GOLD CIRCLE
RACING AND GAMING GROUP

Annual Report
2019

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)

N P BUTCHER
(Vice Chairman)

M J L NAIRAC
(CEO)

D CHETTY

J H S DE KLERK

P B GIBSON

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 Inc.

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 Annual Financial Statements and this Report for the year ended 31 July 2019 are presented on behalf of the Directors. The 2019 financial year has been a challenge for both the Board and management alike as the country's continuing negative economic trends have affected the company's operational and investment activities over the past year.

FINANCIAL PERFORMANCE

Total revenue generated has not kept pace with inflation and in most part has declined when compared with 2018. Whilst declining income generation from the totalisator is an international trend, the South African industry appears to be operating well behind that benchmark. The company continues to pursue all possible avenues of income generation to ensure that the financial contribution to the industry is sustainable into the future.

Total totalisator bets struck over the year amounted to R1.1 billion (2018: R1.3 billion) and is a reflection of the tough trading in this limited betting segment. Competitive pricing in the fixed-odds market together with more favourable betting products continue to hamper betting opportunities particularly in sports pools. In contrast, the gross income generation of the company's investment in bookmaking activities saw an improvement of 10.7% in net gaming revenue. Income received from third party bookmaking activities increased by 5.2% to R46 million.

International income, derived through the sale of South African racing product by Phumelela Gaming & Leisure, again experienced growth and is in part a result of a favourable foreign exchange rate. Income increased by 8.2% to R86.8 million in 2019 and continuing growth is expected in the year ahead.

Total revenue generated from operating activities amounted to R416.1 million, a decrease of 7.2% compared with the R448.5 million earned in 2018 which has a direct relationship to the decrease in totalisator revenue.

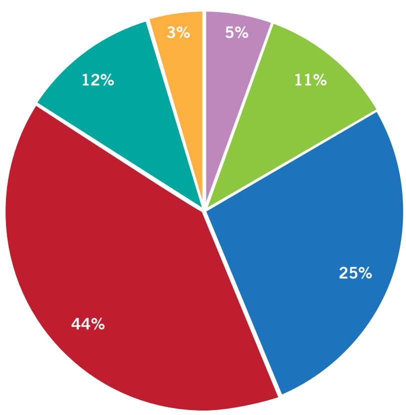
Income from investments, including the amount "ring-fenced" by Members in 2012 reflects an average pre-tax increase of 3.9% compared with 5.5% in the prior year. Whilst the stock market indices have been erratic over the past year and mostly traded negatively, the company's investments are held for the longer term. The liquidation of certain investments was necessary during the year.

In terms of the International Financial Reporting Standards (IFRS), certain income categories have not been included in the Consolidated Income Statement and have been allocated directly to the Balance Sheet. Total comprehensive income for the year after taxation and extraordinary revenue adjustments, amounted to a deficit of R6.6 million compared with a profit of R37.1 million in the prior year. The main reason for the variance was as a result of asset revaluations charged to the income statement in the prior year.

Total expenditure, excluding Stakes paid to Owners, amounted to R411.0 million and reflects a decrease of 2.2% on the comparable amount of R420.2 million spent in 2018. Stakes paid to Owners over the past year increased by 3.5% from R110.8 million in 2018 to R114.8 million.

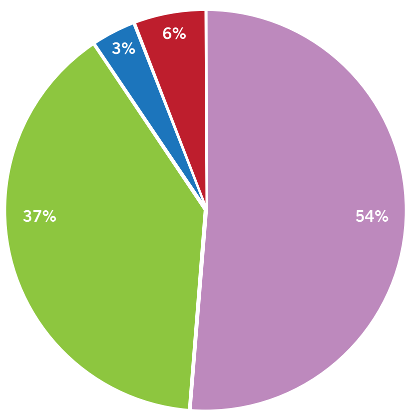
The graphs below reflect the 2019 macro management summary of Gold Circle's sources of income and the sectors where expenditure was incurred to provide facilities for KwaZulu-Natal racing. These statistics conform in total with the statement of total comprehensive income but are defined differently in the audited financial statements.

Contribution to Income



	%	R in Millions
Investments	5	13.3
Racing revenue	11	32.7
Wagering	25	72.5
Intellectual Property	44	130.9
Asset Utilisation	12	35.7
Vodacom Durban July	3	10.1

Distribution of Expenses



	%	R in Millions
Racing - Training Centres, Tracks and Operations	54	154.5
Stakes - Owners and Breeders	37	121.7
Jockey Remuneration	3	10.3
Regulatory Costs - National Horseracing Authority	6	18.4

FINANCIAL POSITION

At 31 July 2019, the Group controlled total assets of R893.0 million (2018: R914.2 million) and total liabilities amounting to R203.5 million (2018: R218.1 million). Excluding the loan owing to Gold Circle Racing Club amounting to R39.5 million, the total equity attributable to shareholders amounts to R689.5 million (2018: R696.1 million).

Cash and cash equivalents as at 31 July 2019 amounted to R41.7 million (2018: R29.3 million). The increase in available cash is due to an inflow of funds from financial assets.

ASSET UTILIZATION

Property assets under the control of Gold Circle relate in the main to the training centres at both Ashburton and Summerveld. The Hollywoodbets Greyville racecourse is leased from the Ethekwini Municipality until 2069 whilst the Hollywoodbets Scottsville Racecourse is leased from the Msunduzi Municipality until 2035. The Hollywoodbets Scottsville Racecourse has a sub-lease agreement with Tsogo Sun in respect of the casino premises in Pietermaritzburg. Tsogo Sun have applied to the Msunduzi Municipality to acquire the property. This however will not affect the right of the company to utilise the Scottsville property.

The Greyville Convention Centre generated sales of R10.8 million during the current financial year which is a decrease of 11.0% compared with the prior year. This non-core revenue stream has been hampered this year due to not having a municipal special consent to offer facilities to the public as well as the stadium not being legally graded in terms of current legislation. The municipal special consent was acquired in December 2018 with the stadium grading certification being achieved in June 2019. The Convention Centre 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 national involvement of Gold Circle in external business operations is limited to contractual obligations in respect of a National Sports and Administration agreement which deals with horse racing matters including the National Racing Bureau, as well as Tellytrack in which Gold Circle has a minority partnership holding.

TELLYTRACK

Tellytrack, the entity managed by Phumelela Gaming & Leisure, holds and protects the Racing Operators' intellectual property rights to the racing picture, and broadcasts the South African horse racing picture to South Africa, Namibia and Zimbabwe. Tellytrack also continues to manage the importation of international horse racing as a betting product for the local market.

It is pleasing to report that since the conclusion of the financial year, through a concerted effort of the part of both the bookmaking fraternity and the racecourse operators, the long-standing dispute on the pricing of the Tellytrack product appears to be resolving itself. A further report will be made to members at the annual general meeting.

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 the company and contributing in excess of R86.7 million for the year. It is expected that increasing revenue from this source will be sustained in the year ahead.

Totalisator & Bookmaking

TOTALISATOR

Totalisator commission from betting turnover continues to be an important source of income for the company. Gross betting turnovers for all products for the 2019 financial year amounted to R1.1 billion which reflects a decrease of 15.4% compared with turnovers in the prior year. The main reason for this concerning decline is the country's economy and the increasing pressure being felt by the population in general. It is notable that total transactions being processed by the totalisator on horse racing and sports betting have reduced as well as the average spend per transaction.

It is pleasing to report that the costs of operating the totalisator, in line with the company's medium term strategy declined again this year by a further R19.5 million or 10.4% compared with the prior year. This rate of cost saving in the year ahead will not be sustainable.

BOOKMAKING

Track and Ball, the company's Black owned subsidiary has performed well over the past year increasing its net gaming income by 10.7% to R29.9 million. The company traded from eight owned licenced premises in KwaZulu-Natal and further managed three additional Black-empowered companies in which Track and Ball has a minority equity ownership. Following the financial year-end, the KwaZulu-Natal Gaming and Betting Board approved an application to relocate a fixed-odds licence from Chatsworth to Umlazi which should prove to be very beneficial in the year ahead.

Events and Marketing

MARKETING

Gold Circle's vision is to be recognised as one of the most admired, sustainable and respected operators in the international horseracing world. The company's marketing efforts over the past year have continued to contribute to this vision.

Champions Season continues to attract the best thoroughbreds in South Africa to KwaZulu-Natal, culminating in Gold Circle's flagship event, the Vodacom Durban July showcasing racing's "Stars of Africa" and entertaining the crowd in excess of 46 000 people in attendance. In addition, almost 450 000 viewers tuned into the event via the DSTV broadcast, which represented a 55% increase in 'Live Viewership' compared with 2018. This year was a case of déjà vu as Do It Again powered home to repeat his feat of 2018 and beat an illustrious field to remain the champion of Africa's 'Greatest Horserace'.

The Vodacom Durban July continues to be a huge draw card for the City of Durban and Tourism KZN with visitors to Durban attending the event generating almost R100 million in direct visitor spend. A significant part of the City's sponsorship investment into the event was towards the fashion aspect and this year, together with Gateway Theatre of Shopping were official partners of the Vodacom Durban July, staging the annual fashion show in a glitzy event thus launching the fashion extravaganza to new heights. Both the City of Durban and Gateway Theatre of Shopping were delighted with the value which this collaboration generated for their brands.

Gold Circle and Vodacom continue to work closely to maximise the exposure of the event. Social Media and the use of 'Influencers' has become integral to extending the company's reach which is evidenced by the fact that in 2019, total impressions on social media increased by 35% to over 5 million impressions.

In these current economic times, we are fortunate to have a long standing relationship with the sponsor of our biggest race and thanks are extended to Vodacom for their continued support. This year evidenced the resigning of a three year sponsorship agreement with Prosport who continue to promote and brand the Gold Cup race day, incorporating the Champions Cup at the end of July 2019 which brought to a close this year's successful Champion Season.

Gold Circle entered into an exciting and ground-breaking new sponsorship with Hollywood Sports Book for the KwaZulu-Natal racecourse stadium naming rights. The KwaZulu-Natal based racecourses are now known as the Hollywoodbets Greyville and Hollywoodbets Scottsville. This sponsorship together with the introduction of coloured saddle cloths and a collaboration with Gold Circle for the 'Groom's Initiative' which rewards the grooms of horses that win races in the province is a sponsorship commitment by Hollywoodbets of R14,5 million over the next three years.

Throughout the year the company afforded various charities and other welfare activities the use of its facilities for fundraising. This is a popular means of raising funds and exposes the facilities to a broad base of the public who would otherwise not have participated. Particular promotions such as The Rising Sun raceday and the Pink Drive initiative are popular in bringing awareness to those that are less fortunate in the community. A vote of thanks is extended to all sponsors and other participants for their contributions.

The joint venture between Gold Circle and the Independent Newspapers Group nationally, is a powerful marketing tool for the betting product of horse racing and Gold Circle's events in particular. The joint venture provides a national platform in several daily and weekend newspapers. Apart from the traditional forms of marketing and advertising, Gold Circle is extending its public reach through available digital and internet based platforms. This form of marketing and communication is the future as more and more people advance in the use of technology for both social and business purposes. Gold Circle is migrating much of its information base to be internet based. Smart phone applications are more dynamic and interactive and the company information is currently available on Facebook, through Twitter, podcasts and other similar platforms.

Continual maintenance and upgrading of facilities to encourage attendance is vital to attract customers to the racecourses. At Hollywoodbets Greyville, the Short Head public restaurant venue is in the process of being upgraded into a more upmarket and inclusive environment. All five on-course bookmakers together with the totalisator will operate from the venue on race days where there will be affordable food and beverage facilities available. The infamous Hollywood Bunny Bar is a further addition to the food offering at Hollywoodbets Greyville operating out of the Lightning Shot Bar. The KidZone and Revitalise Spa are facilities that provide something for the whole family to do on race days.

