GOLD CIRCLE
RACING AND GAMING GROUP

ANNUAL REPORT 2017

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

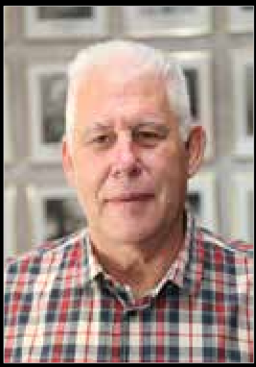
P MNGANGA
(Chairman)

M TEMBE
(Vice Chairman)

M J L NAIRAC
(CEO)

N P BUTCHER

P V LAFFERTY



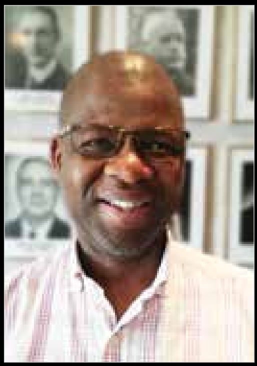
J H S DE KLERK

S NAIDOO

M NHLANHLA

L NUNAN

G PETZER



Z ZULU

Entity Information

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

Chairman's Report

INTRODUCTION

The Annual Financial Statements and this report for the year ended 31 July 2017 are presented on behalf of the Board of Directors.

The impact of a slowing national economy, taken together with current political turmoil continues to put pressure on household disposable income. The public have become more discerning in their spending patterns which is having a negative trend on gambling and betting turnovers. This market environment has proved to be challenging for both the Board and management alike as the need to improve adequate stakes returns to owners in a declining net income generating business remains difficult. The company has taken certain strategic decisions which have resulted in a restructure of the business.

FINANCIAL PERFORMANCE

Gross revenue generated by the totalisator has not kept pace with inflation and the business is becoming more competitive as like organisations seek to shift customer preferences to other products. Whilst most businesses are able to quickly adapt to the changing market, the totalisator business is particularly restrained through its licence conditions and betting opportunities. Gold Circle continues to pursue all possible avenues of income generation to ensure that the financial contribution to the horse racing industry is sustainable into the future.

Total totalisator bets struck in the financial year amounted to R1.39 billion (2016: R1.51 billion) and is a reflection of the tough economic environment compared with the prior year.

Whilst comparative bets struck through the company's bookmaking subsidiary, Track and Ball, improved over the year there was a net decline in gross gaming revenue from R29.9 million to R26.1 million. This decline was mainly as a result of unfavourable betting results. Income received from third party bookmaking activities decreased marginally by 1.4% to R41.4 million.

International operations income, derived through the international sale of South African racing product by Phumelela Gaming & Leisure, resulted in limited growth mainly as a result of a stronger Rand foreign exchange rate when compared to that in the prior year. Income increased to R69.2 million in 2017 from R67.1 million in the prior year. It is expected that future international earnings will continue to improve.

Total trading revenue generated from local operations amounted to R423.7 million, a decrease of 7.2% compared with the R456.6 million earned in 2016.

Income from investments, including the amount "ring-fenced" by members reflects an average pre-tax improvement of 7.3% compared with 6.3% in the prior year. Stock market investment indices have mostly traded on par over the past year mainly as a result of a depressed economy and political uncertainty. Stock markets experienced a major investment pricing surge in July 2017 which has continued through into the new financial year.

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. Total comprehensive loss for the year after taxation and extraordinary revenue adjustments, amounted to R12.1 million compared with a profit of R6.3 million in the prior year. The main reason for the negative result is due to a decrease in totalisator betting income generation.

Total overhead expenditure was contained at R465.4 million, excluding stakes paid to Owners, and reflects a decrease of 0.4% on the comparative payable of R466.9 million expended in 2016. Stakes paid to Owners in the current year decreased by 3.6% to R105.4 million. This was mainly as a result of a lower number of race meetings featured during the year.

FINANCIAL POSITION

At 31 July 2017, the Group controlled total assets of R867.6 million (2016: R889.7 million) and total liabilities amounting to R208.6 million (2016: R218.6 million). Excluding the loan owing to Gold Circle Racing Club amounting to R39.5 million, the total equity attributable to shareholders amounts to R659 million (2016: R671.1 million).

Cash and cash equivalents as at 31 July 2017 amounted to R27.6 million (2016: R43.6 million). The decrease in available cash is mainly due to difficult trading conditions.

ASSET UTILIZATION

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 smaller 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 until 2035. The Scottsville Racecourse has a sub-lease agreement with Tsogo Sun in respect of the casino premises in Pietermaritzburg. Tsogo Sun have applied to the Msunduzi Municipality to acquire the property.

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

Greyville Hospitality Facilities

As previously reported to Members, the agreement with eLan Lifestyle and Communications was terminated in September 2016. Gold Circle will now continue to provide hospitality services from the premises at Greyville Racecourse. There is a great potential to this income stream which will contribute to the company's non-core business profitability.

National & International Initiatives

The national involvement of Gold Circle in external business operations is 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 the company 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.

The offensive by the bookmaking fraternity against the Racing Operators both in KZN and nationally continues. This is in retaliation to the 2013 revised pricing structure for the Tellytrack broadcast signal in their betting outlets. There has been little activity on the various issues other than waiting for the various matters to be brought to a conclusion through the relevant Authorities' interventions.

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 R69.1 million for the year. The licence termination date is 2022.

Totalisator & Bookmaking

TOTALISATOR

Totalisator commission from betting turnover continues to be the major source of income for the company. Net wagering income from the totalisator declined by 10.3% over the past year and remains a concerning trend for the future. Management are exploring alternative strategies to minimize the impact of this decline, but are forecasting further declining trends for the 2018 financial year.

Gold Circle has developed its own totalisator systems protocol which allows it to become independent from the controls of the Phumelela betting system. Whilst the full migration to the new system has not yet been implemented, Gold Circle is now able to control its own reporting requirements.

The company continues to upgrade communication with customers in the off-course betting outlets through the electronic display of racing and sports betting information. The roll-out is being progressed on an outlet priority basis. The introduction of an alternative in-house television programme for Gold Circle race days is being investigated.

BOOKMAKING

Track and Ball, the company's Black owned subsidiary traded from seven licenced premises in KwaZulu-Natal and also managed several other licenced Black-empowered entities through management agreements. It is pleasing to record that total betting turnover increased by 15% during the year to R235 million which resulted in a net gross gaming income of R26.1 million. After taking into account operational costs and loan account interest, the subsidiary incurred a loss of R4.1 million.

In terms of a reversionary right included in an agreement entered into in 2014, the bookmaking business operating in Durban North has been sold on a suspensive sale basis. The transaction is presently being considered for approval by the KwaZulu-Natal Gaming and Betting Board.

Events and Marketing

MARKETING

Tourism in the Province of KwaZulu-Natal is an important income generator and Gold Circle proudly plays a major part in attracting tourists to Durban. The popularity of the Vodacom Durban July continues to surpass all expectations and is the key to the success of the Champions Season racing extravaganza.

The joint venture between Gold Circle and the Independent Newspapers Group nationally provides a national platform in several daily and weekend newspapers. It is a powerful marketing platform for the betting product of horse racing and Gold Circle's events in particular.

The marketing for the Champions Season comprises the major portion of Gold Circle's marketing focus and spend. The relationship with Vodacom as sponsor and partner in racing at Greyville is the catalyst for the success of the supporting programmes and events that are scheduled in the winter season.

Vodacom together with all other sponsors are enthusiastic in their efforts to build and promote the sport of racing whilst at the same time, achieving their own marketing objectives. We thank all sponsors for their support.

During the past year there have been several marketing campaigns implemented which focused around specific racing and other events. These are small in comparison to the Champions Season but they do contribute to the general marketing and promotion of the business thus providing continuity of the Gold Circle brand.

The company continues to provide the industry with news and reviews on racing matters through the Parade Magazine publication. The periodical is published quarterly and incorporates racing events and activities from around the country.

EVENTS AND HOSPITALITY

As reported to Members at the last Annual General Meeting, Gold Circle severed its relationship with eLan Lifestyle and Communication and now manages and promotes the hospitality brand known as the Greyville Convention Centre. This is a non-core business activity and has the potential to make a material contribution to the profitability of the company. The gross profit for the current financial year was R10.7 million.

Gold Circle has over many years assisted welfare and charity organisations to raise much needed funding through the use of its facilities on race days. Whilst this type of promotion achieves their fundraising and awareness objectives it is a good marketing platform for the company as it exposes the available facilities to a new market who may otherwise not have attended the events.

COMMUNICATION

Continuous communication of information to the company's customer base is an imperative and is mainly being undertaken through new internet based digital solutions. Gold Circle has migrated much of its information base to be internet based as interactivity through smart phone applications and technology is more dynamic. The traditional communication platforms of newspaper and other hard copy publications remain important information sources.

Gold Circle maintains an on-going "open door" policy with regard to communication with all external parties including the Provincial, National and Local Government departments. This ensures that the company can be proactive in dealing with matters of joint interest.

RACING

Gold Circle staged 115 race meetings during the 2017 financial year compared with 122 in the prior year. Prize money paid to winning owners amounted to R105.4 million against R109.3 million during the comparative period. The decrease is directly related to the number of race meetings staged in the current year.

Friday night racing at Greyville continues to be popular for the South African and International betting fraternity. Betting Interest has grown considerably with France starting to commingle into the national totalisator pools. Greyville Racecourse offers an entertainment venue for the public to socialize and be part of the racing activities. In order to reduce costs Friday night racing will be staged on the last Friday and first Friday of each month up until the end of April 2018.

