
Mauritian rupee	**5**	**(10 752)**		**(10 752)**	
Hong Kong dollar	**5**	**(764 802)**	**(84)**	**(764 802)**	**(84)**
Singapore dollar	**5**	**(912 939)**	**(567)**	**(912 939)**	**(567)**
Swedish krona	**5**	**(1 913 761)**	**(186)**	**(1 913 761)**	**(186)**
United States dollar	**5**	**(1 757 133)**	**(1 495)**	**(1 757 133)**	**(1 495)**
Foreign currency exchange risk 2019					
Australian dollar	5	4 337 595	2 129	4 337 595	2 129
British pound	5	1 100 813	960	1 085 625	947
Euro	5	667 631	530	667 631	530
Hong Kong dollar	5	393 129	36	393 129	36
Singapore dollar	5	636 906	332	636 906	332
Swedish krona	5	(224 491)	(17)	(224 491)	(17)
United States dollar	5	(681 767)	(489)	(681 767)	(489)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 July 2020

2. FINANCIAL RISK MANAGEMENT CONTINUED

Foreign currency risk management *continued*

The following significant exchange rates were applied during the year:

	Year end		Average	
	GROUP AND COMPANY		GROUP AND COMPANY	
	2020	2019	**2020**	2019
	R	R	**R**	R
Australian dollar	**12,19**	9,82	**10,81**	10,11
British pound	**22,27**	17,45	**20,05**	18,35
Euro	**20,10**	15,89	**17,90**	16,15
Hong Kong dollar	**2,20**	1,83	**2,07**	1,82
Singapore dollar	**12,41**	10,44	**11,61**	10,43
Swedish krona	**1,94**	1,49	**1,69**	1,55
United States dollar	**17,02**	14,35	**16,09**	14,23

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. The table on the previous page provides guidance as to the impact of an increase/decrease in currency rates based on the Group's net foreign exchange risk portfolio at year end.

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

Fair value of financial instruments

The carrying amounts reported in the statement of financial position for long-term loans, trade and other receivables, cash and cash equivalents, trade and other payables, short-term receivables, 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 Group 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.

Class of financial instrument	At fair value through profit and loss R'000	Amortised cost R'000	Financial liabilities measured at amortised cost R'000	Non-financial instruments R'000	Total R'000
			GROUP		
3. CLASSIFICATION OF FINANCIAL INSTRUMENTS					
2020					
Financial assets					
Unsecured loans		1 215			1 215
Trade and other receivables		121 504		4 138	125 642
Cash and cash equivalents		122 543			122 543
Total		245 262		4 138	249 400
Financial liabilities					
Borrowings			43 026		43 026
Trade and other payables			176 502	34 863	211 365
Creditors owing at business rescue date			631 335		631 335
Betting dividends payable			4 539		4 539
Total			855 402	34 863	890 265
2019					
Financial assets					
Long-term secured loans		21 341			21 341
Long-term unsecured loans		29 489			29 489
Trade and other receivables		122 520		8 833	131 353
Cash and cash equivalents		91 335			91 335
Total		264 685		8 833	273 518
Financial liabilities					
Borrowings			300 189		300 189
Trade and other payables			336 480	23 496	359 976
Contingent consideration liabilities			28 806		28 806
Betting dividends payable			10 142		10 142
Bank overdraft			40 855		40 855
Total			716 472	23 496	739 968

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

3. CLASSIFICATION OF FINANCIAL INSTRUMENTS CONTINUED

	COMPANY				
Class of financial instrument	At fair value through profit and loss R'000	Amortised cost R'000	Financial liabilities measured at amortised cost R'000	Non-financial instruments R'000	Total R'000
2020					
Financial assets					
Amounts owing by subsidiary companies		147 419			147 419
Trade and other receivables		102 803		4 138	106 941
Cash and cash equivalents		109 978			109 978
Total		360 200		4 138	364 338
Financial liabilities					
Borrowings			40 606		40 606
Trade and other payables			128 833	26 056	154 889
Creditors owing at business rescue date			631 335		631 335
Amounts owing to subsidiary companies			31 459		31 459
Betting dividends payable			3 444		3 444
Total			835 677	26 056	861 733
2019					
Financial assets					
Long-term secured loan		21 341			21 341
Amounts owing by subsidiary companies		144 871			144 871
Trade and other receivables		106 504		7 400	113 904
Cash and cash equivalents		69 907			69 907
Total		342 623		7 400	350 023
Financial liabilities					
Borrowings			300 000		300 000
Trade and other payables			311 878	9 242	321 120
Amounts owing to subsidiary companies			24 578		24 578
Contingent consideration liabilities			28 806		28 806
Betting dividends payable			5 448		5 448
Bank overdraft			40 855		40 855
Total			711 565	9 242	720 807

	GROUP							
	Land and buildings							
	Freehold R'000	Leasehold improvements R'000	Plant and machinery R'000	Information technology equipment R'000	Motor vehicles, heavy duty trucks and trailers R'000	Furniture and fittings R'000	Marks, names and signage R'000	Total R'000
4. PROPERTY, PLANT AND EQUIPMENT								
2020								
Balance at beginning of year	221 939	48 833	74 669	48 339	14 431	28 952	2 673	439 836
Current year movements								
– Additions	38	2 094	810	1 483	170	1 040		5 635
– Disposals	(51)	(865)	(253)	(890)	(15)	(667)	(39)	(2 780)
– Depreciation	(7 436)	(17 572)	(12 903)	(14 608)	(2 749)	(4 479)	(678)	(60 425)
– Impairment	(63 709)	(10 862)	(37 580)	(13 662)	(8 885)	(6 791)	(1 921)	(143 410)
– Derecognition of subsidiary		(1 435)	(67)	(1 045)	(57)	(805)		(3 409)
Balance at end of year	150 781	20 193	24 676	19 617	2 895	17 250	35	235 447
Made up as follows:								
Assets at cost	296 224	110 514	201 174	120 610	42 562	64 376	3 269	838 729
Accumulated depreciation and impairment	(145 443)	(90 321)	(176 498)	(100 993)	(39 667)	(47 126)	(3 234)	(603 282)
Carrying value	150 781	20 193	24 676	19 617	2 895	17 250	35	235 447
2019								
Balance at beginning of year	229 253	59 996	79 752	47 809	16 215	30 225	1 457	464 707
Current year movements								
– Additions	9 413	11 766	10 436	16 142	1 779	4 294	1 829	55 659
– Disposals	(7 690)	(2 921)	(820)	(111)	(250)	(1 270)	(117)	(13 179)
– Depreciation	(9 037)	(20 008)	(14 699)	(15 501)	(3 313)	(4 297)	(496)	(67 351)
Balance at end of year	221 939	48 833	74 669	48 339	14 431	28 952	2 673	439 836
Made up as follows:								
Assets at cost	296 462	143 643	201 023	125 962	42 504	65 691	5 229	880 514
Accumulated depreciation and impairment	(74 523)	(94 810)	(126 354)	(77 623)	(28 073)	(36 739)	(2 556)	(440 678)
Carrying value	221 939	48 833	74 669	48 339	14 431	28 952	2 673	439 836

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

	COMPANY							
	Land and buildings							
	Freehold R'000	Leasehold improvements R'000	Plant and machinery R'000	Information technology equipment R'000	Motor vehicles, heavy duty trucks and trailers R'000	Furniture and fittings R'000	Marks, names and signage R'000	Total R'000
4. PROPERTY, PLANT AND EQUIPMENT CONTINUED								
2020								
Balance at beginning of year	160 113	16 763	73 934	20 138	10 867	9 109	2 563	293 487
Current year movements								
– Additions	38			936				974
– Disposals	(51)		(125)	(809)				(985)
– Depreciation	(4 453)	(5 900)	(12 628)	(5 607)	(1 982)	(2 026)	(643)	(33 239)
– Impairment	(25 218)	(10 863)	(37 580)	(13 662)	(8 885)	(6 791)	(1 920)	(104 919)
Balance at end of year	130 429		23 601	996		292		155 318
Made up as follows:								
Assets at cost	211 399	29 444	197 091	65 155	35 987	29 195	2 955	571 226
Accumulated depreciation and impairment	(80 970)	(29 444)	(173 490)	(64 159)	(35 987)	(28 903)	(2 955)	(415 908)
Carrying value	130 429		23 601	996		292		155 318
2019								
Balance at beginning of year	163 121	17 821	78 798	22 747	12 855	10 644	1 302	307 288
Current year movements								
– Additions	4 970	7 591	10 284	3 937	794	983	1 829	30 388
– Disposals	(1 889)	(2 520)	(822)	(74)	(248)	(838)	(117)	(6 508)
– Depreciation	(6 089)	(6 129)	(14 326)	(6 472)	(2 534)	(1 680)	(451)	(37 681)
Balance at end of year	160 113	16 763	73 934	20 138	10 867	9 109	2 563	293 487
Made up as follows:								
Assets at cost	211 417	61 819	197 306	70 712	35 987	29 194	4 841	611 276
Accumulated depreciation and impairment	(51 304)	(45 056)	(123 372)	(50 574)	(25 120)	(20 085)	(2 278)	(317 789)
Carrying value	160 113	16 763	73 934	20 138	10 867	9 109	2 563	293 487

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

All of the property plant and equipment has been treated as assets for sale as these assets will be realised either as direct sale of the assets or indirect sale by way of disposal of the subsidiary company. Assets have been valued at the lower of carrying amount or fair value less cost to sell.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	R'000	R'000	**R'000**	R'000
5. GOODWILL				
Acquired on acquisition of:				
– Betting World Proprietary Limited	**8 915**	8 915		
– TAB North West Proprietary Limited		3 126		
– Phumelela Gold International Limited	**186**	186		
Arising on restructure of:				
– Phumelela Gold Enterprises international	**135**	135		
Balance at end of year	**9 236**	12 362		
Goodwill is assessed on annual basis for impairment.				
Goodwill has not been assessed for impairment based on its ongoing value in use, but rather with reference to the proceeds on the sale of the business rescue process. Goodwill will be realised through the sale of the investment in subsidiaries or their underlying assets and the proceeds of these assets are considered to exceed the carrying amount and therefore goodwill is not impaired.				
6. INTANGIBLE ASSETS				
Intangible assets				
Indefinite useful life intangible assets (note 6.1)	**27 045**	28 247		
Computer software (note 6.2)		14 447		1 511
	27 045	42 694		1 511
6.1 Indefinite useful life intangible assets				
Balance at beginning of year	**28 247**	28 356		
Acquisitions	**29**	30		
Disposed of to Supaworld Proprietary Limited		(139)		
Derecognition of subsidiary	**(1 231)**			
Balance at end of year	**27 045**	28 247		

Betting licences

Assessment of the Group's indefinite useful life of betting licences.

