GOLD CIRCLE
RACING AND GAMING GROUP

GOLD CIRCLE PUBLISHING

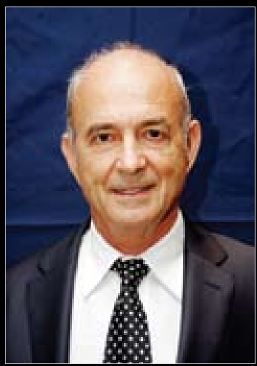
GOLD CIRCLE
RACING AND GAMING GROUP

ANNUAL REPORT

2011

Content

Board of Directors



MJR MAUVIS
(Chairperson)

NP BUTCHER
(Vice-Chairperson)

P DE BEYER

LA FUTERAN

GT HAWKINS

PL LOKER

P MNGANGA

R MOODLEY

AJ RIVALLAND

GAR STURLESE

Regional Board of Directors

KZN Regional Board Directors

T N PILLAY (MOGA) (Chairperson)
W B W G KÖBUSCH
D LATIMER
C MOODLEY
G PETZER
A J RIVALLAND
M TEMBE

N P BUTCHER
P LAFFERTY
M J R MAUVIS
L NUNAN
W N RENDER
G A R STURLESE

WC Regional Board Directors

V L THURLING (Chairperson)
R B DUNN (Vice Chairperson)
I A CRONJE
T F FOWLER
L KING (MRS)
V MARSHALL
P E MILLS
J RAMSDEN

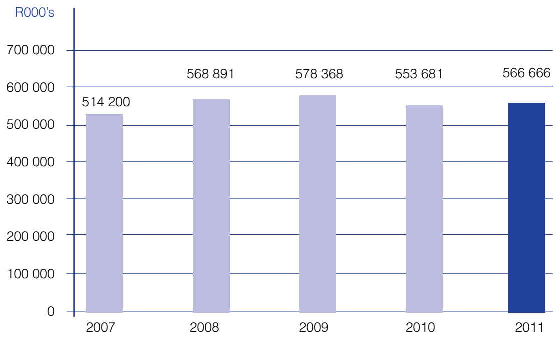
R BLOOMBERG
E A BRAUN
P DE BEYER
L A FUTERAN (MRS)
G S KNOWLES
P L V MICKLEBURGH (MS)
A MOHAMED

Entity Information

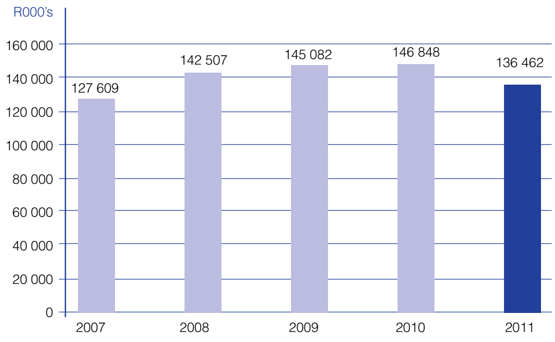
REGISTERED ADDRESS:	150 Avondale Road Durban 4001
POSTAL ADDRESS:	P.O. Box 40 Durban 4000
AUDITORS:	PricewaterhouseCoopers Inc. Durban
BANKERS:	First National Bank of SA Limited Standard Bank of SA Limited ABSA Bank of SA Limited
ATTORNEYS:	Barkers Incorporated Garlicke & Bousfield Incorporated Edward Nathan Sonnenberg Shepstone & Wylie

Financial Highlights

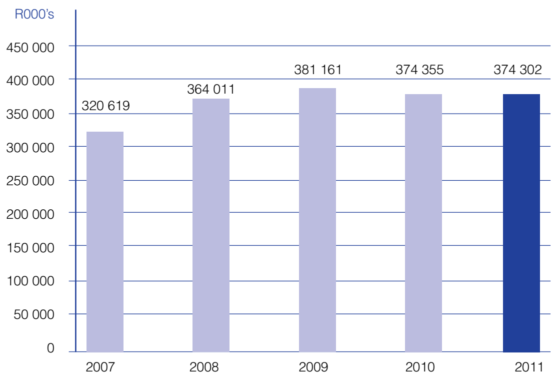
GROSS INCOME



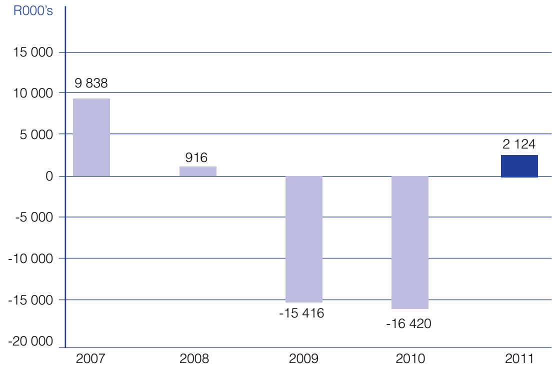
STAKES



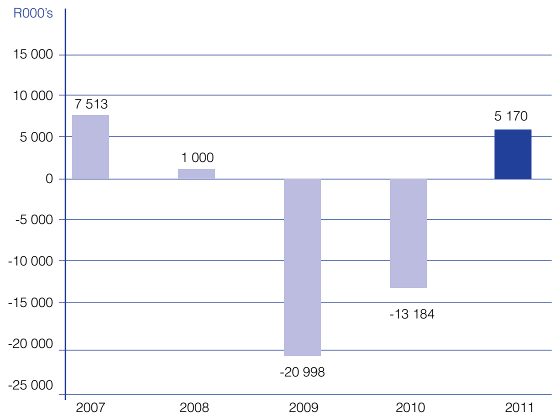
OPERATING EXPENSES



PROFIT BEFORE TAX



PROFIT AFTER TAX



Five Year Financial Review

INCOME STATEMENTS	2011	2010	2009	2008	2007
	R'000	R'000	R'000	R'000	R'000
BETTING INCOME	**412 139**	415 168	435 987	432 855	398 983
Other operating income					
-Local operations	**130 449**	121 034	123 795	116 472	96 811
-International operations	**24 078**	17 479	18 586	19 564	18 406
GROSS INCOME	**566 666**	553 681	578 368	568 891	514 200
Operating expenses and overheads					
-Stakes	**136 462**	146 848	145 082	142 507	127 609
-Agents' commission	**37 274**	37 067	46 968	46 914	42 413
-National Horseracing Authority levies	**18 131**	17 160	17 495	16 452	15 798
-Operating expenses	**374 302**	374 355	381 161	364 011	320 619
PROFIT/(LOSS) FROM OPERATIONS	**497**	(21 749)	(12 338)	(993)	7 761
Net finance costs	**(2 689)**	518	(5 425)	(2 253)	(1 021)
PROFIT/(LOSS) BEFORE SHARE OF PROFIT OF ASSOCIATE COMPANY	**(2 192)**	(21 231)	(17 763)	(3 246)	6 740
Share of profit of associated company	**4 316**	4 811	2 347	4 162	3 098
PROFIT (LOSS) BEFORE TAX	**2 124**	(16 420)	(15 416)	916	9 838
Income tax	**3 046**	3 236	(5 582)	84	(2 325)
PROFIT/(LOSS) FOR THE YEAR	**5 170**	(13 184)	(20 998)	1 000	7 513
Attributable to:					
Members of the Gold Circle Racing & Gaming Group	**5 170**	(12 140)	(17 026)	3 131	9 577
Minority share of losses attributable to Gold Circle KZN Slots (Pty) Ltd	**-**	(1 044)	(3 972)	(2 131)	(2 064)
	5 170	(13 184)	(20 998)	1 000	7 513
BALANCE SHEETS					
Assets					
-Non - current assets	**799 273**	815 124	824 920	538 563	519 644
-Current assets	**58 217**	50 591	41 826	31 083	49 830
TOTAL ASSETS	**857 490**	865 715	866 746	569 646	569 474
Equity and liabilities					
-Capital and reserves	**629 519**	625 421	618 524	402 563	395 206
-Non current liabilities	**142 051**	142 361	153 887	75 281	76 650
-Current liabilities	**85 920**	97 933	94 335	91 802	97 618
TOTAL EQUITIES AND LIABILITIES	**857 490**	865 715	866 746	569 646	569 474
CASH FLOW STATEMENTS					
Net cash from operating activities	**26 839**	23 288	22 109	16 032	37 850
Net cash from investing activities	**(18 293)**	(13 555)	(12 558)	(42 110)	(53 375)
Net cash from financing activities	**(241)**	(5 664)	6 613	5 782	15 634
Net increase/(decrease) in cash and cash equivalents	**8 305**	4 069	16 164	(20 296)	109
Solvency and liquidity ratios					
Solvency ratio	**3.76**	3.60	3.49	3.41	3.27
Current ratio	**0.68**	0.52	0.44	0.34	0.51
Acid test ratio	**0.65**	0.49	0.41	0.31	0.47

Chairman’s Report

INTRODUCTION

The Annual Financial Statements, together with this report for the year ended 31 July 2011, are presented on behalf of the Directors.

The 2011 financial year was a milestone in Gold Circle’s history when four new members domiciled in KZN namely Steve Sturlese, Neil Butcher, Tony Rivalland and myself were voted onto the Board following a clear mandate from members to restore Gold Circle to a position of earning profits on a sustainable basis and to achieve either a separation or demerger with the Western Cape racing business.

At the time of assuming office in February 2011, we were presented with a number of challenges:

- A business which had been managed for 2 years without a CEO and whose financial director was under suspension.
- A Company that in the past 2 years had lost a management team with countless years of collective invaluable horseracing and gaming experience.
- A company which had incurred losses of R17.m in 2009 and R12.1.m in 2010 with no tangible plan to curtail the losses of R18.7m and R23m which had been incurred in the Western Cape in 2009 and 2010 respectively.
- Very strained relationships :
- between the KZN and Western Cape regions;
- with the KZN provincial government and regulatory authorities;
- with the eThekwini municipality
- A mandate from members to resolve the separation of our two racing regions.

I am pleased to report that all the challenges have been systematically addressed and solutions have or are being implemented.

FINANCIAL PERFORMANCE

The horseracing industry, along with many other sectors of the economy, continues to feel the effects of the global economic meltdown that began in the latter part of 2008. Betting revenues in most international racing jurisdictions continued declining with New Zealand down by 4%, Western Australia by 4%, the UK Tote by 5.5% and the decline in the USA varying from8.5% up to 10% in certain States.

