



ANNUAL REPORT

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Gold Circle Racing and Gaming Group

The Business Of Gold Circle Is:

To promote the thoroughbred racehorse through operating:

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

The Vision Of Gold Circle Is:

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



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Board of Directors



Ms BF Scott
(Chairperson)



NP Butcher
(Former Chairperson)



MJL Nairac
(CEO)



D Chetty



JHS De Klerk



PB Gibson



GM Grant



PV Lafferty



Ms P Mnganga



Ms C Moodley



S Naidoo



Ms M Nhlanhla



L Nunan



G Petzer



Ms Y Pillay
(CFO)



MW Rohwer



K Thambiran



LR Whiteford



Z Zulu

Entity Information

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

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



Chairman's Report

INTRODUCTION

The Annual Financial Statements of the Gold Circle Group for the year ended 31 July 2021 are presented on behalf of the Directors.

The significant events drawn to Club Members' attention last year were still very relevant to the 2021 financial year. The effects on the racing industry of both Covid and the Phumelela Gaming and Leisure (Phumelela) business rescue processes are dealt with in each related segment in this report. The sustainability of the Gold Circle business has taken up much of the Board's and Management's focus over the past year dealing with the many challenges that continue to face the industry.

FINANCIAL PERFORMANCE

Parallels and comparative analyses in the financial revenues reflected in the 2021 trading statements, compared with the prior year, are difficult to provide due to the fact that during 2020 the impact of Covid was more devastating. As a consequence, and due to the company slowly recovering from the pandemic effects, the 2021 revenues generated are significantly higher but still below those in the pre-Covid period.

The trading profit of the company before taxation at 31 July 2021 amounted to R46.4 million after taking into account items of an extraordinary nature (2020: Loss R96.5 million). Highlights of the current year's income generation are as follows:

- Totalisator turnover for the year amounted to R821.8 million.
- Fixed odds bets placed through Track and Ball amounted to R230.2 million.
- Income received through third party bookmaking activities amounted to R70.3 million.
- International income generated through sale of picture and investments amounted to R75.7 million.
- Net income derived from the company's investment portfolio equated to R18.5 million.

The amount of R70.3 million received from bookmaking activities over the past year has doubled when compared with the prior year. The major contributor to this significant increase is the relocation by Hollywoodbets of their betting server to their KwaZulu-Natal region.

Total revenue generated from local operating activities amounted to R 347.1 million, an increase of 17.2% compared with the R296.1 million earned in 2020. The increase is attributable in the main to the relaxation in the Covid regulations as well as the increase in income received from third party bookmaking activities.

Total income from investments, including the "ring-fenced" portion amounted to R2.4 million compared with R5.1 million in the prior year. Part of the reason for the decline was the disinvestment of funds as approved by Club Members in the past year for operational requirements. Whilst the stock market indices continue to be erratic the company's investments are held for the longer term.

In terms of the International Financial Reporting Standards (IFRS), certain income categories have not been included in the Consolidated Income Statement and have been allocated directly to the Balance Sheet. Total comprehensive income for the year after taxation and extraordinary revenue adjustments, amounted to a profit of R46.4 million compared with a deficit of R96.5 million in the prior year. The main reason for the variance was as a result of asset revaluations, the impairment reversal of receivables owed by Phumelela being charged to the income statement together with the positive impact of recently relaxed Covid regulations.

Total expenditure, excluding Stakes paid to Owners, amounted to R347.1 million and reflects an increase of 3.9% on the comparable amount spent in 2020. Stakes paid to Owners over the past year increased by 3.7% to R76.2 million. The effect of the Covid regulations continues to have a dramatic effect and costs are being closely monitored.

Phumelela

Club Members have previously been advised that the arbitration hearing relating to the Phumelela Business Rescue Practitioner ("the BRP") disputing Gold Circle's ownership of shares in PGI has been postponed to April 2022.

Pursuant to this dispute, the BRP is withholding payment to Gold Circle of R173.4 million and holding it as security in respect of a possible counter claim that the BRP asserts that Phumelela might have against Gold Circle in the event that it is found that Gold Circle does not own the shares in PGI.

Chairman's Report (continued)

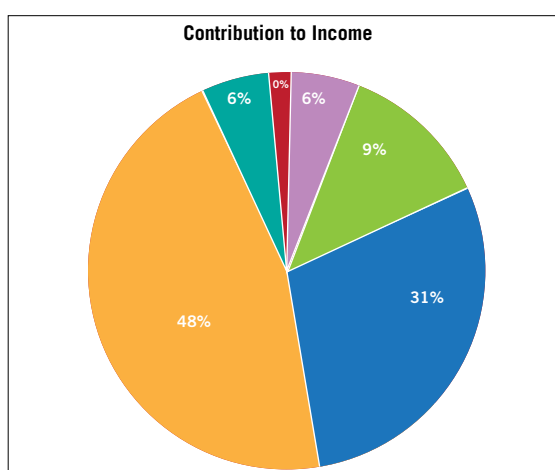


This counter claim has not been formally quantified or claimed by Phumelela. It also does not form part of the arbitration hearing. Gold Circle disputes that Phumelela has a counterclaim.

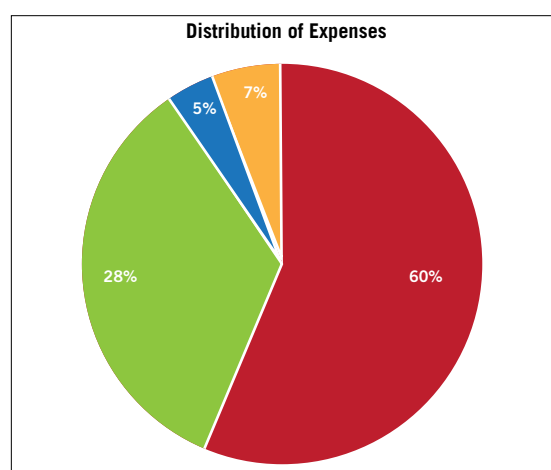
As a result of the BRP withholding payments to Gold Circle, Gold Circle's operating cash flows have been severely negatively impacted upon which resulted in Club Members approving in total R110 million in drawdowns from the ring-

fenced Clairwood property sale proceeds to fund the ongoing commercial operations of the business.

The graphs below reflect the 2021 macro management summary of Gold Circle's sources of income and the sectors where expenditure was incurred to provide facilities for KwaZulu-Natal racing. These statistics confirm the statement of total comprehensive income but are defined differently in the audited financial statements.



| | % | R in Millions |
|-----------------------|----|---------------|
| Investments | 6 | 18.5 |
| Racing revenue | 9 | 28.4 |
| Wagering | 31 | 95.5 |
| Intellectual Property | 48 | 146.0 |
| Asset Utilisation | 6 | 17.7 |
| Vodacom Durban July | 0 | 1.4 |



| | % | R in Millions |
|---|----|---------------|
| Racing - Training Centres, Tracks and Operations | 60 | 153.1 |
| Stakes - Owners and Breeders | 28 | 76.2 |
| Jockey Remuneration | 5 | 13.4 |
| Regulatory Costs - National Horseracing Authority | 7 | 18.8 |

Chairman's Report (continued)

FINANCIAL POSITION

As at 31 July 2021, the Group controlled total assets of R944.8 million (2020: R887.0 million) and total liabilities amounting to R224.0 million (2020: R212.6 million). Excluding the loan owing to Gold Circle Racing Club amounting to R39.5 million, the total equity attributable to shareholders amounts to R720.8 million (2020: R674.4 million).

Cash and cash equivalents as at 31 July 2021 amounted to R15.7 million (2020: R24.0 million). The decrease in available cash is due to an outflow of funds as a consequence of Covid and the Phumelela crisis.

ASSET UTILIZATION

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

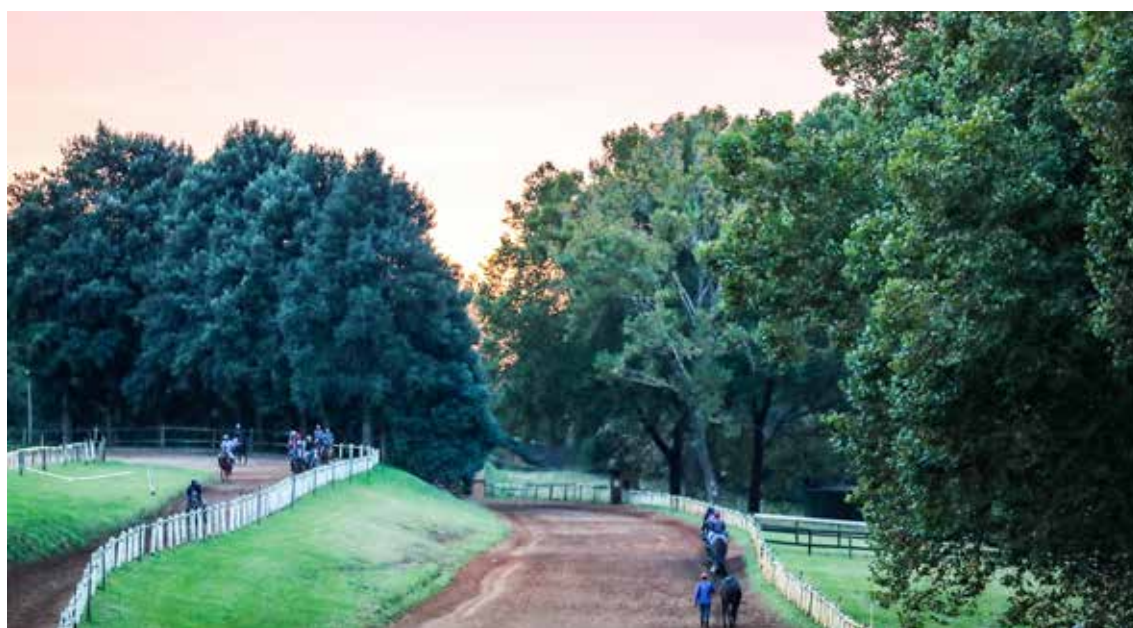
The Greyville Convention Centre has again opened its doors to the public given that the Covid regulations have been relaxed.

