GOLD CIRCLE

RACING AND GAMING GROUP

ANNUAL REPORT

2014

Gold Circle Racing and Gaming Group

The Business Of Gold Circle Is:

To promote the thoroughbred racehorse through operating:

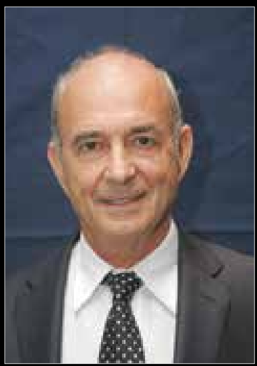
The sport of horseracing • wagering and gaming facilities • related leisure activities and media management

The Vision Of Gold Circle Is:

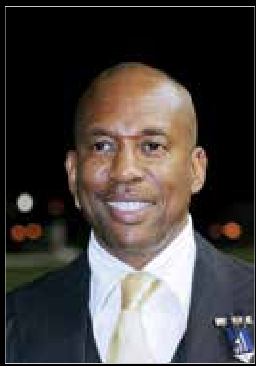
To be one of the most admired Racing Centres on the international horseracing circuit

Content

Board of Directors



M J R MAUVIS
(Chairperson)



M TEMBE
(Vice Chairperson)

M J L NAIRAC
(CEO)

DONAVEN MOSES
(CFO)

N P BUTCHER

J H S DE KLERK

P V LAFFERTY

P MNGANGA

S NAIDOO

L NUNAN

G PETZER

L RAKHAREBE

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 Nedbank Limited
ATTORNEYS:	Barkers Incorporated Garlicke & Bousfield Incorporated


vodacom
Durban
July

Chairman's Report

INTRODUCTION

The Annual Financial Statements and this report for the year ended 31 July 2014 are presented on behalf of the Directors. The 2014 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 Board was to ensure that the capital developments at both Greyville and Summerveld were prioritised given that August 2014 would see the closure of Clairwood Race Course.

The Demerger with the Western Cape operation and the formation of Kenilworth Racing is complete in all respects and certain expenditure was accommodated through the transitional period since July 2013. Gold Circle has a commitment to make a stakes contribution to Kenilworth Racing for a three year period ending July 2016.

FINANCIAL PERFORMANCE

Revenue generated from the horse racing industry has been disappointing although in most part, has been a consequence of certain decisions taken by the Tellytrack Board with regard to broadcast product pricing. This matter is covered in more detail later in this report.

Total totalisator bets struck in KZN amounted to R1.49 billion (R1.46 billion) an increase of only 0.7% which is negative trading when taking account of inflation over the same period. Betting turnover from March 2014 to July 2014, compared with the same trading period during 2013, reflected a negative variance of R90 million and was solely as a result of Tellytrack restricting the broadcast of international racing to the general public.

Income received from third party bookmaking activities decreased by 11% to R36 million from R41 million in 2013. The reason for this decline is also as a result of Tellytrack, as noted above, and the migration of betting opportunities away from the horse racing product. The popularity of Sports Betting and Numbers has increased significantly.

International operations income, derived through the international sale of South African racing product by Phumelela Gaming & Leisure, again experienced improved growth, partly as a result of the foreign exchange rate. Income increased by 45% to R53.7 million in 2014 from R36.9 million in the prior year.

Total revenue generated from operating activities amounted to R400 million, an increase of 5.3% compared with the R380 million earned in 2013. This is below inflationary trends and is indicative of the tight economic market in which the horse racing industry trades.

Income from investments, including the amount "ring-fenced" by Members in 2012 and the dividend received through the liquidation of PGE (Mauritius), amounted to R43 million which reflects an increase of 105% over the prior year. Investment indices have traded positively over the past year and certain investments have benefited from the weak exchange rate. In terms of the International Financial Reporting Standards (IFRS), certain income categories have not been included in the Consolidated Income Statement and have been allocated directly to the Balance Sheet. Adjusted profit for the year, before taxation, amounted to a profit of R24.3 million compared with a profit of R8.8 million in the prior year.

Final costs of the Demerger with Kenilworth Racing have been included in the current year and relate in the main to property compliance certification fees as well as the stakes commitment in terms of the Demerger Agreement.

Total overhead expenditure amounted to R 404 million, excluding Stakes paid to Owners, which reflects an increase of 7.7% on the comparable amount of R375 million spent in 2013. Stakes paid to Owners over the past year increased by 7.1% from R87.1 million in 2013 to R93.3 million.

The Group achieved a profit after taxation and other comprehensive income, of R35 million (2013: R224 million loss).

FINANCIAL POSITION

At 31 July 2014, the Group had total assets of R848 million (2013: R840 million) and total liabilities amounting to R203 million (2013: R237 million). Excluding the loan owing to Gold Circle Racing Club amounting to R39.5 million, the total equity attributable to shareholders amounts to R645 million (2013: R602 million).

Cash and cash equivalents as at 31 July 2014 amounted to R 51 million (2013: R108 million). The decrease in available cash is due to capital expenditure relating to the construction undertakings at both Greyville and Summerveld. These projects are now complete.

National & International Initiatives

Since the Demerger with the Western Cape and the formation of Kenilworth Racing, Gold Circle ceased to be responsible for external operational requirements and was able to focus its efforts on core business initiatives in KwaZulu-Natal. The involvement of Gold Circle in external business operations in now limited to contractual obligations in respect of a National Sports and Administration agreement which deals with horse racing matters including the National Racing Bureau, as well as Tellytrack in which Gold Circle has a minority partnership holding.

TELLYTRACK

Tellytrack is the entity, managed by Phumelela Gaming & Leisure, that holds and protects the Racing Operators' intellectual property rights to the racing picture, and broadcasts the South African horse racing picture to South Africa, Namibia and Zimbabwe. Tellytrack also manages the importation of international horse racing as a betting product for the local market. During October 2013, the Racing Operators agreed to the principle that Tellytrack should be a profit centre and be able to charge a market related price for its broadcast rights, and revised its agreement with Multichoice on the control aspects of the channel to users.

Since the inception of importing horse racing broadcast product from overseas, the bookmaking fraternity has not made any contribution towards the additional cost of acquiring the product but has used the information to facilitate their own parochial business interests. Since August 2013, Tellytrack has been in negotiation with the Betting industry participants with a view to re-pricing the broadcast product to recover a fair market return, including the price demands from overseas product suppliers. This lead to an ongoing dispute with bookmakers nationally but Gold Circle was instrumental in facilitating a solution with KZN bookmakers.

In March 2014, Tellytrack implemented its revised pricing structure and at the same time transferred the international product component from the DSTV platform to a broadcast platform controlled by Tellytrack. The removal by Tellytrack of the international racing content from the DSTV broadcast platform in March 2014 has had a devastating impact on Gold Circle turnovers of around R90 million for the financial year to 31 July 2014. The gross cash-flow implication of this decision is estimated around R15 million. We are happy to report that Tellytrack resolved to again broadcast international product on the DSTV platform from 1 August 2014 as a result of participation from a Gold Circle delegation at a Tellytrack "think tank". Turnovers are returning to their historical trends, albeit slowly.

Bookmakers nationally, excluding individual KZN bookmakers launched an urgent interdict against Tellytrack and its partners to negate the revised pricing structure of Tellytrack. The interdict failed as an urgent matter and was placed on the normal Roll. Simultaneously with the Court Interdict, the bookmakers lodged a complaint with the Competition Commission to intervene.

Bookmakers, both locally in KZN and nationally, have embarked on a concerted offensive against the Racing operators in retaliation to the revised pricing structure for the Tellytrack broadcast signal in their betting outlets. Actions by bookmakers pertain to:

- Objections raised by the KZN Bookmakers Society against Gold Circle, through its subsidiary Track and Ball, in acquiring bookmaking rights in KZN

- The alleged unauthorized use of the KZN Bookmakers Society's intellectual property by Tellytrack
- A challenge by the Chairperson of the KZN Bookmakers Society, on behalf of bookmakers, against the return of 3% of winning punter taxation by the Provincial Government to the Racing Operators.
- Correspondence sent to all Gambling Boards and the National Lotteries Board by National Bookmakers challenging the legitimacy of the Totalisator Operators to offer betting on Sports.

Members are requested to consider the negative implications of these bookmaker actions when participating in betting activities.

INTERNATIONAL

The Licence Agreement between Gold Circle and Phumelela Gaming and Leisure Limited, whereby the company's racing product is sold internationally, remains a significant source of revenue for Gold Circle contributing in excess of R53 million for the year. It is expected that revenue from this source will be sustained in the year ahead.

The unbundling of the company's investment through PGE (Mauritius) in Automatic Systems Limited ("ASL") is now complete. Shares held in ASL are now held directly by Gold Circle. Cash disbursements of R2 million from the liquidation of PGE (Mauritius) have already been received and the transaction resulted in a profit of R8.6 million which has been reported in the financial statements for the year.

The Racing Operators continue to prepare their racing fixtures to facilitate and enhance the sale of South African product overseas, and ensuring at the same time that betting opportunities locally are maximised. South Africa continues to be regarded as an international leader in commingling of betting pools and Tellycasting.

Totalisator & Bookmaking

TOTALISATOR

Totalisator commission from betting turnover is the major source of income for the company. Betting turnovers for the 2014 financial year amounted to R1.49 billion which equated to those of the prior year. The increase in sports betting continued in the current year and reflected a growth of 36%, year on year. This growth was however negated by the loss in turnover of traditional horse racing where, mainly as a result of the loss of overseas betting product from March 2014, horse racing turnovers decreased by 2.3% to R1.39 billion for the year.

As reported last year, the company's commercial strategy has been initiated and all of the on-course obsolete betting terminals have been replaced. This has had a significant positive impact on the cost of maintenance and providing improved levels of service to customers. Work continues with an overseas supplier to introduce custom built self-vending terminals into the Gold Circle betting network. Significant investment is being made to update Gold Circle's infrastructure to facilitate and improve operational and customer needs.

Gold Circle has commenced a project to upgrade its communication with customers in the off-course betting outlets through the introduction of electronic display of racing and sports betting information. This is proving popular with the betting public. The rollout of the betting outlet upgrade programme continues to ensure that services on offer meets customer expectations.

BOOKMAKING

Gold Circle disposed of its shareholding in Betting World (Pty) Limited to Phumelela Gaming and Leisure Limited 2011 for financial and control reasons. Since then the company has not had any further interest in the fixed-odds betting market.

This fixed-odds market segment was reviewed by the Investment Committee and a strategy has been agreed to again invest into this competitive betting environment. Gold Circle, together with Mion Holdings (Pty) Limited, a wholly owned Black empowered company, established Track and Ball (Pty) Limited (T&B) as a vehicle to operate in the fixed-odds market. Six bookmaking rights were provisionally acquired, pending the successful licencing of T&B by the KwaZulu-Natal Gaming and Betting Board (KZNGBB). The KZN Bookmakers Society and one other KZN bookmaker lodged objections to the company's licence application. After due consideration, the KZNGBB awarded the respective licences effective for trading from 1 September 2014.

