GOLD CIRCLE

RACING AND GAMING GROUP

ANNUAL REPORT

2012

Gold Circle Racing and Gaming Group

The Business Of Gold Circle Is:

To promote the thoroughbred racehorse through operating:

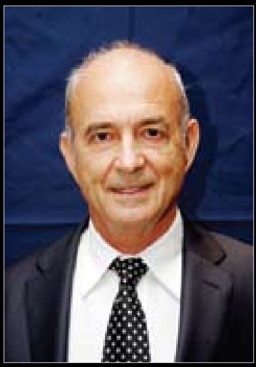
The sport of horseracing • wagering and gaming facilities • related leisure activities and media management

The Vision Of Gold Circle Is:

To be one of the most admired Racing Centres on the international horseracing circuit

Content

Board of Directors



MJR MAUVIS
(Chairperson)

GT HAWKINS

P V LAFFERTY

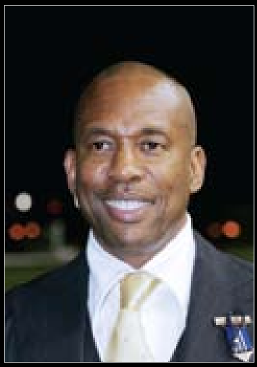
D A LATIMER

P MNGANGA

L NUNAN

G PETZER

T N PILLAY

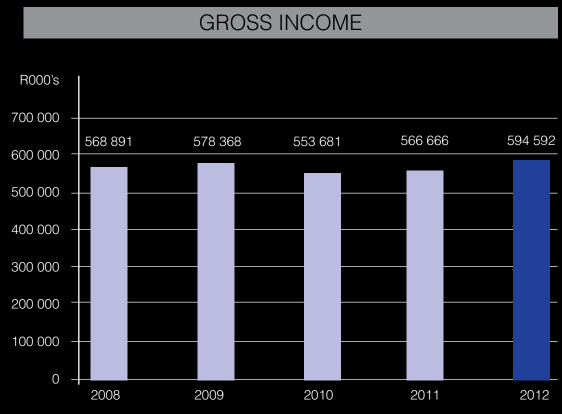


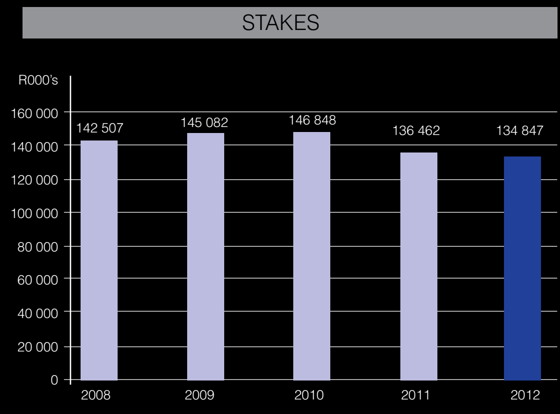
M TEMBE

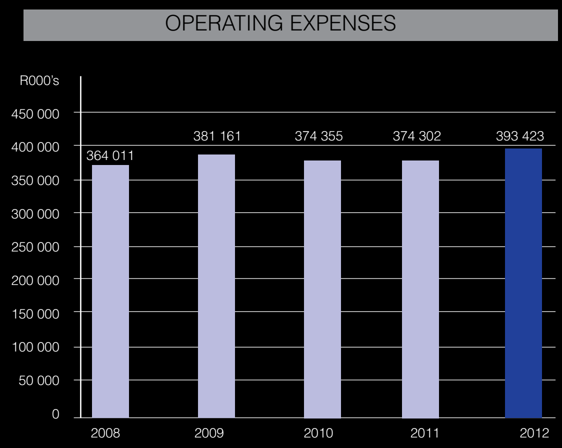
Entity Information

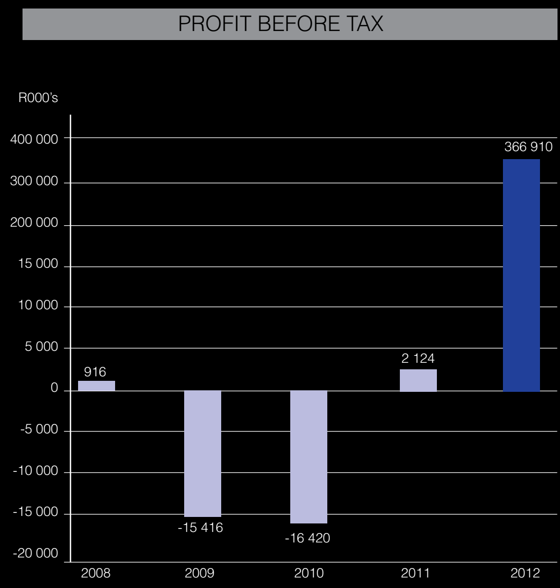
REGISTERED ADDRESS:	150 Avondale Road Durban 4001
POSTAL ADDRESS:	P.O. Box 40 Durban 4000
AUDITORS:	KPMG Durban
BANKERS:	First National Bank of SA Limited Standard Bank of SA Limited ABSA Bank of SA Limited
ATTORNEYS:	Barkers Incorporated Garlicke & Bousfield Incorporated

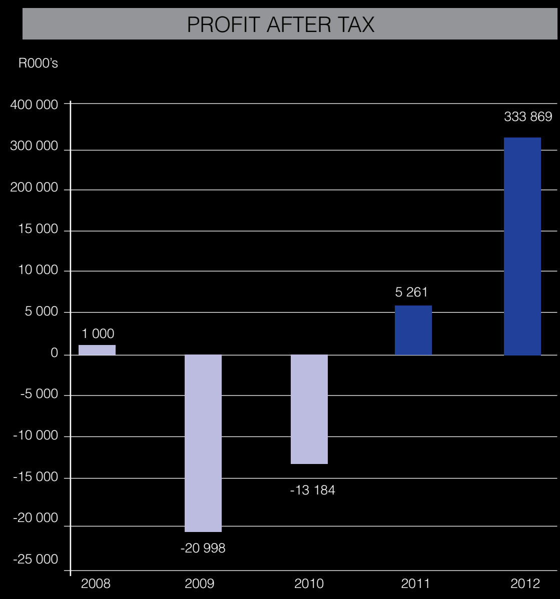
Financial Highlights











Five Year Financial Review

INCOME STATEMENTS	**2012**	2011	2010	2009	2008
BETTING INCOME	**418 141**	412 139	415 168	435 987	432 855
Other operating income					
- local operations	**143 006**	130 449	121 034	123 795	116 472
- international operations	**33 444**	24 078	17 479	18 586	19 564
GROSS INCOME	**594 592**	566 666	553 681	578 368	568 891
Operating expenses and overheads					
- Stakes	**134 847**	136 462	146 848	145 082	142 507
- Agents' commission	**36 833**	37 274	37 067	46 968	46 914
- National Horseracing Authority levies	**19 657**	18 131	17 160	17 495	16 452
- Operating expenses	**393 423**	374 211	374 355	381 161	364 011
PROFIT/LOSS FROM OPERATIONS	**9 832**	543	-21 749	-12 338	-993
Net interest	**544**	-2 689	518	-5 425	-2 253
NET PROFIT/LOSS BEFORE ITEMS BELOW	**10 376**	-2 146	-21 231	-17 763	-3 246
Profit on disposal of Clairwood Race track	**242 488**	-	-	-	-
Profit on disposal of Betting World	**31 829**	-	-	-	-
Gain on acquisition of control of Clairwood and Durban Turf Clubs	**82 216**	-	-	-	-
	366 910	-2 146	-21 231	-17 763	-3 246
Share of profit of associated company	**-**	4 316	4 811	2 347	4 162
PROFIT/LOSS BEFORE TAX	**366 910**	2 170	-16 420	-15 416	916
Income Tax	**-33 041**	3 046	3 236	-5 582	84
PROFIT/LOSS FOR THE YEAR	**333 869**	5 261	-13 184	-20 998	1 000
Attibutable to :					
Members of the Gold Circle Racing & Gaming Group	**333 869**	5 261	-12 140	-17 026	3 131
Minority share of losses attributable to Gold Circle KZN Slots (Pty) Ltd	**-**	-	-1 044	-3 972	-2 131
	333 869	5 261	-13 184	-20 998	1 000
BALANCE SHEETS					
Assets					
-Non current assets	**636 477**	799 273	815 124	824 920	538 563
-Current assets	**534 742**	58 217	50 591	41 826	31 083
TOTAL ASSETS	**1 171 219**	857 490	865 715	866 746	569 646
Equity and liabilities					
-Capital and reserves	**826 691**	629 519	625 421	618 524	402 563
-Non current liabilities	**213 373**	142 051	142 361	153 887	75 281
-Current liabilities	**131 155**	85 920	97 933	94 335	91 802
TOTAL EQUITY AND LIABILITIES	**1 171 219**	857 490	865 715	866 746	569 646
CASH FLOW STATEMENT					
Net cash flow from operating activities	**-401 436**	26 839	23 288	22 109	16 032
Net cash flow from investing activities	**429 804**	-18 293	-13 555	-12 558	-42 110
Net cash flow from financing activities	**-6 801**	-241	-5 664	6 613	5 782
Net increase/decrease in cash and cash equivalents	**21 567**	8 305	4 069	16 164	-20 296
Solvency and liquidity ratios					
Solvency ratio	**3.40**	3.76	3.60	3.49	3.41
Current ratio	**4.08**	0.68	0.52	0.44	0.34
Acid test ratio	**4.05**	0.65	0.49	0.41	0.31

Chairman's Report

INTRODUCTION

The Annual Financial Statements, together with this report for the year ended 31 July 2012, are presented on behalf of the Directors.

The 2012 financial year marked the commencement of a number of major initiatives to strengthen and reposition Gold Circle strategically, commercially and financially. The immediate focus of the reconstituted Board which took office during the second half of the previous financial year was to restore Gold Circle to a position of earning profits on a sustainable basis.

Whilst Gold Circle did record a small pre-tax profit of R2m in 2011 in line with the Board's objective, it is pleasing to report that the Company earned a profit before extraordinary items and taxation of R10m for the current 2012 year.