Generated net sales amounted to only R500 000 during the current financial year. Increased sales demand is being experienced in the new financial year and it is hoped that following the necessary restructure of this division it will again become a popular hospitality venue.

Two years ago Gold Circle invested into a solar power system which provides solar energy directly into the current electricity grid of the company during daylight hours. The system was implemented at a cost of R3.4 million, excluding financing costs, and has since inception generated R2.3 million in energy. Management are in the process of investigating an extension to the current solar project to increase the cost savings from this alternate energy source.

The 2019 Agreement with Hollywoodbets for the naming rights to the two racecourses in KwaZulu-Natal has exponentially benefitted the company as well as racing in general. Arising from this partnership have been numerous marketing and branding promotions which have had the effect of ensuring that racing in this province will go from strength to strength. On behalf of the Board a vote of thanks is extended to Hollywoodbets for their unwavering support of Gold Circle and increasing investment in horse racing.

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



National & International Initiatives

Gold Circle continues to provide services to the national racing industry in respect of contractual business operations which are prescribed in the National Sports and Administration agreement. This agreement deals with horse racing matters including management of the National Racing Bureau.

TELLYTRACK

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

INTERNATIONAL

The Licence Agreement between Gold Circle and Phumelela Gaming and Leisure, whereby the company's racing product is sold internationally, remains a significant source of revenue for the company contributing R75.7 million during the past financial year. The Licence Agreement has a termination date of 31 December 2022 or earlier by agreement between the Parties.

With the imminent liquidation of Phumelela Gaming and Leisure management are well placed to take over this responsibility and to negotiate independently with overseas suppliers of product.

Totalisator & Bookmaking

TOTALISATOR

Total pre-tax commission received from totalisator betting turnover generation amounted to R211.9 million and continues to be an important source of income for the company. Gross betting turnovers for all products for the 2021 financial year amounted to R821.8 million compared with R728 million in the prior year. The main reason for the increase in turnover is the intermittent relaxation in Covid regulations which has allowed betting outlets to reopen for business. During July 2021 KZN experienced severe civil unrest which resulted in the cancellation of two racing fixtures as well as the closure of most betting outlets, some of whom will not reopen.

Totalisator turnover generation remains in a declining market phase which is due to the country's deteriorating economy as well as it not being able to compete with competitive products as offered by fixed odds operators.

Gold Circle in association with the Hong Kong Jockey Club hosted World Pools on both the Daily News 2000 and Marshall's World of Sport Gold Cup race days. This marked the first time that South African betting public were able to bet into Hong Kong's mega totalisator pools. Total pools worldwide for the two race days were R486 million and R628 million respectively. With the success of the two selected days it is hoped that more such betting opportunities will be made available in the future.

BOOKMAKING

Track and Ball (T&B), the company's Black owned subsidiary, severely affected by the Covid pandemic in 2020 has recorded an operating loss of R400 000 before depreciation, tax, interest charges and IFRS adjustments. Total betting turnover for T&B decreased by 1% year on year, with net income increasing by 3,5% to R29,6m. The company traded from five owned licensed premises including a call centre, limited trading from the racecourses and a web based application. T&B have launched an online integration with TabGold that allows customers to bet into the totalisator pools using their T&B betting account. It further managed six additional betting outlets from three Black-empowered licensees in which T&B has a minority equity ownership.

During October 2021 the company's betting outlet at Overport Centre was relocated to premises situated on Hollywoodbets Greyville racecourse under the name "The Finishing Post". This new location will be popular with the betting public.

T&B has partnered with Vunani Capital Proprietary Limited to target an expansion into various African countries with an online betting site branded as Alpha-bet and has secured the URL www.alpha-bet.africa. The company will manage the betting operations and generate a revenue share from these licences.

Events and Marketing

MARKETING

Varying Covid restriction levels once again created havoc with planning and execution of Champions Season. Whilst these changes did not affect the racing calendar as in 2020, they did have an impact on on-course attendances. With the coordination of the company's various race day departments and regular clear communication with stakeholders, Gold Circle was able to ensure that the rich tradition and quality of Champions Season was maintained on-course and also to those patrons viewing the broadcast or engaging with the company via its digital platforms.

Champions Season, with its feature race programme, attracted the very best thoroughbreds in the country and once again decided the vast majority of the season's Equus Champions. The 2021 Equus Horse of the Year was the evergreen Rainbow Bridge, who added to his Cape Met victory with commanding performances in the IOS Drill Hall Stakes and the Hollywoodbets Gold Challenge (G1). An expression of gratitude must go to Hollywoodbets who have committed to a three year sponsorship of this esteemed race. The Equus Awards once again recognised the contributions of the media to the racing industry and the Gold Circle Media Team secured a clean sweep in all categories.

This year the Vodacom Durban July was further restricted compared to the 2020 event which was held behind closed doors. A movement to Level 4 less than a week before raceday resulted in the cancellation of the Gateway Fashion Showcase, the VDJ Launch event at the Beverley Hills and the restriction of on course attendance to only trainers, grooms, jockeys and officials.

Much of the event publicity had already been secured prior to the heavier restrictions being implemented with the theme announcement and VDJ Fashion Experience having been launched in March 2021. This year the VDJ Fashion Experience included three categories, namely the VDJ Young Designer Award, the DFF Rising Stars and the VDJ Invited Designers. Notwithstanding the cancellation of the final VDJ Fashion Showcase at Gateway, the publicity generated from the VDJ Fashion Experience was unparalleled and the event exposure on social media surpassed pre-Covid levels. The City of Durban once again held a media launch that was broadcast

on CNBC Africa for their Durban's July Grand Experience, and included the Vodacom Durban July as a key event in their tourism offering.

The KwaZulu-Natal Racing Awards for the 2021 Season took place in the Parade Ring at Hollywoodbets Greyville on Monday, 30 August 2021. Congratulations are extended to the winning Owner, Hollywood Syndicate, the winning Trainer, Garth Puller (for the second season in a row) and winning Jockey, Lyle Hewitson for their exceptional achievements over the past year. Vodacom Durban July winner, Kommetdieding trained by Harold Crawford, was crowned KwaZulu-Natal Horse of the Year with the Breeder category being won by Klawervlei Stud.

Planning for the 2022 event is underway with a number of key sponsors and partner agreements requiring renewals. Gratitude is extended to all sponsors who continue to support Gold Circle and the KZN Racing Industry through these unprecedented times.

Gold Circle was the proud recipient of the first-place award as the best managed company in the Top 500 Gaming and Leisure Industry sector. To be nominated as a Top 500 company, a business has to excel in three key spheres, financial performance and people management which includes the development of staff and commitment to social transformation as well as policy or accreditation. It is an honour to be recognised as the leader in the industry sector.

RACING

Gold Circle featured 108 race meetings during the year compared with 84 in the prior period. Although the Company's revenue streams were under pressure, stakes were marginally increased for both feature and minor races. Stakes paid to stakeholders was R76.2 million compared with R73.5 million in the prior year.

The success of the 2021 Champions Season was hallmarked by many outstanding performances and high quality competitive racing. The jewel in Africa's racing crown, the Vodacom Durban July, continues to attract the best bred horses and provides the country with a racing extravaganza

Events and Marketing (continued)

that is the envy of other racing jurisdictions. Sadly, for the second year running, the event had to be held behind closed doors.

The concluding racing event in the 2021 Champions Season was the 100th running of the Gold Cup sponsored this year by Marshall's World of Sport. This racemeeting was also held behind closed doors and brought the final curtain down on the South African racing year leaving only the selection of nominees of the provincial and national racing awards to be finalised and adjudicated.

The condition of the Hollywoodbets Greyville turf track has been exceptional over the past year and stood up particularly well over the Champions Season. The track was subsequently closed for a mini rejuvenation and racing resumed on the turf on Wednesday, 1 September 2021. The major track spring treatment is scheduled for January 2022.

The Polytrack at Hollywoodbets Greyville continues to provide for the majority of races in KwaZulu-Natal. This track provides a uniform racing surface throughout the year and ensures that very few race meetings in the province are cancelled due to inclement weather.

The turf track at Hollywoodbets Scottsville raced well over the past year. Notwithstanding the grass being affected through frost during Champions Season the track surface provided true underfoot conditions. This track has undergone its annual spring treatment in the months of October and November 2021 and will re-open for racing in December 2021.

The racing fixtures scheduled in KwaZulu-Natal have been well supported over the year with Gold Circle reflecting the best average field size compared to the rest of the country. With current Covid restrictions in place, no night race meetings were scheduled in the past racing year. Night racing provides a great added opportunity for South Africa to export horse racing into the international market for betting and commingled totalisator pools. Management will continue to monitor the financial viability of reintroducing Friday night racing into the racing calendar.

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



Gambling Legislation and Regulation

KZN GAMING AND BETTING BOARD (KZNGBB)

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

The Department of Trade and Industry continues its review of the Gambling Policy Commission's recommendations on gambling and betting in the country. Gold Circle is not aware of any proposed amendments to the National Gambling Act.

In the 2020 Report Club Members' attention was drawn to a proposed amendment to the KwaZulu-Natal Gaming and Betting Tax Act legislation which was published in the Government Gazette reducing the proportion of punter's betting tax distribution to Gold Circle from 3% to 1.6%. The effect of this proposed legislative clause was that Gold Circle would have lost approximately R33 million per annum in the current year. There had been no consultative process adopted by government in effecting this amendment. Following consultations with the MEC for Finance drawing attention to the unconstitutionality of the manner in which the legislation had been proposed the MEC for Finance withdrew the amendments to the legislation noting that the matter would be further considered by government.

Gold Circle has been made aware that it remains the intention of Government to reintroduce the prior legislative amendments which will affect all gaming and betting operators in the province. This matter remains a major threat to Gold Circle's future business sustainability. The Gold Circle Board has taken a proactive approach to this gazetted legislation, in order to open dialogue with government and the other major stake holders in the gaming and betting industry.

As noted in the 2020 Report it is important to note that the bookmaking fraternity are not obligated to make a direct contribution towards the cost of providing racing product and yet they are licenced by the Gambling Boards to use the intellectual property for their own benefit. The 3% punter's betting tax distribution received from the provincial fiscus seeks to correct this anomaly and is deemed to be a contribution by bookmakers towards the cost of staging horse racing. This income source is an important part of the company's total revenue base which is allocated for horse racing purposes and is listed in the company's financial statements as third-party Bookmaker contributions.



