



ANNUAL REPORT

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Content

Mission Statement	Inside Front Cover
Board of Directors	2
Executive Directors	3
Financial Highlights	4
Chairman's Report	6
Executive Directors' Report	8
Transformation	15
National & International Initiatives	16
Directors' Responsibility for the Annual Financial Statements	18
Independent Auditor's Report	19
Report of the Directors	20
Consolidated Statement of Financial Position	25
Consolidated Statement of Comprehensive Income	27
Consolidated Statement of Changes in Equity	28
Consolidated Cash Flow Statement	29
Accounting Policies	30
Notes to the Annual Financial Statements	36
Notice to Members: Annual General Meeting	52
Proxy Form	Loose Leaf



Board of Directors

Non-Executive Directors



H ADAMS



R B ARMSTRONG



J A BESCOBY



A BREWER



B P FINCH



WBWG KÖBUSCH



D K LABUSCHAGNE



A MOHAMED



T N PILLAY



V L THURLING

Board of Directors

Executive Directors



G T HAWKINS
Chief Operating Officer



P L LOKER
Commercial Director



L NACHITO
Financial Director

KZN Regional Board Directors

T N PILLAY (MOGA) (Chairperson)
R B ARMSTRONG
J A BESCOBY
D I A CAMPBELL
W B W G KÖBUSH
A D GORDON

D K LABUSCHAGNE
G PETZER
L NUNAN (Babu)
W N RENDER
A J RIVALLAND
P A RHODES

WC Regional Board Directors

V L THURLING (Chairperson)
R B DUNN (Vice Chairperson)
E A BRAUN
I A CRONJÉ
T F FOWLER
L A FUTERAN (MS)

L KING (MS)
B G MERCORIO
P L V MICKLEBURGH (MS)
A MOHAMED
V H MARSHALL

Entity Information

REGISTERED ADDRESS: 150 Avondale Road
Durban
4001

POSTAL ADDRESS: P.O. Box 40
Durban
4000

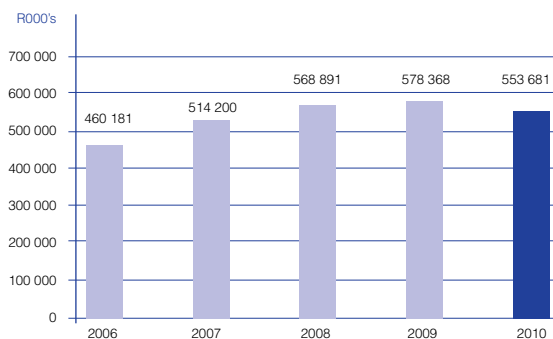
AUDITORS: PricewaterhouseCoopers Inc.
Durban

BANKERS: First National Bank of SA Limited
Standard Bank of SA Limited
ABSA Bank of SA Limited

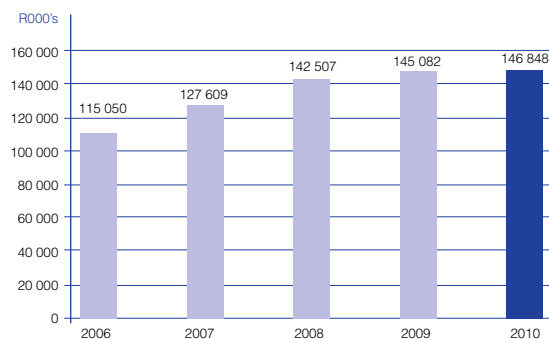
ATTORNEYS: Barkers Incorporated
Garlicke & Bousfield Incorporated
Edward Nathan Sonnenberg
Shepstone & Wylie

Financial Highlights

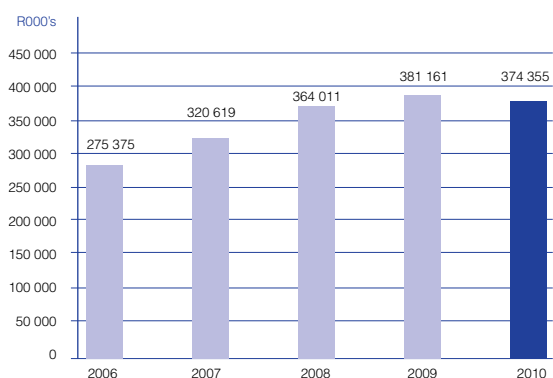
NET INCOME



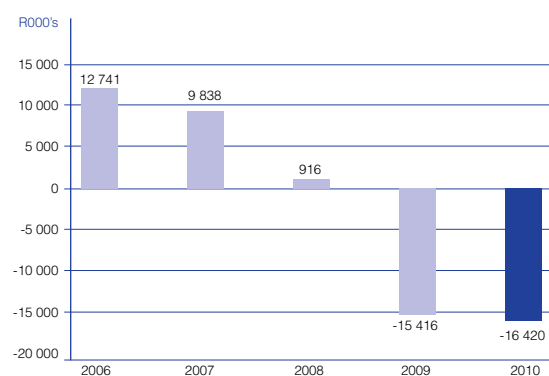
STAKES



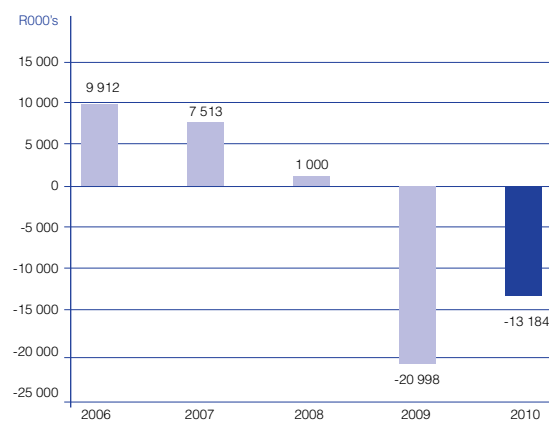
OPERATING EXPENSES



PROFIT BEFORE TAX



PROFIT AFTER TAX



Five Year Financial Review

INCOME STATEMENT	2010	2009	2008	2007	2006
	R'000	R'000	R'000	R'000	R'000
BETTING INCOME	415 168	435 987	432 855	398 983	363 083
Other operating income					
-Local operations	121 034	123 795	116 472	96 811	87 309
-International operations	17 479	18 586	19 564	18 406	9 789
NET INCOME	553 681	578 368	568 891	514 200	460 181
Operating expenses and overheads					
-Stakes	146 848	145 082	142 507	127 609	115 050
-Agents' commission	37 067	46 968	46 914	42 413	39 906
-National Horseracing Authority levies	17 160	17 495	16 452	15 798	16 521
-Operating expenses	374 355	381 161	364 011	320 619	275 375
PROFIT/(LOSS) FROM OPERATIONS	(21 749)	(12 338)	(993)	7 761	13 329
Net finance costs	518	(5 425)	(2 253)	(1 021)	(616)
PROFIT/(LOSS) BEFORE SHARE OF PROFIT OF ASSOCIATE COMPANY	(21 231)	(17 763)	(3 246)	6 740	12 713
Share of profit of associated company	4 811	2 347	4 162	3 098	28
PROFIT BEFORE TAX	(16 420)	(15 416)	916	9 838	12 741
Income tax	3 236	(5 582)	84	(2 325)	(2 829)
PROFIT/(LOSS) FOR THE YEAR	(13 184)	(20 998)	1 000	7 513	9 912
Attributable to:					
Members of the Gold Circle Racing & Gaming Group	(12 140)	(17 026)	3 131	9 577	9 912
Minority share of losses attributable to Gold Circle KZN Slots (Pty) Ltd	(1 044)	(3 972)	(2 131)	(2 064)	0
	(13 184)	(20 998)	1 000	7 513	9 912
BALANCE SHEETS					
Assets					
-Non - current assets	815 124	824 920	538 563	519 644	417 662
-Current assets	50 591	41 826	31 083	49 830	46 343
TOTAL ASSETS	865 715	866 746	569 646	569 474	464 005
Equity and liabilities					
-Capital and reserves	625 421	618 524	402 563	395 206	353 496
-Non current liabilities	142 361	153 887	75 281	76 650	39 991
-Current liabilities	97 933	94 335	91 802	97 618	70 519
TOTAL EQUITIES AND LIABILITIES	865 715	866 746	569 646	569 474	464 006
CASH FLOW STATEMENTS					
Net cash from operating activities	23 288	22 109	16 032	37 850	34 176
Net cash from investing activities	(13 555)	(12 558)	(42 110)	(53 375)	(19 609)
Net cash from financing activities	(5 664)	6 613	5 782	15 634	(1 088)
Net increase/(decrease) in cash and cash equivalents	4 069	16 164	(20 296)	109	13 479
Solvency and liquidity ratios					
Solvency ratio	3.60	3.49	3.41	3.27	4.20
Current ratio	0.52	0.44	0.34	0.51	0.66
Acid test ratio	0.49	0.41	0.31	0.47	0.61
Efficiency ratios					
Asset turnover	0.64	0.67	1.00	0.90	0.99
Fixed asset turnover	0.68	0.70	1.06	0.99	1.10

Chairman's Report

The seas of change for the global horseracing industry remained turbulent in 2010 and Gold Circle in its current form is making heavy weather of the conditions.

Recent media coverage in the UK's Financial Times has highlighted the financial crisis facing the global horse racing industry, even in jurisdictions with strong racing traditions. There is no doubt that the world wide recession has exacerbated the situation but the truth is that the basic business model of horse racing has to be re-engineered in response to developments within the global horseracing and gaming industries. Providing revenue from betting on racing, the industry's intellectual property, has long been insufficient to cover the costs of staging horse racing events and supporting both the racing infrastructure and the industry's stakeholders. Unless change and restructuring are embraced this situation is likely to worsen.

"British (racing) fixtures are being culled amid a decline in the betting levy proceeds that have funded the sport for nearly 50 years."

The South African horse racing industry is no different to the majority of global jurisdictions. In a relatively short period of time it has emerged from a stable club structure and a gaming monopoly into a technology-enabled, competitive gambling environment. Initially revenue held up despite market share declines but now revenues are also falling.

"The challenges currently facing Gold Circle have necessitated a need to reflect, re-think, and re-design and to be ready to re-build."

It has become clear to the Board of Gold Circle that a fundamental re-structuring of the company would be necessary to re-align it to the ends it wished to achieve and to return it to a healthy condition that would be sustainable well into the future. Measures taken in the past two years were able to provide a measure of short term relief and steady the ship but are in themselves inadequate for long term sustainability and growth. In these difficult trading conditions Gold Circle delivered an operating loss in 2009 and, despite implementing extensive cost cutting measures, has done so again in 2010.

Given the current structure of the company, the long term vision for thoroughbred racing and the often diverse opinions of Gold Circle's stakeholders as to how this would be achieved, it was

the first task of the Board to explore all possible alternatives.

One alternative which was dismissed was to stay as we are. This would have entrenched internal tensions and inefficiencies and at best taken us down a path where cash flow was sparse and sporadic, assets were out-of-date and sub-optimally used and meaningful capital expenditure was out of reach.

Managed strategy sessions were held with the Main Board and the Boards of both Chapters in April and May of 2010 to reaffirm our vision and goals and determine what could be achieved by restructuring the assets and resources currently owned by Gold Circle. The Executives were tasked with producing a Strategy document that brought that process together, and that paper was presented to the Board on the 8th October 2010.

The thrust of the strategy was to enable Gold Circle to reposition itself, its balance sheet and operations so that it could adapt and be competitive in the current trading environment. It highlighted the need for Gold Circle to leverage its fixed asset base for the purposes of capitalization and the creation of liquidity

Financial forecasts were made and pro-forma cash flow statements, income statements and balance sheets were produced, under a varying series of assumptions, for a number of years into the future. The outcome was very positive and this promises to improve further as refinements are made.

This is also a process that would not be conducted in isolation and the intention was, and continues to be, that once the Main Board was satisfied, that they would engage with stakeholders in a bi-lateral exchange of ideas that would constructively position Gold Circle where we want to be. There is also an underlying recognition that the composition of members and Boards will change over the analytical and implementation period. Consequently a broadly based 'buy in' of all stakeholders is fundamental.

"This will require Gold Circle's member base to shift perspective from a club to a business viewpoint and to take strategic decisions on a commercial, and not an emotional, basis."

Gold Circle needs to set a determined course for the "High Road" of sustainability and this will mean taking tough deci-

sions with regards to a much needed rationalisation of Gold Circle's racing infrastructure to create a smaller number of "Centres of Racing Excellence". It is believed that not only will this make financial sense, but that it will encourage the regulatory authorities to reassess the current 'disadvantageous position' that Racing endures when compared to other forms of gaming and other distribution channels such as Bookmakers and the National Lottery.

"Gold Circle stands at a crucial crossroad where it is now faced with not only the biggest choice in its relatively short history as a business, but also in its very substantial history as a collective of racing clubs and members "

The aggregation of the recommendations contained within the Strategic Plan propose fundamental paradigm shifts that will need to be embraced by the members of Gold Circle. To thrive, not just survive, in the competitive commercial reality that is contemporary South Africa requires the organisation to adopt more assertive commercial practices and principles if it is to be able to leverage its assets and business acumen to serve its core purpose of enabling a "sustainable thoroughbred horseracing industry". These decisions cannot be made solely on sentiment and must be based on best sustainable business practices.