In November 2011, Members approved a transaction in terms of which the Western Cape operational division would be disposed of by way of a demerger.

The sale of the Clairwood Racecourse property for a consideration of R430m was successfully concluded in the last quarter of the year and the sale proceeds were received in August 2012.

FINANCIAL PERFORMANCE

Revenues of the horse racing industry in most international racing jurisdictions have continued to show sluggish revenue growths and in a number of cases declines.

Total bets struck in the Gold Circle regions amounted to R2 011m (2011: R1 982m) an increase of 1.4%. The KZN region increased to R1 444m. (2011: R1 409m) whilst the Western Cape Region declined to R567m (2011: R 573m).

Revenue received from third party bookmaking activities increased by 5% to R54m from R52m in 2011. Income from international operations, derived from the PGE partnership with Phumelela Leisure and Gaming, increased by 39% to R33m in 2012 from R24m in 2011 due to increased betting turnovers and the sale of addition product internationally.

Direct racing and other revenue of R445m includes the profit on disposal of Clairwood - R242m, the profit on disposal of the 41% shareholding in Betting World - R32m and the gain on acquisition of control of Clairwood and Durban Turf Clubs - R82m. Excluding these non-trading items, this revenue amounted to R89m, an increase of 12,3% on the comparable R79m earned in 2011.

The investment in associate company, Betting World, was disposed of with effect from 1 August 2011 which resulted in no income from associate companies being reflected for the year under review.

Gross revenues earned from operating activities i.e. excluding the non-trading items mentioned above amounted to R361m, an increase of 5,8% on the R341m earned in 2011.

Racing expenditure amounted to R351m, an increase of 4,4% on the comparable amount spent in 2011. Operating expenses relating to racecourses and training facilities amounted to R179m (2011: R164m), whilst owner stakes showed a decline to R128m (2011: R130m) due to 3 fewer race meetings taking place.

The Group achieved a profit before taxation and other comprehensive income, excluding the aforementioned non- trading items, amounting to R10m (2011: R2m). What is particularly disappointing is that whilst the KZN region generated a profit of R24m for the year (2011: R17m), the Western Cape region again performed poorly incurring a loss of R14m (2011: R15m).

The Group's profit after taxation and other comprehensive income was R349m (2011: R5m).

FINANCIAL POSITION

At 31 July 2012, the Group had total assets of R1 171m (2011: R867m) and total liabilities of R345m (2011: R393m). Excluding the loans owing to the two Clubs amounting to R78m in aggregate from liabilities, the total equity and liabilities attributable to shareholders amounted to R905m.

Cash and cash equivalents as at July 31 2012 amounted to R55m (2011: R33m). The gross proceeds on the sale of Clairwood amounting to R451m which was received in August 2012, was included under the section "Trade and other Receivables" in the balance sheet at 31 July 2012.

At 31 October, cash and cash equivalent investments held by Gold Circle amounted to R452m.

National & International Initiatives

NATIONAL

Gold Circle continues to explore avenues to improve business revenues, rationalize and reduce operating costs in order to improve profitability and thus ensure sustainability of both the company and the industry. During November 2011 members voted in favour of the initiative to dispose of the loss making Western Cape Operational Division. This is an important step to be taken to restore the company to profitability on a sustainable basis and by so doing to enable stakes increases to be effected in order to ensure the sustainability of the industry.

INTERNATIONAL

The partnership arrangement between Gold Circle and Phumelela Gaming and Leisure Limited, namely Phumelela Gold Enterprises (PGE), remains a significant source of revenue for Gold Circle and, despite the prevailing global economic conditions, again contributed materially to the Group's income. During the year PGE unbundled its shareholding in tote company Automatic Systems Limited ("ASL"), which is listed on the Mauritius stock exchange, to Gold Circle and Phumelela who, since the year end date now independently hold their shares in ASL directly . Gold Circle owns approximately 12 % shareholding in ASL.

In a similar exercise PGE will unbundle its shareholding of Phumelela Gold International to Phumelela and Gold Circle respectively.

PGE is currently regarded as an international leader in commingling of betting pools and telecasting. Whilst PGE continues to seek expansion opportunities, it is becoming increasingly challenging to grow its business in markets which have been more adversely affected by the global recession than South Africa. Whilst PGE revenues from Canada, France and USA have shown major increases in the past year, its operations in Italy and Turkey have been curtailed as a result of poor economic conditions in those countries which have impacted negatively on profitability.

Totalisator & Bookmaking

TOTALISATOR

2012 has seen major increases in sports betting which is the only area of growth Gold Circle experienced this year. The priority for outlets is improved profitability and the need to grow turnover and improve customer experience and interaction. At 31 July 2012 Gold Circle operated 45 branches and 83 agencies in the KwaZulu – Natal region and 46 branches and 14 agencies in the Western Cape. A further 3 outlets in Namibia were operated as part of the Western Cape region.

Significant investment is to be made in updating Gold Circle's infrastructure which is the backbone of its business over the next few years as well as the upgrading of retail outlets.

The Commercial Strategy Committee have identified and are working with a Chinese supplier of Self Vending Terminals who has agreed to build a custom designed terminal to suit Gold Circle's specific requirements. Five of these devices for evaluation and, if necessary modification, have been secured. Once these are operating successfully they will be rolled out on a commercial basis in the 2013 financial year. Some 530 new on-course terminals are also to be purchased to replace the existing machines, some of which are 40 years old.

BOOKMAKING

Gold Circle disposed of its 41% shareholding in Betting World (Pty) Limited to Phumelela Gaming and Leisure Limited on 1 August 2011. The decision was based on the fact that following certain decisions taken by the then Board in the 2009 and 2010, Gold Circle was no longer able to significantly influence the business and strategies of Betting World. Also, once the demerger with the Western Cape becomes effective Gold Circle would only hold 26% of the company. In addition Gold Circle derived no cash benefit from its shareholding as Betting World have been, and are committed to reinvesting profits in expanding its operations.

Limited Payout Machines

The revenues and profitability of Limited Payout Machine route operator Gold Circle KwaZulu-Natal Slots (Pty) Ltd in which Gold Circle owns 17,26% continue to be disappointing with the company again recording a loss. Gold Circle is currently in negotiations to dispose of this shareholding.

The revenues generated by Gold Circle as a site operator from LPM's situated in its betting outlets in KwaZulu-Natal (116 machines in 23 branches) and the Western Cape (100 machines in 37 branches) increased from R7m to R8m during the 2012 year.

Marketing, Communication & Information

The Vodacom Durban July and Cape Town's J&B Met were again unmatched in terms of attendance and popularity. Betting turnover on the Vodacom Durban July meeting grew by 4.7 % .The Vodacom Durban July meeting generated a net profit of R 15m, clearly demonstrating its importance to Gold Circle. Both Vodacom as sponsors of the July and Brandhouse as sponsors of the Met are exceptional partners and we record our appreciation to them particularly for their continued efforts to build these events.

Other sponsors in both regions have also been enthusiastic in their efforts to build their events, both to satisfy their own marketing objectives and to build our wonderful sport. We thank them for their contribution .

COMMUNICATIONS

The joint venture between Gold Circle Publishing and the Independent Newspapers is a powerful marketing tool for horseracing. The Independent Group provides a national platform in 9 daily newspapers, 5 Saturday and 3 Sunday newspapers with a weekly national readership of 19 million. This package is of great value to Gold Circle and the Industry.

Insofar as corporate communications in respect of the strategic wellbeing of Gold Circle are concerned, much time and effort has been spent on rebuilding the vital strong relationships which Gold Circle enjoyed with the provincial authorities, the provincial licensing authority and with Phumelela. These became very strained during 2009 and 2010 prior to the appointment of the current Board.

RACING

Gold Circle staged 188 race meetings during the 2012 financial year (2011: 191); 101 in KZN (2011: 103) and 87 in the Western Cape (2011:88). In aggregate, 1614 races were run in Gold Circle regions (2011: 1660); 887 (54.96%) in KZN and 727 (45.04%) in the Western Cape.

Total stakes paid were R 128m (2011:R130m) in aggregate: R73m (57.3 %) in KZN (2011:R73m) and R55m (42.7 %) in the Western Cape. The Champions Season and the Cape Sizzling Summer Season are the highlights of the national racing calendar. Most of the best horses in the country compete in KwaZulu-Natal and the Western Cape and the rolls of honour for all the major feature races run during these three-month racing "carnivals" contain all the "big names".

In spite of the challenging economic climate, Gold Circle patrons were treated to some tremendous action on the tracks as a superb crop of three-year-olds took centre stage.

Variety Club stamped himself as a world class "miler" with victories on the Cape Premier Yearling Sales Guineas and the Rising Sun Gold Challenge and his duel with Jackson in the Investec Cape Derby was a race to savour.

Dubai-bound Igugu rounded off her South African career with a stunning victory in the J&B Met but her absence from the three-month Champions Season left the door ajar for other champions to take the stage as Champions Season again held its place as one of the world's great racing festivals with some high-class action.

Investec Cape Derby winner Jackson was in fine form to lift the Vodacom Durban July after his victory in the Daily News 2000. However, he ran below par in the big race that produced a thrilling finish as Pomodoro edged out Smanjemanje. Separated by a small margin at the wire they were roared home by a capacity crowd of 55 000. Princess Victoria, Ebony Flyer and Beach Beauty dominated the fillies division with Princess Victoria being voted KZN Racing's Horse of the Year at a glittering season-end function, cemented by winning a thrilling duel with Ebony Flyer in the Garden Province Stakes.

In Writing rounded off the season with victory in the Ladbrokes Gold Cup giving jockey Felix Coetzee and unprecedented eighth win in the country's premier staying race. The Gold Cup meeting will now always be held on the last Saturday in July, and with four Grade 1 events on the card it provides a fitting end to Champions Season and indeed the national calendar.

Asset Utilisation

Gold Circle continues to explore opportunities to increase revenues and profitability through the better and more efficient use of its real estate assets.

The agreement entered into for the sale of the Clairwood property was concluded during the year, and as all conditions precedent, including Members approval, had been obtained, the sale transaction was recorded in the annual financial statements. Part of the sale agreement included a leaseback of the premises for a period of 2 years which will expire on 21 August 2014. Following the successful conclusion of the sale of Clairwood, the focus has now moved to the Greyville and Summerveld development proposals.