Corporate Governance

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

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

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

| | Board | Audit | Risk | Remco | Racing | Social & Ethics | Remuneration "R" |
|--------------------------------|-------|-------|------|-------|--------|-----------------|------------------|
| NON-EXECUTIVE | | | | | | | |
| N P Butcher | 6/6 | - | - | - | 6/6 | - | 137 500 |
| D Chetty | 6/6 | - | - | - | 6/6 | - | 77 500 |
| J H S De Klerk (31 March 2021) | 5/5 | 2/2 | 1/1 | - | 6/6 | - | 67 500 |
| P V Lafferty | 6/6 | - | - | 6/6 | 6/6 | - | 100 000 |
| P Mnganga | 4/6 | - | - | - | - | 3/4 | 85 000 |
| C Moodley | 6/6 | 1/2 | - | - | - | - | 122 000 |
| M Nhlanhla | 6/6 | - | - | - | - | 4/4 | 67 500 |
| L Nunan | 6/6 | - | - | - | - | 4/4 | 105 000 |
| G Petzer | 6/6 | - | - | 4/4 | - | - | 97 500 |
| B F Scott | 1/1 | - | - | - | - | - | 15 000 |
| L R Whiteford | 4/4 | - | - | - | - | - | 52 500 |
| Z Zulu | 5/6 | 2/2 | 1/1 | - | - | 3/4 | 72 500 |
| Total Remuneration Cost | | | | | | | 999 500 |

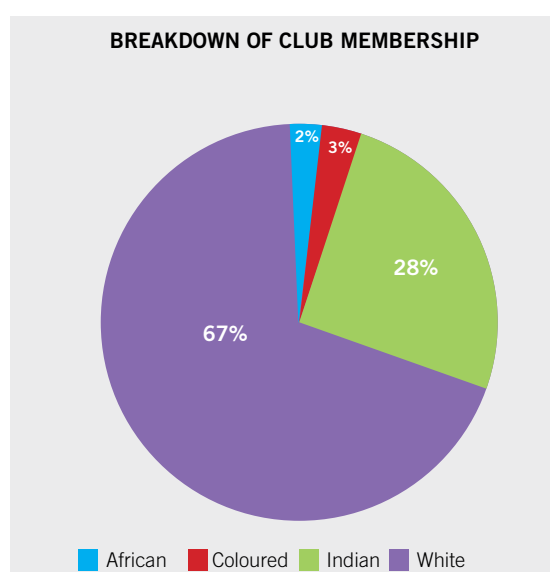


Transformation

Gold Circle Proprietary Limited is a responsible corporate entity and aligns itself with the principles of Broad Based Black Economic Empowerment. The Broad-Based Black Empowerment Act and the Codes of Good Practice, as amended from time to time, form the basis of Gold Circle's transformation strategy. To this end, the company currently has a level 4 B-BBEE recognition level. Gold Circle has over the years implemented several initiatives which demonstrate a positive commitment to transformation throughout its business.

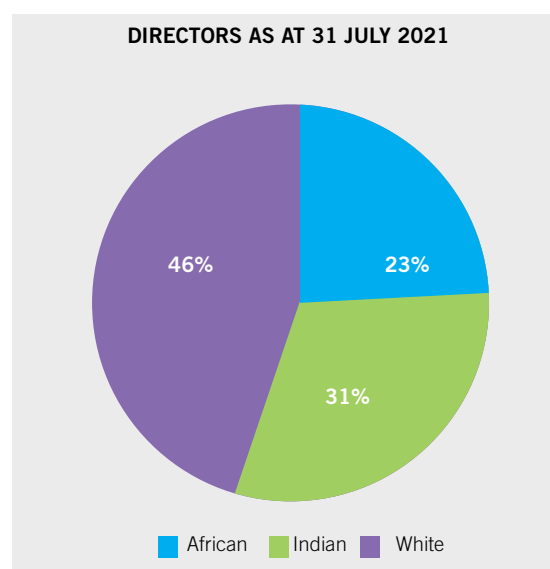
CLUB MEMBERSHIP

The Gold Circle Racing Club, as the single shareholder in Gold Circle, comprised 794 members as at 31 July 2021. There are no barriers to becoming a member of the Club and the Board of Directors continue to initiate efforts to improve the demographic profile of club membership. The Black membership component was 33%.



BOARD REPRESENTATION

Representation on the Board of Directors of Gold Circle is mainly driven through the Club membership and in addition, the Board makes external appointments to balance the skills required to drive the business. At 31 July 2021 the Board comprised two executive and eleven non-executive directors.



MANAGEMENT AND STAFF

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

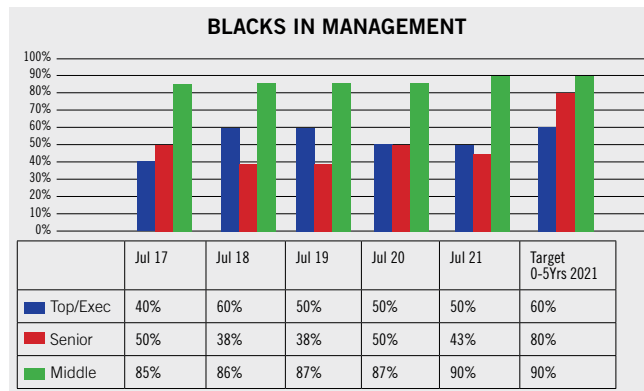
The company outsources a limited number of designated skills which will be phased out by the Board through respective appointments in line with the strategic objectives of the company. Due to the tough economic challenges being faced by the company as a result of Covid restrictions and other industry challenges, part of the Board's recovery strategy is the restructure and rationalization of personnel to align operational costs with income streams.

The following table reflects the employment sectors and the demographic profile of personnel employed by the company including branch betting outlet operations at 31 July 2021. There has been a significant decline in the total number of personnel employed as compared to the same time last year (772 to 704).

| Race | Executive Management | Senior & Middle Management | Junior Management | Semi-Skilled | Unskilled | Grand Total | % |
|------------------|----------------------|----------------------------|-------------------|--------------|------------|-------------|------------|
| Black | 0 | 8 | 100 | 240 | 128 | 476 | 68 |
| Indian | 3 | 21 | 55 | 78 | 2 | 159 | 23 |
| Coloured | 0 | 0 | 10 | 18 | 2 | 30 | 4 |
| Sub Total | 3 | 29 | 165 | 336 | 132 | 665 | 94 |
| White | 3 | 11 | 15 | 8 | 2 | 39 | 6 |
| Total | 6 | 40 | 180 | 344 | 134 | 704 | 100 |

A demographic profile of Black management employed by the company over the past five years as compared to the strategic targets that were set, is depicted as follows:

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



Skills Development

The current economic climate, coupled with high unemployment rates and alarming skills shortages makes skills development in South Africa a strategic priority. Gold Circle is actively involved in providing training opportunities to previously disadvantaged individuals, to reduce the inequalities of the past and unemployment, and at the same time promote employability and participation in the economy. The training and development of skills within the company is also necessary in order to ensure that it is able to efficiently conduct its business and meet operational requirements. Skills development also creates positive employee retention and empowerment.

During the year under review Gold Circle expended an amount of R1.4 million on training and skills development. A total of 326 individuals participated in upskilling initiatives of which 96% were Black and 4% were people with disabilities. These initiatives included learnership programmes in generic management, business administration, professional cookery together with hygiene and cleaning. The company also has several other internship and in-house educational training

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

The lockdown challenges of Covid did restrict certain of the annual training & development initiatives. The company generally embarks on a massive recruitment and training programme prior to the Champions Season which allows hundreds of aspirant matriculants and job seekers to apply for vacancies as betting operators. This training is not available at any tertiary educational institution and prepares candidates for similar employment opportunities in the open market once their seasonal contracts with Gold Circle have concluded. Since racing over Champions Season was restricted to “behind closed doors” the need for betting operators and accordingly training was reduced.

Corporate Social Investment

Gold Circle is committed to making a positive contribution to the upliftment of disadvantaged and under developed communities through its Corporate Social Initiatives Programme. All activities undertaken are approved and monitored through the Social and Ethics Committee. The majority of initiatives undertaken are Industry based and also serve as a skills transfer mechanism to the broader traditional horse owning community.

TRADITIONAL HORSE RACING

The Sport of traditional horse racing in South Africa is well established in KwaZulu-Natal. Horses that participate are predominantly owned by black families from rural community areas.

The popularity of traditional horse racing now extends to ten districts within KwaZulu-Natal and Gold Circle provides financial and technical support to make these race meetings more commercially viable and self-sustaining. The local communities where the respective events are staged derive benefits both commercially as well as in terms of skills development.

During the past year, Gold Circle, in partnership with the Coastal Horse Care Unit participated in a number of projects that support and develop traditional racing, thereby informing and integrating a culture of horse care and welfare amongst rural communities. The aim is to assist rural communities on how to take better care of their horses thereby enhancing their knowledge and skills onto a more professional platform.

COASTAL HORSE CARE UNIT

Gold Circle is a major financial contributor to the Coastal Horse Care Unit, a registered non-profit organisation whose mission is to protect horses from abuse and alleviate their suffering by rehabilitating, campaigning and educating. In partnership with the Coastal Horse Care Unit, Gold Circle started a Rural Outreach initiative called “Empowering Equine Communities through Service” whereby skills are transferred to disadvantaged rural communities.

Gold Circle is actively involved in these community-based programmes and in this regard the company volunteers its personnel to undertake various clinics and workshops within rural communities together with the Coastal Horse Care

Corporate Social Investment (continued)

Unit. The program serves to educate rural communities on the basics of horse care and provide them with the tools to gain better productivity from their animals in an environment which is conducive to both horse and owner.

GROOMS WELFARE

The employment of grooms at the training centres remains the responsibility of respective Trainers. Grooms form a close and important part of the local racing community and their health and welfare is an imperative. Gold Circle has, since 2014, procured the services of a professional medical practitioner to assist in managing their health. This health project is available at both the Ashburton and Summerveld training centres.

