GOLD CIRCLE
RACING AND GAMING GROUP

Annual Report
2018

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

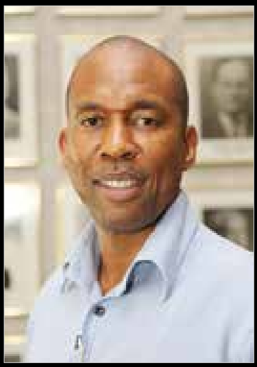
The Vision Of Gold Circle Is:

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

Content

Board of Directors

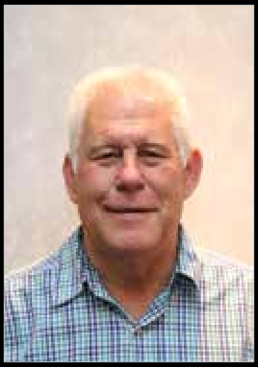
P MNGANGA
(Chairman)



M TEMBE
(Vice Chairman)

M J L NAIRAC
(CEO)

N P BUTCHER



J H S DE KLERK

P V LAFFERTY

C MOODLEY

M NHLANHLA

L NUNAN

G PETZER

Y PILLAY
(CFO)

Z ZULU

Entity Information

REGISTERED ADDRESS:	150 Avondale Road Durban 4001
POSTAL ADDRESS:	P.O. Box 40 Durban 4000
AUDITORS:	KPMG Durban

BANKERS:	ABSA Bank of SA Limited First National Bank of SA Limited Nedbank Limited Standard Bank of SA Limited
ATTORNEYS:	Barkers

Chairman's Report

INTRODUCTION

The Directors have the pleasure in presenting the company's audited Annual Financial Statements and Report for the year ended 31 July 2018.

FINANCIAL PERFORMANCE

Revenue generated from the totalisator has continued to reflect declining growth and whilst following an international trend appears to be more predominant in South Africa. The country's national economic environment is having a direct impact on disposable income which consequently affects the totalisators generation of betting turnover. The need to expand and invest in alternative income streams remains a priority in the medium term.

Gross totalisator turnover generated on all products in KwaZulu-Natal amounted to R1.3 billion which when compared with the prior year, is a decrease of 9.1%. This is concerning having regard to the cost of inflation over the same period.

Income received from third party bookmaking betting activities increased by 6.1% to R43.8 million from R41.3 million in 2017. This increase is encouraging and goes against the trend being experienced through the totalisator where the product range is less competitive.

International income generation through the sale of South African horse racing products, managed by Phumelela Gaming and Leisure, improved significantly by 15.9% to R80.2 million over the past year. This increase is resultant from increased demand from overseas markets as well as the benefit of foreign exchange rate fluctuations.

Total revenue generated from operating activities amounted to R446.5 million, a decrease of 4.0% compared with the R465.1 million earned in 2017. This is below inflationary trends and is indicative of the tight economic market in which the horse racing industry trades.

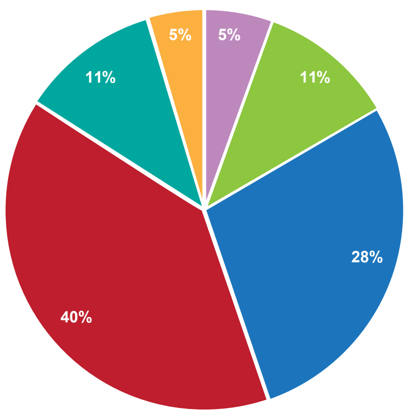
Income from investments amounted to R14.6 million which reflects an even par over the prior year. Stock markets have been turbulent due to political instability and this directly influences the return on investments received by the company. The investment horizon adopted by the company is medium to long term.

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. Trading profit for the year, before taxation adjustments amounted to R9.6 million compared with a loss of R21.4 million in the prior year. Total comprehensive income for the year including provisions for asset revaluations and medical aid reserves amounted to R37.1 million.

Total expenditure amounted to R420.9 million, excluding stakes paid to Owners and reflects a decrease of 9.6% over the comparable amount of R465.6 million spent in 2017. The savings in expenditure allowed positive results notwithstanding the decline in revenues.

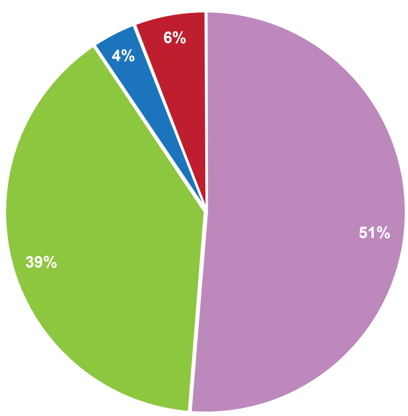
The graphs below reflect a 2018 macro management summary of Gold Circle's sources of income and the indicative sectors where expenditure was incurred to provide facilities for KwaZulu-Natal racing. These statistics conform in total with the statement of total comprehensive income but are defined differently in the audited financial statements.

Contribution to Income



		%	R in Millions
	Investments	5	17.1
	Racing revenue	11	34.5
	Wagering	28	86.5
	Intellectual Property	40	122.3
	Asset Utilisation	11	35.0
	Vodacom Durban July	5	14.0

Distribution of Expenses



		%	R in Millions
	Racing - Training Centres, Tracks and Operations	51	151.2
	Stakes - Owners and Breeders	39	115.7
	Jockey Remuneration	4	10.5
	Regulatory Costs - National Horseracing Authority	6	17.2

FINANCIAL POSITION

At 31 July 2018, the Group controlled total assets of R906.1 million (2017: R867.6 million) and had total liabilities amounting to R210.1 million (2017: R208.6 million). Excluding the loan owing to Gold Circle Racing Club amounting to R39.5 million, the total equity attributable to shareholders amounts to R696.1 million (2017: R659.0 million).

In terms of IAS 16 the property portfolio of the company was independently revalued which resulted in a capital gain of R39.1 million which has been recognised in the statement of comprehensive income.

Cash and cash equivalents as at 31 July 2018 amounted to R29.3 million (2017: R27.6 million).

ASSET UTILIZATION

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

Tsogo Sun have made application to the Msunduzi Municipality to acquire the freehold ownership of the Scottsville Racecourse which is presently receiving consideration. This will not affect the right of use of the property by Gold Circle for racing purposes.

The Gold Circle Convention Centre in its second year of operation generated sales of R12.2 million which is an increase of 13.5% compared with the prior year. This non-core revenue stream has the potential to make a significant contribution to the company in the years ahead.

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

National & International Initiatives

The external business operations of Gold Circle 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 Gold Circle has a minority partnership holding.

TELLYTRACK

Phumelela Gaming and Leisure continue to manage Tellytrack, the entity that holds and protects the intellectual property rights of the Racing Operators and the racing broadcast content. In addition to the local South African racing product, Tellytrack manages the importation of international horse racing product for local consumption.

As previously reported to Members, the bookmaking fraternity continues in its offensive against Tellytrack based on the 2013 product pricing model. There has been no resolution to the disputes. This is having a significant negative impact on the industry. Several court actions have been instituted which as yet remain unresolved. Since the year-end, discussions have once again been initiated which will hopefully result in an amicable settlement solution.

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 and contributed R80.2 million for the year. This is an improvement of 15.9% over the corresponding financial period. It is expected that revenue from this source will remain positive in the year ahead however, fluctuations in the foreign exchange rate will have a direct impact on income generation. The Licence Agreement has a termination date of 2022.

The National Racing Fixtures Committee prepare their racing fixtures to facilitate and enhance the sale of South African product overseas. In this way it ensures that betting opportunities both locally and internationally are maximised.

Totalisator & Bookmaking

TOTALISATOR

A major source of income for the company is generated through commission received from totalisator betting turnover. Total totalisator turnovers for the 2018 financial year amounted to R1.3 billion which is a decrease of 9.1% over the comparative period. As a consequence net wagering income received decreased proportionately. Betting turnovers on the Soccer product fared the best and generated increased returns of 15.1% over the prior year to R105.8 million. This growth was however negated by the loss in betting turnover on thoroughbred horse racing. This betting trend is consistent with other totalisator operators around the country.

Notwithstanding the decline in turnover generation the net contribution of wagering to the company increased to R101.7 million, an improvement of 10.3% over the prior year. This improvement is in line with set strategic objectives.

The roll-out of electronic information to the outlets is continuing and includes horse racing and other sports betting products. This new communication opportunity has received favourable reports from the public.

BOOKMAKING

Gold Circle participates in the fixed-odds betting market through a Black owned subsidiary, Track and Ball, which operates six bookmaking rights in KwaZulu-Natal. The subsidiary also manages several other licenced Black-empowered entities. Track and Ball have one acquisition application pending approval by the KwaZulu-Natal Gaming and Betting Board. It is anticipated that this acquisition will be approved before the end of 2018.

