Phumelela Gaming

Phumelela Gaming and Leisure Limited

ANNUAL REPORT 2023

CONTENTS

PHUMELELA GAMING AND LEISURE LIMITED

Annual financial statements for the year ended 31 July 2023.
These financial statements represent the financial information of Phumelela Gaming and Leisure Limited.

These financial statements have been prepared under the supervision of Mr AW Walters CA(SA).

FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY AND APPROVAL STATEMENT

for the year ended 31 July 2023

The Company's directors are responsible for the preparation and fair presentation of the annual financial statements of Phumelela Gaming and Leisure Limited (the Company), comprising the statements of financial position as at 31 July 2023, 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 (IFR) except where otherwise stated, and the requirements of the Companies Act of South Africa (the Companies Act), and the directors' report.

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

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

Shareholders have authorised the business rescue practitioner to deregister, wind-up or liquidate the Company after he has discharged his obligations in terms of the business rescue plan. In terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity.

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

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

The annual financial statements of Phumelela Gaming and Leisure Limited were approved by the Board of Directors on 23 November 2023 and signed.

E Nkosi
Chairman
23 November 2023

SH MÜLLER
Non-executive director

REPORT OF THE COMPANY SECRETARY

for the year ended 31 July 2023

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
23 November 2023

REPORT OF THE AUDIT AND RISK COMMITTEE
for the year ended 31 July 2023

The Audit and Risk Committee (the committee) presents its report for the financial year ended 31 July 2023. The committee is satisfied that it has performed the statutory requirements for an audit and risk committee as set out in the Companies Act 71 of 2008 (the Companies Act), and that it has therefore complied with its legal responsibilities. The committee fulfils the functions required under section 94(7) of the Companies Act for the Company and its wholly owned subsidiaries.

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

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

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

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

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

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

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

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

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

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

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

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

DISCHARGE OF RESPONSIBILITIES

During the reporting period the committee undertook the following:

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

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Shareholders have authorised the business rescue practitioner to deregister, wind-up or liquidate the Company after he has discharged his obligations in terms of the business rescue plan. In terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity.

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

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

ANNUAL FINANCIAL STATEMENTS

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

On behalf of the Audit and Risk Committee.

SH MÜLLER
Audit and Risk Committee Chairman
23 November 2023

REPORT OF THE DIRECTORS

for the year ended 31 July 2023

The directors hereby present the financial statements for the year ended 31 July 2023, which have been audited in compliance with the Companies Act. The preparation of these annual financial statements was supervised by Mr AW Walters CA(SA).

NATURE OF BUSINESS

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

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

For the period ended 30 November 2021 the Company owned three racecourses with allied training centres in Gauteng, Free State and Eastern Cape, and managed a stand-alone training centre in Gauteng. The Company staged approximately 20 race meetings a month and provided betting opportunities primarily on horseracing via its totalisator system and a network of branches, agents, an internet betting site, and telephone betting (telebet) centres. The branch and agent outlets operated in the above-mentioned provinces plus Northern Cape, Limpopo, Mpumalanga and North West. The Tellytrack Partnership, a joint operation between Phumelela Gaming and Leisure Limited, Gold Circle Proprietary Limited and Kenilworth Racing Proprietary Limited, produced a television channel containing live horseracing audio, visual and data from South Africa, the UK and other international racecourses to betting shops and private subscribers worldwide. The Company distributed simulcast products and coverage and performed international commingling of betting pools.

With effect from 1 December 2021 most of the Company's business, properties and fixed assets were sold as a going concern. The TellyTrack Partnership was active until 28 February 2022 while the operations in the North West and Northern Cape continued until regulatory approval was received to transfer the business to the new owner on 1 September 2022 and 1 October 2022 respectively.

Phumelela effectively only traded for two months in the current financial year and since the end of September 2022 has, in terms of the adopted business rescue plan and shareholder resolution, continued the process of winding up its affairs and those of its subsidiary companies.

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

FINANCIAL RESULTS AND POSITION

The Company generated R2 million in profits for the 12 months ended 31 July 2023 (2022: R184 million).

As at 31 July 2023 the equity attributable to ordinary shareholders was R91 million, in which is equivalent to a value per share of 91 cents after distributions of 200 cents per share during the financial year (2022: 289 cents).

Shareholders are reminded that a number of estimates are used in arriving at values, and the outcomes resulting from future events may positively or negatively affect the position of shareholders.