Total bets struck on the totalisator in the Gold Circle regions amounted to R1 982 120 453 (2010: R1 919 296 825) an increase of 3%. The KZN region generated R1 408 957 423. (2010: R1 378 768 188) and Western Cape R573 163 030 (2010: R540 528 637).

The reduction in wagering income was partially offset by the additional revenue of R5,8m gained from the increase in Gold Circle’s agreed share of national telephone betting from 39% to 41%. Gross Wagering Revenue after provincial tax for the financial year ended July 31 2011 amounted to R412 139 471 (2010: R415 167 694), a decline of 1%.

Wagering expenditure amounted to R192 716 415 (2010: R194 829 778) a saving of 1%, following a concerted effort to reduce costs of operating the totalisator network.

Income received from third party bookmaking activities increased by 16% from R44 456 441 in 2010 to R51 629 529 in 2011. This increase was achieved equally in both KwaZulu-Natal and the Western Cape.

Income from international operations, derived from the PGE partnership arrangement with Phumelela Leisure and Gaming , increased by 37% to R24 078 211 in 2011 from R17 478 630 in 2010 due to increased betting turnovers achieved from the international division .

The Company’s share of profit from the Associate Company Betting World, decreased by 10% from R4 811 407 in 2010 to R4 315 690 in 2011.

Net wagering revenues earned, available to fund racing activities amounted to R262 172 854 (2010: R250 016 981) an increase of 4.86% which was due mainly to income from Phumelela Gold Enterprises noted above.
Operating expenses relating to racecourses and training facilities amounted to R163 836 822 (2010: R163 455 178).

Stake levels decreased by 7,2% as part of the effort to restore the company to profitability and amounted to R129 790 044 (2010: R139 814 680).

Finance charges increased from R2 509 925 in 2010 to R3 366 890 in 2011.

The Group achieved a profit before taxation of R2 123 836 (2010: loss R16 419 606).

The Group's profit after taxation was R5 169 606 in 2011 compared with a loss of R12 140 280 in 2010.

FINANCIAL POSITION

The Group has total assets of R857 489 508 (2010: R865 715 258) and total liabilities of R227 970 406 (2010: R240 294 648).

Cash and cash equivalents as at July 31 2011 amounted to R33 299 029 (2010: R24 994 449). During the year cash generated from operating activities amounting to R26 838 856 was mainly used to fund R12 904 116 of capital expenditure. The main items of such expenditure included the irrigation system at Kenilworth (R3.3m) and the starting stalls at Greyville R1.2m).

National & International Initiatives

NATIONAL

Gold Circle continues to explore avenues to improve business revenues, rationalize and reduce operating costs in order to improve profitability and thus ensure sustainability of both the company and the industry. The relationship with Phumelela has been repaired which has started benefitting both companies and the industry in general.

INTERNATIONAL

The business agreement between Gold Circle and Phumelela Gaming and Leisure Limited, namely Phumelela Gold Enterprises (PGE), remains a significant source of revenue for Gold Circle and, despite the prevailing global economic conditions, again contributed materially to the Group's income.

PGE is currently regarded as an international leader in commingling of betting pools and Telly-Casting. Whilst PGE continues to seek expansion opportunities, it is becoming increasingly challenging to grow its business in markets which have been more adversely affected by the global recession than South Africa. PGE has, however, extended its operations into several additional European countries during the year, including, Macau, Turkey and Italy which resulted in the major increase in its revenue.

Subsequent to the year end, PGE decided to unbundle its shareholding in Mauritius listed tote company Automatic Systems Limited ("ASL") to the partners namely Gold Circle and Phumelela who will in future each independently hold their shares in ASL directly. Concurrently with this Gold Circle has also increased its shareholding in ASL to 12%.

Totalisator & Bookmaking

TOTALISATOR

2011 has been a year of consolidation with management focus on cost containment. The priority for outlets is profitability and the need to grow turnover and improve customer interaction. Outlet staff will continue to be supported by training and skills upliftment programmes to improve product knowledge and customer relations. At 31 July 2011 Gold Circle operated 45 branches and 85 agencies in the KwaZulu-Natal region and 46 branches and 12 agencies in the Western Cape. In addition 3 outlets in Namibia were operated by the Western Cape region.

The All To Come bet was introduced in October 2010 and generated R25 m in turnover during the year. This bet type has unfortunately not shown the growth that was originally expected.

The technology initiatives which were launched at the end of the 2009 financial year include:

- 20 hand held betting terminals with ticket printers, used in the on course environment, which allow customers to be served without leaving their seats.
- 35 self -vending terminals, also used in the on course environment that enables patrons to use touch screen interfaces to select any bet type themselves, pay and print a ticket.

Turnovers generated by the self-vending terminals have not reached expected levels and the customer interface is being redesigned to make the terminals more attractive and user-friendly.

BOOKMAKING

Gold Circle owned a 41% shareholding in Betting World (Pty) Limited at year end with Phumelela owning the balance.

Betting World's turnover for the year amounted to R630 599 182 (2010: R 582 759 730) an increase of R47 839 452 (8.2%).

The increase in horseracing turnover amounted to R38 170 034 which is attributed to new branches opening and the continued upgrading programme in respect of existing branches. Sports betting grew by R3 515 698 (2.6%) over the same period.

As reported previously, Betting World does not compete with the totalisator through offering the "Open Bet", a bet type offered by other bookmakers using the totalisator dividend as the outcome of a wager without processing the bet through the tote. Betting World processes all totalisator bets through Saftote.

Until 2009, Gold Circle had held an equal percentage shareholding in Betting World with Phumelela and was able to exercise significant control over the business and corporate strategies of Betting World. When Betting World CEO Michael Weare disposed of his shareholding in 2009, the then Gold Circle Board elected not to acquire the 50% of his shareholding to which Gold Circle was entitled with the result that Betting World is now a subsidiary of Phumelela with that company owning 59% of the issued shares and Gold Circle 41%. Subsequent to the year end the Board made a decision to dispose of its share in Betting World as Gold Circle is no longer able to significantly influence the business and strategies of Betting World and because in terms of the Western Cape demerger agreement Gold Circle , after unbundling a portion of its shareholding to the Western Cape would hold only 26% of Betting World. Also, given that Betting World is currently committed to reinvesting its profits in growing its business rather than paying dividends to shareholders, Gold Circle would not receive any cash returns on its investment in the foreseeable future.

Limited Payout Machines

During the year Gold Circle's shareholding in Limited Payout Machine route operator Gold Circle KwaZulu-Natal Slots (Pty) Ltd reduced in order to comply with the original bid commitments to allocate a portion of the company's shares to a staff trust and to a community trust. At 31 July 2011 Gold Circle held a minority interest of 17.26% (2010: 24.%) in the company.

Gold Circle KwaZulu-Natal Slots (Pty) Ltd, continues to incur losses. The loss incurred for its financial year ended 28 February 2011 amounted to R2.3m (2010: R3.9m).

The revenues generated by Gold Circle as a site operator from LPM's situated in its betting outlets in KwaZulu-Natal (96 machines in 23 branches) and the Western Cape (158 machines in 37 branches) declined from R7 645 512 to R7 226 622 during the 2011 year.

Marketing, Communication & Information

The Vodacom Durban July and Cape Town's J&B Met continue to be unmatched in terms of attendance and popularity. Betting turnover on the Vodacom Durban July meeting grew by 7.8%. The Vodacom Durban July meeting generated a net profit of R 15m, clearly demonstrating its importance to Gold Circle. Both Vodacom as sponsors of the July and Brandhouse as sponsors of the Met are exceptional partners and we record our appreciation to them particularly for their continued efforts to build these events.

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

COMMUNICATIONS

The joint venture between Gold Circle Publishing and the Independent Newspapers is an extremely powerful marketing tool for horseracing and Gold Circle in particular. The Independent Group provides a national platform in 9 daily newspapers, 5 Saturday and 3 Sunday newspapers with a weekly national readership of 19 million in a package worth R 4.4 million rand per week to Gold Circle.

Other projects carried out by the publishing department include the design of Parade Magazine, advertising material for the Computaform Xpress, the company's Annual Report, South African Racing Facts book, press releases, various adverts, posters, leaflets and advertising campaigns.

RACING

Gold Circle staged 191 race meetings during the 2011 financial year; 103 in KZN and 88 in the Western Cape. In aggregate, 1660 races were run in Gold Circle regions; 903 (54.40%) in KZN and 757 (45.60%) in the Western Cape.

Total stakes paid were R129 790 044 in aggregate : R73 240 665 (56,43%) in KZN and R56 549 379 (43.57%) in the Western Cape.

The Champions Season and the Sizzling Cape Summer Season are the highlights of the national racing calendar.

Most, if not, all of the best horses in the country compete in KwaZulu-Natal and the Western Cape and the rolls of honour for all the major feature races run during these three-month racing "carnivals" contain all the" big names".

Crack filly Igugu was a horse everyone knew by the end of the 2010/2011 season but it did not start well for the Mike de Kock-trained super star. First she was beaten by Hollywoodboulevard, finishing second in the Emperor's Palace Ready To Run Cup, after which she was sent to Cape Town to contest the Avontuur Cape Fillies Guineas. However, she again had to settle for second to Ebony Flyer. This was the last time though Igugu would taste defeat. The three races of the Triple Tiara run on the Highveld proved easy wins for her. She was a comfortable winner of the Woolavington 2000 before going on to land the country's biggest prize, the Vodacom Durban July, and subsequently deservedly being voted Equus Horse of the Year.

A significant change to the KZN Champions Season was the re-scheduling of the Champions Stakes meeting from Clairwood to Greyville. Traditionally run on the last Saturday of the season, the Champions Stakes meeting was staged with the Canon Gold Cup to create a day that now rivals the Vodacom Durban July as regards the quality of horse racing.

The first Canon Gold Cup/Champions Day meeting proved to be a great success and now provides a fitting finale to the KZN season.

Asset Utilisation

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

The Centre office building situated at the Greyville racecourse, which previously housed the Gold Circle head office has been vacated and is now fully let thus generating additional rental income.