Gross Gaming Revenue generated by Track and Ball increased to R27.1 million for the year reflecting an increase of 12.5% over the prior year. This notwithstanding, the company reported a loss of R3.2 million after taking into account operational and shareholders loan account interest costs. The Board is confident that the company will trade profitably in the year ahead.

Events and Marketing

MARKETING

Gold Circle's principle marketing focus will always be the promotion of Champions Season which provides for racing excellence in programme content participation by thoroughbred horses and patrons alike. The 2018 Champions Season was another proud chapter in Gold Circle's history with its flagship event, the Vodacom Durban July, once again proving to be an outstanding success.

Whilst turnovers for the Vodacom Durban July race day decreased slightly to R59.6 million it none-the-less clearly highlights the importance of this event in the South African betting and racing calendar. Approximately 46 000 patrons on the day enjoyed the racing extravaganza.

The Vodacom Durban July is an important and material income stream to the company. The net direct benefit contribution of the event to Gold Circle is approximately R14 million and its positive cash flow impact in each successive following year is crucial in funding the business of the company.

The economic value of the Vodacom Durban July to the City of Durban and the Province of KwaZulu-Natal cannot be overly emphasized and against this background Gold Circle will continue to seek a closer and more productive partnership with the Provincial and City's leaders. A value-added study by Grant Thornton on the 2018 Vodacom Durban July event, commissioned by the Ethekwini Municipality, concluded that the economic value of the event to the city was approximately R268 million.

Gold Circle would like to record its sincere appreciation to Vodacom for their ongoing support and promotion of the Vodacom Durban July. Their marketing efforts complement those of Gold Circle and the end result is a vibrant and effective campaign with national and international reach. It is important for all participants to ensure that this event retains its position as the premier sporting and social promotion in the country.

Whilst Champions Season is the primary focus, Friday night racing at Greyville continues to be more popular than day racing. It is important that, particularly at Greyville, the facilities on offer to the public are upgraded to enhance the racing experience. With the ever increasing footprint through Greyville as a result of the Greyville Convention Centre, the advent of combining work and pleasure takes on a different dimension when scheduled alongside a racing event.

The joint venture between Gold Circle and the Independent Newspapers Group nationally is ongoing and continues to be a strong marketing tool for the betting product of horseracing as well as the sport of horseracing. The joint venture provides a national platform in many of the leading daily and weekend newspapers with an extensive readership.

Greyville Television (GTV) is an exciting new offering by Gold Circle which broadcasts a continuous horse racing programme on local racing at the Greyville Racecourse. This programme is being rolled out into the betting outlets and allows for patrons to focus on activities at the local racing venue as compared with Tellytrack which broadcasts a wide variety of racing and betting information programmes. It is anticipated that the service will soon be extended to Scottsville Racecourse. Discussions are currently underway for the broadcast to be disseminated on a web based streaming platform in due course. This new channel has great potential to market racing in KwaZulu-Natal.

COMMUNICATIONS

Communication remains the key to furthering the Company's strategies and engaging with its customer base. A number of channels are used to bring the latest information and news to the public and these include betting information sheets, race cards, television, newsletter, internet websites, the SA Racing

App and the aforementioned joint venture with Independent Newspapers.

It is a sad reality that there is so much negative sentiment throughout the racing fraternity and it becomes difficult to continuously dispel on-going parochial criticism. Whilst there is always room for improvement, racing participants look to complain rather than promoting the positives. Racing needs to take a page out of how soccer is promoted thus building on success stories. This is a communication exercise that needs to be undertaken as an industry.

Gold Circle's Board and Management continue their liaison with the Ethekwini Municipality, the KwaZulu-Natal Province, the KwaZulu-Natal Gaming & Betting Board and the Department of Trade and Industry to ensure that a harmonious working relationship exists in the interests of the company.

RACING

Gold Circle staged 106 race meetings during the 2018 financial year compared with 115 in the prior year. Prize money paid to winning owners amounted to R110.9 and the company was able to increase stakes levels and currently pays comparable stakes to other racing centres.

Friday night racing at Greyville continues to be popular for the South African and International betting fraternity. Betting interest has grown with France starting to commingle into the national totalisator pools. Greyville Racecourse offers an entertainment venue for the public to socialise and be part of the racing activities. Friday night racing will be staged on the last Friday and first Friday of each month up until the end of April 2019.

The Greyville turf track stood up well during Champions Season. A mini treatment was carried out after the Gold Cup race meeting and racing on the turf resumed in August 2018. Spring treatment will commence in January 2019.

The Polytrack at Greyville continues to provide a uniform racing surface and is popular with the racing public. The latest annual test results indicate that the polytrack needs to be rejuvenated. The estimated cost for the rejuvenation programme is R3,5 million and will be carried out in December 2018.

The Scottsville track raced well during Champions Season. Light frost affected the turf during July and early August. As a result the turf appeared patchy, however this related only to appearance and not underfoot conditions. Spring treatment is currently underway and Scottsville will re-open in November 2018.

The training centres at Ashburton and Summerveld continue to offer top class facilities for Owners with horses domiciled in the province. The centres in aggregate accommodate in excess of 2 000 horses during peak season.

South Africa's 2018 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 the 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 number of visitors on the race day. The prevailing economic conditions resulted in a drop in turnover however the event itself was a huge success.

The inaugural Gambling Industry Awards ceremony took place at Carnival City in Johannesburg in September 2018. The nominees for the Best Horseracing events were the Berlin November, the Vodacom Durban July and the Sun Met. The Vodacom Durban July was judged the Best Horse Racing Event of the year.

The concluding racing event of the Season was the Gold Cup Festival and featured South Africa's premier and most famous marathon event, the R1.3 million eLan Gold Cup and four Grade 1 races that played a major role in the selection of the country's award-winning horses and personalities at the annual Equus Awards ceremony held in August 2018. To further boost the day, The Grade 1 Mercury Sprint was added to the 12-race Programme bringing the curtain down on a successful 2018 South African Champions Season.

The KwaZulu-Natal Racing Awards for the 2018 Season took place in August 2018 at Greyville Racecourse and congratulations are extended to the winning Owner, Mario Ferreira, the winning Trainer, Dennis Drier and winning Jockey, Anton Marcus for their exceptional achievements over the past year. Vodacom Durban July winner, Do It Again, owned by Messrs N Jonsson, B Kantor and W J C Mitchell and trained by Justin Snaith, was crowned KwaZulu-Natal Horse of the Season with the Breeder category being awarded to Summerhill Stud.

South Africa has been chosen as the next international venue to host the Asian Racing Conference which was last held in the country more than twenty years ago. This conference draws delegates from around the world and gives the Industry an opportunity to showcase the individual racing regions to attract investment. Gold Circle is a member of the organizing committee and has committed a financial contribution towards the set-up costs of the conference. The Conference will be held in Cape Town in February 2020.

Gambling Regulation

KZN GAMING AND BETTING BOARD (KZNGBB)

Gold Circle has maintained a good relationship with the Industry Regulators, and in particular the Board of the KwaZulu-Natal Gaming and Betting Board. On-going liaison and communication takes place frequently in respect of legislation and licence regulation.

The KwaZulu-Natal Gaming and Betting Act 2010 was amended during the year following an industry liaison process. Regrettably several of the recommendations made by the company were not adopted.

The recommendations proposed by the National Gambling Policy Commission to amend the National Gambling Act have reached an advanced stage and are progressing through a public hearing process. It is expected that the new amendments will only be promulgated in 2019.

Corporate Governance

Gold Circle Proprietary Limited manages its business within the reasonable corporate governance requirements of the King Commission Reports. The following Committees are 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 record of statutory and other remunerated committee meetings of the Board:

	Board	Audit	Risk	Remco	Racing	Social & Ethics	Remuneration "R"
P Mnganga	4/4	-	-	-	-	-	80 000
M Tembe	4/4	-	-	-	-	-	60 000
N P Butcher	4/4	2/3	2/2	-	5/5	-	92 500
J H S De Klerk	4/4	3/3	2/2	-	5/5	-	89 000
P V Lafferty	4/4	-	-	3/3	3/5	-	64 500
C Moodley (appointed 1 April 2018)	1/1	-	-	-	-	-	10 000
S Naidoo (resigned 8 December 2017)	0/1	-	-	-	-	-	-
M M Nhlanhla	4/4	-	-	-	-	3/3	50 500
L Nunan	3/4	-	-	-	5/5	3/3	72 000
G Petzer	4/4	-	-	3/3	-	-	61 000
Z Zulu	4/4	3/3	2/2	-	-	3/3	68 000
Total Remuneration Cost							647 500

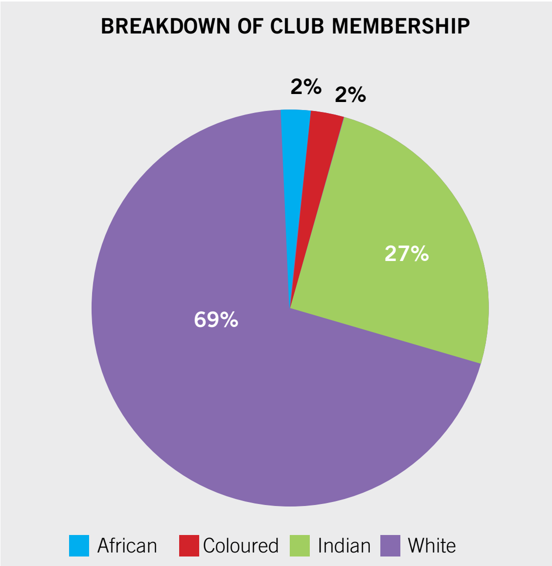
Transformation

Gold Circle is a responsible corporate entity and aligns itself with the principles of Broad-Based Black Economic Empowerment. The company has over the years implemented several initiatives which demonstrated a positive commitment to transformation throughout its business. Gold Circle is demographically represented in its business operations and currently holds a certified Level 2 Contributor status.