In 2019, Gold Circle in partnership with the Aurora Medical Group and the National Department of Health embarked on a community social development project to open a public healthcare facility at Summerveld. The clinic commenced activities in November 2020 and provides many high-

level medical and health care services to the grooms and employees. It is the intention to extend the health services to the local surrounding communities. The clinic recently embarked on becoming part of the Vuma Campaign in partnership with the Department of Health and was able to provide Covid vaccinations to 500 individuals to date. The programme is ongoing.

Gold Circle together with the KwaZulu-Natal Owners and Trainers Benevolent Trust Fund have agreed the principle of implementing a pension scheme for the grooms that are resident at the training centres. This is a first for South Africa and further supports the company's transformation initiatives in providing benefits for a segment of the stakeholder base that are least able to afford their own individual scheme. The total value of the initial capital funding will be R9 million.

AGE-IN-ACTION

Age-In-Action is a developmental organisation which strives, in collaboration with other stakeholders, to uphold the rights and dignity of older persons, through advocacy and lobbying and improved access to care, support and protection together with training and development to maintain sustainable economic empowerment. Gold Circle supports the principle of these initiatives and partners with Age-In-Action making its facilities available for projects and outings for the aged.

YOUTH SUPPORT

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

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

On an annual basis, Gold Circle hosts an early Christmas Party for underprivileged children from The Save the Children Fund.



Enterprise Development

RACE HORSE TRAINER DEVELOPMENT

Through a structured and formalized Gold Circle Assistant Trainer Development Program, previously disadvantaged individuals who have the potential to become stable employees, assistant trainers or licensed trainers are provided with financial assistance to achieve their goals. Gold Circle assists by making a contribution to the cost of studying as well as the costs and resources to set up a business.

SOUTH AFRICAN JOCKEY ACADEMY

The Academy is the only educational institution in the country which provides training towards becoming a professional jockey. Training is provided over a five-year apprenticeship period and is achieved in parallel with acquiring an educational Level 12 standard.

Learners are selected from all community groups, the majority of whom are previously disadvantaged persons. Gold Circle is proud to be associated with this educational institution and is a major financial contributor to its activities.

ENTERPRISE & SUPPLIER DEVELOPMENT

Gold Circle has been instrumental in the start-up of black owned companies, such as Track & Ball Proprietary Limited, Ezeefun Proprietary Limited, Betsumor Gaming Proprietary Limited and Wozabets Gaming Proprietary Limited. These companies are fixed odds betting companies and Gold Circle provides financial, operational and managerial support to enable the operational success of these entities. Ezeefun, Betsumor and Wozabets are exempt micro-enterprises as

defined in the Broad-Based Black Economic Act, each with black shareholding in excess of 75% and black female shareholding exceeding 30%. These companies also operate their businesses at certain of Gold Circle's totes and in so doing earn commission from Gold Circle.

Gold Circle has also implemented an employee-based Enterprise & Supplier Development programme which includes identifying and supporting employees, with skills that are key to the organization and have the ability and potential to set up their own businesses to become a "procurement supplier" to Gold Circle. The company provides resources including office space, equipment and training to these "suppliers" and they in return, through their business are able to supply required services to Gold Circle. The ultimate aim of the programme is for these individuals to grow their businesses and extend their services beyond Gold Circle.



PROCUREMENT

Gold Circle has an appointed Tender Committee which adjudicates all tenders for required services in terms of the company's Limits of Authority Policy and an established B-BBEE Procurement Policy. The company gives preference to procuring goods and services from black empowered companies.

A summary of procurement recognition levels over the past five years is as follows:

| | 2017 | 2018 | 2019 | 2020 | 2021 | Target 2021 |
|--|------|------|------|------|------|-------------|
| Recognition Levels | % | % | % | % | % | % |
| All Suppliers | 92.6 | 97.1 | 87.3 | 72.7 | 83.2 | 80 |
| QSEs & EMEs* | 35.8 | 37.8 | 33.9 | 32.7 | 36.2 | 30 |
| Empowering Suppliers** | | 22.8 | 23.3 | 20.8 | 22.3 | 40 |
| Black Women-owned Suppliers *** | | 10.3 | 13.1 | 12.2 | 11.7 | 12 |
| * QSEs – Qualifying Small Enterprises ** Empowering Suppliers – over 51% black owned EMEs – Exempt Micro Enterprises *** Black Women-owned | | | | | | |

Acknowledgements and Prospects

PERSONNEL

A huge appreciation and thanks must go to the CEO, Michel Nairac, his management team and the staff of Gold Circle for their continuing contribution and efforts in working towards achieving the goals of the company. This has been a challenging year particularly with the Covid pandemic as well as dealing with the dynamics of the Phumelela business rescue. Management continues to ensure that the best interests of the company are served.

OFFICE BEARERS

As reported to Club Members last year, directors elected to office through Gold Circle Racing Club, together with externally appointed directors held office for the full financial year in the normal course of business. The proposal for the full Board of directors of Gold Circle Racing Club to stand down was effected on 30 August 2021 when a newly elected Board took office.

To my colleagues on the Board, I convey a vote of thanks and appreciation for the efforts and contributions made to achieve the objectives of the company. The Industry is dealing with several parallel challenges which hopefully will have a permanent and unified resolution in the next few months.

ACKNOWLEDGEMENTS

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

PROSPECTS

At the Special General Meeting of Club Members held on 5 August 2021 the Advisory Committee of the Board presented proposals for the restructure of the Group which dealt with the corporate and commercial aspects of the business. Included in the proposals was a change in the Group structure to allow for Black participation in its equity holding. The proposals were approved in principle by Club Members and are being progressed.

Discussions with the new racing operator 4Racing have not resulted in an all-inclusive solution for racing in the country.

As a consequence Gold Circle has put into place a strategic vision for its future and is in the process of effecting a transitional plan when Phumelela no longer has legal control over the company's intellectual property rights. All efforts are being made to ensure that the betting public will not be overly inconvenienced through the transitional arrangements.

The dispute with Phumelela's business rescue practitioner continues to hinder the business of Gold Circle through the restriction of cash resources of funding which is owed by Phumelela. Resolution to the dispute is expected to be arbitrated in April 2022.

The Board and management are committed to find solutions to the many challenges that face the industry and thereby improve the economic returns to its stakeholders.

Recent economic trends appear to indicate that public spending patterns are on the increase and these are already reflecting in improving turnover generation in several areas of the business. The Board and Management remain cautiously optimistic that the year ahead will reflect a positive outcome for the company.



Ms B F Scott
Chairperson

Statement of Directors' Responsibility

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Gold Circle Proprietary Limited, comprising the consolidated statement of financial position as at 31 July 2021, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

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

The directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated annual financial statements

The consolidated annual financial statements of Gold Circle Proprietary Limited, as identified in the first paragraph, were approved by the board of directors on 04 January 2022 and signed by:



Ms B F Scott
Chairperson
Authorised Director



M Nairac
Chief Executive Officer
Authorised Director



Report of the Directors

1. Consolidated and separate financial statements

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

2. Nature of business

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

3. Review of results

| | 2021 | 2020 |
|---|-------------------|--------------|
| | R | R |
| Total comprehensive income for the year | 46 388 935 | (96 472 276) |

4. Share capital

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

| | |
|--------------|--------------|
| 2 000 | 2 000 |
|--------------|--------------|

5. Directors

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

Gold Circle Proprietary Limited Group

| | |
|--|---|
| NP Butcher (Chairperson) (Resigned 30 August 2021) | Ms M Nhlanhla |
| D Chetty | L Nunan (Resigned 30 August 2021) |
| JHS de Klerk (Resigned 31 March 2021) | G Petzer (Resigned 30 August 2021) |
| PB Gibson (Resigned 03 August 2020) | Ms Y Pillay |
| GM Grant (Appointed 30 August 2021) | MW Rohwer (Appointed 30 August 2021) |
| PV Lafferty (Resigned 30 August 2021) | Ms BF Scott (Chairperson) (Appointed 21 April 2021) |
| Ms P Mnganga (Resigned 30 August 2021) | K Thambiran (Appointed 30 August 2021) |
| Ms C Moodley | LR Whiteford (Appointed 17 September 2020) |
| S Naidoo (Appointed 30 August 2021) | Z Zulu |
| MJL Nairac (CEO) | |

6. Group secretary

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

7. Dividends

No dividends were declared or paid during the year (2020: Nil).

8. Corporate governance

The Audit Committee, which consists only of non-executive directors, has met with the Group's independent auditors and executive management to discuss accounting, auditing, internal control and financial reporting matters. The Group has an internal audit department which reports directly to the Audit Committee.

The following standing committees have been appointed:

Audit Committee

JHS de Klerk (Chairperson) (Resigned 31 March 2021)

GM Grant (Chairperson) (Appointed 6 September 2021)

Z Zulu

Ms C Moodley

Report of the Directors (continued)

Remuneration Committee

G Petzer (Chairperson) (Appointed 6 September 2021)

GM Grant (Appointed 6 September 2021)

P Lafferty (Resigned 30 August 2021)

Risk Committee

JHS de Klerk (Chairperson) (Resigned 31 March 2021)

GM Grant (Chairperson) (Appointed 6 September 2021)

Z Zulu

Ms C Moodley

Social and Ethics Committee

L Nunan (Chairperson) (Resigned 30 August 2021)

D Chetty (Chairperson) (Appointed 6 September 2021)

Ms M Nhlanhla

Z Zulu

Racing Committee

D Chetty (Chairperson) (Appointed 6 September 2021)

NP Butcher (Appointed 6 September 2021)

JHS de Klerk (Resigned 31 March 2021)

PB Gibson (Resigned 03 August 2020)

L Nunan (Resigned 30 August 2021)

LR Whiteford (Appointed 6 September 2021)

Ms BF Scott (Appointed 6 September 2021)

MW Rohwer (Appointed 6 September 2021)

EGR Hughes (Breeder representative)

AJ Rivalland (Trainer representative resigned 30 August 2021)

PV Lafferty (Trainer representative appointed 6 September 2021)

9. Subsidiaries and associates

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

| | Issued share capital | Percentage holding |
|--|----------------------|--------------------|
| | R | % |
| Natal Racing Properties Proprietary Limited | 150 000 | 100 |
| Gold Circle Gaming Investments Proprietary Limited | 100 | 100 |
| Track and Ball Proprietary Limited | 200 | 70 |
| Betting Information Technologies Proprietary Limited | 240 | 100 |
| Videotrac Proprietary Limited | 120 | 100 |
| Wozabets Gaming Proprietary Limited | 120 | 30 |
| Betsumor Gaming Proprietary Limited | 120 | 30 |
| Sports Tracking Proprietary Limited | 100 | 35 |
| Ezeefun Proprietary Limited | 100 | 40 |
| Alphabet Betting Proprietary Limited | 100 | 50 |

10. Special resolution

On 19 November 2020 and 28 January 2021, the shareholder of the Group passed various ordinary and special resolutions for Natal Racing Properties Proprietary Limited to release R40 million of ring-fenced investment funds, comprising a portion of the sale proceeds of Clairwood Racecourse held by subsidiary Natal Racing Properties Proprietary Limited, to be utilised to fund the operating activities of the Group.