It is proposed that in addition to the existing turf track, a second synthetic, all-weather track be built at Greyville at an approximate cost of R63m. In addition Summerveld will also be upgraded to include an all-weather training track and 500 new horse boxes, the total cost of which is estimated at R92m.

Demerger

Whilst the proposed demerger of the company's KZN and Western Cape business was approved by Members in both regions, the Competition Commission unfortunately rejected the application for their approval in February 2012 which was a condition precedent to the transaction. The ruling was appealed against and the Competition Tribunal heard the appeal in October 2012.

The result of the appeal is expected before the end of November 2012.

The parties remain committed to the separation of the KZN and Western Cape businesses and will continue to explore all avenues available to achieve this separation should the appeal not be successful.

KZN Gambling Board

The newly constituted KZN Gambling Board has instituted an audit review process to establish whether or not Gold Circle is a suitable candidate to be licensed as a tote operator in KZN. Gold Circle's licenses in KZN are currently registered in the name of the Clubs and need to be transferred to Gold Circle in terms of the KZN Gaming and Betting Act. Once the audit review process is complete, public hearings will be called where Gold Circle's application and the findings of the audit review will be considered prior to the KZN Gaming and Betting Board making a final decision on whether or not to issue a licence to Gold Circle.

Transformation

Gold Circle has produced a separate document which fully describes the transformation initiatives undertaken in the past year and the targets for the future.

Personnel

At 31 July 2012, Gold Circle employed 710 full-time and 1759 part-time employees. (2011: 695 full-time and 1796 part-time employees). It is pleasing to report that the level of staff morale today is considerably higher than it was at the time of the current Board assuming office on 1 February 2011.

The majority of senior managers at present are former employees who have been re-employed on short term contracts as the management of the company had been decimated to the point where it was in a near-collapse situation. The goal of the Board is to appoint permanent managers who are able to take over the management of the company and successfully implement the strategic plan of Gold Circle as and when the current short term contracts end.

We thank Michel Nairac, the acting CEO, his management team and the staff of Gold Circle for restoring the company to a profit generating position and for the considerable effort which has been expended in the past year on strategic issues such as the demerger, the sale of Clairwood, the disposal of Betting World and the many other initiatives which have been taken to ensure Gold Circle remains profitable on a sustainable basis.

Office Bearers

I would like to express my sincere thanks to the Board Members for their contributions during this difficult past year. There was much change in the composition of the Board with the exit of the Western Cape representatives in late 2011 and the resignations of a number of KZN board members in mid-2012 due to being unable to timeously process probity documents and/or obtain documents such as police clearance and tax clearance certificates, which are required to be submitted as part of the probity examination process, and in terms of the Club Constitution and Gold Circle MOI.

Acknowledgements

The Board would like to pay special tribute to the many supporting organizations and people who, both directly and indirectly, provide the infrastructure and services necessary for Gold Circle to successfully stage the event of horseracing and contribute to its successes. Included in this group amongst others are Owners, Trainers, Jockeys, Breeders, Sponsors, Media, our betting customers and the public at large. We extend our thanks to them all for their individual contributions.

Prospects

Once the separation of the KZN and Western Cape businesses has been effected, it is anticipated that Gold Circle will be able to generate profits on a sustainable basis. This will facilitate the implementation of long term commercial strategies to benefit the remaining KZN business and stakeholders. These strategies will seek to grow and to find new and innovative sources of revenues, to better utilize the considerable assets Gold Circle owns as well as to improve the level of stakes which is essential for the racing industry in KZN.

The Board is committed to seeking an exciting and sustainable future for Gold Circle.

R Mauvis
Chairperson

Statement of Directors' Responsibility

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Gold Circle (Pty) Ltd, comprising the consolidated statement of financial position at 31 July 2012, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The consolidated annual financial statements of Gold Circle (Pty) Ltd, as identified in the first paragraph, were approved by the board of directors on 15 October 2012 and are signed on its behalf by:

Director

Director

CERTIFICATE BY COMPANY SECRETARY

In terms of section 268 G (d) of the Companies Act 1973, as amended, I certify, for the year ended 31 July 2012 that the Company has lodged with the registrar all such returns as are required in terms of the Act and that all such returns are true, correct and up to date.

D J Furness

Report of the Directors

1. Consolidated and separate annual financial statements

Separate annual financial statements for the Company have been separately presented.

2. 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.

3. Review of Results

	2012	2011
	R	R
		Restated
Profit before tax	**366 910 095**	2 265 115
Less: Profit on sale of Clairwood	**-242 488 403**	-
Less: Profit on sale of Betting World (Pty) Ltd	**-31 829 302**	-
Less gain on acquisition of control of Clairwood and Durban Turf Clubs	**-82 215 973**	-
Total Profit before tax for the year excluding the above transactions	**10 376 417**	2 265 115

4. Share Capital

The fully issued share capital comprises 2000 ordinary shares of R1 each owned as follows:

	2012	2011
Clairwood Turf Club	**500**	500
Durban Turf Club	**500**	500
Pietermaritzburg Turf Club	**500**	500
Western Province Racing Club	**500**	500
	2 000	2 000

5. Directors

The following persons acted as Directors during the year:

N P Butcher (Resigned 09/05/2012)
P G de Beyer (Resigned 14/11/2011)
R B Dunn (Appointed 13/10/2011, resigned 14/11/2011)
J H S de Klerk (Appointed 14/11/2011, resigned 09/05/2012)
L A Futeran (Resigned 14/11/2011)
G T Hawkins (Appointed 02/02/2009)*
W B W G Kobusch (Appointed 14/11/2011, resigned 01/12/2011)
P V Lafferty (Appointed 14/11/2011)*
D A Latimer (Appointed 14/11/2011)*
P L Loker (Resigned 31/10/2011)
M J R Mauvis (Chairperson) (Appointed 01/02/2011)*
Ms P Mnganga (Appointed 01/02/2011)*
C Moodley (Resigned 09/05/2012)
L Nunan (Appointed 14/11/2011)*
G Petzer (Appointed 14/11/2011)*
T N Pillay (Appointed 14/11/2011)*
A J Rivalland (Resigned 09/05/2012)
G A R Sturlese (Resigned 09/05/2012)
M Tembe (Appointed 14/11/2011)*

** Denotes current board members*

6. Demerger agreement

The demerger agreement which was approved by the members by Special Resolution on 14 November 2011 was rejected by the Competition Commission. Gold Circle has taken the decision on appeal to the Competition Tribunal which has been set down for 3 weeks in October 2012.

The directors of the Regional Racing Associations took a decision on 11 November to disband the Chapters of both regions as the demerger agreement between the two regions was approved by the membership.

7. Company Secretary

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

8. Dividends

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

9. Corporate Governance

The Audit Committee, has met with the group'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	M Tembe (Chairperson appointed 13/08/12) N P Butcher (Independant) P G de Beyer (Resigned 14/11/2011) G A R Sturlese (Independant)
Risk Committee	M Tembe (Chairperson appointed 13/08/12) N P Butcher (Independant) P G de Beyer (Resigned 14/11/2011) G T Hawkins P L Loker (Resigned 31/10/11) G A R Sturlese (Independant)
Remuneration Committee	G Petzer (Chairperson appointed 27/06/12) A J Rivalland (Resigned 27/06/12) Ms L Futeran (Resigned 14/11/2011)
Social and Ethics Committee	Ms P Mnganga (Chairperson appointed 13/12/11) G T Hawkins (Appointed 13/12/11) L Nunan (Appointed 13/12/11)

10. Subsidiaries

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

	Issued Share 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%

11. Clubs

Pursuant to a special resolution adopted by members of the Gold Circle Racing Clubs on the 14 November 2011, the membership of Durban Turf Club and Clairwood Turf Club was changed and now comprises of three members each, namely Gold Circle (Pty) Ltd and wholly owned subsidaries, Natal Racing Properties (Pty) Ltd and Gold Circle Gaming Investments (Pty) Ltd.

12. 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 group'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.

Report of the Directors (continued)

13. Investment in associate

Gold Circle disposed of its interest in Betting World (Pty) Ltd during the year.

14. Sale of Clairwood

Gold Circle successfully concluded the sale of Clairwood property in July 2012. In terms of the sale agreement Capital Property Fund has agreed to a 2 year lease back of the entire property.

15. Events after the statement of financial position date.

No material events have occurred subsequent to the statement of financial position date, save for the receipt of the sale proceeds in respect of the Clairwood property.

16. Going concern

The group's racing operator and tote licences are set to expire on 31 December 2012. Gold Circle has consulted with its attorneys and the licence renewal process is currently underway and the directors are confident that a new licence will be obtained by the 1 January 2013.

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

Independent Auditor's Report

To the Shareholders of Gold Circle (Pty) Ltd

Report on the Financial Statements

We have audited the consolidated annual financial statements of Gold Circle (Pty) Ltd, which comprise the consolidated statement of financial position at 31 July 2012, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 49.

Directors' Responsibility for the Financial Statements

The Group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 management, 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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of Gold Circle (Pty) Ltd at 31 July 2012, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other Reports Required by the Companies Act

As part of our audit of the financial statements for the year ended 31 July 2012, we have read the directors' report and the certificate by the Company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.