Gold Circle has been honoured with the Standard Bank Gender Empowered Company Top Women award in the Travel & Hospitality Sector. This is a significant achievement of the company toward acknowledging gender equality.

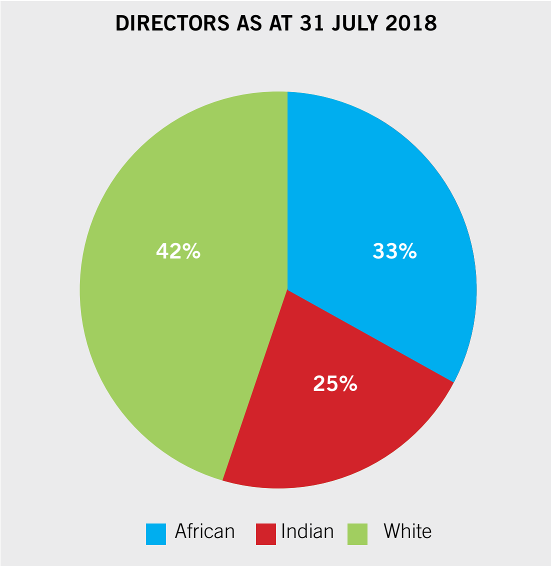
CLUB MEMBERSHIP

Gold Circle Racing Club, as shareholder of the company, comprised 920 members as at 31 July 2018. In terms of the Club Constitution 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. Summarised adjacently are the statistics relating to the demographic profile at 31 July 2018:



BOARD REPRESENTATION

Representation on the Board of Directors of Gold Circle is provided for through the Club Constitution and in addition, the Board makes external appointments to balance the skills required to drive the business. The Board comprises ten non-executive and two executive directors and it is pleasing to report that the demographic composition of the Board continues to reflect a balanced profile.



MANAGEMENT AND STAFF

It is a policy of Gold Circle to employ suitably qualified personnel and in addition to offer equal opportunity for further development, irrespective of race, disability or gender. Preference is given to the employment of previously disadvantaged persons.

Certain of the company's management skills are outsourced and it is anticipated that the respective outsourced contracts will be brought in-house as the objective of the Board is to appoint permanent managers to these strategic positions.

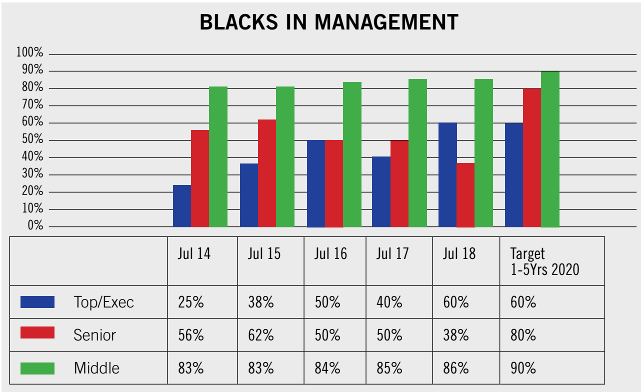
The following table reflects the employment sectors, the demographic profile of personnel contracted and employed by the company including branch betting outlet operations at 31 July 2018.

Race	Executive Management	Senior & Middle Management	Junior Management	Semi-Skilled	Unskilled	Grand Total	%
Black	0	9	97	405	178	689	68
Asian	3	19	64	123	2	211	21
Coloured	0	1	13	36	3	53	5
Sub Total	**3**	**29**	**174**	**564**	**183**	**953**	**94**
White	2	16	21	17	2	58	6
Grand Total	**5**	**45**	**195**	**581**	**185**	**1 011**	**100%**

Gold Circle provides employment opportunities for persons with disabilities mainly through its telephone betting call centre where a number of operators who are wheel chair bound are employed.

Black Management

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



Skills Development

During the year under review the company expended an aggregate amount of R1.0 million on training personnel in the company. The training and development of skills within the company is necessary in order ensure that it is able to efficiently conduct its business and meet operational challenges. The total number of staff members who undertook training during the year was 616 of which 99% were Black.

An important part of the company's in-house training is the programme offered to hundreds of aspirant matriculants who apply for vacancies as betting cashiers over the Champions Season on an annual basis. This training is not available at any tertiary educational institution and prepares candidates for similar employment opportunities in the open market once their season's contracts with Gold Circle have concluded. Other In-house educational training programmes have been developed which enhance employee skills and allow them to progress their careers within the company.

The company offers funding for formal training at certified tertiary educational institutions to selected full-time employees who have the potential to further their careers in management positions.

Corporate Social Investment

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 which is geared to achieving the objectives of the Broad-Based Black Economic Empowerment Act. The majority of initiatives undertaken are Industry based and serve also as a skills transfer mechanism to the broader traditional horse owning community.

TRADITIONAL RACING

Gold Circle has since 2006 assisted in the development of traditional racing by financially supporting the Dundee July and has now been extended to the Harry Gwala Summer Cup, Nkandla May Rural Racing and Willowfontein Horse Racing Festival. These events are reaching a stage of maturity and becoming commercially self-sustainable. Traditional racing has now been incorporated into the other Districts within KwaZulu-Natal as the interest in the sport grows. Gold Circle is involved in making these festivals more commercially viable which in turn derives benefits to the supporting communities.

In September 2018 the Willowfontein Horse Riding Club hosted the Umtelebhelo Heritage Cup at Scottsville Racecourse. The event was held successfully.

Gold Circle is continuously embarking on projects that support and develop traditional racing, thereby informing and integrating a culture of horse care and welfare amongst rural communities. In partnership with Coastal Horse Care Unit, Gold Circle is part of a Rural Outreach initiative called "Empowering Equine Communities through Service". The aim is to help educate rural communities on how to better take care of their horses which are used for racing, transport, herding and leisure. These programmes highlight the informal racing industry and are an encouragement to horse owners to enhance their knowledge and skills onto a more professional platform.

Traditional racing as a sport still requires further development to a professional level where the racing activities become legally regulated.

Gold Circle is part of a Task Team appointed by the KwaZulu-Natal Premier's Office which is making recommendations to formalise the sport of traditional horse racing.

Corporate Social Investment

COASTAL HORSE CARE UNIT

The Coastal Horse Care Unit is a registered non-profit organisation that has as its main objectives, 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. In this regard the company volunteers its personnel to undertake, together with the Coastal Horse Care Unit, various clinics and workshops within rural communities to allow skills transfer and to educate horse owners to care for their animals. The initiative provides Gold Circle employees with an opportunity of making a positive contribution to the equine community. Gold Circle is a major financial contributor to the Coastal Horse Care Unit.

GROOMS

Whilst the grooms are not the responsibility of Gold Circle but employed by Trainers, the company has an interest in their wellbeing. Grooms health is imperative and to assist in managing this, Gold Circle has procured the services of a medical practitioner to provide basic health care facilities for the grooms. These facilities have been made available at Summerveld and Ashburton, Scottsville and Greyville. There has been a marked improvement of awareness in health and general hygiene amongst grooms and an ongoing self-awareness health campaign to encourage responsible behaviour has been actioned.

COMMUNITY

Gold Circle has embraced the celebration of Mandela Day and gives 67 minutes back to the community. Gold Circle identified a home facility, the Abalindi Welfare Society which looks after children, the elderly and the frail as a community sponsorship project. The company sponsored several items that the facility was in dire need of including providing for the personal needs of the persons who are accommodated in the facility.

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 and lobbying an improved access to care, support and protection, training and development, and sustainable economic empowerment. Gold Circle in partnership with Age-In-Action supports an initiative whereby senior citizens are invited and hosted at a race meeting. Gold Circle also assists Age-In-Action in other areas of its operations.

YOUTH SUPPORT

Youth are the leaders of the future and Gold Circle acknowledges the importance of providing youth opportunities to grow through support programs. The Greyville Primary School is a target school that borders the Greyville Racecourse and is included with institutions supported by Gold Circle.
From time to time Gold Circle identifies young persons from a disadvantaged background who could potentially become involved in horse racing as a career. These candidates are assessed and assisted through a process which may ultimately result in their inclusion into the industry.