Subsequent to the year-end negotiations for the sale of Clairwood racecourse have been concluded and agreements relating to the sale of the property by subsidiary Natal Racing Properties (Pty) Ltd, cancellation of the long term lease held by Gold Circle and short-term leaseback of the property have been signed. The transactions are subject to a number of conditions, including, *inter alia*, approval of the competition commission, approval of Gold Circle members by way of a special resolution, payment by the buyer of a non-refundable deposit of R5m following approval being granted by Gold Circle members, payment guarantees being provided and the completion of a due diligence investigation by the buyer. In the event that all other pre-conditions are fulfilled and the buyer completes its due diligence prior to 30 April 2012 and elects to proceed with the transaction, the aggregate price for the sale of property and lease cancellation is R370 million. If this is done between 1 May 2012 and 31 August 2012 the aggregate price is R400m and if it is done between 1 September 2012 and 30 June 2013 the aggregate price is R425m. The members meeting to approve the transaction is tentatively scheduled for February 2012.

Demerger Agreement

As Members are aware, subsequent to the year end an agreement was concluded to give effect to the separation of the Western Cape region from Gold Circle.

The salient points of the agreement, are as follows:

- The Western Cape region will retain all its assets and liabilities which include 36% of Gold Circle's share of the Phumelela Gold Enterprises Partnership with Phumelela and the subsidiary, Cape Racing Properties (Pty) Ltd. The Western Cape region will also be compensated with cash equivalent to 36% of the value of Gold Circle's shares in KwaZulu-Natal Slots (Pty) Ltd, 36% of Gold Circle's effective shareholding in Automatic Systems Ltd and 36% of Gold Circle's shareholding in Betting World (Pty) Ltd;
- The business of the Western Cape region, including all assets, will be owned by a company called Kenilworth Racing (Pty) Ltd;
- The shares of Kenilworth Racing (Pty) Ltd will be owned by the existing Non-profit Company (formerly Section 21 Company) Western Province Regional Racing Association, the members of which are the Western Cape Regional Board and, subsequent to the suspensive conditions of the demerger being fulfilled, will be transferred to The Thoroughbred Horseracing Trust;
- The Western Cape region will continue to be owned by Gold Circle until the conditions precedent are fulfilled and will be managed by Gold Circle until 31 January 2012;
- During the interim period from 1 February 2012 and until the effective date of the demerger, Phumelela will manage the Western Cape region under Gold Circle's control, with profits and losses during this period being for the account of the Western Cape Region;
- Phumelela will manage the day-to-day racing and betting affairs of the region on behalf of the Thoroughbred Horseracing Trust after the effective date of the demerger i.e. the date when the suspensive conditions have been fulfilled, which is anticipated to be 31 March 2012;
- All taxation responsibilities will be taken care of by the parties individually and separately;
- Gold Circle will sponsor races by way of paying stakes of R2,25 million per annum for 3 years in the Western Cape;
- The main suspensive conditions which are required to be fulfilled before the effective date include:
  - Approvals of Members;
  - Approval of the Competition Commission;
  - Approvals of the relevant Gambling Boards;
  - Transfer of the Betting Licences from Gold Circle to Kenilworth Racing (Pty) Ltd;
  - Granting of liquor licences, landlords' approvals and municipal approvals in respect of the race course properties and 80% of branch outlets.
- If the suspensive conditions are not met by 31 March 2012, the parties may by agreement extend the deadline or the purchaser shall have the option to cancel or conclude the agreement;

- The properties comprising Kenilworth and Durbanville racecourses and the Milnerton and Philippi training centres will only be transferred once the suspensive conditions of the agreement are fulfilled;
- The date of transfer of the properties will conclude the Demerger Agreement;
- Should the suspensive conditions not be fulfilled and the agreement fails, the status quo will remain, and the Board of Gold Circle will explore another model to ensure the sustainability of the Company.

The agreement together with the resulting required changes to the constitutions of the Clubs and the Memorandum of Incorporation of Gold Circle (Pty) Ltd were approved by the Members of the Clubs by the requisite majorities at the special meeting of members held on 14 November 2011.

Transformation

Gold Circle continues to focus on transformation with the objective of reflecting the demographic profile of South Africa During the year under review a number of positive interventions were instituted to achieve the goal set out in the paragraph above.

EMPOWERDEX VERIFICATION

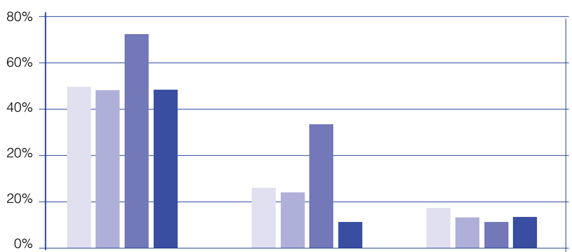
The Empowerdex verification process referred to in the previous years Annual Report has not been completed. This has been due to a delay on the side of the verification company.

PROCUREMENT

BEE procurement has increased by 3% since April 2011. We have exceeded our targeted figure by 19%. Year on year we have achieved an increase in our BEE procurement spend.

The graph below indicates the status as at 31 July 2011.

BEE PROCUREMENT BASED ON RECOGNITION LEVELS



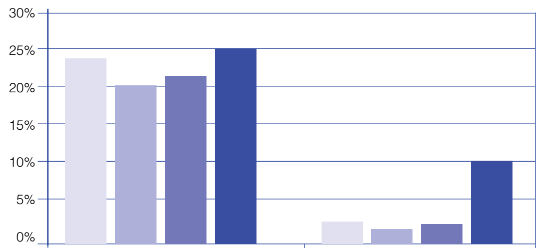
	Recognition Levels - All Suppliers	QSE's & EME's	Black Owned Companies
July 09	48.8%	24.3%	17.6%
July 10	47.9%	22.0%	14.5%
July 11	69.0%	33.0%	13.0%
Target 0 - 5 years	50.0%	10.0%	15.0%

MEMBERSHIP

It is pleasing to note that Gold Circles black membership has increased by an overall increase of 1% of which 2.1% is made up of Black Females. To achieve Gold Circles goal of 25% black Membership in the term set down, steps are continuously being taken to increase this figure. As in the past the membership graph reflects the targets projected by management for the past 3 years.

The graph (top right) indicates the last three years and the targets projected by management.

MEMBERSHIP

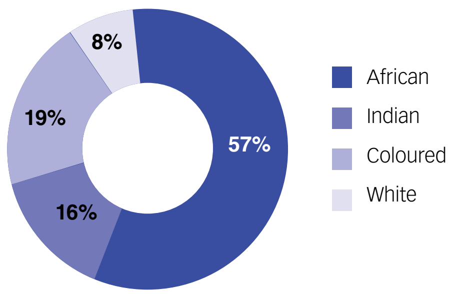


	Black	Black Females
July 09	23%	1.9%
July 10	20%	1.5%
July 11	21%	2.1%
Target 0 - 5 years	25%	10%

EMPLOYMENT EQUITY AND HUMAN RESOURCES DEVELOPMENT

There has been no significant change in the Employment Equity targets set out in Gold Circle's Employment Equity plan. However steady progress is being made in promoting Black individuals into supervisory and junior management positions which will form the basis for internal promotions into senior managerial positions in the future.

RACIAL PROFILE OF GOLD CIRCLE AS AT 31 JULY 2011



INDUSTRY SKILLS DEVELOPMENT

Gold Circle has in the past year focused on training in the areas of Occupational Health and Safety and is engaging in assisting 16 employees in obtaining their Code 10 drivers licences.

During the year under review 10 Turf and Grass learners were employed and they are receiving intensive practical training in Turf and Grass Management. This programme will be repeated over the next few years and it is anticipated that the next generation of course managers will be selected from trainees such as these.

Transformation (continued)

As at, the 31st July 2011, Gold Circle had spent R1 143 787 on skills development initiatives. The total number of employees trained was 785 of which 94% were black .

Personnel

The past year has been characterized by great uncertainty for Gold Circle's staff as the Board has undergone major changes. This was exacerbated by the protracted negotiations to finalize the demerger agreement with the Western Cape.

It became evident to the new directors immediately upon being appointed to the Board in early February that the day to day management of the business lacked direction, skill and leadership and that many aspects had been very poorly managed during the past two years. Due to a critical lack of skills within the organization following the mass retrenchments in 2009 it became necessary to recall the former CEO, Michel Nairac, in mid-2011, on a short term contract ,to settle the ship and steer it in a positive direction. Former group financial manager, Stuart Gardner was also recalled to stabilize the financial functions within the company.

Now that the demerger transaction has been agreed, the Board is in a position to determine an appropriate management structure for the remaining Gold Circle operations which will be implemented once the demerger has become unconditional.

It is therefore with deep thanks and appreciation that the Board acknowledges those Management and Staff who, in spite of the difficult and challenging conditions which have prevailed both within Gold Circle and in the economy in general, have remained committed, loyal and positive as they have worked to maintain and further the interests of the Company.

Office Bearers

I would like to express my sincere thanks to the Board and to the Regional Chapter directors for their contributions during this past year.

Acknowledgements

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

Prospects

Once the demerger with the Western Cape division has been implemented, it is anticipated that Gold Circle will begin generating profits on a sustainable basis. Gold Circle will then be in a position to begin implementing long term strategies for the benefit of its business and stakeholders. This will be achieved by finding new and innovative sources of increased revenues, better utilizing the considerable assets we own, growing stakes and concurrently keeping a tight rein on operating costs.

The Board is committed to taking Gold Circle to new heights,

R Mauvis
Chairperson

Statement of Directors' Responsibility

The directors of Gold Circle (Pty) Ltd are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice.

In order for the board to discharge their responsibilities, management has developed and continues to maintain a system of internal control. The board of directors has ultimate responsibility for the system of internal control and reviews its operation primarily through the audit committee and various other risk monitoring committees.

The internal controls include a risk - based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the company's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

As part of the system of internal control, the company's internal audit function conducts operational and specific audits. The external auditors are responsible for expressing an opinion on the financial statements.

Except for the non - compliance with accounting standard IAS 27 (AC 132), the financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and incorporate disclosure in line with the accounting philosophy of the company. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the group will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the company annual financial statements.

The financial statements for the year ended 31 July 2011 set out on pages 20 to 52 were approved by the board of directors of Gold Circle (Pty) Ltd on 13 October 2011 and are signed on its behalf by:

M J R MAUVIS
Chairperson

N P BUTCHER
Vice-Chairperson

Independent Auditor's Report

We have audited the annual financial statements of Gold Circle Racing and Gaming Group, which comprise the statement of financial position as at 31 July 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 20 to 52.