Marketing, Communication & Information

MARKETING

The Marketing Committee of the Board has met on several occasions to prepare a strategy for the launch of a marketing campaign to boost horse racing in the province. This is particularly pertinent given the fact the Greyville Racecourse will feature a consistent Friday night racing programme over a nine month period through to early 2015. The campaign will target Greyville as a social and entertainment venue for the public and management are presently preparing enhanced facilities to accommodate expectations.

The pinnacle of Gold Circle's marketing campaign strategy will always be the Champions Season which showcases the quality and presence of racing in KwaZulu-Natal. The 2014 Season was no exception and Gold Circle was proud to host this racing extravaganza. The show-stopping spectacle of the Vodacom Durban July remains South Africa's sought after race day, and racing event, where a broad spectrum of enthusiasts from all walks of life gather to have a memorable experience. Included in this gathering were the State President Mr J Zuma and many other dignitaries from around the world.

Turnovers for the Vodacom Durban July race meeting grew by 8.6% to R57.4 million which clearly demonstrates the significant importance of this event in the betting and racing calendar. Whilst attendances were slightly below those recorded in 2013, the on-course promotion was effected without any major problems and the public received value for their participation. Vodacom, as sponsors of the VDJ, are exceptional partners and we record our appreciation to them for their continued support and promotion of this event.

This year Gold Circle welcomed eLan as the new sponsor of the Gold Cup to 2016, the race to be known as the eLan Property Group Gold Cup. In addition to the sponsorship, eLan will be marketing and exploiting the company's hospitality facilities at Greyville with effect from 1 September 2014.

Over the past year Gold Circle has again been supported by a significant number of sponsors and charity organisation which has promoted both the company's business objectives as well as their own internal strategies. A vote of thanks is extended to all of these participants for their contributions.

The joint venture between Gold Circle and the Independent Newspapers Group nationally, is a powerful marketing tool for the betting product of horse racing and Gold Circle's events in particular. The joint venture provides a national platform in several daily, Saturday and Sunday newspapers with an estimated weekly readership of 19 million.

COMMUNICATIONS

Communication of information to the company's customer base is an imperative for its very existence and this process is made available through many traditional platforms. These include amongst other, betting information sheets, race card, television, internet websites, newsletters etc. An important medium for the future will be the use of the internet as more and more people move toward easier and more accessible and efficient communication channels. In this regard, Gold Circle has available several internet web based sites, as well as smart phone applications which are dynamic, interactive and are proving to be popular with the public.

During the year Gold Circle appointed a strategic communications specialist to assist the company in improving relationships with National Government and to promote an understanding of Gold Circle and the way that it does business. Gold Circle, in terms of Government perceptions is aggregated into "horse racing" in the broader sense and tarred with the same brush as the industry notwithstanding that it operates independently within its own business model, particularly having regard to Transformation in KZN. Interactions with Government have been positively received.

RACING

Gold Circle staged a similar number of race meetings during the 2014 financial year compared with the prior year. In aggregate, 904 races were run (2013: 892) for increased prize money of R93 million as against R87 million during the comparative period.

In anticipation of the closure of Clairwood, major construction took place at Greyville and Summerveld during the first nine months of the financial year and the first race meeting on the new Polytrack took place on Wednesday 11 June 2014. The new surface immediately found favour with trainers and jockeys alike. Clearly, differing temperatures have an impact on the wax-based track surface and there will be a period of learning in terms of preparing and maintaining the track to perform at its very best. Martin Collins Enterprises have established a South African presence and are available to assist and guide Gold Circle and its track management team.

As a consequence of all the construction work at Greyville, the grass track came under severe pressure, particularly during the months of January to March 2014. The track was closed immediately following Super Saturday at the end of July to allow for a severe scarification and refurbishment treatment programme and will be ready for action during the course of November 2014. Towards the end of the season, the turf track at Scottsville was showing signs of wear and tear which was not unexpected, given that Scottsville did not have any spring treatment in 2013. As a consequence the track was also subjected to a severe spring treatment which commenced in September 2014.

Construction of the 500 new stables at Summerveld was completed during July and the Clairwood trainers and their staff were successfully relocated during August 2014. It is pleasing to note that the Clairwood trainers did not appear to have been compromised by the move as their winning trends continued to flow subsequent to their transfer to Summerveld.

The Polytrack at Summerveld was commissioned in April 2014 and has proven to be a valuable addition to the training facilities. This Polytrack, which is used for training purposes only, has a slightly different texture to the racing surface at Greyville.

The final race meeting at Clairwood Race Course took place on Saturday 2 August 2014. The occasion was given an international flavour as Gold Circle, in conjunction with the South African Jockey Academy, hosted the Asian Young Guns Challenge. Many special guests were in attendance and the curtain was brought down on the Garden Course in a most appropriate and fitting manner.

Notwithstanding the many logistical and infrastructural challenges that Gold Circle faced during the track construction phase, Champions Season once again proved a resounding success, hallmarked by many outstanding performances and high quality competitive racing.

The 2014 Vodacom Durban July will go down as one of the most controversial in recent times with victory being decided in the board room for the first time in many years. Objections are very much a part of the reality of thoroughbred horseracing but the pressure is really on when so much is at stake. History records that Legislate was awarded the race at the expense of Wylie Hall and the decision went a long way to securing Justin Snaith his first National Trainers' Championship.

The National Jockeys' Title was won by S'Manga Khumalo who became the first black jockey to win the coveted crown, just a year after his historic victory in the 2013 Vodacom Durban July. He was on hand to receive his trophy at the Equus Awards just a few days after representing South Africa at the Shergar Cup at Ascot in England.

Many of the Equus Awards winners secured their Championship status as a result of their quality performances during Gold Circle's Champions Season. From a KZN perspective, special congratulations are extended to Mike de Kock, Paul Lafferty, Duncan Howells and Dennis Drier whose charges Majmu; Harry's Son; Via Africa and Beach Beauty were victorious in their respective categories.

The brilliant Beach Beauty, one of the most popular horses to race in KZN for many a year, was retired from racing after winning the Grade 1 Jonsson's Workwear Garden Province Stakes for the second consecutive year. The Champions Cup on Super Saturday was run in her honour. The Shanks Syndicate, Sean Cormack and Dennis Drier were on hand at the course to bid an emotional farewell to the daughter of Dynasty.

On Super Saturday, Gold Circle welcomed a new sponsor for the Gold Cup in the form of the eLan Property Group. This new partnership is for a three year term and also extends to the marketing of Greyville Race Course. Racing on Super Saturday provided an exciting climax to Champions Season with all four Grade 1 events producing memorable finishes.

Asset Utilisation

Property assets under the control of Gold Circle now relate in the main to the training centres at both Ashburton and Summerveld, as well as a few sundry properties from which totalisator betting operations take place. The Greyville racecourse is leased from the Ethekwini Municipality until 2069 whilst the Scottsville Racecourse is leased from the Msunduzi Municipality to 2035. The Scottsville Racecourse has a sub-lease agreement with Tsogo Sun in respect of the casino premises in Pietermaritzburg. Tsogo Sun and Gold Circle are investigating the possibility of acquiring the property from the Municipality.

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

Greyville Track and Summerveld Facilities

As previously reported to Members, the sale of the Clairwood Racecourse placed an obligation on Gold Circle to upgrade its facilities to accommodate the trainers and horses relocating from Clairwood to Summerveld, as well as increasing the race track capacity at Greyville Racecourse to satisfy the company's national fixtures commitment. These two projects have now been successfully completed at a cost of R165 million.

Greyville Hospitality Facilities

It is an accepted fact that Greyville Racecourse and its available facilities, holds a great potential in the hospitality market. Part of the reason for not fully entering this segment was due to Gold Circle's horse racing commitments at the track particularly from a catering perspective. Gold Circle has now negotiated a three year agreement with eLan Leisure and Communications to manage and promote the various hospitality opportunities at Greyville. The potential revenue source from this initiative should be lucrative for the company.

During the past year Gold Circle has undertaken an upgrade to several of its facilities thus enhancing the race day offering to customers. Included in these upgrades were the Durban View Room and the Chairman's private suite. Of particular note was the relocation of the on-course bookmakers from the front of the grandstand to underneath the stand where the public now has a destination zone rather than a pure betting area. With the future on-going programme of Friday night racing, this area should become a sought after social and entertainment node.

KZN GAMBLING BOARD

Liaison and communication with the KwaZulu-Natal Gaming and Betting Board (KZNGBB) improved over the past year and there is now a greater understanding between the two entities. Areas of prior discontent from Gold Circle's perspective have, to a greater degree, been resolved and the company is working once more in harmony with its Regulator.

The current KwaZulu-Natal Gaming and Betting Act 2010 is being reviewed and several legislative amendments are being proposed to remove certain anomalies from the Act. The process has been fully inclusive with all participants being afforded an opportunity to comment on the proposed amendments.

Fixed Odds Authority

Subsequent to the financial year-end, the KZNGBB advised Gold Circle that the Fixed-odds Authority, previously held by the Durban Turf Club, had finally been transferred into a full bookmaking right for operation within the designated geographical area of Durban.

New bookmaking licences

In promoting the transformation of the bookmaking segment of the market, the KZNGBB has created 32 new bookmaking rights in KZN and extended an invitation to prospective Black corporate entities to apply for such rights. Invitations closed on 1 August 2014 and the KZNGBB awarded three licences to Black entities that will be supported by Gold Circle, together with Track & Ball as minority partners.

B Type Licences

Simultaneously with the invitation for the new bookmaking rights, the KZNGBB invited qualifying Black corporate entities to apply for 18 new "B" type LPM Independent Operator licences which will allow the successful licensee to own and manage up to 40 slot machines on a designated premises. Regretfully, Gold Circle's application for a site at the Greyville Racecourse was unsuccessful.