There has been a noticeable shift in the vibe at race meetings in KwaZulu-Natal recently. The new initiatives which Gold Circle has introduced with their sponsorship partners have contributed to a more positive outlook by the province's stakeholders. Gold Circle will continue to promote the product of Horse Racing in the province in a positive light and concentrate its efforts on attracting a greater audience to the sport by continuously engaging with its partners, regulators and other industry stakeholders.

RACING

During the year under review Gold Circle featured 110 race meetings compared with 106 in the prior year. Prize money paid to winning owners remained at the same levels as in 2018 notwithstanding the challenging economic environment affecting the industry.

The condition of the Hollywoodbets Greyville turf track has been exceptional over the past year and stood up particularly well over the Champions Season period. A mini rejuvenation surface treatment was carried out after the Gold Cup race meeting and racing on the turf resumed in August 2019. The major track spring treatment is scheduled for January 2020.

The popular Polytrack at Hollywoodbets Greyville continues to provide for the majority of races in KwaZulu-Natal. This track constantly provides a uniform racing surface and ensures that very few race meetings in the province are cancelled due to inclement weather. During the year the track underwent a phased rejuvenation programme which was completed in May 2019.

The condition of the Hollywoodbets Scottsville grass track raced well over the past year. Notwithstanding the grass being affected through frost during Champions Season the track surface provided true underfoot conditions. The track is presently undergoing its annual spring treatment and will re-open for racing in December 2019.

The high class facilities offered to trainers at the Ashburton and Summerveld training centres are the envy of the racing fraternity. As a consequence, there is a high demand for stabling accommodation in KwaZulu-Natal. Stabling for visiting trainers continues to be made available to out-of-province trainers who choose to race in the province.

Barrier Trials, introduced in KwaZulu-Natal during November 2017, have gained momentum and are an important pointer towards current form for those horses that have not raced before. The Trials are broadcast live on Tellytrack and are also featured on YouTube which is becoming a popular viewing medium for the public.

The racing fixtures scheduled in KwaZulu-Natal are well supported and the continued featuring of night racing at Hollywoodbets Greyville is a popular inclusion. Night racing provides a great added opportunity for South Africa to export horse racing into the international market for betting and commingled totalisator pools. Friday night racing will again be featured on the last Friday and first Friday of each month with effect from 4 October 2019 up until the end of April 2020, with the exception of December 2019, when racing will be staged on every Friday night.

Events and Marketing (continued)

The success of the 2019 Champions Season was hallmarked by many outstanding performances and high quality competitive racing. The jewel in Africa's racing crown, the Vodacom Durban July, continues to attract the best of breed and provides the country with a racing extravaganza that is the envy of other racing jurisdictions. Notwithstanding tough economic conditions the demand for hospitality facilities exceeded supply and infrastructure was stretched to accommodate the number of visitors on race day. The unfortunate late scratching of the Mike de Kock trained Hawaam in the Vodacom Durban July race itself was the only lingering disappointment on a day filled with fun, excitement and festivity.

The concluding racing event in the Season was the Gold Cup Festival which brought down the final curtain of the South African racing year leaving only the selection of nominees of the provincial and national racing awards to be finalised and adjudicated. The KwaZulu-Natal Racing Awards for the 2019 Season took place in August 2019 in the Greyville Convention Centre and congratulations are extended to the winning Owner, Chris van Niekerk, 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 trained by Justin Snaith, was crowned KwaZulu-Natal Horse of the Year for the second season in a row with the Breeder category being won by Mauritzfontein & Wilgerbosdrift Stud and owned by Bernard Kantor, Nic Jonsson and the late Jack Mitchell.

South Africa has been chosen as the next international venue to host the Asian Racing Conference and planning for the event to be held in Cape Town during February 2020 is well advanced. Gold Circle is a member of the organizing committee and has committed a financial contribution towards the costs of the conference.

Gambling Legislation and Regulation

KZN GAMING AND BETTING BOARD (KZNGBB)

Gold Circle's maintains a good relationship with the KwaZulu-Natal Gaming and Betting Board (KZNGBB) through liaison and communication on matters of licencing and legislative regulation.

The Department of Trade and Industry (DTI) reviewed the Gambling Policy Commission's recommendations on gambling and betting in the country and promulgated several amendments to the National Gambling Act.

A legal challenge by the bookmaking fraternity to disallow the totalisator operators from offering sports betting was recently heard in the Supreme Court of Appeals. The court ruled in favour of the totalisator operators who were further awarded costs.

Corporate Governance

Gold Circle (Pty) Limited manages its business within the reasonable corporate governance requirements of the King IV Commission Report. The following Committees have been appointed by the Board to monitor and direct the business activities of the company:

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

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

	Board	Audit	Risk	Remco	Racing	Social & Ethics	Remuneration "R"
NON-EXECUTIVE							
N P Butcher	5/5	-	-	-	6/6	-	144 000
D Chetty – appointed 6/12/2018	3/3	-	-	-	3/3	-	60 000
J H S De Klerk	5/5	3/3	2/2	-	5/6	-	124 000
P B Gibson – appointed 6/12/2018	3/3	-	-	-	1/2	-	-
P V Lafferty	4/5	-	-	2/3	3/6	-	82 000
P Mnganga	5/5	-	-	-	-	-	130 000
C Moodley	4/5	1/3	1/2	-	-	-	67 000
M Nhlanhla	3/5	-	-	-	-	2/4	53 500
L Nunan	5/5	-	-	-	5/6	4/4	127 500
G Petzer	5/5	-	-	3/3	-	-	102 000
M Tembe	0/1	-	-	-	-	-	-
Z Zulu	4/5	3/3	2/2	-	-	3/4	85 500
Total Remuneration Cost							975 500

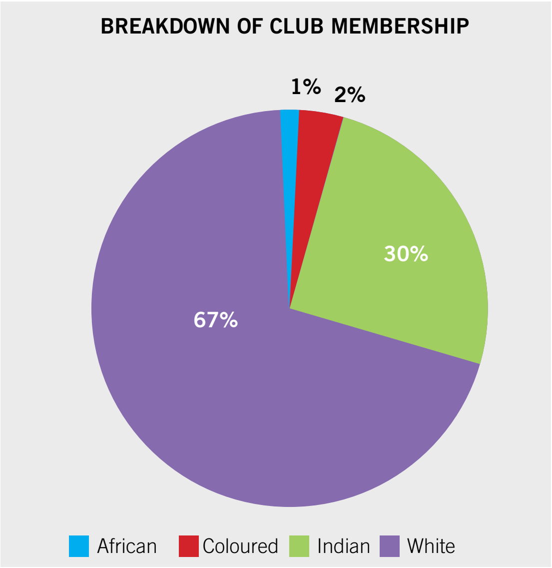
Transformation

Gold Circle (Pty) Limited 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 demonstrate a positive commitment to transformation throughout its business.

The company has been recognized as a finalist in 2 categories at the 16th annual Standard Bank Top Women Awards which recognizes organisations whose efforts are uplifting women in business and society in general. These categories were the Top Gendered Empowered Company in Tourism Award and the Skills Development Award. This is a significant achievement for the company toward acknowledging gender equality and skills development.

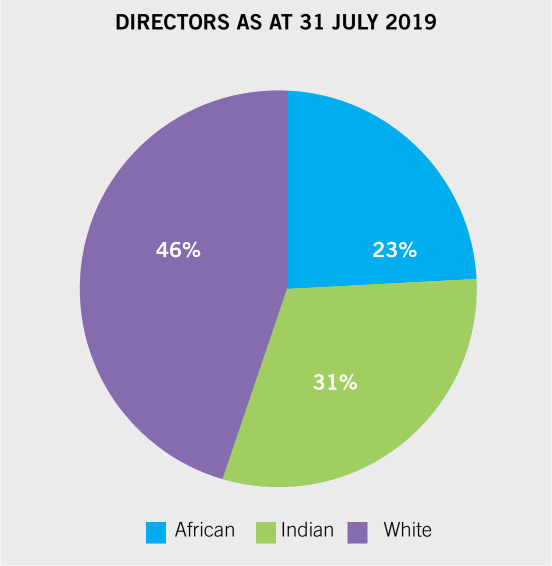
CLUB MEMBERSHIP

The Gold Circle Racing Club, as the single shareholder in Gold Circle, comprised 899 members as at 31 July 2019. There are no barriers to becoming a member of the Club and the Board of Directors continues to initiate efforts to improve the demographic profile of club membership. The target set to achieve a Black membership component of 35% by 2019 has not been achieved and will remain the target in the year ahead.



BOARD REPRESENTATION

Representation on the Board of Directors of Gold Circle (Pty) Limited is mainly driven through the Club membership and in addition, the Board makes external appointments to balance the skills required to drive the business. At 31 July 2019 the Board comprised two executive and eleven non-executive directors.



MANAGEMENT AND STAFF

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

The company outsources a limited number of designated skills which will be phased out by the Board through respective appointments in line with the strategic objectives of the company.

The following table reflects the employment sectors and the demographic profile of personnel employed by the company including branch betting outlet operations at 31 July 2019.

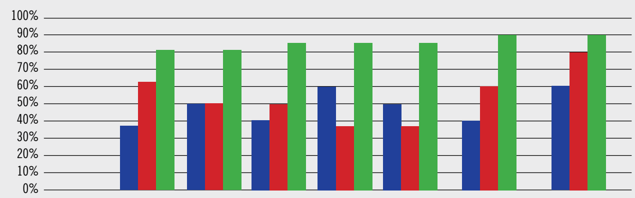
Race	Executive Management	Senior & Middle Management	Junior Management	Semi-Skilled	Unskilled	Grand Total	%
Black	0	9	94	354	157	614	67
Asian	3	19	63	112	2	199	22
Coloured	0	1	12	32	3	48	5
Sub Total	**3**	**29**	**169**	**498**	**162**	**861**	**94**
White	3	14	21	13	2	53	6
Total	**6**	**43**	**190**	**511**	**164**	**914**	**100**

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

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:

BLACKS IN MANAGEMENT



	Jul 15	Jul 16	Jul 17	Jul 18	Jul 19	Target 0-5Yrs 2015	Target 0-10Yrs 2020
Top/Exec	38%	50%	40%	60%	50%	40%	60%
Senior	62%	50%	50%	38%	38%	60%	80%
Middle	83%	84%	85%	86%	87%	90%	90%

Skills Development

During the year under review Gold Circle (Pty) Limited expended an amount of R1,6 million on training and skills development. The training and development of skills within the company is necessary in order to ensure that it is able to efficiently conduct its business and meet operational challenges. Skills development also creates positive employee retention and empowerment. A total of 1043 permanent employees participated in upskilling initiatives of which 99% were Black.

An important part of the company's in-house training is the programme offered to hundreds of aspirant matriculants and job seekers who apply for vacancies as betting cashiers over the Champions Season on an annual basis.

A total of 575 individuals were trained and employed through the initiative this year. 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.

The company has several other in-house educational training programmes that have been developed which enhance employee skills and allow them to progress their careers within the company. Funding assistance for formal training at certified tertiary educational institutions is offered to selected full-time employees who have the potential to further their careers in management positions.

Corporate Social Investment

Gold Circle (Pty) Limited is committed to making a positive contribution to the upliftment of disadvantaged communities through its Corporate Social Initiatives Programme. All activities 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 Empowerment Act, as amended from time to time. The majority of initiatives undertaken are Industry based and also serve as a skills transfer mechanism to the broader traditional horse owning community.