Directors' Responsibility for the Financial Statements

The directors of Gold Circle (Proprietary) Limited are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As detailed in note 3 of the directors' report, the group has not conformed with South African Statement of Generally Accepted Accounting Practice, IAS27 (AC132) – Consolidated and Separate Financial Statements in that it has prepared consolidated annual financial statements for entities which are not under the control of a parent entity as defined in IAS 27 (AC132).

Qualified Opinion

In our opinion, except for the effects of the matter referred to in the basis for qualification paragraph, the financial statements present fairly, in all material respects, the financial position of Gold Circle Racing and Gaming Group as at 31 July 2011, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: NRC Mbhele
Registered Auditor
Durban
13 October 2011

Report of the Directors

1 Nature of Business

The principal activities of the group are to stage and promote race meetings; racing events; manage; administer and operate the racecourses, training centres, the totalisator, transport fleet and service divisions of the thoroughbred horse racing industry within the provinces of KwaZulu-Natal and Western Cape.

2 Review of Results

	2011	2010
	R	R
Net profit/(loss) before tax	**2 123 836**	(16 419 606)
Taxation	**3 045 770**	3 235 567
Net profit/(loss) for the year	**5 169 606**	(13 184 039)
Add: minority share of losses attributable to Gold Circle KwaZulu-Natal Slots (Pty) Ltd	**-**	1 043 759
Net profit/(loss) for the year attributable to Gold Circle	**5 169 606**	(12 140 280)

3 Basis of Preparation of Annual Financial Statements

In order to provide members with more meaningful information relating to the overall business activities and financial position of the various entities in KwaZulu-Natal and the Western Cape, these annual financial statements have been prepared on the assumption that the shareholdings of the four racing clubs have been combined into a single entity, Gold Circle Racing and Gaming Group. Accordingly the annual financial statements of the following entities for the year ended 31 July 2011 have been included in these aggregated results: Clairwood Turf Club, Durban Turf Club, Pietermaritzburg Turf Club, Western Province Racing Club, Gold Circle (Pty) Ltd and its subsidiary companies, associates and joint ventures. All significant intercompany transactions are eliminated.

This basis of preparation is not in accordance with accounting standard IAS 27 (AC132) – Consolidated and Separate Financial Statements in that the four racing clubs are not a parent company as defined and therefore the group has consolidated the clubs which it does not control. The effect of this departure would result in reduction of shareholders and members interests of R160 329 445 (2010: R160 329 445) and an increase in shareholders' loans of R160 329 445 (2010: R160 329 445).

4 Share Capital

The issued share capital comprises 2 000 ordinary shares:

	2011	2010
Clairwood Turf Club	**500**	500
Durban Turf Club	**500**	500
Pietermaritzburg Turf Club	**500**	500
Western Province Racing Club	**500**	500
	2 000	2 000

5 Directors and Secretary

H. Adams	(Resigned: 11/11/2010)
R.B. Armstrong	(Resigned: 31/01/2011)
J.A. Bescoby	(Resigned: 31/01/2011)
R.J. Bloomberg	(Appointed: 31/01/2011 and resigned: 23/06/2011)
A. Brewer	(Resigned: 31/01/2011)
N.P. Butcher	(Vice-Chairperson) (Appointed: 01/02/2011)
P.G. De Beyer	(Appointed: 29/06/2011)
R.B. Dunn	(Appointed: 22/11/2010 and resigned: 02/12/2010)
B.P. Finch	(Resigned: 23/06/2011)
L.A. Futeran (Miss)	(Appointed: 29/06/2011)
G.T. Hawkins	
W.B.W.G. Köbusch	(Resigned: 31/01/2011)
D.K. Labuschagne	(Resigned: 31/01/2011)
P.L. Loker	
V.H. Marshall	(Appointed: 31/01/2011 and resigned: 23/06/2011)
M.J.R. Mauvis	(Chairperson)(Appointed: 01/02/2011)
P. Mnganga (Mrs)	(Appointed: 01/02/2011)
A. Mohamed	(Resigned: 31/01/2011)
C. Moodley	(Appointed: 26/07/2011)
L. Nachito	(Resigned: 11/05/2011)
T.N. Pillay	(Resigned: 14/07/2011)
A.J. Rivalland	(Appointed: 01/02/2011)
G.A.R. Sturlese	(Appointed: 01/02/2011)
V.L. Thurling	(Resigned: 23/06/2011)

Regional Racing Associations

The directors of the Regional Racing Associations as at the date of these financial statements are as follows:

KwaZulu-Natal Regional Racing Association (NPC)

R.B. Armstrong	(Retired: 31/01/2011)
J.A. Bescoby	(Retired: 31/01/2011)
N.P. Butcher	(Appointed: 31/01/2011)
D.I.A. Campbell	(Resigned: 31/01/2011)
A.D. Gordon	(Retired: 31/01/2011)
W.B.W.G. Köbusch	
D.K. Labuschagne	(Retired: 09/03/2011)
M.J.R. Mauvis	(Appointed: 31/01/2011)
P. Lafferty	(Appointed: 04/05/2011)
D. Latimer	(Appointed: 16/02/2011)
C. Moodley	(Appointed: 04/05/2011)
L. Nunan	(Resigned: 31/01/2011, Re-appointed: 16/02/2011)
T.N. Pillay (Chairperson)	
G. Petzer	
W.N. Render	
P.A. Rhodes	(Resigned: 17/02/2011)
A.J. Rivalland	
G.A.R. Sturlese	(Appointed: 31/01/2011)
M. Tembe	(Appointed: 04/05/2011)

Western Province Regional Racing Association (NPC)

H. Adams	(Resigned: 11/11/2010)
R. Bloomberg	(Appointed: 31/01/2011)
E.A. Braun	
I.A. Cronje	(Appointed: 22/10/2010)
P. De Beyer	(Appointed: 31/01/2011)
R.B. Dunn (Vice-Chairperson)	
T.F. Fowler	
L.A. Futeran (Miss)	
Mrs L. King	
G.S. Knowles	(Appointed: 31/01/2011)
V.H. Marshall	
B.G. Mercorio	(Resigned: 31/01/2011)
P.L. Mickleburgh (Ms)	
P.E. Mills	
A. Mohamed	
J. Ramsden	(Resigned: 22/10/2010, Re-appointed: 31/01/2011)
V.L. Thurling (Chairperson)	

Company Secretary

The secretary of the company is Mr P.D. Erasmus whose business address is 150 Avondale Road, Greyville 4001.

Report of the Directors (continued)

6 Dividends

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

7 Corporate Governance

The Chairperson of the Audit committee, has met with the company's independent auditors to discuss accounting, auditing, internal control and financial reporting matters. The company has an internal audit department, which reports directly to the Audit Committee.

The following standing committees have been appointed:

Audit Committee	N.P. Butcher (Chairperson)	(Appointed: 03/02/2011)
	P.G. De Beyer	(Appointed: 28/07/2011)
	W.B.W.G. Köbusch	(Appointed: 09/09/2010 and resigned: 31/01/2011)
	P. Mnganga (Mrs)	(Appointed: 03/02/2011 and resigned: 11/07/2011)
	G.A.R. Sturlese	(Appointed: 03/02/2011)
	V.L. Thurling	(Resigned: 31/01/2011)
Remuneration Committee	A.J. Rivalland (Chairperson)	(Appointed: 03/02/2011)
	L.A. Futeran (Miss)	(Appointed: 28/07/2011)
	A. Mohamed	(Resigned: 31/01/2011)
	T.N. Pillay	(Resigned: 14/07/2011)
Risk Committee	N.P. Butcher (Chairperson)	(Appointed: 03/02/2011)
	P.G. de Beyer	(Appointed: 28/07/2011)
	G.T. Hawkins	
	W.B.W.G. Köbusch	(Appointed: 09/09/2010 and resigned: 31/01/2011)
	P.L. Loker	
	P. Mnganga (Mrs)	(Appointed: 03/02/2011 and resigned: 11/07/2011)
	L. Nachito	(Resigned: 11/05/2011)
	G.A.R. Sturlese	(Appointed: 03/02/2011)
	V.L. Thurling	(Resigned: 31/01/2011)

8 Subsidiaries

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

	Issued Share Capital	Percentage Holding
Natal Racing Properties (Pty) Ltd	**150 000**	100%
Cape Racing Properties (Pty) Ltd	**100**	100%
Gold Circle Gaming Investments (Pty) Ltd	**100**	100%

9 Black Empowerment Initiatives

Gold Circle has a transformation policy which regulates its activities against Government's Broad Based Black Economic

Empowerment Codes as gazetted in February 2007. The company's transformation initiatives are monitored by the Board of Directors as well as audited by the Western Cape Gambling and Racing Board on behalf of the National Gambling Board.

10 Investments in associates

Gold Circle (Pty) Ltd owns 41% (2010: 41%) of the issued share capital of Betting World (Pty) Ltd. The associate operates 37 bookmaking outlets in South Africa and continues to provide a quality service. The company's results indicate a profit before tax amounting to R15,2 million (2010: R16,5 million).

Legislative restrictions in KwaZulu-Natal are currently being amended to facilitate corporate bookmakers such as Betting World operating in the province in a similar manner to how they are permitted to do so in the rest of South Africa.

Gold Circle (Pty) Ltd also owns 17,26% of the issued share capital of Gold Circle KwaZulu-Natal Slots (Pty) Ltd.

11 Events subsequent to the statement of financial position date

An agreement to dispose of the business of the Western Cape region was approved by the Board of Gold Circle (Pty) Ltd on 13 October 2011 and by the members by special resolution on 14 November 2011. Approval by the Competition Commision is required for the transaction to be concluded.