Of the R158 million of assets held at 31 July 2023, R139 million was held in cash, and R19 million of assets are still to be realised by the business rescue practitioner. Liabilities of up to R67 million are still to be settled by the business rescue practitioner.

As the accounts are prepared on a wind down basis, the total liabilities of R67 million includes both amounts currently due to creditors and provisions for future obligations. These provisions will be utilised during the forthcoming financial year(s) and reassessed at each reporting date.

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

INVESTMENTS

The winding up of the subsidiaries continued during the year. In this regard once all assets of the subsidiary are sold and all of its liabilities paid, any surplus has been or will be distributed to the ultimate shareholder, Phumelela. The subsidiary entities have or will then be deregistered. The subsidiary entities that were deregistered during the year are set out in note 22.

SHARE CAPITAL

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

At 31 July 2023, issued share capital amounted to 99 969 347 shares (2022: 99 969 347).

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Shareholders have authorised the business rescue practitioner to deregister, wind-up or liquidate the Company after he has discharged his obligations in terms of the business rescue plan. In terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity.

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

WINDING UP OF THE COMPANY'S AFFAIRS

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

Based on the accounting policies applied, the Company's assets exceeded its liabilities by R91 million as at 31 July 2023 (R289 million as at 31 July 2022).

SUBSEQUENT EVENTS

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

Other than the above there are no significant subsequent events that have had an impact on the financial information at 31 July 2023.

MATTERS OF CORPORATE INTEREST AND LITIGATION

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

- The Review Application of the Gauteng Gambling Regulations, 1997 amendments published on 28 March 2019 that deprived the Company of a portion of the betting levies;
- The review application of a fine imposed by the Gauteng Gambling Board in respect of condition 10 of Phumelela's licence to conduct race meeting;
- Various applications by the South African Bookmakers' Association relating to their access to the TellyTrack service.

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

R6 million per month of levy income since the amendments to the Gauteng Gambling Board Regulations took effect in April 2019 until the Company transferred its operational licences on 1 December 2021.

The Company has claimed input Value Added Tax (VAT) on stakes paid between financial years 2017 and 2021. The South African Revenue Service has audited these VAT returns and has issued a letter of findings indicating that SARS do not necessarily agree that the amounts included by Phumelela as input VAT on stakes is deductible. The Company has responded providing justification for the Input VAT claim. SARS now needs to consider the law and issue a revised assessment if it does not agree that the amounts constitute a valid input VAT claim. The Company has claimed total input VAT of R97 million and has received payment of R28 million on these claims. The balance is shown as a trade receivable and the full value of R97 million has been included as a liability provision pending finalisation of the SARS audit process. In addition, a provision of R16 million has been raised for potential penalties and interest that may be payable.

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

RELATED PARTIES

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

DISTRIBUTIONS TO ORDINARY EQUITY HOLDERS

Following the adoption of the above mentioned resolution on 12 July 2022 to distribute available funds to shareholders, the Company has made the following distributions of capital to shareholders:

1. 100 cents per share on 29 July 2022; and
2. 125 cents per share on 30 November 2022; and
3. 75 cents per share on 31 March 2023.

The board resolved to return capital of 25 cents in the Rand to shareholders. The distribution will be processed and paid on or before 14 December 2023. Further capital distributions will only be considered when either the matter with the Gauteng Gambling Board or the disputed VAT claims have been fully finalised.

DIRECTORS' EMOLUMENTS

The remuneration of directors is set out in note 16 on page 30.

AUDITORS

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

DIRECTORS AND SECRETARY

Ms NJ Mboweni resigned as a director on 30 March 2023. There were no other changes to the composition of the Board during the year under review.

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

Particulars of the present directors and secretary are given under corporate information set out on page 35.

SUBSIDIARY COMPANIES

Details of subsidiary companies are disclosed in note 22 on page 33.