TRADITIONAL HORSE RACING

The Sport of traditional horse racing in South Africa was established more than one hundred years ago. Horses that participate are predominantly owned by black families from rural community areas.

The popularity of traditional horse racing is maturing and now extends to ten districts within KwaZulu-Natal as well as neighbouring provinces. The districts within KwaZulu-Natal have calendared events which include major events such as the Dundee July, Harry Gwala Summer Cup, Willowfontein Horse Racing Festival and the Umtelebhelo Heritage Cup which is held at the Hollywoodbets Scottsville Racecourse. Gold Circle provides financial and technical support to make these festivals more commercially viable and self-sustaining. The local communities where the respective events are staged also derive benefits both commercially as well as in terms of skills development.

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 the Coastal Horse Care Unit, Gold Circle continues to support an outreach initiative called "Empowering Equine Communities through Service". The aim is to assist rural communities on how to better take care of their horses which are used for racing, transport, herding and leisure. These programmes highlight the racing industry and are an encouragement to horse owners to enhance their knowledge and skills onto a more professional platform.

Gold Circle is working with the KwaZulu-Natal government to formalise the sport of traditional racing in providing governance support. This form of horse racing still requires further development to a professional level where the racing activities become legally regulated and additional funding can be obtained.

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 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 and also assists the organisation to raise funds towards their various initiatives.

COMMUNITY

The employment of grooms at the training centres remains the responsibility of respective Trainers. Grooms form a close and important part of the local racing community and their health and welfare is an imperative. To assist in managing health Gold Circle has procured the services of a medical practitioner to provide basic health care facilities for the grooms. This project is available at both Ashburton and Summerveld as well as to employees at Hollywoodbets Greyville and Hollywoodbets Scottsville.

Gold Circle has embraced the celebration of Mandela Day by giving back to the community. Gold Circle staff spent their 67 minutes at the Food Forward SA Mandela Day Food Drive as part of an initiative to pack food for those in need. Food Forward SA is a registered non-profit organisation that connects a world of waste to a world of need by reusing edible surplus food from manufacturers, wholesalers and retailers and ensuring that this food enables the provision of millions of meals annually. Food Forward SA partnered with Gold Circle to make this event possible. This event took place at the Greyville Convention Centre and the venue was sponsored by Gold Circle.

As part of a broader social and welfare initiative, Gold Circle provides its administrative infrastructure, buildings and racing events to non-profit organisations and other entities to raise funds for charity and other worthy causes.

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 and improved access to care; support and protection; training and development and sustainable economic empowerment. Gold Circle in Partnership with Age-In-Action supports this initiative, whereby senior citizens are invited to attend a race meeting and are treated to an outing. Gold Circle also assists Age-In-Action in other areas of operations. Gold Circle has sponsored the Age-In-Action workshop at Greyville Racecourse by providing a venue and refreshments.

YOUTH SUPPORT

Youth are the leaders of the future and Gold Circle acknowledges the importance of providing the youth opportunities to learn through support programs. Amongst many other initiatives, Gold Circle has elected to support the Greyville Primary School, which borders the Greyville Racecourse, by sponsoring various initiatives that enhance the needs of the learners and educators.

From time to time Gold Circle identifies young persons from a disadvantaged background who could potentially become involved in horse racing as a career or in an alternative equine discipline.

Enterprise Development

RACE HORSE TRAINER DEVELOPMENT

Through a structured and formalized Gold Circle Assistant Trainer Development Program, previously disadvantaged individuals who have the potential to become stable employees, assistant trainers or licensed trainers are provided with financial assistance to achieve their goals. Stable employees who are promoted to an assistant trainer level are assigned and mentored by a trainer who provides them with the necessary practical skills required to become a trainer. Gold Circle assists by making a contribution to the cost of studying as well as the costs to set up a business. Since the inception of this program two individuals have qualified as trainers.

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.

Enterprise Development

PROCUREMENT

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

	2014	2015	2016	2018	2018	Target 2018
Recognition Levels	%	%	%	%	%	%
All Suppliers	94.5	90.0	92.6	97.1	87.3	80
QSEs & EMEs*	57.0	42.2	35.8	37.8	33.9	30
* QSEs - Qualifying Small Enterprises EMEs - Exempt Micro Enterprises						

Acknowledgements and Prospects

PERSONNEL

A vote of thanks is extended to the CEO, Michel Nairac, his management team and the staff of Gold Circle for their continuing contribution and efforts in working towards achieving the goals of the company.

OFFICE BEARERS

I would like to pay tribute to the Board of Directors for their significant oversight over the affairs of the company. There are continuing challenges that face the racing industry both internally and externally and a vote of thanks is extended to my colleagues for their sage advice and contribution in achieving the company's success over the past year.

This is the last year of my term of Office and I feel privileged to have served on the Boards of Gold Circle Racing Club and Gold Circle, both as a director and as the company's chairperson. The leadership baton will now pass but the memory of my involvement in this great company's historic progress will remain with me. I wish the Members, the Boards of Directors, Management and Staff continuing success in ensuring that KwaZulu-Natal remains the best racing province in the country.

ACKNOWLEDGEMENTS

The Board would like to thank the many supporting organisations and people who provide the infrastructure and services necessary for Gold Circle to successfully stage horseracing and contribute to its successes. Included in this group amongst others are Owners, Trainers, Jockeys, Breeders, Sponsors, Media, our betting customers and the public at large. Our thanks are extended to them all for their contributions.

PROSPECTS

There are many challenges that face the horse racing industry in South Africa both politically and financially. Future sustainability lies in the ability of the Industry and Government to work together and find solutions to the complicated matrix that is horse racing. Gold Circle has a strong framework of core competences and will play a significant role in planning the future of the Industry. Notwithstanding the negative economic market trends and the changing environment, the company believes that racing in the province is resilient and continues to have a sustainable future.

The Board is committed to assist management in seeking to organically grow the company's business and to find new and innovative sources of revenue. These initiatives, together with improving the better utilization of assets will positively impact on the return to Owners through stakes and at the same time provide a sustainable future for Gold Circle.

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 as at 31 July 2019, 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 28 October 2019 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 principal activities of the Group are to stage and promote race meetings, racing events, manage, administer and operate the racecourses, training centres, and the totalisator, bookmaking, hospitality and service divisions of the thoroughbred horse racing industry within the province of KwaZulu-Natal.

3. Review of results	**2019**	2018
	R	R
Total comprehensive income for the year	**(6 589 816)**	37 083 406

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

The directors in office during the year and at the date of this report were:

N P Butcher	P V Lafferty
J H S de Klerk	P Mnganga (Chairperson)
G Petzer	P L Loker
M M Nhlanhla	Y Pillay
S N Mthethwa	C Moodley
Z Zulu	M Tembe (Resigned 30/10/2018)
D T Moodie	D Chetty (Appointed 23/01/2019)
M J L Nairac	P B Gibson (Appointed 23/01/2019)
L Nunan	

6. Company secretary

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

7. Dividends

No dividends were declared or paid during the year (2018: 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.

The following standing committees have been appointed:

Audit Committee	J H S de Klerk (Chairperson) Z Zulu	C Moodley
Remuneration Committee	G Petzer (Chairperson)	P Lafferty
Risk Committee	J H S de Klerk (Chairperson) Z Zulu	C Moodley

Report of the Directors (continued)

Social and Ethics Committee	L Nunan (Chairperson) M Nhlanhla	Z Zulu
Racing Committee	N P Butcher (Chairperson) J H S de Klerk PV Lafferty P B Gibson D Chetty	L Nunan B Burnard (Owner representative) L Scribante (Breeder representative) (Resigned 4/4/2019) E G R Hughes (Breeder representative) (Appointed 4/4/2019) A J Rivalland (Trainer representative)

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	120	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 and any amendments thereto. 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

12.1 Sale of betting outlet

On 1 August 2019, the Group entered into a sale agreement with Hollywood Sportsbook KZN Proprietary Limited for the Pietermaritzburg Central fixed odds betting licence. The agreed selling price is R8 million against the original purchase price for the licence of R6.5 million. The selling price includes a non-refundable management fee of R2.4 million which will be earned by the Group in the 2020 financial year.

The sale agreement is pending the approval of the Kwazulu-Natal Gaming and Betting Board which is expected in the next 12 months. At 31 July 2019, the licence is held for sale and has been impaired to equal the recoverable amount of R5.6 million during the 2019 financial year.

12.2 Stadium naming rights and sponsorship

Gold Circle has entered into an agreement with Hollywood Sportsbook KZN Proprietary Limited for the naming rights to both Greyville and Scottsville Racecourses. The agreement has a duration of three years terminating on 31 July 2022.

Additionally, Hollywood Sportsbook KZN Proprietary Limited agreed to a concurrent race and promotional sponsorship. Total sponsorship revenue over the three years amounts to R14.5 million.

Independent Auditor's Report

To the shareholders of Gold Circle Proprietary Limited

Opinion

We have audited the consolidated financial statements of Gold Circle Proprietary Limited (the group) set out on pages 23 to 60, which comprise the consolidated statement of financial position as at 31 July 2019, and the consolidated statement of 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 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 information included in the document titled "Gold Circle Proprietary Limited Annual Report for the year ended 31 July 2019", which includes the report of the directors as required by the Companies Act of South Africa, mission statement, board of directors, entity information and the chairman's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

Independent Auditor’s Report (continued)

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s ability to continue as 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 2019

Pran Boulevard
6 Nokwe Avenue
Umhlanga Ridge
Durban
4000

Consolidated Statement of Financial Position

	Notes	2019	2018
Assets		**R**	R
Non-current assets			
Property, plant and equipment	3	**479 327 156**	495 229 058
Tellytrack investment	4	**-**	2 866 662
Investment in associate	5	**35**	35
Loans receivable	6	**975 334**	1 579 429
Intangible assets	7	**48 652 858**	48 673 306
Deferred tax asset	8	**9 699 752**	8 107 441
		538 655 135	556 455 931
Current assets			
Inventories	9	**2 114 197**	2 503 235
Trade and other receivables	10	**72 514 031**	59 243 444
SARS Receivable	10	**124 906**	-
Loans receivable	6	**2 990 863**	4 427 867
Cash and cash equivalents	11	**41 696 402**	29 264 159
Financial assets	12	**229 318 934**	262 348 426
		348 759 333	357 787 131
Non-current asset held for sale	7	**5 600 000**	-
Total assets		**893 014 468**	914 243 062
Equity and liabilities			
Equity reserves			
Share capital	13	**2 000**	2 000
Available-for-sale fair value reserve		**-**	13 048 557
Fair value reserve		**15 261 891**	-
Revaluation reserve		**218 795 285**	218 795 285
Post-retirement medical aid reserve		**3 189 600**	3 422 160
Retained earnings		**457 349 086**	464 313 706
		694 597 862	699 581 708
Non-controlling interests		**(5 100 416)**	(3 494 446)
Total equity		**689 497 446**	696 087 262
Non-current liabilities			
Borrowings	14	**6 491 785**	3 885 140
Deferred tax liability	8	**63 030 914**	65 274 534
Tellytrack funding	4	**2 920 815**	-
Post-employment medical aid obligations	15	**10 226 000**	9 950 000
		82 669 514	79 109 674
Current liabilities			
Post-employment medical aid obligations	15	**1 123 000**	1 220 000
Trade and other payables and provisions	16	**74 737 227**	81 271 041
Share of losses of associate	5	**507 878**	283 852
Borrowings	14	**5 021 522**	15 515 044
Gold Circle Racing Club	14	**39 457 881**	39 457 881
SARS Payable	16	**-**	1 298 308
		120 847 508	139 046 126
Total liabilities		**203 517 022**	218 155 800
Total equity and liabilities		**893 014 468**	914 243 062