There is a belief amongst horseracing's stakeholders throughout South Africa, and not just in our regions of KZN and the Western Cape, that the industry is too fragmented and more functions within the industry should be effectively housed under fewer roofs. Gold Circle needs to remain open minded to mutually beneficial arrangements with these stakeholders as this could provide much needed ballast to steady the ship. Please be

assured that, whatever arrangements are proposed, Gold Circle intends to retain complete dominion, autonomy and control over its racing and training assets. In this way we can preserve and take forward the wonderful and rich racing legacy that has thrived for over a hundred years, from the early mornings at our training establishments such as Milnerton and Summerveld to big day events at our tracks such as Greyville and Kenilworth.

"....decisions cannot be made solely on sentiment and must be based on best sustainable business practices."

Gold Circle stands at a critical cross-road where it is now faced with not only the biggest challenge in its relatively short history as a business, but also in its very substantial history as a collective of racing clubs and members. In the new year we intend to bring some exciting ideas to the table to take us forward into the future and I ask all members to view these with an open mind and remember that when all is said and done that it is the thoroughbred horse that provides the *raison d'être* for this entire industry. We need to consider their sustainable well being when taking any decision.

In closing I wish to thank my fellow Directors for helping steady the ship and to the staff of Gold Circle who have served the company in these uncertain times. I trust there is calmer water ahead for all of us.

Yours sincerely,



Kim Labuschagne
Chairperson



Executive Directors' Reports

Financial Director

Group trading results

Tough economic conditions experienced in the previous financial period spilled over into the current period under review as trading continued to be under stress. These global recessionary pressures continued to negatively affect the general financial performance of the local economy. For the Gold Circle group, the effect was noticeable especially with the continued decline in betting spend. The hosting of a successful World Cup 2010 by South Africa in June was a development that clearly brought positive recognition to the country. However, for the racing community, the World Cup 2010 contributed further to the decline in the betting spend for racing as focus shifted to soccer.

Total bets struck declined from R2, 026,604,031 in 2009 to R1, 919,325,944 in 2010, a 5.29% decline. As a result of this trend, the total betting income (tote commission) decreased from R436,0 million in 2009 to R415,2 million, a 4.78% decrease.

Income from local operations decreased by 2.23% from R123, 8 million in 2009 to R121, 0 million in 2010. It should be noted that included in the 2009 income is a profit on the disposal of assets (notably a land disposal due to an oil servitude on the border of the Clairwood property) amounting to R6, 2 million.

Income from international operations, derived through the partnership arrangement with Phumelela, was negatively affected by the loss of Racing (UK) rights from 1 March 2010. Added to this, the general global recession had its own effects on the operations. The effects of these developments was that Income from international operations declined from R18,6 million in 2009 to R17,5 million in 2010.

With effect from 1 August 2009, Gold Circle's shareholding in Betting World reduced by 1.5% to 41% with the 1.5% being sold to Phumelela Gaming and Leisure Limited (PGL). This development was as a result of the renegotiation of the commingling agreement with PGL. During the current financial period, Betting World benefitted from sports betting growth stimulated largely by the World Cup 2010. Gold Circle's share of profit from this associate company increased from R2, 3 million in 2009 to R4, 8 million in 2010, a 105% increase.

Total Net income for the Group decreased by 4.27% from

R578, 4 million in 2009 to R553, 7 million in 2010.

In view of the continued tough trading environment, the Board mandated the Executive management team to address and rationalise the operating expenses of the group.

As part of this overall process, a staff restructure and rationalisation was undertaken and the group paid out R6, 3 million in retrenchments costs. Operating expenses, excluding the retrenchments costs, Agents' commission, National Horseracing Authority (NHA) levies and stakes, decreased by 3.36% from R381, 2 million in 2009 to R368.4 million in 2010. The full benefits of the cost rationalisation done during the period under review are expected to be realised by the Group in the new financial period starting 1 August 2010.

Stakes increased by 1.22% from R145,1 million in 2009 to R146,8 million in 2010 while the NHA levies decreased by 1.91% from R17,5 million in 2009 to R17.2 million in 2010. In line with the provision on the accounting policy of the group, the useful lives of assets were reviewed and revisions made. Due to these revisions, the depreciation expense was reduced by R3.7 million.

The group realised a net finance income of R0.52 million as a result of stricter cash flow management.

The loss attributable to the Group was R12, 1 million for period under review compared to R17, 0 million in the previous financial year.

Financial position

As at the 31st July 2010, the Group had total assets of R865.7 million (2009: R866, 7 million) covering liabilities of R240, 3 million (2009: R248, 2 million).

Net cash generated by operations during the financial period amounted to R23,3 million (2009: R22.1 million) and this was mainly used to fund capital equipment in the amount of R14,0 million and the repayment of borrowings amounting to R5.7 million.

Asset Utilisation

The Company continues to explore every opportunity it can to avail itself of the opportunities that arise from time to time to offset the operating and maintenance costs of its extensive asset base.

To that extent, the decision taken in 2009 to relocate the administrative offices to the area adjacent to the Greyville Boardroom was successfully implemented prior to the Vodacom Durban July thus making The Centre available for sub-letting. Whilst every attempt was made to fill the building by the commencement of the new financial year, this was unavoidably delayed due to a paucity of suitable large tenants and the need for the Company to obtain Municipal consent once tenants had been secured. This was finally granted late in the year and only once Special Consent applications had been lodged, advertised and approved.

The excess land at Clairwood continues to be let for the parking of motor vehicles in both the existing car parks and more recently in the infield area. The Company has, through its partners, defended a Municipal decision to prevent this activity and have taken the decision on appeal to the Durban High Court. This matter was initially scheduled to be heard in early Novem-

ber but was adjourned to the New Year in order to enable the parties acting on behalf of the eThekweni Municipality time to submit opposing papers. The Company is optimistically confident that the appeal will be ruled in its favour.

In as far as the Western Cape is concerned, the rezoning of Milnerton is proceeding according to plan although the Consultants have advised of a recent amendment to the Environmental laws which could delay the completion of the rezoning project within the anticipated 30 month term envisaged. The Company has accordingly agreed to extend the term to 30 December 2011 in order for them to comply with the added requirements and attend to any objections that might arise pursuant to the introduction of these amendments.

The proposed development of Modderivier continues to be a subject of much debate with the Company electing to canvass the views of all affected and interested parties to ensure that its development will be a success and a viable proposition for all. As with any proposed grass roots project, extreme care needs to be taken in the feasibility studies to ensure all the administrative, operational and funding requirements can be fully satisfied before a sod is turned. This matter continues to be addressed by the Western Province Regional Racing Board.





Executive Directors' Reports (continued)

Commercial Director

The year saw the need to focus management's attention on a number of key strategic initiatives. These were:-

- The urgent need to rationalise costs across the entire operation;
- To focus on understanding the deficiencies of the retail network and to devise strategies to overcome these;
- To address the decrease in totalisator turnover particularly on repatriating previous 'open bet' turnover back onto the tote;
- To improve the relationships with key stakeholders and to create awareness of the disparate regulatory environment in which we compete;
- To turnaround the insignificant amounts wagered in Gold Circle territories on the soccer betting products;
- Address the problems associated with our betting terminal technology in order to improve our customer offerings.

Unfortunately due to a combination of three significant factors, wagering on the totalisator continued to decline during the financial year in review. These were (1) the continued worldwide economic downturn and its impact on disposable income in South Africa, (2) the Soccer World Cup and (3) adverse weather conditions, particularly during the UK winter, which resulted in a number of overseas race meetings being postponed and/or cancelled. It was always going to be difficult to achieve the budgeted totalisator income for the year and although many analysts predicted an economic upturn the reality was that all retail sectors were affected. It is significant to point out that this applied to casinos and bookmaking turnover on horse racing betting. The differentiator between bookmakers and the totalisator was sports betting and particularly soccer betting during the Soccer World Cup in South Africa.

While there is no doubt that the Soccer World Cup was a marvellous event for South Africa as a whole, there were serious impacts to Gold Circle as a Company. Turnovers during the month of the event were down between 20% and 30%, and due to many factors the fan park at Greyville was not a financial success. However the bookmakers, including Betting World, were able to capitalize on the increased interest in sports betting during this period. Soccer totalisator betting on Soccer 6 and Soccer 4 also increased and it is aimed to build on this factor going forward. However, this interest was not sufficient to com-

pensate for the loss of turnover on the horse racing product.

No new bets were introduced during the year but it is planned to launch the All to Come bet during the first quarter of the new financial year. It is hoped that this bet will stimulate interest in totalisator betting. It is an incredibly popular bet in Mauritius. Furthermore we are working, in conjunction with Phumelela, on introducing additional sports betting products.

Gold Circle rolled out 35 Self Vending terminals at Greyville racecourse during the Champions Season and these have generally been very well received by the regular on course betting public. These devices were well utilised on Vodacom Durban July day even though the initial device does not have the ability to use vouchers for the payment of bets. This modification will be introduced during the course of the next financial year. It is planned to introduce 20 similar devices to Kenilworth racecourse during the Sizzling Summer Season which will make them available for the J & B Met in 2011. There is every intention to rollout more of these devices at racecourses and off course totes. It is intended that these devices will be able to drive down the costs of processing bets at all physical outlets. In addition 20 hand held betting devices operated by Betting Assistants were deployed at the 2010 J & B Met. These proved to be particularly successful at various locations, which included hospitality suites and restaurants. They are currently used at all KZN race meetings and proved to be very favourably received at the Vodacom Durban July. The reason for their limited use in the Western Cape is due to regulatory restrictions which are currently being addressed at Kenilworth racecourse.

This has been a particularly challenging year for totalisator operations and it is clear that a reengineering of many aspects of the business needs to be undertaken to ensure a sustainable business going forward. To this end the Executive Directors have worked with the Board of Directors on a new 5 year strategic plan which if progressed, will see the much needed turnaround that all have been waiting for in both racing jurisdictions.

Executive Directors' Reports (continued)

Racing Director



The high quality of South African-bred racehorses being produced these days is a direct consequence of the determination, vision and not inconsiderable investment of many of the country's leading breeders. While it is always controversial in breeding and racing circles to compare different eras, few would disagree that the quality of stallions standing in and around South Africa has risen to new heights.

And what makes us really proud is the fact that amongst some serious international blue-blooded opposition, South African-bred stallions continue to hold their heads high as evidenced by another superb season for Champion Sire Jet Master and his arch rival Captain Al who ended the season in 3rd place on the General Sires List and as Champion Sire of two-year-olds.

And now there is also Dynasty! From a sluggish start to his stud career he has now truly taken off and is the proud father of the 2009/2010 season's Horse-of-the-Year, Irish Flame who started the year in the care of Cape Town-based Dean Kannemeyer be-

fore being purchased by patrons of Mike de Kock shortly after the conclusion of the Cape Summer Season.

But let's go back to the beginning of what was yet another memorable year of showcase racing for Gold Circle. The legendary Pocket Power began the defence of his Equus Horse-of-the-Year title by winning his first start of the new season in early December, beating Big City Life home in a Pinnacle race.

The trainers of both Pocket Power and Big City Life declared their charges to be on course for a titanic struggle in the L'Ormarins Queens Plate, a race which Pocket Power was attempting to win for the fourth consecutive year.

And while there were those who were prepared to bet against such an occurrence, Pocket Power never let his legion of supporters down, storming home to an emphatic victory and once again he was installed a firm favourite for the J&B Met.

The stage was set for an historic 4th L'Ormarins Queens Plate/ J&B Met double but it was not to be. In a strange quirk of fate, it was Pocket Power's full sister, River Jetez, who stole the honours with a last gasp victory over yet another filly in the form of Mother Russia who looked all over a winner at the 200m marker.

Pocket Power was doing his best at the end but arrived on the scene too late to trouble the fillies and had to be satisfied with third placing ahead of stable companion Fort Vogue. What a race for the Mike Bass stable – 1st, 3rd and 4th!

While the dust settled on the Cape Summer Season and preparations were under way for Champions Season in KwaZulu-Natal, trainer Mike de Kock was busy preparing Irish Flame for the SA Derby at Turffontein. With the Vodacom Durban July being run at the end of July, to avoid a clash with the 2010 FIFA World Cup extravaganza, trainers now had an added four weeks to prepare their charges and Mike was getting ready for a total onslaught on Champions Season.

In the SA Derby Irish Flame ended Pierre Jourdan's Triple Crown bid by an amazing 12 lengths and suddenly a new star was on the horizon. In May, Mike de Kock stepped out his "PE" acquisition, Bold Silvano, to win the Betting World 1900 at Greyville and for both Irish Flame and Bold Silvano, the Daily News 2000 beckoned.

In the meantime Pocket Power won his opening bid in KwaZulu-Natal with an explosive victory over 1400m – admittedly in lesser company but the manner of his victory suggested he was not going to give up his crown easily. These were certainly exciting times for racing fans.

In the Daily News, Irish Flame got first run on Bold Silvano and held his stable companion at bay by a narrow margin to give Mike de Kock a valuable one-two – a sign of things to come!

The three year olds were starting to dominate and Ancestral Fore's stunning victory in the Canon Gold Cup on 26 June was a remarkable performance by a younger horse over the marathon trip. Nonetheless Pocket Power kept his championship hopes alive by finishing third in both the Gold Challenge and the Champions Cup – the former race won by a back-to-best Big City Life and the latter by yet another talented three year old, Orbison.

And while all this was happening, Irish Flame captured the KwaZulu-Natal Derby! It was fast becoming clear that the older

horses were up against an extraordinary crop of three year olds and for the first time in many years Pocket Power was not the most popular choice for the Vodacom Durban July.