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 July 2023

OPINION

We have audited the financial statements of Phumelela Gaming and Leisure Limited set out on pages 12 to 34, which comprise the statement of financial position as at 31 July 2023, the statement of comprehensive income and other comprehensive income, the statement of cash flows, and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Phumelela Gaming and Leisure Limited for the year ended 31 July 2023 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 1.13, and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

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

EMPHASIS OF MATTER – BASIS OF PREPARATION AND GOING CONCERN

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Phumelela Gaming and Leisure Limited Annual Report 2023", which includes the Report of the Company Secretary, Report of the Audit and Risk Committee, and the Report of the Directors as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and to not make use of the going concern basis of accounting if the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

Stephen Shaw
Director
Registered Auditor
23 November 2023

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

STATEMENTS OF FINANCIAL POSITION

for the year ended 31 July 2023

		COMPANY	
		2023	2022
	Note	**R'000**	R'000
ASSETS			
Assets held for sale			2 244
Investment in subsidiaries	4.1		2 244
Other current assets		**158 428**	380 798
Trade and other receivables	5	**2 968**	5 010
Other receivables	6		28 203
Amounts owing by subsidiary companies	4.2	**83**	1 202
Benefit fund surpluses	7	**16 158**	23 426
Cash and cash equivalents	8	**139 219**	322 957
Total assets		**158 428**	383 042
EQUITY AND LIABILITIES			
Total equity		**91 001**	288 997
Share capital and premium	9	**174 235**	374 174
Retained earnings		**(83 234)**	(85 177)
Current liabilities		**67 427**	94 045
Trade and other payables	10	**54 343**	39 013
Amounts owing to subsidiary companies	11	**323**	6 934
Shareholder distributions payable		**12 761**	48 098
Total equity and liabilities		**158 428**	383 042

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 July 2023

		COMPANY	
		2023	2022
	Note	**R'000**	R'000
Betting income		**829**	156 301
Other operating income			
– Local operations		**8 907**	78 969
– International operations		**1 209**	90 933
Investment income		**17 640**	50 026
Income	12	**28 585**	376 229
Stakes			(43 970)
Value added tax		**(108)**	(19 588)
Betting taxes		**(66)**	(14 858)
National Horseracing Authority levies			(12 342)
Operating expenses and overheads		**(26 393)**	(188 233)
Profit before finance costs	13	**2 018**	97 238
Finance costs	14	**(75)**	(466)
Profit before income tax expense		**1 943**	96 772
Income tax expense	15		
Total comprehensive income for the period		**1 943**	96 772
Other comprehensive income for the period			
Realisation surplus	17		87 000
Total income for the period		**1 943**	183 772

STATEMENTS OF CASH FLOWS
for the year ended 31 July 2023

	Note	COMPANY 2023 R'000	2022 R'000
Net cash outflow from operating activities		**14 116**	(138 579)
Cash generated/(utilised) by operations	**21.1**	**(27 096)**	61 615
Movements in working capital	**21.2**	**27 157**	(219 133)
Cash utilised by operating activities		**61**	(157 518)
Interest received	**21.3**		
Interest received		**14 130**	19 405
Finance costs paid		**(75)**	(466)
Net cash inflow from investing activities		**37 422**	237 605
Acquisition of property, plant and equipment			(434)
Proceeds on disposal of property, plant and equipment			148 000
Proceeds on disposal of intangible assets			10 000
Proceeds on sale of investments			4 806
Benefit fund repaid		**9 219**	
Loans repaid		**28 203**	49 796
Dividends received			25 437
Net cash outflow from financing activities		**(235 276)**	(240 080)
Operating lease payments in respect of right-of-use assets			(2 528)
Capital distributions paid		**(235 276)**	(52 552)
Borrowings repaid			(185 000)
(Decrease)/increase in cash and cash equivalents for the year		**(183 738)**	(141 054)
Cash and cash equivalents at beginning of year		**322 957**	464 011
Cash and cash equivalents at end of year		**139 219**	322 957
Make up of balance of cash and cash equivalents			
Cash and cash equivalents	**8**	**139 219**	322 957
Bank overdraft	**16**		
Cash and cash equivalents at end of period		**139 219**	322 957

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2023

	Share capital R'000	Share premium R'000	Retained earnings R'000	Share-holders' equity R'000
COMPANY				
Balance at 31 July 2021	2 563	471 580	(268 949)	205 194
Total comprehensive income for the year				
– Profit for the period			96 772	96 772
– Other comprehensive income			87 000	87 000
– Treasury shares cancelled	(64)	64		
– Capital distributions returned to shareholders		(99 969)		(99 969)
Balance at 31 July 2022	2 499	371 675	(85 177)	288 997
Total comprehensive income for the period				
– Profit for the period			**1 943**	**1 943**
– Capital distributions returned to shareholders		**(199 939)**		**(199 939)**
Balance at 31 July 2023	**2 499**	**171 736**	**(83 234)**	**91 001**

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

1.1 Reporting entity

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

1.2 Basis of preparation

The Company financial statements set out on page 12 to 34 have not been prepared on a going concern basis as, in terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity. The business rescue plan of the Company, adopted on 1 September 2020, states under 8.1.4 that "the business rescue practitioner is of the view that it is best for affected persons that once all distributions have been paid to creditors and shareholders, to wind-up the affairs of the Company."