Enterprise Development

SOUTH AFRICAN JOCKEY ACADEMY

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

RACEHORSE TRAINER DEVELOPMENT

Through a structured and formalised Gold Circle Assistant Trainer Development Program, previously disadvantaged individuals who have the potential to become stable employees, assistant trainers or licensed trainers are provided with financial assistance to achieve their goals. Since the inception of this program, two individuals have qualified as licensed trainers.

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 certain operational costs, particularly Tellytrack subscriptions. This assists the agencies to remain viable entities.

Enterprise Development

PROCUREMENT

Gold Circle has a 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	2018	Target 2018
Recognition Levels	%	%	%	%	%	%
All Suppliers	76.9	94.5	90.0	92.6	97.1	80
QSEs & EMEs*	18.5	57.0	42.2	35.8	37.8	30
* QSEs - Qualifying Small Enterprises EMEs - Exempt Micro Enterprises						

Acknowledgements and Prospects

PERSONNEL

Total employment levels for the year were recorded at 1619 which was a decrease over the prior year. This statistic includes short-term positions required for the Vodacom Durban July and outlet betting personnel who work flexible hours dependent on betting events.

Thanks are extended to the CEO, Michel Nairac, his management team and the personnel of Gold Circle for their continuing efforts towards maintaining the success of the company.

OFFICE BEARERS

Gold Circle is fortunate in having a Board of Directors who work together as a cohesive unit in attaining the strategic objectives of the company. The past year has not been without its Industry challenges from both a macro and micro perspective and it is pleasing to note that this notwithstanding, the company has concluded the year successfully. A vote of thanks is extended to Board Members for their significant contribution.

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. We extend our thanks to them all for their individual contributions.

PROSPECTS

The Board is committed to seeking a sustainable future for Gold Circle in the face of many economic and other challenges in the year ahead. Prospects for the future are positive having particular regard to the changing political environment and economic sentiment. Whilst the immediate economic indicators are in negative territory, the Directors are cautiously optimistic that the company will see organic growth in the near future which will lead to increased returns to stakeholders.

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 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the consolidated 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 29 October 2018 and signed by:

P Mnganga
Chairman
Authorised Director

M Nairac
Chief Executive Officer
Authorised Director

Report of the Directors

1. Consolidated and separate financial statements

This report contains the consolidated annual financial statements of Gold Circle Racing Group. Separate financial statements for Gold Circle Proprietary Limited have been prepared.

2. Nature of business

The Group is in the horseracing business. To support this, the Group invests in a variety of sustainable businesses, predominantly in the gaming and entertainment sectors.

3. Review of results

	2018	2017
	R	R
Total comprehensive income for the year	**37 083 406**	(12 106 560)

4. Share capital

The fully issued share capital comprises 2 000 ordinary shares of R1 each:		
Gold Circle Racing Club	**2 000**	2 000

5. Directors

Gold Circle Racing Group

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 31/12/2017)
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)
M P Mnganga (Chairperson) (Appointed 01/02/2011)
S H Marshall (Appointed 17/03/2017)
P L Loker (Appointed 07/10/2013)
Y Pillay (Appointed 07/12/2017)
C Moodley (Appointed 01/04/2018)

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 (2017: 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 (Resigned 25/06/2018)
	Z Zulu (Appointed 31/10/2017)	C Moodley (Appointed 01/04/2018)
Remuneration Committee	G Petzer (Chairperson)	P Lafferty
Risk Committee	J H S de Klerk (Chairperson)	N P Butcher (Resigned 25/06/2018)
	Z Zulu (Appointed 31/10/2017)	C Moodley (Appointed 01/04/2018)
Social and Ethics Committee	L Nunan (Chairperson)	M Nhlanhla
	Z Zulu (Appointed 31/10/2017)	
Racing Committee	N P Butcher (Chairperson)	J H S de Klerk
	PV Lafferty	L Nunan

9. Subsidiaries and associates

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

	Issued share capital	Percentage holding
	R	%
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 Technologies 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
Ezeefun Proprietary Limited	100	40

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 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.

12. Subsequent events

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

Independent Auditor's Report

To the shareholders 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 set out on pages 23 to 55, which comprise the consolidated statement of financial position as at 31 July 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and 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 2018, 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' Responsibility Statement and the Directors' Report, as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. 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 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 and financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and 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 a going concern. 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 a going concern.
- 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 Jay Datadin
Chartered Accountant (SA)
Registered Auditor
Director
6 November 2018

Pran Boulevard
6 Nokwe Avenue
Umhlanga Ridge
Umhlanga
Durban, 4319

Consolidated Statement of Financial Position

	Notes	2018	2017
Assets		**R**	R
Non-current assets			
Property, plant and equipment	*3*	**495 229 058**	467 012 607
Tellytrack investment	*4*	**2 866 662**	888 635
Investment in associate	*5*	**35**	35
Loans receivable – long term	*6*	**1 579 429**	2 358 565
Intangible assets	*7*	**48 673 306**	41 350 118
		548 348 490	511 609 960
Current assets			
Inventories	*8*	**2 503 235**	2 804 758
Trade and other receivables	*9*	**59 243 444**	58 927 047
Loans receivable – short term	*6*	**4 427 867**	5 292 668
Cash and cash equivalents	*10*	**29 264 159**	27 572 965
Financial assets	*11*	**262 348 426**	256 294 403
		357 787 131	350 891 841
Non-current asset held for sale	*7*	**-**	5 100 000
Total assets		**906 135 621**	867 601 801
Equity and liabilities			
Equity reserves			
Share capital	*13*	**2 000**	2 000
Available-for-sale fair value reserve	*14*	**13 048 557**	9 420 967
Revaluation reserve		**218 795 285**	190 456 498
Post-retirement medical aid reserve		**3 422 160**	2 477 520
Retained earnings		**464 313 706**	459 168 845
		699 581 708	661 525 830
Non-controlling interests		**(3 494 446)**	(2 521 974)
Total equity		**696 087 262**	659 003 856
Non-current liabilities			
Borrowings – long term	*15*	**3 885 140**	7 376 492
Deferred tax liability	*16*	**57 167 093**	43 159 840
Post-employment medical aid obligations – long term	*17*	**9 950 000**	11 431 000
		71 002 233	61 967 332
Current liabilities			
Post-employment medical aid obligations – short term	*17*	**1 220 000**	1 171 000
Trade and other payables and provisions	*18*	**82 569 349**	87 389 044
Share in liability of associate	*5*	**283 852**	197 173
Borrowings – short term	*15*	**15 515 044**	18 415 515
Gold Circle Racing Club	*15*	**39 457 881**	39 457 881
		139 046 126	146 630 613
Total liabilities		**210 048 359**	208 597 945
Total equity and liabilities		**906 135 621**	867 601 801

Consolidated Statement of Comprehensive Income

	Note	2018	2017
		R	R
Gross wagering revenue		**342 784 041**	365 971 032
Provincial tax		**(25 819 351)**	(28 875 652)
Net wagering revenue	*20*	**316 964 690**	337 095 380
Less: Agents commission & other direct costs	*21*	**(31 270 130)**	(29 192 834)
Less: Wagering expenditure	*21*	**(183 972 168)**	(215 677 359)
Contribution to racing from wagering activities		**101 722 392**	92 225 187
Add: Contribution to racing from third party bookmaking activities	*20*	**43 884 836**	41 370 347
Stand up and information fees		**1 744 566**	1 742 859
Tax on punters winnings		**42 140 270**	39 627 488
Share of international licence fee	*20*	**80 204 351**	69 192 331
Share of (loss)/profit in Tellytrack Partnership	*20*	**(2 533 851)**	2 644 829
Gross wagering revenues available for racing activities		**223 277 728**	205 432 694
Add: Direct racing revenue	*20*	**78 745 867**	81 134 268
Add: Eventing revenue	*20*	**12 164 673**	10 722 809
Gross revenues available for racing activities		**314 188 268**	297 289 771
Less: Racing expenditure	*21*	**(316 536 325)**	(331 415 278)
Operating expenditure for racecourses and training facilities		**(173 049 124)**	(181 459 138)
National Horseracing Authority – regulatory costs		**(17 235 282)**	(18 390 308)
Stakes – owners		**(110 881 413)**	(110 645 775)
Stakes – breeders		**(4 910 534)**	(9 529 751)
Contribution to jockeys remuneration and insurance		**(10 459 972)**	(11 390 306)
Net loss before financing and taxation		**(2 348 057)**	(34 125 507)
Add: Finance income		**12 800 301**	13 921 588
Less: Finance costs		**(2 548 317)**	(3 135 570)
Add: Dividend income		**1 750 703**	1 988 733
		9 654 630	(21 350 756)
Loss on equity accounted investees		**(86 719)**	(65 357)
Profit/(loss) before tax		**9 567 911**	(21 416 113)
Income taxation	*22*	**(3 700 327)**	6 702 608
Profit/(loss) for the year		**5 867 584**	(14 713 505)
Profit/(loss) attributable to:			
Owners of the Company		**6 840 056**	(13 464 374)
Non-controlling interest		**(972 472)**	(1 249 131)
Profit/(loss) for the year		**5 867 584**	(14 713 505)
Other comprehensive income		**31 215 822**	2 606 945
Post-retirement medical aid reserve	*17*	**1 312 000**	1 721 000
Net change in fair value of available for sale financial assets	*14*	**2 511 347**	2 733 978
Net change in fair value of land and buildings revaluation reserve		**39 122 616**	-
Taxation on other comprehensive income		**(11 730 141)**	(1 848 033)
Total comprehensive income for the year		**37 083 406**	(12 106 560)
Total comprehensive income for the year attributable to:			
Owners of the Company		**38 055 878**	(10 857 429)
Non-controlling interest		**(972 472)**	(1 249 131)
		37 083 406	(12 106 560)