The Greyville Turf track stood up well during the Champions Season. Conditions were assisted by less precipitation and an improved turf management programme being implemented to protect the turf. A mini spring treatment was undertaken during August and September 2017 with turf racing recommencing in October 2017.

The Polytrack continues to provide a uniform racing surface and is popular with the racing public. Due to problems being experienced during inclement weather conditions in the pull-up area, the polytrack surface has been extended by a further 100m. This will greatly assist in alleviating uneven underfoot conditions.

The Scottsville track has reacted consistently, particularly over the Season, notwithstanding several challenges including frost which discoloured the grass in certain areas. The track will be subject to its spring treatment from October until early December 2017.

The centres at Ashburton and Summerveld continue to offer top class training facilities for Owners with horses domiciled in the province. The centres accommodate in excess of 2000 horses during peak season.

South Africa's Champions Season once again proved a resounding success, hallmarked by many outstanding performances and high quality competitive racing. Many of the Equus Awards winners secured their Championship status as a result of their quality performances during South Africa's Champions Season.

The Vodacom Durban July remains the racing extravaganza that the South African public celebrate both from a social and betting perspective. Demand for hospitality facilities exceeds supply and infrastructure is stretched to accommodate the more than 50 000 visitors on the race day. Betting turnover achieved new records and has set a challenging benchmark for the future.

The Gold Cup Festival of Racing was featured at the end of July 2017 and had all the makings of being, and becoming, one of the great racing celebrations in the country. The Festival included the Grade 1 Champions Cup on the Saturday and the iconic marathon event, the eLan Gold Cup on the Sunday which was a fitting climax to Champions Season 2017. Unfortunately the Festival did not achieve the desired expectations of the promotion and as a result it will revert back to a one day event in 2018.

The KwaZulu-Natal Racing Awards for the 2017 Season took place in August 2017 and congratulations are extended to the winning Owners, Mayfair Speculators and Roy Moodley, the winning Trainer Duncan Howells and winning Jockey Anthony Delpech for their exceptional achievements over the past year. The KwaZulu-Natal horse of the year was adjudicated as duel Grade 1 sprinter Bull Valley with the Breeder category being awarded to Klawervlei Stud.

Gambling Regulation

Gold Circle's relationship with the KwaZulu-Natal Gaming and Betting Board (KZNGBB) was maintained over the past year through liaison and communication on matters of licencing and legislative regulation. The KwaZulu-Natal Gaming and Betting Act 2010 is still under review and the company has made several submissions on the proposed amendment thereof.

As stated in the last report, the Department of Trade and Industry having reviewed the Gambling Policy Commission's proposed recommendations on gambling and betting in the country have not as yet promulgated amendments to the National Gambling Act 2004. The major area of concern for the Totalisator Operators relates to a proposed prohibition of betting on sport. This may, if promulgated, have a long term negative impact on the company's ability to provide sustainable returns to industry stakeholders.

Corporate Governance

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

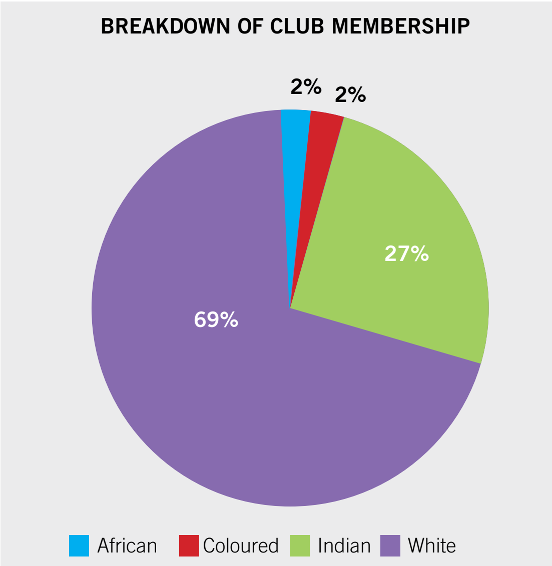
	Board	Audit	Risk	Remco	Racing	Social & Ethics	Remuneration "R"
P Mnganga	4/4	-	-	-	-	4/4	120 000
M Tembe	3/4	-	-	-	-	-	75 000
N P Butcher	3/4	3/3	2/2	-	5/6	-	112 500
J H S De Klerk	4/4	3/3	2/2	-	6/6	-	124 000
P V Lafferty	4/4	-	-	2/3	5/6	-	100 500
S Naidoo	3/4	-	-	-	-	-	55 000
M M Nhlanhla	4/4	-	-	-	-	3/4	83 500
L Nunan	3/4	-	-	-	6/6	3/4	104 500
G Petzer	4/4	-	-	3/3	-	-	97 000
Z Zulu – appointed 31/10/2016	3/3	2/2	1/1	-	-	2/2	72 000
Total Remuneration Cost							943 500

Transformation

Gold Circle is committed to making a positive contribution to the upliftment of disadvantaged communities through its Corporate Social Initiatives Programme. All initiatives undertaken are approved and monitored through the Social and Ethics Committee. The company 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. Gold Circle currently holds a Level 3 rating in terms of the Act.

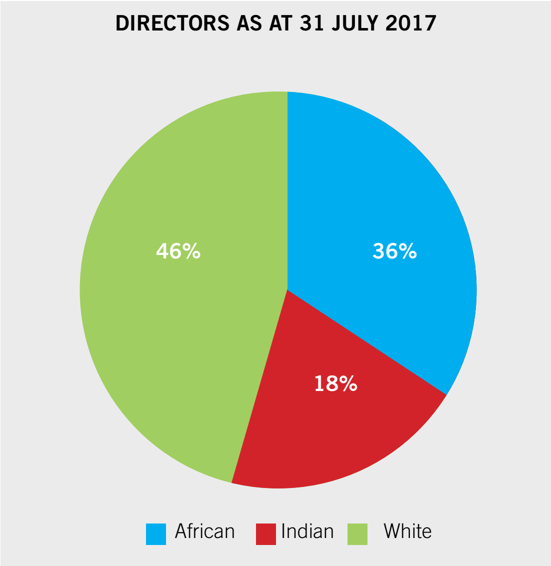
CLUB MEMBERSHIP

Gold Circle Racing Club, as the single shareholder of the company, comprised 917 members as at 31 July 2017. 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 set to achieve a Black membership component of 35% by 2017 has not been achieved. Summarised below are the statistics relating to the demographic profile at 31 July 2017:



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. At 31 July 2017 the Board comprised one executive and ten non-executive directors and it is pleasing to report that the demographic profile of the Board has been positively influenced over the years and continues to reflect 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 reviewed its operation structure during the year and implemented a rationalisation programme which was effected in August 2017, the new financial year. Certain of the company's executive management are outsourced on short term contracts. This dynamic will change as the goal of the Board is to appoint appropriate permanent managers who are able to take over management of the company to successfully implement the strategic objectives of Gold Circle.

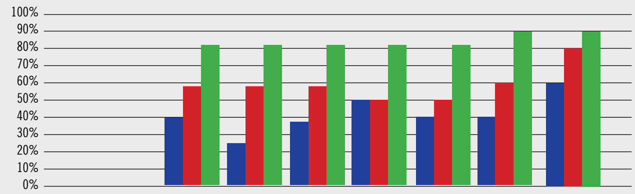
The following table reflects the employment sectors, the demographic profile of personnel contracted and employed by the company including branch betting outlet operations at 31 July 2017.

Race	Executive Management	Senior & Middle Management	Junior	Semi-Skilled	Unskilled	Grand Total	%
African	0	10	63	962	219	1254	77%
Coloured	0	2	9	46	3	60	4%
Indian	2	18	74	146	5	245	15%
Sub Total	**2**	**30**	**146**	**1154**	**227**	**1559**	**96%**
White	3	16	18	30	2	69	4%
Grand Total	**5**	**46**	**164**	**1184**	**229**	**1628**	**100%**

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

Through 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.

BLACKS IN MANAGEMENT



	Jul 13	Jul 14	Jul 15	Jul 16	Jul 17	Target 0-5 Yrs	Target 6-10Yrs
Top/Exec	40%	25%	38%	50%	40%	40%	60%
Senior	56%	56%	62%	50%	50%	60%	80%
Middle	83%	83%	83%	84%	85%	90%	90%

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 897 of which 98% were Black.

Of importance is the internal training provided to the many aspirant matriculants who apply for consideration as betting clerks over the Champions Season on an annual basis. The basic training is not available at any tertiary educational institution and prepares candidates for similar employment opportunities in the open markets once their contacts with Gold Circle have concluded. Other in-house educational training programs have been developed which enhance skills and allow staff to progress their careers within the company.

The company offers selected funding to employees for formal training at certified tertiary institutions to further their career prospects in management positions within the company. The company assists employees with the funding of this skills development program.

The company once again extended its Employee Learnership Program which provides career prospects for employees. These Learnerships have been made available within all departments of the company and are externally facilitated by a qualified service provider.

Corporate Social Investment

The majority of initiatives undertaken by the company are Industry based and, whilst making a contribution to the upliftment of disadvantaged communities, serve also as a skills transfer mechanism to the broader traditional horse ownership communities particularly in rural areas.

TRADITIONAL RACING

The sport of traditional racing in South Africa was established more than 100 years ago and is perceived to be a traditional and cultural sport for African rural communities. The horses that participate in traditional horse racing in KwaZulu-Natal are predominantly owned by families in the rural areas and are often used as a source of transport. The sport is in the process of becoming more formalised and the control now falls under the KwaZulu-Natal Rural Racing Association which covers ten districts within the province.