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

The financial statements have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards (IFRS), interpretations of those standards as adopted by the International Accounting Standards Board (IASB) and the requirements of the Companies Act of South Africa (the Companies Act), except as stated below and under note 1.5 (Provisions).

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

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

All significant investments owned by the Company were disposed of during the last two financial years. Remaining investments in subsidiaries are carried at fair value through profit and loss. Fair value being determined and represented by the Company's share in the underlying net assets of the subsidiary (as reflected in notes 4). It has therefore been considered that preparing consolidated financial statements would not provide additional useful information and consequently, consolidated financial statements have not been prepared.

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

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

The financial statements were approved by the Board of Directors for issue on 23 November 2023.

1.3 Impairment of non-financial assets

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

Impairment losses are recognised in profit or loss.

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

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.4 Taxation

Current tax assets and liabilities

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

Income tax

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

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

Deferred tax

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

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

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

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

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.

1.5 Provisions

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

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

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.6 Revenue recognition

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

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

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

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

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

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

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.

1.7 Betting dividends

Betting dividends comprise punters' winnings. Unclaimed betting dividends are recognised in the statements of financial position as betting dividends payable under current liabilities. Betting dividends not claimed within 60 (sixty) days from date of declaration are recognised in income based on historical claims experience, even though legal prescription periods have not passed.

1.8 Borrowing costs

Borrowing costs are expensed as and when incurred.

1.9 Employee benefits

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

Short-term employee benefits

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

Defined contribution plans

The Company operated a defined contribution plan that required contributions to be made to a separately administered fund. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further amounts. Contributions in respect of defined contribution plans are recognised as an expense in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The plan transferred with the sale of the business on 1 December 2021.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.10 Financial instruments

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

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

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

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

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

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

The subsequent measurement of financial instruments is as follows:

Investment in subsidiaries

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

Trade and other receivables and amounts owing by subsidiary companies

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

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

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

Cash and cash equivalents

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

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

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION CONTINUED

1.10 Financial instruments

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 subsidiaries, 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.

1.11 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.

1.12 Distributions to shareholders

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

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

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

Significant estimates and judgements made relate to the measurement of 'expected credit losses' (ECL) relating to trade and other receivables, employee obligations, asset impairment tests and taxation. 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 and the going concern assumption.

Significant estimates and judgements:

Trade receivables, loans or other receivables

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

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

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

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

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

Taxation

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

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

Assessment of going concern

The Financial Statements have not been prepared on a going concern basis as, in terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity. The business rescue plan of the Company, adopted on 1 September 2020, states under 8.1.4 that "the business rescue practitioner is of the view that it is best for affected persons that once all distributions have been paid to creditors and shareholders, to wind-up the affairs of the Company." On 12 July 2022 shareholders resolved that the affairs of the Company be wound up.

2. FINANCIAL RISK MANAGEMENT

Liquidity risk management

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

	Less than one year R'000	Total R'000
COMPANY		
2023		
Trade and other payables	**54 343**	**54 343**
Total	**54 666**	**54 666**
2022		
Trade and other payables	39 013	39 013
Owing to subsidiaries	6 934	6 934
Total	45 947	45 947

Interest rate risk management

The Company is exposed to interest rate risk on its cash and cash equivalents.

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

Should interest rates increase/decrease by 100 basis points, and all other factors remain constant, the effects on the Company's earning and equity would increase/decrease by R1,4 million (2022: R3,3 million).

Foreign currency risk management

The Company has no single concentration of risk to any single currency. The Company does not hold long-term positions in any one currency and the mix of currencies held is dynamic.