Per P Fay
Chartered Accountant (SA)
Registered Auditor
Director
15 October 2012


vodacom
Durban July

Consolidated Statement of Financial Position

	Notes	2012	2011	2011
		R	R	R
			Restated	
Assets				
Non-current assets				
Property, plant and equipment	*3*	**588 444 321**	757 704 237	748 598 515
Investment in associate	*4*	**-**	24 841 919	24 841 919
Investment in joint venture	*5*	**16 586 419**	16 800 525	16 800 525
Loans receivable	*7*	**23 390 046**	1 488 798	1 488 798
Intangible assets	*8*	**4 359 327**	4 487 327	4 487 327
Straightlining of lease assets		**3 696 982**	3 055 915	3 055 915
		636 477 095	808 378 721	799 272 999
Current assets				
Inventories	*9*	**2 955 453**	2 401 380	2 401 380
Trade and other receivables	*10*	**476 921 191**	21 422 686	21 422 686
Cash and cash equivalents	*11*	**54 865 695**	33 299 029	33 299 029
Current portion of straightlining of lease asset		**-**	1 093 414	1 093 414
		534 742 339	58 216 509	58 216 509
Total assets		**1 171 219 434**	866 595 230	857 489 508
Equity and liabilities				
Equity reserves				
Share capital	*12*	**2 000**	2 000	-
Retained earnings		**410 734 121**	-32 965 852	122 798 572
Revaluation reserve		**415 955 310**	506 720 530	506 720 530
Total equity		**826 691 431**	473 756 678	629 519 102
Non-current liabilities				
Borrowings	*13*	**94 834 095**	183 562 062	23 232 620
Deferred tax liability	*14*	**100 196 233**	105 076 532	100 537 828
Post employment medical aid obligations	*15*	**18 342 613**	18 280 000	18 280 000
		213 372 941	306 918 594	142 050 448
Current liabilities				
Short term portion of post employment medical aid obligations	*15*	**1 578 387**	1 573 000	1 573 000
Trade and other payables	*16*	**122 036 180**	80 208 086	80 208 086
Borrowings	*13*	**3 307 389**	3 596 557	3 596 557
Taxation payable	*17*	**4 233 106**	542 315	542 315
		131 155 062	85 919 958	85 919 958
Total liabilities		**344 528 003**	392 838 552	227 970 406
Total equity and liabilities		**1 171 219 434**	866 595 230	857 489 508

Consolidated Statement of Comprehensive Income

	Note	2012	2011	2011
		R	R	R
			Restated	
Total bets struck		**2 010 628 762**	1 982 120 453	1 982 120 453
Gross wagering revenue before provincial tax		**447 890 608**	441 942 112	441 942 112
Provincial tax		**-29 749 512**	-29 802 641	-29 802 641
Gross wagering revenue after provincial tax		**418 141 096**	412 139 471	412 139 471
Less: Tote Agents commissions paid	*20*	**-36 832 848**	-37 273 632	-37 273 632
Less: Wagering expenditure	*20*	**-196 899 267**	-192 716 415	-192 716 415
Contribution to racing from wagering activities		**184 408 981**	182 149 424	182 149 424
Add contribution to racing from third party bookmaking activities		**54 461 363**	51 629 529	51 629 529
- Stand up and information fees		**392 796**	373 421	373 421
- Tax on punters winnings		**54 068 567**	51 256 108	51 256 108
Share of income from joint venture		**33 444 406**	24 078 211	24 078 211
Share of income of associate		**-**	4 315 690	4 315 690
Net wagering revenues available for racing activities		**272 314 750**	262 172 854	262 172 854
Add: direct racing and other revenue	*18*	**445 078 466**	78 819 722	78 819 722
Gross revenues available for racing activities		**717 393 216**	340 992 576	340 992 576
Less Racing expenditure	*20*	**351 027 269**	336 038 689	336 179 968
Operating expenditure for racecourses and training facilities		**178 509 520**	163 695 543	163 836 822
NHA- regulatory costs		**19 657 079**	18 130 914	18 130 914
Stakes - Owners		**127 668 635**	129 790 044	129 790 044
- Breeders		**7 178 228**	6 671 599	6 671 599
Racing SA contributions		**804 000**	534 000	534 000
Contribution to jockeys		**17 209 807**	17 216 589	17 216 589
Net income from operations		**366 365 947**	4 953 887	4 812 608
Add: finance income	*19*	**3 014 432**	678 118	678 118
Less: finance costs	*19*	**-2 470 284**	-3 366 890	-3 366 890
Net profit before taxation		**366 910 095**	2 265 115	2 123 836
Income taxation	*21*	**-33 040 694**	2 996 219	3 045 770
Net comprehensive income after taxation		**333 869 401**	5 261 334	5 169 606
Other comprehensive income				
Revaluation of property, plant & equipment		**19 998 214**	-	-
Tax on revaluations processed to OCI		**-5 350 105**	-	-
		14 648 109	-	-
Total Comprehensive income		**348 517 510**	5 261 334	5 169 606


WINNER

Consolidated Statement of Changes in Equity

	Note	Share Capital	Revaluation Reserve	Retained Earnings	Total
Balance at 31 July 2010		**-**	**506 720 530**	**118 700 080**	**625 420 610**
Correction of error	*29*	2 000	-	-155 856 152	-155 854 152
Restated Balance as at 31 July 2010		**2 000**	**506 720 530**	**-37 156 072**	**469 566 458**
Profit for the year		-	-	5 261 334	5 261 334
Other movement in equity		-	-	-1 071 114	-1 071 114
Balance as at 31 July 2011		**2 000**	**506 720 530**	**-32 965 852**	**473 756 678**
Profit for the year		-	-	333 869 401	333 869 401
Other comprehensive income for the year		-	14 648 109	-	14 648 109
Transfer of revaluation reserve on disposal of asset		-	-128 074 478	128 074 478	-
Reversal of Betting World share of profit since acquisition		-	-	-18 782 727	-18 782 727
Deferred tax on disposal of Land and Buildings	*14*	-	30 109 482	-	30 109 482
Deferred tax through equity	*14*	-	-7 448 333	542 315	-6 906 018
Other equity adjustments		-	-	-3 494	-3 494
Balance at 31 July 2012		**2 000**	**415 955 310**	**410 734 121**	**826 691 431**

Consolidated Statement of Cash Flows

	Notes	2012	2011	2011
		R	R	R
			Restated	
Cash flows from operating activities				
Cash generated by operations	*23*	**-385 603 339**	29 527 628	29 527 628
Interest paid	*19*	**-2 470 284**	-3 366 890	-3 366 890
Interest received	*19*	**3 014 432**	678 118	678 118
Tax paid	*17*	**-16 376 843**	-	-
Net cash flows from operating activities		**-401 436 034**	26 838 856	26 838 856
Cash flow from investing activities				
Purchases of property , plant and equipment		**-16 569 193**	-12 904 116	-12 904 116
Proceeds from disposal of property, plant and equipment		**280 171 702**	86 875	86 875
Proceeds from cancellation of lease		**150 000 000**	-	-
Movement in equity accounted investee		**214 106**	-	-
Proceeds in disposal of shares in associate		**32 697 787**	-	-
Loans receivable from associates and joint ventures		**-16 710 540**	-5 475 666	-5 475 666
Net cash flows from investing activities		**429 803 862**	-18 292 907	-18 292 907
Cash flow from financing activities				
Repayment of borrowing		**-6 801 162**	-241 369	-241 369
Net cash flows from financing activities		**-6 801 162**	-241 369	-241 369
Net increase in cash and cash equivalents		**21 566 666**	8 304 580	8 304 580
Cash and cash equivalents at beginning of year		**33 299 029**	24 994 449	24 994 449
Cash and cash equivalents at the end of year	*11*	**54 865 695**	33 299 029	33 299 029

Accounting Policies

1. Accounting policies

1.1 Reporting Entity

Gold Circle (Proprietary) Limited is a company domiciled in the Republic of South Africa. The address of the group's registered office is 150 Avondale road, Greyville. The consolidated financial statements of the Group as at and for the year ended 31 July 2012 comprise the company, its subsidiaries, and joint venture (together referred to as the "Group").

The financial statements incorporate the following principal accounting policies as set out below. The accounting policies of the subsidiary are consistent with those of the holding company.

1.2 Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The consolidated financial statements were authorised for issue by the board of directors on 15 October 2012.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for land and buildings which are stated at their fair value.

The methods used to measure fair values are discussed further in note 1.2 (d) use of estimates and judgements.

(c) Functional and presentation currency

These consolidated financial statements are presented in South African Rands, rounded to the nearest Rand, which is the Group's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3 Property, plant and equipment
- Note 8 Intangible assets
- Note 13 Borrowings
- Note 14 Deferred tax liability
- Note 21 Income taxation
- Note 22 Operating lease commitments
- Note 25 Financial risk factors

1.3 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Investments in associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Joint venture are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method and are recognised initially at cost (including transaction costs). The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In the separate financial statements the investments in associates and joint ventures are measured at cost less accumulated impairments

(iii) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial Instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

The Group classifies its non-derivative financial assets as loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss.

Loans and receivables comprise: loans, trade and other receivables and cash and cash equivalents. The Company also has amounts owing by subsidiary companies.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost using the effective interest method. Cash and cash equivalents comprise cash balances and bank balances with original maturities of three months or less. Cash and cash equivalents are measured at amortised cost which approximates their fair value.

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any other categories. The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses or foreign exchange differences on debt instruments, are recognised in other comprehensive income and presented within equity in the available-for-sale fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

The Group has the following non-derivative financial liabilities: loans and borrowings, loans from shareholders, bank overdrafts and trade and other payables. The Company also has amounts owing to subsidiary companies.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(c) Property, plant and equipment

(i) Recognition and measurement

Land and buildings are shown at fair value, based on periodic, but at least three-yearly, valuations by external independent valuators, less subsequent depreciation for buildings. Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in shareholder's 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.

Movable items of property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Items of property, plant and equipment are depreciated from the date that they are installed and ready for use.

The estimated useful lives for the current and comparative periods are 25 years for buildings and between 3 and 6 years for movable assets.

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. The useful life of all assets was revised in 2012, this change in estimate has been recorded as a prior period error in respect of the 2010 financial year-end.

(d) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

(e) Investment property

Investment property is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

An external, independent valuation expert, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value's the Group's investment property every three years.

Fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein both parties had each acted knowledgeably.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first in first out (FIFO) formula. When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset and can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restricting of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against loans and receivables. When an event occurring after the impairment was recognised causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amount of the Group's non financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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

Impairment losses are recognised in profit or loss.

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

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which benefits are expected to be paid.

The Group's obligation is valued bi-annually by independent qualified valuators. The movement in the obligation is charged to profit or loss.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Employee entitlements to annual leave are recognised when they accrue. An accrual is made for the estimated liability for accumulated leave as a result of services rendered up to the reporting date.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Revenue

(i) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(ii) Goods sold

Revenue from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised once the risks and rewards of ownership have passed, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

(iii) Rental income

Rental income is recognised as revenue on a straight-line basis over the term of the lease.