The Group has classified the betting licences as having indefinite useful lives. This conclusion is supported by the following factors:

- the Group is able to use the licences for the foreseeable future and there are no historic indicators that suggest otherwise; and
- licences are renewed annually by the gambling boards and there have been no indicators of impairment during the year.

Impairment tests for intangible assets with indefinite useful lives and goodwill

Detailed impairment testing is performed for indefinite life intangible assets and goodwill annually and for all other intangible assets whenever impairment indicators are present.

The impairment review process is as follows:

For indefinite useful life intangible assets and goodwill, each year and whenever impairment indicators are present, the recoverable amount of the asset is calculated based on the higher of fair value less cost to sell or its value in use. An impairment loss is recorded for the excess of the carrying value over the recoverable amount, if any. The value-in-use calculation is generally measured as the net present value of projected cash flows. In addition, a re-evaluation of the remaining useful life of the asset is performed to determine whether continuing to characterise the asset as having an indefinite life is appropriate.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 July 2020

6. INTANGIBLE ASSETS CONTINUED
6.1 Indefinite useful life intangible assets continued
***Impairment tests for intangible assets with indefinite useful lives and goodwill** continued*

The discount rate used to present value these cash flows takes systemic risks into account and is a weighted-average cost of capital rate based on a market risk-free rate plus a debt and equity rate.

Key assumptions used in the value-in-use calculations

Growth in earnings before interest and tax	Determined from financial budgets for the ensuing year approved by management and forecasts increasing by 4% per annum for five years.
Capital expenditure	Capital expenditure on financial budgets and management forecasts.
Working capital movements	Working capital movements have been forecast on the ratio of working capital employed to revenue.
Weighted average cost of capital	14.26% (2019: 18%)
Cost of equity	
– Risk-free rate	7,5% – R186 at 31 July 2020 (8,31% – R186 at 31 July 2019)
– Beta of peer company	0,872 – average beta of a company exposed to normal systemic risk is 1
– South African market premium	6% – generally accepted in South Africa
Cost of debt	
– Lending rate specific to the Company	9,25% (2019: 9,25%)
– Entity specific risk premium	4,34% – additional risk factor
Target debt: equity	25:75

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
6.2 Computer software				
Cost				
Balance at beginning of year	**30 587**	29 604	**3 825**	2 842
Capitalised during the year		983		983
Balance at end of year	**30 587**	30 587	**3 825**	3 825
Accumulated amortisation				
Balance at beginning of year	**(16 140)**	(12 960)	**(2 314)**	(1 809)
Amortisation charge	**(3 477)**	(3 180)	**(802)**	(505)
Impairment	**(10 970)**		**(709)**	
Balance at end of year	**(30 587)**	(16 140)	**(3 825)**	(2 314)
Carrying amount		14 447		1 511
7. RIGHT-OF-USE ASSET				
7.1 Assets held for sale				
Carrying amount at beginning of year				
Impact of changes in accounting policies	**38 261**			
Derecognition of IAS 17 lease smoothing accrual	**(1 893)**			
Additions for new leases and lease renewals	**1 309**			
Impact of lease modification and remeasurement	**(1 014)**			
Depreciation	**(15 921)**			
Carrying amount at end of year	**20 742**			
7.2 Current assets				
Carrying amount at beginning of year				
Impact of changes in accounting policies	**39 417**		**36 687**	
Derecognition of IAS 17 lease smoothing accrual	**(1 689)**		**(1 486)**	
Additions for new leases and lease renewals	**1 630**		**1 630**	
Depreciation	**(19 859)**		**(18 337)**	
Carrying amount at end of year	**19 499**		**18 494**	

Right-of use assets relate to betting shops which are leased by the company from various shopping centres and lessors.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	R'000	R'000	**R'000**	R'000
8. INVESTMENT IN SUBSIDIARIES				
Subsidiaries			**71 256**	96 336
Details of investments in subsidiaries are disclosed on page 66. Also refer to note 13 on page 43.				
9. INTEREST IN EQUITY-ACCOUNTED INVESTEES				
Premier Gateway International Limited	**72 707**	61 204		
Supabets SA Holdings Proprietary Limited	**106 806**	517 146	**106 806**	470 475
Supaworld Proprietary Limited	**2 722**	16 217		
SW Security Solutions Group	**6 019**	5 956	**66**	1 056
Uptonvale Services Proprietary Limited	**65 000**	109 844	**65 000**	110 000
	253 254	710 367	**171 872**	581 531
Movement				
Balance at beginning of year	**710 367**	690 421	**581 531**	581 531
Loans advanced	**(2 217)**	5 478		
Profit for the year	**112 906**	163 310		
Dividends	**(145 972)**	(148 842)		
Share repurchase	**(990)**		**(990)**	
Impairments (Adjustment to realisable value)	**(420 840)**		**(408 669)**	
Balance at end of year	**253 254**	710 367	**171 872**	581 531

Premier Gateway International Limited
– Comprising Premier Gateway International Limited and Premier Gateway Services Limited.

Shareholding 50% (2019: 50%) through 100% owned subsidiary Phumelela Gold International Limited incorporated on the Isle of Man.

Company licensed to conduct pari-mutuel betting on the Isle of Man and a service company providing logistical support, both of which are jointly owned with Tabcorp Holdings Limited (Australia).

Premier Gateway operates as a worldwide totalisator hub.

Refer to note 13 for the realisation surplus.

Supabets SA Holdings Proprietary Limited
Shareholding 50% and is jointly controlled.

Supabets is a sports and gaming group operating in South Africa offering primarily fixed odds on sports betting and numbers.

Supaworld Proprietary Limited
Shareholding 50% (operating from December 2017 through 100% owned subsidiary Betting World Proprietary Limited).

The Company is controlled by Supabets and Betting World offering primarily fixed odds on sports betting and numbers in South Africa.

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

During the year SW Security Solutions SA Proprietary Limited had a share buy back and 66 shares were bought back. The revised shareholding is 31.35% (2018: 33%)

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

Uptonvale Services Proprietary Limited
Uptonvale Services Proprietary Limited trading as Interbet provides a secure online betting exchange in South Africa.

Shareholding 50% and is jointly controlled.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

9. INTEREST IN EQUITY-ACCOUNTED INVESTEES CONTINUED

	Premier Gateway Group		Supabets Holdings	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
GROUP				
Cost including goodwill	**2**	2	**470 475**	470 475
Opening cost	**2**	2	**470 475**	470 475
Disposal during the year				
Shareholders loans				
– Balance at beginning of year				
– Advanced during the year				
Cost and shareholders loans	**2**	2	**470 475**	470 475
Impairments			**(363 669)**	
Share of post-acquisition reserves	**72 705**	61 202		46 671
– Balance at beginning of year	**61 202**	51 177	**46 671**	41 556
– Share of current year's income/(loss) after taxation	**126 975**	133 084	**(26 671)**	15 115
– Share of current year's income after taxation	**126 975**	133084	**(24 295)**	17 490
– Less intangible asset amortisation			**(3 299)**	(3 299)
– Tax effect of amortisation			**924**	924
– *Less:* dividend received	**(115 472)**	(123 059)	**(20 000)**	(10 000)
Balance at end of year	**72 707**	61 204	**106 806**	517 146
Assets				
Non-current assets	**9 502**	7 958	**239 072**	170 761
Property, plant and equipment	**9 502**	7 958	**37 287**	47 374
Intangible assets			**109 500**	108 678
Right-of-use assets			**75 857**	
Investment				
Long-term receivables			**4 376**	4 376
Deferred tax			**12 053**	10 333
Current assets	**1 349 508**	1 071 572	**225 777**	362 578
Trade and other receivables	**243 347**	128 445	**80 083**	138 761
Current tax receivable				
Loans to related parties	**218 270**	148 873	**107 987**	196 581
Cash on hand	**887 890**	794 254	**37 707**	27 036
Total assets	**1 359 010**	1 079 530	**464 849**	533 139