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

Foreign exchange markets remain unpredictable

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

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

Fair value of financial instruments

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

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

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

3. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	COMPANY				
Class of financial instrument	At fair value through profit and loss R'000	Loans and receivables measured at amortised cost R'000	Financial liabilities measured at amortised cost R'000	Non-financial instruments R'000	Total R'000
2023					
Financial assets					
Defined benefit funds	**16 158**				**16 158**
Trade and other receivables		**2 968**			**2 968**
Amounts owing by subsidiary companies		**83**			**83**
Cash and cash equivalents		**139 219**			**139 219**
Total	**16 158**	**142 270**			**158 428**
Financial liabilities					
Trade and other payables			**54 343**		**54 343**
Amounts owing to subsidiaries			**323**		**323**
Dividends payable			**12 761**		**12 761**
Total			**67 427**		**67 427**
2022					
Financial assets					
Investment in subsidiaries	2 244				2 244
Defined benefit funds	23 426				23 426
Trade and other receivables		4 622		388	5 010
Other receivables		28 203			28 203
Amounts owing by subsidiary companies		1 202			1 202
Cash and cash equivalents		322 957			322 957
Total	25 670	356 984		388	383 042
Financial liabilities					
Trade and other payables			38 152	861	39 013
Amounts owing to subsidiary			6 934		6 934
Betting dividends payable			48 098		48 098
Total			93 184	861	94 045

	COMPANY 2023 R'000	2022 R'000
4. INVESTMENT IN SUBSIDIARIES		
4.1 Investment in subsidiaries		
Investment held in subsidiaries		2 244
Total investment in subsidiaries		2 244
Details of investments held in subsidiaries are disclosed in note 22.		
4.2 Amounts owing by subsidiary companies – current assets		
Glenfiddich Investments Proprietary Limited		44
East Cape Racing Proprietary Limited	**83**	952
Tote Property Investments Proprietary Limited		66
Rand Sporting Club Proprietary Limited		140
	83	1 202
Total investment in subsidiaries	**83**	3 446
The amounts owing by subsidiary companies bear no interest and have no fixed terms of repayment.		
The investment in subsidiaries are represented by the following underlying assets and liabilities:		
Receivables		1 670
Cash and cash equivalents		2 116
Other		7 117
Payables		(8 659)
Total investment in subsidiaries	–	2 244

	COMPANY 2023 R'000	2022 R'000
5. TRADE AND OTHER RECEIVABLES		
Trade receivables	**9 457**	18 273
Allowance for expected credit losses	**(8 281)**	(16 947)
Trade receivables after impairment	**1 176**	1 326
Prepayments		388
Deposits	**567**	3 219
Other receivables	**1 225**	77
VAT receivable	**69 172**	
Provision against VAT receivable	**(69 172)**	
	2 968	5 010

Trade receivables consist of non-interest-bearing receivables.

Included in trade receivables is the equivalent of R6,5 million (2022: R13,4 million) denominated in foreign currencies. The majority of foreign currencies are EURO and USD. The Company does not hold long-term positions in any one currency and the mix of currencies held is dynamic.

Reconciliation of the expected credit loss provision recognised with regard to trade and other receivables	2023 R'000	2022 R'000
Allowance at beginning of year	**16 947**	23 255
Increase in allowance for expected credit losses	**181**	17 617
Written back to profit and loss	**(8 112)**	(11 822)
Utilised during the year	**(735)**	(12 103)
Allowance at end of year	**8 281**	16 947

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.

Included in receivables is R69 million of VAT claimed on stakes paid dating back to 2017. Total VAT amount claimed amounts to R97 million of which R28 million has been received. A provsion has been raised against the potential VAT receivable.

	2023 R'000	2022 R'000
6. OTHER RECEIVABLES		
Other receivables		
IHH Company Proprietary Limited		28 203
	–	28 203

Receivable relates to the proceeds for the sale of the company's equity interests in Supabets Holdings SA Proprietary Limited. The outstanding proceeds were settled in full during the year.

7. BENEFIT FUND SURPLUSES

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

Defined benefit fund surplus

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

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

Newmarket Pension Fund *(in deregistration)*

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

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

	COMPANY	
	2023 R'000	2022 R'000
Pension fund surplus		
Balance at beginning of period	**23 426**	14 650
Repayment	**(9 219)**	
Actuarial remeasurement included in profit and loss	**1 951**	8 776
Balance at end of period	**16 158**	23 426

	COMPANY		
	Central Management Company (Sporting Clubs) Cusada Pension Plan	Totalisator Agency Board (Transvaal) Pension Plan	Total
Estimated return to employer on liquidation of the pension fund	16 158		16 158

	COMPANY	
	2023 R'000	2022 R'000
8. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	**138 683**	314 586
Short-term bank deposits	**536**	67
Deposits held with financial institutions against guarantees issued		8 304
	139 219	322 957

Included in cash is the equivalent of R0 million (2022: R0,1 million) denominated in foreign currencies.