(l) Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance income and finance costs

Interest income and borrowing costs are recognised as they accrue in profit or loss, using the effective interest method.

(n) Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entitled to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Deferred income

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

(p) Related parties

A party is related to the Company if any one of the following are met:

i) Directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the Company;

ii) The party is a member of the key management personnel of the entity or its parent;

iii) The party is a close member of the family of any individual referred to the above.

Close family member of the family of an individual includes:

i) The individual's domestic partner and children;

ii) Children of the individual's domestic partner; and

iii) Dependents of the individual or the individual's domestic partner.

(q) Acquisition of financial assets

Initial recognition of financial assets acquired is measured at the fair value of the asset acquired plus transaction costs that are directly attributable to the acquisition of the financial asset. Where this value is greater than consideration paid the resulting difference will be recognised as a gain on acquisition of control through profit and loss.

2. New standards and interpretations

2.1 Standards and interpretations not yet effective

Standard/ Interpretation	Effective date	
IFRS 10	Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013
IFRS 11	Joint Arrangements	Annual periods beginning on or after 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	Annual periods beginning on or after 1 January 2013
IFRS 13	Fair Value Measurement	Annual periods beginning on or after 1 January 2013
IAS 19 amendments	Employee Benefits: Defined Benefit Plans	Annual periods beginning on or after 1 January 2013
IAS 27	Separate Financial Statements (2011)	Annual periods beginning on or after 1 January 2013
IAS 28	Investments in Associates and Joint Ventures (2011)	Annual periods beginning on or after 1 January 2013
IFRS 7 amendment	Disclosures – Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after 1 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after 1 January 2014
IFRS 9 (2009)	Financial Instruments	Annual periods beginning on or after 1 January 2015
IFRS 9 (2010)	Financial Instruments	Annual periods beginning on or after 1 January 2015

All Standards and Interpretations will be adopted at their effective date.

The Directors are of the opinion that the above amendments will not have a material impact on the Entity's annual financial statements.

Notes to the Financial Statements

3. Property, plant and equipment

2012	Cost	Accumulated depreciation and impairment	Carrying amount
Freehold land	**243 060 764**	**-6 750 026**	**236 310 738**
Freehold buildings	**318 658 628**	**-47 108 517**	**271 550 111**
Leased buildings	**62 190 285**	**-27 587 532**	**34 602 753**
Plant, vehicles and equipment	**182 919 323**	**-136 938 604**	**45 980 719**
	806 829 000	**-218 384 679**	**588 444 321**

Movement in carrying amount	Freehold land and buildings	Leasehold land and buildings	Plant, vehicles and equipment	Total
Carrying amount at beginning of year	**674 297 102**	**34 670 255**	**48 736 880**	**757 704 237**
Additions	**1 943 534**	**834 144**	**13 791 515**	**16 569 193**
Revaluation of land & buildings	**19 998 214**	**-**	**-**	**19 998 214**
Disposals	**-179 556 597**	**-**	**-5 910**	**-179 562 507**
Depreciation	**-8 821 404**	**-901 646**	**-16 541 766**	**-26 264 816**
	507 860 849	**34 602 753**	**45 980 719**	**588 444 321**

2011 Restated

Property, plant and equipment	Cost	Accumulated depreciation and impairment	Carrying Amount
Freehold land	302 548 482	-6 750 026	295 798 456
Freehold buildings	442 511 361	-64 012 715	378 498 646
Leased buildings	61 356 141	-26 685 886	34 670 255
Plant, vehicles and equipment	169 713 538	-120 976 658	48 736 880
	976 129 522	-218 425 285	757 704 237

Movement in carrying amount	Freehold land and buildings	Leasehold land and buildings	Plant, vehicles and equipment	Total
Carrying amount at beginning of year	692 510 397	31 245 333	44 306 901	768 062 631
Correction of error (Note 29)	-7 068 246	-	16 032 689	8 964 443
Restated carrying amount at beginning of year	685 442 151	31 245 333	60 339 590	777 027 074
Additions	316 968	10 474	12 576 674	12 904 116
Transfers	-3 871 208	4 305 686	-434 478	-
Disposals	-		-46 051	-46 051
Depreciation	-7 590 809	-891 238	-23 698 855	-32 180 902
	674 297 102	34 670 255	48 736 880	757 704 237

The group's land and buildings were revalued on 31 July 2012 by an independent valuator. Valuations were made on the basis of recent market transactions on arm's length terms. The revaluation surplus, net of applicable deferred income taxes, was credited to non-distributable reserves.

Depreciation expense of R26 264 816 (2011: R32 180 902) has been included in 'administrative expenses.

A register detailing the descriptions, situation and date of acquisition of fixed assets is available for inspection at the registered office of the group. A mortgage bond in favour of First National Bank Limited (amounting to R20 million) is registered over the Milnerton property. Movable assets having a carrying value of R8 013 940 (2011: R9 186 639) are held under finance leases. If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2012	2011	2011
	R	R	R
		Restated	
Cost	**75 744 696**	73 801 162	73 801 162
Accumulated depreciation and impairment	**-33 344 533**	-24 625 170	-24 625 170
	42 400 163	49 175 992	49 175 992

4. Investment in associates

Betting World (Pty) Ltd

Shares at cost	**868 484**	868 484	868 484
Share of retained income	**18 782 727**	18 782 727	18 782 727
	19 651 211	19 651 211	19 651 211
Loan account	**-**	5 190 708	5 190 708
Sale of investment	**-19 651 211**	-	-
	-	24 841 919	24 841 919

Gold Circle (Pty) Ltd held a 41% (2011: 41%) interest in Betting World (Pty) Ltd. This interest was fully disposed of on 01 August 2011 the loan account was also settled on this date. Previously the loan was unsecured with no fixed repayment date and interest of 8% per annum.

5. Investment in joint venture	**2012**	2011	2011
	R	R	R
		Restated	
Phumelela Gold Enterprises Partnership			
Investment in PGE and its subsidiary	**40 459 454**	31 729 277	31 729 277
Loan account	**-23 873 035**	-14 928 752	-14 928 752
	16 586 419	16 800 525	16 800 525

The loan is unsecured, bears no interest and has no fixed date for repayment. The group has a legally enforceable right to offset balances owing and receivable with Phumelela Gaming and Leisure, and intends to realise the asset and settle the liability on a net basis or simultaneously.

Notes to the Financial Statements

The summarised financial information of the partnership is as follows:

	2012	2011	2011
	R	R	R
		Restated	
Assets	**87 724 000**	136 326 000	136 326 000
Liabilities	**57 109 000**	102 919 000	102 919 000
Revenue	**195 109 000**	231 238 000	231 238 000
Profit	**85 097 000**	61 449 000	61 449 000

Gold Circle (Pty) Ltd has a 39% interest and profit share (2011: 39%) in Phumelela Gold Enterprises which is a joint venture between Gold Circle (Pty) Ltd (Pty) Ltd and Phumelela Gaming and Leisure Limited.

	2012	2011	2011
	R	R	R
6. Investment in Clubs		Restated	
Gold Circle Loan receivable - Clairwood Turf Club	**-**	-	-
Gold Circle Loan receivable - Durban Turf Club	**-**	-	-

The above loans have no fixed repayment terms and are interest free. The future repayment date on these loans cannot be reasonably determined, the directors do not anticipate that the loans will be repaid within the next 12 months. In terms of the new constitution Gold Circle (Pty) Ltd., Natal Racing Properties (Pty) Ltd. and Gold Circle Gaming Investments (Pty) Ltd are the only members of Clairwood Turf Club and Durban Turf Club. Accordingly Gold Circle Group effectively controls both Clairwood and Durban Turf Club, however as both entities are dormant they do not meet the definition of a business and the acquisition is thus treated as an acquisition of a financial asset for zero consideration. As Gold Circle effectively controls both the loan liabilities and the loan receivables with respect to these clubs the balances have been offset.

7. Loans receivable	**2012**	2011	2011
	R	R	R
Unsecured		Restated	
PGE Mauritius	**5 159 822**	-	-
Phumelela Gaming & Leisure Limited – KZN	**1 454 289**	-	-
Phumelela Gaming & Leisure Limited – WP	**15 287 137**	-	-
Horseracing S A (Pty) Ltd	**1 488 798**	1 488 798	1 488 798
	23 390 046	1 488 798	1 488 798

The loan to PGE Mauritius is unsecured and bears no interest. The loan is to be utilized to purchase shares in ASL Limited. The loan is not expected to be repaid within the next 12 months.

The Phumelela loans bear interest at the call rate ruling from time to time at Phumelela Gaming & Leisure Ltd's bankers. The loans are repayable when the demerger with the Western Cape division of Gold Circle is finalised. The loan is not expected to be repaid within the next 12 months.

The Horseracing SA (Pty) Ltd loan is interest free and has no fixed date for repayment. The loan is not expected to be repaid within the next 12 months.

8. Intangible assets	**2012**	2011	2011
	R	R	R
		Restated	
Goodwill	**4 359 327**	4 487 327	4 487 327

Goodwill arose as a result of the acquisition of agency outlets.

The carrying amount of goodwill was subject to an impairment test at statement of financial position date. Impairment tests conducted at year-end indicated no requirement for impairment during the year. The underlying key assumptions of the test of impairment include, but are not limited to, cash flow forecasts. Such forecasts are performed utilising growth in revenue based on inflation rate (2012: 4.9%, 2011: 5.3%) and expected tax rate (2012: 28%, 2011 28%).

9. Inventories

	2012	2011	2011
	R	R	R
		Restated	
Finished goods	**2 955 453**	2 401 380	2 401 380

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to R9 913 764 (2011: R10 446 051).

10. Trade and other receivables

Trade receivables	**19 744 687**	12 901 567	12 901 567
Less provision for impairment of receivables	**-387 753**	-813 538	-813 538
Trade receivables - net	**19 356 934**	12 088 029	12 088 029
Other receivables	**4 806 857**	8 551 840	8 551 840
Prepayments	**1 757 400**	782 817	782 817
Proceeds - sale of Clairwood	**451 000 000**	-	-
	476 921 191	21 422 686	21 422 686

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.