Supaworld		SW Securities Group		Uptonvale Services group		Total	
2020	2019	2020	2019	2020	2019	2020	2019
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
		66	1 056	110 000	110 000	580 543	581 533
		1 056	1 056	110 000	110 000	581 533	581 533
17 216	19 434					17 216	19 434
19 434	13 956					19 434	13 956
(2 217)	5 478					(2 217)	5 478
17 216	19 434	66	1 056	110 000	110 000	597 759	600 967
(8 270)				(48 901)		(420 840)	
(6 225)	(3 217)	5 953	4 900	3 901	(156)	76 334	109 400
(3 217)	(801)	4 900	3 142	(156)	(142)	109 400	94 932
(3 008)	(2 416)	1 053	1 791	14 557	15 736	112 906	163 310
(3 008)	(2 416)	1 053	1 791	16 647	17826	117 371	167 775
				(2 903)	(2 903)	(6 202)	(6 202)
				813	813	1 736	1 737
			(33)	(10 500)	(15 750)	(145 972)	(148 842)
2 722	16 217	6 019	5 956	65 000	109 844	253 254	710 367
132 357	98 326	1 658	1 614	10 826	11 318	393 415	289 977
38 993	45 979	1 201	1 430	1 265	1 927	88 248	104 668
56 009	49 047	51		7 800	7 800	173 360	165 325
31 593						107 450	
			67				67
55	55	270	19	1 420	1 250	6 121	5 700
5 707	3 245	136	98	341	341	18 237	14 017
19 519	11 652	16 648	18 146	42 295	21 376	1 653 747	1 503 293
12 533	6 175	2 475	3 761	2 595	5 616	341 034	282 758
	88	254	1 823			254	1 911
		6				326 263	345 454
6 986	5 389	13 913	12 562	39 700	15 760	986 197	855 001
151 876	109 978	18 306	19 760	53 121	32 694	2 047 163	1 775 101

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

9. INTEREST IN EQUITY-ACCOUNTED INVESTEES CONTINUED

	Premier Gateway Group*		Supabets Holdings	
	2020	2019	**2020**	2019
	R'000	R'000	**R'000**	R'000
Equity and liabilities				
Capital and reserves	**396 227**	224 322	**169 090**	320 804
Liabilities				
Non-current liabilities		4 187	**105 249**	68 945
Interest-bearing borrowings				54 615
Shareholders loan		4 187		
Long term operating lease charge			**10 926**	10 033
Finance lease liability			**94 323**	4 297
Current liabilities	**962 783**	851 021	**190 510**	143 390
Trade and other payables	**962 783**	842 640	**115 084**	71 624
Interest-bearing borrowings			**48 317**	2 094
Lease liabilities				5 951
Operating lease liabilities				7 073
Current tax payable			**27 108**	35 502
Loans from related parties		8 381		21 146
Total equity and liabilities	**1 359 010**	1 079 530	**464 849**	533 139
Gambling revenue			**375 211**	409 327
Other income	**39 973**	733 608	**50 200**	36 878
Interest received	**149**	2 738	**5 572**	13 886
Income	**40 122**	736 346	**430 983**	460 091
Expenditure	**(3 185)**	(58 451)	**(506 250)**	(387 278)
Depreciation	**(148)**	(2 714)		(17 001)
Profit before finance charges	**36 789**	675 181	**(75 267)**	55 812
Finance charges	**(75)**	(1 378)	**(6 889)**	(6 078)
Profit before equity-account investees	**36 714**	673 803	**(82 156)**	49 734
Share of equity-accounted investee loss			**(797)**	(793)
Profit before income tax expense	**36 714**	673 803	**(82 953)**	48 941
Income tax expense			**(13 458)**	(9 478)
Profit for the year	**36 714**	673 803	**(96 411)**	39 463
The carrying value is reconciled as follows:				
Share capital and reserves	**72 707**	61 204	**82 900**	127 194
Loans advance				
Purchase price allocation:				
– Licences (Indefinite use for life)			**36 086**	36 086
– Brand (Amortised over ten years)			**21 681**	24 980
– Customer base (Amortised over five years)				
– Internally generated software (Amortised over ten years)				
– Deferred tax			**(16 175)**	(17 098)
– Goodwill			**345 983**	345 984
– Impairment			**(363 669)**	
Carrying value	**72 707**	61 204	**106 806**	517 146

* *In respect of the Premier Gateway Group the share of profits of the shareholders is determined as follows:*
- *100% of profit originating from the shareholders' home market.*
- *50% of profit from international markets.*

Dividends paid to shareholders are based on the profits accruing to them, as a result the carrying value reflects the Group's share of undistributed profits.

Supaworld		SW Securities Group		Uptonvale Services group		Total	
2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
R'000	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
(12 449)	(6 434)	**14 735**	16 595	**34 879**	22 589	**602 482**	577 876
26 855	1 174	**59**	19			**132 163**	74 325
							54 615
			19				4 206
	1 174					**10 926**	11 207
26 855		**59**				**121 237**	4 297
137 470	115 238	**3 512**	3 146	**18 242**	10 105	**1 312 517**	1 122 900
15 617	9 732	**2 562**	1 988	**18 043**	9 404	**1 114 090**	935 388
			937			**48 317**	3 031
9 363	1 913	**338**				**9 701**	7 864
							7 073
		612		**199**	701	**27 919**	36 303
112 490	103 593		221			**112 490**	133 341
151 876	109 978	**18 306**	19 760	**53 121**	32 694	**2 047 163**	1 775 101
89 473	90 635					**464 683**	499 962
14 417	5 315	**22 968**	23 502	**66 877**	69 684	**194 435**	868 987
79	108	**590**	646	**1 485**	1 541	**7 875**	18 919
103 968	96 058	**23 558**	24 148	**68 362**	71 225	**666 993**	1 387 868
(108 931)	(101 110)	**(17 553)**	(17 397)	**(20 328)**	(19 874)	**(656 247)**	(584 110)
		(248)	(408)	**(1 813)**	(1 690)	**(2 209)**	(21 813)
(4 964)	(5 052)	**5 757**	6 343	**46 221**	49 661	**8 537**	781 945
(4 121)	(149)	**(72)**	(107)			**(11 157)**	(7 712)
(9 085)	(5 201)	**5 685**	6 236	**46 221**	49 661	**(2 621)**	774 233
						(797)	(793)
(9 085)	(5 201)	**5 685**	6 236	**46 221**	49 661	**(3 418)**	773 440
3 070	369	**(1 728)**	(863)	**(12 946)**	(13 848)	**(25 063)**	(33 820)
(6 015)	(4 832)	**3 957**	5 373	**33 275**	35 813	**(28 481)**	749 620
(6 225)	(3 217)	**5 015**	4 900	**17 440**	11 295	**171 837**	201 376
17 216	19 434					**17 216**	19 434
						36 086	36 086
				684	941	**22 365**	25 921
				234	1 638	**234**	1 638
				3 312		**3 312**	
					4 553		4 553
				(1 184)	(1 999)	**(17 359)**	(19 096)
		1 003	1 056	**93 416**	93 416	**440 402**	440 455
(8 270)				**(48 901)**		**(420 840)**	
2 722	16 217	**6 019**	5 956	**65 000**	109 844	**253 254**	710 367

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
10. INVESTMENT PROPERTY				
Carrying value at cost	**18 458**	18 700		
Erf 4195 and 6991 Walmer, known as Arlington Racecourse. It was valued at R61 million on a market valuation and R30,5 million on a forced sale by Andre Liebenberg, Professional Valuer of Proco Valuers Proprietary Limited in June 2020.				
The property (with two adjoining properties) is currently on the market for sale and will go on auction in April 2021 at a reserved price of R30 million.				
11. DEFERRED TAXATION				
Deferred tax asset	**28 769**	48 039		25 225
Deferred tax liability	**(11)**	(1 309)		
Balance at end of year	**28 758**	46 730		25 225
Deferred tax				
The deferred tax asset/(liability) arises as a result of:				
Property, plant and equipment	**807**	(1 868)		(7 699)
Provisions and accruals	**10 189**	10 305		2 077
Lease straight-lining		1 232		536
Net of right-of-use asset and lease liability	**668**			
Estimated tax losses	**17 094**	37 061		30 311
	28 758	46 730		25 225
Deferred tax asset/(liability) raised				
Balance at beginning of year	**46 730**	31 339	**25 225**	25 225
Credit to profit and loss	**(390)**			
Balance at end of year	**(17 582)**	15 391	**(25 225)**	

Deferred tax has been provided at a rate of 28% (2019: 28%) other than for capital temporary differences where a rate of 22,4% (2019: 22,4%) has been applied.

The Company has estimated tax losses of R667,8 million upon which a deferred tax asset of R187 million (2019: R61 million) is not recognised. In addition a R25 million deferred tax asset recognised in the previous year was derecognised in the current year.

The deferred tax assets relates to subsidiary companies that are continuing as going concerns and it is expected manner of recovery of the deferred tax asset to be through use.

	COMPANY	
	2020 R'000	2019 R'000
12. AMOUNTS OWING BY SUBSIDIARY COMPANIES		
12.1 Non-current assets		
Glenfiddich Investments Proprietary Limited		269
Injector Investments Proprietary Limited		24
Shelanu Investments Proprietary Limited		23
		340

Amounts owing by subsidiary companies bear no interest, have no fixed terms of repayment and are not expected to be settled within 12 months of the reporting date.

Amounts owing from subsidiary companies are considered for impairment under the expected credit loss model. Amounts owing from subsidiary companies are impaired when there is no reasonable prospect that the amounts will be recovered.