	COMPANY 2023 R'000	2022 R'000
9. SHARE CAPITAL AND RESERVES		
Share capital		
Authorised		
480 000 000 ordinary shares of 2,5 cents each	**12 000**	12 000
Issued		
99 969 347 ordinary shares (2022: 99 969 347) of 2,5 cents each	**2 499**	2 499
Share capital	**2 499**	2 499
Share premium	**171 736**	371 675
Total share capital and premium	**174 235**	374 174

	Direct beneficial	Total	Percentage %
Directors' interests in share capital at 31 July 2023			
Non-executive directors			
E Nkosi	**14 465**	**14 465**	**0,01**
JB Walters	**59 228**	**59 228**	**0,06**
	73 693	**73 693**	**0,07**

There has been no movement in the disclosed interests during the period 31 July 2023 to the date of signature of this report.

	Direct beneficial	Total	Percentage %
Directors' interests in share capital at 31 July 2022			
Non-executive directors			
E Nkosi	14 465	14 465	0,01
JB Walters	59 228	59 228	0,06
	73 693	73 693	0,07

	2023 R'000	2022 R'000
10. TRADE AND OTHER PAYABLES		
Trade payables	**414**	6 402
Accruals – staff costs		312
Accruals – other	**6 028**	28 632
Other payables	**47 901**	3 667
	54 343	39 013

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

Other accruals relates to future costs and income to wind-up the entity.

Included in other payables is a provision of R28 million for VAT claimed on stakes paid dating back to 2017 and potential interest and penalties of R16 million.

	2023 R'000	2022 R'000
11. AMOUNTS OWING TO SUBSIDIARY COMPANIES		
TAB North West Proprietary Limited	**323**	6 934
	323	6 934

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

		COMPANY	
		2023 R'000	2022 R'000
12.	**INCOME**		
	Revenue comprises:		
	Betting income	**829**	156 301
	Bets struck net of betting dividends paid, refunds and rebates		
	– South Africa – totalisator	**829**	156 301
	International division		
	– Derived from international ventures	**1 209**	90 933
	Proportionate share of Tellytrack Partnership		
	– Derived from local operations	**134**	2 223
	Investment income	**17 640**	50 026
	– Interest received	**14 130**	19 405
	– Dividends received in cash		25 437
	– Dividends from subsidiaries settled via loan account	**3 510**	5 184
	Other local income	**8 773**	76 746
	– Gambling Board levies received		4 205
	– Unclaimed dividends	**56**	5 331
	– Breakages		1 518
	– LPM Commission	**42**	8 127
	– Sales and Marketing		2 626
	– Other	**8 675**	54 939
		28 585	376 229
13.	**PROFIT FROM OPERATIONS**		
	Income		
	Dividends received from unlisted investments	**3 510**	30 621
	Interest received	**14 130**	19 405
	– Interest received from banks	**14 130**	19 405
	Gambling Board levies received		4 205
	Unclaimed dividends and breakages	**56**	6 849
	Profit on foreign exchange	**1 200**	295
	Expenses		
	Auditors' remuneration	**600**	1 124
	Loss on disposal of assets		7 858
	Impairment of assets		(313)
	Agents' commission	**73**	8 639
	– Horseracing	**37**	4 957
	– Other sports	**36**	3 682
	Operating lease expenses	**35**	9 596
	– Office equipment	**1**	891
	– Premises	**34**	8 705
	Employee costs (permanent and part-time)	**(352)**	72 808
	– Salaries and wages	**(355)**	68 562
	– Retirement benefits	**3**	2 921
	– Social security		1 325