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
	R	R	R	R	R	R	R	R
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 income	-	-	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**
Reallocation of reserves	**-**	**-**	**1 695 195**	**-**	**(1 695 195)**	**-**	**-**	**-**
Total comprehensive income	**-**	**28 338 787**	**1 932 395**	**944 640**	**6 840 056**	**38 055 878**	**(972 472)**	**37 083 406**
Balance at 31 July 2018	**2 000**	**218 795 285**	**13 048 557**	**3 422 160**	**464 313 706**	**699 581 708**	**(3 494 446)**	**696 087 262**

Consolidated Statement of Cash Flows

	Notes	2018	2017
		R	R
Cash flows generated from operating activities			
Cash generated from operations	*24*	**15 547 938**	6 875 350
Interest paid		**(2 548 317)**	(3 135 570)
Interest received		**12 800 301**	13 921 588
Dividends received		**1 750 703**	1 988 733
Tax paid	*19*	**(851 983)**	(400 397)
Net cash inflows from operating activities		**26 698 642**	19 249 704
Cash flows from investing activities			
Purchase of property, plant and equipment	*3*	**(16 231 226)**	(19 888 079)
Proceeds on disposal/transfer of property, plant and equipment	*3*	**2 034 380**	540 422
Acquisition of intangible assets	*7*	**(2 400 000)**	(10 172 716)
Investment in subsidiary		**-**	(120)
Investment in associate		**(40)**	-
Acquisition of other investments		**(3 542 676)**	(10 819 294)
Net cash outflows from investing activities		**(20 139 562)**	(40 339 787)
Cash flows from financing activities			
Post-retirement medical obligation		**(120 000)**	(59 000)
Decrease of loans receivable		**1 643 937**	3 118 295
(Repayment)/proceeds from borrowings		**(6 391 823)**	2 017 975
Net cash (outflows)/inflows from financing activities		**(4 867 886)**	5 077 270
Net increase/(decrease) in cash and cash equivalents		**1 691 194**	(16 012 813)
Cash and cash equivalents at beginning of the year		**27 572 965**	43 585 778
Cash and cash equivalents at end of the year	*10*	**29 264 159**	27 572 965

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 2018 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. They are available for inspection. Separate financial statements for Gold Circle Proprietary Limited 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

The 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.

Accounting Policies (continued)

(d) Use of estimates and judgements (continued)

Actual results may differ from these estimates.

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

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 ownership 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 loss.

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

(b) Financial instruments (continued)

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.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The estimated useful lives for the current and comparative periods are 50 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.

Accounting Policies (continued)

(d) Goodwill

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

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

(e) 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 and loss.

(f) Leased assets

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

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

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

(g) 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.

(h) 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.

(i) 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

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.

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.

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, 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 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.

(j) Employee benefits

(i) Defined benefit plans

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

The calculation of defined benefit obligations is performed 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 other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

Accounting Policies (continued)

(j) Employee benefits (continued)

(ii) Termination benefits

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

(iii) Short-term employee benefits

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

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

(k) 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

(l) 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.

(m) 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.

(n) 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.

(n) Income taxation (continued)

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

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

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

(o) Related parties

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

- Directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the Company;
- The party is a member of the key management personnel of the entity or its parent;
- The party is a close member of the family of any individual referred to the above.

Close family member of the family of an individual includes:

- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- Dependents of the individual or the individual's domestic partner.

(p) 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
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 2016	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 the standards and interpretations relating to IFRS 9 and 15, 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 16 will be quantified prior to the effective date.

Notes to the Consolidated Financial Statements

3. Property, plant and equipment

2018	Cost	Accumulated depreciation and impairment	Carrying amount
	R	R	R
Freehold buildings	**387 304 128**	**(80 584 128)**	**306 720 000**
Leased buildings	**178 555 466**	**(46 486 358)**	**132 069 108**
Plant, vehicles and equipment	**155 323 689**	**(100 975 827)**	**54 347 862**
Assets under construction	**2 092 088**	**-**	**2 092 088**
	723 275 371	**(228 046 313)**	**495 229 058**

	Land and buildings	Plant, vehicles and equipment	Assets under Construction	Total
Movement in carrying amount	R	R	R	R
Carrying amount at beginning of year	**406 339 964**	**59 347 249**	**1 325 394**	**467 012 607**
Additions	**5 155 001**	**9 307 941**	**1 768 284**	**16 231 226**
Revaluations	**39 122 616**	**-**	**-**	**39 122 616**
Transfers	**1 001 590**	**-**	**(1 001 590)**	**-**
Disposals at carrying amount	**-**	**(2 034 380)**	**-**	**(2 034 380)**
Depreciation	**(12 834 368)**	**(12 268 643)**	**-**	**(25 103 011)**
	438 784 803	**54 352 167**	**2 092 088**	**495 229 058**

	Cost	Accumulated depreciation and impairment	Carrying amount
2017	R	R	R
Freehold 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
Asset 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	R	R	R	R
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	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

The Group's land and buildings were last revalued on 01 July 2018 by and independent valuator, Roper & Associates Property Valuers (Rob Roper). Valuations were made on the basis of recent market transactions at arm's length terms. The revaluation surplus, net of applicable deferred income taxes, was credited to non-distributable reserves.

Depreciation expense of **R25 103 011** (2017: R30 263 202) has been included in "racing expenditure".

3. Property, plant and equipment (continued)

	2018	2017
	R	R
Depreciation prior to reassessment	**36 563 471**	38 204 228
Less: Reassessment of useful lives	**(11 460 460)**	(7 941 026)
Depreciation for the year	**25 103 011**	30 263 202

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 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 **R9 063 655** (2017: R11 755 626). Finance lease obligations over motor vehicles bear interest at rates between prime and prime less 1.5%. Refer to note 15.

4. Tellytrack investment

	2018	2017
	R	R
Partnership (loss)/profit	**(2 533 851)**	2 644 829
Partnership funding	**5 400 513**	(1 756 194)
	2 866 662	888 635
Financial information of Tellytrack Partnership		
Assets	**54 848 585**	38 287 353
Liabilities	**16 475 337**	9 599 810
Revenue	**128 605 975**	139 645 970
(Loss)/profit	**(21 546 415)**	6 161 794
	%	%
Interest held	**24.96**	24.96
Profit share	**24.96**	24.96

Gold Circle Proprietary Limited has a 24.96% (2017: 24.96%) interest in the Tellytrack Partnership which is a joint venture between Gold Circle Proprietary Limited, Kenilworth Racing Proprietary Limited and Phumelela Gaming and Leisure. Profits and 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, Sports Tracking Proprietary Limited and Ezeefun 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 associate 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:

	2018	2017
	%	%
Betsumor Gaming Proprietary Limited	**30**	30
Wozabets Gaming Proprietary Limited	**30**	30
Ezeefun Proprietary Limited	**40**	-
Sports Tracking Proprietary Limited	**35**	35

	R	R
Carrying amount of interest in associate		
Betsumor Gaming Proprietary Limited	**36**	36
Wozabets Gaming Proprietary Limited	**120**	120
Ezeefun Proprietary Limited	**40**	-
Sports Tracking Proprietary Limited	**35**	35
	231	191
Share of (profit)/loss from equity accounted investees, net of tax		
Betsumor Gaming Proprietary Limited	**67 345**	16 639
Wozabets Gaming Proprietary Limited	**(6 061)**	48 718
Ezeefun Proprietary Limited	**25 435**	-
	86 719	65 357
Net investment in associate		
Balance at the beginning of the period	**197 173**	131 816
Acquisition of associate	**(40)**	-
(Profit)/losses in associates		
Betsumor Gaming Proprietary Limited	**67 345**	16 639
Wozabets Gaming Proprietary Limited	**(6 061)**	48 718
Ezeefun Proprietary Limited	**25 435**	-
	283 852	197 173
Disclosed as follows on the statement of financial position:		
Investment in associate	**35**	35
Share in liability of associate	**283 852**	197 173

6. Loans receivable

Non-current: Unsecured, interest bearing

National Horseracing Authority	**-**	1 096 407

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 **R1 283 852** (2017: R2 555 991). The loan is repayable within the next financial year.