Corporate Governance

Consistent with the prior year, Gold Circle manages its business within the reasonable corporate governance requirements of the King III Commission Report. The following Committees have been appointed by the Board to monitor and direct the business activities of the company:

- Audit and Nominations Committee
- Remuneration Committee
- Social & Ethics Committee
- Commercial Risk Committee
- Racing Committee
- Tender and Adjudication Committee (non-remunerative)
- Finance & Investment Committee (non-remunerative)

Committee members comprise only non-executive directors and remuneration levels have been set and approved by the Board of Directors. The following table reflects the attendance records of statutory and other remunerated committee meetings of the Board:

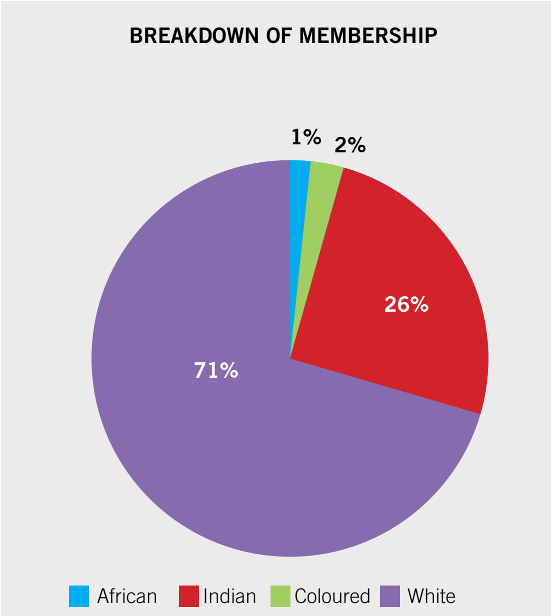
	Board	Audit	Risk	Remco	Racing	Social & Ethics	Remuneration "R"
M J R Mauvis	5/5	-	-	-	-	-	111 060
M Tembe	4/5	-	-	-	4/7	-	74 000
N P Butcher	5/5	2/3	2/2	-	7/7	-	106 000
J H S De Klerk	5/5	3/3	2/2	-	6/7	-	92 000
P V Lafferty	5/5	-	-	3/3	6/7	-	83 250
P Mnganga	5/5	-	-	-	-	3/3	71 000
L Nunan	3/5	-	-	-	3/7	2/3	47 500
G Petzer	5/5	-	-	3/3	-	-	71 000
L Rakharebe	3/5	3/3	2/2	-	-	0/3	40 500
S Naidoo – appointed 23/6/2014	0/1	-	-	-	-	-	Nil
M J L Nairac – CEO (executive)	5/5	3/3	2/2	3/3	6/7	3/3	1 944 720
D R Moses – CFO (executive) - appointed 1/1/2014	3/3	2/2	0/1	2/2	-	1/2	525 000

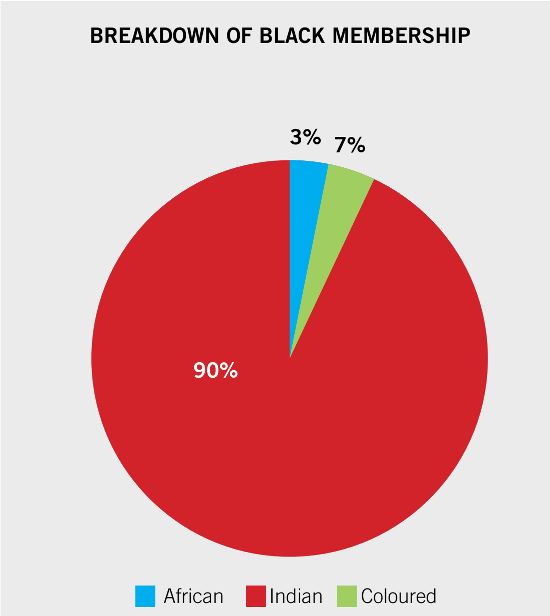
Transformation

Gold Circle is a responsible corporate entity and aligns itself with the principles of Broad-Based Black Economic Empowerment. Following an agreed strategy, the company has over several years introduced a range of positive initiatives which demonstrates a transformation commitment in all aspects of its business. Gold Circle is demographically represented in its business operations and presently holds a certified Level 4 Contributor status. Progress is being made to improve on this status in the year ahead.

CLUB MEMBERSHIP

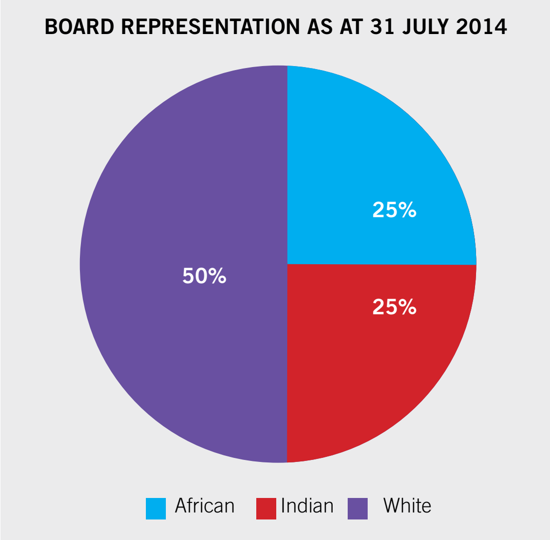
The Gold Circle Racing Club, as a shareholder, comprised 1241 members as at 31 July 2014. There are no barriers to becoming a member of the Club and the Board of Directors continues to initiate efforts to improve the demographic profile of club membership. The target is to achieve a Black membership component of 35% by 2016. Summarised below are the statistics relating to the demographic profile at 31 July 2014:





BOARD REPRESENTATION

Representation on the Board of Directors of Gold Circle is mainly driven through the Club membership and in addition, the Board makes external appointments to balance the skills required to drive the business. The Board comprises 10 non-executive and 2 executive directors and it is pleasing to report that the demographic of the Board has been positively influenced over the years and now reflects a balanced profile.



MANAGEMENT AND STAFF

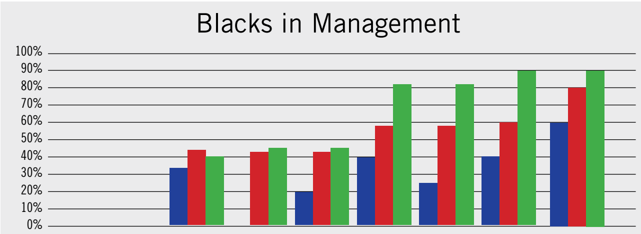
Gold Circle has a policy of employing suitably qualified personnel and offers equal opportunity for further development, irrespective of race, disability or gender. Preference is given to the employment of previously disadvantaged persons.

The company continues to outsource certain management skills and projections are that the respective outsourced contracts will be brought in-house by 2016. During 2013 the company introduced a targeted Executive Development Programme which had the aim of accelerating the promotion of Black persons to management. This aspect is important to ensure that it builds a solid leadership into the future. Effective from August 2014, Hazel Kayiya was appointed to executive management.

The following table reflects the employment sectors, the demographic profile of personnel contracted and employed by the company including branch betting outlet operations at 31 July 2014.

	Exec	Senior	Junior	Semi- Skilled	Unskilled	Total	%
Black		8	51	988	215	1262	73
Asian	2	20	56	219	7	304	18
Coloured		2	8	61	3	74	5
Sub Total	**2**	**30**	**115**	**1268**	**225**	**1640**	**96**
White	6	21	22	36	1	86	4
Total	**8**	**51**	**137**	**1304**	**226**	**1726**	**100**

A demographic profile of Black management employed by the company over the past five years, together with future strategic targets, is depicted as follows:



	July 10	July 11	July 12	Jul 13	Jul 14	Target 0-5 Yrs	Target 6-10Yrs
Top/Exec	33%	0%	20%	40%	25%	40%	60%
Senior	43%	42%	42%	56%	56%	60%	80%
Middle	40%	46%	46%	83%	83%	90%	90%

Though its operational infrastructure, Gold Circle is able to provide several employment opportunities for persons with disabilities. The company operates a telephone betting call centre where a number of operators who are wheel chair bound are employed.

Skills Development

The training and development of skills within the company is a necessary requirement in order that the company is able to efficiently conduct its business and meet operational challenges. The total number of staff undergoing training during the year was 788 of which 98% were Black. The aggregate cost of training amounted to R1.2 million, of which R527 160 was spent on in-house programmes.

In-house educational training programmes have been developed which enhance skills and allow staff to progress their careers within the company. Of particular importance is the training provided to hundreds of aspirant matriculants who apply for consideration as betting cashiers over the Champions Season on an annual basis. This training is not available at any tertiary educational institution and prepares candidates for similar employment opportunities in the open market once their contracts with Gold Circle have concluded.

Formal training at certified tertiary educational institutions is also available to selected employees who have the potential to further their careers in management positions. The company assists employees with the funding of this skills development programme.

Corporate Social Investment

Gold Circle is committed to making a positive contribution to the upliftment of disadvantaged communities through its Corporate Social investment Programme. All initiatives undertaken are approved and monitored through the Social and Ethics Committee, a statutory committee appointed in terms of the Companies Act 2008. Gold Circle has an approved Transformation Strategy and is geared to achieving the objectives of the Broad-Based Black Empowerment Act, as amended from time to time. The majority of initiatives undertaken are Industry based and serve also as a skills transfer mechanism to the broader traditional horse owning community.

RURAL RACING

A strategy of Gold Circle is to realize the development of Traditional Rural Racing to reach a level where it becomes self-sustainable with the Rural Racing Association becoming a professional body and the industry legally regulated. The Rural Community will then be able to directly benefit out of the sport of horse racing.

During 2006, Gold Circle together with the Office of the Premier in KwaZulu-Natal, embarked on a project to continuously support and develop traditional racing thereby informing and integrating a culture of horse care and welfare amongst those communities. Over the years this contribution by Gold Circle has positively impacted the economic and social environment of traditional communities to the extent that smaller enterprises have established themselves to support horse care. Rural Racing is staged at nine different venues around Kwa-Zulu-Natal. The Department of Sport and Recreation has a close working relationship with the company in supporting rural racing.

Over the past financial year, Gold Circle has invested resources into the further development of race track infrastructure, particularly in Dundee, which contributes to rural horse racing and formalizes equitable processes and procedures for the successful staging of events. This has created employment opportunities from within the local community of Dundee where personnel were recruited on a short-term basis for the duration of the project.

In concert with the Department of Sport and Recreation, Gold Circle extended its sponsored support of development of economic opportunity to the Underberg area where a traditional race meeting took place featuring the Sisonke Summer Cup. 13 000 spectators attended the festivities and it is projected that this event will grow in stature to that of the Dundee July. The local municipality is currently progressing the construction of a race track in the area.

Gold Circle, being involved in the development of Rural Racing, is embarking on an initiative to source Rural Racing Jockeys who could also qualify for admission to the Jockey Academy to be future professional jockeys. This initiative is made possible by organizing educational visits to the Academy. A recent visit was organized during May 2014 where fifteen boys from rural racing visited the Academy.

GROOMS

Gold Circle is in the business of providing racing and training facilities for owners and does not act as employer of the grooms as this is the responsibility of independent trainers contracted by owners. Notwithstanding the fact that the company is not responsible for grooms, it does provide infrastructural and

Corporate Social Investment

other funded support amenities for the benefit the grooms at its training centres.

From an economic welfare perspective Gold Circle fully subsidises accommodation, electricity and water to approximately 850 grooms at its training centres. In addition, the company employs a qualified medical attendant to attend to Grooms' health requirements on a weekly basis and to administer medication as required, including chronic medication such as ARVs.

With the number of grooms operating from the training centres, Gold Circle initiated a recreational facility for the grooms and established a Soccer League whereby grooms are actively involved in soccer training and competitions. Tournaments are held quarterly at Summerveld and Gold Circle sponsors the full equipment requirements, as well as organizing all events.

Gold Circle has funded groom education in the province since 2004 and presently has an operational school at Summerveld. Teachers employed at the school are qualified educators. The purpose of the school is to transfer skills and educate grooms in their profession as well as providing them with life skills which will complement their activities on a daily basis. The teaching curriculum at the school include equine care, health, handling and elementary riding skills. Learners then are able to receive a diploma qualification which is moderated by a professional veterinarian. In addition, learners are schooled in Literacy and Numeracy to achieve nationally recognised ABET levels.