12 Going concern

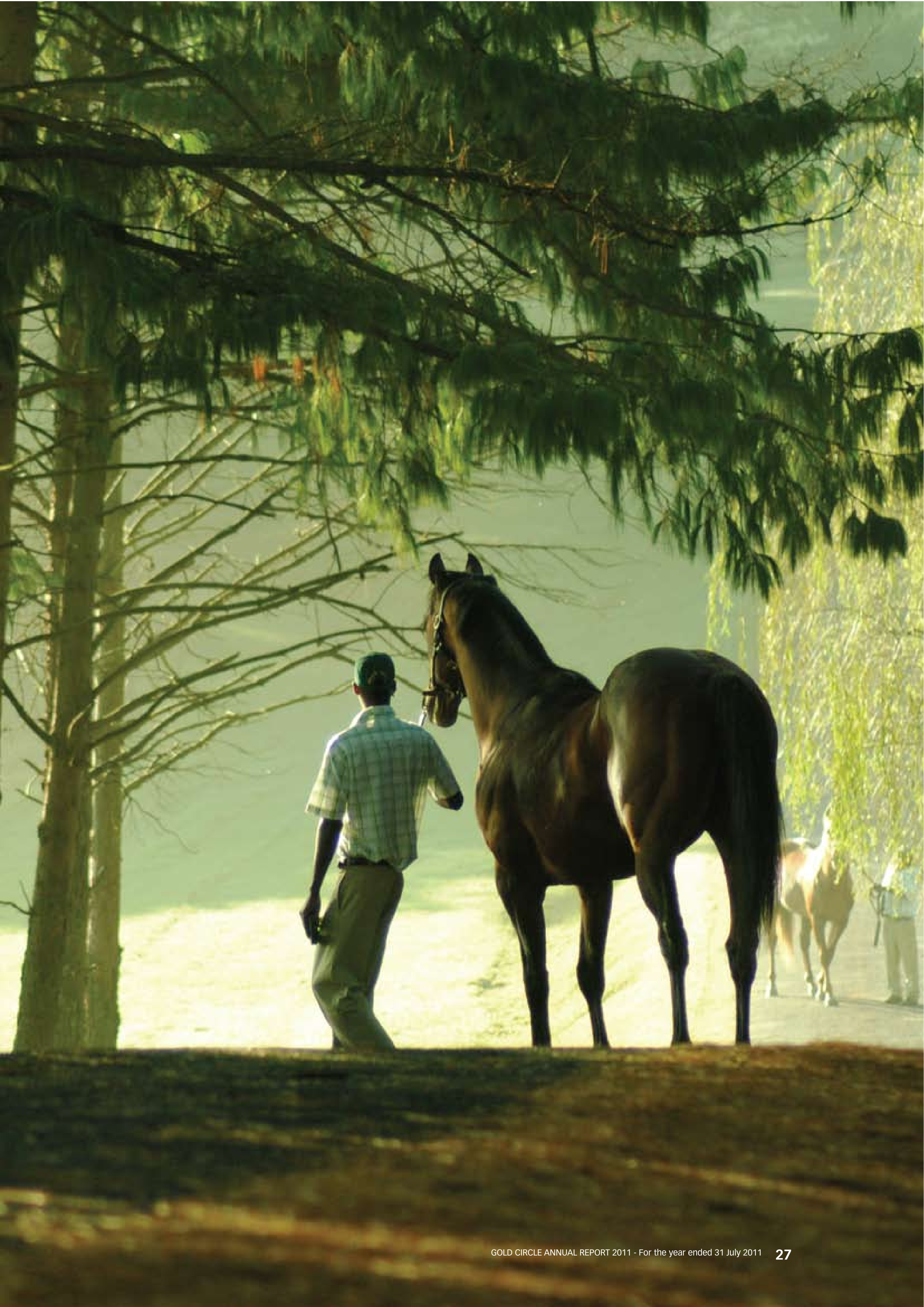
The directors believe that the group will continue as a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the group annual financial statements.

Consolidated Statement of Financial Position

	Notes	2011	2010
		R	R
ASSETS			
Non-current assets			
Property, plant and equipment	**4**	**748 598 515**	768 062 631
Investment in associates	**5**	**24 841 919**	27 179 091
Investment in joint venture	**6**	**16 800 525**	9 476 511
Loans receivable	**7**	**1 488 798**	1 488 798
Goodwill	**8**	**4 487 327**	4 487 327
Straightlining of leases asset		**3 055 915**	4 429 498
		799 272 999	815 123 856
Current assets			
Inventories	**9**	**2 401 380**	2 679 153
Trade and other receivables	**10**	**21 422 686**	21 614 868
Cash and cash equivalents		**33 299 029**	24 994 449
Current portion of straightlining of leases asset		**1 093 414**	1 302 932
		58 216 509	50 591 402
Total assets		**857 489 508**	865 715 258
EQUITY AND LIABILITIES			
Equity and reserves			
Shareholders and members interest		**122 798 572**	118 700 080
Revaluation reserve		**506 720 530**	506 720 530
Total equity		**629 519 102**	625 420 610
Non-current liabilities			
Borrowings	**11**	**23 232 620**	22 324 444
Deferred tax liability	**12**	**100 537 828**	103 583 598
Post employment medical aid obligations	**13**	**18 280 000**	16 453 000
		142 050 448	142 361 042
Current liabilities			
Short term portion of post employment medical aid obligations	**13**	**1 573 000**	1 476 000
Trade and other payables and provisions	**14**	**80 208 086**	91 711 504
Borrowings	**11**	**3 596 557**	4 746 102
Taxations payable		**542 315**	-
		85 919 958	97 933 606
Total liabilities		**227 970 406**	240 294 648
Total equity and liabilities		**857 489 508**	865 715 258

Consolidated Statement of Comprehensive Income

	Notes	2011	2010
		R	R
Gross wagering revenue before provincial tax		**441 942 112**	443 541 026
Provincial tax		**(29 802 641)**	(28 373 332)
Gross wagering revenue after provincial tax		**412 139 471**	415 167 694
Less - Agents commission paid		**(37 273 632)**	(37 067 413)
- Wagering expenditure		**(192 716 415)**	(194 829 778)
Contribution to racing from wagering activities		**182 149 424**	183 270 503
Add contribution to racing from third party bookmaking activities		**51 629 529**	44 456 441
- Stand up and information fees		**373 421**	372 381
- Tax on punters winnings		**51 256 108**	44 084 060
Share of income from joint venture		**24 078 211**	17 478 630
Share of income of associate		**4 315 690**	4 811 407
Net wagering revenues available for racing Activities		**262 172 854**	250 016 981
Add : Direct racing and other revenues	**1**	**78 819 722**	76 578 042
Less: Interest paid	**2**	**(3 366 890)**	(2 509 925)
Add: Interest received	**2**	**678 118**	3 028 289
Gross revenues available for racing activities		**338 303 804**	327 113 387
Racing expenditure		**(336 179 968)**	(343 532 993)
Operating expenditure for racecourses and training facilities		**(163 836 822)**	(163 455 178)
NHA - regulatory costs		**(18 130 914)**	(17 160 373)
Stakes - Owners		**(129 790 044)**	(139 814 680)
- Breeders		**(6 671 599)**	(7 032 785)
Racing S A Contributions		**(534 000)**	(400 500)
Contribution to jockeys remuneration		**(17 216 589)**	(15 669 477)
Net profit (loss) before taxation		**2 123 836**	(16 419 606)
Taxation	**12**	**3 045 770**	3 235 567
Net profit (loss) for the year		**5 169 606**	(13 184 039)
Add: minority share of losses attributable to Gold Circle KwaZulu-Natal Slots (Pty) Ltd		**-**	1 043 759
Net profit (loss) attributable and comprehensive income to Gold Circle		**5 169 606**	(12 140 280)



Consolidated Statement of Changes in Equity

	Members interest
	R
Balance at 31 July 2009	618 524 098
Loss for the year	(12 140 280)
Minority interests in Gold Circle KwaZulu-Natal Slots (Pty) Ltd	9 211 431
Decrease in loans from Minority Shareholders in subsidiary	(4 503 607)
Accumulated loss on disposal of Gold Circle KwaZulu-Natal Slots (Pty) Ltd	14 328 968
Balance at 31 July 2010	625 420 610
Profit for the year	5 169 606
Other movement in equity	(1 071 114)
Balance at 31 July 2011	**629 519 102**

Consolidated Statement of Cash Flows

	Notes	2011	2010
		R	R
Cash flows from operating activities			
Cash generated by operations	**15.1**	**29 527 628**	22 769 606
Interest paid		**(3 366 890)**	(2 509 925)
Interest received		**678 118**	3 028 289
Net cash flows from operating activities		**26 838 856**	23 287 970
Cash flow from investing activities			
Purchases of property, plant and equipment		**(12 904 116)**	(14 041 079)
Proceeds from disposal of property, plant and equipment		**86 875**	-
Purchases of intangible assets		**-**	441 488
Proceeds on disposal of shares in associate		**-**	900 000
Loans receivable from associates and joint ventures		**(5 475 666)**	(855 443)
Net cash flows from investing activities		**(18 292 907)**	(13 555 034)
Cash flow from financing activities			
Repayment of borrowings		**(241 369)**	(5 663 884)
Net cash flows from financing activities		**(241 369)**	(5 663 884)
Net increase in cash and cash equivalents		**8 304 580**	4 069 052
Cash and cash equivalents at beginning of year		**24 994 449**	20 925 397
Cash and cash equivalents at end of year	**15.2**	**33 299 029**	24 994 449

Accounting Policies

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of Preparation

The annual financial statements have been prepared on the historical cost convention as modified by the revaluation of land and buildings. Except for the non-compliance with accounting standard IAS 27: Consolidated and Separate Financial Statements, the annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, under the supervision of Stuart Gardner (Finance Independent Contractor).

The preparation of financial statements in conformity with the accounting policies set out below requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results ultimately differ from these estimates. During the current year, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

The following are the principal accounting policies used by the group which are consistent with those of the previous year.

1.2 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the powers to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

1.3 Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investors share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the joint ventures.

Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

1.4 Joint ventures

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in joint ventures includes goodwill identified on acquisition.

The group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the group's share of losses in the joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of the joint venture' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the group and its joint venture is recognised in the group's financial statements only to the extent of unrelated investor's interests in the joint venture.

Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in joint ventures are recognised in the statement of comprehensive income.

1.5 Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least three-yearly, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Land is not depreciated as it is deemed to have an indefinite useful life. Buildings on freehold and leasehold land are depreciated at rates calculated to write them off over a period of 50 years.