Gold Circle has assisted in the development of traditional racing to the point where the key feature events have now reached a stage of maturity and are becoming self-sustainable. The success of these events in turn derives benefits to the supporting rural communities. Traditional Racing as a sport still requires further development to attain a professional level where the racing activities are legally regulated. In partnership with the KwaZulu-Natal Government, Gold Circle is part of a task team which is investigating a proposal to legitimise the sport of traditional racing through enabling legislation thus enabling control and governance processes.

COASTAL HORSE CARE UNIT

The Coastal Horse Care Unit is a registered non-profit organisation that has as its main objective the welfare and care of horses in KwaZulu-Natal. Associated with this objective is the transfer of skills to disadvantaged rural communities to assist them to care for their horses. Gold Circle is actively involved in these community based programmes to support equine welfare in rural areas. The company volunteers its personnel to undertake, together with the Coastal Horse Care Unit, various clinics and workshops within rural communities to allow for education and skills transfer. The initiative provides Gold Circle employees with an opportunity of making a positive contribution to the informal equine community. Gold Circle is a major financial contributor to the Coastal Horse Care Unit.

Corporate Social Investment

GROOMS

Gold Circle supports the principle of social development and as a result, skills development is one of the transformation pillars that the company promotes, not only for its employees, but for its immediate participating community. The company fully subsidised the cost of a Grooms Training School which promotes career and basic educational skills development. With the number of grooms employed at the two training centres, Gold Circle provides recreational facilities to cater for their leisure time activities.

Whilst the grooms are not employed by the company it has the social responsibility to ensure that a proper and healthy environment exists within the grooms' community. To assist in managing this aspect Gold Circle continues to procure the services of a medical practitioner to provide basic health care facilities for grooms. These facilities have been made available at both Summerveld and Ashburton.

CHILDREN AND ANIMAL CARE

In partnership with the KZN Education Department, Gold Circle has piloted a project where different schools in the Ethekwini municipal environment are invited on school excursions to the Summerveld Training Centre and The South African Jockey Academy. Learners are exposed to career opportunities in the Horse Racing Industry including assessment by the Academy, to identify those learners who may have the potential of becoming professional jockeys.

Through this initiative, Gold Circle in partnership with SARDA (South African Riding for the Disabled Association) is involved in a project where learners are given an opportunity to interact with horses.

COMMUNITY

AGE-IN-ACTION

Age-In-Action is a developmental organisation which strives, in collaboration with other stakeholders, to uphold the rights and dignity of older persons, through advocacy of lobbying; improved access to care; support and protection; training and development and sustainable economic empowerment. Gold Circle in partnership with Age-In-Action supports this initiative, whereby Senior Citizens are invited to attend horse racing events. Gold Circle also assists Age-In-Action in other areas of operation.

YOUTH SUPPORT

Youth are the leaders of the future. Gold Circle acknowledges the importance of providing youth an opportunity to grow through support programs and the company assists various schools from time to time through fundraising initiatives.

In 2013 Gold Circle identified a talented nine year old, Qhubekani "Shorty" Gama who had shown his abilities with a horse. The company sponsored riding equipment and tuition fees to improve his riding skill. Shorty presently participates in show jumping and is currently being assessed at the Jockey Academy to become a professional jockey. Gold Circle has also sponsored a young lady to attend the Sky Aviation Academy and is currently sponsoring her studies through them.

Three of South Africa's top female Paralympian equestrian contenders were given the opportunity to take part in the Rio Paralympics in 2016 and were competing without sponsorship to qualify for placement at the Paralympics. Gold Circle enabled the three Paralympian equestrian contenders to realize their dreams of possibly competing in the Rio Paralympian Games in September 2016 by providing sponsorship for the SA Ladies Equestrian Paralympic Dressage team. Regretfully none of the contenders qualified to participate in the Rio Paralympics but gained valuable experience through the opportunity.

CHARITY RACE DAYS

Gold Circle has through its Charity race days assisted several organisations raise much needed funding for their charity work in the community.

Enterprise Development

SOUTH AFRICAN JOCKEY ACADEMY

The Academy is the only educational institution in the country which provides training towards becoming a professional jockey. Training is provided over a five year apprenticeship period and is achieved in parallel with acquiring an educational Grade 12 standard. Learners are selected from all community groups many of which are from previously disadvantaged communities. Gold circle is proud to be associated with this enterprise and is a major financial contributor to its activities.

ASSISTANT TRAINER DEVELOPMENT

Through a structured and formalized Gold Circle Assistant Trainer Development Program, previously disadvantaged individuals who have the potential to become stable employees, assistant trainers or licenced trainers are provided with financial assistance to achieve their goals. Since the inception of this programme, two individuals have qualified as licenced trainers and one is preparing to write his assistant trainer exam.

TOTALISATOR AGENCIES

Gold Circle continues to financially subsidise the network of totalisator agencies the majority of which are owned by previously disadvantaged persons. The subsidy by the company is in respect of operational costs, particularly Tellytrack subscriptions. This assists the Agencies to remain viable entities.

Over the past year the company has been actively seeking business entrepreneurs to invest in the ownership of Gold Circle owned totalisator betting outlets.

Enterprise Development

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:

	2014	2015	2016	2017	Target 2016
Recognition Levels	%	%	%	%	%
All Suppliers	76.9	94.5	90.0	92.6	80
QSEs & EMEs*	18.5	57.0	42.2	35.8	30

* QSEs - Qualifying Small Enterprises
EMEs - Exempt Micro Enterprises

Acknowledgements and Prospects

PERSONNEL

Employment levels of 1628 were consistent with those employed in the prior year. This number includes betting outlet personnel who work flexible hours dependent on betting fixtures as well as short-term cashiers employed for the Champions Season.

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 steering the company towards a sustainable future in a challenging economic environment.

OFFICE BEARERS

Gold Circle has over the past year achieved considerable success notwithstanding the financial and other challenges that have faced the Industry in KwaZulu-Natal over the past year. 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 contributions.

ACKNOWLEDGEMENTS

The Board would like to pay tribute to the many supporting organisations 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. Our thanks are extended to them all for their individual contributions.

PROSPECTS

The recent proactive restructure of the company's operations as a result of the challenging economic environment should achieve a positive outcome in the year ahead. Continuing to exploit the company's assets to maximise income generation together with prudently investing available cash resources will provide a sound financial base for the future.

The Board is committed to seeking a sustainable environment for Gold circle in the face of many challenges that lie ahead. The greatest of these will be to assist management to remedy the significant negative trends in betting turnovers and to improve financial returns to Owners through stakes.

P Mnganga

Dr P Mnganga
Chairperson

Statement of Directors’ Responsibility

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Gold Circle Proprietary Limited, comprising the consolidated statement of financial position at 31 July 2017, 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, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and the directors’ report.

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

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.
The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated annual financial statements

The consolidated annual financial statements of Gold Circle Proprietary Limited, as identified in the first paragraph, were approved by the board of directors on 30 October 2017 and signed by:

P Mnganga	M Nairac
Chairman	Chief Executive Officer
Authorised Director	Authorised Director

Report of the Directors

1. Consolidated and separate financial statements

The company 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, and the totalisator, bookmaking, hospitality and service divisions of the thoroughbred horse racing industry within the province of KwaZulu-Natal.

3. Review of Results

	2017	2016
	R	R
Total comprehensive (loss)/income	**(12 106 560)**	6 333 873

4. Share Capital

The fully issued share capital comprises 2000 ordinary shares of R 1 each:		
Gold Circle Racing Club	**2 000**	2 000

5. Directors and Secretary

Gold Circle Group Proprietary Limited

N P Butcher (Appointed 06/12/2012)
J H S de Klerk (Appointed 06/12/2012)
G Petzer (Appointed 14/11/2011)
M Tembe (Appointed 14/11/2011)
M M Nhlanhla (Appointed 10/12/2015)
S N Mthethwa (Appointed 07/10/2013)
Z Zulu (Appointed 31/10/2016)
D T Moodie (Appointed 15/04/2016)
M J L Nairac (Appointed 11/12/2012)
L Nunan (Appointed 14/11/2011)
P V Lafferty (Appointed 14/11/2011)
P Mnganga (Chairperson) (Appointed 01/02/2011)
S Naidoo (Appointed 04/06/2014)
S H Marshall (Appointed 17/03/2017)
P L Loker (Appointed 07/10/2013)
P J Maujean (Resigned 17/03/2017)

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 (2016: R nil).

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.

Report of the Directors (continued)

The following standing committees have been appointed:

Audit Committee	J H S de Klerk (Chairperson)	N P Butcher
	Z Zulu (Appointed 31/10/2016)	
Remuneration Committee	G Petzer (Chairperson)	P V Lafferty
Risk Committee	J H S de Klerk (Chairperson)	N P Butcher
	Z Zulu (Appointed 31/10/2016)	
Social and Ethics Committee	L Nunan (Chairperson)	M M Nhlanhla
	P Mnganga	Z Zulu (Appointed 31/10/2016)
Racing Committee	N P Butcher (Chairperson)	J H S de Klerk
	P V Lafferty	L Nunan
	L F Scribante (Breeder representative)	A J Rivalland (Trainer representative)
	B D Burnard (Owner representative)	

9. Subsidiaries and associates

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

	Issued Share Capital R	**Percentage Holding %**
Natal Racing Properties Proprietary Limited	150 000	100
Gold Circle Gaming Investments Proprietary Limited	100	100
Track and Ball Proprietary Limited	140	70
Betting Information Technology Proprietary Limited	240	100
Videotrac Proprietary Limited	100	100
Wozabets Gaming Proprietary Limited	120	30
Betsumor Gaming Proprietary Limited	36	30
Sports Tracking Proprietary Limited	35	35

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 May 2017. The Group's transformation initiatives are monitored by the Board of Directors through the Social and Ethics Committee, as well as monitored by the KwaZulu-Natal Gaming and Betting Board.