Gold Circle has initiated a long term conceptual strategy, in consultation with the KZN Provincial Government as partner, for the provision of low cost housing adjacent to Summerveld for grooms.

Available land is being sought and discussions have commenced with the Tongaat Hulett Property Group who are large land owners in the area. When this strategy comes to fruition it will be a major achievement in improving the socio- economic benefits of grooms by removing the hostel environment where they have been accommodated for decades.

COASTAL HORSE CARE UNIT

Gold Circle actively supports the activities of the Coastal Horse Care Unit whose main activities are the care and welfare of horses, as well as implementing programmes to assist horses owned in communities located in rural areas. The programmes involve the operation of clinics to treat equines, to provide more humane tack and harnessing equipment and to educate horse owners on the benefits of taking better care of their animals. Clinic teams

are supplemented with attendance by veterinarians, farriers and equine dentists. The clinics are popular with the local communities and a marked improvement in the condition of horses is evident.

The Coastal Horse Care Unit attends informal and rural race meetings to monitor the events and ensure the wellbeing of the horses. During the year Gold Circle sponsored the operational cost of a vehicle, acquired in the prior year, which is used strictly for rural community clinics.

It is the intention of Gold Circle to expand on its initiatives in rural areas by partnering with the Coastal Horse Care Unit, to directly support, empower and uplift these communities through training and the transfer of skills. This will go a long way to sustain their socio-economic future.

OTHER INITIATIVES

There are several other smaller ah-hoc projects that Gold Circle is involved with which contribute directly and indirectly to funding disadvantaged communities. One of these is the provision of free tent town infrastructure to organisations on eLan Gold Cup Race Day for raising much needed income to sustain their social and welfare business objectives.

Enterprise Development

Gold Circle recognises the imperative to progress previously disadvantaged persons into more responsible roles within the industry and is accordingly, involving itself in targeted developmental opportunities where appropriate.

RACEHORSE TRAINER DEVELOPMENT

Over several years Gold Circle has supported the career development of grooms who have been identified as having the ability to be progressed to the level of Assistant Trainer and ultimately hold a Trainers licence. This is a continuing initiative which Gold Circle subsidises, and trainers contribute their knowledge and expertise to promote selected candidates.

SOUTH AFRICAN JOCKEY ACADEMY (SAJA)

SAJA is the only educational institution in South Africa which provides for professional jockey training. Training is provided over a five year apprenticeship period where learners acquire the necessary skills and experience to become qualified jockeys. Learners simultaneously are required to complete their formal education to the level of Grade 12. The present demographic profile of South African apprentices at SAJA includes a 65% component of previously disadvantaged persons.

Gold Circle has since its inception, contributed to the funding of SAJA and ensures that providing careers for future jockeys is sustained.

TOTALISATOR AGENCIES

Historically, Gold Circle owned all betting outlets in the province many of which were operated as Totalisator Agencies. In early 2000's, the company took a principle decision to hand ownership over to the Agency operators for no compensation thus empowering those persons most of whom were previously disadvantaged persons. Today Gold Circle operates a network of 122 betting outlets of which 84 are Agencies. These Agencies are predominantly owned by Black persons and are subsidised by the company in respect of operational costs, particularly Tellytrack subscriptions. This assists the Agencies to remain viable.

Gold Circle is presently mentoring Agency owners with the view to enhancing their business objectives to incorporate other forms activity which will ensure their profitability and sustainability.

PROCUREMENT

Gold Circle has an appointed Tender Committee which adjudicates all tenders for required services in terms of the company's Limits of Authority Policy and an established BBBEE Procurement Policy. A summary of procurement recognition levels over the past four years is as follows:

	2011	2012	2013	2014	Target 2015
Recognition Levels	%	%	%	%	%
All Suppliers	69.0	70.3	75.1	76.9	60
QSEs & EMEs	33.0	33.3	42.1	18.5	15

The reason for the change in percentage of QSEs and EMEs in the 2014 period is the significant contracts awarded for the development of track and training infrastructure at both Greyville Racecourse and Summerveld Training Centre. Total procurement, due to these contracts, skewed the percentage outcome.

Acknowledgements and Prospects

PERSONNEL

Employment levels for the year at 1726 were consistent with those employed in the prior year. Included in this number are 21 persons with disabilities and outlet personnel who work flexible hours dependent on betting fixtures. The company has recently completed a Climate Survey and from its outcome the level of staff morale is reasonably high.

Certain of the company's executive management continue to be outsourced on short term contracts. This dynamic is slowly changing as the goal of the Board is to appoint appropriate permanent managers who are able to take over the management of the company to successfully implement the strategic objectives of Gold Circle.

We extend a vote of thanks to the CEO, Michel Nairac, his management team and the staff of Gold Circle for their continuing efforts in successfully steering the company towards a sustainable future.

OFFICE BEARERS

Gold Circle has over the past year achieved considerable success notwithstanding the challenges that have faced the Industry in KZN. The Board of Directors has worked as a cohesive unit to attain the objectives of the company and a vote of thanks is extended to them for their significant contribution.

ACKNOWLEDGEMENTS

The Board would like to pay 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

Racing in KwaZulu-Natal has entered a new era where racing has been consolidated into two racecourses and two training centres. Gold Circle now has fantastic racing surfaces including the versatile polytrack, new stabling facilities at Summerveld and is set to launch its business opportunities in earnest, to continue providing a sustainable future for the company. Upgrades to older facilities, particularly at Summerveld will take greater focus now that the major new construction phases are over. The opportunities afforded at Greyville to have a continuous night racing product on Friday nights gives rise to exciting marketing options which are presently under consideration.

The Board is committed to seeking a sustainable future for Gold Circle in the face of many challenges in the year ahead. The greatest of these will be to remedy the significant negative impact on turnovers that the Tellytrack re-pricing structure has had on the betting industry.

Mr J R Mauvis
Chairperson

Statement of Directors' Responsibility

The directors are responsible for the preparation and fair presentation of the consolidated financial statements of Gold Circle Proprietary Limited, comprising the consolidated statement of financial position at 31 July 2014, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa. 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 a going concern and have no reason to believe that the business will not be a going concern in the year ahead.
The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements
The consolidated financial statements of Gold Circle Proprietary Limited, as identified in the first paragraph, were approved by the board of directors on 20 October 2014 and are signed on its behalf by:

Director

Director

Report of the Directors

1 Consolidated and separate financial statements

The separate financial statements 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 province of KwaZulu-Natal.

3 Review of Results

	2014	2013
	R	R
Profit before tax	**24 314 584**	8 801 128
Less: Dividend in Specie received from Automatic Systems Limited	**(15 781 746)**	-
Add: Impairment of loan to PGE Mauritius	**7 625 758**	-
Total profit before tax for the year excluding the above transactions	**16 158 596**	8 801 128
Profit from continuing operations	**22 629 697**	26 930 153
Loss from discontinued operations	**-**	(5 704 722)
Profit for the year	**22 629 697**	21 225 431

4 Share Capital

The fully issued share capital comprises 2000 ordinary shares of R 1 each:

	2014	2013
	R	R
Gold Circle Racing Club	**2 000**	1 500
Western Province Racing Club	**-**	500
	2 000	2 000

5 Directors and Secretary

Gold Circle Proprietary Limited

N P Butcher (Appointed 06/12/2012)
J H S de Klerk (Appointed 06/12/2012)
G Petzer (Appointed 14/11/2011)
R Mauvis (Chairperson) (Appointed 31/01/2011)
D R Moses (Appointed 01/01/2014)
Ms L E Rakharebe (Appointed 19/12/2012)
M J L Nairac (Appointment 11/12/2012)
L Nunan (Appointed 14/11/2011)
P V Lafferty (Appointed 14/11/2011)
Ms P Mnganga (Appointed 01/02/2011)
S Naidoo (Appointed 04/06/2014)
M Tembe (Appointed 14/11/2011)

6 Company Secretary

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

7 Dividends

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

8 Corporate Governance

The Audit Committee, which consists only of non-executive directors, 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	J H S de Klerk (Chairperson)	
	(Appointed 11/12/2013)	
Committee	N P Butcher	M Tembe (Resigned 11/12/2013)
	L E Rakharebe	
Remuneration	G Petzer (Chairperson)	
Committee	P V Lafferty	
Risk	J H S de Klerk (Chairperson)	
Committee	N P Butcher	M Tembe (Resigned 11/12/2013)
	Ms L E Rakharebe (Appointed 05/02/2014)	
Social and Ethics	P Mnganga (Chairperson)	L E Rakharebe
Committee	L Nunan	
Racing	N P Butcher (Chairperson)	M J L Nairac
Committee	J H S de Klerk	L Nunan
	V Doorgapershad	K Russon
	G T Hawkins	A J Rivalland
	P V Lafferty	M Tembe

9 Subsidiaries

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

	Issued Share Capital	**Percentage Holding**
Natal Racing Properties Proprietary Limited	150 000	100%
Gold Circle Gaming Investments Proprietary Limited	100	100%
Track and Ball Gaming Proprietary Limited	140	70%

10 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 monitored by the KZN Gaming and Betting Board.

11 Events after the statement of financial position date.

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

12 Going concern

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

Independent Auditor's Report

To the shareholder of Gold Circle Proprietary Limited

We have audited the consolidated financial statements of Gold Circle Proprietary Limited, which comprise the consolidated statement of financial position at 31 July 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 23 to 52.

Directors' Responsibility for the Financial Statements

The company'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 Proprietary Limited at 31 July 2014, 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 2014, we have read the Directors' report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. The Directors' report is the responsibility of the directors. Based on reading the report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited the Directors' report and accordingly do not express an opinion thereon.

KPMG Inc.