Consolidated Statement of Comprehensive Income

	Note	**2019**	2018
		R	R
Gross wagering revenue		**314 079 884**	342 784 041
Provincial tax		**(23 723 768)**	(25 819 351)
Net wagering revenue	18	**290 356 116**	316 964 690
Less: Agents commission and other direct costs	19	**(28 541 682)**	(31 270 130)
Less: Wagering expenditure	19	**(169 229 388)**	(183 972 168)
Contribution to racing from wagering activities		**92 585 046**	101 722 392
Add: Contribution to racing from third party bookmaking activities	18	**46 179 834**	43 884 836
Stand up and information fees		**2 060 775**	1 744 566
Tax on punters winnings		**44 119 059**	42 140 270
Share of international licence fee	18	**86 761 208**	80 204 351
Gross wagering revenues available for racing activities		**225 526 088**	225 811 579
Add: Direct racing revenue	18	**78 500 897**	78 046 454
Add: Eventing revenue	18	**10 825 144**	12 164 673
Gross revenues available for racing activities		**314 852 129**	316 022 706
Share of loss in Tellytrack	18	**(9 837 016)**	(2 533 851)
Income available for racing activities		**305 015 113**	313 488 855
Less: Racing expenditure	19	**(328 054 033)**	(315 836 912)
Operating expenditure for racecourses and training facilities		**(177 112 771)**	(172 413 854)
Impairment of trade receivables		**(512 351)**	64 143
National Horseracing Authority – regulatory costs		**(18 415 301)**	(17 235 282)
Stakes – owners		**(114 781 025)**	(110 881 413)
Stakes – breeders		**(6 896 406)**	(4 910 534)
Contribution to jockeys remuneration and insurance		**(10 336 179)**	(10 459 972)
Net loss before financing and taxation		**(23 038 920)**	(2 348 057)
Add: Finance income	20	**4 880 539**	7 393 273
Less: Finance costs	20	**(1 535 315)**	(2 548 317)
Add: Dividend income	21	**5 813 712**	7 157 731
		(13 879 984)	9 654 630
Loss on equity accounted investees		**(224 026)**	(86 719)
(Loss)/profit before taxation		**(14 104 010)**	9 567 911
Income taxation	22	**5 533 420**	(3 700 327)
(Loss)/profit for the year		**(8 570 590)**	5 867 584
(Loss)/profit attributable to:			
Owners of the Company		**(6 964 620)**	6 840 056
Non-controlling interest		**(1 605 970)**	(972 472)
(Loss)/profit for the year		**(8 570 590)**	5 867 584
Other comprehensive income		**1 980 774**	31 215 822
Post-retirement medical aid	15	**(323 000)**	1 312 000
Taxation of post-retirement medical aid		**90 440**	(367 360)
Net change in fair value of available for sale financial assets		**2 578 050**	2 511 347
Taxation on change in fair value of available for sale financial assets		**(364 716)**	(578 952)
Net change in fair value of land and buildings revaluation		**-**	39 122 616
Taxation on net change in fair value of land and buildings revaluation		**-**	(10 783 829)
Total comprehensive income for the year		**(6 589 816)**	37 083 406
Total comprehensive income for the year attributable to:			
Owners of the Company		**(4 983 846)**	38 055 878
Non-controlling interest		**(1 605 970)**	(972 472)
		(6 589 816)	37 083 406

Consolidated Statement of Changes in Equity

	Share Capital	Revaluation reserve	Available for sale fair value reserve	Fair value reseve	Post-retirement medical aid Reserve	Retained earnings	Total	Non-controlling interests	Total
	R	R	R	R	R	R	R	R	R
	a	*b*	*c*	*d*	*e*	*f*			
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
Profit for the year	-	-	-	-	-	6 840 056	6 840 056	(972 472)	5 867 584
Other comprehensive income	-	28 338 787	1 932 395	-	944 640	-	31 215 822	-	31 215 822
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**
Transfer to fair value reserve – adjustment on initial application of IFRS 9	**-**	**-**	**(13 048 557)**	**13 048 557**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**2 213 334**	**(232 560)**	**(6 964 620)**	**(4 983 846)**	**(1 605 970)**	**(6 589 816)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(6 964 620)**	**(6 964 620)**	**(1 605 970)**	**(8 570 590)**
Other comprehensive income	**-**	**-**	**-**	**2 213 334**	**(232 560)**	**-**	**1 980 774**	**-**	**1 980 774**
Balance at 31 July 2019	**2 000**	**218 795 285**	**-**	**15 261 891**	**3 189 600**	**457 349 086**	**694 597 862**	**(5 100 416)**	**689 497 446**

Notes to the statement of changes in equity

The Group's reserves are represented by the following:

a Share capital represents the group's issued share capital held by outside shareholders

b Revaluation reserves arising on fair value adjustments to property plant and equipment.

c Available for sale fair value reserves arising from financial assets recognised through other comprehensive income.

d Fair value reserves arising from financial assets recognised as fair value through other comprehensive income.

e 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)

f The retained earnings represents cumulative historic profit and loss reinvested in the Group. No restrictions exist on the use of the retained earnings.

Consolidated Statement of Cash Flows

	Notes	2019	2018
		R	R
Cash (utilised in)/generated from operations			
Cash (utilised in)/generated from operations	24	**(12 031 744)**	9 806 318
Interest paid		**(1 509 140)**	(2 526 291)
Interest received		**4 589 938**	7 057 992
Dividends received		**5 813 712**	7 157 731
Tax paid	17	**-**	(851 983)
Net cash flows from operating activities		**(3 137 234)**	20 643 767
Cash flows from investing activities			
Purchase of property, plant and equipment	3	**(12 149 899)**	(16 231 226)
Proceeds on disposal of property, plant and equipment	3	**229 197**	2 034 380
Proceeds from loans receivable		**2 331 700**	1 979 218
Acquisition of intangible assets	7	**(6 500 000)**	(2 400 000)
Investment in associate		**-**	(40)
Acquisition of other investments		**(29 964 969)**	(20 774 819)
Proceeds from disposal of other investments		**69 680 500**	22 973 763
Net cash flows from investing activities		**23 626 529**	(12 418 724)
Cash flows from financing activities			
Repayment of post-retirement medical obligation		**(144 000)**	(120 000)
Repayment of borrowings		**(7 913 052)**	(6 413 849)
Net cash flows from financing activities		**(8 057 052)**	(6 533 849)
Net increase in cash and cash equivalents		**12 432 243**	1 691 194
Cash and cash equivalents at beginning of the year		**29 264 159**	27 572 965
Cash and cash equivalents at end of the year	11	**41 696 402**	29 264 159

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 2019 comprise the company, its subsidiaries, associates and partnership (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 28 October 2019.

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 Company's Act of South Africa. 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, which is the Group's functional currency.

(d) Use of estimates, assumptions 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.

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

- Note 3 Property, plant and equipment - reassessment of useful lives of moveable assets
- Note 7 Intangible assets – impairment considerations in respect of goodwill and licences
- Note 8 Deferred tax asset – recoverability of the deferred tax asset
- Note 10 Trade and other receivables - impairment considerations in respect of trade debto
- Note 15 Post-retirement medical aid obligation – inputs to the valuation of the fund

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 Group. Control exists when the group 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 Group controls an investee if and only if the Group 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 Group's returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until control ceases.

(ii) 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.

(iii) 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) Changes in accounting policies

(i) Revenue – IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement. There has been no change to the Group's revenue recognition as a result of IFRS 15.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of the initial application. Accordingly, the information presented in 2018 has not been restated, i.e. it is presented as previously reported under IAS 18. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Performance obligation and revenue recognition policies

The following table provides information about the nature and timing of the satisfaction of performance obligations with customers, including significant payment terms. A performance obligation is a promise to transfer a "distinct" good or service to a customer.

(b) Changes in accounting policies (continued)

(i) Revenue – IFRS 15 (continued)

Type of goods or services	Nature and timing of performance obligation, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 August 2018)	Revenue Recognition under IAS 18 (applicable before 1 August 2018)
Net wagering revenue	Customers (punters) obtain control when bets are struck on the totalisator wagering system for any sporting event. Betting transactions (tickets if over the counter or transactions if through telephonic or internet betting) are generated at that point in time. Dividends from winning bets struck are payable once the sporting event has resulted. Commission on these bets struck is earned by the Group.	Revenue from the commission is recognised when the result of the betting event is finalised on a daily basis. The result of the betting event is the performance obligation.	Revenue from the commission is recognised when the result of the betting event is finalised on a daily basis. The risk and rewards will transfer following the result of the betting event.
Contribution to racing from third party bookmaking activities	Customers (bookmakers) obtain control when they sell the Group's horseracing betting products through fixed odd channels. As a contribution towards the horseracing industry. The local gambling board collects this contribution in the form of additional horseracing tax on behalf of the Group and deposits the tax in arrears monthly.	Revenue from the bookmakers are recognised as taxes are earned for each horseracing betting product. The performance obligation is the sale of the Group's horseracing betting product through fixed odds channels.	Revenue from the bookmakers are recognised as taxes are earned for each horseracing betting product. Risks and rewards transfer on sale of the Group's horseracing betting product through fixed odds channels
Share of international licence fee	Customers (international totalisator operators) obtain control when it selects the Group's horseracing television broadcast to be displayed in their betting outlets for their punters to strike bets. This broadcast is controlled by the Tellytrack partnership to enable synergies of international sales from South Africa. Betting transactions (tickets if over the counter or transactions if through telephonic or internet betting) are generated at that point in time. Dividends from winning bets struck are payable once the horseracing event has resulted. Licence fees on these bets struck is earned by the Group. Invoices for the licence fees are generated monthly.	Revenue from the licence fees are recognised monthly for the Group's share of international sales. The performance obligation is having the Group's television broadcast displayed in international betting outlets.	Revenue from the licence fees are recognised monthly for the Group's share of international sales. Risks and rewards transfer when the Group's television broadcast is displayed in international betting outlets.
Direct racing revenues	Invoices for stabling income, sponsorships, entrance tickets horseracing nominations and acceptances and members' subscriptions are issued on a daily and monthly basis and are payable within 60 days of invoice.	Revenue is recognised over time as the goods and services are provided.	Revenue is recognised as and when the risk and rewards of goods and services are transferred and over time as and when services are rendered.
Eventing revenue	Invoices for eventing goods and services are issued on a daily basis and are payable in advance.	Revenue is recognised over time as the goods and services are provided.	Revenue is recognised as and when the risk and rewards of goods and services are transferred and over time as and when services are rendered.

ii) Financial Instruments - IFRS 9

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Consequently, the Group reclassified impairment losses amounting to R 512 351, recognised under IAS 39, from 'other expenses' to 'impairment loss on trade receivables' in the statement of comprehensive income for the year ended 31 July 2018.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures in 2019 but have not been generally applied to comparative information.