	2012	2011	2011
	R	R	R
		Restated	
Trade receivables can be analysed as follows:			
Neither past due nor impaired	**16 183 933**	10 311 904	10 311 904
Past due but not impaired	**3 173 001**	1 776 125	1 776 125
Past due and impaired	**387 753**	813 538	813 538
Impairment against these receivables	**-387 753**	-813 538	-813 538
	19 356 934	12 088 029	12 088 029
- 60 days to 90 days	**614 759**	1 166 711	1 166 711
- 90 days to 120 days	**1 147 166**	215 474	215 474
- 120 days to 150 days	**277 221**	192 225	192 225
- greater than 150 days	**1 133 855**	201 715	201 715
	3 173 001	1 776 125	1 776 125
The movement in the allowance for impairment is as follows:			
At beginning of the year	**-813 538**	-266 350	-266 350
Trade receivables written off during the year	**813 538**	636 758	636 758
Increase in impairment	**-387 753**	-1 183 946	-1 183 946
At end of the year	**-387 753**	-813 538	-813 538

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 Statements

11. Cash and cash equivalents	2012	2011	2011
	R	R	R
		Restated	
Bank balances	**46 487 135**	17 358 001	17 358 001
Cash on hand	**8 378 560**	15 941 028	15 941 028
	54 865 695	33 299 029	33 299 029

Guarantees

Gold Circle (Pty) Ltd has the following Guarantees in place:

In favour of	Value	Bank	Review Date
KwaZulu-Natal Bookmakers Control Committee	100 000	Standard Bank	20/02/2013
Artemis Properties (Pty) Ltd	110 000	FNB	31/05/2017
Pinetown Regional Water	69 285	FNB	31/12/3035
SA Retail Properties (Pty) Ltd	98 504	FNB	31/07/2016
South African Breweries Ltd	170 000	FNB	31/12/2025
Eskom	117 945	FNB	31/12/2025
Ethekwini Municipality	1 260 921	FNB	31/12/2025
KZN Gambling Board	200 000	FNB	31/12/2025

Securities

Standard bank holds an unrestricted suretyship by Western Province Racing Club over Gold Circle (Pty) Ltd. First National Bank holds suretyships from Clairwood Turf Club, Durban Turf Club, Pietermaritzburg Turf Club and Natal Racing Properties (Pty) Ltd for all balances owing to the bank.

Facilities

Gold Circle (Pty) Ltd has overdraft facilities of R11 000 000 and contingent facilities of R2 600 000 with FNB, due for review on 31 August 2013.

12. Share capital	2012	2011	2011
	R	R	R
		Restated	
Authorised			
2 000 ordinary shares of R1 each	**2 000**	2 000	-

No dividends were declared or paid during the year.

13. Borrowings			
Non-current - shareholders loans			
Clairwood Turf Club	**-**	41 418 347	-
Durban Turf Club	**-**	40 797 626	-
Gold Circle Racing Club	**39 458 881**	39 458 881	-
Western Province Racing Club	**38 654 588**	38 654 588	-
	78 113 469	160 329 442	-

Non-current - other			
Bank borrowings	**13 329 732**	16 664 426	16 664 426
Finance lease liabilities	**3 390 894**	6 568 194	6 568 194
	16 720 626	23 232 620	23 232 620
Total non- current liabilities	**94 834 095**	183 562 062	23 232 620
Current			
Bank borrowings	**3 307 389**	2 496 557	2 496 557
Other – Lentdale	**-**	1 100 000	1 100 000
	3 307 389	3 596 557	3 596 557
Total current and non- current liabilities	**98 141 484**	187 158 619	26 829 177

Shareholders loans

Shareholders loans have no fixed repayment terms and are interest free, save for the loan owing to Western Province Racing Club which in terms of the provisions of the demerger agreement is to be repaid upon the demerger becoming unconditional. The future repayment date on these loans cannot be reasonably determined as approval from the competition regulatory authorities is still to be obtained in respect of the demerger. The Directors do not anticipate the shareholder loans to be repaid within the next 12 months. In terms of the new constitution Gold Circle (Pty) Ltd, Natal Racing Properties (Pty) Ltd and Gold Circle Gaming Investments (Pty) Ltd are the only members of Clairwood Turf Club and Durban Turf Club. Accordingly Gold Circle Group effectively controls both Clairwood and Durban Turf Clubs, however as both entities are dormant they do not meet the definition of a business and the acquisition is thus treated as an acquisition of a financial asset for zero consideration. As Gold Circle effectively controls both the loan liabilities and loan receivables with respect to these clubs the balances have been offset.

Bank borrowings

Bank borrowings are as follows:

- Nedbank loan maturing on 1 December 2013 and this loan bears interest at 10.960%. This loan was repaid on 1 October 2012.
- FNB bank loan maturing on 1 February 2019, and this loan bears interest at prime less 1.50%

The Nedbank loan is secured by unlimited suretyship by Natal Racing Properties (Pty) Ltd. The fair value of current borrowings equals their carrying amount, as such the impact of discounting is not significant.

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

Finance lease liabilities

Finance lease obligations secured by lease agreements over property, plant and equipment with a carrying value of R8 013 940 (2011: R9 186 639). Finance lease obligations bear interest at rates between prime and prime less 1,5%.

	Note	**2012**	2011	2011
		R	R	R
			Restated	
Finance lease liability		**9 375 646**	9 986 274	9 986 274
Less: Payable within one year		**-5 984 752**	-3 418 080	-3 418 080
		3 390 894	6 568 194	6 568 194
Minimum lease payments are due as follows:				
Due within one year		**5 984 752**	3 418 080	3 418 080
Due within two and five years		**3 390 894**	6 568 194	6 568 194
		9 375 646	9 986 274	9 986 274

Notes to the Financial Statements

	Note	2012	2011	2011
		R	R	R
			Restated	
14. Deferred tax liability				
Opening balance		**105 076 532**	103 583 598	103 583 598
Correction of error	*29*	**-**	4 489 153	
		105 076 532	108 072 751	103 583 598
Prior period over provision		**-810 129**		
Temporary differences		**-3 554 335**	-2 996 219	-3 045 770
Utilisation of assessed loss		**16 795 209**	-	-
Change in capital gains tax rate – through equity		**8 816 319**	-	-
Temporary difference through OCI		**5 350 105**	-	-
Release of deferred tax on sale of Clairwood – through equity		**-30 109 482**	-	-
Prior period over provision – through equity		**-1 367 986**	-	-
		100 196 233	105 076 532	100 537 828
Comprises:				
Revaluation of property		**100 972 661**	122 567 089	122 467 986
Provisions		**-5 577 880**	-7 826 069	-7 826 069
Capital allowances and finance leases		**8 102 138**	7 650 636	3 211 035
Assessed loss		**-**	-16 427 893	-16 427 893
Accruals and prepayments		**-3 300 686**	-887 231	-887 231
		100 196 233	105 076 532	100 537 828

15. Medical aid benefits

Defined benefit plans

Medical aid

The group's obligation towards the post-retirement medical aid obligation was actuarially calculated as at 31 July 2011 and projected for the 31 July 2012 by Alexander Forbes Health (Pty) Ltd and is disclosed in accordance with International Accounting Standard 19: Employee Benefits, as follows:-

	2012	2011	2011
	R	R	R
		Restated	
Consolidated Statement of Financial Position			
Present value of funded obligations	**19 921 000**	19 853 000	19 853 000
Non-current portion	**18 342 613**	18 280 000	18 280 000
Current portion	**1 578 387**	1 573 000	1 573 000
Fair value of plan assets	**-**	-	-
	19 921 000	19 853 000	19 853 000
Consolidated Statement of Comprehensive Income			
Service cost	**42 000**	59 000	59 000
Interest cost	**1 661 000**	1 631 000	1631 000
Actuarial loss recognised	**-**	1 719 000	1719 000
Amount recognised in consolidated Statement of Comprehensive Income	**1 703 000**	3 409 000	3 409 000

Movement in the net liability recognised in the consolidated statement of financial position

Opening value	**19 853 000**	17 929 000	17 929 000
Employer contributions	**-1 635 000**	-1 485 000	-1 485 000
Amount recognised in consolidated statement of comprehensive income	**1 703 000**	3 409 000	3 409 000
Closing value	**19 921 000**	19 853 000	19 853 000

Key Valuation Assumptions

Discount Rate	**8.75%**	8.75%	8.75%
Medical inflation rate	**7.75%**	7.75%	7.75%

Health care cost inflation

The valuation basis assumes that the health care cost inflation rate will remain constant in the long term. The effect of a one percent increase and decrease in the health care cost inflation rate is as follows:

	1% increase	Valuation basis	1% decrease
	R'000	R'000	R'000
Employer's accrued liability	**1 843 000**	**19 921 000**	**-1 612 000**
Employer's service and interest cost	**167 000**	**1 703 000**	**-145 000**

Therefore, a 1% increase in the health care cost inflation assumption will result in a 9.3% increase in the accrued liability. Similarly, a 1% decrease in the health care cost inflation assumption will result in a 8.1% decrease in the accrued liability.