Summerhill Stud Farm	**753 752**	708 003

This loan is unsecured, bears interest linked to prime and is repayable over 6 years.

Betsumor Gaming Proprietary Limited	**318 648**	304 958

This loan is unsecured, bears no interest and is repayable on liquidation.

6. Loans receivable (continued)

	2018	2017
	R	R
Wozabets Gaming Proprietary Limited	**507 029**	249 197
This loan is unsecured, bears interest at 10% and is repayable on liquidation.		
Loans receivable – long term	**1 579 429**	2 358 565
Current – interest bearing		
Crusade receivable	**-**	47 509
This loan is unsecured, bears interest linked to prime and is repayable on demand.		
National Horseracing Authority	**1 283 852**	1 459 584

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 **R1 283 852** (2017: R2 555 991). The loan is repayable within the next financial year.

	2018	2017
Current – non interest bearing		
Horseracing SA Proprietary Limited	**811 020**	855 215
Sports Tracking Proprietary Limited	**2 014 133**	2 009 174
Global Lotto Nigeria Limited	**1 101 157**	892 627
Provision for impairment on Global Lotto Nigeria Limited	**(1 101 157)**	-
Wozabets Gaming Proprietary Limited	**-**	28 559
Betsumor Gaming Proprietary Limited	**248 997**	-
Ezeefun Proprietary Limited	**69 865**	-
Loans receivable – short term	**4 427 867**	5 292 668

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

7. Intangible assets

	2018	2017
Definite useful life assets		
Goodwill		
Balance at the beginning of the year	**13 177 043**	3 074 327
Acquisition of Greyville Convention Centre	**-**	10 172 716
Impairment	**(176 812)**	(70 000)
	13 000 231	13 177 043
Indefinite useful life assets		
Fixed odds licences		
Balance at the beginning of the year	**28 173 075**	33 273 075
Transfer from/(to) non-current assets held for sale	**5 100 000**	(5 100 000)
Acquisition of licence	**2 400 000**	-
	35 673 075	28 173 075
	48 673 306	41 350 118

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.

Notes to the Consolidated Financial Statements

7. Intangible assets (continued)

Impairment test 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 is forecasted to be profitable in the foreseeable future and therefore not indicative of impairment.

Assumptions applied	**%**
Net win percentage	**12**
Inflation rate	**6**
Average growth rate	**6**

Non-current asset held for sale

In 2017 the Group 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 is R 7.1 million. The original purchase price of the licence was R 5.1 million.

The sale agreement was pending the approval of the Kwazulu Natal Gaming and Betting Board. As at 31 December 2018 approval was not granted and the right to purchase the licence had expired. Therefore, as at 01 January 2018, the ownership of the licence had reverted to the Group.

	2018	2017
	R	R
8. Inventories		
Finished goods	**2 503 235**	2 804 758

9. Trade and other receivables

	2018	2017
Trade receivables	**18 746 970**	19 806 678
Phumelela International trade debtor	**41 195 822**	37 258 809
Less provision for impairment of receivables	**(1 841 693)**	(1 905 836)
Trade receivables – net	**58 101 099**	55 159 651
Other receivables	**354 136**	1 654 662
Prepayments	**788 209**	2 112 734
	59 243 444	58 927 047

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. The amounts are net of balances owed to Phumelela Gaming and Leisure Limited for transactions in the normal course of business. Refer to note 29.2.

9. Trade and other receivables (continued)

	2018	2017
	R	R
Trade receivables can be analysed as follows:		
Neither past due nor impaired	**58 101 099**	55 159 651
Past due but not impaired	**-**	-
Past due and impaired	**1 841 693**	1 905 836
Impairment against these receivables	**(1 841 693)**	(1 905 836)
	58 101 099	55 159 651
The movement in the allowance for impairment is as follows:		
At the beginning of the year	**(1 905 836)**	(1 364 887)
Decrease/(increase) in impairment	**64 143**	(540 949)
At the end of the year	**(1 841 693)**	(1 905 836)

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

10. Cash and cash equivalents

	2018	2017
Current accounts	**16 023 429**	9 761 698
Fixed deposits	**2 149 592**	5 431 585
Cash on hand	**11 091 138**	12 379 682
	29 264 159	27 572 965

Guarantees

The Group has the following guarantees in place, in favour of:	Value (R)	Review date
KwaZulu Natal Gaming and Betting Board	2 400 000	31/12/2025
Artemis Properties Proprietary Limited	68 000	31/07/2020
South African Breweries Limited	170 000	31/12/2025
Eskom	117 945	31/12/2025
Ethekwini Municipality	1 135 957	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	218 320	30/04/2023

Facilities

The Group has overdraft facilities of R16 000 000 and contingent facilities of R4 600 000 with First National Bank Limited due for review on 31 August 2018. In addition, the Company has an asset finance facility of R18 500 000 and an Auto card facility of R350 000 with Wesbank.

Collateral

The Group has collateral in respect of Track and Ball Proprietary Limited with First National Bank as follows:

	2018	2017
	R	R
Mion Holdings Proprietary Limited	**2 000 000**	2 000 000
Gold Circle Proprietary Limited	**5 000 000**	5 000 000

Suretyship

Natal Racing Properties Proprietary Limited on behalf of Gold Circle Proprietary Limited	**10 000 000**	10 000 000

Notes to the Consolidated Financial Statements

11. Financial assets

	2018	2017
	R	R
FNB Preference shares	**80 000 000**	80 000 000
Gryphon Dividend Income Fund	**9 118 730**	8 535 256
Alpha Prime Equity Qualified	**9 885 535**	-
AW – Lynx Prime Global Diverse Fund	**13 833 609**	13 486 955
Momentum BNP Investment	**20 557 727**	19 512 293
RMB Protected flexible	**57 752 716**	54 551 805
Sanlam Private Portfolio – listed shares	**32 433 624**	38 328 070
Sanlam Private Portfolio – Asset swap	**19 701 961**	21 503 310
Investec Asset Management Account	**35 847**	58 132
Sanlam Private Portfolio – listed shares	**3 528 093**	3 090 121
Sanlam Private Portfolio – Asset swap	**1 793 431**	1 666 320
Alpha Wealth Investments	**2 735 286**	3 222 941
Investment in ASL Limited	**10 971 867**	10 242 386
ABSA Eurogroup Basket	**-**	2 096 814
	262 348 426	256 294 403

11.1 Percentage return	**%**	%
Pre – tax return	**5.5**	5.8
Post – tax return	**3.9**	4.2

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.

	2018	2017
	R	R
Financial assets held in Natal Racing Properties Proprietary Limited	**243 283 902**	235 917 689

As at 31 July 2018, the ring-fenced funds are **R227 237 112** (2017: R222 225 069).

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 2018.

12. Ring fenced funds (continued)

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

	2018	2017
	R	R
As part of finance income and other associated income	**5 757 398**	6 198 719
Net change in fair value of available for sale financial assets	**2 355 394**	2 593 065
Dividend Income	**1 051 674**	1 315 680
Investment Income	**5 156 148**	4 745 373
	14 320 614	14 852 837

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 (2017: R nil).

14. Available-for-sale reserve

Opening balance	**9 420 967**	8 053 142
Reallocation from reserves	**1 695 195**	-
Fair value movement on available-for-sale financial assets	**2 511 347**	2 733 978
Deferred taxation on fair value movement on available-for-sale financial assets	**(578 952)**	(1 366 153)
	13 048 557	9 420 967

15. Borrowings

Non-current		
Finance lease liabilities – long term	**3 885 140**	7 376 492
Current		
Finance lease liabilities – short term	**5 023 331**	4 835 927
Mion Holdings Proprietary Limited	**10 427 261**	9 438 886
P Maujean	**-**	4 140 702
Wozabets Gaming Proprietary Limited	**64 452**	-
These loans are unsecured, bear interest at 10% per annum and are payable on demand.		
	15 515 044	18 415 515
Current shareholder loan		
Gold Circle Racing Club	**39 457 881**	39 457 881

This loan is unsecured, bears no interest and is repayable on demand.

15. Borrowings (continued)

Finance lease liabilities

Finance lease obligations secured by lease agreements over property, plant and equipment with a carrying value of R9 063 655 (2017: R11 755 626). Finance lease obligations over motor vehicles bear interest at rates between prime and prime less 1.5%. Refer to note 3.