	COMPANY 2020 R'000	COMPANY 2019 R'000
12. AMOUNTS OWING BY SUBSIDIARY COMPANIES CONTINUED		
12.2 Assets held for sale		
Betting World Proprietary Limited	93 837	
	93 837	
Amounts owing by subsidiary companies bear no interest, have no fixed terms of repayment and are not expected to be settled within 12 months of the reporting date.		
12.3 Current assets		
Glenfiddich Investments Proprietary Limited	269	
Hadrian Investments Proprietary Limited	24	
Injector Investments Proprietary Limited	24	
Shelanu Investments Proprietary Limited	23	
Betting World Proprietary Limited		87 824
East Cape Racing Proprietary Limited	52 656	49 873
TAB North West Proprietary Limited	587	6 834
	53 582	144 531
Balance owing by subsidiary companies	147 419	144 871

The amounts owing by subsidiary companies bear no interest other than the loan to Betting World which attracts interest at the rate of prime less 1%. The amounts receivable have no fixed terms of repayment.

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
13. REALISATION SURPLUS				
Investment in equity accounted investees	136 929*		209 957	
Investment in consolidated subsidiaries	37 236			
	174 165		209 957	
13.1 Investment in equity accounted investees				
Premier Gateway International Limited	136 929*		209 957	
	136 929		209 957	
** Proceeds on the sale (R225 million) less provision for litigation (R87 million)*				
This realisation surplus recognised, reflects the surplus that is anticipated to be realised over and above the carrying amount and cost of the investment in the equity accounted investee reflected in note 9.				
13.2 Investment in consolidated subsidiaries				
Betting World Proprietary Limited	24 534			
East Cape Racing Proprietary Limited	12 702			
	37 236			

The realisation surplus recognised at group level, reflects the surplus that is anticipated to be realised over and above the carrying amount of the underlying assets and liabilities (net asset value) of these subsidiary companies already included in the group statement of financial position.

There are no expected tax consequences anticipated to arise on the realisation of these assets, due to the utilisation of assessed losses or because of tax legislation in the foreign jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	R'000	R'000	**R'000**	R'000
14. INVENTORIES				
Consumable stores at cost	**505**	1 416		301
Digital satellite decoders	**2 756**	2 833	**2 756**	2 833
	3 261	4 249	**2 756**	3 134
Consumable stores are made up of fuel, betting vouchers, food and beverages stock on hand.				
15. TRADE AND OTHER RECEIVABLES				
Trade receivables	**146 460**	115 007	**117 159**	89 802
Allowance for expected credit losses	**(54 423)**	(42 681)	**(25 680)**	(18 388)
Trade receivables after impairment	**92 037**	72 327	**91 479**	71 414
Prepayments	**12 514**	7 468	**12 380**	7 336
Other receivables	**21 091**	51 558	**3 082**	35 154
	125 642	131 353	**106 941**	113 904
Trade receivables consist of non-interest-bearing receivables and are generally on 30-to-60-day terms.				
Trade and other receivables include the following foreign currency-denominated monetary assets:				
South African rand thousands				
Australian dollar	**6 161**	35 941	**6 161**	35 941
British pound	**20 022**	1 393	**20 022**	1 317
Euro	**9 725**	3 877	**9 725**	3 877
Hong Kong dollar		5 463		5 463
Singapore dollar	**7 766**	10 891	**7 766**	10 891
United States dollar	**17 046**	9 472	**17 046**	9 472
	60 719	67 037	**60 719**	66 961
Foreign currency thousands				
Australian dollar	**505**	3 660	**505**	3 660
British pound	**899**	80	**899**	80
Euro	**484**	244	**484**	244
Hong Kong dollar		2 981		2 981
Singapore dollar	**626**	1 043	**626**	1 043
United States dollar	**1 002**	660	**1 002**	660
The foreign currency amounts reflect the geographical make-up.				
Reconciliation of the expected credit loss provision recognised with regard to trade and other receivables				
Allowance at beginning of year	**42 681**	17 304	**18 388**	14 999
Increase in allowance for expected credit losses	**15 707**	25 761	**9 063**	3 773
Written back to profit and loss	**2 151**	(3)	**2 151**	(3)
Utilised during the year	**(6 116)**	(381)	**(3 922)**	(381)
Allowance at end of year	**54 423**	42 681	**25 680**	18 388

Trade and other receivables are considered for impairment under the expected credit loss model. Trade and other receivables are impaired when there is no reasonable prospect that the amounts will be recovered.

The impairment allowance at 31 July relates to trade receivables more than 60 days past due. There were no expected credit losses relating the other receivable categories.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	R'000	R'000	**R'000**	R'000
16. LONG-TERM LOANS				
Long-term secured loans (refer 16.1)		21 341		21 341
Long-term unsecured loans (refer 16.2)	**1 215**	29 489		
Total long-term loans	**1 215**	50 830		21 341
16.1 Long-term secured loans				
Balance at beginning of year	**21 341**	30 427	**21 341**	30 427
Amounts advanced during the year	**153 618**	90 107	**153 618**	90 107
Amounts repaid during the year	**(176 500)**	(102 881)	**(176 500)**	(102 881)
Interest charged	**1 541**	3 688	**1 541**	3 688
		21 341		21 341
Kenilworth Racing Proprietary Limited				
Balance at beginning of year	**11 941**	15 438	**11 941**	15 438
Amounts advanced during the year	**153 618**	90 107	**153 618**	90 107
Amounts repaid during the year	**(166 895)**	(95 757)	**(166 895)**	(95 757)
Interest charged	**1 336**	2 153	**1 336**	2 153
Balance at end of year		11 941		11 941
The advance bears interest at the rate of prime minus 1% and is secured by means of a first mortgage bond registered over Kenilworth Racing Proprietary Limited Milnerton property in the amount of R60 million.				
Mashonaland Turf Club				
Balance at beginning of year	**9 400**	14 989	**9 400**	14 989
Amounts repaid during the year	**(9 605)**	(7 124)	**(9 605)**	(7 124)
Interest charged	**205**	1 535	**205**	1 535
Balance at end of year		9 400		9 400
All amounts owing by Mashonaland Turf Club were repaid during the year.				
16.2 Long-term unsecured loans				
Balance at beginning of year	**29 489**	32 914		
Amounts advanced during the year		2 747		
Amounts repaid during the year	**(128)**			
Impairment	**(31 311)**	(10 000)		
Interest charged	**3 165**	3 828		
Balance at end of year	**1 215**	29 489		

The loans at the beginning of the year were enterprise development loans that bear interest at variable rates between interest free and prime plus 3%, are unsecured, and are repayable between September 2019 and September 2022. An amount outstanding was deemed to be irrecoverable as the franchise operation applied for liquidation after year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

17. RETIREMENT BENEFIT INFORMATION

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

17.1 Defined benefit funds

Central Management Company (Sporting Clubs) Cusada Pension Plan
Totalisator Agency Board (Transvaal) Pension Plan
Newmarket Pension Fund

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

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

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Pension fund surplus				
Balance at beginning of year	**14 650**	14 650	**14 650**	14 650
Balance at end of year	**14 650**	14 650	**14 650**	14 650

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

	GROUP AND COMPANY			
	Central Management Company (Sporting Clubs) Cusada Pension Plan	Totalisator Agency Board (Transvaal) Pension Plan	Newmarket Pension Fund	Total
2018				
Fair value of assets	10 715	4 535	1 412	16 662
Benefit obligations			(2 012)	(2 012)
Funded benefit plan assets	10 715	4 535	(600)	14 650

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

17.2 Defined contribution funds

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

	GROUP		COMPANY	
	Members at 31 July	**Employer contributions R'000**	**Members at 31 July**	**Employer contributions R'000**
2020				
Phumelela Pension Fund	**146**	**1 279**	**146**	**1 279**
Phumelela Provident Fund	**2 263**	**14 729**	**928**	**8 989**
TAB Provident Fund	**16**	**72**	**16**	**72**
Saccawu National Provident Fund	**3**	**37**	**3**	**37**
	2 428	**16 116**	**1 093**	**10 377**

17. RETIREMENT BENEFIT INFORMATION CONTINUED

17.2 Defined contribution funds continued

	GROUP		COMPANY	
	Members at 31 July	Employer contributions R'000	Members at 31 July	Employer contributions R'000
2019				
Phumelela Pension Fund	103	1 296	103	1 296
Phumelela Provident Fund	2 282	19 791	1 367	11 123
TAB Provident Fund	20	92	20	92
Saccawu National Provident Fund	3	46	3	46
	2 408	21 225	1 493	12 557

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
18. CASH AND CASH EQUIVALENTS				
Cash on cash management at bank and on hand	**89 687**	34 539	**77 415**	13 386
Short-term bank deposits	**32 855**	56 796	**32 563**	56 521
	122 542	91 335	**109 978**	69 907
Included in cash and cash equivalents are the following foreign currency-denominated monetary assets:				
South African rand				
Australian dollar	**6 175**	10 325	**6 175**	10 325
British pound	**2 646**	23 336	**55**	22 635
Euro	**4 800**	9 881	**4 800**	9 881
Hong Kong dollar	**2**	1 081	**2**	1 081
Singapore dollar	**103**	1 701	**103**	1 701
Swedish krona	**1 872**	1 298	**1 872**	1 298
United States dollar	**160**	2 252	**160**	2 252
	15 758	49 874	**13 167**	49 173
Foreign currency				
Australian dollar	**506**	1 052	**506**	1 052
British pound	**119**	1 338	**2**	1 338
Euro	**239**	622	**239**	622
Hong Kong dollar	**1**	590	**1**	590
Singapore dollar	**8**	163	**8**	163
Swedish krona	**963**	873	**963**	873
United States dollar	**9**	157	**9**	157

Foreign currency translation rates applied at the reporting date as set out in note 2.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	R'000	R'000	**R'000**	R'000
19. SHARE CAPITAL, RESERVES AND NON-CONTROLLING INTEREST				
19.1 Share capital				
Authorised				
480 000 000 ordinary shares of 2,5 cents each	**12 000**	12 000	**12 000**	12 000
Issued				
102 500 558 ordinary shares of 2,5 cents each	**2 563**	2 563	**2 563**	2 563
Treasury shares				
2 531 211 (2019: 2 531 211) ordinary shares of 2,5 cents each repurchased	**(64)**	(64)		
Opening balance 2 531 211 (2019: 2 531 211) ordinary shares of 2,5 cents each repurchased	**(64)**	(64)		
Net share capital	**2 499**	2 499	**2 563**	2 563
Share premium	**471 287**	471 287	**471 580**	471 580
Total share capital and premium after deducting treasury shares 99 969 347 ordinary shares of 2,5 cents	**473 786**	473 786	**474 143**	474 143

Rand Sporting Club Proprietary Limited, a 100% subsidiary of the Company, holds 2 531 211 (2019:2 531 211) ordinary shares at year end.