16. Trade and other payables

	2012	2011	2011
	R	R	R
		Restated	
Amount due to punters	**5 775 730**	7 004 074	7 004 074
Breeders premiums	**5 585 225**	4 959 580	4 959 580
Provision for leave pay	**6 215 189**	6 945 675	6 945 675
Rental provision	**1 721 083**	1 763 375	1 763 375
Trade creditors and accruals	**66 008 953**	46 047 387	46 047 387
Short term portion of leases	**5 984 752**	3 418 080	3 418 080
Telephone Betting	**4 311 889**	3 976 290	3 976 290
VAT	**26 433 359**	6 093 625	6 093 625
	122 036 180	80 208 086	80 208 086

17. Tax paid

Balance at the beginning of the year	**542 315**	-	-
Current tax for the year recognised in the statement of comprehensive income	**20 609 949**	-	-
Tax liability (reversed) raised through equity	**-542 315**	542 315	542 315
Balance receivable/(payable) at year end	**-4 233 106**	-542 315	-542 315
Tax paid	**16 376 843**	-	-

18. Direct racing and other revenues

Profit on disposal of Clairwood	**242 488 403**	-	-
Profit on disposal of Betting World	**31 829 302**	-	-
Less gain on acquisition of control of Clairwood and Durban Turf Clubs	**82 215 973**	-	-
Racemeeting and stabling	**67 718 988**	65 364 063	65 364 063
Other revenue	**20 825 800**	13 455 659	13 455 659
	445 078 466	78 819 722	78 819 722

Notes to the Financial Statements

19. Net finance income/cost	2012	2011	2011
	R	R	R
		Restated	
Finance income	**3 014 432**	678 118	678 118
Finance costs	**-2 470 284**	-3 366 890	-3 366 890
	544 148	-2 688 772	-2 688 772

20. Expenses by nature	2012	2011	2011
	R	R	R
		Restated	
The following items have been included in arriving at operating profit:			
Advertising, events and promotions	**17 289 996**	16 031 169	16 031 169
Audit fee	**420 000**	610 763	610 763
Cash collection costs	**3 261 540**	3 014 810	3 014 810
Catering costs	**7 260 043**	7 258 598	7 258 598
Contribution to jockey's remuneration	**17 209 807**	17 216 589	17 216 589
Depreciation (including impairment)	**26 392 816**	32 180 902	32 322 181
Directors emoluments	**408 200**	-	-
Employee benefits	**131 924 722**	130 349 903	130 349 903
Insurance costs	**1 712 462**	2 108 972	2 108 972
Licence fees and subscriptions	**34 235 436**	30 621 074	30 621 074
Operating lease rentals			
- Property	**17 372 445**	17 691 484	17 691 484
- Equipment and vehicles	**3 645 310**	3 204 094	3 204 094
Printing costs	**7 882 606**	6 056 142	6 056 142
Race meeting expenses	**9 563 293**	9 353 878	9 353 878
Regulatory costs (National Horseracing Authority)	**19 657 079**	18 130 914	18 130 914
Repairs and maintenance	**21 816 991**	17 483 799	17 483 799
Security expenses	**9 626 505**	8 888 152	8 888 152
Service fee (Saftote)	**10 054 177**	9 932 141	9 932 141
Stakes - owners	**127 668 635**	129 790 044	129 790 044
- breeders	**7 178 228**	6 671 599	6 671 599
Tote agents commission paid	**36 832 848**	37 273 632	37 273 632
Transformation fund	**671 708**	618 657	618 657
Utility costs	**28 005 580**	24 383 083	24 383 083
Other operating expenses	**44 668 957**	37 158 337	37 158 337
	584 759 384	566 028 736	566 170 015
Reconciled to expense by function			
Agent commissions paid	**36 832 848**	37 273 632	37 273 632
Wagering expenditure	**196 899 267**	192 716 415	192 716 415
Racing expenditure	**351 027 269**	336 038 689	336 179 968
	584 759 384	566 028 736	566 170 015

21. Income taxation

	%	2012 R	%	2011 R Restated	%	2011 R
Current taxation		**20 609 949**				
Deferred tax - temporary differences		**-3 554 335**		-2 996 219		-3 045 770
Deferred tax - prior period over provision		**-810 129**		-		-
Deferred tax - utilisation of assessed loss		**16 795 209**				
		33 040 694		-2 996 219		-3 045 770
Reconciliation of tax charged	**%**		%		%	
Profit before tax charge		**366 910 095**		2 265 115		2 123 836
Income tax at 28%	**28**	**102 734 827**	28	634 232	28	594 674
Permanent differences comprising:						
- Capital profit on sale of assets	**(28)**	**-79 036 357**		-		-
- Other	**0.4**	**1 211 552**	-160	-3 630 451	-171	-3 640 444
- Less gain on acquisition of control		**-23 020 473**				
Capital gains tax	**11**	**31 961 274**		-		-
Deferred tax - prior over provision	**0.3**	**-810 129**		-		-
	11.7	**33 040 694**	-132	-2 996 219	-143	-3 045 770

In the prior year no current taxation was provided as the company had an estimated assessed loss of R 57 055 632.

The deferred tax asset is respect of Cape Racing Properties has not been recognised as it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom. (2012: R1 319 359, 2011: R89 109)

22. 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:

	2012 R	2011 R Restated	2011 R
Due within one year	**1 008 000**	1 008 000	1 008 000
Due within two and five years	**4 032 000**	4 032 000	4 032 000
Due after five years	**53 179 000**	54 187 000	54 187 000

Notes to the Financial Statements

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 on-course turnover and the rateable value of land. The future lease commitment on the current basis is as follows:

	2012	2011	2011
	R	R	R
		Restated	
Due within one year	**311 196**	311 196	311 196
Due within two and five years	**1 244 784**	1 244 784	1 244 784
Due after five years	**7 157 5008**	7 468 704	7 468 704
The group leases certain other properties, the future commitments being as follows:			
Due within one year	**12 586 550**	10 211 496	10 211 496
Due within two and five years	**12 858 122**	17 468 570	17 468 570
The group leases certain of its plant, equipment and vehicles in terms of operating leases as follows:			
Due within one year	**2 633 220**	1 727 499	1 727 499
Due within two and five years	**3 708 089**	2 480 539	2 480 539

23. Cash generated by operations

Net profit before tax	**366 910 095**	2 265 115	2 123 836
Adjustments for:			
Depreciation	**26 264 816**	32 180 902	32 322 181
Impairment	**128 000**	-	-
Non-cash movement through equity	**-3 497**		
Profit on disposal of property, plant and equipment	**-100 609 193**	-80 799	-80 799
Profit on cancellation of lease	**-150 000 000**	-	-
Gain on acquisition of control of Clairwood and Durban Turf Clubs	**-82 215 973**		
Profit on disposal of shares in associate	**-31 829 302**	-	-
Interest received	**-3 014 432**	-678 118	-678 118
Interest paid	**2 470 284**	3 366 890	3 366 890
Post-retirement medical obligation	**68 000**	1 924 000	1 924 000
Lease receivable	**452 347**	1 583 101	1 583 101
	28 621 145	40 561 091	40 561 091
Changes in working capital	**-414 224 484**	-11 033 463	-11 033 463
Inventories	**-554 073**	277 773	277 773
Trade and other receivables	**-455 498 505**	192 182	192 182
Trade and other payables and provisions	**41 828 094**	-11 503 418	-11 503 418
Cash generated from operations	**-385 603 339**	29 527 628	29 527 628

24. Capital Commitments

	2012	2011	2011
	R	R	R
		Restated	
Authorised and contracted for	**4 500 000**	300 000	300 000
Authorised and not contracted for	**12 700 000**	-	-
	17 200 000	300 000	300 000

25. Financial risk factors

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

Risk management is carried out by the board of directors.

(a) Market risk

(i) Foreign exchange risk

The foreign exchange exposure for Gold Circle (Pty) Ltd is limited to the loan to PGE Mauritius. The Gold Circle Group is further exposed to foreign exchange risk through its partnership in PGE, which risk is managed internally by PGE.

(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.

(iii) Cash flow and fair value interest rate risk

The group'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) Interest rate risk

The group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in short-term receivables and payables are not exposed to interest rate risk. The group holds loans with interest rates of prime less 1.5% and 10.96%, refer to note 12.

If interest rates had been 100 basis points higher/lower and all other variables held constant, the group's profit before tax would increase/decrease by R60 460 (2011: R298 750)

(d) 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 need's while 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 group's financial liabilities into relevant maturity groupings. The impact of discounting is not significant.

Notes to the Financial Statements

	Less than 1 year	Between 2 & 5 years	Over 5 years
As at 31 July 2012			
Trade and other payables and provisions	**122 036 180**	**-**	**-**
Borrowings	**3 307 389**	**10 489 285**	**2 840 448**
Finance lease liability*	**5 984 752**	**3 390 894**	**-**
As at 31 July 2011			
Trade and other payables and provisions	80 208 086	-	-
Borrowings	43 596 557	5 613 353	11 051 073
Finance lease liability*	3 418 080	6 568 194	-

*Current portion of finance lease liability is included in trade and other payables.

Management monitors its projected cash flow requirements against cash and cash equivalents and undrawn borrowing facilities. At year end the group's position was as follows:

	2012	2011	2011
	R	R	R
		Restated	
Cash resources	**54 865 695**	33 299 029	33 299 029
Undrawn borrowing facilities	**11 000 000**	20 000 000	20 000 000
Total available resources	**65 865 695**	53 299 029	53 299 029

Fair value estimation

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

Capital risk management

The group's objectives when managing capital are to safeguard the group'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.

26. Subsidiaries of Gold Circle (Pty) Ltd

	Issues Share capital	% holding	Issued share capital	% holding
	2012	2012	2011	2011
Directly held				
Cape Racing Properties (Pty) Ltd	1 000	100	1 000	100
Gold Circle Racing and Gaming Investments (Pty) Ltd	100	100	100	100
Natal Racing Properties (Pty) Ltd	150 000	100	150 000	100

27. Related parties

27.1 Identity of related parties

Related party transactions have been conducted on an arm's length basis. The holding entities of Gold Circle (Pty) Ltd are Clairwood Turf Club, Durban Turf Club, Gold Circle Racing Club (formally known as Pietermaritzburg Turf Club) and Western Province Racing Club which each hold 25% of the group's ordinary shares (2011: 25%).

The associates and subsidiaries of the group are identified in note 5 and 25 respectively.

The directors are listed in the directors' report.

N P Butcher (Resigned 09/05/2012)
P G de Beyer (Resigned 14/11/2011)
R B Dunn (Appointed 13/10/2011, resigned 14/11/2011)
J H S de Klerk (Appointed 14/11/2011, resigned 09/05/2012)
L A Futeran (Resigned 14/11/2011)
G T Hawkins (Appointed 02/02/2009)*
W B W G Kobusch (Appointed 14/11/2011, resigned 01/12/2011)
P V Lafferty (Appointed 14/11/2011)*
D A Latimer (Appointed 14/11/2011)*
P L Loker (Resigned 31/10/2011)
M J R Mauvis (Chairperson) (Appointed 01/02/2011)*
Ms P Mnganga (Appointed 01/02/2011)*
C Moodley (Resigned 09/05/2012)
L Nunan (Appointed 14/11/2011)*
G Petzer (Appointed 14/11/2011)*
T N Pillay (Appointed 14/11/2011)*
A J Rivalland (Resigned 09/05/2012)
G A R Sturlese (Resigned 09/05/2012)
M Tembe (Appointed 14/11/2011)*

* Denotes current Directors

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

27.2 Related parties transactions

The following related party transactions have occurred
as well as balances payable and receivable at 31 July 2012.