(b) Changes in accounting policies (continued)

ii) Financial Instruments - IFRS 9 (continued)

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The effect of adopting IFRS 9 on the carrying amounts of the financial assets and financial liabilities at 1 August 2018 are as follows:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Original carrying amount under IFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	59 243 444	59 243 444
Loans to related parties	Loans and receivables	Amortised cost	6 007 296	6 007 296
Cash and cash equivalents	Loans and receivables	Amortised cost	29 264 159	29 264 159
Financial assets	Available for sale	Fair value through OCI	160 853 034	160 853 034
Financial assets	Held to maturity	Fair value through profit and loss	80 000 000	80 000 000
Financial assets	Fair value through profit and loss	Fair value through profit and loss	21 495 392	21 495 392
Total financial assets			**356 863 325**	**356 863 325**
Financial liabilities				
Trade and other payables	Other financial liabilities	Amortised cost	73 018 659	73 018 659
Loans from related parties	Other financial liabilities	Amortised cost	39 457 881	39 457 881
Total financial liabilities			**112 476 540**	**112 476 540**

- Trade and other receivables were previously classified as loans and receivables and are now classified at amortised costs. There has been no financial impact in the allowance for impairment over these receivables and there has been no financial impact in the opening retained earnings at 1 August 2018 on transition to IFRS 9.
- Cash and cash equivalents were previously classified as loans and receivables and are now classified at amortised costs. There has been no financial impact as a result of the reclassification.
- Financial assets were previously classified as available for sale and are now classified at fair value through other comprehensive income. There has been no financial impact as a result of the reclassification.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss' (ECL model). The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than IAS 39. The ECL model has not resulted in a significant allowance for impairment.

Transition

The Group has used elected to use the cumulative effective method at the date of initial application. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

(c) Financial instruments – IAS 39

(i) Non-derivative financial assets

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

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

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

(c) Financial instruments – IAS 39 (continued)

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.

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.

(d) Financial instruments - IFRS 9

Financial assets comprise of cash and cash equivalents, loans to related parties and trade and other receivables. Financial liabilities comprise of loans from related parties and trade and other payables.

Recognition and initial measurement

Trade receivables and related party loans receivable and payable are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Classification and subsequent measurement

Financial assets – Policy applicable from 1 August 2018

On initial recognition, the Group's financial assets have been classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

-it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

-Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Subsequent measurement and gains and losses:

Trade and other receivables and related party loans are measured at amortised cost using the effective interest method.

Financial assets at amortised costs are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Equity instruments through other comprehensive income are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Debt instruments at fair value through OCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

(d) Financial instruments - IFRS 9 (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses (continued)

De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss

Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

Derivatives comprise of deferred income. Movements in deferred income is recognised as net gaming income in profit and loss.

Offsetting

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

Impairment

Non-derivative financial assets

The Group recognises loss allowances for ECLs on:

- Financial assets measured at amortised cost.

  The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- Debt securities that are determined to have low credit risk at the reporting date; and
- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 361 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 361 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial instruments – IAS 39

Financial assets – Policy applicable before 1 August 2018

Financial assets

The Group classified its financial assets into loans and receivables, held to maturity, available for sale and financial assets at fair value through profit and loss.

Financial assets at FVTPL are measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

Available for sale financial assets are measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

(d) Financial instruments - (continued)

Held to maturity financial assets are measured at amortised cost using the effective interest method.

Loans and receivables are measured at amortised cost using the effective interest method less impairment losses.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses is recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss

De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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

Non-derivative financial assets

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.

(e) Impairment

(i) Non-financial assets

The carrying amount of the Group's non-financial assets excluding, 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.

(f) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise of interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss of equity accounted investees, until the date on which significant influence or joint control ceases.

(g) 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.

Accounting Policies (continued)

(h) 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 profit and loss.

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

Any gain or loss on disposal is recognised in profit or loss.

(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.

(i) Goodwill

Goodwill that arises on the acquisition of businesses is presented with intangible assets.

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

(j) 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.

(k) 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. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(l) 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.

(l) 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.

(l) Inventories (continued)

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.

(m) Determinations of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

When measuring the fair values of an asset and liability, the Group uses unobservable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on inputs used in the valuation technique as follows:

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 asset or liabilities, either directly (i.e.as 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).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in 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.

(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.

(o) 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.

(p) Revenue

The Group has initially adopted IFRS 15 from 1 August 2018. Information about the Group's accounting policies relating to contracts with customers and the effect of initially applying IFRS 15 is provided on note 1.3 (a).

(q) Finance income and finance costs

The Group's finance income and finance costs include interest income and interest expense.

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

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 charges recognised in equity as other comprehensive income in which case it is recognised in equity as other comprehensive income.

Accounting Policies (continued)

(r) Income taxation

Current tax

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

Current assets and liabilities are offset only if certain criteria are met.

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.

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.

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 at 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.

(s) Related parties

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

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

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

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

Close family member of the family of an individual includes:

i) The individual's domestic partner and children;

ii) Children of that person's souse or domestic partner; and

iii) Dependants of that person or that person's spouse or domestic partner.

(t) Comparative figures

Certain comparative amounts in the statement of cash flows and its related notes have been reclassified or restated to provide a more meaningful representation of the financial statements.

New Standards and Interpretations

2 New standards and interpretations

2.1 Standards and interpretations not yet effective

A number of new standards are effective for annual periods beginning after 1 August 2018. The Group has not early adopted any new or amended standards in preparing these financial statements.
Of those standards that are not yet effective, only IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

Standard/Interpretation		Date issued by IASB	Effective date Periods beginning on or after
IAS 28 amendment	Long-term Interests in Associates and Joint Ventures	May 2017	1 January 2019
IFRS 3 amendment	Definition of a Business	October 2018	1 January 2020
IFRS 10 and IAS 28 amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Deferred indefinitely
IFRS 16	Leases	January 2016	1 January 2019
IFRIC23	Uncertainty over Income Tax Treatments	June 2017	1 January 2019
IFRS 9 amendment	Prepayment Features with Negative Compensation	October 2017	1 January 2019
IAS 28 amendment	Long-term Interests in Associates and Joint Ventures	May 2017	1 January 2019
Conceptual Framework amendments	Amendments to References to conceptual Framework in IFRS Standards	March 2018	1 January 2020
IFRS 10 IAS 28 amendment	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	September 2014	Deferred indefinitely

All standards and interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the Group).
The impact of IFRS 16 has been quantified below:

Leases: IFRS 16
IFRS 16 replaces ISA 17 "Leases' and its related interpretations for reporting periods beginning on or after 1 January 2019. IFRS 16 introduces a 'right-of use' model whereby the lessee recognises a right of use asset and an associated financial obligation to make lease payments for all leases with a term of more than 12 months. The asset will be amortised over the lease term and the financial liability measured at amortised costs with interest recognised in profit and loss using the effective interest rate method.
The Group has seventeen operating lease contracts as a lessee. The Group will apply the recognition exemption, where on transition and subsequently, a lessee can elect not to apply the lessee accounting model to leases with a term less than twelve months. As at 31 July 2019, the Group has eight operating lease contract that meets the above exemption.

Based on the information currently available, the Group has assessed the estimated impact that initial application of IFRS 16 will have as follows.

The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will change as the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.
Previously, the Group recognised operating lease expenses on straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.
The Group plans to apply IFRS 16 on 1 August 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 August 2019, with no restatement of comparative information.

	Amount R
Statement of profit or loss and other comprehensive income for the year ended 31 July 2020	
Operating lease rentals: IAS 17 impact	5 129 531
IFRS 16 impact:	
Depreciation	(4 820 589)
Interest expense	(957 564)
Net Impact	**(648 622)**
Statement of financial position for the year ended 1 August 2019	
IFRS 16 impact:	
Right of use asset	11 476 159
Lease liability	(11 476 159)

Notes to the Consolidated Financial Statements

3. Property, plant and equipment

2019	Cost	Accumulated depreciation and impairment	Carrying amount
	R	R	R
Freehold buildings	**387 414 142**	**(88 312 285)**	**299 101 857**
Lease hold buildings	**183 280 217**	**(53 187 193)**	**130 093 024**
Plant, vehicles and equipment	**164 139 166**	**(114 432 880)**	**49 706 286**
Assets under construction	**425 989**	**-**	**425 989**
	735 259 514	**(255 932 358)**	**479 327 156**

	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	**438 789 108**	**54 347 862**	**2 092 088**	**495 229 058**
Additions	**4 470 793**	**7 495 357**	**183 749**	**12 149 899**
Transfers	**365 073**	**1 484 775**	**(1 849 848)**	**-**
Disposals at carrying amount	**-**	**(164 655)**	**-**	**(164 655)**
Depreciation	**(14 430 093)**	**(13 457 053)**	**-**	**(27 887 146)**
Carrying amount at end of year	**429 194 881**	**49 706 286**	**425 989**	**479 327 156**

	Cost	Accumulated depreciation and impairment	Carrying amount
2018	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
Asset 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	406 344 269	59 342 944	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	-	(2 034 380)	-	(2 034 380)
Depreciation	(12 834 368)	(12 268 643)	-	(25 103 011)
Carrying amount at end of year	438 789 108	54 347 862	2 092 088	495 229 058

The Group's land and buildings were last revalued on 1 July 2018 by an external, independent valuator, Roper & Associates Property Valuers. The independent valuer has appropriate recognised professional qualifications and has experience in the location and category of the property being valued. The independent valuer provides the fair value of the Group's land and buildings every three years. No changes to the valuation technique had been affected by the independent valuer.

Valuations were made on the basis of recent market transactions at arm's length terms. These inputs are considered as Level 2 inputs as the inputs which the valuation relies on are directly or indirectly observable quoted prices other than those included within Level 1.

The revaluation surplus, net of applicable deferred income taxes, was credited to non-distributable reserves. No revaluation as performed in the current year. (2018: R39 122 616)

Depreciation expense of **R27 887 146** (2018: R25 103 011) has been included in racing operating expenditure.

3. Property, plant and equipment (continued)

	2019	2018
	R	R
Depreciation prior to reassessment	**36 929 938**	36 563 471
Less: Reassessment of useful lives	**(9 042 792)**	(11 460 460)
Depreciation for the year	**27 887 146**	25 103 011

Useful lives of moveable assets were reassessed during the year.

A register detailing the descriptions, situation and date of acquisition of property plant and equipment 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 amount obligations are secured by lease agreements over property, plant and equipment with a carrying value of **R12 753 461** (2018: R 9 063 655). Refer to note 14.