Per P Fay
Chartered Accountant (SA)
Registered Auditor
Director
31 October 2014

KPMG House
5 Arundel Close
Kingsmead Office Park
Durban
4000

Consolidated Statement of Financial Position

	Notes	2014	2013
Assets		**R**	R
Non-current assets			
Property, plant and equipment	*3*	**440 268 693**	274 553 396
Investment in joint venture	*4*	**2 064 358**	21 462 878
Investment in associate	*5*	**-**	5 159 822
Loans receivable – long term portion	*6*	**6 618 825**	-
Intangible assets – Goodwill	*7*	**3 074 327**	3 074 327
Straight lining of lease assets		**692 879**	635 948
Other investment - FNB Unlisted Preference Shares	*8*	**120 000 000**	120 000 000
		572 719 082	424 886 371
Current assets			
Inventories	*9*	**3 010 649**	2 941 485
Trade and other receivables	*10*	**74 376 296**	18 976 774
Loans receivable – short term portion	*6*	**7 318 264**	6 513 886
SARS receivable		**4 753 206**	2 123 701
Cash and cash equivalents	*11*	**51 067 784**	107 807 689
Available for sale financial assets	*12*	**135 244 216**	197 053 967
		275 770 415	335 417 502
Assets held for sale	*13*	**-**	79 429 982
Total assets		**848 489 497**	839 733 855
Equity and liabilities			
Equity reserves			
Share capital	*14*	**2 000**	2 000
Non-distributable reserves		**166 261 229**	166 261 229
Available for sale fair value reserve		**15 578 913**	4 226 161
PRMA reserve		**994 320**	-
Retained earnings		**462 246 015**	431 959 552
Equity Attributable to the owners of the Company		**645 082 477**	602 448 942
Non-controlling interests		**(79 480)**	-
Total equity		**645 002 997**	602 448 942
Non-current liabilities			
Borrowings – long term portion	*15*	**4 917 155**	1 908 946
Deferred tax liability	*16*	**40 445 359**	35 784 929
Deferred income		**-**	18 177
Post-employment medical aid obligations	*17*	**13 637 000**	15 243 000
		58 999 514	52 955 052
Current liabilities			
Post-employment medical aid obligations	*17*	**1 215 000**	1 211 000
Trade and other payables	*18*	**101 710 820**	64 918 851
Borrowings – short term portion	*15*	**2 103 285**	4 945 462
Gold Circle Racing Club	*15*	**39 457 881**	39 457 424
		144 486 986	110 532 737
Liabilities held for sale	*13*	**-**	73 797 124
Total liabilities		**203 486 500**	237 284 913
Total equity and liabilities		**848 489 497**	839 733 855

Consolidated Statement of Comprehensive Income

	Note	2014	2013
		R	R
Gross wagering revenue		**356 964 993**	338 488 170
Provincial tax		**(22 381 038)**	(22 653 689)
Net Wagering revenue		**334 583 955**	315 834 481
Less: Agents commission & other direct costs	*21*	**(31 976 781)**	(30 157 279)
: Wagering expenditure	*21*	**(168 709 445)**	(150 967 297)
Contribution to racing from wagering activities		**133 897 729**	134 709 905
Add contribution to racing from third party bookmaking activities		**36 019 423**	40 907 704
- Stand up and information fees		**135 958**	252 626
- Tax on punters winnings		**35 883 465**	40 655 078
Share of income / (loss) from Tellytrack		**4 028 883**	(4 740 578)
International income		**53 741 946**	36 871 836
Profit on disposal of KZN Slots shares		**-**	2 245 000
Gross wagering revenues available for racing activities		**227 687 981**	209 993 867
Add: Direct racing revenues	*20*	**65 368 039**	64 363 713
Gross revenues available for racing activities		**293 056 020**	274 357 580
Racing Expenditure	*21*	**(296 791 831)**	(280 744 862)
Operating expenditure for racecourses and training facilities		**(170 897 142)**	(164 564 176)
NHA - regulatory costs		**(13 118 326)**	(11 623 820)
Stakes - Owners		**(93 277 538)**	(87 110 203)
- Breeders		**(9 043 148)**	(7 532 742)
Racing SA Contributions		**(711 480)**	(312 000)
Contribution to Jockeys remuneration		**(9 744 197)**	(9 601 921)
Net (loss) before extraordinary items		**(3 735 811)**	(6 387 282)
Add: Finance income		**16 527 909**	15 526 145
Less: Finance costs		**(542 600)**	(337 735)
Add: Dividends received		**12 065 086**	-
		24 314 584	8 801 128
Income taxation	*22*	**(1 684 887)**	18 129 025
Net comprehensive income after taxation		**22 629 697**	26 930 153
Net income after tax from discontinued operations	*24*	**-**	(5 704 722)
Profit for the year		**22 629 697**	21 225 431
Profit attributable to:			
Owners of the Company		**22 709 237**	21 225 431
Non-controlling interest		**(79 540)**	-
Profit for the year		**22 629 697**	21 225 431
Post-Retirement Medical Aid Reserve		**1 381 000**	-
Net change in fair value of available for sale financial assets		**13 955 099**	5 194 908
Impairment of assets held for sale to Western Province	*3*	**-**	(302 247 928)
Income taxation on other comprehensive income		**(2 989 027)**	51 585 099
Total other comprehensive income		**12 347 072**	(245 467 921)
Total comprehensive income/(loss)		**34 976 769**	(224 242 490)
Total comprehensive income attributable to:			
Owners of the Company		**35 056 309**	(224 242 490)
Non-controlling interest		**(79 540)**	-
		34 976 769	(224 242 490)

Consolidated Statement of Changes in Equity

	Note	Share Capital	Revaluation reserve	Available for sale fair value reserve	PRMA Reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 July 2012		2 000	415 955 310	-	-	410 734 121	826 691 431	-	826 691 431
Total comprehensive loss		-	(249 694 081)	4 226 161	-	21 225 431	(224 242 489)		(224 242 489)
Balance at 31 July 2013		**2 000**	**166 261 229**	**4 226 161**	**-**	**431 959 552**	**602 448 942**	**-**	**602 448 942**
Reversal of retained loss of Cape Racing Properties since acquisition		**-**	**-**	**-**	**-**	**7 577 226**	**7 577 226**	**-**	**7 577 226**
Acquisition of subsidiary		**-**	**-**	**-**	**-**	**-**	**-**	**60**	**60**
Total comprehensive income		**-**	**-**	**11 352 752**	**994 320**	**22 709 237**	**35 056 309**	**(79 540)**	**34 976 769**
Balance at 31 July 2014		**2 000**	**166 261 229**	**15 578 913**	**994 320**	**462 246 015**	**645 082 477**	**(79 480)**	**645 002 997**

Consolidated Statement of Cash Flows

	Notes	2014	2013
		R	R
Cash flows from operating activities			
Cash generated from operations	*25*	**15 042 873**	293 124 303
Interest paid		**(542 460)**	(337 735)
Interest received		**12 811 249**	15 306 060
Tax (paid)/received	*19*	**(2 629 505)**	1 065 414
Net cash flows from operating activities		**24 682 157**	309 158 042
Cash flow from investing activities			
Purchases of plant and equipment		**(173 740 293)**	(54 147 316)
Disposal of Cape Racing Properties		**7 577 226**	-
Disposal of property, plant and equipment		**560 984**	7 206 642
Proceeds from disposal of Western Cape division		**-**	13 193 417
Liquidation of PGE Mauritius		**5 159 822**	-
Investment in subsidiary		**(60)**	-
Disposal/(Acquisition) of other investments		**61 809 751**	(197 053 967)
(Acquisition) of investment in Tellytrack		**-**	(4 876 459)
Loans receivable from PGI and Tellytrack		**19 398 520**	(18 759 746)
Net cash flows from investing activities		**(79 234 050)**	(254 437 429)
Cash flow from financing activities			
Post-retirement medical obligation		**(1 606 000)**	3 114 387
Proceeds/ (repayment) of short-term receivables		**1 299 364**	(3 307 389)
(Repayment)/ proceeds of long-term receivables		**(3 610 617)**	143 624
Net cash flows from financing activities		**(3 917 253)**	(49 378)
Net (decrease)/increase in cash and cash equivalents		**(58 469 146)**	54 671 235
Cash and cash equivalents at beginning of year		**109 536 930**	54 865 695
Cash and cash equivalents at the end of year	*11*	**51 067 784**	109 536 930

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 for the year ended 31 July 2014 comprise the company, its subsidiaries and partnership (together referred to as the "Group").

The financial statements incorporate the following principal accounting policies as set out below. The accounting policies of the subsidiaries 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). Separate financial statements for the Company have been prepared.

(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.

Accounting Policies (continued)

1.2 Basis of Preparation (continued)

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 7 Intangible assets
- Note 15 Borrowings
- Note 16 Deferred tax liability
- Note 17 Medical aid benefits
- Note 22 Income taxation
- Note 23 Operating lease commitments
- Note 27 Financial instruments

1.3 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial 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)

Interests in associates and joint ventures are accounted for using the equity method. They 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 commences until the date that significant influence or joint control ceases.

(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. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(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 in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group 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.

1.3 Significant accounting policies (continued)

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.

Held-to-maturity financial assets

Held-to-maturity assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in 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 shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

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.

1.3 Significant accounting policies (continued)

(d) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. Goodwill is measured at cost less accumulated impairment losses.

(e) Investment property

Investment property is held either to earn rental income or for capital appreciation or 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, values 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.

Payments made under operating leases are recognised in profit or loss on a straight-line basis 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.

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.

1.3 Significant accounting policies (continued)

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.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

(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-life 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 other comprehensive income to the extent of any previous revaluation reserves. Any excess impairment is 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 benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting the amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed bi-annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognised gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Accounting Policies (continued)

1.3 Significant accounting policies (continued)

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iii) 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) Finance income and finance costs

The Group's finance income and finance costs include interest income, interest expense, the net gain or loss on the disposal of available-for-sale financial assets, and the net gain or loss on financial assets at fair value through profit or loss.

Interest income or expense is recognised using the effective interest method.

(m) 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.

(i) Current tax

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.

(ii) Deferred tax

Deferred tax is recognised 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 entities 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.

1.3 Significant accounting policies (continued)

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.

(n) 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.

(o) Non-current assets held-for-sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale. Immediately before classification as held-for-sale, the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. On initial classification as held-for-sale and subsequently, non-current assets or disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses are included in profit or loss or other comprehensive income and are allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis (with the exception of inventories, financial assets, deferred taxation assets, employee benefit assets, investment property, which continue to be measured in accordance with the Group's accounting policies). Gains are not recognised in excess of any cumulative impairment loss. Gains and losses on re-measurement are recognised in other expenses in the statement of comprehensive income.

Intangible assets and property, plant and equipment once classified as held-for-sale are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

(p) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(q) Comparative figures

Where necessary comparative figures have been reclassified.

2 New standards and interpretations

2.1 Standards and interpretations not yet effective

Standard/Interpretation		Effective date: periods beginning on or after
IFRS 10, IFRS 12 and IAS 27 amendment	Investment entities	Annual periods beginning on or after 1 January 2014
IAS 19 amendments	Employee Benefits: Defined Benefit Plans	Annual periods beginning on or after 1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after 1 January 2014
IAS 36	Recoverable amount disclosures for Non-financial assets	Annual periods beginning on or after 1 January 2014
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 January 2018
IAS 16 and 38	Clarification of acceptable methods of depreciation and amortisation	Annual periods beginning on or after 1 January 2016
Amendments to 6 standards	Improvements to IFRS's 2010-2012 cycle	Annual periods beginning on or after 1 July 2014
Amendments to 4 standards	Improvements to IFRS's 2011-2013 cycle	Annual periods beginning on or after 1 July 2014

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 consolidated financial statements.