With the Vodacom Durban July action having been saved for the very last day of the season, a huge crowd turned out to witness Bold Silvano, ridden by Durban-based Anthony Delpech, avenge his narrow Daily News defeat and turn the tables on Irish Flame in yet another superb training feat by Mike de Kock.

Three year olds filled the first five places in the Vodacom Durban July with J&B Met heroine River Jetez the first older horse to finish. For Pocket Power, not helped by a poor draw, things went awry from the start and his effort in finishing 12th is best forgotten.

Jacob Zuma's presence at Greyville for the Vodacom Durban July was in itself a tribute to the stature of South Africa's greatest horseracing event but his willingness to greet each and every jockey in the parade ring prior to the race and to embrace Bold Silvano and Mike de Kock in the winner's enclosure after the race, proved quite special.

Irish Flame was subsequently crowned Horse-of-the-Year at the Equus Awards on 12 August and Mike de Kock was honoured as the Champion trainer of South Africa. Only JJ the Jet Plane, trained in Johannesburg by Lucky Houdalakis, denied Gold Circle-based horses a clean sweep of the Equus Awards.

As always, our congratulations go out to all the connections of the respective champions and we would also like to take this opportunity of thanking all our sponsors who contributed so greatly to yet another memorable year's racing.

FOR THE BENEFIT OF THE STATISTICIANS

Gold Circle staged 194 race meetings during the 2009/2010 racing season, with the split being 107 in KwaZulu-Natal and 87 in the Western Cape. Of the 107 race meetings in KwaZulu-Natal, 33 were staged at Scottsville, 38 at Greyville and 36 at Clairwood. In the Western Cape 61 race meetings were held at Kenilworth and 26 at Durbanville.

Total stakes paid to owners during the season under review was R139 814 680 with R81 326 250 (58,17%) paid out in KwaZulu-Natal and R58 488 430 (41,83%) paid out in the Western Cape. Of the 944 races run in KwaZulu-Natal, 72 (7,62%) were feature races and in the Western Cape 52 (7,00%) of the 743 races were feature races.

Executive Directors' Reports (continued)

Racing Director

Marketing, Communication & Information

The decision to move Africa's greatest horseracing event, the Vodacom Durban July, from its traditional first Saturday in July to the last Saturday in July because of the World Cup Soccer, proved to be the correct one in terms of turnover achieved, logistics and attendance. The weather, normally unpredictable in late July/early August, played its part and a glorious day was presented to all who flocked to Greyville Racecourse to celebrate this spectacular occasion.

Two Canon Gold Cups were contested in the financial year, the first in its normal position in early August 2009 and the second held in June 2010, some 6 weeks earlier than the traditional first week in August date. This situation came about because of the necessary move of the Vodacom Durban July.

Both Gold Cup racedays featured the much sought after Fund-raiser Marquee Village where Gold Circle provides the bare essentials of marquees, tables and chairs free of charge to the fundraiser. It is up to the fundraiser to decide what level of hospitality to offer and to market their offering to paying guests in order to raise much needed funds. Gold Circle benefits through the thousands of new racegoers who are attracted by the fund-raising organisations each year.

The sponsors of both events were fully behind the change of dates and gave their usual enthusiastic support to the events.

South Africa's premier summer horseracing and social event, the J&B Met, which together with the Vodacom Durban July are

by far the biggest horseracing events in the country, showed a recovery in attendance over the 2009 event which was affected by the economic meltdown of the time. A festive atmosphere prevailed, encouraged by the "In Full Colour" theme for the day and although Pocket Power with his pink, blue and white colours did not win the J&B Met as was envisaged, his full sister River Jetez, in yellow silks, did.

Strictly blue and white is the dress code for the L'Ormarins Queens Plate held three weeks before the J&B Met. L'Ormarins are determined to build this event and their efforts so far have already created a "see and be seen" cachet which is attracting the young and trendy set to horseracing.

Other sponsors have dedicated considerable effort to their events in order to build not only the horseracing experience, but also their own brand awareness. Special mention must be made here of Avontuur Estate in the Western Cape who continue to build the Fillies Guineas annually and The Rising Sun Group of newspapers whose strong support of racing at Clairwood saw the 2010 Gold Challenge attract its largest crowd in recent memory.

Our many other sponsors in both regions have also contributed in ways which are of benefit to their own marketing objectives but their participation alone elevates each event which ultimately helps to build the wonderful sport we all love.

We record our appreciation to all our sponsors and thank them for their tireless efforts to build the events that they have linked their names to.



Transformation

Gold Circle's focus on transformation continues to achieve requirements as prescribed by the Broad Based Black Economic Empowerment (BBBEE) Act.

The company is committed to Transformation and during the past year has made progress towards achieving its Transformation goals in areas of demographic representation at member and workforce profile levels as well as in its business operations.

EMPOWERDEX VERIFICATION

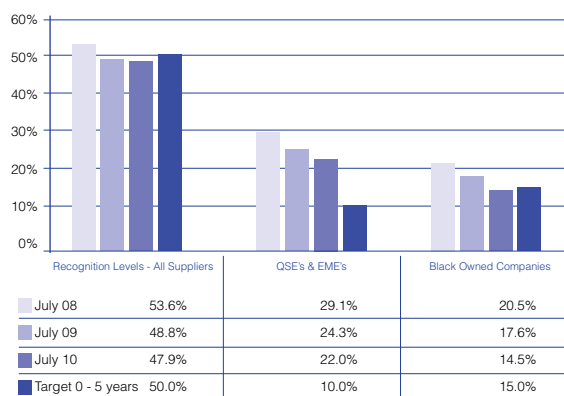
Gold Circle has currently engaged Empowerdex to assist them with their verification process and these results will be released early in 2011.

PROCUREMENT

The Company has through its revised and updated Procurement Procedures tried to maintain previously attained achievements in 2009 but was unable to maintain or reach these levels in 2010. Gold Circle has put in place various measures to, not only achieve these goals, but to exceed them.

The graph below indicates the status as at 31 July 2010.

BEE PROCUREMENT BASED ON RECOGNITION LEVELS

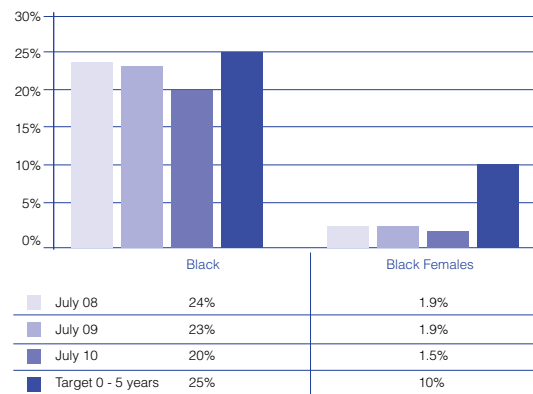


MEMBERSHIP

The Company's black membership has reduced mainly because of non-renewal of memberships. Adkraal, an outsourced market company, was engaged by Gold Circle to assist with improving the number of black members. Unfortunately the accepted set targets were not achieved.

The graph (top right) indicates the last three years and the targets projected by managements.

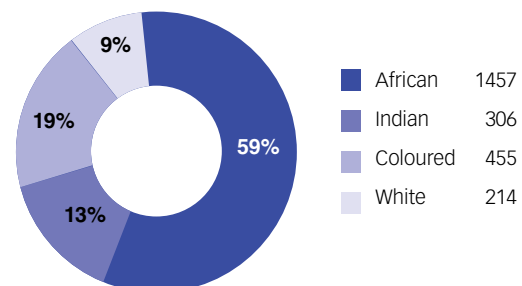
MEMBERSHIP



EMPLOYMENT EQUITY AND HUMAN RESOURCES DEVELOPMENT

Gold Circle has continued to strive to achieve its Employment Equity targets as set out in its Employment Equity Plan which strives to offer equal opportunity and development to all individuals regardless of race, colour, disability or gender

RACIAL PROFILE OF GOLD CIRCLE AS AT 31 JULY 2010



INDUSTRY SKILLS DEVELOPMENT

At an industry level, Gold Circle continues to facilitate the training and development of disadvantaged jockeys, grooms and assistant trainers.

The Company continues to make significant contributions towards the funding of The Racing and Equestrian Academy, and the National Grooms' School. In addition to this, Gold Circle is committed to providing on the job training and development by way of on the job training programmes, in-house training programmes and other skills development projects.

As at the 31 July 2010 Gold Circle had spent R1 809 405.09 on skills development initiatives. The total number of employees trained was 641, of which 98% were black individuals.

National & International Initiatives



The broadcasting rights to export South African horseracing are held by Phumelela Gold Enterprises (PGE), a joint venture between Phumelela Gaming and Leisure Limited (PGL) and Gold Circle (Pty) Limited (GC). Gold Circle owns 39% of PGE.

PGE has commercial relationships with 23 international jurisdictions across six continents. These relations enable the export of live South African horseracing globally, earning Gold Circle foreign revenue on South African racing, a portion of which is reinvested into horseracing in Gold Circle's domestic operations. The importation of live horseracing into South Africa also provides domestic punters with more betting opportunities daily.

OUTBOUND

South African horseracing (racing takes place 364 days a year with approximately 440 race meetings scheduled per year) is exported to the various countries PGE has relations with as an encrypted, live audio visual signal, using a combination of satellite, fibre optic and web streaming technologies. These distribution mechanisms permit the export of SA racing in the following formats:

- The distribution of a "clean feed" of SA racing which excludes South African produced television graphics. This enables the customer to integrate PGE's content into their domestic broadcast, and effectively simulcast SA racing alongside their own racing, in a manner which suits their home markets;
- A South African produced channel branded Racing International is sent to a number of the international markets. This channel integrates other international racing for which PGE have the rights to distribute, with racing from South Africa. The Racing UK product, which PGE had the rights to distribute until 28 February 2010, formed part of the Racing International channel. The channel still includes a line-up of South African, Kenyan, Mauritian, Singaporean (where tote betting paths are available) and Zimbabwean racing; and
- Repackaged South African racing images to produce a customised programme to suit foreign requirements.

These formats are sold to bricks and mortar betting operators (tote and fixed odds), on-line betting operations and betting exchanges around the world, with revenue streams earned being dependent on the type of operator procuring the product.

Tote operators will typically pay a content fee based on an agreed percentage of turnover generated in their jurisdictions. This turnover could either be generated on a standalone basis in the customer's home market or transferred into the South African based pools through a process termed commingling, in which case a commingling fee is also levied.

In certain territories, the most effective mechanism for reaching fixed odds bookmaker retail outlets is through the selling of distribution rights via local agents for a predetermined fixed monthly fee.

In territories where the audio visual rights are purchased by independent bookmaker groups, a fixed monthly fee is levied.

Revenue is also earned from internet operators authorised to receive and bet on the content. Where live streaming is made available to punters, a fee is charged per stream viewed over the internet.

INBOUND

Live horseracing from 12 countries is currently imported to supplement South African product for the local market. There are plans to introduce racing from at least three additional territories over the next financial year to enhance the product offering made to local punters and to strengthen reciprocity with other jurisdictions which generate revenue for Gold Circle. This supplementary product is beamed via satellite from

the territory, down linked into the TellyTrack studios in Rivonia (South Africa) and simulcast with SA racing, as part of the domestic TellyTrack channel offering broadcast on DSTV (channel 232) to retail outlets nationwide and to the home viewers. The South African tote also hosts, on behalf of Emirates Racing, the international totalisator pools for the Dubai racing carnival, which includes the Dubai World Cup (DWC), the richest race in the world. The DWC commingling operation is the second biggest in the world and sees 60 foreign totes connecting into the local PGL tote to create global commingled betting pools.

In certain instances Gold Circle is unable to commingle local pools into foreign totes, in which case standalone pools are created in South Africa. However, where Gold Circle is able to commingle, South African punters have the opportunity to bet into larger pools situated off shore.

ISLE OF MAN

PGE, through its wholly owned subsidiary Phumelela Gaming International (PGI), is licensed to conduct pari-mutuel (tote) betting on the Isle of Man (IoM).

PGI is a replica of the tote betting facilities in South Africa, operates as a worldwide totalisator hub, connecting punters, tote operators and internet betting websites around the world. The IoM effectively acts as a connectivity gateway for a variety of customers to approximately 240 tracks or totes around the world.



Directors' Responsibility for the Annual Financial Statements

The directors of Gold Circle (Proprietary) Limited ('the directors') are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice.

In order for the directors to discharge their responsibilities, management of Gold Circle (Proprietary) Limited ('management') has developed and continues to maintain a system of internal control. The directors have ultimate responsibility for the system of internal control and review its operation primarily through the audit committee and various other risk monitoring committees.

The internal controls include a risk - based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the entity's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

As part of the system of internal control, internal audit conducts operational and specific audits. The external auditors are responsible for expressing an opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, except for the non-compliance with accounting standard IAS27, and incorporate disclosure in line with the accounting philosophy of the entity. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the entity will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the company annual financial statements.

The annual financial statements for the year ended 31 July 2010 set out on pages 20 to 51 were approved by the board of directors on 22 October 2010 and are signed on its behalf by



D. K. Labuschagne
Chairperson



A. Mohamed
Vice-Chairperson

Independent Auditor's Report

We have audited the annual financial statements of Gold Circle Racing and Gaming Group, which comprise the statement of financial position as at 31 July 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and the report of the directors, as set out on pages 20 to 51.