Report of the Directors (continued)

11. Black empowerment initiatives

Gold Circle has a transformation policy which regulates its activities against Government's Broad Based Black Economic Empowerment Codes as gazetted in May 2017 and any amendments thereto. The Group's transformation initiatives are monitored by the Board of Directors through the Social and Ethics Committee, as well as the KwaZulu-Natal Gaming and Betting Board.

12. Phumelela Gaming and Leisure Limited

Phumelela Gaming and Leisure Limited was placed in business rescue on 08 May 2020 and as at the date hereof, remains in business rescue. The business rescue proceedings have negatively impacted the Group for, inter alia, the following reasons:

- a. Various critical aspects of the day-to-day businesses of both companies are managed or operated jointly or by one of them on behalf of the other; and
- b. Phumelela Gaming and Leisure Limited's business rescue practitioner has disputed Gold Circle Proprietary Limited's ownership of shares in the Isle of Man registered Phumelela Gold International Limited and has ceased paying all proceeds, dividends and revenues derived from Gold Circle Proprietary Limited's ownership of these shares;
- c. Gold Circle Proprietary Limited has unpaid claims against Phumelela Gaming and Leisure Limited aggregating R230 746 378 as at 31 July 2021 in respect of:
 - i. indebtedness arising from regular and usual commercial transactions both before and subsequent to the date of business rescue; and
 - ii. sale proceeds relating to the sale of the shares in Premier Gateway International by Phumelela Gold International to which the Group contends it is entitled.

The business rescue practitioner has disputed the Group's ownership of any shares in Phumelela Gold International Limited and/or any proceeds arising from the sale of the shares. The Group has initiated legal proceedings to resolve the issue, and pending the outcome of the legal proceedings the business rescue practitioner has withheld the payment of all commercial trading revenues due to the Group.

The legal proceedings are due to be settled by way of an arbitration hearing to be heard by retired Judge J Kriegler. The arbitration hearing was originally set down to be heard in mid-October 2021 but has now been postponed until April 2022.

Gold Circle Proprietary Limited's claim and that of Kenilworth Racing against Phumelela Gaming and Leisure Limited which is the subject of the litigation as at 31 July 2021 amounted to:

| | |
|---------------------------------------|---------------------------|
| | R |
| Gold Circle Proprietary Limited | 230 746 378 |
| Kenilworth Racing Proprietary Limited | 31 903 373 |
| | <u>262 649 751</u> |

The Report of the Directors included in the audited annual financial statements of Phumelela Gaming and Leisure Limited as at and for the year ended 31 July 2021 refer to Gold Circle claims and aforementioned litigation as follows:

".....These claims are disputed by the Company. The Company has taken a conservative approach by providing for the possible outcome of the dispute."

Should Gold Circle not be successful with their monetary claim, approximately R220 million will be released from provisions to shareholder's funds. Should Gold Circle not be successful with their share-ownership claim then approximately R85 million will be released from provisions to shareholder's funds."

In terms of the business rescue plan of Phumelela Gaming and Leisure Limited, it is planned that it will dispose of certain of its racing interests and business activities to 4Racing Proprietary Limited. Gold Circle Proprietary Limited has engaged with 4Racing Proprietary Limited in order to establish and manage an appropriate commercial relationship involving the 3 racing operators into the future. This engagement is ongoing.

Report of the Directors (continued)

13. Going concern

During the 2021 year, the Group made a profit after tax of R18 267 968 (2020: loss after tax of R95 815 165). Total assets exceeded total liabilities by R720 750 785 (2020: 674 361 850). Current assets exceed current liabilities by R292 185 457 (2020: R180 596 406).

At 31 July 2021 the Group had:

- a. cash resources of R16 million; and
- b. access to an overdraft facility of R15 million; and
- c. an investment portfolio valued at R152 million which is capable of being realised in cash in the short term which, subject to the approval of the shareholder by special resolution, can be accessed for use by the Group.

During the 2021 financial year, the Group experienced significant strain on its cash flows as a result of:

- a. the placement of Phumelela Gaming and Leisure Limited in business rescue and ultimately its failure to pay amounts owing by it to Gold Circle Proprietary Limited;
- b. tough economic conditions which prevailed in South Africa; and
- c. the effects of the Covid-19 pandemic lockdown and subsequent restrictions on business activities.

Management has implemented many cost saving initiatives during the year and has taken mitigating actions as a result of the Phumelela business rescue practitioner electing not to pay to Gold Circle Proprietary Limited amounts due to it in terms of the commercial agreements and relationships between Gold Circle Proprietary Limited and Phumelela Gaming and Leisure Limited. These initiatives and actions include:

- a. reducing salaries and stakes;
- b. conducting preliminary but detailed engagements with appropriate participants in the sports, gaming and betting industries (locally and abroad) in order to facilitate an expeditious transition once legal outcomes and/or appropriate circumstances permit.

The Group has made a profit in the current financial year and has forecasted a profit for the 2022 financial year.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.



Report of the Directors (continued)

14. Subsequent events

Phumelela Gaming and Leisure Limited – Arbitration hearing

The arbitration hearing to deal with Gold Circle Proprietary Limited's claims against Phumelela Gaming and Leisure Limited was originally scheduled to be heard between 11 to 15 October 2021. It has now been rescheduled to be heard over eight days from 6 April 2022.

Release of ring fenced funds

On 5 August 2021 the shareholder of the Group passed a special resolution for Natal Racing Properties Proprietary Limited to release R36 million of ring-fenced investment funds, comprising a portion of the sale proceeds of Clairwood Racecourse held by subsidiary Natal Racing Properties Proprietary Limited, to be utilised to fund the operating activities of the Group.

Re-election of Gold Circle Racing Club's Board of Directors

On 30 August 2021 pursuant to the outcome of an election process of the Gold Circle Racing Club a new Board of Directors was appointed. The following directors now comprise the Board:

D Chetty
GM Grant (Appointed 30 August 2021)
Ms C Moodley
S Naidoo (Appointed 30 August 2021)
MJL Nairac
Ms M Nhlanhla

Ms Y Pillay
MW Rohwer (Appointed 30 August 2021)
Ms BF Scott (Appointed 21 April 2021)
K Thambiran (Appointed 30 August 2021)
LR Whiteford (Appointed 17 September 2020)
Z Zulu

No other matters which are material to the financial affairs of the Group, besides that which is mentioned above, have occurred between the statement of financial position date and the date of approval of the financial statements.



Independent Auditor's Report

To the shareholders of Gold Circle Proprietary Limited

Opinion

We have audited the consolidated financial statements of Gold Circle Proprietary Limited (the group) set out on pages 26 to 72, which comprise the consolidated statement of financial position as at 31 July 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gold Circle Proprietary Limited as at 31 July 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act.

Basis for opinion

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Gold Circle Racing and Gaming Group Annual Report 2021", which includes the report of the directors as required by the Companies Act of South Africa, mission statement, board of directors, entity information and the chairman's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

Independent Auditor's Report (continued)

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

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

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

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

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG Inc.



Per David Read
Chartered Accountant (SA)
Registered Auditor
Director
4 January 2022

Pran Boulevard
6 Nokwe Avenue
Umhlanga Ridge
Durban
4000

Consolidated Statement of Financial Position

| | <i>Note</i> | 2021 | 2020 |
|--|-------------|---------------------|--------------------|
| Assets | | R | R |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 473 506 229 | 473 791 018 |
| Investment in associate | 4 | 35 | 35 |
| Investment in Phumelela Gold International | 5/33 | 7 279 131 | 74 880 000 |
| Intangible assets | 6 | 29 709 275 | 29 709 275 |
| Deferred tax asset | 7 | 9 403 716 | 6 326 776 |
| | | 519 898 386 | 584 707 104 |
| Current assets | | | |
| Inventories | 8 | 1 553 645 | 1 565 164 |
| Trade and other receivables | 9/33 | 254 276 499 | 75 195 349 |
| SARS receivable | | 66 360 | 66 360 |
| Loans receivable | 10 | 1 374 152 | 974 598 |
| Investments | 11 | 151 951 260 | 196 428 642 |
| Cash and cash equivalents | 12 | 15 652 251 | 24 049 178 |
| | | 424 874 167 | 298 279 291 |
| Non-current asset held for sale | 6 | | |
| Total assets | | — | 4 000 000 |
| | | 944 772 553 | 886 986 395 |
| Equity and liabilities | | | |
| Equity and reserves | | | |
| Share capital | 13 | | |
| Fair value reserve | | 2 000 | 2 000 |
| Revaluation reserve | | 26 570 452 | 13 653 780 |
| Post-retirement medical aid reserve | | 234 497 100 | 218 795 285 |
| Retained earnings | | 3 643 080 | 4 140 600 |
| | | 466 609 146 | 446 497 962 |
| Non-controlling interests | | 731 321 778 | 683 089 627 |
| Total equity | | (10 570 993) | (8 727 777) |
| | | 720 750 785 | 674 361 850 |
| Non-current liabilities | | | |
| Finance lease liabilities | 14 | 4 990 271 | 8 593 503 |
| Right of use liability | 15 | 6 060 057 | 3 979 332 |
| Tellytrack funding | 16 | 875 257 | 9 818 064 |
| Post-employment medical aid obligations | 17 | 9 509 000 | 9 054 000 |
| Deferred tax liability | 7 | 69 898 473 | 63 496 761 |
| | | 91 333 058 | 94 941 660 |
| Current liabilities | | | |
| Post-employment medical aid obligations | 17 | 1 087 000 | 1 131 000 |
| Trade and other payables | 18 | 56 285 563 | 38 467 186 |
| Share of losses of associate | 4 | 1 106 324 | 650 922 |
| Borrowings | 19 | — | 17 368 309 |
| Provisions | 20 | 26 749 663 | 10 348 531 |
| Finance lease liability | 14 | 3 862 947 | 4 638 557 |
| Right of use liability | 15 | 4 139 332 | 5 620 499 |
| Gold Circle Racing Club | 19 | 39 457 881 | 39 457 881 |
| | | 132 688 710 | 117 682 885 |
| Total liabilities | | 224 021 768 | 212 624 545 |
| Total equity and liabilities | | 944 772 553 | 886 986 395 |