Accounting Policies (continued)

Other items of property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation on movable assets is provided on the straight-line basis over periods ranging from four to ten years depending on the estimated useful lives of the assets.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(deficits) on the disposal of property, plant and equipment are credited/(charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.6 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired business at the date of acquisition. It is reported in the statement of financial position as a non-current asset, tested annually for impairment and carried at cost less accumulated impairment losses. It is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.7 Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest rate method to determine the lease finance cost which is charged against income over the lease period, and the capital payment, which reduces the liability to the lessor.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition and is determined on a first in first out basis. Trophy stocks are stated at cost.

1.9 Impairment of non-financial assets

Assets that have an indefinite useful life for example goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The difference is recognised as an expense in the statement of comprehensive income. When a trade receivable is uncollectible it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

1.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

1.13 Financial assets

The group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables with fixed or determinable payments that are not quoted in an active market are included in current assets as non-derivative financial assets. Loans and receivables with maturities longer than twelve months after the reporting date are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statement of financial position. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Financial assets (or a portion thereof) are derecognised when the group realises the rights to the benefits specified in the contract, the rights expire or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the proceeds receivable is included in the statement of comprehensive income.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and any amount paid is included in the statement of comprehensive income.

The fair values of financial instruments traded in an organised financial market are measured at the applicable quoted prices. The fair value of the financial instruments not traded in an organised financial market are determined using a variety of methods and assumptions that are based on market conditions and risk existing at reporting date, including independent appraisals and discounted cash flow methods. Fair values represent an approximation of possible values that may differ from the values that will be finally realised.

1.14 Revenue

Revenue comprises mainly of commissions received from total bets struck and race meeting and stabling income. Revenue is shown net of value added tax.

1.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.16 Deferred income

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

1.17 Taxation

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date and that are expected to apply to the period when the liability is settled or asset realised. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax value used in the computation of taxable income. Deferred tax assets are raised only to the extent that their recoverability is probable.

Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time affects neither accounting nor taxable profit or loss.

A deferred tax liability is recognised for taxable temporary differences arising on investments in subsidiaries except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

1.18 Employee benefits

Pension obligations

The group operates defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due.

Post retirement medical obligation

The group provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age as well as the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the Project Unit Credit Method. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to income in the period in which they occur. These obligations are valued bi-annually by independent qualified valuers.

Termination Benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

1.19 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.20 Standards, amendments and interpretations effective for the first time this financial year-end

Amendments to IFRS 1 (AC 138): First Time Adoption on ' Additional exemptions'

Amendments to IFRS 2 (AC 139): Group cash-settled share-based payment transactions

Amendments IAS 32 (AC 125): Financial instruments: Presentation on classification of rights issues

Amendments to IFRS 1 (AC 138): First Time Adoption of IFRS Limited exemption from comparative IFRS 7 (AC 144) disclosures for first-time adopter

Improvements to the International Financial Reporting Standards effective for the first time this financial year-end

IFRS 2 (AC 139): Share-based Payment Scope of IFRS 2 (AC 139) and revised IFRS 3 (AC 140)

IFRS 5 (AC 142): Non-current Assets Held for Sale and

Discontinued Operations – Disclosure of non-current assets (or disposal groups) classified as held for sale or discontinued operations

IFRS 8 (AC 145): Operating Segments – Disclosure of information about segment assets

IAS 1 (AC 101): Presentation of Financial Statements – Classification of convertible instruments

IAS 7 (AC 118): Statement of Cash Flows – Classification of expenditures on unrecognised assets

IAS 17 (AC 105): Leases – Classification of leases of land and buildings

IAS 18 (AC 111): Revenue – Determining whether an entity is acting as a principal or as an agent

IAS 36 (AC 128): Impairment of Assets – Unit of accounting for goodwill impairment test

IAS 38 (AC 129): Intangible Assets – Additional consequential amendments arising from revised IFRS 3 (AC 140)

IAS 39 (AC 133): Financial Instruments – Recognition and Measurement. Treating loan prepayment penalties as closely related embedded derivatives

IFRIC 9 (AC 442): Reassessment of Embedded Derivatives – Scope of IFRIC 9(AC442) and revised IFRS 3 (AC 140)

IFRIC 16 (AC 449): Hedges of a Net Investment in a Foreign Operation – Amendment to the restriction on the entity that can hold hedging instruments

Standards, amendments and interpretations issued but not yet effective

IFRS 10 – Consolidated financial statements (effective from 1 January 2013).

Amendment to IAS 12 (AC102): Income taxes' on deferred tax (effective from 1 January 2012).

Amendments to IAS 1 (AC101): Presentation of Financial Statements (effective from 1 July 2012).

Amendments to IAS 19 (AC116): Employee benefits (effective from 1 January 2013).

IFRS 9: Financial Instruments (effective from 1 January 2013).
IFRS 9: Financial Instruments (effective from 1 January 2013).

IFRS 11: Joint arrangements (effective from 1 January 2013)

IFRS 12: Disclosures of interests in other entities (effective from 1 January 2013)

IFRS 13: Fair value measurement (effective from 1 January 2013)

IAS 27 (AC 132) (revised 2011): Separate financial statements (effective from 1 January 2013)

IAS 28 (AC 110) (revised 2011): Joint ventures and joint ventures (effective from 1 January 2013)

Amendments to IFRIC 14 (AC 447): Pre-payments of a Minimum Funding Requirement (effective from 1 January 2011).

AC 504 IAS 19 (AC 116) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment (effective from 1 April 2009).

Annual Improvements issued but not yet effective

IFRS 1 (AC 138) First-time Adoption of International Financial Reporting Standards: Revaluation basis as deemed cost. This would not have an impact on the financial statements.

IFRS 3 (AC 140) Business Combinations: Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. This would not have an impact on the financial statements.

IFRS 7 (AC 144) Financial Instruments: Clarification of disclosures. The impact of this will be considered on the effective date.

IAS 1 (AC 101) Presentation of Financial Statements: Clarification of statement of changes in equity. The impact of this will be considered on the effective date.

IAS 27 (AC 132) Consolidated and Separate Financial Statements: Transition requirements for amendments arising as a result of IAS 27(AC132) Consolidated and Separate Financial Statements. The impact of this will be considered on the effective date.

IAS 34 (AC 127) Interim Financial Reporting: Significant events and transactions. This would not have an impact on the financial statements.

IFRIC 13 (AC 446) Customer Loyalty Programmes: Fair value of award credits. The impact of this will be considered on the effective date.

Notes to the Financial Statements

	2011	2010
	R	R
1. Direct racing revenues		
Racemeeting and stabling	**65 364 063**	57 818 976
Other revenue	**13 455 659**	18 759 066
	78 819 722	76 578 042
2. Net interest expense		
Interest received	**678 118**	3 028 289
Interest paid	**(3 366 890)**	(2 509 925)
	(2 688 772)	518 364
3. Expenses by nature		
The following items have been included in arriving at operating profit:		
Advertising, events and promotions	**16 031 169**	15 004 080
Cash collection costs	**3 014 810**	2 867 635
Catering costs	**7 258 598**	8 470 983
Contribution to jockey's remuneration	**17 216 589**	15 669 478
Depreciation (including impairment)	**32 322 181**	26 142 769
Employee benefits	**130 349 903**	140 477 291
Insurance costs	**2 108 972**	2 048 016
Licence fees and subscriptions	**30 621 074**	28 867 882
Operating lease rentals		
- Property	**17 691 484**	19 701 219
- Equipment and vehicles	**3 204 094**	4 920 817
- Slot machines	**-**	4 970 783
Printing costs	**6 056 142**	2 445 297
Race meeting expenses	**9 353 878**	10 160 532
Regulatory costs (National Horseracing Authority)	**18 130 914**	17 160 372
Repairs and maintenance	**17 483 799**	25 264 115
Security expenses	**8 888 152**	8 432 806
Service fee (Saftote)	**9 932 141**	9 521 193
Stakes		
- owners	**129 790 044**	139 814 680
- breeders	**6 671 599**	7 032 785
Tote agents commission paid	**37 273 632**	37 067 413
Transformation fund	**618 657**	1 257 584
Utility costs	**24 383 083**	19 983 898
Other operating expenses	**37 769 100**	28 148 556
	566 170 015	575 430 184

	2011	2010
	R	R

3. Expenses by nature (continued)

Reconciled to expenses by function:

	2011	2010
Commission paid	37 273 632	37 067 413
Wagering expenditure	192 716 415	194 829 778
Racing expenditure	336 179 968	343 532 993
	566 170 015	575 430 184

4. Property, plant and equipment

2011	Cost	Accumulated depreciation and impairment	Carrying amount
Freehold land	302 548 482	26	302 548 456
Freehold buildings	442 511 361	64 012 715	378 498 646
Leasehold buildings	61 356 141	26 685 886	34 670 255
Plant, vehicles and equipment	169 713 538	136 832 380	32 881 158
	976 129 522	**227 531 007**	**748 598 515**

Movement in carrying amount	Freehold land and buildings	Leasehold land and buildings	Plant, vehicles and equipment	Total
Carrying amount at beginning of year	692 510 397	31 245 333	44 306 901	768 062 631
Additions	316 968	10 474	12 576 674	12 904 116
Transfers at carrying amount	(3 871 208)	4 305 686	(434 478)	-
Disposals	-	-	(46 051)	(46 051)
Depreciation	(7 909 055)	(891 238)	(23 521 888)	(32 322 181)
	681 047 102	**34 670 255**	**32 881 158**	**748 598 515**

2010

	Cost	Accumulated depreciation and impairment	Carrying Amount
Freehold land	299 574 026	-	299 574 026
Freehold buildings	449 449 967	56 513 596	392 936 371
Leasehold buildings	57 111 991	25 866 658	31 245 333
Plant, vehicles and equipment	158 417 938	114 111 037	44 306 901
	964 553 922	**196 491 291**	**768 062 631**

Notes to the Financial Statements

4. Property, plant and equipment (continued)

	Freehold land and buildings	Leasehold land and buildings	Plant, vehicles and equipment	Total
Movement in carrying amount				
Carrying amount at beginning of year	697 871 520	30 678 006	59 356 727	787 906 253
Additions	3 392 296	1 691 237	8 957 546	14 041 079
Disposals	-	-	(190 605)	(190 605)
Disposal of subsidiary	-	(255 453)	(7 295 874)	(7 551 327)
Depreciation	(8 753 419)	(868 457)	(16 520 893)	(26 142 769)
	692 510 397	**31 245 333**	**44 306 901**	**768 062 631**

The group's land and buildings were last revalued on 31 July 2009 by an independent valuer. Valuations were made on the basis of recent market transactions on arm's length terms. The revaluation surplus, net of applicable deferred income taxes, was credited to non-distributable reserves.