Directors' Responsibility for the Financial Statements

The directors of Gold Circle (Proprietary) Limited are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As detailed in note 3 of the report of the directors, the group has not conformed with South African Statement of Generally Accepted Accounting Practice, IAS27 (AC132) – Consolidated and Separate Financial Statements in that it has prepared consolidated annual financial statements for entities which are not under the control of a parent entity as defined in IAS 27 (AC132).

Qualified Opinion

In our opinion, except for the effect of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Gold Circle Racing and Gaming Group as at 31 July 2010, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: NRC Mbhele

Registered Auditor

Durban

22 October 2010

Report of the Directors

1. Nature of Business

The principal activities of the group are to stage and promote race meetings; racing events; manage; administer and operate the racecourses, training centres, the totalisator, transport fleet and service divisions of the thoroughbred horse racing industry within the provinces of KwaZulu-Natal and Western Cape.

2. Review of Results

	2010	2009
	R	R
Net loss before tax	(16 419 606)	(15 416 131)
Taxation	3 235 567	(5 581 927)
Net loss for the year	(13 184 039)	(20 998 058)
Add: minority share of losses attributable to Gold Circle KZN Slots (Pty) Ltd	1 043 759	3 972 315
Net loss for the year attributable to Gold Circle	(12 140 280)	(17 025 743)

3. Basis of Preparation of Annual Financial Statements

In order to provide members with more meaningful information relating to the overall business activities and financial position of the various entities in KwaZulu-Natal and the Western Cape, these annual financial statements have been prepared on the assumption that the shareholdings of the four racing clubs have been combined into a single entity, Gold Circle Racing and Gaming Group. Accordingly the annual financial statements of the following entities for the year ended 31 July 2010 have been included in these aggregated results: Clairwood Turf Club, Durban Turf Club, Pietermaritzburg Turf Club, Western Province Racing Club, Gold Circle (Pty) Ltd and its subsidiary companies, associates and joint ventures. All intercompany transactions and balances are eliminated.

This basis of preparation is not in accordance with accounting standard IAS 27 (AC132) – Consolidated and Separate Financial Statements in that the four racing clubs are not a parent company as defined and therefore the group has consolidated the clubs which it does not control. The effect of this departure would result in reduction of shareholders and members interests of R160 329 445 (2009: R160 329 445) and an increase in shareholders' loans of R160 329 445 (2009: R160 329 445).

4. Share Capital

The issued share capital comprises 2 000 ordinary shares:	2010	2009
Clairwood Turf Club	500	500
Durban Turf Club	500	500
Pietermaritzburg Turf Club	500	500
Western Province Racing Club	500	500
	<u>2 000</u>	<u>2 000</u>

5. Directors and Secretary

Gold Circle (Pty) Ltd

H. Adams
A. Brewer (Appointed: 17/03/2010)
R.B. Dunn (Resigned: 03/12/2009)
G.T. Hawkins

R.B. Armstrong
J.A. Bescoby
B.P. Finch (Appointed: 14/05/2010)
D.K. Labuschagne (Chairperson) (Appointed: 03/12/2009)

P.L. Loker
C.A. Massey (Resigned: 01/03/2010)
L. Nachito
P.A. Rhodes (Resigned: 03/05/2010)
V.L. Thurling

W.B.W.G. Köbusch (Appointed: 15/07/2010)
A. Mohamed (Vice-Chairperson)
T.N. Pillay
G.A.R. Sturlese (Resigned: 03/12/2009)

Regional Racing Associations

The directors of the Regional Racing Associations (incorporated under S 21 of the Companies Act) as at the date of these financial statements are as follows:

KwaZulu-Natal Regional Racing Association

T.N. Pillay (Chairperson)
J.A. Bescoby
V.P.J. Cele (Resigned: 03/12/2009)
M.G. Holmes (Resigned: 03/12/2009)
D.K. Labuschagne (Appointed: 03/12/2009)
C. Moodley (Resigned: 03/12/2009)
L. Nunan (Appointed: 15/07/2010)
W.N. Render
A.J. Rivalland

R.B. Armstrong
D.I.A. Campbell
A.D. Gordon
W.B.W.G. Köbusch (Appointed: 03/12/2009)
C.A. Massey (Resigned: 01/03/2010)
P. Mbuyisa (Resigned: 03/12/2009)
G. Petzer (Appointed: 03/12/2009)
P.A. Rhodes (Appointed: 03/12/2009)
G.A.R. Sturlese (Resigned: 03/12/2009)

Western Province Regional Racing Association

V.L. Thurling (Chairperson)
H. Adams
T.F. Fowler
M. Govender (Resigned: 03/12/2009)
Mrs L. King
B.G. Mercorio
P.E. Mills (Resigned: 03/12/2009)
C. Newman (Resigned: 03/12/2009)
D.R. Roman (Resigned: 03/12/2009)

R.B. Dunn (Vice-Chairperson)
I A Cronjé
Ms L.A. Futeran
W.A. Irvine (Resigned: 03/12/2009)
V.H. Marshall (Appointed: 03/12/2009)
Ms P.L.V. Mickleburgh
A. Mohamed

Company Secretary

The secretary of the company is Mr P.D. Erasmus whose business address is 150 Avondale Road, Greyville, Durban 4001.

6. Dividends

No dividends were declared or paid during the period under review.

7. Corporate Governance

The Audit Committee, which consists only of non - executive directors, has met with the company's independent auditors and executive management to discuss accounting, auditing, internal control and financial reporting matters. The group has an internal audit department, which reports directly to the Audit Committee.

The following standing committees have been appointed:

Audit Committee	V.L. Thurling (Chairperson) (Appointed: 01/02/2010)
	W.B.W.G. Köbusch (Appointed: 09/09/2010)
	C.A. Massey (Resigned: 01/03/2010)
	A. Mohamed (Resigned: 01/02/2010)
	D.K. Labuschagne (Appointed: 01/02/2010 and Resigned: 26/05/2010)

Report of the Directors (continued)

Remuneration Committee A. Mohamed (Chairperson) (Appointed: 01/02/2010)
H. Adams (Resigned: 01/02/2010)
T.N. Pillay

Risk Committee V.L. Thurling (Appointed: 29/07/2010)
W.B.W.G. Köbusch (Appointed: 29/07/2010)
G.T. Hawkins (Appointed: 29/07/2010)
P.L. Loker (Appointed: 29/07/2010)
L. Nachito (Appointed: 29/07/2010)

8. Directors' Emoluments

Emoluments paid to directors for the period they acted as directors during the year:

	2010 R	2009 R
Executive		
Salary and short-term employee benefits	2 907 242	2 985 946
Termination Benefits charged to the statement of comprehensive income	-	3 132 792
Termination benefits still to be paid	-	1 640 000
Non executive		
Fees for Services as Board Directors	-	153 000
Fees for Services as Chapter Directors	-	620 340

9. Subsidiaries

The subsidiaries of the group held directly and indirectly are as follows:

	Issued Shared Capital	Percentage Holding
Natal Racing Properties (Pty) Ltd	150 000	100%
Cape Racing Properties (Pty) Ltd	100	100%
Gold Circle Gaming Investments (Pty) Ltd	100	100%
Gold Circle Gauteng Slots (Pty) Ltd	100	100%
Gold Circle Gauteng Gaming Investments (Pty) Ltd	100	100%

10. Gold Circle KwaZulu-Natal Slots (Pty) Ltd

The company has sold 33,75% of its shares in Gold Circle KwaZulu-Natal Slots (Pty) Ltd to Mion Gaming and Leisure (Pty) Ltd. At balance sheet date the company owned 24% of the shares. Subsequent to year end the shareholding changed in order to comply with the original bid commitments of allocating some of the company's shares to a staff trust and a community trust.

The new shareholding is:

Gold Circle Staff Trust	4%
Gold Circle and Mion Community Trust	4.75%
Mion Gaming and Leisure (Pty) Ltd	71.99%
Gold Circle Gaming Investments	17.26%
Racing and Equestrian Academy	2%

11. Black Empowerment Initiatives

Gold Circle has a transformation policy which regulates its activities against Government's Broad Based Black Economic Empowerment Codes as gazetted in February 2007. The company's transformation initiatives are monitored by the Board of Directors as well as audited by the Western Cape Gambling and Racing Board on behalf of the National Gambling Board.

During the past year the company was rated by Empowerdex, a BEE verification agency. Gold Circle (Pty) Ltd obtained an "A" (level 4) rating in terms of the revised BEE Codes of Good Practice. The company will be rated on an annual basis in terms of the requirements of the Western Cape Gambling Board. Management are confident that the rating will improve in the year ahead as greater emphasis is placed on areas where improvements in ratings can be achieved.

12. Investment in associate

Gold Circle (Pty) Ltd owns 41% (2009: 42.5%) of the issued share capital of Betting World (Pty) Ltd. The associate operates 37 book-making outlets in South Africa and continues to provide a quality product and service. The company's results indicate a profit before tax amounting to R16,5 million (2009: R8,1 million).

Legislative restrictions in KwaZulu-Natal are currently being amended to facilitate corporate bookmakers such as Betting World to operate in the province as they are permitted to in the rest of South Africa.

13. Events after the statement of financial position date

No materials events have occurred subsequent to the statement of financial position date.

14. Going concern

The directors believe that the group will continue as a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the group annual financial statements.





Consolidated Statement of Financial Position

	Notes	2010 R	2009 R
ASSETS			
Non-current assets			
Land and buildings, plant and equipment	4	768 062 631	787 906 253
Investment in associates	5	27 179 091	18 154 849
Investment in joint venture	6	9 476 511	12 441 715
Loans receivable	7	1 488 798	1 488 798
Intangible assets	8	4 487 327	4 928 815
Lease receivable		4 429 498	-
		<u>815 123 856</u>	<u>824 920 430</u>
Current assets			
Inventories	9	2 679 153	2 799 234
Bloodstock assets – transformation fund	9	-	655 000
Trade and other receivables	10	21 614 868	17 446 054
Cash and cash equivalents		24 994 449	20 925 397
Lease receivable		1 302 932	-
		<u>50 591 402</u>	<u>41 825 685</u>
Total assets		<u>865 715 258</u>	<u>866 746 115</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Shareholders and members interest		118 700 080	119 971 240
Minority interests		-	(8 167 672)
Revaluation reserve		506 720 530	506 720 530
Total equity		<u>625 420 610</u>	<u>618 524 098</u>
Non-current liabilities			
Borrowings	11	22 324 444	30 744 239
Deferred taxation	12	103 583 598	106 819 165
Post employment medical benefit obligation	13	16 453 000	16 324 000
		<u>142 361 042</u>	<u>153 887 404</u>
Current liabilities			
Short term portion of post employment medical benefit	13	1 476 000	1 344 000
Trade and other payables and provisions	14	91 711 504	91 000 422
Borrowings	11	4 746 102	1 990 191
		<u>97 933 606</u>	<u>94 334 613</u>
Total liabilities		<u>240 294 648</u>	<u>248 222 017</u>
Total equity and liabilities		<u>865 715 258</u>	<u>866 746 115</u>



Consolidated Statement of Comprehensive Income

	Notes	2010 R	2009 R
Gross wagering revenue		443 541 026	465 789 706
Provincial tax		(28 373 332)	(29 802 641)
Net wagering revenue		415 167 694	435 987 065
Less - Agents commission paid and other costs		(37 067 413)	(46 968 450)
- Wagering expenditure		(194 829 778)	(194 568 308)
Contribution to racing from wagering activities		183 270 503	194 450 307
Add contribution to racing from third party bookmaking activities		44 456 441	40 135 044
- Stand up and information fees		372 381	383 436
- Tax on punters winnings		44 084 060	39 751 608
Share of income from joint venture		17 478 630	18 586 078
Share of income of associate		4 811 407	2 347 193
Gross wagering revenues available for racing Activities		250 016 981	255 518 622
Add : Direct racing and other revenues	1	76 578 042	83 659 783
Less: Interest paid	2	(2 509 925)	(6 546 518)
Add: Interest received	2	3 028 289	1 121 827
Gross revenues available for racing activities		327 113 387	333 753 714
Racing expenditure		343 532 993	349 169 845
Operating expenditure for racecourses and training facilities		163 455 178	172 014 122
NHA - regulatory costs		17 160 373	17 494 926
Stakes - Owners		139 814 680	138 377 000
- Breeders		7 032 785	6 705 269
Racing S A Contributions		400 500	534 000
Contribution to jockeys remuneration		15 669 477	14 044 528
Net loss before taxation		(16 419 606)	(15 416 131)
Taxation	12	3 235 567	(5 581 927)
Net loss for the year		(13 184 039)	(20 998 058)
Add: minority share of losses attributable to Gold Circle KwaZulu-Natal Slots (Pty) Ltd		1 043 759	3 972 315
Net loss attributable and comprehensive income to Gold Circle		(12 140 280)	(17 025 743)

Consolidated Statement of Changes in Equity

	Members interest
	R
Balance at 31 July 2008	402 562 634
Loss for the year	(17 025 743)
Minority interests in Gold Circle KwaZulu-Natal Slots (Pty) Ltd	(3 972 315)
Decrease in loans from Minority Shareholders in subsidiary	(2 051 722)
Gains on revaluation of land and buildings	291 398 728
Deferred tax on gains on revaluation of land and buildings	(52 387 484)
Balance at 31 July 2009	618 524 098
Loss for the year	(12 140 280)
Minority interests in Gold Circle KwaZulu-Natal Slots (Pty) Ltd	9 211 431
Decrease in loans from Minority Shareholders in subsidiary	(4 503 607)
Accumulated loss on disposal of Gold Circle KwaZulu-Natal (Pty) Ltd	14 328 968
Balance at 31 July 2010	625 420 610



Consolidated Cash Flow Statement

	Notes	2010 R	2009 R
Cash flows from operating activities			
Cash generated by operations	15.1	22 769 606	27 533 535
Interest paid		(2 509 925)	(6 546 518)
Interest received		3 028 289	1 121 827
Net cash flows from operating activities		<u>23 287 970</u>	<u>22 108 844</u>
Cash flow from investing activities			
Purchases of property, plant and equipment		(14 041 079)	(12 121 980)
Proceeds from disposal of property, plant and equipment		-	6 483 550
Purchases of intangible assets		441 488	(87 002)
Proceeds on disposal of shares in associate		900 000	-
Loans receivable from subsidiaries, associates and joint ventures		(855 443)	(6 832 801)
Net cash flows from investing activities		<u>(13 555 034)</u>	<u>(12 558 233)</u>
Cash flow from financing activities			
Repayment of borrowings		(5 663 884)	6 613 388
Net cash flows from financing activities		<u>(5 663 884)</u>	<u>6 613 388</u>
Net increase in cash and cash equivalents			
		4 069 052	16 163 999
Cash and cash equivalents at beginning of year		20 925 397	4 761 398
Cash and cash equivalents at end of year	15.2	<u>24 994 449</u>	<u>20 925 397</u>



Accounting Policies



1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of Preparation

The annual financial statements have been prepared on the historical cost convention as modified by the revaluation of land and buildings. The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, except for the non-compliance with accounting standard IAS 27: Consolidated and Separate Financial Statements, and in the manner required by the Companies Act of South Africa, 1973.