11. 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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gold Circle Proprietary Limited (the group) set out on pages 23 to 52 which comprise the consolidated statement of financial position as at 31 July 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gold Circle Proprietary Limited as at 31 July 2017, 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.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa and the Directors' Responsibility Statement. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG Inc.

Per Farouk Ebrahim
Chartered Accountant (SA)
Director
Registered Auditor
06 November 2017

KPMG House
5 Arundel Close
Kingsmead Office Park
Durban
4000

Consolidated Statement of Financial Position

	Notes	2017	2016
		R	R
Assets			
Non-current assets			
Property, plant and equipment	*3*	**467 012 607**	477 928 152
Investment in associate	*5*	**35**	35
Loans receivable – long term portion	*6*	**2 358 565**	3 021 357
Intangible assets	*7*	**41 350 118**	36 347 402
Tellytrack investment	*4*	**888 635**	-
		511 609 960	517 296 946
Current assets			
Inventories	*8*	**2 804 758**	3 195 664
Trade and other receivables	*9*	**58 927 047**	75 147 735
Loans receivable – short term portion	*6*	**5 292 668**	7 748 171
Cash and cash equivalents	*10*	**27 572 965**	43 585 778
Financial assets	*11*	**256 294 403**	242 741 131
		350 891 841	372 418 479
Non-current assets held for sale	*7*	**5 100 000**	-
Total assets		**867 601 801**	889 715 425
Equity and liabilities			
Equity reserves			
Share capital	*13*	**2 000**	2 000
Available for sale fair value reserve	*14*	**9 420 967**	8 053 142
Revaluation Reserves		**190 456 498**	190 456 498
Post-retirement medical aid reserve		**2 477 520**	1 238 400
Retained earnings		**459 168 845**	473 008 724
		661 525 830	672 758 764
Non-controlling interests		**(2 521 974)**	(1 648 228)
Total equity		**659 003 856**	671 110 536
Non-current liabilities			
Borrowings – long term portion	*15*	**7 376 492**	7 883 101
Deferred tax liability	*16*	**43 159 840**	47 350 636
Post-retirement medical aid obligations - long term	*17*	**11 431 000**	13 164 000
		61 967 332	68 397 737
Current liabilities			
Post- retirement medical aid obligations - short term	*17*	**1 171 000**	1 218 000
Tellytrack funding	*4*	**-**	3 530 075
Trade and other payables and provisions	*18*	**87 389 044**	89 978 449
Share in liability of associate	*5*	**197 173**	131 816
Borrowings – short term portion	*15*	**18 415 515**	15 890 931
Gold Circle Racing Club	*15*	**39 457 881**	39 457 881
		146 630 613	150 207 152
Total liabilities		**208 597 945**	218 604 889
Total equity and liabilities		**867 601 801**	889 715 425

Consolidated Statement of Comprehensive Income

	Note	2017	2016
		R	R
Gross wagering revenue		**365 971 032**	406 323 446
Provincial tax		**(28 875 652)**	(29 812 739)
Net Wagering revenue	*20*	**337 095 380**	376 510 707
Less: Agents commission & other direct costs	*21*	**(29 192 834)**	(31 491 928)
: Wagering expenditure	*21*	**(215 677 359)**	(212 686 378)
Contribution to racing from wagering activities		**92 225 187**	132 332 401
Add Contribution to racing from third party bookmaking activities	*20*	**41 370 347**	41 952 185
- Stand up and information fees		**1 742 859**	1 828 863
- Tax on punters winnings		**39 627 488**	40 123 322
Share of international licence fee	*20*	**69 192 331**	67 136 916
Share of profit in Tellytrack	*20*	**2 644 829**	3 845 657
Gross wagering revenues available for racing activities		**205 432 694**	245 267 159
Add: Direct racing revenues	*20*	**75 926 768**	80 153 691
Add: Eventing revenue	*20*	**10 722 809**	-
Gross revenues available for racing activities		**292 082 271**	325 420 850
Less: Racing expenditure	*21*	**(326 207 778)**	(332 157 922)
Operating expenditure for racecourses and training facilities		**(181 459 138)**	(187 313 898)
National Horseracing Authority- Regulatory costs		**(18 390 308)**	(14 227 998)
Stakes - Owners		**(105 438 275)**	(109 396 000)
Stakes - Breeders		**(9 529 751)**	(10 580 210)
Contribution to jockeys remuneration		**(11 390 306)**	(10 639 816)
Net loss before financing and taxation		**(34 125 507)**	(6 737 072)
Add: Finance income		**13 921 588**	13 119 743
Less: Finance costs		**(3 135 570)**	(1 105 518)
Add: Dividends received		**1 988 733**	2 234 956
		(21 350 756)	7 512 109
Loss on equity accounted investees		**(65 357)**	(14 799)
Profit before tax		**(21 416 113)**	7 497 310
Income taxation	*22*	**6 702 608**	(3 773 800)
(Loss)/profit for the year		**(14 713 505)**	3 723 510
(Loss)/ profit attributable to:			
Owners of the Company		**(13 464 374)**	3 547 568
Non-controlling interest		**(1 249 131)**	175 942
(Loss)/ profit for the year		**(14 713 505)**	3 723 510
Total other comprehensive income		**2 606 945**	2 610 363
Post-retirement medical aid reserve	*17*	**1 721 000**	812 000
Net change in fair value of available for sale financial assets	*14*	**2 733 978**	2 610 467
Taxation on other comprehensive income		**(1 848 033)**	(812 104)
Total comprehensive (loss)/ income		**(12 106 560)**	6 333 873
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(10 857 429)**	6 157 931
Non-controlling interest		**(1 249 131)**	175 942
		(12 106 560)	6 333 873

Consolidated Statement of Changes in Equity

	Share Capital	Revaluation reserve	Available for sale fair value reserve	Post-retirement medical aid Reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 July 2015	2 000	190 456 498	6 027 419	653 760	469 461 156	666 600 833	(1 824 170)	664 776 663
Total comprehensive income	-	-	2 025 723	584 640	3 547 568	6 157 931	175 942	6 333 873
Balance at 31 July 2016	2 000	190 456 498	8 053 142	1 238 400	473 008 724	672 758 764	(1 648 228)	671 110 536
Acquisition of subsidiary					**(375 505)**	**(375 505)**	**375 385**	**(120)**
Total comprehensive loss	**-**	**-**	**1 367 825**	**1 239 120**	**(13 464 374)**	**(10 857 429)**	**(1 249 131)**	**(12 106 560)**
Balance at 31 July 2017	**2 000**	**190 456 498**	**9 420 967**	**2 477 520**	**459 168 845**	**661 525 830**	**(2 521 974)**	**659 003 856**

Consolidated Statement of Cash Flows

	Notes	2017	2016
		R	R
Cash flows from operating activities			
Cash generated from operations	*24*	**6 875 350**	34 299 449
Interest paid		**(3 135 570)**	(1 105 518)
Interest received		**13 921 588**	13 119 743
Dividends received		**1 988 733**	2 234 956
Tax (paid)/received	*19*	**(400 397)**	371 617
Net cash flows from operating activities		**19 249 704**	48 920 247
Cash flows from investing activities			
Purchases of property, plant and equipment	*3*	**(19 888 079)**	(29 926 983)
Disposal/transfer of property, plant and equipment	*3*	**540 422**	129 999
Acquisition of intangible assets	*7*	**(10 172 716)**	(5 100 000)
Investment in subsidiary		**(120)**	(120)
Acquisition of other investments		**(10 819 294)**	(5 825 426)
Net cash flows from investing activities		**(40 339 787)**	(40 722 530)
Cash flows from financing activities			
Post-retirement medical obligation		**(59 000)**	(76 000)
Decrease of loans receivable		**3 118 295**	2 228 135
Proceeds from borrowings		**2 017 975**	7 453 211
Net cash flows from financing activities		**5 077 270**	9 605 346
Net (decrease)/increase in cash and cash equivalents		**(16 012 813)**	17 803 063
Cash and cash equivalents at beginning of year		**43 585 778**	25 782 715
Cash and cash equivalents at the end of year	*10*	**27 572 965**	43 585 778

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 2017 comprise the company, its subsidiaries, associates 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 (IFRS) and the requirements of the Companies Act of South Africa. 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 IFRS 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.

(d) Use of estimates and judgements (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 Post retirement medical aid obligation
- Note 22 Income taxation
- Note 23 Operating lease commitments
- Note 26 Financial instruments

1.3 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Subsidiaries are entities controlled by the Company. Control exists when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company controls an investee if and only if the Company has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Company's returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until 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, or it neither transfers nor retains substantially all of the risks and rewards of owenership and does not retain control over the transferred asset. 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 losses.

Loans and receivables comprise loans and trade and other receivables. The Group also has amounts owing by subsidiary companies.

Cash and cash equivalents

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

Available-for-sale

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

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 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.

Accounting Policies (continued)

(c) Property, plant and equipment (continued)

(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.

(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) Intangible assets

Intangible assets are measured at cost less accumulated impairment losses. Intangible assets that have indefinite useful lives are tested for impairments annually. Impairments are accounted for through profit or loss.

(f) 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.

(g) 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.

(h) Non-current assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell.

A gain for any subsequent increase in fair value less costs to sell of an asset can be recognised in the profit or loss to the extent that it is not in excess of the cumulative impairment loss that has been recognised.