Depreciation expense of R32 322 181 (2010: R26 142 769) has been included in 'administrative expenses'.

A register detailing the descriptions, situation and date of acquisition of fixed assets is available for inspection at the registered office of the group.

The following mortgage bonds over certain of the land and buildings have been registered:

Mortgage bond in favour of First National Bank (amounting to R 20 million) registered over the Clairwood racecourse property to secure a banking facility for Gold Circle (Pty) Ltd. As at the end of the year the facility was not utilised.

The mortgage bond is additionally secured by suretyships issued by Clairwood Turf Club, Durban Turf Club, Pietermaritzburg Turf Club, Western Province Racing Club, Natal Racing Properties (Pty) Ltd and Cape Racing Properties (Pty) Ltd.

Mortgage bond in favour of First National Bank Limited (amounting to R20 million) registered over the Milnerton property.

Movable assets having a carrying value of R9 186 639 (2010: R9 786 953) are held under finance leases.

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2011	2010
	R	R
Cost	**73 801 162**	73 484 184
Accumulated depreciation	**(24 625 170)**	(18 474 032)
	49 175 992	55 010 152

	2011	2010
	R	R

5. Investment in associates

Betting World (Pty) Ltd

Shares at cost	**868 484**	868 484
Share of retained income	**18 782 727**	14 547 545
	19 651 211	15 416 029
Loan account	**5 190 708**	5 652 110
	24 841 919	21 068 139

Interest has been charged at a rate of 8% per annum on the loan account. The loan is unsecured and has no fixed repayment date.

The summarised financial information of the associate is as follows:	**R'000**	R'000
Assets	**72 619**	66 652
Liabilities	**27 124**	31 684
Revenue (including other income)	**84 006**	81 293
Profit after tax	**10 526**	11 539
Interest held	**41%**	41%

The Gold Circle Racing and Gaming Group has a 41% (2010: 41%) interest in Betting World (Pty) Ltd, a company in the bookmaking industry.

Gold Circle KwaZulu-Natal Slots (Pty) Ltd		
Loan account	**-**	6 110 952

The loan has been repaid during the year.

As the associate has an accumulated loss, the investment has been impaired.

Total investments in associates is made up as follows:		
Betting World (Pty) Ltd	**24 841 919**	21 068 139
Gold Circle KwaZulu-Natal Slots (Pty) Ltd	**-**	6 110 952
	24 841 919	27 179 091

Notes to the Financial Statements

	2011	2010
	R	R

6. Investment in Joint Venture - Phumelela Gold Enterprises

Phumelela Gold Enterprises Partnership

	2011 R	2010 R
Share of profits in joint venture – exclusive of equity share of PGI Limited	**24 458 188**	17 478 630
Investment in PGI Limited	**7 271 089**	8 020 350
Loan account	**(14 928 752)**	(16 022 469)
	16 800 525	9 476 511

The loan is unsecured, bears no interest and has no fixed date for repayment.

The summarised financial information of the partnership is as follows:

	R'000	R'000
Assets	**136 326**	95 295
Liabilities	**102 919**	87 062
Revenue	**231 238**	214 831
Profit	**61 449**	44 877
Interest held	**39%**	39%
Profit share	**39%**	39%

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

7. Loans receivable

	2011 R	2010 R
Unsecured		
Horseracing S A (Pty) Ltd	**1 488 798**	1 488 798

The loan is unsecured, bears no interest and has no fixed date for repayment.

8. Goodwill

	2011 R	2010 R
This is in respect of acquisition of agency outlets	**4 487 327**	4 487 327

The carrying amount of goodwill was subject to an impairment test at statement of financial position date. Impairment tests conducted at the year end indicated no requirement for impairment during the year.

	2011	2010
	R	R

9. Inventories

Finished goods	**2 401 380**	2 679 153

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to R10 446 051 (2010: R10 168 792).

10. Trade and other receivables

Trade receivables	**12 901 567**	13 260 001
Less provision for impairment of receivables	**(813 538)**	(266 350)
Trade receivables – net	**12 088 029**	12 993 651
Other receivables	**8 551 840**	7 953 865
Prepayments	**782 817**	667 352
	21 422 686	21 614 868

Included in other receivables is a net receivable from Exquisite Cruisine made up as follows:

Loan advance	**400 000**	400 000
Purchases on behalf of Exquisite Cuisine	**299 732**	99 187
Amount payable to Exquisite Cuisine	**(390 269)**	(271 771)
	309 463	227 416

The above amount has been fully provided for.
The amounts are subject to the group's standard credit terms and are due within a maximum of either 30 days or 60 days after month end depending on the class of debtor. Interest has not been charged on these accounts.

Trade receivables can be analysed as follows:

Neither past due nor impaired	**10 311 904**	9 659 282
Past due but not impaired	**1 776 125**	3 334 369
Past due and impaired	**813 538**	266 350
Impairment against these receivables	**(813 538)**	(266 350)
	12 088 029	12 993 651

The ageing of the trade receivables that are past due but not impaired is as follows:

- 60 days to 90 days	**1 166 711**	2 217 295
- 90 days to 120 days	**215 474**	754 402
- 120 days to 150 days	**192 225**	131 116
- greater than 150 days	**201 715**	231 556
	1 776 125	3 334 369

The movement in the allowance for impairment is as follows:

At beginning of the year	**(266 350)**	(404 456)
Trade receivables written off during the year	**636 758**	220 324
Increase in impairment	**(1 183 946)**	(82 218)
At end of the year	**(813 538)**	(266 350)

10. Trade and other receivables (continued)

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

The other classes within trade and other receivables do not contain impaired assets. There is no significant concentration of credit risk in respect of any particular customer or industry segment.

	2011	2010
11. Borrowings	**R**	R
Non-current		
Bank borrowings	**16 664 426**	17 827 015
Finance lease liabilities	**6 568 194**	3 397 429
Other – Lentdale loan	**-**	1 100 000
	23 232 620	22 324 444
Current		
Bank borrowings	**2 496 557**	3 546 102
Other – Lentdale	**1 100 000**	1 200 000
	3 596 557	4 746 102
Total current and non-current liabilities	**26 829 177**	27 070 546

Bank borrowings

Bank borrowings are as follows:

- FNB bank loan maturing on 1 February 2019, and this loan bears interest at prime less 1.50%
- Nedbank loan maturing on 1 December 2013 and this loan bears interest at 10.960%

The FNB loan is secured by the following property:

First mortgage bond for R20 000 000 over property described as remainder of Erf 935, Erf 8 641, Erf 12 506 and Erf 12 585, Milnerton and held under Title Deed of Transfer No. T32142, 2008.

Unlimited Suretyship over the loan is provided by the following parties:

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

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

Finance lease liabilities

Finance lease obligations secured by lease agreements over property, plant and equipment with a carrying value of R9 186 639 (2010: R9 786 953).

11. Borrowings (continued)	2011 R	2010 R
Finance lease obligations bear interest at rates between prime and prime less 1,5%.		
Finance lease liability	**9 986 274**	7 304 239
Less: Payable within one year	**(3 418 080)**	(3 906 810)
	6 568 194	3 397 429
Minimum lease payments are due as follows:		
Due within one year	**3 418 080**	3 906 810
Due within two and five years	**6 568 194**	3 397 429
	9 986 274	7 304 239

12. Deferred taxation

Opening balance	**103 583 598**	106 819 165
Charge to statement of comprehensive income	**(3 045 770)**	(3 235 567)
	100 537 828	103 583 598
The balance comprises:		
Revaluation of property	**122 467 986**	123 499 512
Provisions	**(9 381 367)**	(8 466 762)
Capital allowances and finance lease timing differences	**3 211 035**	10 058 595
Assessed loss	**(16 427 893)**	(21 665 090)
Accruals and prepayments	**668 067**	157 343
	100 537 828	103 583 598
Deferred tax to be recovered after more than 12 months	**109 251 127**	111 893 017
Deferred tax to be recovered within 12 months	**(8 713 299)**	(8 309 419)
	100 537 828	103 583 598

13. Post employment medical benefit obligation

The accrued liability split between the current and non-current liability as at 31 July 2011 is shown below:

Current	**1 573 000**	1 476 000
Non-current	**18 280 000**	16 453 000
	19 853 000	17 929 000
Movement in the liability:		
Net liability at the beginning of the year	**17 929 000**	17 668 000
Net expense recognised in the statement of comprehensive income	**3 409 000**	1 663 000
Contributions	**(1 485 000)**	(1 402 000)
	19 853 000	17 929 000
Current service cost	**59 000**	55 000
Interest cost	**1 631 000**	1 608 000
Actuarial loss recognised in full in the current period	**1 719 000**	-
Total charge to statement of comprehensive income	**3 409 000**	1 663 000

Notes to the Financial Statements

13. Post employment medical benefit obligation (continued)

The company does not have an obligation to any employees or former employees in respect of post retirement medical aid funding other than that which has been provided for in these financial statements.

The actuarial valuation is carried out every 2 years, the last valuation being completed as at July 2011.

Discount rate	**8.75% p.a.**	9.5% p.a.
Health care cost inflation	**7.75% p.a.**	8% p.a.
Expected retirement age	**65 years**	65 years

	31 July 2011	**31 July 2010**	**31 July 2009**	**31 July 2008**	**31 July 2007**
Present value of obligations	19 853 000	17 929 000	17 668 000	16 956 000	16 744 000
Fair value of plan assets	-	-	-	-	-
Present value of obligations in excess of plan assets	19 853 000	17 929 000	17 668 000	16 956 000	16 744 000

Experience adjustments
(Actuarial gain/(loss) before changes in assumptions)

In respect of present value of obligations	(920 000)	-	(924 000)	-	(879 000)
In respect of fair value of plan assets	-	-	-	-	-

Sensitivity Analysis

The valuation results set out above are based on a number of assumptions. The value of the liability could turn out to be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.

The liability of Gold circle has been recalculated to show the effect of:

- A one percentage point decrease or increase in the rate of health care cost inflation;
- A five or ten percentage point increase in the rate of health care cost inflation for the next five years, thereafter returning to a health care cost inflation of 7.75% p.a.;
- A one percentage point decrease or increase in the discount rate;
- A one year decrease or increase in the expected retirement age.