4. Tellytrack investment

	2019	2018
	R	R
Partnership loss	**(9 837 016)**	(2 533 851)
Partnership funding	**6 916 201**	5 400 513
	(2 920 815)	2 866 662
Disclosed as:		
Tellytrack investment	**-**	2 866 662
Tellytrack funding	**(2 920 815)**	-
	(2 920 815)	2 866 662

Financial information of Tellytrack Partnership		
Assets	**27 649 740**	54 848 585
Liabilities	**37 657 721**	16 475 337
Revenue	**113 533 288**	128 605 975
Loss for the year	**(47 042 339)**	(21 546 415)
Interest held	**24.96 %**	24.96 %
Profit share	**24.96 %**	24.96 %

The Group has a 24.96% (2018: 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 Limited. 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, in which 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 percentage applicable to the associates is as follows:

	2019	2018
	%	%
Betsumor Gaming Proprietary Limited	**30**	30
Wozabets Gaming Proprietary Limited	**30**	30
Ezeefun Proprietary Limited	**40**	40
Sports Tracking Proprietary Limited	**35**	35

Share of loss/(profit) from equity accounted investees	**R**	R
Betsumor Gaming Proprietary Limited	**97 589**	67 345
Wozabets Gaming Proprietary Limited	**67 283**	(6 061)
Ezeefun Proprietary Limited	**59 154**	25 435
Sports Tracking Proprietary Limited	**-**	-
	224 026	86 719

Net investment in associates		
Balance at the beginning of the year	**283 852**	197 173
Acquisition of associate	**-**	(40)
Loss/ (profit) in associates		
Betsumor Gaming Proprietary Limited	**97 589**	67 345
Wozabets Gaming Proprietary Limited	**67 283**	(6 061)
Ezeefun Proprietary Limited	**59 154**	25 435
Sports Tracking Proprietary Limited	**-**	-
Balance at the end of the year	**507 878**	283 852

Disclosed as follows on the consolidated statement of financial position:		
Investment in associate	**35**	35
Share of losses in associates	**507 878**	283 852

6. Loans receivable

Non-current: Unsecured, interest bearing		
Summerhill Stud Farm	**799 406**	753 752
This loan is unsecured, bears interest at a rate linked to prime and is repayable over 6 years.		
Betsumor Gaming Proprietary Limited	**74 388**	318 648
Wozabets Gaming Proprietary Limited	**101 540**	507 029
These loans are unsecured, bear interest at 10% and are repayable on liquidation.		
	975 334	1 579 429

6. Loans receivable (continued)

	2019	2018
	R	R
Current – interest bearing		
National Horseracing Authority	-	1 283 852
Current – non interest bearing		
Horseracing SA Proprietary Limited	811 020	811 020
Less: Impairment on Horseracing SA Proprietary Limited	(811 020)	-
Sports Tracking Proprietary Limited	2 015 773	2 014 133
This loan is unsecured, bears no interest and is repayable on demand.		
Global Lotto Nigeria Limited	1 101 157	1 101 157
Less: Impairment on Global Lotto Nigeria Limited	(1 101 157)	(1 101 157)
Wozabets Gaming Proprietary Limited	92 871	-
Betsumor Gaming Proprietary Limited	882 219	248 997
Ezeefun Proprietary Limited	-	69 865
These loans are unsecured, bear interest at 10% and are repayable on demand.		
	2 990 863	4 427 867

7. Intangible assets

	2019	2018
7.1 Composition of intangible assets		
Goodwill		
Balance at the beginning of the year - Goodwill	13 000 231	13 177 043
Derecognition	(20 448)	(176 812)
Balance at end of year - Goodwill	12 979 783	13 000 231
Fixed odds licences		
Balance at the beginning of the year - Fixed odds licences	35 673 075	28 173 075
Impairment	(900 000)	-
Transfer (to)/from non-current held for sale	(5 600 000)	5 100 000
Acquisition of licence	6 500 000	2 400 000
Balance at end of year - Fixed odds licences	35 673 075	35 673 075
Total Intangible assets	48 652 858	48 673 306

Goodwill

Goodwill arose as a result of the acquisition of the agency outlets in prior years. The carrying amount of goodwill was subject to an impairment test at reporting 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.

Impairment test

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

The impairment review process is as follows:

Goodwill

Each outlet's profitability is assessed at reporting date. Where the profitability of the outlet does not exceed the carrying amount of goodwill pertaining to that outlet the goodwill is impaired. Goodwill relating to outlets which are closed is derecognised.

Notes to the Consolidated Financial Statements

7. Intangible assets (continued)

Fixed odd licences

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 outlets which are experiencing positive returns and are forecasted to be profitable in the foreseeable future and therefore not indicative of impairment.

Assumptions applied:	**2019**	2018
Net win percentage	**11%**	12%
Inflation rate	**6%**	6%
Bets struck growth rate	**25%**	6%

7.2 Non-current asset held for sale

On 1 August 2019, the Group entered into a sale agreement with Hollywood Sportsbook KZN Proprietary Limited for the Pietermaritzburg Central fixed odds betting licence. The agreed selling price is R8 million against the original purchase price for the licence of R6.5 million. The selling price includes a non-refundable management fee of R2.4 million which will be earned by the Group in the 2020 financial year.

The sale agreement is pending the approval of the Kwazulu-Natal Gaming and Betting Board which is expected in the next 12 months. At 31 July 2019, the licence is held for sale and has been impaired to equal the recoverable amount of R5.6 million during the 2019 financial year.

8. Deferred tax

	2019 **R**	2018 R
Balance at the beginning of the year	**57 167 093**	43 159 840
Prior period over provision	**(743 212)**	(222 161)
Temporary differences at standard rate	**(2 001 136)**	(669 711)
(Increase in)/utilisation of assessed loss	**(1 365 859)**	3 168 984
Deferred tax through other comprehensive income:		
Available for sale financial assets reserve	**364 716**	578 952
- Revaluation of land and buildings reserve	**-**	10 783 829
- Post-retirement medical aid reserve	**(90 440)**	367 360
Balance at the end of the year	**53 331 162**	57 167 093
Deferred tax comprises:		
Accruals	**(12 487 637)**	(10 931 061)
Capital allowances and finance leases	**64 364 408**	66 247 530
Assessed loss	**(8 274 439)**	(5 027 003)
Investments in financial assets	**9 607 452**	6 724 627
Prepayments	**121 378**	153 000
Balance at end of year	**53 331 162**	57 167 093
Disclosed as follows:		
Deferred tax asset	**(9 699 752)**	(8 107 441)
Deferred tax liability	**63 030 914**	65 274 534
	53 331 162	57 167 093

The directors are satisfied that sufficient taxable profits will be available in future years to offset the deferred tax asset.

9. Inventories

	2019 **R**	2018 R
Finished goods	**2 114 197**	2 503 235

10. Trade and other receivables

	2019	2018
	R	R
Trade receivables	**18 411 634**	18 746 970
Phumelela International trade receivables	**55 138 601**	41 195 822
Provision for impairment of receivables	**(2 354 044)**	(1 841 693)
Trade receivables – net	**71 196 191**	58 101 099
Other receivables	**206 293**	354 136
Prepayments	**1 111 547**	788 209
Trade and other receivables	**72 514 031**	59 243 444
SARS receivable	**124 906**	-
	72 638 937	59 243 444

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 broadcasting 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 of **R89 239 070** (2018: R62 919 805).

	2019	2018
	R	R
Trade receivables can be analysed as follows:		
Neither past due nor impaired	**71 196 191**	58 101 099
Past due and impaired	**2 354 044**	1 841 693
Impairment against these receivables	**(2 354 044)**	(1 841 693)
	71 196 191	58 101 099
The movement in the allowance for impairment is as follows:		
Balance at the beginning of the year	**(1 841 693)**	(1 905 836)
(Increase)/decrease in impairment	**(512 351)**	64 143
Balance at the end of the year	**(2 354 044)**	(1 841 693)

The other classes within trade and other receivables do not contain impaired assets.

There is a significant concentration of credit risk in respect of Phumelela International receivable and trainers.

11. Cash and cash equivalents

	2019	2018
	R	R
Bank	**31 788 586**	16 023 429
Fixed deposits	**261 041**	2 149 592
Cash on hand	**9 646 775**	11 091 138
	41 696 402	29 264 159

Guarantees

The Group has the following guarantees in place, in favour of:

	Value (R)	**Review date**
KwaZulu-Natal Gaming and Betting Board	6 230 000	Unlimited
Artemis Properties Proprietary Limited	68 000	31/07/2020
South African Breweries Limited	170 000	Unlimited
Eskom	850 415	Unlimited
Ethekwini Municipality	1 135 957	Unlimited
SA Mutual Property Investment	30 000	Unlimited
Vividend Income Fund Limited	91 216	31/10/2019
Umlazi Mega City	218 320	30/04/2023
KZN Retail Property Investments	70 000	30/09/2020
Enviromental Management Branch	100 000	Unlimited

11. Cash and cash equivalents (continued)

Facilities

The Group has overdraft facilities of R15 million (2018: R16 million) and contingent facilities of R8,9 million with First National Bank Limited due for review on 31 August 2019. In addition, the Company has an asset finance facility of R19,5 million (2018: R 12.5 million) 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:

	2019	2018
	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

During the financial year FNB obtained a cross suretyship of R30 million from Natal Racing Properties Proprietary Limited to enable them to place reliance on the Group's consolidated financial position.

12. Financial assets

	2019	2018
	R	R
FNB Preference shares	**41 500 000**	80 000 000
Gryphon Dividend Income Fund	**9 742 393**	9 118 730
Alpha Prime Equity Qualified	**10 548 332**	9 885 535
Alpha Wealth – Lynx Prime Global Diverse Fund	**15 231 830**	13 833 609
Alpha Wealth – Chrysalis	**21 587 867**	-
Momentum BNP Investment	**-**	20 557 727
RMB Protected flexible	**58 312 079**	57 752 716
Sanlam Private Portfolio – listed shares	**29 702 088**	32 433 624
Sanlam Private Portfolio – Asset swap	**21 861 627**	19 701 961
Investec Asset Management Account	**39 447**	35 847
Sanlam Private Portfolio – listed shares	**2 034 445**	3 528 093
Sanlam Private Portfolio – Asset swap	**3 214 937**	1 793 431
Alpha Wealth Investments	**2 276 312**	2 735 286
Investment in ASL Limited	**13 267 577**	10 971 867
	229 318 934	262 348 426

12.1 Percentage return	**%**	%
Pre – tax return	**3.9**	5.5
Post – tax return	**2.8**	3.9

This return includes all financial income earned on financial assets above and cash and cash equivalents as per note 11.
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 25.

12.2 Ring fenced funds

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.

12. Financial assets (continued)

	2019	2018
	R	R
Calculated Ring-fenced funds	**230 724 879**	227 237 112

As at 31 July 2019, the financial assets held in Natal Racing Properties Proprietary Limited amount to **R208 486 217** (2018: R243 283 902). This together with the cash and cash equivalents in Natal Racing Properties Proprietary Limited of R22 785 847 resulted in ring fenced assets of **R231 272 064**.

The investments noted above relates to the ring-fenced investments which include actual return (cash, dividends and interest) to date for the year ended 31 July 2019.

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

	2019	2018
	R	R
As part of finance income	**423 677**	350 370
Net change in fair value of available for sale financial assets	**306 690**	2 355 394
Dividend income	**4 801 150**	6 458 702
Investment income	**3 458 714**	5 156 148
	8 990 231	14 320 614

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 (2018: R nil).

14. Borrowings

Non-current		
Finance lease liabilities	**6 491 785**	3 885 140
Current		
Finance lease liabilities	**5 021 522**	5 023 331
Related party borrowings		
Mion Holdings Proprietary Limited	**-**	10 427 261
Wozabets Gaming Proprietary Limited	**-**	64 452

These loans are unsecured, bear interest at 10% per annum and are payable on demand.

Current shareholder loan	**5 021 522**	15 515 044
Gold Circle Racing Club	**39 457 881**	39 457 881

The shareholders loan has no fixed repayment terms and is interest free.

Notes to the Consolidated Financial Statements

14. Borrowings (continued)

Finance lease liabilities

Finance lease obligations secured by lease agreements over property, plant and equipment with a carrying amount of R12 753 461 (2018: R9 063 655). Finance lease obligations over motor vehicles bear interest at variable rates. Refer to note 3.

	2019	2018
	R	R
Finance lease liability	**11 513 307**	8 908 471
Less: Payable within one year	**(5 021 522)**	(5 023 331)
	6 491 785	3 885 140
Minimum lease payments are due as follows:		
Due within one year	**7 053 847**	5 689 566
Due within two and five years	**7 779 883**	4 788 838
	14 833 730	10 478 404

15. Post-retirement medical aid obligations

Post-retirement medical aid obligations 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.