The preparation of financial statements in conformity with the accounting policies set out below requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period based on management's best knowledge of current events and

actions. Actual results ultimately differ from these estimates. During the current year, there are no areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements.

The following are the principal accounting policies used by the group which are consistent with those of the previous year.

1.2 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the company has the powers to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Investments in subsidiaries are accounted for at cost.

1.3 Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of ac-

counting and are initially recognised at cost.

The group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associates equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.4 Joint ventures

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for using the equity method and are initially recognised at cost.

The group's share of its joint post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the group and its joint venture are eliminated to the extent of the group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.5 Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least every three years, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly

in equity; all other decreases are charged to the statement of comprehensive income.

Land is not depreciated as it is deemed to have an indefinite useful life. Buildings on freehold and leasehold land are depreciated at rates calculated to write them off over periods of 50 years.

Other items of property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation on movable assets is provided on the straight-line basis over periods ranging from four to ten years depending on the estimated useful lives of the assets.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(deficits) on the disposal of property, plant and equipment are credited (charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.6 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Other intangible assets, such as bid costs, are stated at cost less accumulated amortisation and impairment losses. Cost is usually determined as the amount paid by the group. Amortisation is included together with depreciation in the statement of comprehensive income. Internally generated intangibles are not recognised. Intangible assets with indefinite lives are not amortised but are subject to annual reviews for impairment.

Accounting Policies (continued)

Intangible assets with finite lives are amortised over their estimated useful economic lives, and only tested for impairment where there is a triggering event.

1.7 Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the company are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest rate method to determine the lease finance cost which is charged against income over the lease period, and the capital payment, which reduces the liability to the lessor.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition and is determined on a first in first out basis. Trophy stocks are stated at cost.

1.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. (cash-generating units) Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

1.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid invest-



ments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

1.13 Financial assets

The group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are included in net profit or loss in the

period in which the change arises.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.14 Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the group and the revenue can be reliably measured. Betting turnover represents bets struck on the totalisator net of refunds and Value-Added Tax.

1.15 Share capital

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

1.16 Deferred income

Proceeds from the sale of the right of use of suites are recognised as income in each year in the proportion of one year to the number of year's right of use sold in respect of each suite.

1.17 Taxation

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the statement of financial position date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the statement of financial position liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax



Accounting Policies (continued)

provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax is charged to the statement of comprehensive income except to the extent that it relates to a transaction that is recognised directly in equity or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.18 Employee benefits

Pension obligations

The group operates defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

Post retirement medical obligation

The group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the Project Unit Credit Method. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to income in the period in which they occur. These obligations are valued bi-annually by independent qualified valuers.

Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination

benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.19 Bloodstock assets

Thoroughbred racehorses are measured at fair value less point of sale cost. The fair value of horses is determined based on the current state of the South African Bloodstock market. Unraced horses are valued at their insured values.

1.20 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation.

1.21 Standards, amendments and interpretations effective for the first time this year

The following standards, amendments and interpretations, which became effective for the year ended 31 July 2010, have an impact on the entity:

IAS 1, "Presentation of Financial Statements - Revised", (effective for periods beginning on or after 1 January 2009)

Amendments to IFRS 7 "Financial Instruments: Improving disclosures about financial instruments.

The adoption of these standards has no effect on the results, nor has it required any restatement of the results.

The following standards, interpretations and amendments are mandatory for accounting periods beginning on or after 1 Janu-

ary 2009 but are not relevant to the entity's operations:

IFRS 1, "First time Adoption of International Financial Reporting Standards - Revised", (effective for periods beginning on or after 1 July 2009)

IFRS 8, "Operating Segments", (effective for periods beginning on or after 1 January 2009)

IAS 23, "Borrowing Costs - Revised", (effective for periods beginning on or after 1 January 2009)

Amendment to IFRS 2, "Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations", (effective for periods beginning on or after 1 January 2009)

Amendment to IAS 32 and IAS 1, "Amendment to IAS32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation", (effective for periods beginning on or after 1 January 2009)

Amendments to IAS 39, "Amendments to IAS 39 Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting", (effective for periods beginning on or after 1 July 2009).

Amendments to IFRS 1 and IAS 27, "Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate", (effective for periods beginning on or after 1 January 2009)

IFRIC 13, "Customer Loyalty Programmes", (effective for periods beginning on or after 1 July 2008)

IFRIC 15, "Agreements for the Construction of Real Estate", (effective for periods beginning on or after 1 January 2009)

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation", (effective for periods beginning on or after 1 October 2008)

IFRIC 17, "Distributions of Non-cash Assets to Owners", (effective for periods beginning on or after 1 January 2009)

IFRIC 18, "Transfers of assets from customers", (effective for periods beginning on or after 1 January 2009)

Standards, amendments and interpretations of existing

standards that are not yet effective and have not been early adopted by the entity

The following interpretations to existing standards have been published that are mandatory for the entity's future accounting periods but that the entity has not early adopted:

IFRS Amendments "Annual Improvements 2009", (effective for periods beginning on or after 1 January 2010)

This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs.

Standards, amendments and interpretations of existing standards that are not yet effective and not relevant for the entity's operations

Amendments to IFRS 2, "Amendments to IFRS 2: Group cash-settled share-based payment transactions", (effective for periods beginning on or after 1 January 2010)

Amendment to IAS 32, "Amendments to IAS 32 – Classification of rights issues", (effective for periods beginning on or after 1 February 2010)

Amendments to IAS 24, "Amendments to IAS 24 – Related party disclosures", (effective for period beginning on or after 1 January 2011)

IFRS 9, "IFRS 9 – Financial Instruments", (effective for periods beginning on or after 1 January 2013)

Amendments to IFRS 1 and IFRS 7, "Amendments to IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters", (effective for periods beginning on or after 1 July 2010)

IFRIC 19 (AC 452), "IFRIC 19 (AC 452) Extinguishing Financial Liabilities with Equity Instruments", (effective for periods beginning on or after 1 July 2010)

Amendments to IFRIC 14 (AC 447), "Pre-payments of a Minimum Funding Requirement (amendments to IFRIC 14 (AC 447))", (effective for period beginning on or after 1 January 2011)

Notes to the Financial Statement

	2010 R	2009 R
1. Direct racing revenues		
Racemeeting and stabling	57 818 976	64 940 509
Other revenue	18 759 066	18 719 274
	76 578 042	83 659 783
2. Net interest expense		
Interest received	3 028 289	1 121 827
Interest paid	(2 509 925)	(6 546 518)
	518 364	(5 424 691)
3. Expenses by nature		
The following items have been included in arriving at operating profit:		
Advertising, events and promotions	15 004 080	16 879 701
Auditors remuneration		
- Current year	488 805	502 360
- Prior year	5 555	-
Cash collection costs	2 867 635	3 004 447
Catering costs	8 470 983	7 773 514
Contribution to jockey's remuneration	15 669 478	14 044 528
Depreciation (including impairment)	26 142 769	22 741 036
Directors' emoluments		
- Fees for services as Board Directors	-	1 003 340
Employee benefits	140 477 291	146 017 042
Insurance costs	2 159 892	2 804 216
Licence fees and subscriptions	28 867 882	27 884 917
Operating lease rentals		
- Property	19 701 219	14 566 205
- Equipment and vehicles	4 920 817	3 641 146
- Slot machines	4 970 783	5 950 278
Printing costs	2 445 297	6 551 869
Profit on sale of assets	(111 876)	23 925
Race meeting expenses	10 160 532	8 710 091
Regulatory costs (National Horseracing Authority)	17 160 372	17 494 926
Repairs and maintenance	25 264 115	20 503 460
Security expenses	8 432 806	9 358 336
Service fee (Saftote)	9 521 193	10 133 403
Stakes		
- owners	139 814 680	138 377 000
- breeders	7 032 785	6 705 269
Tote agents commission paid	44 054 901	46 968 451
Transformation fund	1 257 584	1 524 921
Utility costs	19 983 898	18 582 159
Other operating expenses	20 666 708	38 960 063
	575 430 184	590 706 603

	2010	2009
	R	R
3. Expenses by nature (continued)		
Reconciled to expenses by function:		
Commission paid	37 067 413	46 968 450
Wagering expenditure	194 829 778	194 568 308
Racing expenditure	343 532 993	349 169 845
	575 430 184	590 706 603

4. Property, plant and equipment

2010	Cost	Accumulated depreciation and impairment	Carrying amount
Freehold land	299 574 026	-	299 574 026
Freehold buildings	449 449 967	56 513 596	392 936 371
Leasehold buildings	57 111 991	25 866 658	31 245 333
Plant, vehicles and equipment	158 417 938	114 111 037	44 306 901
	964 553 922	196 491 291	768 062 631

	Freehold land and buildings	Leasehold land and buildings	Plant, vehicles and equipment	Total
Movement in carrying amount				
Carrying amount at beginning of year	697 871 520	30 678 006	59 356 727	787 906 253
Additions	3 392 296	1 691 237	8 957 546	14 041 079
Disposals	-	-	(190 605)	(190 605)
Disposal of subsidiary	-	(255 453)	(7 295 874)	(7 551 327)
Depreciation	(8 753 419)	(868 457)	(16 520 893)	(26 142 769)
	692 510 397	31 245 333	44 306 901	768 062 631

2009	Cost	Accumulated depreciation and impairment	Carrying Amount
Freehold land	299 954 230	-	299 954 230
Freehold buildings	445 677 467	47 760 177	397 917 290
Leasehold buildings	55 697 419	25 019 413	30 678 006
Plant, vehicles and equipment	160 624 791	101 268 064	59 356 727
	961 953 907	174 047 654	787 906 253

Notes to the Financial Statement

4. Property, plant and equipment (continued)

	Freehold land and buildings	Leasehold land and buildings	Plant, vehicles and equipment	Total
Movement in carrying amount				
Carrying amount at beginning of year	411 480 543	31 636 471	63 300 269	506 417 283
Additions	3 315 254	925 573	7 881 153	12 121 980
Disposals	(285 315)	-	(86 396)	(371 711)
Depreciation	(8 037 690)	(1 884 038)	(11 738 299)	(21 660 027)
Revaluation	291 398 728	-	-	291 398 728
	697 871 520	30 678 006	59 356 727	787 906 253

The company's land and buildings were last revalued on 31 July 2009 by an independent valuer. Valuations were made on the basis of recent market transactions on arm's length terms. The revaluation surplus, net of applicable deferred income taxes, were credited to non-distributable reserves.

Depreciation expense of R26 142 769 (2009: R21 660 027) has been included in 'administrative expenses'.

During the current year, the group revised the useful lives of assets (refer to note 24 for details).

A register detailing the descriptions, situation and date of acquisition of fixed assets is available for inspection at the registered office of the company.

The following mortgage bonds over certain of the land and buildings have been registered:

Mortgage bond in favour of First National Bank (amounting to R 20 million) registered over the Clairwood racecourse property to secure a banking facility for Gold Circle (Pty) Ltd. As at the end of the year the facility was not utilised.

The mortgage bond is additionally secured by suretyships issued by Clairwood Turf Club, Durban Turf Club, Pietermaritzburg Turf Club, Western Province Racing Club, Natal Racing Properties (Pty) Ltd and Cape Racing Properties (Pty) Ltd.

Mortgage bond in favour of First National Bank Limited (amounting to R20 million) registered over the Milnerton property.

Movable assets having a carrying value of R9 786 953 (2009: R15 731 401) are held under finance leases.