	Health Care Cost Inflation		
	Central assumption 7.75%	**-1 %**	**+1 %**
Accrued Liability - 31 July 2011	19 853 000	18 241 000	21 696 000
% change	0%	-8.17%	+9.3%
Current Service Cost + Interest Cost 2010/11	1 703 000	1 558 000	1 870 000
% Change	0%	-8.5%	9.8%
Sensitivity Results from Previous Valuation	**Central assumption 8%**	**-1%**	**+1%**
Current Service Cost + Interest Cost 2010/11	1 663 000	1 516 000	1 831 000
% change	0%	-8.8%	10%

13. Post employment medical benefit obligation (continued)

	Health Care Cost Inflation		
	Central assumption 7.75%	**+ 5% for 5 years**	**+ 10% for 5 years**
Accrued Liability - 31 July 2011	19 853 000	23 956 000	28 786 000
% change	0%	20.7%	45%

	Discount Rate		
	Central assumption 8.75%	**-1%**	**+1%**
Accrued Liability - 31 July 2011	19 853 000	21 671 000	18 289 000
% change	0%	+9.2%	-9%

	Expected Retirement Age		
	Central assumption 65 Years	**1 Year Younger**	**1 Year Older**
Accrued Liability - 31 July 2011	19 853 000	19 959 000	19 733 000
% change	0%	+0.5%	-0.6%

The expected contributions to be paid in the 2012 year amount to R1 635 000.

	2011	2010
	R	R
14. Trade and other payables		
Amount due to punters	**7 004 074**	11 324 384
Breeders premiums	**4 959 580**	5 788 418
Rental provision	**1 763 375**	900 000
Creditors	**52 993 062**	58 747 684
Short term portion of leases	**3 418 080**	3 906 810
Telephone Betting	**3 976 290**	5 280 301
VAT	**6 093 625**	5 763 907
	80 208 086	91 711 504

15. Notes to the cash flow statement

15.1 Cash generated by operations

Net profit/(loss) before tax	**2 123 836**	(16 419 606)
Adjustments for:		
Depreciation	**32 322 181**	26 142 769
Impairment	**-**	84 558
Profit on disposal of property, plant and equipment	**(80 799)**	-
Profit on disposal of shares in associate	**-**	(862 310)
Interest received	**(678 118)**	(3 028 289)
Interest paid	**3 366 890**	2 509 925
Post-retirement medical obligation	**1 924 000**	261 000
Lease receivable	**1 583 101**	(5 732 430)
Disposal of shares in subsidiary	**-**	22 496 640
	40 561 091	25 452 257
Changes in working capital	**(11 033 463)**	(2 682 651)
Inventories	**277 773**	775 081
Trade and other receivables	**192 182**	(4 168 814)
Trade and other payables and provisions	**(11 503 418)**	711 082
Cash generated from operations	**29 527 628**	22 769 606

Notes to the Financial Statements

	2011	2010
	R	R

15. Notes to the cash flow statement

15.2 Cash and cash equivalents

Cash resources	**33 299 029**	24 994 449

16. Retirement benefit information

The company contributes to the following pension and provident funds:

Evergreen Pension Fund

Evergreen Provident Fund

Both funds are registered in the name of Gold Circle (Pty) Ltd, are administered by Old Mutual and are governed by the Pensions Fund Act.

Current contributions to pension and provident funds are charged against income as incurred.

The company is currently concluding the winding up of one closed retirement fund through a Section 14 transfer, in terms of the Pension Fund Act.

17. Taxation

No current taxation has been provided as the company has an estimated assessed loss amounting to R57 055 632 (2010: R80 722 503).

18. Capital commitments

Authorised and contracted for	**300 000**	604 806
Authorised and not contracted for	**-**	21 485 400
	300 000	22 090 206

19. Operating lease commitments

The Durban Turf Club has a lease over Greyville racecourse that expires on December 31 2069. The rental payable under the lease is determined on a formula based on gross totalisator turnover or a minimum rental whichever is the greater. The future lease commitment based on the minimum rental is as follows:

Due within one year	**1 008 000**	1 008 000
Due within two and five years	**4 032 000**	4 032 000
Due after five years	**54 187 000**	55 195 000

The Pietermaritzburg Turf Club has a lease over Scottsville racecourse that expires on November 30 2035. The rental payable under the lease is based on on-course turnover and the rateable value of land. The future lease commitment on the current basis is as follows:

Due within one year	**311 196**	311 196
Due within two and five years	**1 244 784**	1 244 784
Due after five years	**7 468 704**	7 779 900

	2011	2010
	R	R

19. Operating lease commitments (continued)

The group leases certain other properties, the future commitments being as follows:		
Due within one year	**10 211 496**	7 828 753
Due within two and five years	**17 468 570**	6 778 122
The group leases certain of its plant and equipment in terms of operating leases as follows:		
Due within one year	**1 727 499**	963 399
Due within two and five years	**2 480 539**	745 170
Due after five years	**-**	-

20. Financial risk management

Financial risk factors

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

Risk management is carried out by the board of directors.

(a) Market risk

(i) Foreign exchange risk

The company does not operate internationally and is therefore not exposed to foreign exchange risk.

(ii) Price risk

The company holds investments at fair value through profit or loss or as available for sale and is therefore not exposed to price risk.

(iii) Cash flow and fair value interest rate risk

The company's interest rate risk arises from long term borrowings with banks. Borrowings issued at variable rates expose the company to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only large and well established entities are used. Ongoing evaluations are performed on the financial position of these debtors by monitoring monthly receipts. At year end, the company did not consider there to be any significant concentration of credit risk for which a provision needs to be made.

(c) Liquidity risk

Cash flow forecasting is performed by the entity and management monitors rolling forecasts to ensure that the entity has sufficient cash to meet operational need's while maintaining sufficient headroom on its undrawn borrowing facilities.

Surplus cash held by the entity over and above its working capital requirements are invested in interest bearing current accounts, time deposits and money market deposits.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses the company maintains flexibility in funding by maintaining availability under committed credit lines. The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Financial Statements

20. Financial risk management (continued)

	Less than 1 year	Between 2 & 5 years	Over 5 years
As at 31 July 2011			
Trade and other payables and provisions	80 208 086	-	-
Borrowings	3 596 557	5 613 353	11 051 073
Finance lease liability*	3 418 080	6 568 194	-
As at 31 July 2010			
Trade and other payables and provisions	91 711 504	-	-
Borrowings	4 746 102	11 705 364	6 939 475
Finance lease liability*	3 906 810	3 397 429	-

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

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

Cash resources	33 299 029
Undrawn borrowing facilities	20 000 000
Total available resources	**53 299 029**

Fair value estimation

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

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns to stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company does not target specific capital ratios.

21. Subsidiaries of Gold Circle (Pty) Ltd

	Issued Share Capital 2011	% Holding 2011	Issued Share Capital 2010	% Holding 2010
Directly Held				
Cape Racing Properties (Pty) Ltd	**1 000**	**100**	1 000	100
Gold Circle Gaming Investments (Pty) Ltd	**100**	**100**	100	100
Natal Racing Properties (Pty) Ltd	**150 000**	**100**	150 000	100
Gold Circle Gauteng Gaming Investments (Pty) Ltd	**-**	**-**	100	100
Indirectly held				
Gold Circle KwaZulu-Natal Slots (Pty) Ltd	**-**	**-**	-	-
Gold Circle Gauteng Slots (Pty) Ltd	**-**	**-**	100	100

All companies are incorporated in South Africa

22. Related parties

22.1 Identity of related parties

The holding entities of Gold Circle (Pty) Ltd are Clairwood Turf Club, Durban Turf Club, Pietermaritzburg Turf Club and Western Province Racing Club each hold 25% of the company's ordinary shares (2010: 25%).

The associates of the group are identified in note 5.

The directors are listed in the directors' report.

22.2 Related party transactions

Phumelela Gold Enterprises

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

The following related party transactions have occurred between Phumelela Gold Enterprises and Gold Circle (Pty) Ltd as well as balances payable and receivable at 31 July 2011.

Notes to the Financial Statements

22. Related parties (continued)

Expenses	2011	2010
	R	R
Subscriptions expense	**10 664 436**	10 093 422
Royalties – International	**7 963 775**	5 461 445
Royalties – Zimbabwe	**449 558**	451 321
Income		
T V Production income	**(279 961)**	(160 100)
Transactions and balances at year end		
Loan account	**(14 928 752)**	(16 022 469)
Investment in PGI Limited	**7 271 089**	8 020 350
Share of profit of PGE exclusive of equity share of PGI Limited	**24 458 188**	17 478 630
Amounts included in trade and other payables	**1 117 109**	3 479 225
Amounts included in trade and other receivables	**157 773**	136 995
Betting World		
Administration fees	**(34 440)**	(34 440)
Commission paid	**2 305 184**	2 612 646
Rental received	**(1 886 978)**	(1 788 863)
Interest received on shareholders loan	**(462 111)**	(711 639)
Gold Circle Kwazulu-Natal Slots (Pty) Ltd		
- Interest on shareholder's loan	**-**	1 390 989
- LPM commissions received	**3 216 975**	3 635 787
- Administration fees received	**237 626**	1 180 097
M Nairac Bloodstock	**114 800**	-
Executive directors and prescribed officers		
Salary and short-term employee benefits	**3 600 396**	2 907 242
Material transactions with Gold Circle directors and Regional Board directors		
Services provided to Gold Circle		
Event World – cost of hospitality infrastructure		
- director interest MG Holmes	**-**	1 375 090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22. Related parties (continued)

	2011 R	2010 R
Tote agency commission direct and in partnership		
- director interest TN Pillay	**1 613 930**	1 423 518
Shepstone & Wylie – legal expenses		
- director interest Bruce Armstrong	**98 587**	278 209
Consulting Fees - Demerger		
A J Rivalland	**75 000**	-
R Bloomberg	**75 000**	-
V Thurling	**75 000**	-
Income derived from service provider		
Event World		
- director interest MG Holmes	**-**	(3 399 640)
Year-end balances arising from transactions above:		
Receivables:		
- Event World	**-**	967 347
Payables:		
- Event World	**-**	152 042
- Shepstone & Wylie	**-**	71 837

Directors interests are declared to the Board of Directors and contracts are prepared and signed by an executive director.