		COMPANY	
		2023	2022
		R'000	R'000
14.	**FINANCE COSTS**		
	Interest paid	**75**	466
	– Interest on lease liability		245
	– Interest paid other	**75**	221
15.	**INCOME TAX (CREDIT)/EXPENSE**		
	Current tax charge	–	–
	– Current year		
	– Prior year adjustment		
	Deferred tax charge	–	–
	– Current year		
	– Prior year adjustment		
	Total tax charge	–	–
	Taxation reconciliation		
	Profit/loss before taxation	**1 943**	183 772
	South African normal taxation at standard rate 27%	**525**	51 456
	Adjusted for:		
	Tax rate difference – foreign subsidiary		(5 688)
	Exempt dividend income	**(947)**	(8 574)
	Employee tax Incentive allowance		(37)
	Assessed loss utilised		(38 361)
	Assessed loss not recognised	**422**	
	Capital Profit/loss on disposal asset/right of use asset		(786)
	Disallowable expenses		1 990
	Taxation in the current year	–	–
	Estimated tax losses reconciliation		
	Estimated tax losses brought forward	**568 849**	778 176
	Prior year adjustment		(71 626)
	Estimated loss utilised in the current year	**1 567**	(137 701)
	Estimated losses derecognised	**(570 916)**	(568 849)

Deferred tax liabilities of R1 million timing differences, expected to realise in future periods, have been reduced to nil by recognition of deferred tax assets available to the Company.

The Company has estimated tax losses of R570 million upon which a deferred tax asset of R154 million (2022: R154 million) is not recognised.

		COMPANY	
		2023 R'000	2022 R'000
16.	**DIRECTORS' EMOLUMENTS**		
	Non-executive directors		
	NJ Mboweni	**11**	29
	SH Müller	**11**	29
	E Nkosi	**14**	29
	JB Walters	**11**	29
	SA Mahlalela	**11**	29
	Other services*		
	NJ Mboweni	**9**	12
	SH Müller	**12**	35
	JB Walters	**9**	35
	SA Mahlalela	**9**	12
	Total directors' emoluments	**97**	239

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

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

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

17.	**REALISATION SURPLUS**		
	Additional surplus on realisation of investment		87 000
	Total revaluation surplus	–	87 000

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

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

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

18. SHARE OF JOINTLY CONTROLLED OPERATION

Tellytrack Partnership (Tellytrack)

The Tellytrack Partnership is a joint operation between the Company, Gold Circle Proprietary Limited and Kenilworth Racing Proprietary Limited. Pursuant to the agreements concluded between the parties Tellytrack has the right to exploit the joint commercial interests and intellectual property in respect of South African race meetings within the confines of South Africa, Namibia and Zimbabwe. The partnership ceased active operations on 28 February 2022. The decision-making and partnership agreement determines that the partnership is a jointly controlled operation. In terms of the joint control agreement, the Company's share of the partnership income and expenditure for the year is 61% (2022: 61%) which is as follows:

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

	COMPANY	
	2023 R'000	2022 R'000
ASSETS		
Current assets	**521**	10
Trade and other receivables	**13**	4
Cash and cash equivalents	**508**	6
	521	10
CAPITAL AND RESERVES		
Partners' accounts	**521**	(111)
LIABILITIES		
Current liabilities		
Trade and other payables		121
	521	10
CASH FLOW		
Cash flows from operating activities	**502**	(12 999)
Cash flows from financing activities		10 726
Net increase/(decrease) in cash and cash equivalents	**502**	(2 273)
Loss for the year	**134**	2 223

19. COMMITMENTS AND CONTINGENCIES

Capital expenditure

There were no commitments in respect of capital expenditure as at 31 July 2023 (2022: nil).

Guarantees and surety issued

As at 31 July 2023, there were no guarantees or securities issued.

20. RELATED PARTIES

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

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

Subsidiaries

Details of investments in subsidiaries are disclosed in note 4.1

Related party balances are disclosed in notes 4.2 and 11.

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

	COMPANY	
	2023 R'000	2022 R'000
Turnover levies received from TAB North West Proprietary Limited	**500**	5 901
Leasehold property rentals paid to East Cape Racing Proprietary Limited		(1 147)
Security costs paid to SW Security Solutions SA Proprietary Limited		(6 719)

Directors

Details regarding the director's emoluments in the Company are disclosed in note 16, director's interests in the Company in note 9.

Jointly controlled operation

Details of investment in joint operation are disclosed in note 18.