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2010	2009
	R	R
Cost	73 484 184	69 821 166
Accumulated depreciation	(18 474 032)	(16 000 291)
	55 010 152	53 820 875

	2010	2009
	R	R

5. Investment in associates

Betting World (Pty) Ltd

Shares at cost	868 484	1 067 890
Share of retained income	14 547 545	9 736 138
	15 416 029	10 804 028
Loan account	5 652 110	7 350 821
	21 068 139	18 154 849

Interest has been charged at a rate of 8% per annum on the loan account. The loan is unsecured and has no fixed repayment date.

The summarised financial information of the associate is as follows:	R'000	R'000
Assets	54 157	55 051
Liabilities	31 414	31 621
Revenue (including other income)	80 449	53 847
Profit after tax	11 674	5 523
Interest held	41%	42.5%

The Gold Circle Racing and Gaming Group has a 41% (2009: 42,5%) interest in Betting World (Pty) Ltd, a company in the bookmaking industry.

Gold Circle KwaZulu-Natal Slots (Pty) Ltd

Loan account	6 110 952	-
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Interest has been charged at prime rate on the loan.

As the associate has an accumulated loss, the investment has been impaired. The group's share of these losses amounts to R13 825 213.

The summarised financial information of the associate is as follows:		
Assets	10 115 534	-
Liabilities	34 931 967	-
Revenue (incl other income)	30 281 771	-
Interest held	24%	-

Total investments in associates is made up as follows:

Betting World (Pty) Ltd	21 068 139	18 154 849
Gold Circle KwaZulu-Natal (Pty) Ltd	6 110 952	-
	27 179 091	18 154 849

Notes to the Financial Statement

	2010	2009
	R	R

6. Investment in Joint Venture - Phumelela Gold Enterprises

Phumelela Gold Enterprises Partnership

Share of profits in joint venture – current	17 478 630	20 752 099
Loan account	(8 002 119)	(8 310 384)
	9 476 511	12 441 715

The loan is unsecured, bears no interest and has no fixed date for repayment.

The summarised financial information of the partnership is as follows:	R'000	R'000
Assets	51 236	90 473
Liabilities	62 513	46 500
Revenue	159 566	189 917
Profit	34 539	43 973
Interest held	39%	39%
Profit share	39%	39%

Gold Circle (Pty) Ltd has a 39% interest in Phumelela Gold Enterprises which is a joint venture between Gold Circle (Pty) Ltd and Phumelela Gaming and Leisure Limited.

7. Loans receivable

Unsecured

Horseracing S A (Pty) Ltd	1 488 798	1 488 798
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The loan is unsecured, bears no interest and has no fixed date for repayment.

8. Intangible assets

Goodwill

Represents goodwill in respect of acquisition of agency outlets	4 487 327	4 487 327
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The carrying amount of goodwill was subject to an impairment test at statement of financial position date. Impairment tests conducted at the year end indicated no requirement for impairment during the year.

Intangible asset

Licence to operate gaming machines - KwaZulu – Natal	-	441 488
	4 487 327	4 928 815

	2010	2009
	R	R
9. Inventories		
Blood stock assets	-	655 000
Finished goods	2 679 153	2 799 234
	2 679 153	3 454 234

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to R10 168 792 (2009: R11 746 881).

10. Trade and other receivables

Trade receivables	13 260 001	9 179 071
Less provision for impairment of receivables	(266 350)	(404 456)
Trade receivables – net	12 993 651	8 774 615
Other receivables	7 953 865	6 763 903
Prepayments	667 352	1 907 536
	21 614 868	17 446 054

Included in other receivables is a net receivable from Exquisite Cuisine made up as follows:

Loan advance	400 000	-
Purchases on behalf of Exquisite Cuisine	99 187	-
Amount payable to Exquisite Cuisine	(271 771)	-
	227 416	-

The amounts are subject to the group's standard credit terms and are due within a maximum of either 30 days or 60 days after month end depending on the class of debtor. Interest has not been charged on these accounts.

Trade receivables can be analysed as follows:

Neither past due nor impaired	9 659 282	7 419 019
Past due but not impaired	3 334 369	1 355 596
Past due and impaired	266 350	404 456
Impairment against these receivables	(266 350)	(404 456)
	12 993 651	8 774 615

The ageing of the trade receivables that are past due but not impaired is as follows:

- 60 days to 90 days	2 217 295	743 119
- 90 days to 120 days	754 402	88 049
- 120 days to 150 days	131 116	58 752
- greater than 150 days	231 556	465 676
	3 334 369	1 355 596

The movement in the allowance for impairment is as follows:

At beginning of the year	(404 456)	(190 481)
Trade receivables written off during the year	220 324	166 785
Increase in impairment	(82 218)	(380 760)
At end of the year	(266 350)	(404 456)

The impairment charge for doubtful debts for the year has been included in 'administration expenses' in the statement of comprehensive income.

The other classes within trade and other receivables do not contain impaired assets. There is no significant concentration of credit risk in respect of any particular customer or industry segment.

Notes to the Financial Statement

	2010	2009
	R	R
11. Borrowings		
Non-current		
Bank borrowings	17 827 015	22 416 062
Finance lease liabilities	3 397 429	8 328 177
Other – Lentdale loan	1 100 000	-
	22 324 444	30 744 239
Current		
Bank borrowings	3 546 102	1 990 191
Other – Lentdale	1 200 000	-
	4 746 102	1 990 191
Total current and non-current liabilities	27 070 546	32 734 430

Bank borrowings

Bank borrowings are as follows:

- FNB bank loan maturing on 1 February 2019, and this loan bears interest at prime less 1.50%
- Nedbank loan maturing on 1 December 2013 and this loan bears interest at 10.960%

The FNB loan is secured by the following property:

First mortgage bond for R20 000 000 over property described as remainder of Erf 935, Erf 8 641, Erf 12 506 and Erf 12 585, Milnerton and held under Title Deed of Transfer No. T32142, 2008.

Unlimited Suretyship over the loan is provided by the following parties:

Cape Racing Properties (Pty) Ltd
 Natal Racing Properties (Pty) Ltd
 Clairwood Turf Club
 Durban Turf Club
 Pietermaritzburg Turf Club
 Western Province Racing Club

The Nedbank loan is secured by unlimited suretyship by Natal Racing Properties (Pty) Ltd.

The Lentdale loan is secured by a guarantee from Natal Racing Properties to the value of the loan.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

Finance lease liabilities

Finance lease obligations secured by lease agreements over property, plant and equipment with a carrying value of R9 786 953 (2009 : R15 731 401).

Finance lease obligations bear interest at prime less 1,5%.

Finance lease liability	7 304 239	14 456 360
Less: Payable within one year	(3 906 810)	(6 128 183)
	3 397 429	8 328 177

	2010	2009
	R	R
11. Borrowings (continued)		
Minimum lease payments are due as follows:		
Due within one year	3 906 810	6 128 183
Due within two and five years	3 397 429	8 328 177
	7 304 239	14 456 360

12. Deferred taxation

Opening balance	106 819 165	48 849 755
Charge to statement of comprehensive income	(3 235 567)	5 581 927
Charge to equity	-	52 387 483
	103 583 598	106 819 165

The balance comprises:

Revaluation of property	123 499 512	124 961 395
Provisions	(8 466 762)	(9 224 529)
Capital allowances and finance lease timing differences	10 058 595	8 290 723
Assessed loss	(21 665 090)	(17 742 534)
Accruals and prepayments	157 343	534 110
	103 583 598	106 819 165

Deferred tax to be recovered after more than 12 months.	111 893 017	115 509 584
Deferred tax to be recovered within 12 months	(8 309 419)	(8 690 419)
	103 583 598	106 819 165

13. Post employment medical benefit obligation

The accrued liability split between the current and non-current liability as at 31 July 2010 is shown below:

Current liability (payable within 12 months)	1 476 000	1 344 000
Non-current liability	16 453 000	16 324 000
	17 929 000	17 668 000

Post employment medical benefit obligation	17 929 000	17 668 000
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Movement in the liability:

Net liability at the beginning of the year	17 668 000	16 956 000
Net expense recognised in the statement of comprehensive income	1 663 000	2 012 000
Contributions	(1 402 000)	(1 300 000)
	17 929 000	17 668 000

Current service cost	55 000	59 000
Interest cost	1 608 000	1 390 000
Actuarial loss recognised in full in the current period	-	563 000
Total statement of comprehensive income expense	1 663 000	2 012 000

The Gold Circle group does not have an obligation to any employees or former employees in respect of post retirement medical aid funding other than that which has been provided for in these financial statements.

The actuarial valuation is carried out every 2 years, the last valuation being completed as at July 2009.

Notes to the Financial Statement

13. Post employment medical benefit obligation (continued)

Discount rate	9.5% p.a.	9.5% p.a.
Health care cost inflation	8% p.a.	8% p.a.
Expected retirement age	65 years	65 years

	31 July 2010	31 July 2009	31 July 2008	31 July 2007	31 July 2006	31 July 2005
Present value of obligations	17 929 000	17 668 000	16 956 000	16 744 000	12 731 000	12 676 000
Fair value of plan assets	-	-	-	-	-	-
Present value of obligations in excess of plan assets	17 929 000	17 668 000	16 956 000	16 744 000	12 731 000	12 676 000

Experience adjustments (Actuarial gain/(loss) before changes in assumptions)

In respect of present value of plan assets	-	(924 000)	-	(879 000)	-	(578 000)
In respect of fair value of plan assets	-	-	-	-	-	-

Sensitivity Analysis

The valuation results set out above are based on a number of assumptions. The value of the liability could turn out to be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.

The liability of Gold circle has been recalculated to show the effect of:

- A one percentage point decrease or increase in the rate of health care cost inflation;
- A five or ten percentage point increase in the rate of health care cost inflation for the next five years, thereafter returning to a health care cost inflation of 8% p.a.;
- A one percentage point decrease or increase in the discount rate;
- A one year decrease or increase in the expected retirement age.

	Health Care Cost Inflation		
	Central assumption 8%	-1 %	+1 %
Accrued Liability - 31 July 2010	17 929 000	16 191 000	19 361 000
% change	0%	-9.7%	8.0%
Current Service Cost + Interest Cost 2009/10	1 663 000	1 516 000	1 831 000
% Change	0%	-8.8%	10%
Sensitivity Results from Previous Valuation	Central assumption 7.25%	-1%	+1%
Current Service Cost + Interest Cost 2008/09	1 449 000	1 311 000	1 608 000
% change	0%	-9.5%	11%

13. Post employment medical benefit obligation (continued)

	Health Care Cost Inflation		
	Central assumption 8%	+ 5% for 5 years	+ 10% for 5 years
Accrued Liability - 31 July 2010	17 929 000	21 343 000	25 672 000
% change	0%	19.0%	43.2%

	Discount Rate		
	Central assumption 9.5%	-1%	+1%
Accrued Liability - 31 July 2010	17 929 000	19 330 000	16 242 000
% change	0%	7.8%	-9.4%

	Expected Retirement Age		
	Central assumption 65 Years	1 Year Younger	1 Year Older
Accrued Liability - 31 July 2010	17 929 000	17 807 000	17 541 000
% change	0%	-0.7%	-2.2%

	2010	2009
	R	R
14. Trade and other payables		
Amount due to punters	11 324 384	4 044 360
Breeders premiums	5 788 418	5 602 605
Creditors	59 647 684	46 546 289
Amount due to Mion Gaming and Leisure (Pty) Ltd	-	18 503 051
Short term portion of leases	3 906 810	6 128 183
Telephone Betting	5 280 301	4 424 585
VAT	5 763 907	5 751 349
	91 711 504	91 000 422

15. Notes to the cash flow statement

15.1 Cash generated by operations

Net loss before tax	(16 419 606)	(15 416 131)
Adjustments for:		
Depreciation	26 142 769	21 660 027
Impairment	84 558	160 968
Profit on disposal of property, plant and equipment	-	(6 272 826)
Profit on disposal of shares in associate	(862 310)	-
Interest received	(3 028 289)	(1 121 827)
Interest paid	2 509 925	6 546 518
Post-retirement medical obligation	261 000	712 000
Lease receivable	(5 732 430)	-
Disposal of shares in subsidiary	22 496 640	-
	25 452 257	6 268 729
Changes in working capital	(2 682 651)	21 264 806
Inventories	775 081	295 679
Trade and other receivables	(4 168 814)	5 125 550
Trade and other payables	711 082	15 843 577
Cash generated from operations	22 769 606	27 533 535

Notes to the Financial Statement

	2010	2009
	R	R

15. Notes to the cash flow statement

15.2 Cash and cash equivalents

24 994 449	20 925 397
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Cash resources

16. Retirement benefit information

The company contributes to the following pension and provident funds:

Evergreen Pension Fund

Evergreen Provident Fund

Both funds are registered in the name of Gold Circle (Pty) Ltd, are administered by Old Mutual and are governed by the Pensions Fund Act.

Current contributions to pension and provident funds are charged against income as incurred.

The company is currently concluding the winding up of several closed retirement funds through Section 14 transfers, in terms of the Pension Fund Act.

17. Taxation

No current taxation has been provided as the company has an estimated assessed loss amounting to R80 722 503 (2009: R86 903 206).