Notes to the Financial Statements

3. Property, plant and equipment

2014	Cost	Accumulated depreciation and impairment	Carrying amount
Land	**41 810 000**	**-**	**41 810 000**
Buildings	**315 271 896**	**(59 440 410)**	**255 831 486**
Plant, vehicles and equipment	**144 438 707**	**(85 103 649)**	**59 335 058**
Assets under construction	**83 292 149**	**-**	**83 292 149**
	584 812 752	**(144 544 059)**	**440 268 693**

	Land and buildings	Plant, vehicles and equipment	Assets under Construction	Total
Movement in carrying amount				
Carrying amount at beginning of year	**217 269 168**	**47 785 817**	**9 498 411**	**274 553 396**
Additions	**85 214 144**	**14 732 411**	**73 793 738**	**173 740 293**
Disposals	**(277 920)**	**(284 063)**	**-**	**(561 983)**
Depreciation	**(4 563 907)**	**(2 899 106)**	**-**	**(7 463 013)**
	297 641 485	**59 335 059**	**83 292 149**	**440 268 693**

	Cost	Accumulated depreciation and impairment	Carrying amount
2013			
Property, plant and equipment			
Land	41 810 000	-	41 810 000
Buildings	230 287 621	(54 828 453)	175 459 168
Plant, vehicles and equipment	163 156 178	(105 871 950)	57 284 228
	435 253 799	(160 700 403)	274 553 396

	Land and buildings	Plant, vehicles and equipment	Total
Movement in carrying amount			
Carrying amount at beginning of year	542 463 602	45 980 719	588 444 321
Impairment of Western Province Property	(302 247 928)	-	(302 247 928)
Reclassification to held for sale	(29 975 855)	(11 159 822)	(41 135 677)
Additions	14 626 105	39 521 211	54 147 316
Disposals	(286 836)	(376 491)	(663 327)
Depreciation	(7 309 920)	(16 681 389)	(23 991 309)
	217 269 168	57 284 228	274 553 396

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 at arm's length terms. The revaluation surplus, net of applicable deferred income taxes, was credited to non-distributable reserves.

Depreciation expense of R7 463 013 (2013: R23 991 309) has been included in administrative expenses.

3 Property, plant and equipment (continued)

	2014	2013
	R	R
Depreciation	**22 449 170**	23 991 309
Less: Write – up of assets	**(5 436 172)**	-
Less: Reassessment of useful lives	**(9 549 985)**	-
	7 463 013	23 991 309

Useful lives of moveable assets were reassessed during the year.

A register detailing the descriptions, situation and date of acquisition of fixed assets is available for inspection at the registered office of the group. If land and buildings were stated on the historical cost basis, the amounts would be as follows:

Cost	**18 532 000**	18 532 000
Accumulated depreciation and impairment	**(12 978 332)**	(12 607 692)
	5 553 668	5 924 308

4 Investment in joint venture

As from 1 August 2014, the International Division of the PGE Partnership was taken over by Phumelela Gaming and Leisure due to the objective of changing all commercial arrangements with Phumelela to a normal customer/supplier relationship.

During the financial year, Phumelela was invoiced for revenues relating to Gold Circle's racing product sold internationally and profits owing to Gold Circle, hence disclosed as trade receivables. The only partnership with Phumelela and Kenilworth Racing has been disclosed consistently with prior year. This is disclosed in the financial statements as follows:

Non-current assets		
Phumelela Gold International	**-**	6 766 896
Investment in Tellytrack Partnership	**2 064 358**	14 695 982
	2 064 358	21 462 878
Current Assets		
Phumelela International trade debtor (refer to note 10)	**54 174 371**	-
Current Liabilities		
Phumelela payable (refer to note 18)	**(5 627 481)**	-

The summarised financial information of the partnership is as follows
(Note - 2014 excludes PGI):

Assets	**19 771 993**	160 124 000
Liabilities	**23 656 667**	72 648 000
Revenue	**73 082 217**	239 466 000
(Loss)/Profit	**(19 399 515)**	128 460 000
Profit attributable to Gold Circle Proprietary Limited		
(Loss)/ Profit share - 24.96% (2013: 39.00%)	**(4 842 119)**	50 099 400
Levies returned	**8 871 002**	-
Transferred to discontinued operations	**-**	(18 035 784)
	4 028 883	32 063 616

Gold Circle Proprietary Limited has a 24.96% (2013: 39.00%) interest in Tellytrack.

Notes to the Financial Statements

	2014	2013
	R	R
5 Investment in associate		
PGE Mauritius	**-**	5 159 822

PGE Mauritius was liquidated during the current financial year. PGE Mauritius liquidation resulted in Gold Circle Proprietary Limited receiving a dividend in specie in respect of 421 382 shares in Automatic Systems Limited, which has been classified as available for sale (refer to note 12).

	2014	2013
6 Loans receivable		
Non-current – interest bearing		
National Horse Racing Authority	**5 225 000**	-
The loan is unsecured, interest at 2% below prime, repayment period of 5 years and instalments are payable monthly in arrears.		
Summerhill Stud Farm		
The loan is unsecured, bears interest linked to prime and is repayable over 4 years.	**1 393 825**	-
	6 618 825	-
Current – interest bearing		
Phumelela Gaming & Leisure Limited – Betting World		
The loan is unsecured, bears interest of 5.5% and is repayable on demand.	**1 640 090**	1 454 289
Shares in Crusade		
The loan is unsecured, bears interest linked to prime and is repayable on demand.	**3 450 004**	4 045 198
Balance carried forward	**5 090 094**	5 499 487
Current – interest free		
Horseracing S A Proprietary Limited	**1 591 799**	2 028 798
Sports Tracking (Pty) Ltd	**636 371**	-
Kenilworth Racing Proprietary Limited	**-**	31 261 782
Transfer to held for sale assets	**-**	(32 276 181)
	2 228 170	1 014 399
The loans above is unsecured, bear no interest and is repayable on demand.		
	7 318 264	6 513 886
7 Intangible assets		
Goodwill		
Balance at the beginning of the year	**3 074 327**	4 359 327
Impairment	**-**	(1 285 000)
	3 074 327	3 074 327

Goodwill arose as a result of the acquisition of agency outlets in prior years.

The carrying amount of goodwill was subject to an impairment test at statement of financial position date. In the prior year, this test indicated impairment was required on the Western Cape outlets to be sold as part of the demerger agreement. 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 (2014: 6%, 2013: 6%) and expected tax rate (2014: 28%, 2013 28%).

	2014	2013
	R	R
8 Other investments		
FNB Preference Share – held to maturity	**120 000 000**	120 000 000
Preference shares are redeemable on 01 January 2016.		
Cumulative dividends earned are 66.6% of prime rate.		
9 Inventories		
Finished goods	**3 010 649**	3 090 134
Transferred to held for sale assets	**-**	(148 649)
	3 010 649	2 941 485
10 Trade and other receivables		
Trade receivables	**20 033 928**	20 733 707
Phumelela International trade debtor* (refer to note 4)	**54 174 371**	-
Less provision for impairment of receivables	**(498 854)**	(1 056 962)
Trade receivables – net	**73 709 445**	19 676 745
Other receivables	**2 164**	1 810 598
Prepayments	**650 902**	1 629 665
Vat Receivable	**13 785**	(4 140 234)
	74 376 296	18 976 774

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

*Phumelela has a credit facility of R30 million, which bears interest at 7% per annum.

Trade receivables can be analysed as follows:		
Neither past due nor impaired	**74 376 296**	12 890 391
Past due but not impaired	**-**	6 086 383
Past due and impaired	**498 854**	1 056 962
Impairment against these receivables	**(498 854)**	(1 056 962)
	74 376 296	18 976 774
The movement in the allowance for impairment is as follows:		
At beginning of the year	**(1 056 962)**	(387 753)
Trade receivables written off during the year	**-**	258 349
Decrease/ (increase) in impairment	**558 108**	(927 558)
At end of the year	**(498 854)**	(1 056 962)

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

11 Cash and cash equivalents		
Current accounts	**46 493 172**	20 685 268
Fixed deposits	**533 932**	83 677 335
Cash on hand	**4 040 680**	5 174 327
	51 067 784	109 536 930
Transferred to held for sale assets	-	(1 729 241)
	51 067 784	107 807 689

Notes to the Financial Statements

11 Cash and cash equivalents (continued)

	2014	2013
	R	R

Guarantees

Gold Circle Proprietary Limited has the following Guarantees in place:

In favour of	Value	Review Date
KwaZulu Natal Gaming and Betting Board	100 000	31/12/2015
Artemis Properties Proprietary Limited	110 000	31/05/2017
Pinetown Regional Water	69 285	31/12/2035
SA Retail Properties Proprietary Limited	98 504	31/07/2016
South African Breweries Limited	170 000	31/12/2025
Eskom	117 945	31/12/2025
Ethekwini Municipality	1 260 921	31/12/2025
KwaZulu Natal Gaming and Betting Board	200 000	31/12/2025

Facilities

Gold Circle Proprietary Limited has overdraft facilities of R10 000 000 and contingent facilities of R2 600 000 with FNB, due for review on 31 July 2015.

12 Available for sale financial assets

	2014	2013
RMB Private Bank Trust Account	**4 809 099**	4 339 031
Investec Asset Management Account	**4 633 684**	4 349 566
Nedbank Corporate Saver Account	**-**	4 222 941
Prudential Portfolio	**8 571 339**	100 861 536
Sanlam Portfolio – Gold Circle (Pty) Ltd	**4 025 340**	-
Sanlam Portfolio – Natal Racing Properties (Pty) Ltd	**10 899 788**	20 420 052
RMB Protected Flexible	**51 380 751**	42 096 490
Sanlam Private Portfolio: listed shares	**26 100 356**	16 456 059
Asset swap	**8 966 412**	4 308 292
Investment in ASL Limited	**15 857 447**	-
	135 244 216	197 053 967

12.1 Ring fenced investments

The assets are at fair value as determined by an active market. The Group's exposure to credit, currency and interest rate risks related to financial assets and the exposure to currency, interest rate and liquidity risk related to financial liabilities is disclosed in note 28.

The investments noted below relate to the ring fenced investments which include actual return to date for the year ending 31 July 2014.