(i) 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.

(j) 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.

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 the Group considers that there are realistic prospects of recovery of the asset, the relevant amounts are written off. 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.

(k) 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.

Accounting Policies (continued)

(k) Employee benefits (continued)

(i) Defined benefit plans (continued)

The calculation of defined benefit obligations is performed every two years 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.

(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.

(l) 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. The unwinding of the discount is recognised as finance costs.

(m) Revenue

(i) Net wagering revenue

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.

(n) 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.

(o) Income taxation

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 comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

(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.

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.

(p) Related parties

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

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

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

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

Close family member of the family of an individual includes:

i) The individual's domestic partner and children;

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

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

(q) Comparative figures

Comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results as set out in the affected notes to the financial statements.

New Standards and Interpretations

2 New standards and interpretations

2.1 Standards and interpretations not yet effective

Standard/Interpretation		Date issued by IASB	Effective date Periods beginning on or after
IAS 7	Disclosure amendments	January 2014	1 January 2017
IAS 12 amendment	Recognition of Deferred Tax Assets for Unrealised Losses	May 2014	1 January 2017
IFRS 15	Revenue from contracts with customers	May 2014	1 January 2018
IFRS 9	Financial Instruments	July 2014	1 January 2018
IFRS 16	Leases	January 2017	1 January 2019

All standards and interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the company). Management assessed all the standards and interpretations other than IFRS 9,15 and16, and does not believe that any of these will have material impact on the results of the company in future periods. Furthermore, the impact of IFRS 9, 15 and 16 will be quantified prior to the effective date.

Notes to the Consolidated Financial Statements

3 Property, plant and equipment

2017	**Cost**	**Accumulated depreciation and impairment**	**Carrying amount**
	R	**R**	**R**
Freehold land and buildings	**347 762 228**	**(74 270 421)**	**273 491 807**
Leased buildings	**172 820 574**	**(39 972 417)**	**132 848 157**
Plant, vehicles and equipment	**181 144 889**	**(121 797 640)**	**59 347 249**
Assets under construction	**1 325 394**	**-**	**1 325 394**
	703 053 085	**(236 040 478)**	**467 012 607**

	Land and buildings	**Plant, vehicles and equipment**	**Assets under Construction**	**Total**
Movement in carrying amount				
Carrying amount at beginning of year	**412 579 858**	**62 922 181**	**2 426 113**	**477 928 152**
Additions	**6 195 961**	**12 492 935**	**1 199 183**	**19 888 079**
Transfers in/(out)	**126 900**	**2 173 002**	**(2 299 902)**	**-**
Disposals at carrying amount	**-**	**(540 422)**	**-**	**(540 422)**
Depreciation	**(12 562 755)**	**(17 700 447)**	**-**	**(30 263 202)**
	406 339 964	**59 347 249**	**1 325 394**	**467 012 607**

	Cost	**Accumulated depreciation and impairment**	**Carrying amount**
2016			
Freehold land and buildings	344 292 361	(68 007 936)	276 284 425
Leased buildings	169 804 801	(33 509 368)	136 295 433
Plant, vehicles and equipment	174 700 321	(111 778 140)	62 922 181
Assets under construction	2 426 113	-	2 426 113
	691 223 596	(213 295 444)	477 928 152

	Land and buildings	**Plant, vehicles and equipment**	**Assets under Construction**	**Total**
Movement in carrying amount				
Carrying amount at beginning of year	413 159 696	61 277 556	6 951 164	481 388 416
Additions	9 078 583	18 660 225	2 188 175	29 926 983
Transfers in/(out)	2 616 487	4 096 739	(6 713 226)	-
Disposals at carrying amount	-	(129 999)	-	(129 999)
Depreciation	(12 274 908)	(20 982 340)	-	(33 257 248)
	412 579 858	62 922 181	2 426 113	477 928 152

The Group's land and buildings were revalued on 31 July 2015 by an independent valuator, Africa Corporate Real Estate Solutions Proprietary Limited (Trevor Richardson). 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.

The depreciation expense of **R30 263 202** (2016: R33 257 248) has been included in administrative expenses.

3 Property, plant and equipment (continued)

	2017	2016
	R	R
Depreciation	**38 204 228**	36 826 194
Less: Reassessment of useful lives	**(7 941 026)**	(3 568 946)
	30 263 202	33 257 248

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.

Assets under construction

Assets under construction relate to various capital projects undertaken by the Group that are incomplete as at the year end. These include the purchase of building upgrades and training tracks expansions.

Finance leased assets

Finance lease obligations secured by lease agreements over property, plant and equipment with a carrying value of R11 755 626 (2016: R11 539 612). Finance lease obligations over motor vehicles bear interest at rates between prime and prime less 1.5%. Refer to note 15.

4 Tellytrack investment/(funding)

	2017	2016
	R	R
Partnership profit	**2 644 829**	3 845 657
Partnership funding	**(1 756 194)**	(7 375 732)
	888 635	(3 530 075)

Financial information of Tellytrack		
Assets	**38 287 353**	32 797 755
Liabilities	**9 599 810**	21 520 808
Revenue	**139 645 970**	144 559 159
Profit/(Loss)	**6 161 794**	(1 731 556)

	2017	2016
	%	%
Interest held	**24.96**	24.96
Profit share	**24.96**	24.96

Gold Circle Proprietary Limited has a 24.96% (2016: 24.96%) interest in Tellytrack which is a joint venture between Gold Circle Proprietary Limited, Kenilworth Racing Proprietary Limited and Phumelela Gaming and Leisure Limited. Profits/losses are shared in accordance with the Tellytrack partnership agreement.

5 Investment/ Share of Liability in associate

The Group has interests in a number of individually immaterial associates. The Group has determined that it has significant influence because it has representation on the board of the investee.

The decision-making capacity that drives the relevant activities within Betsumor Gaming Proprietary Limited, Wozabets Gaming Proprietary Limited and Sports Tracking Proprietary Limited lies with the board of directors, whereby the Group does not control the majority of the voting rights. The Group therefore does not have power over the relevant activities of these companies. As a result the Group does not consolidate these associates.

The Group is contractually obligated to share in the losses experienced by the associates. As a result, the losses incurred by the associates are equity accounted.

Notes to the Consolidated Financial Statements

5 Investment/ Share of Liability in associate (continued)

The voting rights and loss sharing of the associates are as follows on the face of the financial statements:	**2017**	2016
	%	%
Betsumor Gaming Proprietary Limited	**30**	30
Wozabets Gaming Proprietary Limited	**30**	30
Sports Tracking Proprietary Limited	**35**	35
Carrying amount of interest in associate	**R**	R
Betsumor Gaming Proprietary Limited	**36**	36
Wozabets Gaming Proprietary Limited	**120**	120
Sports Tracking Proprietary Limited	**35**	35
	191	191
Share of loss from equity accounted investees, net of tax		
Betsumor Gaming Proprietary Limited	**16 639**	7 459
Wozabets Gaming Proprietary Limited	**48 718**	7 340
Sports Tracking Proprietary Limited	**-**	-
	65 357	14 799
Net investment in associate		
Amount at the beginning of the period	**131 816**	117 017
Losses in associates		
Betsumor Gaming Proprietary Limited	**16 639**	7 459
Wozabets Gaming Proprietary Limited	**48 718**	7 340
	197 173	131 816
Disclosed as follows on the statement of financial position:		
Investment in associate	**35**	35
Share in liability of associate	**197 173**	131 816

6 Loans receivable

Non-current – unsecured, interest bearing		
National Horse Racing Authority	**1 096 407**	1 463 120

This loan is unsecured, bears interest at 2% below prime, with a repayment period of 5 years.
Instalments are payable monthly in arrears.
Total amount receivable R2 555 991, (2016: R3 744 437)

Summerhill Stud Farm	**708 003**	1 012 565
SV Connaway	**-**	216 500

These loans are unsecured, bear interest linked to prime and are repayable over 4 years.

Betsumor Gaming Proprietary Limited	**304 958**	236 139
Wozabets Gaming Proprietary Limited	**249 197**	93 033

These loans are unsecured, bear variable interest and are repayable on liquidation of the respective companies.

	2 358 565	3 021 357

6 Loans receivable (continued)

	2017	2016
	R	R
Current – interest bearing		
Phumelela Gaming and Leisure Limited – Betting World	**-**	2 140 090
This loan was unsecured, bore interest of 5.5% and was repayable on demand.		
Crusade receivable	**47 509**	805 448
This loan is unsecured, bears interest linked to prime and is repayable on demand.		
National Horse Racing Authority		
	1 459 584	2 281 317
Current – non interest bearing		
Horseracing SA Proprietary Limited	**855 215**	855 215
Sportstracking Proprietary Limited	**2 009 174**	1 666 101
Global Lotto Nigeria Limited	**892 627**	-
Wozabets Gaming Proprietary Limited	**28 559**	-
	5 292 668	7 748 171

These loans are unsecured, bear no interest and are repayable on demand.

	2017	2016
	R	R

7 Intangible assets

	2017	2016
Definite useful life assets		
Goodwill		
Balance at the beginning of the year	**3 074 327**	3 074 327
Acquisition of Greyville Convention Centre	**10 172 716**	-
Impairment	**(70 000)**	-
	13 177 043	3 074 327
Indefinite useful life assets		
Fixed odds licences		
Balance at the beginning of the year	**33 273 075**	28 173 075
Impairment	**-**	-
Transfer to non current assets held for sale	**(5 100 000)**	-
Acquisition	**-**	5 100 000
	28 173 075	33 273 075
	41 350 118	36 347 402

Goodwill

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. The underlying key assumptions of the test of impairment include, but are not limited to, cash flow forecasts. Such forecasts are performed utilising the current year growth in revenue for each of the outlets.