18. Capital commitments

Authorised and contracted for	604 806	-
Authorised and not contracted for	21 485 400	-
	22 090 206	-

19. Operating lease commitments

The Durban Turf Club has a lease over Greyville racecourse that expires on December 31 2069. The rental payable under the lease is determined on a formula based on gross totalisator turnover or a minimum rental whichever is the greater. The future lease commitment based on the minimum rental is as follows:

Due within one year	1 008 000	996 000
Due within two and five years	4 032 000	3 984 000
Due after five years	55 195 000	56 191 000

The Pietermaritzburg Turf Club has a lease over Scottsville racecourse that expires on November 30 2035. The rental payable under the lease is based on course turnover and the rateable value of land. The future lease commitment on the current basis is as follows:

Due within one year	311 196	209 148
Due within two and five years	1 244 784	836 592
Due after five years	7 779 900	5 437 848

	2010	2009
	R	R

19. Operating lease commitments (continued)

The group leases certain other properties, the future commitments being as follows:

Due within one year	7 828 753	2 136 892
Due within two and five years	6 778 122	1 276 624

The group leases certain of its plant and equipment in terms of operating leases as follows:

Due within one year	963 399	7 315 787
Due within two and five years	745 170	14 499 996
Due after five years		-

20. Financial risk management

Financial risk factors

The company's activities expose it to a variety of financial risks, market risks, credit risks and liquidity risks. The company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the board of directors.

(a) Market risk

(i) Foreign exchange risk

The company does not operate internationally and is therefore not exposed to foreign exchange risk.

(ii) Price risk

The company holds investments at fair value through profit or loss or as available for sale and is therefore not exposed to price risk.

(ii) Cash flow and fair value interest rate risk

The company's interest rate risk arises from long term borrowings with banks. Borrowings issued at variable rates expose the company to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only large and well established entities are used. Ongoing evaluations are performed on the financial position of these debtors by monitoring monthly receipts. At year end, the company did not consider there to be any significant concentration of credit risk for which a provision needs to be made.

(c) Liquidity risk

Cash flow forecasting is performed by the entity and management monitors rolling forecasts to ensure that the entity has sufficient cash to meet operational needs which maintaining sufficient headroom on its undrawn borrowing facilities.

Surplus cash held by the entity over and above its working capital requirements are invested in interest bearing current accounts, time deposits and money market deposits.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses the company maintains flexibility in funding by maintaining availability under committed credit lines. The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Financial Statement

20. Financial risk management (continued)

	Less than 1 year	Between 2 & 5 years	Over 5 years
As at 31 July 2010			
Trade and other payables	91 711 504	-	-
Borrowings	4 746 102	11 705 364	6 939 475
Finance lease liability	3 906 810	3 397 429	-
As at 31 July 2009			
Trade and other payables	91 000 422	-	-
Borrowings	1 990 191	19 279 971	3 136 091
Finance lease liability	6 128 183	8 328 177	-

Management monitors its projected cash flow requirements against cash and cash equivalents and undrawn borrowing facilities.

At year end the company's position was as follows:

Cash resources	24 994 449
Undrawn borrowing facilities	21 000 000
Total available resources	<u><u>45 994 449</u></u>

Fair value estimation

The carrying amounts of financial assets and liabilities in the statement of financial position approximates fair values at the year end. The particular recognition methods are disclosed in the individual policy statement associated with them.

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns to stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company does not target specific capital ratios.



2010	2009
R	R

21. Contingent Liabilities

Contingent liabilities exist as follows:

Bank guarantees	2 401 780	1 708 496
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22. Subsidiaries of Gold Circle (Pty) Ltd

	Issued Share Capital 2010	% Holding 2010	Issued Share Capital 2009	% Holding 2009
Directly Held				
Cape Racing Properties (Pty) Ltd	1 000	100	1 000	100
Gold Circle Gaming Investments (Pty) Ltd	100	100	100	100
Natal Racing Properties (Pty) Ltd	150 000	100	150 000	100
Gold Circle Gauteng Gaming Investments (Pty) Ltd	100	100	100	100
Indirectly held				
Gold Circle KwaZulu-Natal Slots (Pty) Ltd	-	-	100	59.75
Gold Circle Gauteng Slots (Pty) Ltd	100	100	100	100

All companies are incorporated in South Africa

23. Related parties

23.1 Identity of related parties

The holding entities of Gold Circle (Pty) Ltd are Clairwood Turf Club, Durban Turf Club, Pietermaritzburg Turf Club and Western Province Racing Club each hold 25% of the company's ordinary shares (2008: 25%).

The associates of the group are identified in note 5.

The directors are listed in the directors' report.

23.2 Related party transactions

Phumelela Gold Enterprises

The company owns 39% of the partnership Phumelela Gold Enterprises.

The following related party transactions have occurred between Phumelela Gold Enterprises and Gold Circle (Pty) Ltd as well as balances payable and receivable at 31 July 2010.



Notes to the Financial Statement

23. Related parties (continued)

Expenses

	2010 R	2009 R
Subscriptions expense	10 093 422	9 568 464
Commission income	5 461 445	6 918 111
Income		
Incoming feeds from Zimbabwe	(342 000)	(300 000)
T V Production income	(160 100)	(190 910)
Transactions and balances at year end		
Loan account	8 002 119	8 310 384
Gold Circle (Pty) Ltd share of net profit at year end	17 478 630	20 752 099
Amounts included in trade and other payables	3 479 225	120 000
Amounts included in trade and other receivables	136 995	-

Betting World

Administration fees	(34 440)	(34 440)
Commission paid	2 612 646	3 878 666
Rental received	(1 650 097)	(1 043 920)
Interest received on shareholders loan	(711 639)	(450 923)
Gold Circle KwaZulu-Natal Slots (Pty) Ltd		
- Interest on shareholder's loan	1 390 989	2 344 651
- LPM commissions received	8 384 987	7 889 581
- Administration fees received	1 460 870	1 460 870
Natal Racing Properties (Pty) Ltd		
- Rental paid	2 793 726	2 588 790

Key management compensation

Executive directors

Salary and short-term employee benefits	2 907 242	2 985 946
Termination benefits charged to the statement of comprehensive income	-	3 132 792
Termination benefits still to be paid	-	1 640 000

Non executive directors

Fees for services as Board Directors	-	153 000
Fees for services as Chapter Directors	-	620 340

	2010 R	2009 R
23. Related parties (continued)		
Material transactions with Gold Circle directors and Regional Board directors		
<i>Services provided to Gold Circle</i>		
Event World		
- cost of hospitality infrastructure		
- director interest MG Holmes	1 375 090	627 421
Tote agency commission direct and in partnership earned on tote agency turnover of R28 million (2009: R40 million).		
- director interest TN Pillay	1 423 518	1 187 965
Shepstone & Wylie – legal expenses		
- director interest Bruce Armstrong	278 209	72 389
<i>Income derived from service provider</i>		
Event World		
- director interest MG Holmes	(3 399 640)	(2 193 506)
Mion Leisure and Gaming		
- director interest TN Pillay (nominee)	-	60 557
Rale Investments		
- director interest RB McElligott		
Directors and consulting fees	-	327 980
<i>Year-end balances arising from transactions above:</i>		
Receivables:		
- Event World	967 347	202 240
Payables:		
- Event World	152 042	124 455
- Shepstone & Wylie	71 837	19 011
Directors interests are declared to the Board of Directors and contracts are prepared and signed by an executive director.		

24. Change in accounting estimate

During the current financial year, the group revised the useful lives of assets. This resulted in a reduction in the net loss before tax of R3 711 402.

Notice to Members

ANNUAL GENERAL MEETINGS OF THE RACING CLUBS

CLAIRWOOD TURF CLUB, DURBAN TURF CLUB, PIETERMARITZBURG TURF CLUB AND WESTERN PROVINCE RACING CLUB

The Annual General Meeting of members of the Clairwood Turf Club, Durban Turf Club, Pietermaritzburg Turf Club and Western Province Racing Club ("the Clubs") to be held contemporaneously at 17:30 on Monday 31 January 2011, at the following venues:

Members resident in KwaZulu-Natal, in the Stewards Classic Room, Greyville Racecourse, 150 Avondale Road, Durban;

Members resident in the Western Cape, in the Kenilworth Room, Kenilworth Racecourse, Rosmead Avenue, Cape Town (the meeting will be conducted via video conference link)

for the purposes of conducting the following business:

1. To receive a presentation on the Annual Report drawn on the Consolidated Group's activities;
2. To consider and adopt the Annual Financial Statements of the Gold Circle Group by way of an ordinary resolution **(Resolution 1)**
3. To reappoint PricewaterhouseCoopers Inc as the independent auditors of the Gold Circle Group for the ensuing year by way of an ordinary resolution **(Resolution 2)**
4. To consider a proposal to amend the Clubs' Constitutions and to apply for Ministerial consent for the appointment of totalisator agents in KwaZulu-Natal. **Refer Annexure A (Resolutions 3-9)**
5. To consider a proposal to amend the Articles of Association of Gold Circle (Proprietary) Limited **Refer Annexure B (Resolution 10)**
6. To consider a proposal to amend the Articles of Association of the Regional Racing Associations in KwaZulu-Natal and the Western Cape **Refer Annexure C (Resolution 11)**
7. To consider the additional agenda items proposed by the following members:
 - 7.1 Member – Mr. L M J R Maingard
 - 7.2 Member – Mr. H Adams **Refer Annexure E (Resolution 12)**
8. To authorize the Clubs' Secretary, by way of an ordinary resolution, to give effect to Resolutions 3, 4, 5, 6, 7, 8, 9, 10 and 11:
RESOLVED THAT the Club/Company Secretary be and he is hereby authorized to perform any act and to sign any document necessary in order to give effect to the Resolutions 3 to 11 passed above. **(Resolution 13)**
9. To declare the outcome of the election of Electoral Committee Members
10. General.



By order of the Boards

P D Erasmus

Clubs' Secretary

20 December 2010

Members will be asked to vote on:

1. A Special Resolution to amend each of the Clubs' Constitutions as set out in **Annexure A**.
2. A Special Resolution authorizing the Club Directors to vote in favour of approving the amendments to the Articles of Association of Gold Circle (Pty) Ltd as set out in **Annexure B**.
3. A Special Resolution authorizing the Clubs' Directors to vote in favour of approving the amendments to the Articles of Association of the KwaZulu-Natal Regional Racing Association (Association incorporated under Section 21) and the Western Province Regional Racing Association (Association incorporated under Section 21) as set out in **Annexure C**.
4. A Special Resolution authorizing the Gold Circle Board of Directors to proceed with the resolutions proposed by Member H Adams per 1,2 and 3 as detailed in **Annexure E**.

The resolutions are proposed as follows:

ANNEXURE A

RESOLUTION 3 (SPECIAL RESOLUTION):

PROPOSED RESOLUTION: RESOLVED THAT each of the Clubs' Constitutions be and they are hereby amended by the deletion of the existing subparagraphs 32.1.1.2 and 32.1.2.2 and the insertion of the following new subparagraphs 32.1.1.2 and 32.1.2.2 in its place:

32.1.1.2 as soon as possible, but in any event within five business days after the AGM to meet in accordance with the provisions of 31 for the sole purpose of choosing by secret ballot from their number five appointees to act as directors and club directors;

32.1.2.2 as soon as possible, but in any event within five business days after the AGM to meet in accordance with the provisions of 31 for the sole purpose of choosing by secret ballot from their number three appointees to act as directors and club directors;

NATURE OF RESOLUTION: The resolution will be proposed as a Special Resolution.

TERMS OF SPECIAL RESOLUTION:

The terms of Special Resolution are set out above.

EFFECT OF & REASON FOR SPECIAL RESOLUTION:

The effect of and reason for Special Resolution is to amend those provisions of the Constitution of the Clubs which relate to the timing for the appointment by the electoral committee of directors of the Gold Circle and club Boards to ensure that those Boards are properly constituted within five days of the holding of the Annual General Meeting of members.

RESOLUTION 4 (SPECIAL RESOLUTION):

PROPOSED RESOLUTION: RESOLVED THAT, in view of the requirement of the Office of the Premier in KwaZulu-Natal that the Clubs apply for Ministerial consent in terms of Section 28 of the Regulation of Racing and Betting Ordinance No. 28 of 1957 for the appointment of totalisator agents in KwaZulu-Natal, the Durban Turf Club, Clairwood Turf Club and Pietermaritzburg Turf Club be and are hereby authorised to make the aforesaid applications in respect of every totalisator agent domiciled in the Province operating within Gold Circle's existing totalisator structure.

NATURE OF RESOLUTION: The resolution will be proposed as a Special Resolution.

TERMS OF SPECIAL RESOLUTION:

The terms of Special Resolution are set out above.

EFFECT OF & REASON FOR SPECIAL RESOLUTION:

The effect of and reason for the Special Resolution is to enable the Clubs to comply with the requirement of the Office of the Premier that Ministerial consent be obtained for the appointment of totalisator agents.

RESOLUTION 5 (SPECIAL RESOLUTION):

PROPOSED RESOLUTION: RESOLVED THAT each of the Clubs' Constitutions be and they are hereby amended by the deletion of the words "a date set by the Secretary" and the insertion of the words "within 31 days of the Club's Financial Year End" in subparagraphs 13.1.

NATURE OF RESOLUTION: The resolution will be proposed as a Special Resolution.

TERMS OF SPECIAL RESOLUTION:

The terms of Special Resolution are set out above.

EFFECT OF & REASON FOR SPECIAL RESOLUTION:

The effect of and reason for Special Resolution is to amend the provision of the Constitution of the Clubs which relates to the period within which the annual membership subscriptions are required to be paid.

RESOLUTION 6 (SPECIAL RESOLUTION):

PROPOSED RESOLUTION: RESOLVED THAT each of the Clubs' Constitutions be and they are hereby amended by the deletion of the words "not in good standing" and the insertion of the words "who has not paid his subscriptions in terms of 13" in subparagraphs 23.7.