	Direct beneficial	**Indirect beneficial**	**Total**	**Percentage %**
Directors' interests in share capital at 31 July 2020				
Non-executive directors				
B Kantor	**5 033 500**	**2 672 153**	**7 705 653**	**7,51**
E Nkosi	**14 465**		**14 465**	**0,01**
JB Walters	**59 228**		**59 228**	**0,06**
Executive directors				
AW Heide	**341 000**		**341 000**	**0,33**
JA Stuart	**437 000**	**5 295**	**442 295**	**0,43**
	5 885 193	**2 677 448**	**8 562 641**	**8,34**

There has been no movement in the disclosed interests during the period 31 July 2020 to the date of signature of this report.

	Direct beneficial	Indirect beneficial	Total	Percentage %
Directors' interests in share capital at 31 July 2019				
Non-executive directors				
B Kantor	308 500	5 034 653	5 343 153	5,21
E Nkosi	14 465		14 465	0,01
JB Walters	59 228		59 228	0,06
Executive directors				
AW Heide	341 000		341 000	0,33
JA Stuart	437 000	5 295	442 295	0,43
	1 160 193	5 039 948	6 200 141	6,04

	GROUP	
	2020	2019
	R'000	R'000
19. SHARE CAPITAL, RESERVES AND NON-CONTROLLING INTEREST CONTINUED		
19.2 Translation reserves		
Foreign currency translation reserve arising on consolidation of the interests held in Phumelela Gold International Limited	**272**	(127)
	%	%
19.3 Non-controlling interest		
Betting World Eastern Cape Proprietary Limited		
Non-controlling interest	**48,79**	48,79
	R'000	R'000
Non-current assets	**4 640**	4 640
Property, plant and equipment	**3 409**	3 409
Intangible assets	**1 231**	1 231
Current assets	**1 680**	1 680
Inventory	**550**	550
Trade and other receivables	**38**	38
Cash and cash equivalents	**1 092**	1 092
Non-current liabilities	**(12 972)**	(12 972)
Borrowings	**(12 972)**	(12 972)
Current liabilities	**(15 497)**	(15 497)
Trade and other payables	**(14 675)**	(14 675)
Lease liability	**(640)**	(640)
Betting dividends payable	**(182)**	(182)
	(22 149)	(22 149)
Carrying value	**(10 807)**	(10 807)
Current year losses allocated	**10 807**	(3 523)
Net movement in cash and cash equivalents		178

Betting World Eastern Cape Proprietary Limited was derecognised from the group numbers during the year due to the company being placed in liquidation. Any gains or losses resulting from derecognition is recognised in the statement of other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 July 2020

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
20. BORROWINGS				
Unsecured borrowings				
Term loan		189		
		189		
Current liability				
Other loans	**2 420**	640		
Revolving credit facility		300 000		300 000
Post commencement finance	**40 606**		**40 606**	
	43 026	300 640	**40 606**	300 000
Bank overdraft		40 855		40 855
	43 026	341 495	**40 606**	340 855

Other loans are unsecured, bear no interest and have no fixed repayment terms.

At 8 May 2020 the Company had a revolving credit facility ("RCF") from a local bank at an interest rate of JIBAR plus 260 basis points.

The RCF was deemed secured when the Company entered into business rescue. The RCF forms part of the business rescue creditors set out in note 23.

The covenants of the RCF had been breached at that date.

The Company also had a R42 million demand facility from a local bank at the rate of prime minus 1%. The demand facility forms part of the business rescue creditors set out in note 23.

The Company received a post commencement finance ("PCF") facility during the year amounting to R100 million and bears interest at prime plus 4% per annum. At 31 July 2020 R40 million of the PCF facility was utilised.

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
21. TRADE AND OTHER PAYABLES				
Trade payables	**101 058**	244 042	**58 091**	228 694
Accruals – staff costs	**24 367**	18 807	**20 074**	15 920
Accruals – other	**58 459**	66 699	**52 937**	54 342
Betting taxes	**4 195**	4 787	**2 516**	2 518
Other payables – Punters liabilities	**35 177**	25 641	**33 162**	19 646
	223 256	359 976	**166 781**	321 120
Trade payables are non-interest-bearing and are normally settled between 30 and 60 days.				
Trade and other payables include the following geographical and foreign currency-denominated liabilities:				
South African rand				
Australian dollar	**6 096**	3 677	**6 096**	3 677
British pound	**56 321**	5 066	**56 321**	5 014
Euro	**1 697**	3 152	**1 697**	3 152
Hong Kong dollar	**1 686**	5823	**1 686**	5 823
Mauritian rupee		68		68
Singapore dollar	**9 396**	5 942	**9 396**	5 942
Swedish krona	**4 604**	1 631	**4 604**	1 631
United States dollar	**43 437**	21 505	**43 437**	21 505
	123 237	46 864	**123 237**	46 812

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	R'000	R'000	**R'000**	R'000
21. TRADE AND OTHER PAYABLES CONTINUED				
Australian dollar	**500**	374	**500**	374
British pound	**2 529**	290	**2 529**	290
Euro	**84**	198	**84**	198
Hong Kong dollar	**766**	3 178	**766**	3 178
Mauritian rupee		171		171
Singapore dollar	**757**	569	**757**	569
Swedish krona	**2 369**	1 098	**2 369**	1 098
United States dollar	**2 553**	1 499	**2 553**	1 499

22. LEASE LIABILITY

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Carrying amount at beginning of year				
Impact of changes in accounting policy	**80 618**		**38 317**	
Repayments	**(38 997)**		**(20 821)**	
Net interest expense	**6 921**		**3 440**	
Impact of lease modification and remeasurement	**(3 472)**			
Carrying amount at end of year	**45 070**		**20 937**	
Reconciliation of prior period operating lease commitments to lease liabilities under IFRS16:				
Operating lease commitment at 31 July 2019 as previously disclosed		88 547		43 315
Less: exemption for short-term leases		(8 491)		(1 471)
Add: new leases starting on or after 1 August 2019		11 559		1 899
		91 615		43 742
Discounted using the incremental borrowing rate at 1 August 2019		(10 997)		(5 425)
Lease liabilities recognised at 1 August 2019		80 618		38 317

Lease liabilities relate to betting shops which are leased by the company from various shopping centres and lessors.

In most instances, the lease period varies between three to five years and some leases have an option to renew on expiry. The lease term will include this renewal period if the company is reasonably certain it will exercise the renewal option.

The discount rate used to determine the present value of future lease payments is generally based on the lessee's incremental borrowing rate, as in most instances, the interest rate implicit in the lease cannot be readily determined. The discount rate applied to new leases concluded during the year was 11,23%.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
23. CREDITORS OWING AT BUSINESS RESCUE DATE				
Secured creditors	324 878		324 878	
Unsecured creditors	306 457		306 457	
	631 335		631 335	
Secured creditors				
Revolving credit facility	282 497		282 497	
Bank overdraft	42 381		42 381	
	324 878		324 878	
Unsecured creditors				
International creditors	129 877		129 877	
Local creditors	176 580		176 580	
	306 457		306 457	
Total business rescue creditors				
The above creditors are the best estimate of business rescue creditors owing at the end of the year.				
International creditors include the following geographical and foreign currency-denominated liabilities:				
South African rand				
Australian dollar	(3 622)		(3 622)	
British pound	(1 742)		(1 742)	
Euro	(7 226)		(7 226)	
Hong Kong dollar	(23)		(23)	
Mauritian rupee	(7 042)		(7 042)	
Singapore dollar	(1 037)		(1 037)	
Swedish krona	(3 841)		(3 841)	
United States dollar	(105 344)		(105 344)	
	(129 877)		(129 877)	
Foreign currency				
Australian dollar	(342)		(342)	
British pound	(60)		(60)	
Euro	(326)		(326)	
Mauritian rupee			(11)	
Singapore dollar	(790)		(790)	
Swedish krona	(508)		(508)	
United States dollar	(216)		(216)	

Foreign currency translation rates applied at the reporting date as set out in note 2.

	COMPANY 2020 R'000	2019 R'000
24. AMOUNTS OWING TO SUBSIDIARY COMPANIES		
Highveld Racing Authority Technical Services Proprietary Limited	**8 799**	8 799
Transvaal Racing Holdings Proprietary Limited	**6 417**	6 418
Rand Sporting Club Proprietary Limited	**13 727**	7 067
Silks Gaming and Leisure Proprietary Limited	**9**	9
Tote Property Investments Proprietary Limited	**2 210**	2 008
Highveldt Training Centre Proprietary Limited	**277**	277
	31 459	24 578

The amounts owing to subsidiary companies bear no interest and have no fixed terms of repayment.