	Initial investment	Actual Return 2013	Actual Return 2014	Ring fenced assets
	R	R	R	R
FNB Preference Share – held to maturity	120 000 000	4 115 538	6 921 990	131 037 528
RMB Protected Flexible	40 000 000	2 096 490	9 284 261	51 380 751
Sanlam Private Portfolio mixed portfolio	40 000 000	2 140 545	6 362 196	48 502 741
	200 000 000	**8 352 573**	**22 568 447**	**230 921 020**

12.1 Ring fenced investments (continued)	2014	2013
	R	R
Financial Assets – Ring fenced	**230 921 020**	208 352 573
Financial Assets – Not ring fenced	**71 350 300**	211 334 756
	302 271 320	419 687 329

	2014 (12 months)	2013 (6 months)
12.2 Percentage return		
Pre – tax return	**11.3%**	5.0%
Post – tax return	**9.2%**	3.8%

12.3 Disclosed as follows in the consolidated statement of financial position

	2014	2013
Non-current		
Financial Assets – Ring fenced		
FNB Preference Shares	**120 000 000**	120 000 000
Current		
Cash and cash equivalents	**51 067 784**	107 807 689
Available for sale	**135 244 216**	197 053 967
Less cash on hand	**(4 040 680)**	(5 174 327)
	182 271 320	299 687 329
Total investments	**302 271 320**	419 687 329

12.4 Disclosed as follows in the consolidated statement of comprehensive income

	2014	2013
As part of finance income and other associated income	**6 601 990**	4 435 538
Net change in fair value of available for sale financial assets	**15 308 022**	3 917 035
Investment Income	**658 120**	-
	22 568 132	8 352 573

13 Assets/liabilities held for sale

In the prior year, the Western Cape operations were presented as a disposal group held for sale following the commitment of the Group's directors to sell these operations after the sale was approved by the Competition Commission on 15 November 2013. At 31 July 2013, the disposal group comprised the following assets and liabilities:

	2014	2013
	R	R
Assets		
Property, plant and equipment	**-**	41 135 677
Long-term loan receivables	**-**	32 276 181
Trade and other receivables	**-**	4 140 234
Inventories	**-**	148 649
Cash and cash equivalents	**-**	1 729 241
	-	79 429 982
Liabilities		
Finance lease obligations	**-**	3 389 019
Long-term loan payable	**-**	38 654 588
Mortgage bond	**-**	13 158 498
Medical aid obligation	**-**	6 214 000
Provisions	**-**	1 652 811
Trade and other payable	**-**	10 728 208
	-	73 797 124

Notes to the Financial Statements

	2014	2013
	R	R
14 Share capital		
Authorised and issued 2 000 ordinary shares of R1 each	**2 000**	2 000
No dividends were declared or paid during the year.		
15 Borrowings		
Non-current - other		
Finance lease liabilities – long term portion	**4 917 155**	1 908 946
Bank borrowings	**-**	13 158 498
Transfer of mortgage bond to held for sale liabilities	**-**	(13 158 498)
	4 917 155	1 908 946
Current – Other		
Finance lease liability – short term	**2 103 285**	4 945 462
Current – shareholders loans		
Gold Circle Racing Club	**39 457 881**	39 457 424
Western Province Racing Club	**-**	38 654 588
Transfer to held for sale liabilities	**-**	(38 654 588)
	41 561 166	44 402 886
	46 478 321	46 311 832

Shareholder's loans

Loans are unsecured, interest free and are repayable on demand.

Finance lease liabilities

Finance lease obligations secured by lease agreements over property, plant and equipment with a carrying value of R5 744 429 (2013: R3 779 046). Finance lease obligations over motor vehicles bear interest at rates between prime and prime less 1.5%.

	2014	2013
	R	R
Finance lease liability	**7 020 440**	6 854 408
Less: Payable within one year	**(2 103 285)**	(4 945 462)
	4 917 155	1 908 946
Minimum lease payments are due as follows:		
Due within one year	**2 103 285**	4 945 462
Due within two and five years	**4 917 155**	1 908 946
	7 020 440	6 854 408

	2014	2013
	R	R
16 Deferred tax liability		
Opening balance	**35 784 929**	100 196 233
Prior period over provision	**(606 736)**	-
Deferred tax – temporary differences at 28%	**2 811 375**	(12 172 446)
Deferred tax – temporary differences at 18.648%	**136 843**	-
Deferred tax - release on assets held for sale	**(805 218)**	-
Utilisation of assessed loss	**151 378**	-
Temporary difference through OCI (assets)	**-**	(52 533 846)
Temporary difference through OCI (investments)	**1 567**	313 962
Increase in assessed loss	**-**	(600 061)
Deferred tax CGT on disposal of assets	**(16 239)**	(73 697)
Deferred tax - through other comprehensive income		
(Available for sale financial assets)	**2 600 780**	654 784
Deferred tax – through other comprehensive income		
(Post-retirement medical aid reserve)	**386 680**	-
	40 445 359	35 784 929
Comprises:		
Provisions	**(9 062 344)**	(10 684 620)
Capital allowances and finance leases	**47 100 211**	44 065 205
Assessed loss	**(692 120)**	(271 123)
Investments in financial assets	**3 628 584**	1 026 237
Assets held for sale	**-**	1 478 343
Income received in advance	**(634 473)**	(5 090)
Prepayments	**105 501**	175 977
	40 445 359	35 784 929

17 Medical aid benefits

The Group's obligation towards the post-retirement medical aid obligation was actuarially calculated as at 30 April 2014 and projected for the 31 July 2014 year end by Alexander Forbes Health Proprietary Limited and is disclosed in accordance with International Accounting Standard 19: Employee Benefits, as follows:

	2014	2013
	R	R
Consolidated Statement of Financial Position		
Non- current portion	**13 637 000**	15 243 000
Current portion	**1 215 000**	1 211 000
Present value of funded obligations	**14 852 000**	16 454 000
Consolidated Statement of Comprehensive Income		
Service cost	**-**	37 000
Interest cost	**1 026 000**	4 222 000
Total amount recognised in the net profit	**1 026 000**	4 259 000
Actuarial (gains)/losses	**(1 381 000)**	-
Amount recognised in other comprehensive income	**(1 381 000)**	-
Total amount recognised in the Consolidated Statement of Comprehensive Income	**(355 000)**	4 259 000

Notes to the Financial Statements

	2014	2013
17 Medical aid benefits (continued)	**R**	R
Movement in the net liability recognised in the Consolidated Statement of Financial Position		
Opening value	**16 454 000**	19 921 000
Employer contributions	**(1 247 000)**	(1 512 000)
Amount recognised in consolidated statement of comprehensive income	**(355 000)**	4 259 000
Transfer to liabilities held for sale	**-**	(6 214 000)
Closing value	**14 852 000**	16 454 000
Key Valuation Assumptions		
Discount Rate	**8.50%**	6.50%
Health care cost inflation	**8.20%**	7.30%
Expected retirement age	**65 years**	65 years

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
Employer's accrued liability	1 348 000	16 454 000	(1 184 000)
Employer's service and interest cost	294 000	1 026 000	79 000

Therefore, a 1% increase in the health care cost inflation assumption will result in a 9.96% increase in the accrued liability. Similarly, a 1% decrease in the health care cost inflation assumption will result in an 8.65% decrease in the accrued liability.

	2014	2013
	R	R
18 Trade and other payables		
Amount due to punters	**4 976 324**	4 915 139
Provision for breeders and owners premiums	**6 214 766**	5 553 860
Provision for leave pay	**5 035 043**	4 711 649
Trade creditors and accruals	**69 869 910**	58 395 236
Telephone Betting	**4 306 831**	3 127 005
VAT	**5 680 465**	3 986 000
Phumelela payable	**5 627 481**	-
Transfer of provision to liabilities held for sale	**-**	(1 652 811)
Transfer of finance lease obligation to liabilities held for sale	**-**	(3 389 019)
Transfer of trade creditors to liabilities held for sale	**-**	(10 728 208)
	101 710 820	64 918 851
19 Tax (paid)/received		
Receivable/(payable) at the beginning of the year	**2 123 701**	(4 233 106)
Current tax for the year recognised in the statement of comprehensive income	**-**	7 422 221
Less: receivable at year end	**(4 753 206)**	(2 123 701)
Tax (paid)/received	**(2 629 505)**	1 065 414
20 Direct racing revenues		
Race meeting and stabling	**50 659 676**	51 105 199
Other revenue	**14 708 363**	13 258 514
	65 368 039	64 363 713

	2014	2013
	R	R
21 Expenses by nature		
The following items have been included in arriving at operating profit:		
Advertising, events and promotions	**20 344 860**	17 509 050
Audit fee	**968 103**	449 400
Cash collection costs	**1 801 066**	2 173 787
Catering costs	**10 340 517**	8 853 416
Contribution to jockey's remuneration	**9 744 197**	9 601 921
Depreciation (including impairment)	**7 463 013**	15 163 708
Directors emoluments	**3 166 030**	1 494 600
Employee benefits	**111 387 587**	101 392 176
Insurance costs	**1 301 781**	1 227 442
Licence fees	**16 456 090**	16 261 357
Tellytrack subscriptions	**17 254 279**	8 034 559
Operating lease rentals - Property	**15 068 977**	13 009 359
Operating lease rentals - Equipment and vehicles	**151 329**	2 179 678
Printing costs	**6 540 480**	4 749 684
Race meeting expenses	**6 660 169**	5 820 167
Regulatory costs (National Horseracing Authority)	**13 118 326**	11 623 820
Repairs and maintenance	**21 037 709**	24 167 245
Security expenses	**7 535 527**	6 941 238
Service fee (Saftote)	**7 449 691**	7 384 101
Stakes - owners	**93 277 538**	87 110 203
Stakes - breeders	**9 043 148**	7 532 742
Tote agents commission paid	**31 976 781**	30 157 279
Transformation fund	**1 591 721**	1 132 593
Utility costs	**24 145 740**	23 257 529
Other operating expenses	**59 653 398**	54 642 384
	497 478 057	461 869 438
Reconciled to expense by function		
Agents commission & other direct costs	**31 976 781**	30 157 279
Wagering expenditure	**168 709 445**	150 967 297
Racing expenditure	**296 791 831**	280 744 862
	497 478 057	461 869 438
22 Income taxation		
Current taxation	**-**	-
Current tax- change in CGT rate	**-**	7 751 157
Current tax- change in CGT rate	**-**	(328 928)
Deferred tax- rate change on property fair value movements	**-**	9 284 613
Deferred tax- CGT on disposal of assets	**136 843**	73 697
Deferred tax- temporary differences	**2 808 620**	2 966 928
Deferred tax – under provision	**(606 736)**	-
Deferred tax- increase in assessed loss	**-**	600 061
Reversal of capital gains tax on disposal of held for sale assets	**(805 218)**	-
Deferred tax – utilisation of assessed loss	**151 378**	-
	1 684 887	20 347 528
Deferred tax on discontinued operations	**-**	(2 218 503)
	1 684 887	18 129 025

Notes to the Financial Statements

	2014	2013
	R	R
22.1 Reconciliation of tax charged		
Profit before tax on continued operations	**24 314 584**	8 801 128
Loss before on discontinued operations	**-**	(7 923 225)
Profit before tax charge	**24 314 584**	877 903

	%	2014	%	2013
		R		R
Income tax at 28%	**28.0**	**6 808 083**	(28.0)	(245 813)
Change in CGT rate	**-**	**-**	882.9	7 751 157
Rate change on property fair value movements	**-**	**-**	1057.6	9 284 613
CGT on disposal of assets	**-**	**-**	8.4	73 697
Permanent differences comprising non-deductible expenses and exempt income	**(19.0)**	**(4 609 656)**	466.8	4 098 239
Reversal of capital gains tax on disposal of held for sale assets	**(3.3)**	**(805 218)**	-	-
Capital gains tax	**3.7**	**898 414**	(70.0)	(614 365)
Deferred tax – under provision	**(2.5)**	**(606 736)**	-	-
	6.9	**1 684 887**	2317.7	20 347 528
Tax on discontinued operations	**-**	**-**	(252.7)	(2 218 503)
	6.9	**1 684 887**	2065.0	18 129 025

No current taxation was provided as the Group had an assessed loss of R2 471 856 (2013: R 3 012 491).