NATURE OF RESOLUTION: The resolution will be proposed as a Special Resolution.

TERMS OF SPECIAL RESOLUTION:

The terms of Special Resolution are set out above.

Notice to Members (continued)

EFFECT OF & REASON FOR

SPECIAL RESOLUTION: The effect of and reason for Special Resolution is to amend those provisions of the Constitution of the Clubs which relate to "good standing" as this term is not defined in the Clubs' Constitutions.

RESOLUTION 7 (SPECIAL RESOLUTION):

PROPOSED RESOLUTION: RESOLVED THAT each of the Clubs' Constitutions be and they are hereby amended by the deletion of the words "be in good standing" and the insertion of the words "have paid their subscriptions in terms of 13" in subparagraphs 29.9.

NATURE OF RESOLUTION: The resolution will be proposed as a Special Resolution.

TERMS OF SPECIAL RESOLUTION:

The terms of Special Resolution are set out above.

EFFECT OF & REASON FOR

SPECIAL RESOLUTION: The effect of and reason for Special Resolution is to amend those provisions of the Constitution of the Clubs which relate to "good standing" as this term is not defined in the Clubs' Constitutions.

RESOLUTION 8 (SPECIAL RESOLUTION):

PROPOSED RESOLUTION: RESOLVED THAT each of the Clubs' Constitutions be and they are hereby amended by the deletion of the words "30 September" and the insertion of the words "31 July" in paragraphs 51.

NATURE OF RESOLUTION: The resolution will be proposed as a Special Resolution.

TERMS OF SPECIAL RESOLUTION:

The terms of Special Resolution are set out above.

EFFECT OF & REASON FOR

SPECIAL RESOLUTION: The effect of and reason for Special Resolution is to amend those provisions of the Clubs' Constitutions which relate to the date of the Financial Year End in order to bring these in line with that of Gold Circle and the Regional Racing Associations.

RESOLUTION 9 (SPECIAL RESOLUTION)

PROPOSED RESOLUTION: RESOLVED THAT each of the Clubs' Constitutions be and they are hereby amended by the deletion of the existing subparagraph 7.4 and the insertion of the following new subparagraph 7.4 in its place.

- 7.4 A person shall be a life member, in which event he shall have all of the rights attaching to membership but shall not be obliged to pay subscriptions, if:
 - 7.4.1 he has been a member of any one or more of the clubs for an uninterrupted period of not less than 25 years; or
 - 7.4.2 he has been a colour holder for an uninterrupted period of not less than 25 years and a member of any one or more of the clubs, without interruption, since 1 December 1998.

NATURE OF RESOLUTION: The resolution will be proposed as a Special Resolution.

TERMS OF SPECIAL RESOLUTION:

The terms of the Special Resolution are set out above.

EFFECT OF AND REASON

FOR SPECIAL RESOLUTION: The effect of and reason for the Special Resolution is to amend the provision in the Clubs' Constitutions which relates to life membership so as to broaden the scope of qualification for life membership to include those who were previously marginalized due to the prevailing laws at the time.

ANNEXURE B

Shareholders of Gold Circle (Pty) Limited, namely the four Racing Clubs, represented by the eight elected Directors of Gold Circle (Pty) Limited are required to vote on a Special Resolution to amend the Articles of Association of Gold Circle (Pty) Limited as set out below, but in order to do so, require the approval of the Members of the Clubs by way of a Special Resolution:

GOLD CIRCLE (PTY) LIMITED:

PROPOSED RESOLUTION: RESOLVED THAT the Articles of Association of the Company be and they are amended by the deletion of the existing Article 3.12 and the insertion of the following new Article 3.12 in its place:

"to purchase or acquire in any way any immovable property, to manage, sell, lease, mortgage, dispose of, develop or grant rights to third parties in respect of any immovable property or any part thereof owned by the Company, and to conduct any undertaking in or in relation to any such immovable property."

NATURE OF RESOLUTION: The resolution will be proposed as a Special Resolution.

TERMS OF SPECIAL RESOLUTION:

The terms of Special Resolution are set out above.

EFFECT OF & REASON FOR

SPECIAL RESOLUTION: The effect of and reason for Special Resolution is to amend the Articles of Association of Gold Circle (Pty) Ltd to remedy a shortcoming in the existing Articles which will enable the Directors to acquire and dispose of immovable property in the ordinary course of Gold Circle's business operations.

RESOLUTION 10 (SPECIAL RESOLUTION)

RESOLVED THAT the Company Secretary or any Director of Gold Circle (Pty) Limited elected by the Members of the Clubs, be and they are hereby authorized to perform any act and to sign any documentation necessary for the purposes of amending the Articles of Association of Gold Circle (Pty) Limited as set out in Annexure B, with or without amendment.

ANNEXURE C

Stewards are requested to vote on a Special Resolution to amend the Articles of Association of the KwaZulu-Natal Regional Racing Association (Association incorporated under Section 21) and the Western Province Regional Racing Association (Association incorporated under Section 21) as set out below, but in order to do so, require the approval of the Members of the Clubs by way of a Special Resolution.

KWAZULU-NATAL REGIONAL RACING ASSOCIATION:

PROPOSED RESOLUTION: RESOLVED THAT the Articles of Association of the KwaZulu-Natal Regional Racing Association (Association incorporated under Section 21) be and they are hereby amended:

1. by the deletion of the existing article 1(e) and the insertion of the following article 1(e) in its place:
" (e) "The Horse Racing Authority" means The National Horse Racing Authority;"
2. by the deletion of the words "The Jockey Club" wherever they appear in the articles of association and the insertion of the words "The Horse Racing Authority" in their place;
3. by the deletion of the first two words of the existing article 37 and the insertion of the words "The stewards" in their place;
4. by the deletion of the existing article 39(d), (e) and (f) and the insertion of the following article 39(d), (e) and (f) in its place:
" (d) " if he absents himself from the meetings of the stewards, except on the association's business, for a period of six months without special leave of absence from the board, and the board resolves that his office be vacated; or
 (e) if he resigns or retires from office; or
 (f) subject to the Act, if he is removed from office by an ordinary resolution of the association in general meeting; provided that such resolution is confirmed at a separate general meeting of those members of the clubs referred to in article 17; or"

NATURE OF RESOLUTION: The resolution will be proposed as a Special Resolution.

TERMS OF THE SPECIAL

RESOLUTION: The terms of the Special Resolution are set out above.

EFFECTS OF AND REASON FOR

SPECIAL RESOLUTION: The effect of and reason for the special resolution is to amend the Articles of Association of the Company in order to correct inconsistencies therein.

WESTERN PROVINCE REGIONAL RACING ASSOCIATION:

PROPOSED RESOLUTION: RESOLVED THAT the Articles of Association of the Western Province Regional Racing Association (Association incorporated under Section 21) be and they are hereby amended:

1. by the deletion of the existing article 1(e) and the insertion of the following article 1(e) in its place:
" (e) The Horse Racing Authority" means The National Horse Racing Authority;"
2. by the deletion of the words "The Jockey Club" wherever they appear in the articles of association and the insertion of the words "The Horse Racing Authority" in their place;
3. by the deletion of the last sentence of the existing article 21 and the insertion of the following sentence in its place:
"Where a meeting has been adjourned as aforesaid, the association shall within three days of the adjournment, publish in a newspaper circulating in the Western Cape a notice stating the date, time and place to which the meeting has been adjourned, the matter before the meeting when it was adjourned and the grounds for the adjournment."
4. by the deletion of the first two words of the existing article 37 and the insertion of the words "The stewards" in their place;
5. by the deletion of the existing article 39(d), (e) and (f) and the insertion of the following article 39(d), (e) and (f) in its place:
" (d) if he absents himself from the meetings of the stewards, except on the association's business, for a period of six months without special leave of absence from the board, and the board resolves that his office be vacated; or
 (f) if he resigns or retires from office; or
 (f) subject to the Act, if he is removed from office by an ordinary resolution of the association in general meeting; provided that such resolution is confirmed at a separate general meeting of those members of the clubs referred to in article 17; or"

NATURE OF RESOLUTION: The resolution will be proposed as a Special Resolution.

TERMS OF THE SPECIAL

RESOLUTION: The terms of the Special Resolution are set out above.

EFFECTS OF AND REASON FOR

SPECIAL RESOLUTION: The effect of and reason for the Special Resolution is to amend the Articles of Association of the Company in order to correct inconsistencies therein.

Notice to Members (continued)

RESOLUTION 11 (SPECIAL RESOLUTION)

RESOLVED THAT the Company Secretary or any Director of Gold Circle (Pty) Limited elected by the Members of the Clubs, be and they are hereby authorized to perform any act and to sign any document necessary for the purposes of amending the Articles of Associations of the KwaZulu-Natal Regional Racing Association (Association incorporated under Section 21) and the Western Province Regional Racing Association (Association incorporated under Section 21).

ANNEXURE E

ADDITIONAL AGENDA ITEMS PROPOSED BY MEMBERS

In terms of Rule 17.3.7 of the Club's Constitutions, the subjects of an Annual General Meeting will include "any matter specially raised by any member in writing or by the club directors by notice given to the secretary not later than thirty five days prior to the date of the Annual General Meeting, for debate and if deemed appropriate, voting at the Annual General Meeting."

1. MEMBER – MR L M J R MAINGARD

1. The profits and/or losses earned/incurred respectively by the KwaZulu-Natal and Western Province regions of Gold Circle (Pty) Ltd for the Financial Year ended 31 July 2010.
2. The budgeted profits and/or losses respectively of the KwaZulu-Natal and Western Province regions of Gold Circle (Pty) Ltd for the Financial Year ended 31 July 2011.
3. The Strategic Action Plan of Gold Circle (Pty) Ltd for the future to return Gold Circle to its former higher levels of profitability and time lines as to when the various actions to be taken will be implemented.
4. Report back to Members on the investigation Members were informed of in October was being conducted into the conduct of Mr. J A Bescoby (John) arising from the allegations made by M H Adams (Hassen) in a letter from him published in the Sporting Post. Mr. Adams alleged that Mr. Bescoby, in his capacity as a Non-Executive Director and without the approval of the Board of Directors of Gold Circle or its Remuneration Committee had, in a failed attempt to appoint a CEO, appointed a head hunting firm for the purpose of sourcing a CEO and incurred substantial unauthorized expenditure in so doing. What was the outcome of the investigation? Who conducted the investigation? Was the investigator independent of the Board?
5. The loan of approximately R400 000 apparently made by Gold Circle (Pty) Ltd in mid-2010 to a third party catering business conducted at Clairwood race course which business has subsequently failed or closed down. Was such a loan made? Do the Articles of the Company permit the loaning of monies to third parties? What security was taken for the loan? What loss has Gold Circle incurred? Who of the Executive Directors and the Non-Executive Directors of Gold Circle made the loan, authorized the making of the loan or were aware of it being made? Has a formal investigation been conducted into this matter, and if so, when was it commenced?
6. The minutes of the Annual General Meeting to be posted on the Gold Circle website and to be made available to all members on or before 28 February 2011 and thereafter the minutes of each successive Annual General Meeting to be posted by 28 February each year.

(Secretarial note: Members are respectfully reminded that the posting of the minutes of the Annual General Meetings of both the Clubs and the Company on Gold Circle (Pty) Ltd's website would be to place them in the public domain which would not be in the best interest of the Clubs' and/or the Company, their office bearers or the industry as a whole. The Clubs have a determinable membership and Gold Circle is a proprietary company.)

2. MEMBER – MR H ADAMS

RESOLUTION 12 (SPECIAL RESOLUTION)

PROPOSED RESOLUTION:

RESOLVED THAT:

1. Gold Circle's Board of Directors to outsource the business of betting to an appropriate operator being Phumelela and to prepare an acceptable business model which apportions the benefits from the outsourced operator to KwaZulu-Natal and Western Cape in relation to the stakes formulae as described in the Shareholders' Agreement, i.e. 58 % to KwaZulu-Natal and 42% to Western Cape
2. Gold Circle's Board of Directors to create two business divisions of the Company, one for KwaZulu-Natal and one for Western Cape, with each operating as separate businesses within their geographical areas. The assets and the properties in the Western Cape to be held in a Western Cape property company and the Directors to be appointed by the Western Province Regional Racing Board. The assets and properties in KwaZulu-Natal to be held in the KwaZulu-Natal property company and the Directors to be appointed by the KwaZulu-Natal Regional Racing Board.
3. The Board of Gold Circle to use its best endeavors to investigate within the period of twelve months or sooner to dissolve the company of Gold Circle into two independently and separately owned companies, i.e. KwaZulu-Natal and the Western Cape.

NATURE OF RESOLUTION: The resolution will be proposed as a Special Resolution.

TERMS OF SPECIAL RESOLUTION: The terms of the Special Resolution are set out above.

EFFECT OF AND REASON FOR SPECIAL RESOLUTION: The effect of and reason for the Special Resolution is to authorize Gold Circle's Board of Directors to outsource the business of betting to Phumelela with the returns being apportioned in accordance with the stakes split as set out in the Shareholders' Agreement, the creation of two autonomous business jurisdictions within the Company by region, the transfer of the assets and properties into two regional companies with the respective Boards being represented by regionally appointed Directors and, within the next twelve months or sooner, to investigate the dissolution of Gold Circle into two independent and separately owned regional companies.