	GROUP 2020 R'000	2019 R'000	COMPANY 2020 R'000	2019 R'000
25. CONTINGENT CONSIDERATION LIABILITY				
Contingent consideration				
Balance at beginning of year	**28 806**	28 806	**28 806**	28 806
Transfer to business rescue creditors	**(28 806)**		**(28 806)**	
Balance at end of year		28 806		28 806

The contingent consideration represented an amount payable in respect of the purchase of the investment in Supabets.

The contingent consideration is interest free.

The contingent liability is regarded as a business rescue creditor and forms part of the business rescue creditors set out in note 23.

Subsequent to year end, the equity interest of Supabets was conditionally disposed of and the contingent consideration will be repaid in terms of the share sale agreement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 July 2020

		GROUP		COMPANY	
		2020	2019	**2020**	2019
		R'000	R'000	**R'000**	R'000
26.	**INCOME**				
	Revenue comprises:	**746 237**	1 066 907	**506 311**	717 253
	Betting income				
	Bets struck net of betting dividends paid, refunds and rebates				
	– South Africa – totalisator	**540 297**	774 653	**503 862**	716 301
	– South Africa – fixed odds	**205 940**	292 254	**2 449**	952
	International division				
	– Derived from international ventures	**299 862**	320 223	**299 862**	320 223
	Proportionate share of Tellytrack Partnership				
	– Derived from local operations	**7 610**	15 008	**17 213**	20 520
	Investment income	**11 458**		**160 801**	
	– Interest received	**11 458**	13 147	**13 739**	11 317
	– Dividends received		826	**147 062**	152 971
		1 065 167	1 416 110	**984 186**	1 222 284
	Gambling Board levies received	**11 851**	64 671	**11 851**	64 671
	Unclaimed dividends and breakages	**30 361**	45 662	**14 731**	22 711
	LPM Commission	**22 775**	34 346	**15 560**	24 419
	Sales and Marketing	**9 740**	8 100	**9 740**	8 100
	Other income	**59 404**	89 400	**71 541**	99 680
		1 199 298	1 658 289	**1 107 610**	1 441 866
27.	**LOSS/PROFIT FROM OPERATIONS**				
27.1	**Income**				
	Dividends received		826	**147 062**	152 971
	– Unlisted investments			**147 062**	152 145
	– Listed investments		826		826
	Interest received	**11 458**	13 147	**13 739**	11 317
	– Interest received on loans	**4 975**	7 752	**1 810**	3 964
	– Interest received on guarantees and taxation	**2 539**	644		
	– Interest received from banks	**3 944**	4 751	**3 508**	4 226
	– Interest received from subsidiaries			**8 421**	3 127
	Gambling Board levies received	**11 851**	64 671	**11 851**	64 671
	Unclaimed dividends and breakages	**30 361**	45 662	**14 731**	22 711
	Share-based payment release		4 986		4 986
	Profit on disposal of property, plant and equipment		3 922	**153**	
	Profit on disposal of intangible assets		5 262		
	Profit on foreign exchange	**16 236**	19 840	**15 303**	16 186

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	R'000	R'000	**R'000**	R'000
27. LOSS/PROFIT FROM OPERATIONS CONTINUED				
27.2 Expenses				
Auditors' remuneration	**5 981**	3 845	**4 111**	2 674
Depreciation	**60 425**	67 351	**33 239**	37681
– Buildings	**7 436**	9 037	**4 453**	6 089
– Plant and machinery	**12 903**	14 699	**12 628**	14 326
– Information technology equipment and software	**14 608**	15 501	**5 607**	6 472
– Motor vehicles, heavy duty trucks and trailers	**2 749**	3 313	**1 982**	2 534
– Furniture and fittings	**4 479**	4 297	**2 026**	1 680
– Marks and signs	**678**	496	**643**	451
On leasehold				
– Fittings and improvements	**17 572**	20 008	**5 900**	6 129
Amortisation on intangible assets	**3 477**	3 180	**802**	505
Impairment of assets	**578 586**		**510 571**	
Agents' commission	**34 519**	43 201	**31 792**	39 340
– Horseracing	**17 896**	24 583	**17 200**	23 457
– Other sports	**16 623**	18 618	**14 592**	15 883
Operating lease expenses	**105 330**	98 642	**47 953**	57 201
– Office equipment	**8 732**	11 711	**4 094**	6 296
– Premises	**96 598**	86 931	**43 859**	50 905
Employee costs (permanent and part-time)	**286 430**	404 044	**214 297**	282 899
– Salaries and wages	**260 026**	362 437	**194 640**	253 539
– Retirement benefits	**16 300**	21 225	**10 835**	12 557
– Social security	**4 672**	8 638	**3 390**	6 092
– Voluntary retrenchment programme	**5 432**		**5 432**	
Loss on disposal of property, plant and equipment	**1 845**			4 408
28. FINANCE COSTS				
Interest paid	**39 589**	35 488	**36 104**	35 418
– Interest paid on overdraft	**5 755**	5 470	**5 755**	5 468
– Interest paid on borrowings	**26 778**	30 009	**26 778**	29 943
– Interest on lease liability	**6 921**		**3 440**	
– Interest paid other	**135**	9	**131**	7

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
29. INCOME TAX (CREDIT)/EXPENSE				
Current tax charge	**(714)**	2 171		
– Current year	**94**	2 621		
– Prior year adjustment	**(808)**	(450)		
Deferred tax charge	**17 584**	(15 391)	**25 225**	
– Current year	**(124)**	(15 391)		
– Prior year adjustment	**17 708**		**25 225**	
Total tax charge	**16 870**	(13 220)	**25 225**	
Taxation reconciliation				
South African normal taxation at standard rate 28%	**(253 067)**	(29 423)	**(191 402)**	(20 178)
Adjusted for:				
Share of profit of equity-accounted investee	**(23 871)**	(46 834)		
Prior year over provision	**(808)**	(450)		
Tax rate difference – foreign subsidiary	**17 835**	(967)	**25 225**	
Tax rate difference – capital gains tax	**(910)**	(520)		
Deferred tax reversed	**11 760**			
Exempt dividend income	**(782)**	(231)	**(41 177)**	(42 832)
Depreciation on capital expenditure not deductible				1 212
Losses not claimed/(utilised)		61 098		61 098
Employee tax Incentive allowance	**(204)**		**(143)**	
Assessed loss not recognised	**74 552**		**89 496**	
Disallowable expenses	**192 364**	4 107	**143 226**	700
Taxation in the current year	**16 870**	(13 220)	**25 225**	
Estimated tax losses reconciliation				
Estimated tax losses brought forward	**132 362**	108 978	**108 254**	103 019
Prior year adjustment	**217 857**		**228 627**	
Assessed loss utilised	**(1 404)**			
Estimated loss incurred in the current year	**319 027**	23 382	**296 117**	5 234
Estimated losses derecognised	**(667 843)**		**(632 998)**	
Estimated tax losses available for utilisation against future taxable Income		132 360		108 253
Applied to increase deferred tax asset		(23 382)		(5 234)

	COMPANY 2020 R'000	2019 R'000
30. DIRECTORS' EMOLUMENTS		
Non-executive directors		
R Cooper [1]		83
B Kantor [2]	**333**	729
KC Khampepe	**233**	292
NJ Mboweni	**233**	291
SH Müller	**233**	291
E Nkosi	**233**	291
CJH van Niekerk [3]		83
JB Walters	**233**	291
M Tembe **	**533**	583
SA Mahlalela	**200**	166
FS Magubane [4]	**67**	291
MA Currie [5]		42
Other services*		
R Cooper [1]		106
B Kantor	**41**	107
KC Khampepe		212
NJ Mboweni		212
SH Müller		292
E Nkosi	**88**	113
CJH van Niekerk [3] [3]		178
JB Walters		247
M Tembe **	**191**	64
SA Mahlalela		149
FS Magubane [4]	**34**	173
	2 652	5 286
Executive directors		
Fees for management services		
WA du Plessis [6]		1 203
Basic salary		778
Retirement, medical, accident and health benefits		24
Bonuses		401
AW Heide [7]	**2 172**	3 373
Basic salary	**1 959**	2 776
Retirement, medical, accident and health benefits	**213**	331
Bonuses		266
VJ Moodley [8]		1 359
Basic salary		1 015
Retirement, medical, accident and health benefits		112
Bonuses		232
JA Stuart [9]	**5 561**	3 569
Basic salary	**2 807**	3 006
Retirement, medical, accident and health benefits	**354**	276
Bonuses		287
Lump sum payment	**2 400**	
Total executive emoluments paid	**7 733**	9 504
Total directors' emoluments	**10 385**	14 790

* *Other services include attending Audit, Social and Ethics and Remuneration and Nominations Committee meetings, strategy sessions and ad hoc meetings as required.*
** *Appointed Chairman January 2020*

1 *Retired December 2018*
2 *Retired January 2020*
3 *Retired December 2018*
4 *Resigned October 2019*
5 *Resigned July 2019*
6 *Resigned September 2018*
7 *Resigned March 2020*
8 *Resigned November 2018*
9 *Resigned May 2020*

Director fees paid as follows: 01 August 2019 - 31 Jan 2020 paid to directors and 01 Feb 2020 - 31 July 2020 were lodged with the business rescue practitioner and will be paid in line with business rescue plan.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

30. DIRECTORS' EMOLUMENTS CONTINUED

The criteria for qualification of prescribed officers has been reviewed following the company being in business rescue and the appointment of a business rescue practitioner, consequently no prescribed officer remuneration is disclosable.