Consolidated Statement of Comprehensive Income

| | Note | 2021 R | 2020 R |
|--|------|--------------------|---------------------|
| Gross wagering revenue | | 245 289 270 | 217 443 256 |
| Provincial tax | | (19 277 892) | (17 109 561) |
| Net wagering revenue | 21 | 226 011 378 | 200 333 695 |
| Less: Agents commission and other direct costs | 22 | (19 064 153) | (17 861 727) |
| Less: Wagering expenditure | 22 | (113 371 735) | (124 770 769) |
| Contribution to racing from wagering activities | | 93 575 490 | 57 701 199 |
| Add: Contribution to racing from third party bookmaking activities | 21 | 70 282 716 | 37 185 151 |
| Stand up and information fees | | – | 2 007 200 |
| Tax on punters winnings | 23 | 70 282 716 | 35 177 951 |
| International income | 21 | 75 748 390 | 68 934 299 |
| Net share of international licence fees | | 50 222 340 | 37 560 259 |
| Share of income from Phumelela Gold International | | 25 526 050 | 31 374 040 |
| Gross wagering revenues available for racing activities | | 239 606 596 | 163 820 649 |
| Add: Direct racing revenue | 21 | 50 271 607 | 53 597 829 |
| Add: Eventing revenue | 21 | 536 479 | 4 953 724 |
| Gross revenues available for racing activities | | 290 414 682 | 222 372 202 |
| Share of profit/(loss) from Tellytrack partnership | 21 | 6 633 991 | (14 765 539) |
| Income available for racing activities | | 297 048 673 | 207 606 663 |
| Less: Racing expenditure | 22 | (290 877 497) | (264 874 452) |
| Operating expenditure for racecourses and training facilities | | (182 506 428) | (164 343 643) |
| National Horseracing Authority – regulatory costs | | (18 776 519) | (15 628 105) |
| Stakes – gross | | (76 209 775) | (73 499 049) |
| Stakes – breeders | | – | (1 280 775) |
| Contribution to jockey's remuneration and insurance | | (13 384 775) | (10 122 880) |
| Net profit/(loss) before impairment | | 6 171 176 | (57 267 789) |
| Less: Impairments on investments, loans receivable and goodwill | 24 | 9 939 605 | (37 730 688) |
| Decrease/(increase) of impairment of trade receivables | 9 | 289 048 | (903 770) |
| Net profit/(loss) before financing and taxation | | 16 399 829 | (95 902 247) |
| Add: Finance income | 25 | 1 044 612 | 2 466 916 |
| Less: Finance costs | 26 | (3 055 551) | (3 352 671) |
| Add: Dividend income | 27 | 1 381 180 | 2 677 550 |
| Add: Fair value adjustments | 28 | 3 632 023 | 2 217 551 |
| | | 19 402 093 | (91 892 901) |
| Loss on equity accounted associates | 4 | (455 452) | (143 044) |
| Profit/(loss) before taxation | | 18 946 641 | (92 035 945) |
| Income taxation | 29 | (678 673) | (3 779 220) |
| Profit/(loss) for the year | | 18 267 968 | (95 815 165) |
| Profit/(loss) attributable to: | | | |
| Owners of the Group | | 20 111 184 | (92 187 804) |
| Non-controlling interest | | (1 843 216) | (3 627 361) |
| Profit/(loss) for the year | | 18 267 968 | (95 815 165) |
| Other comprehensive income | | 28 120 967 | (657 111) |
| <i>Items that will not be reclassified into profit and loss:</i> | | | |
| Post-retirement medical aid (loss)/gain | 17 | (691 000) | 951 000 |
| Taxation on change in post-retirement medical aid | | 193 480 | – |
| Net change in fair value of investments | | 12 393 133 | (1 768 821) |
| Taxation on change in fair value of investments | | 523 539 | 160 710 |
| Net change in fair value of property, plant and equipment | | 21 747 334 | – |
| Taxation on change in fair value of property, plant and equipment | | (6 045 519) | – |
| Total comprehensive income for the year | | 46 388 935 | (96 472 276) |
| Total comprehensive income for the year attributable to: | | 48 232 151 | (92 844 915) |
| Owners of the Group | | (1 843 216) | (3 627 361) |
| Non-controlling interest | | 46 388 935 | (96 472 276) |

Consolidated Statement of Changes in Equity

| | Share Capital | Revaluation reserve | Fair value reserve | Post-retirement medical aid reserve | Retained earnings | Total | Non-controlling interests | Total |
|--------------------------------|---------------|---------------------|--------------------|-------------------------------------|--------------------|--------------------|---------------------------|--------------------|
| | R | R | R | R | R | R | R | R |
| | a | b | c | d | e | | f | |
| Balance at 31 July 2019 | 2 000 | 218 795 285 | 15 261 891 | 3 189 600 | 538 685 766 | 775 934 542 | (5 100 416) | 770 834 126 |
| Total comprehensive income | – | – | (1 608 111) | 951 000 | (92 187 804) | (92 844 915) | (3 627 361) | (96 472 276) |
| Loss for the year | – | – | – | – | (92 187 804) | (92 187 804) | (3 627 361) | (95 815 165) |
| Other comprehensive income | – | – | (1 608 111) | 951 000 | – | (657 111) | – | (657 111) |
| Balance at 31 July 2020 | 2 000 | 218 795 285 | 13 653 780 | 4 140 600 | 446 497 962 | 683 089 627 | (8 727 777) | 674 361 850 |
| Total comprehensive income | – | 15 701 815 | 12 916 672 | (497 520) | 20 111 184 | 48 232 151 | (1 843 216) | 46 388 935 |
| Loss for the year | – | – | – | – | 20 111 184 | 20 111 184 | (1 843 216) | 18 267 968 |
| Other comprehensive income | – | 15 701 815 | 12 916 672 | (497 520) | – | 28 120 967 | – | 28 120 967 |
| Balance at 31 July 2021 | 2 000 | 234 497 100 | 26 570 452 | 3 643 080 | 466 609 146 | 731 321 778 | (10 570 993) | 720 750 785 |

Notes to the statement of changes in equity

The Group's reserves are represented by the following:

- a Share capital represents the Group's issued share capital held by outside shareholders.
- b Revaluation reserves arising on fair value adjustments to property plant and equipment.
- c Fair value reserves arising from financial assets recognised as fair value through other comprehensive income.
- d Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses.
- e The retained earnings represent the cumulative historic profit and loss reinvested in the Group. No restrictions exist on the use of the retained earnings.
- f The non-controlling interest represents the cumulative historic total comprehensive income attributable to the minority shareholders in Track and Ball Proprietary Limited.



Consolidated Statement of Cash Flows

| | Note | 2021 R | 2020 R |
|---|------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash utilised in operations | 30 | (38 229 774) | (73 261 352) |
| Interest paid | 26 | (3 055 551) | (2 984 362) |
| Interest received | 25 | 940 567 | 2 374 536 |
| Investment income received | 28 | 3 632 023 | 8 674 231 |
| Dividends received | 27 | 1 381 180 | 2 677 550 |
| Net cash outflow from operating activities | | (35 331 555) | (62 519 397) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 3 | (6 674 334) | (8 330 874) |
| Proceeds on disposal of property, plant and equipment | | 250 319 | 1 240 848 |
| Net (increase)/decrease in loans receivable | 10 | (295 509) | 1 120 240 |
| Proceeds from repayments of loans receivable | | – | 1 120 240 |
| Advances | | (295 509) | – |
| Proceeds from disposal of intangible assets | 6 | 4 000 000 | 5 600 000 |
| Investment in associate | 4 | (50) | – |
| Acquisition of other investments | 11 | (42 118 351) | (11 670 993) |
| Proceeds from disposal of other investments | 11 | 98 842 199 | 49 318 212 |
| Net cash inflow from investing activities | | 54 004 274 | 37 277 433 |
| Cash flows from financing activities | | | |
| Repayment of post-retirement medical obligation | 17 | (280 000) | (213 000) |
| Advances in respect of borrowings | | – | 57 000 000 |
| Repayments in respect of borrowings | 19 | (17 368 309) | (40 000 000) |
| Repayments in respect of finance leases liability | 14 | (4 378 842) | (4 332 854) |
| Repayments in respect of right of use lease liabilities | 15 | (5 042 495) | (4 859 406) |
| Net cash (outflow)/inflow from financing activities | | (27 069 646) | 7 594 740 |
| Net decrease in cash and cash equivalents for the year | | (8 396 927) | (17 647 224) |
| Cash and cash equivalents at beginning of the year | | 24 049 178 | 41 696 402 |
| Cash and cash equivalents at end of the year | 12 | 15 652 251 | 24 049 178 |



Accounting Policies



1. Accounting policies

1.1 Reporting entity

Gold Circle Proprietary Limited is a Group domiciled in the Republic of South Africa. The address of the Group's registered office is 150 Avondale Road, Greyville. The consolidated financial statements of the Group for the year ended 31 July 2021 comprise the Group, its subsidiaries, associates and partnership (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 4 January 2022.

The financial statements incorporate the following principal accounting policies as set out below. The accounting policies of the subsidiaries are consistent with those of the holding Group.

1.2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Company's Act of South

Africa. Separate financial statements for Gold Circle Proprietary Limited have been prepared.

(b) Basis of measurement

The methods used to measure fair values are set out in note 1.3(h).