During the year the Company entered into an agreement with Elan Lifestyle and Communications Proprietary Limited. This was in respect of the transfer of control of the eventing operations managed by Elan Lifestyle and Communication Proprietary Limited. The operations include employees, assets and inventory. As a result a business combination transaction occurred. The consideration transferred to Elan Lifestyle and Communication Proprietary Limited was greater than the net assets acquired, hence goodwill was recognised.

Notes to the Consolidated Financial Statements

7 Intangible assets (continued)

	2017
	R
Consideration transferred	**13 033 003**
Less: net assets acquired	**(2 860 287)**
Assets acquired	**(7 150 903)**
Liabilities assumed	**4 290 616**
Goodwill recognised	**10 172 716**

Indefinite useful life intangible assets

The Group has classified the above intangible assets as having indefinite useful lives and shall not be amortised.

Impairment tests for intangible assets with indefinite useful lives

Detailed impairment testing is performed for indefinite useful life intangible assets annually whenever impairment indicators are present.

The impairment review process is as follows:
The cash generating units relating to the fixed odds licences were identified as being the branches from which they operate. It was noted that the branches are experiencing positive returns and are forecasted to be profitable in the foreseeable future and therefore not indicative of impairment.

Assumptions applied:
Net win percentage - 14%
Inflation rate - 6%
Average growth rate - 12%

Non-current asset held for sale

As at the 31 July 2017, the Company intends to sell the Durban North fixed odds licence. The Company entered into a sale agreement with Jesgro Trading Nine Proprietary Limited. This is in respect of the Durban North fixed odds licence. The agreed selling price was R7.1 million. The original purchase price of the licence was R5.1 million.

The sale agreement is pending the approval of the Kwazulu Natal Gaming and Betting Board. Therefore as at 31 July 2017, the Company recognises this licence as held for sale.

8 Inventories

	2017	2016
	R	R
Finished goods	**2 804 758**	3 195 664

9 Trade and other receivables

Trade receivables	**19 806 678**	23 452 481
Phumelela International trade debtor*	**37 258 809**	49 807 869
Less provision for impairment of receivables	**(1 905 836)**	(1 364 887)
Trade receivables – net	**55 159 651**	71 895 463
Other receivables	**1 654 662**	848 735
Provincial tax	**-**	130 021
Prepayments	**2 112 734**	2 273 516
	58 927 047	75 147 735

9 Trade and other receivables (continued)

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 International receivable is due to local rights sold in the international markets. Included in the receivable are balances owed to Phumelela Gaming and Leisure Limited for transactions in the normal course of business of R43 039 545 (2016: R19 826 009).

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

	2017	2016
	R	R
Trade receivables can be analysed as follows:		
Neither past due nor impaired	**55 159 651**	71 895 463
Past due but not impaired	**-**	-
Past due and impaired	**1 905 836**	1 364 887
Impairment against these receivables	**(1 905 836)**	(1 364 887)
	55 159 651	71 895 463

The movement in the allowance for impairment is as follows:		
At beginning of the year	**(1 364 887)**	(1 544 178)
Trade receivables impaired during the year	**-**	-
(Increase)/decrease in impairment	**(540 949)**	179 291
At end of the year	**(1 905 836)**	(1 364 887)

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

10 Cash and cash equivalents

Current accounts	**9 761 698**	19 479 460
Fixed deposits	**5 431 585**	7 960 894
Cash on hand	**12 379 682**	16 145 424
	27 572 965	43 585 778

Guarantees

The Group has the following Guarantees in place:

In favour of	**Value**	**Review Date**
KwaZulu-Natal Gaming and Betting Board	2 400 000	31/12/2025
Artemis Properties Proprietary Limited	68 000	31/07/2020
Pinetown Regional Water	69 285	31/12/2025
South African Breweries Limited	170 000	31/12/2025
Eskom	117 945	31/12/2025
Ethekwini Municipality	1 680 214	31/12/2025
City Treasurer	46 455	31/12/2025
Environmental Management Branch	100 000	31/12/2025
KwaZulu-Natal Provincial Admin	175 455	31/12/2025
Natal Bookmakers Control	60 000	31/12/2025
SA Mutual Property Investment	30 000	31/12/2025
Vividend Income Fund Limited	91 216	31/10/2019
Synergy Income Fund	75 164	31/07/2018
Accelerate Property Fund Limited	39 543	30/06/2019
Old Mutual Life Assurance	84 600	31/03/2019
Umlazi Mega City	212 171	28/02/2022

Notes to the Consolidated Financial Statements

10 Cash and cash equivalents (continued)

Facilities

The Group has overdraft facilities of R15 000 000 and contingent facilities of R5 420 048 with First National Bank, due for review on 31 August 2017. In addition, The Group has an asset financing facility of R17 600 000 with Wesbank.

	2017	2016
	R	R
Collateral		
The Group has collateral in respect of Track and Ball Proprietary Limited with First National Bank as follows:		
Mion Holdings Proprietary Limited	**2 000 000**	2 000 000
Gold Circle Proprietary Limited	**8 000 000**	5 000 000
Suretyship		
Natal Racing Properties Proprieatry Limited on behlalf of Gold Circle Proprieatry Limited	**10 000 000**	10 000 000

11 Financial assets

FNB Preference shares– held to maturity	**80 000 000**	80 000 000
Gryphon Dividend Income Fund	**8 535 256**	-
AW – Lynx Prime Global Diverse Fund	**13 486 955**	-
Momentum BNP Investment	**19 512 293**	20 011 830
Sanlam Private Portfolio – money market	**-**	180 892
RMB Protected flexible	**54 551 805**	52 375 761
Sanlam Private Portfolio: listed shares	**38 328 070**	36 904 180
Sanlam Collective Investments	**-**	20 627 003
Sanlam Private Portfolio: asset swap	**21 503 310**	13 771 540
RMB Private Bank Trust Account	**-**	893 265
Investec Asset Management Account	**58 132**	74 087
Sanlam Private Portfolio: listed shares	**3 090 121**	4 209 339
Sanlam Private Portfolio – Asset swap	**1 666 320**	-
Alpha Wealth Investments	**3 222 941**	2 311 646
Investment in ASL Limited	**10 242 386**	9 555 881
ABSA Eurogroup Basket	**2 096 814**	1 825 707
	256 294 403	242 741 131

11.1 Percentage return

Pre – tax return	**7.3%**	6.3%
Post – tax return	**5.3%**	4.5%

This return includes all financial income earned on financial assets above and cash and cash equivalents as per note 10.

12 Ring fenced funds

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 27.

In terms of a special resolution of shareholder's dated 23 April 2012, an amount of R200 000 000 was ring fenced in Natal Racing Properties Proprietary Limited for the future benefit of the thoroughbred racing industry. A minimum of 35% of the returns earned on the ring fenced investment is required to be retained. The ring fenced funds are as follows:

12 Ring fenced funds (continued)

	2017	2016
	R	R
Ring fenced funds	**222 225 069**	217 103 406

As at 31 July 2017, the financial assets held in Natal Racing Properties Proprietary Limited is R235 917 689 (2016: R223 871 206).

The investment noted below relates to the ring fenced investments which include actual return (cash, dividends and interest) to date for the year ending 31 July 2017.

12.1 Returns included as follows in the consolidated statement of comprehensive income

	2017	2016
	R	R
As part of finance income and other associated income	**6 911 013**	6 596 677
Net change in fair value of available for sale financial assets	**5 957 981**	(865 263)
Investment Income	**1 380 458**	3 560 622
	14 249 452	9 292 036

13 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 (2016: R nil).

14 Available for sale reserve

Opening balance	**8 053 142**	6 027 419
Fair value movement on available for sale financial assets	**2 733 978**	2 610 467
Deferred taxation on fair value movement on available for sale financial assets	**(1 366 153)**	(584 744)
	9 420 967	8 053 142

15 Borrowings

Non-current - other		
Finance lease liabilities – long term portion	**7 376 492**	7 883 101
Current – Other		
Finance lease liability – short term	**4 835 927**	3 587 091
Mion Holdings Proprietary Limited *	**9 438 886**	8 544 197
P Maujean *	**4 140 702**	3 759 643
	18 415 515	15 890 931

*This relates to loans payable for acquisition of fixed odds licences in Track and Ball Proprietary Limited.

Current – shareholder loan		
Gold Circle Racing Club	**39 457 881**	39 457 881

Shareholder's loans

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

Notes to the Consolidated Financial Statements

15 Borrowings (continued)

Finance lease liabilities

Finance lease obligations secured by lease agreements over property, plant and equipment with a carrying value of R11 755 626 (2016: R11 539 612). Finance lease obligations over motor vehicles bear interest at rates between prime and prime less 1.5%. Refer to note 3.