	2018	2017
	R	R
Finance lease liability	**8 908 471**	12 212 419
Less: Payable within one year	**(5 023 331)**	(4 835 927)
	3 885 140	7 376 492
Minimum lease payments are due as follows:		
Due within one year	**5 023 331**	4 835 927
Due within two and five years	**3 885 140**	7 376 492
	8 908 471	12 212 419

16. Deferred tax liability

Opening balance	**43 159 840**	47 350 636
Prior period under/(over) provision	**(222 161)**	829 509
Temporary differences at standard rate (28%)	**(1 335 299)**	(1 581 836)
Temporary differences at capital gains tax rate (22.4%)	**665 588**	380 900
Utilisation of/(increase in) assessed loss	**3 168 984**	(5 667 402)
Deferred tax through other comprehensive income:		
Available for sale financial assets reserve	**578 952**	1 366 153
Revaluation of land and buildings reserve	**10 783 829**	-
Post-retirement medical aid reserve	**367 360**	481 880
	57 167 093	43 159 840
Comprises:		
Accruals	**(10 931 061)**	(5 332 717)
Capital allowances and finance leases	**66 247 530**	55 918 662
Assessed loss	**(5 027 003)**	(7 947 551)
Investments in financial assets	**6 724 627**	402 700
Prepayments	**153 000**	118 746
	57 167 093	43 159 840

17. Post-retirement medical aid obligations

Post-retirement medical aid benefits is a post-employment healthcare benefit which includes 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.

17. Post-retirement medical aid obligations (continued)

The Group's obligation towards the post-retirement medical aid obligation was actuarially calculated as at 31 July 2018 by Alexander Forbes Health Proprietary Limited and is disclosed in accordance with International Accounting Standard 19: Employee Benefits, as follows:

	2018	2017
	R	R
Non- current	**9 950 000**	11 431 000
Current	**1 220 000**	1 171 000
	11 170 000	12 602 000

Interest cost	**1 100 000**	1 207 000
Employer contributions	**(1 220 000)**	(1 266 000)
Total amount recognised in the net profit	**(120 000)**	(59 000)
Actuarial gain	**(1 312 000)**	(1 721 000)
Total amount recognised in the consolidated statement of comprehensive income	**(1 432 000)**	(1 780 000)

Movement in the net liability recognised in the consolidated statement of financial position		
Opening value	**12 602 000**	14 382 000
Interest cost recognised in statement of comprehensive income	**1 100 000**	1 207 000
Employer contributions recognised in other comprehensive income	**(1 220 000)**	(1 266 000)
Actuarial gain recognised in other comprehensive income	**(1 312 000)**	(1 721 000)
Closing value	**11 170 000**	12 602 000

	%	%
Key valuation assumptions		
Discount Rate	**9.2**	9.2
Health care cost inflation	**7.9**	8.2
General inflation rate	**5.9**	6.2

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	**11 281 700**	**11 170 000**	**11 058 300**
Employer's interest cost	**1 111 000**	**1 100 000**	**1 089 000**

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.

	2018	2017
	R	R

18. Trade and other payables and provisions

Amount due to punters	**5 480 722**	8 043 703
Provision for breeders premiums	**5 368 575**	8 589 940
Provision for Tellytrack bookmakers write off	**5 738 710**	-
Provision for leave pay	**3 673 865**	4 753 045
Trade creditors and accruals	**49 623 755**	53 816 543
Telephone betting	**3 102 022**	3 609 173
VAT	**8 252 382**	7 813 780
Other	**31 010**	35 784
	81 271 041	86 661 968
SARS payable	**1 298 308**	727 076
	82 569 349	87 389 044

Notes to the Consolidated Financial Statements

19. Tax paid

	2018	2017
	R	R
Payable at the beginning of the year	(727 076)	(1 791 252)
Tax (charged)/credit	(1 423 215)	663 779
Less: payable at year end	1 298 308	727 076
Tax paid	(851 983)	(400 397)

20. Revenue

Totalisator revenue	289 891 421	310 900 835
Net gaming revenue from fixed odds betting	27 073 269	26 194 545
Net wagering revenue	316 964 690	337 095 380
Contribution to racing from third party bookmaking activities	43 884 836	41 370 347
Share of international licence fee	80 204 351	69 192 331
Share of (loss)/profit from Tellytrack Partnership	(2 533 851)	2 644 829
Direct racing revenues	78 745 867	81 134 268
Eventing revenue	12 164 673	10 722 809
	529 430 566	542 159 964

21. Expenses by nature

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

Advertising, events and promotions	16 846 321	16 506 578
Audit fee	1 443 385	784 331
Cash collection costs	1 455 466	1 826 265
Catering costs	9 803 846	11 709 263
Contribution to jockey's remuneration	10 459 972	11 390 306
Depreciation (including impairment)	25 103 011	30 263 202
Directors emoluments	7 817 776	9 538 651
Employee benefits	110 254 370	137 287 648
Insurance costs	1 214 765	999 085
Licence fees	18 364 255	19 485 894
Operating lease rentals –Property	14 065 961	15 150 081
Printing costs	5 538 524	7 037 825
Race meeting expenses	11 533 705	11 822 481
National Horseracing Authority - Regulatory cost	17 235 282	18 390 308
Repairs and maintenance	17 717 435	17 704 771
Security expenses	10 318 427	10 011 058
Service fees (Saftote)	6 297 931	6 931 697
Stakes		
– owners	110 881 413	110 645 775
– breeders	4 910 534	9 529 751
Tellytrack subscriptions	13 600 952	19 219 592
Tote agents commission paid	31 270 130	29 192 834
Transformation fund	1 978 044	1 512 792
Utility costs	23 027 155	21 597 450
Other operating expenses	60 639 963	57 747 833
	531 778 623	576 285 471

21 Expenses by nature (continued)

	2018	2017
	R	R
Reconciled to expense by function:		
Agents commission and other direct costs	**31 270 130**	29 192 834
Wagering expenditure	**183 972 168**	215 677 359
– Totalisor	**157 985 508**	191 208 414
– Fixed odds licences	**25 986 660**	24 468 945
Racing expenditure	**316 536 325**	331 415 278
	531 778 623	576 285 471

22. Income taxation

	2018	2017
Current taxation (28%)	**(1 423 215)**	-
Prior period under provision	**-**	663 779
Deferred tax		
- (increase in)/utilisation of assessed loss	**(3 168 984)**	5 667 402
- temporary differences (28%)	**1 335 299**	1 581 836
- prior period under/(over) provision	**222 161**	(380 900)
- temporary differences (22.4%)	**(665 588)**	(829 509)
Taxation (charge)/credit	**(3 700 327)**	6 702 608

22.1 *Reconciliation of tax charged*

Profit/(loss) before taxation			**9 567 911**	(21 416 113)
	%	**R**	%	R
Income tax at standard rate (28%)	**(28.0)**	**(2 679 015)**	28.0	5 996 512
Current tax – prior period over provision	**-**	**-**	3.0	663 779
Permanent differences	**8.4**	**808 466**	6.6	1 408 308
Current tax – capital gains tax – rate change	**(14.8)**	**(1 423 214)**	-	-
Deferred tax – prior period under provision	**2.3**	**222 160**	(3.9)	(829 509)
Capital gains tax	**(8.3)**	**(795 121)**	(2.9)	(625 065)
Capital gains – temporary differences (5.6%)	**1.7**	**166 397**	0.4	88 583
Taxation (charge)/credit	**(38.7)**	**(3 700 327)**	31.2	6 702 608

The Group had an assessed loss of **R17 748 755** (2017: R29 271 383).

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:

	2018	2017
	R	R
Due within one year	**1 540 591**	1 540 591
Due within two and five years	**6 162 363**	6 162 363
Due after five years	**70 867 179**	72 407 769

Notes to the Consolidated Financial Statements

23. Operating lease commitments (continued)

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. The future lease commitment on the current basis is as follows:

	2018	2017
	R	R
Due within one year	**272 983**	272 983
Due within two and five years	**1 091 931**	1 091 931
Due after five years	**3 275 794**	3 548 777

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

Property rentals paid		
Due within one year	**(8 180 647)**	(8 299 723)
Due within two and five years	**(10 159 669)**	(14 816 460)
Due after five years	**-**	(1 653 872)
Property rentals received		
Due within one year	**3 442 996**	2 375 235
Due within two and five years	**5 719 230**	6 649 972

24. Cash generated from operations

Profit/(loss) from continuing operations before tax	**9 567 911**	(21 416 113)
Adjustments for:		
Add: Depreciation	**25 103 011**	30 263 202
Add: Impairment of goodwill	**176 812**	70 000
Add: Share of loss of equity-accounted investees, net of tax	**86 719**	65 357
Less: Interest received	**(12 800 301)**	(13 921 588)
Less: Dividends received	**(1 750 703)**	(1 988 733)
Less: Interest paid	**2 548 317**	3 135 570
	22 931 766	(3 792 305)
Changes in working capital		
Decrease in inventories	**301 523**	390 905
Increase/(decrease) in trade and other receivables	**(316 397)**	16 220 688
Increase of Tellytrack funding	**(1 978 027)**	(4 418 710)
Decrease in trade and other payables and provisions	**(5 390 927)**	(1 525 228)
	15 547 938	6 875 350

25. Capital commitments

Authorised and contracted for	**198 862**	1 861 000
Authorised and not contracted for	**4 661 548**	7 934 000
	4 860 410	9 795 000

26. Financial instruments

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

	2018	2017
	R	R
Categories of financial instruments		
Financial assets		
Trade and other receivables	**59 243 444**	58 927 047
Available-for-sale	**160 853 034**	151 027 959
Fair value through profit and loss	**21 495 392**	25 266 444
Held to maturity	**80 000 000**	80 000 000
Loans receivable	**6 007 296**	7 651 233
Cash and cash equivalents	**29 264 159**	27 572 965
	356 863 325	350 445 648
Financial liabilities		
Loan from shareholder	**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	Carrying amount
	2018	2017
	R	R
FNB Preference shares	**80 000 000**	80 000 000
Available-for-sale financial assets and fair value through profit and loss	**182 348 426**	176 294 403
Cash and cash equivalents	**29 264 159**	27 572 965
	291 612 585	283 867 368

Notes to the Consolidated Financial Statements

27. Financial risk management (continued)

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses the Group maintains flexibility in funding by maintaining availability under committed credit lines. The table below analyses the Group's financial liabilities into relevant maturity groupings. The impact of discounting is not significant.