The Group's obligation towards the post-retirement medical aid obligation was actuarially calculated as at 31 July 2019 by Alexander Forbes Health Proprietary Limited and is disclosed in accordance with International Accounting Standard 19: Employee Benefits, as follows:

	2019	2018
	R	R
Non- current	**10 226 000**	9 950 000
Current	**1 123 000**	1 220 000
	11 349 000	11 170 000
Amounts recognised in profit and loss and other comprehensive income		
Interest cost	**973 000**	1 100 000
Employer benefits payments	**(1 117 000)**	(1 220 000)
Total amount recognised in profit and loss	**(144 000)**	(120 000)
Actuarial loss/(gain)	**323 000**	(1 312 000)
Total amount recognised in the consolidated statement of comprehensive income	**179 000**	(1 432 000)
Movement in the net liability recognised in the consolidated statement of financial position		
Balance at beginning of year	**11 170 000**	12 602 000
Interest cost recognised in profit and loss	**973 000**	1 100 000
Employer benefit payments recognised in profit and loss	**(1 117 000)**	(1 220 000)
Actuarial loss/(gain) recognised in other comprehensive income	**323 000**	(1 312 000)
Balance at end of year	**11 349 000**	11 170 000
Key valuation assumptions	**%**	%
Discount Rate	**8.9**	9.2
Health care cost inflation	**7.2**	7.9
General inflation rate	**5.2**	5.9

15. Post-retirement medical aid obligations (continued)

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	**12 209 000**	**11 349 000**	**10 579 000**
Employer's interest cost	**1 053 000**	**973 000**	**902 000**

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.

16. Trade and other payables

	2019	2018
	R	R
Amount due to punters	**6 518 335**	5 480 722
Provision for breeders premiums	**4 754 368**	5 368 575
Provision for Tellytrack bookmakers write off	**-**	5 738 710
Provision for leave pay	**3 551 352**	3 673 865
Refund payable in lieu of intangible assets	**8 000 000**	-
Trade creditors and accruals	**41 292 941**	49 623 755
Telephone betting	**3 495 749**	3 102 022
VAT	**7 106 894**	8 252 382
Other	**17 588**	31 010
Trade and other payables	**74 737 227**	81 271 041
SARS payable	**-**	1 298 308
	74 737 227	82 569 349

17. Tax received/(paid)

Payable at the beginning of the year	**(1 298 308)**	(727 076)
Tax charge for the year	**-**	(1 423 215)
Prior year overprovision	**1 423 214**	-
(Receivable)/Payable at the end of year	**(124 906)**	1 298 308
Tax paid	**-**	(851 983)

18. Revenue

Totalisator revenue	**260 392 668**	289 891 421
Net gaming income from fixed odds betting	**29 963 448**	27 073 269
Net wagering revenue	**290 356 116**	316 964 690
Contribution to racing from third party bookmaking activities	**46 179 834**	43 884 836
Share of international licence fee	**86 761 208**	80 204 351
Direct racing revenues	**78 500 897**	78 046 454
Eventing revenue	**10 825 144**	12 164 673
Gross revenues available for racing activities	**512 623 199**	531 265 004
Share of loss from Tellytrack partnership	**(9 837 016)**	(2 533 851)
Income available for racing activities	**502 786 183**	528 731 153

Notes to the Consolidated Financial Statements

19. Expenses by nature

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

	2019 R	2018 R
Advertising, events and promotions	**19 121 855**	16 846 321
Cash collection costs	**1 484 445**	1 455 466
Catering costs	**9 534 575**	9 803 846
Contribution to jockey's remuneration	**10 336 179**	10 459 972
Depreciation (including impairment)	**27 887 147**	25 103 011
Directors emoluments	**12 670 654**	10 800 976
Employee benefits	**109 948 619**	107 271 170
Insurance (excess)/costs	**(917 478)**	1 214 765
Licence fees	**15 137 434**	18 364 255
Operating lease rentals –Property	**4 732 507**	13 786 548
Printing costs	**5 421 982**	5 538 524
Race meeting expenses	**12 003 760**	11 533 705
National Horseracing Authority - Regulatory cost	**18 415 301**	17 235 282
Repairs and maintenance	**19 875 366**	17 717 435
Security expenses	**10 976 863**	10 318 427
Service fees (Saftote)	**5 594 875**	6 297 931
Stakes		
– owners	**114 781 025**	110 881 413
– breeders	**6 896 406**	4 910 534
Tellytrack subscriptions	**11 035 960**	13 600 952
Tote agents commission paid	**28 541 682**	31 270 130
Transformation fund	**1 961 894**	1 978 044
Utility costs	**23 629 782**	23 027 155
Other operating expenses	**56 754 270**	61 663 348
	525 825 103	531 079 210
Reconciled to expense by function:		
Agents commission and other direct costs	**28 541 682**	31 270 130
Wagering expenditure	**169 229 388**	183 972 168
– Totalisator	**140 943 367**	157 985 508
– Fixed odds licences	**28 286 021**	25 986 660
Racing expenditure	**328 054 033**	315 836 912
	525 825 103	531 079 210

20. Finance income/(costs)

	2019 R	2018 R
Finance income	**4 880 539**	7 393 273
Finance costs	**(1 535 315)**	(2 548 317)
Net finance income	**3 345 224**	4 844 956

21. Dividend income

	2019 R	2018 R
Listed - foreign investments	**757 914**	505 628
Listed - local investments	**4 190 648**	6 047 395
ASL Limited investment	**865 150**	604 708
	5 813 712	7 157 731

22. Income taxation

	2019	2018
	R	R
Current tax	**1 423 214**	(1 423 215)
- Current year	**-**	(1 423 215)
- Prior year	**1 423 214**	-
Deferred tax	**4 110 206**	(2 277 112)
- Current year	**3 366 995**	(2 499 273)
- Prior year	**743 211**	222 161
Taxation	**5 533 420**	(3 700 327)

	2019	2019	2018	2018
22.1 Reconciliation of tax charged	**%**	**R**	%	R
(Loss)/profit before taxation		**(14 104 010)**		9 567 911
Income tax at standard rate (28%)	**(28.0)**	**3 949 123**	(28.0)	(2 679 015)
Current tax – prior period over provision	**(10.1)**	**1 423 214**	-	-
Non-deductible expenses	**4.2**	**(582 128)**	8.4	808 466
Current tax – group tax	**-**	**-**	(14.8)	(1 423 214)
Deferred tax – prior period under provision	**(5.3)**	**743 211**	2.3	222 160
Capital gains tax deferred	**-**	**-**	(8.3)	(795 121)
Capital gains – temporary differences (5.6%)	**-**	**-**	1.7	166 397
Taxation credit/ (charge)	**(39.2)**	**5 533 420**	(38.7)	(3 700 327)

The Group had computed tax losses of **R29 551 567** (2018: R17 953 582) which have been accounted for in deferred tax

23. Operating lease commitments

	2019	2018
	R	R
Property rentals paid		
Due within one year	**(5 887 117)**	(8 180 647)
Due within two and five years	**(7 915 237)**	(10 159 669)
	(13 802 354)	(18 340 316)
Property rentals received		
Due within one year	**4 983 532**	3 442 996
Due within two and five years	**3 966 887**	5 719 230
	8 950 419	9 162 226

24. Cash (utilised in)/generated from operations

(Loss)/profit before taxation	**(14 104 010)**	9 567 911
Adjustments for:		
Add: depreciation	**27 887 146**	25 103 011
Less: profit on disposals of property, plant and equipment	**(64 542)**	-
Add: impairment of goodwill and intangible assets	**920 448**	176 812
Add: share of loss of equity-accounted investees, net of tax	**224 026**	86 719
Less: fair value gain on financial assets	**(3 699 727)**	(5 738 081)
Less: exchange rate gain	**(408 263)**	(3 539)
Less: finance income	**(4 880 539)**	(7 393 273)
Less: dividends income	**(5 813 712)**	(7 157 731)
Add: finance costs	**1 535 315**	2 548 317
	1 596 142	17 190 146
Changes in working capital		
Decrease in inventories	**389 038**	301 523
Increase in trade and other receivables	**(13 270 587)**	(316 397)
Increase/(decrease) of Tellytrack funding	**5 787 477**	(1 978 027)
Decrease in trade and other payables	**(6 533 814)**	(5 390 927)
	(12 031 744)	9 806 318

Notes to the Consolidated Financial Statements

25. Financial instruments

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

	2019 R	2018 R
Categories of financial instruments		
Financial assets		
Trade and other receivables	**71 402 484**	58 455 235
Available-for-sale	**-**	160 853 034
Fair value through other comprehensive income	**141 154 503**	-
Fair value through profit and loss	**46 664 431**	21 495 392
Held to maturity	**-**	80 000 000
Amortised cost	**41 500 000**	-
Loans receivable	**3 966 197**	6 007 296
Cash and cash equivalents	**41 696 402**	29 264 159
	346 384 017	356 075 116

Available-for-sale financial and held to maturity financial assets have been reclassified in line with IFRS 9 in the current year. Refer to 1.3 (c) (iii) in the significant accounting policies.

	2019 R	2018 R
Financial Liabilities		
Borrowings	**39 457 881**	39 457 881
Trade and other payables	**59 630 333**	73 018 659
	99 088 214	112 476 540

26. Financial risk management

26.1 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.

26.2 Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly by executive management to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group 's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group 's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

26. Financial risk management (continued)

26.3 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 manages credit risks as follows:
Cash and cash equivalents - financial institutions used are reputable with stable credit ratings.
Financial instruments - financial institutions used reputable with stable credit ratings.
Trade and other receivables - management regularly monitors long outstanding balances.
Loans to related parties - these loans are with the groups, therefore exposure is minimal.
Other loans receivable - loans granted are to racing industry participants. These parties are reputable and chance of default is minimal.

	Carrying amount 2019	Carrying amount 2018
Exposure to credit risk:	**R**	R
Trade and other receivables	**71 402 484**	58 455 235
Financial assets	**229 318 934**	262 348 426
Cash and cash equivalents	**41 696 402**	29 264 159
Loans receivable	**3 966 197**	6 007 296
	346 384 017	356 075 116

	Trade receivables	**Allowance for impairment loss**	**Net trade receivables**
	R	**R**	**R**
2019			
Current	**10 789 860**	**(36 606)**	**10 753 254**
Past due 1 – 30 days	**1 887 365**	**(54 096)**	**1 833 269**
Past due 31 – 60 days	**573 184**	**(53 152)**	**520 032**
Past due 61 – 120 days	**1 985 366**	**(107 260)**	**1 878 106**
Past due 121 – 365 days	**198 480**	**(117 113)**	**81 367**
Past due 365+ days	**2 977 379**	**(1 985 817)**	**991 562**
Total	**18 411 634**	**(2 354 044)**	**16 057 590**
2018			
Current	9 443 408	-	9 443 408
Past due 1 – 30 days	3 195 752	-	3 195 752
Past due 31 – 60 days	881 206	(63 393)	817 813
Past due 61 – 120 days	2 402 339	(403 899)	1 998 440
Past due 121 – 365 days	97 305	(65 762)	31 543
Past due 365+ days	2 726 960	(1 308 639)	1 418 321
Total	18 746 970	(1 841 693)	16 905 277

26.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations resulting in damage to the Group's reputation.

Cash flow forecasting is performed by the Group and management monitors rolling forecasts to ensure that the Group 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.

26. Financial risk management (continued)

26.4 Liquidity risk (continued)

2019	**Carrying amount R**	**Contractual cash flow R**	**Less than one year R**	**Between 2 and 5 years R**
Trade and other payables	**59 630 333**	**59 630 333**	**59 630 333**	**-**
Borrowings	**39 457 881**	**39 457 881**	**39 457 881**	**-**
Finance lease liability	**11 513 307**	**14 833 730**	**7 053 847**	**7 779 883**
	110 601 521	**113 921 944**	**106 142 061**	**7 779 883**
2018				
Trade and other payables	73 018 659	73 018 659	73 018 659	-
Borrowings	49 949 594	49 949 594	49 949 594	-
Finance lease liability	8 908 471	10 478 404	5 689 566	4 788 838
	131 876 724	133 446 657	128 657 819	4 788 838

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:

	2019 R	2018 R
Cash resources	**41 696 402**	29 264 159
Undrawn borrowing facilities	**15 000 000**	16 000 000
Trade and other receivables	**72 514 031**	59 243 444
Financial assets	**229 318 934**	262 348 426
Total available resources	**358 529 367**	366 856 029

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.