31. SHARE OF JOINTLY CONTROLLED OPERATION

Tellytrack Partnership ("Tellytrack")

The Tellytrack Partnership is a joint operation between the Company, Gold Circle Proprietary Limited and Kenilworth Racing Proprietary Limited. Pursuant to the agreements concluded between the parties Tellytrack has the right to exploit the joint commercial interests and intellectual property in respect of South African race meetings within the confines of South Africa, Namibia and Zimbabwe. The decision making and partnership agreement determines that the partnership is a jointly controlled operation. In terms of the joint control agreement, the Company's share of the partnership income and expenditure for the year is 61% (2019: 61%) which is as follows:

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

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	**3 689**	6 858	**3 689**	6 858
Current assets	**4 860**	33 225	**4 860**	33 225
Inventories	**705**	781	**705**	781
Trade and other receivables	**2 194**	29 321	**2 194**	29 321
Cash and cash equivalents	**1 962**	3 213	**1 962**	3 213
	8 549	40 083	**8 549**	40 083
CAPITAL AND RESERVES				
Partners' accounts	**(17 421)**	(710)	**(17 421)**	(710)
LIABILITIES				
Current liabilities				
Trade and other payables	**25 970**	40 793	**25 970**	40 793
	8 549	40 083	**8 549**	40 083
CASH FLOW				
Cash flows from operating activities	**(87 773)**	(25 693)	**(74 039)**	(20 159)
Cash flows from investing activities	**(831)**	(1 427)	**(831)**	(1 427)
Cash flows from financing activities	**89 854**	29 553	**76 120**	24 019
Net increase/(decrease) in cash and cash equivalents	**1 251**	2 433	**1 251**	2 433
INCOME	**9 182**	12 922	**23 860**	18 456
EXPENDITURE	**(87 530)**	(63 807)	**(88 474)**	(63 807)
Loss for the year	**(78 347)**	(50 885)	**(64 614)**	(45 351)

Customers are using the Tellytrack channel for their own revenue-generating purposes. Customers are required to pay for the use of this channel when generating their revenue. In the prior year as the revenue recognition was subject to numerous legal procedures that are ongoing, the recognition of the Group and Company's revenue required management's estimation and judgements; however, following the adoption of IFRS 15 by the Group, no subscription revenue has been recognised in the current year.

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	R'000	R'000	**R'000**	R'000
32. COMMITMENTS AND CONTINGENCIES				
32.1 Capital expenditure				
Commitments in respect of capital expenditure approved by directors				
– Contracted for		2 075		2 075
– Not contracted for		17 925		17 925
The above capital expenditure will be financed out of cash and cash equivalents generated by operations or borrowing facilities as and when required.				
32.2 Operating leases				
Commitments in respect of operating leases				
Office equipment		23 873		6 921
Within one year		6 987		2 026
Between two and five years		16 886		4 895
Leasehold properties		92 273		53 868
Within one year		49 508		30 352
Between two and five years		42 765		23 516
		116 146		60 789

Operating lease commitments do not contain any abnormal terms and conditions.

32.3 Guarantees and surety issued

Guarantees in lieu of operating lease deposits amount to R961 030 (2019: R961 030) and are held by insurers and banks.

The Company has issued a surety in favour of a bank in order for the bank to issue guarantees in favour of the gambling boards in respect of the Betting World Proprietary Limited in the amount of R1 500 000 (2019: R1 500 000).

The Company has stood surety in respect of the banking facilities of Kenilworth Racing Proprietary Limited in the amount of R50 million which is secured by means of a first bond over the Milnerton property owned by Kenilworth Racing Proprietary Limited in the amount of R60 million. At year end the utilisation of the facility amounted to R48 198 640 (2019: R47 301 191).

33. RELATED PARTIES

Related parties include shareholders of the Company, the subsidiary companies, joint venture and equity-accounted investees as well as senior employees and directors.

"During the year Betting World Proprietary Limited sold one fixed odds license to Supaworld Proprietary Limited, a company jointly owned by Betting World and Supabets."

Other than in the normal course of business, there have been no significant transactions during the period with equity-accounted investees, joint operations, and other related parties.

Shareholders
Treasury shares are set out in note 19.

Subsidiaries
Details of investments in subsidiaries are disclosed in note 8.
Related party balances are disclosed in notes 12 and 24.
Details of material transactions with subsidiaries not disclosed elsewhere in the financial statements are as follows:

	GROUP	
	2020 R'000	2019 R'000
Turnover levies received from TAB North West Proprietary Limited	**18 875**	30 062
Marketing sponsorship from Betting World Proprietary Limited	**4 437**	13 930
Sub-lease rental income received from Betting World Proprietary Limited	**10 726**	9 914
Tellytrack licence fees paid by Betting World Proprietary Limited	**1 548**	5 534
Interest received from Betting World Proprietary Limited	**8 421**	3 150
Sponsorship paid to Tellytrack by Uptonvale Services Proprietary Limited group	**1 150**	1 628
Leasehold property rentals paid to Betting World Proprietary Limited	**(16)**	(1 190)
Commission paid to Betting World Proprietary Limited	**(3 195)**	(5 887)
Leasehold property rentals paid to East Cape Racing Proprietary Limited	**(5 688)**	(8 413)
Agents commission paid to Uptonvale Services Proprietary Limited	**(18 243)**	(19 446)
Security costs paid to SW Security Solutions SA Proprietary Limited	**(27 965)**	(31 359)

Guarantees
The Group has signed unlimited cross guarantees between the operating 100%-owned subsidiaries that operate on the Group's managed facilities. The companies affected are Phumelela Gaming and Leisure Limited, Rand Sporting Club Proprietary Limited, TAB North West Proprietary Limited, East Cape Racing Proprietary Limited, and Tote Properties Proprietary Limited.

Directors
Details regarding the directors' emoluments in the Company are disclosed in note 30, directors' interests in the Company in note 19 and share options in note 34.

Jointly controlled operation
Details of investments in joint operation are disclosed in note 31.

Equity-accounted investees
Details of investments in equity-accounted investees are disclosed in note 9.

34. SHARE OPTION SCHEMES

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

Should both the above conditions be met the options are exercisable at the strike price. For purposes of IFRS 2 Share-based Payments, active share options were not valued as they are unlikely to be exercised.

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

Summary of share options granted

Executive option scheme 2018

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

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

Date of option	12 April 2018	1 August 2018	1 October 2018	1 April 2019
Number of shares	221 003	250 000	200 000	300 000
Dividend yield	6,58%	6,58%	6,58%	6,58%
Interest rate	7,43%	7,43%	7,43%	7,43%
Volatility	22,50%	22,50%	22,50%	22,50%
Option take-up	100%	100%	100%	100%
Equity price	R14,76	R13,82	R13,29	R9,82
Maturity date	12 April 2021	1 August 2021	1 October 2021	1 April 2022

	2020		2019	
	Number of shares	**Weighted average exercise price R**	Number of shares	Weighted average exercise price R
Summary of share options granted				
Balance at beginning of year	**7 520 123**	**16,04**	5 982 469	17,50
Granted			2 275 000	12,65
Forfeited	**(6 549 120)**	**16,37**	(737 346)	17,38
	971 003	**12,69**	7 520 123	16,04

Group Chief Executive and Finance Director option scheme

Shareholder approval for the granting of 437 000 options to the then Group Chief Executive and 341 000 options to the then Group Finance Director was obtained at the Company's annual general meeting held on 11 December 2018.

The exercise of the options is conditional upon a minimum compound annual growth rate in the share price of 10% compound per annum over the vesting period.

	2019
Date of option	11 December 2018
Number of shares	778 000
Dividend yield	6,67%
Interest rate	6,15%
Volatility	29,20%
Option take-up	100,00%
Equity price	R13,29
Maturity date	11 December 2021

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

	2020 Number of shares	2020 Exercise price cents	2019 Number of shares	2019 Exercise price cents
34. SHARE OPTION SCHEMES CONTINUED				
Group Chief Executive and Finance Director option scheme continued				
Summary of share options granted				
JA Stuart – 11 December 2018			437 000	
AW Heide – 11 December 2018			341 000	
			778 000	2,5
Summary of movement of share options granted				
Opening balance	**778 000**			
Options forfeited	**(778 000)**			
Carried forward				
The above options may be exercised between 12 December 2021 to 12 December 2024				
Total options issued	**971 003**		8 298 123	
Made up as follows:				
Granted to directors				
AW Heide – 17 July 2017			352 470	20,70
AW Heide – 12 April 2018			412 500	14,76
AW Heide – 1 October 2018			612 500	13,29
JA Stuart – 17 July 2017			352 470	20,70
JA Stuart – 12 April 2018			412 500	14,76
JA Stuart – 1 October 2018			612 500	13,29
Granted to staff				
Effective grant date – 17 July 2017		**20,70**	1 692 902	20,70
Effective grant date – 12 April 2018	**221 003**	**14,76**	1 575 281	14,76
Effective grant date – 1 August 2018	**250 000**	**13,82**	250 000	13,82
Effective grant date – 1 October 2018	**200 000**	**13,29**	1 425 000	13,29
Effective grant date – 1 January 2019		**11,46**	300 000	11,46
Effective grant date – 1 April 2019	**300 000**	**9,82**	300 000	9,82
Balance at end of year	**971 003**	**12,69**	8 298 123	16,04
The above options may be exercised between the following dates:				
18 July 2020 to 17 January 2021		**20,70**	2 397 842	20,70
13 April 2021 to 12 October 2021	**221 003**	**14,76**	2 400 281	14,76
2 August 2021 to 1 February 2022	**250 000**	**13,82**	250 000	13,82
2 October 2021 to 1 April 2022	**200 000**	**13,29**	2 650 000	13,29
2 January 2022 to 1 July 2022		**11,46**	300 000	11,46
2 April 2022 to 1 October 2022	**300 000**	**9,82**	300 000	9,82
	971 003	**12,69**	8 298 123	17,50