	2017	2016
	R	R
Finance lease liability	**12 212 419**	11 470 192
Less: Payable within one year	**(4 835 927)**	(3 587 091)
	7 376 492	7 883 101
Minimum lease payments are due as follows:		
Due within one year	**4 835 927**	3 587 091
Due within two and five years	**7 376 492**	7 883 101
	12 212 419	11 470 192

16 Deferred tax liability

Opening balance	**47 350 636**	46 935 954
Prior period over provision	**829 509**	(360 318)
Deferred tax – temporary differences at normal rate @ 28%	**(1 581 836)**	(2 280 667)
Deferred tax – temporary differences at CGT rate @ 22.4%	**380 900**	701 064
Increase in assessed loss	**(5 667 402)**	(353 128)
Deferred tax - through other comprehensive income (Available for sale financial assets)	**1 366 153**	584 743
Deferred tax – through other comprehensive income (Post-retirement medical aid reserve)	**481 880**	227 360
Deferred tax – CGT rate change	**-**	1 895 628
	43 159 840	47 350 636
Comprises:		
Accruals	**(5 332 717)**	7 733 784
Capital allowances and finance leases	**55 918 662**	40 320 735
Assessed loss	**(7 947 551)**	(3 283 697)
Investments in financial assets	**402 700**	2 479 251
Prepayments	**118 746**	100 563
	43 159 840	47 350 636

17 Post-retirement medical aid obligations

These obligations relate to post-employment healthcare benefits which include contributions towards or subsidisation of medical aid premiums to retirees.

The post-retirement medical aid obligation exposes the Group to actuarial risks such as longevity risks, inflation, interest rate risk and market (investment) risk.

The Group's obligation towards the post-retirement medical aid obligation was actuarially calculated as at 31 July 2017 by Alexander Forbes Health Proprietary Limited and is disclosed in accordance with International Accounting Standard 19: Employee Benefits, as follows:

17 Post-retirement medical aid obligations (continued)

	2017	2016
	R	R
Non- current portion	**11 431 000**	13 164 000
Current portion	**1 171 000**	1 218 000
Present value of funded obligations	**12 602 000**	14 382 000
Interest cost	**1 207 000**	1 239 000
Employer contributions	**(1 266 000)**	(1 315 000)
Total amount recognised in the net profit	**(59 000)**	(76 000)
Actuarial gain recognised in other comprehensive income	**(1 721 000)**	(812 000)
Total amount recognised in the consolidated statement of comprehensive income	**(1 780 000)**	(888 000)
Movement in the net liability recognised in the consolidated statement of financial position		
Opening value	**14 382 000**	15 270 000
Interest cost recognised in statement of comprehensive income	**1 207 000**	1 239 000
Employer contributions recognised in statement of comprehensive income	**(1 266 000)**	(1 315 000)
Actuarial gain	**(1 721 000)**	(812 000)
Closing value	**12 602 000**	14 382 000
Key valuation assumptions		
Discount Rate	**9.2%**	8.8%
Health care cost inflation	**8.2%**	8.6%
General inflation rate	**6.2%**	6.6%

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	**13 612 000**	**12 602 000**	**11 703 000**
Employer's interest cost	**1 317 000**	**1 207 000**	**1 109 000**

Sensitivity results from previous valuation

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

18 Trade and other payables and provisions

	2017	2016
	R	R
Amount due to punters	**8 043 703**	8 917 026
Provision for breeders premiums	**8 589 940**	7 531 611
Provision for leave pay	**4 753 045**	5 303 809
Trade creditors and accruals	**53 816 543**	55 625 953
Telephone Betting	**3 609 173**	3 801 824
Value Added Tax	**7 813 780**	6 582 778
Other	**35 784**	424 196
	86 661 968	88 187 197
South African Revenue Services payable	**727 076**	1 791 252
	87 389 044	89 978 449

Notes to the Consolidated Financial Statements

	2017	2016
	R	R

19 Tax (paid)/received

(Payable)/ receivable at the beginning of the year	**(1 791 252)**	2 751 623
Tax for the year recognised in the statement of comprehensive income	**663 779**	(4 171 258)
Less: payable at year end	**727 076**	1 791 252
Tax received	**(400 397)**	371 617

20 Revenue

Totalisator revenue	**310 900 835**	346 555 539
Net gaming revenue from fixed odds betting	**26 194 545**	29 955 168
Net Wagering Revenue	**337 095 380**	376 510 707
Contribution to racing from third party bookmaking activities	**41 370 347**	41 952 185
Share of income from Tellytrack	**2 644 829**	3 845 657
Share of international licence fee	**69 192 331**	67 136 916
Eventing revenue	**10 722 809**	-
Direct racing revenues	**75 926 768**	80 153 691
	536 952 464	569 599 156

21 Expenses by nature

The following items have been included in arriving at operating profit:

Advertising, events and promotions	**16 506 578**	17 056 677
Audit fee	**784 331**	930 501
Cash collection costs	**1 826 265**	1 868 049
Catering costs	**11 709 263**	14 178 929
Contribution to jockey's remuneration	**11 390 306**	10 639 816
Depreciation (including impairment)	**30 263 202**	33 257 248
Directors emoluments	**9 538 151**	8 839 600
Employee benefits	**137 287 648**	120 926 530
Insurance costs	**999 085**	1 316 176
Licence fees	**19 485 894**	21 050 731
Operating lease rentals – Property	**15 150 081**	15 088 835
Operating lease rentals - Equipment and vehicles	**-**	5 181
Printing costs	**7 037 825**	7 432 128
Race meeting expenses	**11 822 481**	9 651 528
National Horseracing Authority - Regulatory costs	**18 390 308**	14 227 998
Repairs and maintenance	**17 704 771**	21 757 349
Sectional timing costs	**700 000**	-
Security expenses	**10 011 058**	9 436 000
Service fee (Saftote)	**6 931 697**	7 591 553
Stakes – owners	**105 438 275**	109 396 000
Stakes - breeders	**9 529 751**	10 580 210
Tellytrack subscriptions	**19 219 592**	20 403 631
Tote agents commission paid	**29 192 834**	31 491 928
Transformation fund	**1 512 792**	2 205 654
Utility costs	**21 597 450**	20 913 715
Other operating expenses	**57 048 333**	66 090 261
	571 077 971	576 336 228

21 Expenses by nature (continued)

	2017	2016
	R	R
Reconciled to expense by function		
Agents commission & other direct costs	**29 192 834**	31 491 928
Wagering expenditure	**215 677 359**	212 686 378
- Totalisator	**191 208 414**	186 228 180
- Fixed odds licences	**24 468 945**	26 458 198
Racing expenditure	**326 207 778**	332 157 922
	571 077 971	576 336 228

22 Income taxation

	2017	2016
Current taxation	**-**	(3 747 194)
Current taxation – prior year over/(under) provision	**663 779**	(424 064)
Deferred tax – increase in assessed loss	**5 667 402**	-
Deferred tax- temporary differences @ 28%	**1 581 836**	1 579 640
Deferred tax – (over)/under provision	**(380 900)**	360 318
Deferred tax – CGT rate change	**-**	(1 895 628)
Deferred tax – temporary differences @ 22.4%	**(829 509)**	-
Deferred tax – utilisation of assessed loss	**-**	353 128
	6 702 608	(3 773 800)

22.1 Reconciliation of tax charged

(Loss)/profit before taxation			**(21 416 113)**	7 497 310
	%	**R**	%	R
Income tax at 28%	**(28.0)**	**5 996 512**	(28.0)	(2 099 247)
Current tax – prior period over/(under) provision	**(3.1)**	**663 779**	(5.7)	(424 064)
Permanent differences	**(6.6)**	**1 408 308**	3.6	267 842
Deferred tax – CGT rate change	**-**	**-**	(25.3)	(1 895 592)
Deferred tax – prior year under provision	**3.9**	**(829 509)**	4.8	360 318
Capital gains tax	**2.9**	**(625 065)**	(2.1)	(158 323)
Capital gains – temporary differences @ 5.6%	**(0.4)**	**88 583**	-	-
Capital gains – rate change	**-**	**-**	2.3	175 266
	(31.3)	**6 702 608**	(50.4)	(3 773 800)

No current taxation was provided as the Group had an assessed loss of R28 384 110 (2016: R10 466 324).

23 Operating lease commitments

Gold Circle Proprietary Limited 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:

	2017	2016
	R	R
Due within one year	**1 540 591**	1 459 698
Due within two and five years	**6 162 363**	5 838 793
Due after five years	**72 407 769**	72 984 912

Gold Circle Racing Club (previously 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.

Notes to the Consolidated Financial Statements

23 Operating lease commitments (continued)	2017	2016
	R	R
The future lease commitment on the current basis is as follows:		
Due within one year	**272 983**	272 983
Due within two and five years	**1 091 931**	1 091 931
Due after five years	**3 548 777**	4 367 725

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

Property rentals to be paid		
Due within one year	**(8 299 723)**	(8 124 557)
Due within two and five years	**(14 816 460)**	(26 388 369)
Due after five years	**(1 653 872)**	(1 653 872)
Property rentals to be received		
Due within one year	**2 375 235**	2 852 210
Due within two and five years	**6 649 972**	-

24 Cash generated from operations

(Loss)/profit from continuing operations before tax	**(21 416 113)**	7 497 310
Adjustments for:		
Depreciation	**30 263 202**	33 257 248
Impairment of Goodwill	**70 000**	-
Share of profit of equity-accounted investees, net of tax	**65 357**	14 799
Interest received	**(13 921 588)**	(13 119 743)
Dividends received	**(1 988 733)**	(2 234 956)
Interest paid	**3 135 570**	1 105 518
	(3 792 305)	26 520 176
Changes in working capital	**10 667 655**	7 779 273
Decrease in inventories	**390 905**	14 596
Decrease in trade and other receivables	**16 220 688**	15 559 905
Decrease of Tellytrack funding	**(4 418 710)**	(12 500 422)
(Decrease)/increase in trade and other payables and provisions	**(1 525 228)**	4 705 194
Cash generated from operations	**6 875 350**	34 299 449

25 Capital Commitments

Authorised and contracted for	**1 861 000**	2 553 638
Authorised and not contracted for	**7 934 000**	32 279 431
	9 795 000	34 833 069

26 Financial Instruments

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

	2017 R	2016 R
Categories of financial instruments		
Financial Assets		
Trade and other receivables	**58 927 047**	75 147 735
Available for sale	**151 027 959**	146 962 992
Fair value through profit or loss	**25 266 444**	15 597 247
Held to maturity	**80 000 000**	80 000 000
Loans receivable	**7 651 233**	10 769 528
Cash and cash equivalents	**27 572 965**	43 585 778
	350 445 648	372 063 280
Financial liabilities		
Loan from related party	**39 457 881**	39 457 881

27 Financial risk management

27.1 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.