(c) Functional and presentation currency

The consolidated financial statements are presented in South African Rands, which is the Group's functional currency.

(d) Use of estimates, assumptions and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Accounting Policies (continued)

(d) Use of estimates and judgements (continued)

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

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

- Note 3 Property, plant and equipment - reassessment of useful lives of moveable assets
- Note 6 Intangible assets – impairment considerations in respect of goodwill and licences
- Note 7 Deferred tax asset – recoverability of the deferred tax asset
- Note 9 Trade and other receivables - impairment considerations in respect of trade debt
- Note 17 Post-retirement medical aid obligation – inputs to the valuation of the fund

1.3 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

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

(ii) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Non-controlling interests

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

(b) Property, plant and equipment

Recognition and measurement

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 shareholder's equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity. All other decreases are charged to profit and loss. The revaluation surplus is transferred to retained earnings upon disposal of an item of property, plant and equipment.

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Accounting Policies (continued)

(b) Property, plant and equipment (continued)

Recognition and measurement (continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

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

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

| Item | Depreciation method | Average useful life |
|-------------------------------|---------------------|---------------------|
| Buildings | Straight line | Over 20 years |
| Plant, vehicles and equipment | Straight line | 3 to 6 years |
| Right-of-use assets | Straight line | Over the lease term |

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate.

(c) Financial instruments

Financial assets comprise cash and cash equivalents, investments, loans to related parties and trade and other receivables.

Financial liabilities comprise finance lease liabilities, borrowings from related parties and trade and other payables.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI)-debt investment; fair value through other comprehensive income (FVOCI) – equity investment; or fair value through profit and loss (FVTPL).

A financial asset (unless it is a trade receivable without a

significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI):

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irreversibly elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irreversibly designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Subsequent measurement and gains and losses:

Investments, trade and other receivables, cash and cash equivalents and loans to related parties are measured initially at fair value.

Accounting Policies (continued)

(c) Financial instruments (continued)

Subsequent measurement and gains and losses (continued):

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

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

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

De-recognition

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

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

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

Derivative financial instruments

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

Derivatives comprise of deferred income and movements in deferred income is recognised as net gaming income in the

statement of profit and loss and other comprehensive income

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

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised costs.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured at 12-month expected credit losses (ECL):

- Debt securities that are determined to have low credit risk at the reporting date; and
- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due. The credit risk has been assessed in note 34.4.

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

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- From previous experience, the financial asset is more than 365 days past due.

Accounting Policies (continued)

(c) Financial instruments (continued)

Impairment of financial assets (continued)

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

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

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

Measurement of ECL

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

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

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired 'when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 30 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Write-off

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

(d) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets excluding inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in other comprehensive income to the extent of any previous revaluation reserves. Any excess impairment is recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit, and then to reduce the carrying amounts of the other assets in the cash generated unit on a pro rata basis.

(e) Intangible assets

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

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

Intangible assets are measured at cost less accumulated impairment losses. Intangible assets that have indefinite useful lives are not required to be amortised however they are required to be tested for impairments annually. Impairments are accounted for through profit and loss. The initial costs capitalised to intangible assets consists of the purchase price of the fixed odds licence.

Accounting Policies (continued)

(f) Leased assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether the contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, if the Group changes its assessment of whether it will exercise an extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities on the face of the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption above, then it classifies the sub-lease as an operating lease.

Accounting Policies (continued)

(f) Leased assets (continued)

Short-term leases and leases of low-value assets (continued)

As a lessor (continued)

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration on the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other revenue".

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first in first out (FIFO) formula. When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Determinations of fair values

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

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

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

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

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

(i) Employee benefits

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods.

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

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

Accounting Policies (continued)

(i) Employee benefits (continued)

Defined benefit plans (continued)

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

Termination benefits

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

Short-term employee benefits

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

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

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(l) Interests in equity-accounted associates

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

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

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

Once the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the entity has incurred legal or constructive obligations on behalf of the equity accounted associates.

(m) Revenue

The following table (page 38) provides information about the nature and timing of the satisfaction of performance obligations with customers, including significant payment terms. A performance obligation is a promise to provide a "distinct" good or service to a customer.



Accounting Policies (continued)

(m) Revenue (continued)

| Type of goods or services | Nature and timing of performance obligation, including significant payment terms | Revenue recognition |
|--|---|---|
| Net wagering revenue | <p>Net wagering revenue comprises totalisator betting and bet gaming income.</p> <p><i>Totalisator betting:</i> Customers (punters) obtain control when bets are struck on the totalisator wagering system for any sporting event. Betting transactions (tickets if over the counter or transactions if through telephonic or internet betting) are generated at that point in time. Dividends from winning bets struck are payable once the sporting event has resulted. Commission on these bets struck is earned by the Group.</p> <p><i>Net gaming income:</i> Net gaming income is derived from total bets struck less payouts made to punters is provincial tax. Income received in advance from punters are based on bets placed against the occurrence/non-occurrence of an event that is not in control of the entity or punter.</p> | <p>Revenue from the commission is recognised when the result of the betting event is finalised on a daily basis. The result of the betting event is the performance obligation.</p> <p>Revenue from net gaming income is recognised when the result of the betting event is finalised on a daily basis. The result of the betting event is the performance obligation. IFRS 9 is applicable to net gaming income.</p> |
| Contribution to racing from third party bookmaking activities | Customers (bookmakers) obtain control when they sell the Group's horseracing betting products through fixed odds channels. As a contribution towards the horseracing industry the local gambling board collects this contribution in the form of additional horseracing tax on behalf of the Group and deposits the tax in arrears monthly. | Revenue from the bookmakers, recognised as taxes are earned for each horseracing betting product. The performance obligation is the sale of the Group's horseracing betting product through fixed odds channels. |
| Share of international licence fee and related data | Customers (international totalisator operators and fixed odds operators) obtain control when they select the Group's horseracing television broadcast and related data to be displayed in their betting outlets for their punters to strike bets. This broadcast is controlled by Phumelela Gaming and Leisure Limited to enable synergies of international sales from South Africa. Betting transactions (tickets if over the counter or transactions if through telephonic or internet betting) are generated at that point in time. | Revenue from the licence fees are recognised monthly for the Group's share of international sales. |
| Share of profits from Phumelela Gold International (Isle of Man) | Profits are derived from selling bets to customers after acquiring international rights from racing operators across the world. A share of the profits is attributable to the Group. | Revenue from the share of profits is recognised monthly. |
| Direct racing revenues | Invoices for stabling income, sponsorships, entrance tickets horseracing nominations and acceptances and members' subscriptions are issued on a daily and monthly basis and are payable within 60 days of invoice. | Revenue is recognised when the event has taken place. |
| Eventing revenue | Invoices for eventing goods and services are issued on a daily basis when an event takes place and are payable in advance. | Revenue is recognised when the event has taken place. |
| Catering income | Invoices for sale of food and beverages are issued on a daily basis and are payable immediately on supply. | Revenue is recognised at a point in time as the goods and services are provided. |
| LPM commission | Customers obtain control when bets are placed at the slot machines. | Revenue from slots machine is recognised immediately upon the customer play. The result of the betting event is the performance obligation. |

Accounting Policies (continued)

(n) Government grants

The Group recognises government grants related to the Temporary Employee Relief Scheme in profit or loss as an off-set to operating expenses once the grant has been approved.

(o) Finance income and finance costs

The Group's finance income and finance costs include interest income, interest expense and the net gain or loss on the disposal of investments.

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

(p) Dividend income

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(q) Income taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity as other comprehensive income.

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

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

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

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

(r) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Accounting Policies (continued)

(r) Related parties (continued)

(b) An entity is related to a reporting entity if any of the following conditions apply:

- (i) The entity and the reporting entity are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

New Standards and Interpretations

2 New standards and interpretations

2.1 Standards and interpretations not yet effective

A number of new standards and interpretations are effective for annual periods beginning after 1 August 2021. The Group has not early adopted any new or amended standards in preparing these financial statements.

At the date of authorisation of the financial statements the following standards and interpretations were in issue but not yet effective:

| Standard/Interpretation | | Date issued by IASB | Effective date Periods beginning on or after |
|---|---|---------------------|---|
| IAS 37 amendment | Onerous contracts: cost of fulfilling a contract | May 2020 | 1 January 2022 |
| IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments | Annual improvements to IFRS standards (2018 – 2020) | May 2020 | 1 January 2022 |
| IAS 16 amendment | Property, plant and equipment: proceeds before intended use | May 2020 | 1 January 2022 |
| IFRS 3 amendment | Reference to the conceptual framework | May 2020 | 1 January 2022 |
| IAS 1 amendment | Classification of liabilities as current or non-current | January 2020 | 1 January 2023 |
| IAS 8 amendment | Definition of accounting estimates | February 2021 | 1 January 2023 |
| IAS 1 and IFRS Practice Statement 2 amendment | Disclosure initiative: accounting policies | February 2021 | 1 January 2023 |
| IAS 12 amendment | Deferred tax related to assets and liabilities arising from a single transaction | May 2021 | 1 January 2023 |
| IFRS 10 and IAS 28 amendment | Sale or contribution of assets between an investor and its associate or joint venture | September 2014 | Deferred indefinitely by amendments made in December 2015 |

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the Group). The effect of the changes is not expected to have a material effect to the financial statements.