26.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
The Group buys foreign currency derivatives in order to manage market risks.
The Group has exposure to currency and interest rate risk.

(i) Currency risk

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

Exposure to currency risk

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

Amounts shown in foreign currency units	**2019 R**	2018 R
Asset swap	**25 076 564**	21 495 392
ASL Limited	**13 267 577**	10 971 867

26. Financial risk management (continued)

26.5 Market risk (continued)

(i) Currency risk (continued)

The following significant exchange rates applied during the period:

	2019		2018	
	Reporting date spot rate	**Average for the period**	Reporting date spot rate	Average for the period
US Dollar	**14.19**	**14.25**	13.17	12.72
Mauritian Rupee	**0.38**	**0.41**	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 2018.

	2019	2018
	R	R
Group		
Asset Swap (through profit and loss)	**2 186 163**	1 791 087
ASL Limited (through other comprehensive income)	**1 326 758**	1 097 187

A 10 percent strengthening of the rand against the Mauritian rupee and US dollar 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. Interest is set at the prime interest rate.

At the reporting date the interest-bearing financial instruments of the Group was:

	Carrying amount	Carrying amount
	2019	2018
	R	R
Fixed rate instruments		
Financial assets	**1 151 018**	1 144 539
Financial liabilities	**-**	(10 491 713)
	1 151 018	(9 347 174)
Variable rate instruments		
Financial assets	**74 349 033**	98 926 773
Financial liabilities	**(11 513 307)**	(8 908 471)
	62 835 726	90 018 302

A decrease of 100 basis points in interest rates at the reporting date calculated on the closing balances would have increased equity and profit and 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 2018.

	Loss	Loss
	2019	2018
Variable rate instruments	**R**	R
Financial assets		
Increase in equity and profit and loss	**743 490**	989 268

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

Notes to the Consolidated Financial Statements

26. Financial risk management (continued)

26.5 Market risk (continued)

(iii) Equity price risk

The Group's exposure to equity price risk was as follows based on the fair value gains on losses on investments.

Sensitivity Analysis

An increase in equity prices of 5% would increase equity and profit and loss by the amounts shown below.

This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2018.

	2019	2018
	R	R
Profit or loss	**2 333 321**	1 074 770
Equity	**9 390 946**	10 192 190

A decrease in equity prices of 5% at the reporting date would have had the equal but opposite effect to the amounts shown above.

26.6 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:

	2019		2018	
Group	**Carrying amount R**	**Fair value R**	Carrying amount R	Carrying amount R
Available-for-sale financial assets				
Equity investments	**-**	**-**	182 348 426	182 348 426
Fair value through OCI				
Equity investments	**141 154 503**	**141 154 503**	-	-
Fair value through profit and loss				
Equity investments	**46 664 431**	**46 664 431**	21 495 392	21 492 392
Financial assets carried at amortised cost				
Cash and cash equivalents	**41 696 402**	**41 696 402**	29 264 159	29 264 159
Preference shares	**41 500 000**	**41 500 000**	80 000 000	80 000 000
	83 196 402	**83 196 402**	109 264 159	109 264 159

26. Financial risk management (continued)

26.7 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).

Group	**Level 1 R**	**Level 2 R**	**Level 3 R**
2019			
Financial assets			
Fair value through other comprehensive income	**141 154 503**	**-**	**-**
Derivative financial assets	**-**	**46 664 431**	**-**
	141 154 503	**46 664 431**	**-**
2018			
Financial assets			
Available-for-sale	182 348 426	-	-
Derivative financial assets	-	21 495 392	-
	182 348 426	21 495 392	-

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

27. Subsidiaries of Gold Circle Proprietary Limited

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

	2019		2018	
	Issue share capital R	**Holding %**	Issue share capital R	Holding %
Group				
Directly held:				
Gold Circle Gaming Investments Proprietary Limited	**100**	**100**	100	100
Natal Racing Properties Proprietary Limited	**150 000**	**100**	150 000	100
Betting Information Technology Proprietary Limited	**240**	**100**	240	100
Videotrac Proprietary Limited	**100**	**100**	100	100
Indirectly held:				
Track and Ball Gaming Proprietary Limited	140	70	140	70

Notes to the Consolidated Financial Statements

28. Related parties

28.1 Identity of related parties

Holding club

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

Directors

N P Butcher
J H S de Klerk
G Petzer
M M Nhlanhla
S N Mthethwa
Z Zulu
D T Moodie
M J L Nairac
L Nunan
P V Lafferty
P Mnganga (Chairperson)
P L Loker
Y Pillay
C Moodley
M Tembe (Resigned 30/10/2018)
D Chetty (Appointed 16/12/2018)
P B Gibson (Appointed 16/12/2018)

Prescribed officers

V Jack
C Fourie
D J Furness
M R Sheik
S H Marshall

Other related parties - indirect

Tellytrack Partnership
Phumelela Gaming and Leisure Limited
Kenilworth Racing Proprietary Limited

28. Related parties (continued)

28.2 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 2019.

	2019	2018
	R	R
Income/(Expenditure)		
Phumelela Gaming and Leisure Limited		
International licence fee	**86 761 208**	80 204 351
Kenilworth Racing Proprietary Limited		
Racing Bureau Income	**623 578**	633 945
Tellytrack Partnership		
Partnership loss	**(9 837 016)**	(2 533 851)
Loss @ 24.96%	**(18 649 364)**	(13 949 810)
On course production	**(6 523 078)**	(5 854 089)
Tellytrack subscriptions	**15 335 426**	17 270 048
Transactions and balances at year end		
Tellytrack (funding)/investment	**(2 920 815)**	2 866 662
Amount due by Phumelela	**55 138 601**	41 195 822
Phumelela International trade debtor	**144 377 671**	104 115 627
Phumelela current account	**(89 239 070)**	(62 919 805)
Kenilworth Racing Proprietary Limited		
Amount due by Kenilworth Racing Proprietary Limited	**511 486**	810 186
Ezeefun Proprietary Limited		
Amount due by Ezeefun Proprietary Limited	**92 871**	69 865
Betsumor Gaming Proprietary Limited		
Amount due by Betsumor Gaming Proprietary Limited	**956 607**	567 645
Finance income	**22 205**	-
Wozabets Gaming Proprietary Limited		
Amount due by Wozabets Proprietary Limited	**168 823**	442 577
Finance income	**41 043**	41 661
Property rentals	**143 448**	182 292
Sports Tracking Proprietary Limited		
Amount due by Sports Tracking Proprietary Limited	**2 015 773**	2 014 133
Gold Circle Racing Club		
Amount due by Gold Circle Racing Club	**39 457 881**	39 457 881

Notes to the Consolidated Financial Statements

28. Related parties (continued)

28.3 Key management compensation

2019	Fees	Salary	Bonus	Retirement and other benefits	Total
	R	R	R	R	R
N P Butcher	144 000	-	-	-	144 000
J H S De Klerk	124 000	-	-	-	124 000
P V Lafferty	82 000	-	-	-	82 000
P Mnganga	130 000	-	-	-	130 000
L Nunan	127 500	-	-	-	127 500
G Petzer	102 000	-	-	-	102 000
M M Nhlanhla	53 500	-	-	-	53 500
Z Zulu	85 500	-	-	-	85 500
C Moodley	67 000	-	-	-	67 000
D Chetty	60 000	-	-	-	60 000
P B Gibson	-	-	-	-	-
M Tembe	-	-	-	-	-
P L Loker	-	1 391 056	28 868	215 012	1 634 936
M J L Nairac	-	2 568 000	46 100	-	2 614 100
D T Moodie	-	627 024	12 841	87 396	727 261
Y Pillay	-	1 062 430	20 771	93 170	1 176 371
V Jack	-	819 605	18 521	210 811	1 048 937
D Furness	-	843 126	14 076	-	857 202
S H Marshall	-	1 279 770	23 079	112 230	1 415 079
R Sheik	-	914 369	17 863	134 432	1 066 664
C Fourie	-	1 134 204	20 400	-	1 154 604
Total	975 500	10 639 584	202 519	853 051	12 670 654

Directors fees are payable to all directors. This includes fees for attendance at board meetings only. M J L Nairac and D J Furness, received a contracting fee for services rendered to the companies in the Group. P L Loker, D T Moodie, Y Pillay, V Jack, S H Marshall, R Sheik and C Fourie received remuneration for services rendered to companies in the Group.

28. Related parties (continued)

28.3 Key management compensation (continued)

2018	Fees R	Salary R	Bonus R	Retirement and other benefits R	Total R
NP Butcher	92 500	-	-	-	92 500
J H S De Klerk	89 000	-	-	-	89 000
PV Lafferty	64 500	-	-	-	64 500
P Mnganga	80 000	-	-	-	80 000
L Nunan	72 000	-	-	-	72 000
G Petzer	61 000	-	-	-	61 000
M M Nhlanhla	50 500	-	-	-	50 500
Z Zulu	68 000	-	-	-	68 000
C Moodley	10 000	-	-	-	10 000
M Tembe	60 000	-	-	-	60 000
P L Loker	-	1 300 050	-	200 946	1 500 996
M J L Nairac	-	2 400 000	-	-	2 400 000
D T Moodie	-	586 428	-	81 252	667 680
A J Rivalland (Resigned 17/10/2017)	-	140 000	-	-	140 000
Y Pillay	-	516 321	-	45 279	561 600
V Jack	-	767 826	-	195 174	963 000
D Furness	-	731 400	-	-	731 400
S H Marshall	-	1 200 000	-	-	1 200 000
R Sheik	-	808 544	-	120 256	928 800
C Fourie	-	1 060 000	-	-	1 060 000
Total	647 500	9 510 569	-	642 907	10 800 976

Directors fees are payable to all directors. This includes fees for attendance at board meetings only. M J L Nairac, A J Rivalland and D J Furness, received a contracting fee for services rendered to the companies in the Group. P L Loker, D T Moodie, Y Pillay, V Jack, S H Marshall, R Sheik and C Fourie received remuneration for services rendered to companies in the Group.

29. Subsequent events

29.1 Sale of betting outlet

On 1 August 2019, the Group entered into a sale agreement with Hollywood Sportsbook KZN Proprietary Limited for the Pietermaritzburg Central fixed odds betting licence. The agreed selling price is R8 million against the original purchase price for the licence of R6.5 million. The selling price includes a non-refundable management fee of R2.4 million which will be earned by the Group in the 2020 financial year.

The sale agreement is pending the approval of the Kwazulu-Natal Gaming and Betting Board which is expected in the next 12 months. At 31 July 2019, the licence is held for sale and has been impaired to equal the recoverable amount of R5.6 million during the 2019 financial year.

29.2 Stadium naming rights and sponsorship

Gold Circle has entered into an agreement with Hollywood Sportsbook KZN Proprietary Limited for the naming rights to both Greyville and Scottsville Racecourses. The agreement has a duration of three years terminating on 31 July 2022.
Additionally, Hollywood Sportsbook KZN Proprietary Limited agreed to a concurrent race and promotional sponsorship. Total sponsorship revenue over the three years amounts to R14.5million.

Notes to the Consolidated Financial Statements

30. 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.

31. Contingent liabilities

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.

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