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
35. NOTES TO THE CASH FLOWS STATEMENTS				
35.1 Cash utilised by operations				
Loss before income tax expense	**(903 812)**	(109 036)	**(732 465)**	(72 060)
Adjustments for:				
Share of profit of equity-accounted investees	**(112 906)**	(163 310)		
Investment income	**(11 458)**	(13 973)	**(160 801)**	(164 288)
Finance costs	**32 668**	35 488	**32 664**	35 418
Interest on lease liability	**6 921**		**3 440**	
Depreciation	**60 425**	67 351	**33 239**	37 681
Amortisation of intangible assets	**3 477**	3 180	**802**	505
Depreciation of right of use asset	**35 780**		**18 337**	
Lease modifications	**(2 968)**		**(857)**	
(Profit)/loss on disposal of property, plant and equipment	**1 845**	(3 922)	**985**	4 408
(Profit)/loss on sale of investment		(2 964)		(2 964)
(Profit)/loss on disposal of intangible assets		(5 262)		
Unpaid restructure costs		19 103		15 503
Provision for bad debt	**74 058**			
Impairments of goodwill	**3 124**			
Impairments of property, plant and equipment	**143 410**	32 623	**104 919**	692
Impairments of intangible assets	**10 970**		**709**	
Impairments of equity-accounted investees	**420 840**		**379 863**	
Impairments of investment property	**242**			
Impairments of investments			**25 080**	
Withholding tax written off	**19 430**		**19 430**	
Derecognition of subsidiary property, plant and equipment	**3 409**			
Derecognition of subsidiary intangible assets	**1 231**			
Derecognition of subsidiary non-controlling interest	**10 807**			
Share-based payment		(4 986)		(4 986)
	(202 507)	(145 708)	**(274 653)**	(150 091)
35.2 Movements in working capital				
Decrease/(increase) in inventories	**988**	(476)	**378**	(356)
Decrease/(increase) in trade and other receivables	**(40 439)**	2 395	**4 260**	20 863
Decrease/(increase) in amounts owing from subsidiary companies			**(2 549)**	9 881
Increase/(decrease) in amounts owing to subsidiary companies			**6 882**	(57 648)
Transfer to business rescue creditors	**348 838**		**348 835**	
Increase/(decrease) in trade and other payables	**(178 928)**	58 932	**(154 001)**	68 258
	130 458	60 851	**203 805**	40 998
35.3 Taxation paid				
Balance at beginning of year	**27 186**	23 324	**17 017**	18 568
Current year charge (note 26)	**1 104**	2 171		
Transfer to accounts receivable	**(16 727)**		**(16 727)**	
Balance at end of year	**(7 683)**	(27 186)	**(290)**	(17 017)
	3 880	(1 691)		1 551

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

36. SUBSEQUENT EVENTS

Subsequent the year end, the Group has disposed of various assets in terms of the business rescue plan adopted on 18 August 2020. Assets which have been disposed of consist of the Group and Company's equity interests in Premier Gateway International Limited, and Uptonvale Services Proprietary Limited. Conditional sales agreements have been entered into for the sale of Supabets SA Holding Proprietary Limited, Supaworld Proprietary Limited, Betting World Proprietary Limited and most of its racing assets and tote operations.

The post commencement finance of R40 million was fully repaid subsequent to year end. A second post commencement finance was received with details thereof available on the business rescue section of www.phumelela.com

Other than the above there are no significant subsequent events that have an impact on the financial information at 31 July 2020.

37. GOING CONCERN

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

The Group incurred a loss for the year of R920 million (2019: R96 million) and the Company a loss for the year of R758 million (2019: R72 million).

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

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

The Audit and Risk committee recommended to the Board that the financial statements not be prepared on a going concern basis but instead on an orderly realisation (break-up) basis as it is likely that the entity will be wound-up. The financial statements have been prepared in accordance with the companies own accounting policies which has been derived from International Financial Reporting Standards "IFRS" and interpretations of those standards as adopted by the International Accounting Standards Board 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. This deviation in policy away from the going concern basis of preparation of the financial statements resulted in three assets, the interests in Premier Gateway International Limited, Betting World Proprietary Limited and the Arlington racecourse, being held at year-end at a combined value of R174 million above cost. Refer to the basis of preparation in note 1.2 and note 13.

The Group's assets exceeded its liabilities by R114 million as at 31 July 2020.

38. STANDARDS AND INTERPRETATIONS

At the date of authorisation of the financial statements of Phumelela Gaming and Leisure Limited for the year ended 31 July 2020, the following standards and interpretations applicable to the entity were in issue but not yet effective:

Effective for the financial year commencing 1 August 2020

- 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)

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 Group and Company as noted above, are not expected have a material impact, other than additional disclosure note requirements.

39. OTHER LEGAL AND REGULATORY REQUIREMENTS

The Company has passed a special resolution of its shareholder on 11 December 2018 in accordance with Section 60 of the Companies Act, 2008, resolving that: "To the extent required by Section 45 of the Companies Act No. 71 of 2008, the directors may, subject to the compliance with the requirements of the company's Memorandum of Incorporation, and the Companies Act, authorise the company to provide any financial assistance to any company or corporation which is related or inter-related to the Company."

During the course of the financial year ended 31 July 2020, the Company had provided additional financial assistance amounting to R8 796 000 to other companies related to it. However, to the extent required by the Companies Act, the solvency and liquidity tests performed at the time of providing financial assistance were not reduced to writing and formally approved by way of a directors' resolution. The auditors have reported this matter to their regulatory board, the Independent Regulatory Board for Auditors ("IRBA") in terms of Section 45 of the Auditing Profession Act (Act No. 26 of 2005) as non-compliance with the requirements of Section 45 of the Companies Act No. 71 of 2008, Financial Assistance.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2020

40. DETAILS OF SUBSIDIARY COMPANIES

	2020			2019		
Name and nature of business	**Investment R'000**	**Issued capital R**	**% Held**	Investment R'000	Issued capital R	% Held
Direct subsidiaries incorporated in South Africa						
Highveld Racing Authority Technical Services Proprietary Limited						
– Dormant	**2 926**	**8**	**100**	4 253	8	100
– Dormant-deregistered in the current year						
Highveldt Training Centre Proprietary Limited		**3**	**100**		3	100
– Dormant						
Rand Sporting Club Proprietary Limited	**16 808**	**200**	**100**	22 960	200	100
– Property holding						
Hadrian Investments Proprietary Limited		**200**	**100**		200	100
– Property holding						
Shelanu Investments Proprietary Limited		**200**	**100**		200	100
– Property holding						
Injector Investments Proprietary Limited		**200**	**100**		200	100
– Property holding						
Glenfiddich Investments Proprietary Limited		**200**	**100**		200	100
– Property holding						
Transvaal Racing Holdings Proprietary Limited		**37 500**	**100**		37 500	100
– Property holding						
Tote Property Investments Proprietary Limited	**1 000**	**50 000**	**100**	1 967	50 000	100
– Property holding						
Vaal Racecourse Proprietary Limited		**1 070**	**100**		1 070	100
– Property holding						
East Cape Racing Proprietary Limited		**100**	**100**	11 227	100	100
– Property holding						
TAB North West Proprietary Limited	**2 693**	**4 000**	**100**	8 100	4 000	100
– Betting outlets						
Betting World Proprietary Limited	**47 500**	**1 000**	**100**	47 500	1 000	100
– Entertainment and wagering industry.						
Silks Gaming and Leisure Proprietary Limited		**100**	**100**		100	100
– Dormant operations						
Direct subsidiaries incorporated in Isle of Man	**329**	**100**	**100**	329	100	100
Phumelela Gold International Limited						
– Licensed sports bookmaker and worldwide internet pari-mutuel service provider						
	71 256			96 336		

Indirectly held subsidiaries held through Betting World Proprietary Limited

	Percentage holding 2020	2019
Cerino Trading 13 Proprietary Limited	**100**	100
Newton Park Proprietary Limited (formerly Betting World Eastern Cape Proprietary Limited)	**100**	100
Betting World KZN Proprietary Limited	**100**	100
Betting World Limpopo Proprietary Limited	**100**	100
Betting World North West Proprietary Limited	**100**	100
Betting World Mpumalanga Proprietary Limited	**100**	100
Betting World Northern Cape Proprietary Limited	**100**	100
Betting World Eastern Cape Proprietary Limited (formerly Afribet Proprietary Limited)	**51**	51

CORPORATE INFORMATION

DIRECTORS	Dr Elijah Nkosi *(Chairman)* John Barry Walters Nolwandle Mboweni S'celo Mahlalela Steve Müller
SECRETARY	F Moloi
REGISTERED OFFICE	Turffontein Racecourse 14 Turf Club Street Turffontein
AUDITORS	BDO South Africa Inc.
PRINCIPAL BANKER	First National Bank – A division of FirstRand Bank Limited
ATTORNEYS	Fluxmans Inc.
MERCHANT BANK	Investec Bank Limited
TRANSFER SECRETARIES	Computershare Investor Services Proprietary Limited
COMPANY REGISTRATION NUMBER	1997/016610/06
COUNTRY OF INCORPORATION	South Africa
WEBSITE	www.phumelela.com

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