23 Operating lease commitments

The Durban Turf Club has a lease over Greyville racecourse that expires on 31 December 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:

	2014	2013
	R	R
Due within one year	**1 008 000**	1 008 000
Due within two and five years	**4 032 000**	4 032 000
Due after five years	**51 163 000**	52 171 000

The Pietermaritzburg Turf Club has a lease over Scottsville racecourse that expires on 30 November 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:

Due within one year	**311 200**	311 200
Due within two and five years	**1 244 802**	1 244 802
Due after five years	**6 535 116**	5 394 141

	2014	2013
	R	R
23 Operating lease commitments (continued)		
The Group leases certain other properties, the future commitments being as follows:		
Due within one year	**8 344 180**	9 699 615
Due within two and five years	**9 850 195**	21 601 752
The Group leases certain of its plant, equipment and vehicles in terms of operating leases as follows:		
Due within one year	**35 769**	359 678
Due within two and five years	**-**	269 133

24 Discontinued operations

In the prior year, Gold Circle (Proprietary) Limited demerged it's Western Cape operation as at 31 July 2013. This disposal had the following effects on the financial statements:

Results of discontinued operation		
Revenue	**-**	180 239 640
Operating expenses	**-**	(188 162 865)
Trading loss Western Province	**-**	(7 923 225)
Taxation	**-**	2 218 503
Net loss from discontinued operations	**-**	(5 704 722)
Cash flows from/(used in) discontinued operations		
Net cash from/(used in) operating activities	**-**	1 120 236
Net cash from/(used in) investing activities	**-**	(3 308 007)
Net cash from/(used in) financing activities	**-**	630 350
Net cash outflows for the year	**-**	(1 557 421)

	2014	2013
	R	R
25 Cash generated from operations		
Profit from continuing operations before tax	**24 314 584**	8 801 128
Loss from discontinuing operations before tax	**-**	(7 923 225)
Adjustments for:		
Depreciation	**7 463 013**	23 991 309
Impairment of intangible assets	**-**	1 285 000
Foreign Exchange Gain	**(2 620 309)**	-
Non-cash movement through equity	**12 347 072**	4 226 161
Profit on disposal of Western Cape	**-**	(1 007 768)
Loss/(Profit) on disposal of fixed assets	**1 266 017**	(1 868 807)
Post-retirement medical aid	**-**	(367 387)
Deferred income	**-**	18 777
Straight lining provision	**(56 931)**	3 061 034
Interest received	**(9 490 432)**	(15 306 060)
Interest paid	**542 460**	337 735
Impairment of loan receivable to PGE Mauritius	**8 908 162**	-
Dividend received in specie	**(15 781 746)**	-
	26 891 890	15 247 897

Notes to the Financial Statements

	2014	2013
	R	R
25 Cash generated by operations (continued)		
Changes in working capital	**(11 849 017)**	277 876 406
Increase in inventories	**(69 164)**	(134 681)
Decrease in trade and other receivables	**24 030 460**	386 155 377
Decrease in trade and other payables and provisions	**(35 810 313)**	(108 144 290)
Cash generated from operations	**15 042 873**	293 124 303

26 Capital Commitments

	2014	2013
Authorised and contracted for	**11 378 417**	161 582 425
Authorised and not contracted for	**17 627 396**	23 000 474
	29 005 813	184 582 899

27 Financial Instruments

The Group's financial instruments consist primarily of financial assets, accounts receivable and long term liabilities.

Categories of financial instruments

	2014	2013
Financial Assets		
Accounts receivable	**79 220 065**	23 021 972
Available-for-sale	**135 244 216**	197 053 967
Held to maturity	**120 000 000**	120 000 000
	334 464 281	340 075 939
Financial liabilities		
Loan from related party	**39 457 881**	39 457 424

28 Financial risk management

28.1 Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing financial risk, and the Group's management of capital.

28.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

28.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk through the following instruments:

- Derivative financial assets
- Amounts owing by the holding company
- Trade and other receivables
- Cash and cash equivalents

28 Financial risk management (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2014	2013
	R	R
Financial assets		
- Non-Current		
Held to maturity	**120 000 000**	120 000 000
- Current		
Available-for-sale financial assets	**135 244 216**	197 053 967
Cash and cash equivalents	**51 067 784**	107 807 689
	306 312 000	424 861 656

28.4 Liquidity risk

Cash flow forecasting is performed by the entity and management monitors rolling forecasts to ensure that the entity has sufficient cash to meet operational needs 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 Group 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.

	Less than 1 year	Between 2 & 5 years	Over 5 years
As at 31 July 2014			
Trade and other payables and provisions	**101 710 820**	**-**	**-**
Borrowings	**41 561 166**	**-**	**-**
Finance lease liability*	**2 103 742**	**4 917 155**	**-**
As at 31 July 2013			
Trade and other payables and provisions	74 376 296	-	-
Borrowings	44 402 886	39 457 588	-
Finance lease liability*	1 556 443	1 908 946	-

*Current portion of finance lease liability is included in borrowings.

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:

	2014	2013
	R	R
Cash resources	**51 067 784**	107 807 689
Undrawn borrowing facilities	**10 000 000**	12 600 000
Trade and other receivables	**79 220 065**	23 021 972
Available for sale financial assets	**135 244 216**	197 053 967
Total available resources	**275 532 065**	340 483 628

Notes to the Financial Statements

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 Group does not target specific capital ratios.

28.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity input prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys foreign currency derivatives in order to manage market risks.

The Group has exposure to currency and interest rate risk.

(i) Currency risk

The Group is exposed to currency risk on the asset swap that is denominated in a currency other than the respective functional currencies of Group entities. The Group is primarily exposed to the United States dollar.

Exposure to currency risk

The Group's exposure to significant foreign currency risk was as follows based on nominal amounts:

	2014	2013
	R	R
Asset Swap	**8 966 412**	4 308 292

The following significant exchange rates applied during the period:

	31 July 2014		31 July 2013	
	Reporting date spot rate	**Average for the period**	Reporting date spot rate	Average for the period
US Dollar	**10.63**	**10.43**	9.81	8.98
Mauritian Rupee	**2.76**	**2.80**	-	-

Sensitivity analysis

A 10 percent weakening of the rand against the following currencies at the reporting date applied against the net foreign currency exposure would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit/(loss)	
	2014	2013
	R	R
Group		
US Dollar	**76 682**	39 925
Mauritian Rupee	**-**	-

A 10 percent strengthening of the rand against the above currencies at the reporting date would have had the equal opposite effect to the amounts shown above.

(ii) Interest rate risk

The Group adopts a policy of ensuring that most of its exposure to changes in interest rates on borrowings is on a floating rate basis.

28.5 Market risk (continued)

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2014	2013
	R	R
Variable rate instruments		
Financial assets		
Financial Assets at amortised cost – FNB Preference Shares	**120 000 000**	120 000 000
Loans Receivable – Non Current	**6 618 825**	-
Loans Receivable – Current	**5 090 094**	5 499 487

Sensitivity Analysis

Cash flow sensitivity analysis for variable instruments

A decrease of 100 basis points in interest rates at the reporting date calculated on the closing balances, would have decreased the profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit/(loss)	
	2014	2013
	R	R
Variable rate instruments		
Financial assets		
Financial Assets are amortised cost - FNB Preference Shares	**(548 440)**	(466 690)
Loans Receivable – Non Current	**(66 188)**	-
Loans Receivable – Current	**(50 901)**	(54 995)
Financial liabilities		
- other financial liabilities	**-**	-
Net cash flow sensitivity	**(665 529)**	(521 685)

An increase of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect to the amounts shown above.

28.6 Financial instrument categories and fair values

The table below sets out the classification of each class of financial assets and liabilities, and their fair values:

	31 July 2014		31 July 2013	
	Carrying amount R	Fair value R	Carrying amount R	Fair value R
Group				
Available-for-sale financial assets				
Equity investments	**135 244 216**	**135 244 216**	197 053 967	197 053 967
Financial assets carried at amortised cost	**171 067 784**	**171 067 784**	227 807 689	227 807 689
Preference Shares	**120 000 000**	**120 000 000**	120 000 000	120 000 000
Cash and cash equivalents	**51 067 784**	**51 067 784**	107 807 689	107 807 689

Notes to the Financial Statements

28 Financial risk management (continued)

28.7 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

-Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

-Level 2 inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices)

-Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
Group	**R**	**R**	**R**
31 July 2014			
Financial assets			
Available –for-sale financial assets	**126 277 804**	**-**	-
Derivative financial assets	**-**	**8 966 412**	-
	126 277 804	**8 966 412**	-
Group			
31 July 2013			
Financial assets			
Available –for-sale financial assets	192 475 675	-	-
Derivative financial assets	-	4 308 292	-
	192 475 675	4 308 292	-

Investments and Securities

The fair values of listed investments and securities are based on bid prices

29 Subsidiaries of Gold Circle Proprietary Limited

	Issues Share capital	% holding	Issued share capital	% holding
	2014	**2014**	**2013**	**2013**
Directly held				
Cape Racing Properties Proprietary Limited	**-**	**-**	1 000	100
Gold Circle Gaming Investments Proprietary Limited	**100**	**100**	100	100
Natal Racing Properties Proprietary Limited	**150 000**	**100**	150 000	100
Track and Ball Gaming Proprietary Limited	**140**	**70**	-	-

30 Related parties

30.1 Identity of related parties

Related party transactions have been conducted on an arm's length basis.

The holding entity of Gold Circle Proprietary Limited is Gold Circle Racing Club.

Subsidiaries are as follows:

Natal Racing Properties Proprietary Limited

Gold Circle Gaming Investments Proprietary Limited

Track and Ball Gaming Proprietary Limited

Associated clubs are as follows:

Clairwood Turf Club

Durban Turf Club

Holding entities

Gold Circle Racing Club

The directors are listed in the directors' report.

N P Butcher (Appointed 06/12/2012)

J H S de Klerk (Appointed 06/12/2012)

G Petzer (Appointed 14/11/2011)

R Mauvis (Chairperson) (Appointed 31/01/2011)

D R Moses (Appointed 01/01/2014)

Ms L E Rakharebe (Appointed 19/12/2012)

M J L Nairac (Appointment 11/12/2012)

L Nunan (Appointed 14/11/2011)

P V Lafferty (Appointed 14/11/2011)

Ms P Mnganga (Appointed 01/02/2011)

S Naidoo (Appointed 04/06/2014)

M Tembe (Appointed 14/11/2011)

The following related party transactions have occurred between Phumelela Gold Enterprises and Gold Circle Proprietary Limited as well as balances payable and receivable at 31 July 2014.

	2014	2013
	R	R
30.2 Related parties transactions		
Expenses		
Tellytrack subscriptions	**17 254 279**	8 034 559
Royalties – International	**-**	14 164 716
Royalties – Zimbabwe	**-**	513 905
Transactions and balances at year end		
Investment in Tellytrack Partnership	**2 064 358**	14 695 982
Investment in PGI Limited	**-**	6 766 896
Phumelela International trade debtor	**54 174 371**	-
Phumelela accounts payable	**(5 627 481)**	-
Directors' remuneration		
Executive	**696 310**	750 000
Non-executive	**2 469 720**	744 600
	3 166 030	1 494 600

Notes to the Financial Statements

31 Subsequent events

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

32 Going Concern

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

GOLD CIRCLE

RACING AND GAMING GROUP

GOLD CIRCLE PUBLISHING