21. NOTES TO THE CASH FLOWS STATEMENTS

21.1 Cash utilised by operations

	2023 R'000	2022 R'000
Profit for the year before income tax expense	**1 943**	96 772
Adjustments for:		
Investment income	**(17 640)**	(50 026)
Finance costs	**75**	222
Interest on lease liability		245
Derecognition of lease liability		(5 475)
Depreciation of assets		670
Actuarial remeasurement of profident fund	**(1 951)**	(8 776)
Depreciation of right-of-use asset		2 020
Derecognition of right-of-use asset		4 457
Loss on disposal of property, plant and equipment		7 569
Impairment of inventory		20
Impairment of investments		13 863
Adjustment to realisable value of investments	**(857)**	
Movement in ECL Provision	**(8 666)**	
Impairments of loans		(258)
Adjustment to realisable value of associates		313
	(27 096)	(7 943)

21.2 Movements in working capital

	2023 R'000	2022 R'000
Decrease in inventories		679
Decrease in trade and other receivables	**10 708**	91 831
Decrease in amounts owing from subsidiary companies	**1 119**	45 719
Increase in amounts owing to subsidiary companies		10 625
Decrease in business rescue creditors		(273 751)
Increase/(decrease) in trade and other payables	**15 330**	(94 235)
	27 157	(102 517)

22. DETAILS OF SUBSIDIARY COMPANIES

Name and nature of business	2023 Investment R'000	2023 Issued capital R	2023 % Held	2022 Investment R'000	2022 Issued capital R	2022 % Held
Direct subsidiaries incorporated in South Africa						
Highveldt Training Centre Proprietary Limited*					3	100
Rand Sporting Club Proprietary Limited		**200**	**100**		200	100
Hadrian Investments Proprietary Limited		**200**	**100**		200	100
Shelanu Investments Proprietary Limited		**200**	**100**		200	100
Injector Investments Proprietary Limited		**200**	**100**		200	100
Glenfiddich Investments Proprietary Limited		**200**	**100**		200	100
Transvaal Racing Holdings Proprietary Limited*					37 500	100
Tote Property Investments Proprietary Limited		**50 000**	**100**	16	50 000	100
East Cape Racing Proprietary Limited		**100**	**100**		100	100
TAB North West Proprietary Limited		**4 000**	**100**	2 228	4 000	100
	–	**–**	**–**	–	100	100
	–	**–**	**–**	2 244		

** The entity was deregistered during the current financial year.*

23. SUBSEQUENT EVENTS

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

The board resolved to return capital of 25 cents in the Rand to shareholders. Distribution will be processed and paid on or before 15 December 2023.

Other than the above there are no significant subsequent events that have had an impact on the financial information at 31 July 2023.

24. GOING CONCERN

Shareholders have authorised the business rescue practitioner to deregister, wind-up or liquidate the Company after he has discharged his obligations in terms of the business rescue plan. In terms of IAS 1, an entity shall not prepare its financial statements on a going concern basis if management intends to wind-up the entity.

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

The Company's assets exceeds its liabilities by R91 million (2022: R289 million) as at 31 July 2023.

25. STANDARDS AND INTERPRETATIONS

At the date of authorisation of the financial statements of Phumelela Gaming and Leisure Limited for the year ended 31 July 2023, the following standards and interpretations applicable to the entity were in issue but not yet effective:

Effective for the financial year commencing 1 August 2023

- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17)
- Amendments to IFRS 16 Lease Liability in a sale and leaseback (Amendments to IFRS 16)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Amendments to IFRS 10 Sale or contribution of sssets between an investor and its associate or joint Venture (Amendments to IFRS 10)
- Amendments to classification of liabilities as current or non-current (Amendments to IAS 1)
- Amendments to disclosure of accounting policies (Amendments to IAS 1)
- Amendments to definition of accounting estimate (Amendments to IAS 8)
- Amendments to deferred tax related to assets and liabilities arising from Single Transaction (Amendments to IAS 12)

CORPORATE INFORMATION

DIRECTORS	Dr Elijah Nkosi (Chairman) John Barry Walters Nolwandle Jacqueline Mboweni (Resigned on 30 March 2023) S'celo Andreas Mahlalela Stephanus Hilgard Müller
SECRETARY	Freda Moloi
BUSINESS RESCUE PRACTITIONER	John Evans
REGISTERED OFFICE	Turffontein Racecourse 14 Turf Club Street Turffontein
AUDITORS	BDO South Africa Inc.
PRINCIPAL BANKER	First National Bank – A division of FirstRand Bank Limited
ATTORNEYS	Fluxmans Inc.
MERCHANT BANK	Investec Bank Limited
COMPANY REGISTRATION NUMBER	1997/016610/06
COUNTRY OF INCORPORATION	South Africa
WEBSITE	www.phumelela.com