27.2 Risk management framework

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

27.3 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

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 2017 R	Carrying amount 2016 R
FNB Preference shares	**80 000 000**	80 000 000
Available-for-sale financial assets and fair value through profit or loss	**176 294 403**	162 560 239
Cash and cash equivalents	**27 572 965**	43 585 778
	283 867 368	286 146 017

27.4 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 is invested in interest bearing current accounts, time deposits and money market deposits.

Notes to the Consolidated Financial Statements

27 Financial risk management (continued)

27.4 Liquidity risk (continued)

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 2017			
Trade and other payables and provisions	**87 389 044**	**-**	**-**
Borrowings	**57 873 396**	**-**	**-**
Tellytrack funding	**-**	**-**	**-**
Finance lease liability*	**4 835 927**	**7 376 492**	**-**
As at 31 July 2016			
Trade and other payables and provisions	89 978 449	-	-
Borrowings	55 348 812	-	-
Tellytrack funding	3 530 075	-	-
Finance lease liability*	3 587 091	7 883 101	-

*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:

	2017 R	2016 R
Cash resources	**27 572 965**	43 585 778
Undrawn borrowing facilities	**15 000 000**	15 000 000
Trade and other receivables	**58 927 047**	75 147 735
Financial assets	**256 294 403**	242 741 131
Total available resources	**357 794 415**	376 474 644

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.

27.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity input prices, which 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.

27 Financial risk management (continued)

27.5 Market risk (continued)

Exposure to currency risk

The Group's exposure to significant foreign currency risk was as follows based on nominal amounts:	**2017**	2016
	R	R
Asset Swap	**23 169 630**	13 771 540

The following significant exchange rates applied during the period:

	31 July 2017		31 July 2016	
	Reporting date spot rate	**Average for the period**	Reporting date spot rate	Average for the period
US Dollar	**13.00**	**13.51**	13.85	14.78
Mauritian Rupee	**0.37**	**0.38**	0.38	0.38

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 2016.

	Profit/(loss)	
Group	**2017**	2016
US Dollar	**162 025**	90 394
Mauritian Rupee	**-**	-

A 10 percent strengthening of the rand against the above currencies at the reporting date would have had the equal and 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. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	Carrying amount
	2017	2016
	R	R
Variable rate instruments		
Financial assets		
Financial Assets at amortised cost – FNB Preference Shares	**80 000 000**	80 000 000
Loans Receivable – Non Current	**2 358 565**	3 021 357
Loans Receivable –Current	**1 507 093**	2 945 538

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 increased profit or loss 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 2016.

	Loss	Loss
	2017	2016
Variable rate instruments	**R**	R
Financial assets		
Financial Assets at amortised cost - FNB Preference Shares	**(1 044 500)**	(711 160)
Loans Receivable – Non Current	**(58 273)**	(69 688)
Loans Receivable –Current	**(475)**	(29 455)
Net cash flow sensitivity	**(1 103 248)**	(810 303)

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

Notes to the Consolidated Financial Statements

27 Financial risk management (continued)

27.6 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:

	2017		2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Group	**R**	**R**	R	R
Available-for-sale financial assets				
Equity investments	**176 294 403**	**176 294 403**	162 741 131	162 741 131
Financial assets carried at amortised cost				
Preference Shares	**80 000 000**	**80 000 000**	80 000 000	80 000 000
Cash and cash equivalents	**27 572 965**	**27 572 965**	43 585 778	43 585 778
	107 572 965	**107 572 965**	123 585 778	123 585 778

27.7 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); and

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

	Level 1	**Level 2**	**Level 3**
Group	**R**	**R**	**R**
2017			
Financial assets			
Available-for-sale financial assets	**176 294 403**	**-**	**-**
Derivative financial assets	**-**	**23 169 630**	**-**
	176 294 403	**23 169 630**	**-**
Group			
2016			
Financial assets			
Available-for-sale financial assets	148 969 591	-	-
Derivative financial assets	-	11 486 374	-
	148 969 591	11 486 374	-

Investments and Securities

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

28 Subsidiaries of Gold Circle Proprietary Limited

Issues Share capital		**% holding**	**Issued share capital**	**% holding**
	2017	**2017**	2016	2016
	R	**%**	R	%
Directly held:				
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**	140	70
Betting Information Technology Proprietary Limited	**240**	**100**	120	50
Videotrac Proprietary Limited	**100**	**100**	100	100

29 Related parties

29.1 Identity of related parties

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
Videotrac Proprietary Limited
Track and Ball Gaming Proprietary Limited
Betting Information Technology Proprietary Limited

Associated companies are as follows:

Sports Tracking Proprietary Limited
Betsumor Gaming Proprietary Limited
Wozabets Gaming Proprietary Limited

Associated clubs are as follows:

Clairwood Turf Club
Durban Turf Club

Group Directors

N P Butcher (Appointed 06/12/2012)
J H S de Klerk (Appointed 06/12/2012)
G Petzer (Appointed 14/11/2011)
M Tembe (Appointed 14/11/2011)
M M Nhlanhla (Appointed 10/12/2015)
S N Mthethwa (Appointed 07/10/2013)
Z Zulu (Appointed 31/10/2016)
D T Moodie (Appointed 15/04/2016)
M J L Nairac (Appointed 11/12/2012)
L Nunan (Appointed 14/11/2011)
P V Lafferty (Appointed 14/11/2011)
P Mnganga (Chairperson)(Appointed 01/02/2011)
S Naidoo (Appointed 04/06/2014)
S H Marshall (Appointed 17/03/2017)
P L Loker (Appointed 07/10/2013)
P J Maujean (Resigned 17/03/2017)

Other related parties

Tellytrack
Phumelela Gaming and Leisure Limited

29.2 Related parties transactions

The following related party transactions have occurred between Phumelela Gaming and Leisure Limited, Tellytrack and Gold Circle Proprietary Limited as well as balances payable and receivable at 31 July 2017.

29.2 Related parties transactions (continued)	**2017**	2016
	R	R
Income/(Expenditure)		
Phumelela Gaming and Leisure Limited		
Finance income	**234 117**	2 089 380
International licences	**69 192 331**	67 136 916
Tellytrack		
Partnership profit	**2 644 829**	3 845 657
Tellytrack subscriptions	**(19 904 350)**	(18 900 556)
Transactions and balances at year end		
Investment/(funding) in Tellytrack partnership	**888 635**	(3 530 075)
Amount due by Phumelela	**37 258 809**	49 807 869
Phumelela International trade debtor	**80 298 354**	69 633 878
Phumelela current account	**(43 039 545)**	(19 826 009)

Notes to the Consolidated Financial Statements

29 Related parties (continued)

	2017 R	2016 R
29.3 Directors' remuneration		
N P Butcher	**112 500**	112 500
J H S de Klerk	**124 000**	109 000
P V Lafferty	**100 500**	80 500
P L Loker	**1 565 291**	1 402 800
P J Maujean	**950 000**	1 200 000
M J R Mauvis	**-**	40 000
P Mnganga	**120 000**	104 000
D R Moses	**-**	800 000
S Naidoo	**55 000**	50 000
M J L Nairac	**2 594 000**	2 400 000
L Nunan	**104 500**	97 000
G Petzer	**97 000**	77 000
L E Rakharebe	**-**	90 500
S H Marshall	**700 000**	-
D T Moodie	**696 280**	-
M Tembe	**75 000**	73 500
M M Nhlanhla	**83 500**	30 000
G T Hawkins	**1 250 830**	1 402 800
A J Rivalland	**838 250**	770 000
S N Mthethwa	**-**	-
Z Zulu	**72 000**	-
	9 538 151	8 839 600

Directors fees are payable to all directors. This include fees for attendance at board meetings only. M J L Nairac and A J Rivalland, received a contracting fee for services rendered to the companies in the group. P L Loker, G T Hawkins, S H Marshall, D T Moodie and P J Maujean received remuneration for services rendered to companies in the group.

30 Subsequent events

The Directors are not aware of any matter or circumstance which is material to the financial affairs of the Group, which had occurred between the reporting period date and the date of approval of the financial statements, that has not been otherwise dealt with in the financial statements.

31 Going concern

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

32 Contingent liabilities

32.1 Bookmakers price determination (BODDS)

The South African Bookmakers Association instituted action against Phumelela Gaming and Leisure Limited and Gold Circle Proprietary Limited. It has been claimed that the Tellytrack partnership has contravened the Bookmakers copyright in Bookmakers' price determination for the period prior to 2010. The estimated exposure for legal fees is between R200 000 to R500 000, regardless of the result.

32.2 Sports pools

The South African Bookmakers Association instituted action against the National Totalisator Operators for unlawfully operating sports pools in contravention of their totalisator licences. The estimated exposure for legal fees is between R200 000 to R500 000, regardless of the result.

Management's assessment, based on independent legal advice, is that the basis of the above claims cannot be estimated at this stage due to the nature of the copyright damages and the sports pools respectively.

GOLD CIRCLE

RACING AND GAMING GROUP

GOLD CIRCLE PUBLISHING