	Less than 1 year	Between 2 & 5 years	Over 5 years
2018	**R**	**R**	**R**
Trade and other payables and provisions	**82 569 194**	**-**	**-**
Borrowings	**49 949 594**	**-**	**-**
Finance lease liability	**5 023 331**	**3 885 140**	**-**
	137 542 119	**3 885 140**	**-**

	Less than 1 year	Between 2 & 5 years	Over 5 years
2017	R	R	R
Trade and other payables and provisions	87 389 044	-	-
Borrowings	53 037 465	-	-
Finance lease liability	4 835 927	7 376 492	-
	145 262 436	7 376 492	-

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:

	2018	2017
	R	R
Cash resources	**29 264 159**	27 572 965
Undrawn borrowing facilities	**16 000 000**	15 000 000
Trade and other receivables	**59 243 444**	58 927 047
Financial assets	**262 348 426**	256 294 403
Total available resources	**366 856 029**	357 794 415

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.

Natal Racing Properties Proprietary Limited buys foreign currency derivatives in order to manage market risks.

The Group has exposure to currency and interest rate risk.

27 Financial risk management (continued)

27.5 Market risk (continued)

(i) Currency risk

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

Exposure to currency risk

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

	2018	2017
Amounts shown in foreign currency units	**R**	R
Asset swap	**21 495 392**	23 169 630

The following significant exchange rates applied during the period:

	2018		2017	
	Reporting date spot rate	**Average for the period**	Reporting date spot rate	Average for the period
US Dollar	**13.17**	**12.72**	13.00	13.51
Mauritian Rupee	**0.37**	**0.38**	0.37	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 other comprehensive income 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 2017.

Other comprehensive income

	2018	2017
Group		
US Dollar	**136 004**	162 025
Mauritian Rupee	**2 681 153**	2 516 557

A 10 percent strengthening of the rand against the Mauritian rupee 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 2018	Carrying amount 2017
Variable rate instruments	**R**	R
Financial assets		
Financial Assets at amortised cost – FNB Preference Shares	**80 000 000**	80 000 000
Loans Receivable		
– Non current	**1 579 429**	2 358 565
– Current	**-**	1 507 093

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 2017.

Notes to the Consolidated Financial Statements

27. Financial risk management (continued)

27.5 Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis(continued)

	Loss 2018	Loss 2017
Variable rate instruments	**R**	R
Financial assets		
Financial Assets at amortised cost – FNB	**533 360**	(1 044 500)
Preference Shares		
Loans Receivable	**-**	(58 273)
– Non-current	**-**	(475)
– Current		
Net cash flow sensitivity	**533 360**	(1 103 248)

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.

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:

	2018		2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Group	**R**	**R**	R	R
Available-for-sale financial assets				
Equity investments	**182 348 426**	**182 348 426**	176 294 403	176 294 403
Financial assets carried at amortised cost				
Preference Shares	**80 000 000**	**80 000 000**	80 000 000	80 000 000
Cash and cash equivalents	**29 264 159**	**29 264 159**	27 572 965	27 572 965
	109 264 159	**109 264 159**	107 572 965	107 572 965

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).

27. Financial risk management (continued)

27.7 Fair value hierarchy (continued)

Group	Level 1	Level 2	Level 3
2018	**R**	**R**	**R**
Financial assets			
Available –for-sale financial assets	**182 348 426**	**-**	**-**
Derivative financial assets	**-**	**21 495 392**	**-**
	182 348 426	**21 495 392**	**-**
2017			
Financial assets			
Available – for sale financial assets	176 294 403	-	-
Held to Maturity	-	23 169 630	-
	176 294 403	23 169 630	-

Investments and Securities

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

28. Subsidiaries of Gold Circle Proprietary Limited

Group	Issues Share capital	% holding	Issued share capital	% holding
	2018	**2018**	2017	2017
	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**	240	100
Videotrac Proprietary Limited	**100**	**100**	100	100

29. Related parties

29.1 Identity of related parties

Holding entities

Gold Circle Racing Club

Subsidiaries

Natal Racing Properties Proprietary Limited

Gold Circle Gaming Investments Proprietary Limited

Videotrac Proprietary Limited

Betting Information Technology Proprietary Limited

Track and Ball Proprietary Limited

Associated companies

Sports Tracking Proprietary Limited

Betsumor Gaming Proprietary Limited

Wozabets Gaming Proprietary Limited

Ezeefun Proprietary Limited

Associated clubs

Clairwood Turf Club

Durban Turf Club

Notes to the Consolidated Financial Statements

29. Related parties (continued)

29.1 Identity of related parties (continued)

Directors

The directors are listed in the directors' report.

N P Butcher	(Appointed 06/12/2012)
J H S de Klerk	(Appointed 06/12/2012)
G Petzer	(Appointed 14/11/2011)
M Tembe	(Appointed 14/11/2011)
M M Nhlanhla	(Appointed 10/12/2015)
S N Mthethwa	(Appointed 07/10/2013)
Z Zulu	(Appointed 31/12/2017)
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	(Resigned 08/12/2017)
S H Marshall	(Appointed 17/03/2017)
P L Loker	(Appointed 07/10/2013)
G T Hawkins	(Resigned 30/10/2017)
A J Rivalland	(Resigned 30/10/2017)
Y Pillay	(Appointed 07/12/2017)
C Moodley	(Appointed 01/04/2018)

Other related parties

Indirect

Tellytrack Partnership

Phumelela Gaming and Leisure Limited

29. Related parties (continued)

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 2018.

	2018 R	2017 R
Income/(Expenditure)		
Phumelela Gaming and Leisure Limited		
Finance income	**-**	234 117
International licences	**80 204 351**	69 192 331
Tellytrack Partnership		
Partnership (loss)/profit	**(2 533 851)**	2 644 829
Tellytrack subscriptions	**(19 455 040)**	(21 477 250)
Transactions and balances receivable/(payable) at year end		
Investment in Tellytrack partnership	**2 866 662**	888 635
Amount due by Phumelela	**41 195 822**	37 258 809
Phumelela International trade debtor	**104 115 627**	80 298 354
Phumelela current account	**(62 919 805)**	(43 039 545)
Betsumor Gaming Proprietary Limited	**567 645**	304 958
Wozabets Gaming Proprietary Limited	**507 029**	249 197
Wozabets Gaming Proprietary Limited	**(64 452)**	-
Ezeefun Proprietary Limited	**69 865**	-
Sportstracking Proprietary Limited	**2 014 133**	2 009 174
Gold Circle Racing Club	**(39 457 881)**	(39 457 881)

Notes to the Consolidated Financial Statements

29. Related parties (continued)

	2018	2017
	R	R
29.3 Key management compensation		
Directors' remuneration		
N P Butcher	**92 500**	112 500
J H S de Klerk	**89 000**	124 000
P V Lafferty	**64 500**	100 500
P L Loker	**1 500 996**	1 565 291
P J Maujean	**-**	950 000
P Mnganga	**80 000**	120 000
S Naidoo	**-**	55 000
M J L Nairac	**2 400 000**	2 594 000
L Nunan	**72 000**	104 500
G Petzer	**61 000**	97 000
S H Marshall	**1 200 000**	700 000
D T Moodie	**667 680**	696 280
M Tembe	**60 000**	75 000
M M Nhlanhla	**50 500**	83 500
G T Hawkins	**-**	1 250 830
A J Rivalland	**840 000**	838 250
S N Mthethwa	**-**	-
Z Zulu	**68 000**	72 000
Y Pillay	**561 600**	-
C Moodley	**10 000**	-
	7 817 776	9 538 651

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 Y Pillay 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 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 will continue as a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the consolidated and separate financial statements.

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 R500 000 to R700 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.


Durban
July

GOLD CIRCLE

RACING AND GAMING GROUP

GOLD CIRCLE PUBLISHING