	2012	2011	2011
	R	R	R
Phumelela Gold Enterprises		Restated	
Expenses			
Subscriptions expense	**11 025 224**	10 664 436	10 664 436
Royalties – International	**12 532 749**	7 963 775	7 963 775
Royalties – Zimbabwe	**45 181**	449 558	449 558
Income			
T V Production income	**-324 900**	-279 961	-279 961
Transactions and balances at year end			
Loan account	**-23 873 035**	-14 928 752	-14 928 752
Investment in PGI Limited	**7 950 330**	7 271 089	7 271 089
Share of profit of PGE exclusive of equity share of PGI Limited	**32 509 124**	24 458 188	24 458 188
Amounts included in trade and other payables	**-2 614 965**	1 117 109	1 117 109
Amounts included in trade and other receivables	**3 815 728**	157 773	157 773
Betting World	**-**		
Administration fees	**-**	-34 440	-34 440
Commission paid	**-**	2 305 184	2 305 184
Rental received	**-**	-1 886 978	-1 886 978
Interest received on shareholders loan	**-**	-462 111	-462 111
Gold Circle Kwazulu-Natal Slots (Pty) Ltd			
- LPM commissions received	**2 713 353**	3 216 975	3 216 975
- Administration fees received	**-**	237 626	237 626

Notes to the Financial Statements

27.2 Related parties transactions (continued)

	2012	2011	2011
	R	R	R
		Restated	
Non Executive Directors Fees			
N P Butcher	**47 500**	-	-
J H S de Klerk	**35 000**	-	-
P V Lafferty	**30 000**	-	-
D A Latimer	**30 000**	-	-
M J R Mauvis	**45 000**	-	-
P Mnganga	**55 000**	-	-
C Moodley	**7 500**	-	-
L Nunan	**35 000**	-	-
G Petzer	**17 500**	-	-
T N Pillay	**22 500**	-	-
A J Rivalland	**48 200**	-	-
G A R Sturlese	**20 000**	-	-
M Tembe	**15 000**	-	-
Executive Director and Prescribed officers			
Salary and short-term employee benefits			
- P L Loker	**1 091 348**	1 060 000	1 060 000
- G T Hawkins	**1 141 944**	1 087 560	1 087 560
- L Nachito	**-**	921 134	921 134
- D J Furness	**349 925**	-	-
- M Smith	**555 684**	416 902	416 902
- M J L Nairac	**1 884 906**	114 800	114 800
- V Nathan	**589 056**	-	-
27.2 Related parties transactions			
Material transactions with Directors of Gold Circle (Pty) Ltd			
Tote agency commission direct and in partnership			
- director interest TN Pillay	**1 575 734**	1 613 930	1 613 930
Shepstone & Wylie – legal expenses			
director interest Bruce Armstrong	**-**	98 587	98 587
Consulting fees - Demerger			
A J Rivalland	**-**	75 000	75 000
R J Bloomberg	**-**	75 000	75 000
V L Thurling	**-**	75 000	75 000

28. Subsequent events

Save for the receipt of the Clairwood sale proceeds no material events have occurred subsequent to the statement of financial position date. The outcome of the demerger appeal hearing with the Competitions Tribunal which took place in October 2012 is expected during November 2012.

29. Correction of errors

29.1 The reassessment of the useful lives of property, plant and equipment, as required by IAS 16, was not undertaken in previous years. The exercise was performed in the current year and it became evident that useful lives had been under-estimated. The reassessment of useful life is, per IAS 8, a change in estimate, however as the group did not make this change in estimate in prior years when the need for adjustment actually arose, it has been disclosed as an error.

The financial impact of this adjustment is:

	2010
	R
Decrease in property, plant and equipment accumulated depreciation	16 032 689
Increase in deferred tax liability	4 489 153
Increase in retained earnings	11 543 536

	2011
	R
Increase in depreciation	176 967
Increase in property, plant and equipment accumulated depreciation	176 967
Increase in deferred tax expense	49 551
Increase in deferred tax liability	49 551

29.2 The group incorrectly consolidated its holding clubs in the previous financial years.

The financial impact of this adjustment is:

	2010
	R
Decrease in retained earnings	160 331 442
Increase in shareholder loans	160 329 442
Increase in share capital	2 000

29.3 The group utilises the expertise of two independent valuators to value the land and buildings of both the holding company and its subsidiaries. The valuation provided by one valuator for the land and buildings in Cape Racing Properties Pty Ltd in 2009 was significantly lower than the purchase price. A second opinion was then obtained from another valuator which was then used in the financial statements.

The valuation obtained in the 2012 financial year reflected that the original opinion provided by the first valuator represented the true value of the building, thereby indicating that the movement in the carrying value is attributable to a correction of error.

The financial impact of this adjustment is:

	2010
	R
Decrease in retained earnings	7 068 246
Decrease in property plant and equipment	7 068 246

	2011
	R
Decrease in impairment loss	318 246
Increase in property, plant and equipment	318 246

This adjustment relates to Cape Racing properties, no adjustment has been made for deferred tax as the subsidiary is unlikely to earn future profits against which the deferred tax asset may be utilised.

Regional Results

	GOLDCIRCLE		KZN REGION		WP REGION	
	2012	2011	**2012**	2011	**2012**	2011
	R	R	**R**	R	**R**	R
TOTAL BETS STRUCK	**2 010 628 762**	1 982 120 452	**1 444 033 988**	1 408 958 422	**566 594 774**	573 162 030
Gross Wagering revenue	**447 890 608**	441 942 112	**316 632 298**	308 036 343	**131 258 310**	133 905 769
Provincial Tax	**-29 749 512**	-29 802 641	**-22 067 657**	-21 553 576	**-7 681 854**	-8 249 065
Net Wagering revenue	**418 141 096**	412 139 471	**294 564 641**	286 482 767	**123 576 455**	125 656 704
Less - Agents commission						
& other direct costs	**-36 832 848**	-37 273 632	**-30 894 587**	-30 732 693	**-5 938 261**	-6 540 939
- Wagering expenditure	**-196 899 267**	-192 716 415	**-132 731 868**	-130 999 615	**-64 167 399**	-61 716 800
Contribution to racing from						
wagering activities	**184 408 981**	182 149 424	**130 938 185**	124 750 459	**53 470 796**	57 398 965
Add contribution to racing						
from third party						
bookmaking activities	**54 461 363**	51 629 529	**36 635 443**	35 594 636	**17 825 920**	16 034 893
- Stand up and information fees	**392 796**	373 421	**336 101**	318 646	**56 695**	54 775
- Tax on Punters winnings	**54 068 567**	51 256 108	**36 299 342**	35 275 990	**17 769 225**	15 980 118
Share of income from Joint Venture	**33 444 406**	24 078 211	**21 404 420**	15 410 055	**12 039 986**	8 668 156
Share of income of associate	**-**	4 315 690	**-**	3 020 983	**-**	1 294 707
Gross wagering revenues						
available for racing	**272 314 750**	262 172 854	**188 978 048**	178 776 133	**83 336 702**	83 396 720
activities						
Add : Direct racing revenues	**88 544 788**	78 819 722	**66 418 839**	57 732 085	**22 125 949**	21 087 637
Gross revenues available for						
racing activities	**360 859 538**	340 992 576	**255 396 888**	236 508 218	**105 462 651**	104 484 358
Racing Expenditure	**351 027 269**	336 179 968	**232 549 256**	218 013 544	**118 478 013**	118 166 424
Operating expenditure for						
racecourses and training facilities	**178 509 520**	163 836 822	**131 327 525**	118 271 290	**47 181 995**	45 565 532
NHA - regulatory costs	**19 657 079**	18 130 914	**10 794 026**	9 867 584	**8 863 053**	8 263 330
Stakes - Owners	**127 668 635**	129 790 044	**73 122 085**	73 240 665	**54 546 550**	56 549 379
- Breeders	**7 178 228**	6 671 599	**7 178 228**	6 671 599	**-**	-
Racing SA Contributions	**804 000**	534 000	**402 000**	267 000	**402 000**	267 000
Contribution to Jockeys remuneration	**17 209 807**	17 216 589	**9 725 392**	9 695 406	**7 484 415**	7 521 183
Income/loss from operations	**9 832 269**	4 812 608	**22 847 631**	18 494 674	**-13 015 362**	-13 682 066
Less: Interest paid	**-2 470 284**	-3 366 890	**-875 546**	-1 744 932	**-1 594 738**	-1 621 958
Add: Interest received	**3 014 432**	678 118	**2 144 988**	613 180	**869 444**	64 938
Net Profit/loss before items below	**10 376 417**	2 123 836	**24 117 073**	17 362 922	**-13 740 656**	-15 239 086
Profit on disposal of Clairwood						
Race track	**242 488 403**	-	**242 488 403**	-	**-**	-
Profit on disposal of Betting World	**31 829 302**	-	**20 370 753**	-	**11 458 549**	-
Club loans wriiten back on consolidation	**82 215 973**	-	**82 215 973**	-	-	-
	366 910 095	2 123 836	**369 192 202**	17 362 922	**-2 282 107**	-15 239 086
Income taxation	**-33 040 694**	3 045 770	**-33 040 694**	3 045 770	**-**	-
	333 869 401	5 169 606	**336 151 508**	20 408 692	**-2 282 107**	-15 239 086
Other Comprehensive income						
Revaluation of property plant						
& equipment	**19 998 214**					
Tax on revaluations processed to OCI	**-5 350 105**					
	14 648 109	-	**19 252 760**	-	**-4 604 651**	-
Total Comprehensive income	**348 517 510**	5 169 606	**355 404 268**	20 408 692	**-6 886 758**	-15 239 086

GOLD CIRCLE