Notes to the Consolidated Financial Statements

3. Property, plant and equipment

| | Cost/ Revaluation | Accumulated depreciation and impairment | Carrying amount |
|-------------------------------|--------------------|---|--------------------|
| | R | R | R |
| 2021 | | | |
| Land | 46 373 334 | – | 46 373 334 |
| Leasehold buildings | 139 467 762 | (66 787 762) | 72 680 000 |
| Freehold buildings | 409 754 634 | (103 788 391) | 305 966 243 |
| Plant, vehicles and equipment | 178 676 751 | (140 282 852) | 38 393 899 |
| Assets under construction | 363 491 | – | 363 491 |
| Right-of-use assets | 20 394 039 | (10 664 777) | 9 729 262 |
| | 795 030 011 | (321 523 782) | 473 506 229 |

| | Land | Leasehold buildings | Freehold buildings | Plant, vehicles and equipment | Assets under construction | Right-of-use assets | Total |
|--|-------------------|---------------------|--------------------|-------------------------------|---------------------------|---------------------|--------------------|
| | R | R | R | R | R | R | R |
| <i>Movement in carrying amount</i> | | | | | | | |
| Carrying amount at beginning of year | 46 265 700 | 79 412 536 | 292 072 291 | 47 481 476 | 363 491 | 8 195 524 | 473 791 018 |
| Additions* | – | 77 873 | – | 6 596 461 | – | 7 955 978 | 14 630 312 |
| Revaluation | 107 634 | – | 21 639 700 | – | – | – | 21 747 334 |
| Gain on remeasurement of right of use assets | – | – | – | – | – | 289 950 | 289 950 |
| Disposals | – | – | – | (600 353) | – | (2 136 616) | (2 736 969) |
| Depreciation | – | (6 810 409) | (7 745 748) | (15 083 685) | – | (4 575 574) | (34 215 416) |
| Carrying amount at end of year | 46 373 334 | 72 680 000 | 305 966 243 | 38 393 899 | 363 491 | 9 729 262 | 473 506 229 |

*Cashflow flows from investing activities represents R6 674 334.

| | Cost | Accumulated depreciation and impairment | Carrying amount |
|-------------------------------|--------------------|---|--------------------|
| | R | R | R |
| 2020 | | | |
| Land | 46 265 700 | – | 46 265 700 |
| Leasehold buildings | 139 389 889 | (59 977 353) | 79 412 536 |
| Freehold buildings | 388 114 934 | (96 042 643) | 292 072 291 |
| Plant, vehicles and equipment | 174 931 908 | (127 450 432) | 47 481 476 |
| Assets under construction | 363 491 | – | 363 491 |
| Right-of-use assets | 14 284 726 | (6 089 202) | 8 195 524 |
| | 763 350 648 | (289 559 630) | 473 791 018 |

| | Land | Leasehold buildings | Freehold buildings | Plant, vehicles and equipment | Assets under construction | Right-of-use assets | Total |
|--|-------------------|---------------------|--------------------|-------------------------------|---------------------------|---------------------|--------------------|
| | R | R | R | R | R | R | R |
| <i>Movement in carrying amount</i> | | | | | | | |
| Carrying amount at beginning of year | 46 265 700 | 83 828 358 | 299 100 823 | 49 706 286 | 425 989 | – | 479 327 156 |
| Additions* | – | 2 378 701 | 701 824 | 10 938 463 | 363 491 | – | 14 382 479 |
| Revaluation | – | – | – | – | – | 14 177 895 | 14 177 895 |
| Gain on remeasurement of right of use assets | – | – | – | – | – | 106 832 | 106 832 |
| Disposals | – | 78 561 | – | 347 428 | (425 989) | – | – |
| Depreciation | – | (82 924) | – | (493 149) | – | – | (576 073) |
| Depreciation | – | (6 790 160) | (7 730 356) | (13 017 552) | – | (6 089 203) | (33 627 271) |
| Carrying amount at end of year | 46 265 700 | 79 412 536 | 292 072 291 | 47 481 476 | 363 491 | 8 195 524 | 473 791 018 |

*Cashflow flows from investing activities represents R8 330 874.

Notes to the Consolidated Financial Statements

3. Property, plant and equipment (continued)

The Group's land and buildings were revalued on 31 July 2021 by an external, independent valuator, Roper & Associates Property Valuers (Rob Roper). The independent valuer has appropriate recognised professional qualifications and has experience in the location and category of the property being valued. The independent valuer provides the fair value of the Group's land and buildings every three years. No changes to the valuation technique had been affected by the independent valuer.

Valuations were made on the basis of recent market transactions at arm's length terms. These inputs are considered as Level 3 inputs as the inputs which the valuation relies on are directly or indirectly observable quoted prices other than those included within Level 1. A revaluation was performed in the current year. Management have assessed the valuation of land and buildings as at 31 July 2021. The revaluation surplus, net of applicable deferred income taxes, was credited to non-distributable reserves.

The value of the land is considered inconsequential to the value of the buildings.

A register detailing the descriptions, situation and date of acquisition of property plant and equipment is available for inspection at the registered office of the Group.

Land and buildings were revalued during the financial year. If land and buildings were stated on the historical cost basis, the amounts would be as follows:

| | 2021 R | 2020 R |
|--------------------------|--------------------|--------------------|
| Cost | 220 516 923 | 220 516 923 |
| Accumulated depreciation | (41 689 871) | (33 946 323) |
| | <u>178 827 052</u> | <u>186 570 600</u> |

Assets under construction

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

Finance leased assets

Finance amount obligations are secured by lease agreements over property, plant and equipment with a carrying value of R12 604 541 (2020: R17 698 754). Refer to note 14.

4. Investment in and share of losses of associates

The Group has determined that it has significant influence over these associates, because the Group has more than 20% holding in the associates as well as representation on the board.

The decision-making capacity that drives the relevant activities within Betsumor Gaming Proprietary Limited, Wozabets Gaming Proprietary Limited, Sports Tracking Proprietary Limited, Ezeefun Proprietary Limited and Alphabet Betting Proprietary Limited lies with the Board of Directors, in which the Group does not control the majority of the voting rights. The Group therefore does not have power over the relevant activities of these companies. As a result, the Group does not consolidate these associates. These associates are not considered material to the Group.

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

Notes to the Consolidated Financial Statements

4. Investment in and share of losses of associates (continued)

The voting rights and loss sharing percentage applicable to the associates is as follows:

| | 2021 | 2020 |
|--------------------------------------|------|------|
| | % | % |
| Betsumor Gaming Proprietary Limited | 30 | 30 |
| Wozabets Gaming Proprietary Limited | 30 | 30 |
| Ezeefun Proprietary Limited | 40 | 40 |
| Alphabet Betting Proprietary Limited | 50 | – |
| Sports Tracking Proprietary Limited | 35 | 35 |

| | R | R |
|--|----------------|----------------|
| <i>Share of loss/(profit) from equity accounted associates</i> | | |
| Betsumor Gaming Proprietary Limited | 355 545 | 188 722 |
| Wozabets Gaming Proprietary Limited | (43 371) | 44 315 |
| Ezeefun Proprietary Limited | 131 322 | (89 993) |
| Alphabet Betting Proprietary Limited | 11 956 | – |
| | 455 452 | 143 044 |

Movement in net investment in associates

| | | |
|---|------------------|----------------|
| Balance at the beginning of the year | 650 887 | 507 843 |
| Acquisition of the associate | (50) | – |
| <i>Share of loss/(profit) in associates</i> | | |
| Betsumor Gaming Proprietary Limited | 355 545 | 188 722 |
| Wozabets Gaming Proprietary Limited | (43 371) | 44 315 |
| Ezeefun Proprietary Limited | 131 322 | (89 993) |
| Alphabet Betting Proprietary Limited | 11 956 | – |
| Balance at the end of the year | 1 106 289 | 650 887 |

Disclosed as follows on the consolidated statement of financial position:

| | | |
|-------------------------------|-------------|-----------|
| Investment in associates | 35 | 35 |
| Share of losses in associates | (1 106 324) | (650 922) |

The associates registered office is at 150 Avondale Road, Greyville.

| Financial information of associates | Ezeefun Proprietary Limited | Betsumor Gaming Proprietary Limited | Wozabets Gaming Proprietary Limited | Alphabet Betting Proprietary Limited |
|-------------------------------------|-----------------------------|-------------------------------------|-------------------------------------|--------------------------------------|
| 2021 | R | R | R | R |
| Assets | 2 054 532 | 1 396 297 | 457 565 | 250 050 |
| Liabilities | (2 369 208) | (4 101 510) | (995 095) | (297 500) |
| Revenue | 2 382 978 | 2 101 252 | 1 673 031 | – |
| Profit/(loss) for the year | (328 304) | (1 185 157) | 144 567 | (23 913) |
| 2020 | | | | |
| Assets | 425 733 | 1 466 420 | 764 728 | – |
| Liabilities | 412 105 | 2 986 476 | 1 446 816 | – |
| Revenue | 1 921 617 | 1 879 649 | 1 395 178 | – |
| Profit/(loss) for the year | 224 981 | (629 072) | (147 715) | – |

Notes to the Consolidated Financial Statements

5. Investment in Phumelela Gold International

| | 2021 | 2020 |
|--|---------------------|--------------|
| | R | R |
| Investment in Phumelela Gold International | 7 279 131 | 74 880 000 |
| Movement in investment value during the year: | | |
| Gross investment in Phumelela Gold International | 117 000 000 | 117 000 000 |
| Obligation to Kenilworth Racing Proprietary Limited | (42 120 000) | (42 120 000) |
| Opening balance of investment | 74 880 000 | 74 880 000 |
| Less: dividend proceeds from sale of shares in equity accounted investee | | |
| Premier Gateway International – refer to note 33. | (56 717 107) | – |
| Less: impairment | (10 883 762) | – |
| Closing balance of investment | 7 279 131 | 74 880 000 |

In January 2021, Phumelela Gold International sold its shareholding in Premier Gateway International to Tabcorp Australia Limited. The profit on disposal was distributed by Phumelela Gold International as a dividend and paid in full to Phumelela Gaming and Leisure Limited. Due to the ongoing litigation, the Group's share of the dividend has not been paid to it by Phumelela Gaming and Leisure Limited. This amount of R56 717 107 is included under trade and other receivables (refer note 9).

Phumelela Gaming and Leisure Limited continues to exploit Gold Circle Proprietary Limited's intellectual property abroad in terms of the existing Licence Agreement. Gold Circle Proprietary Limited considers that this continued use of its intellectual property in terms of the Licence Agreement entitles Gold Circle Proprietary Limited to continued commercial benefits arising from that. In addition to this, Phumelela Gold International continues to earn profits from Premier Gateway International arising from Premier Gateway International's own use of Gold Circle Proprietary Limited's intellectual property. Gold Circle Proprietary Limited's investment in Phumelela Gold International has been valued based on estimated revenues that Gold Circle Proprietary Limited is expected to earn from the use of its intellectual property via Phumelela Gold International until those revenues are lawfully transitioned from Phumelela Gaming and Leisure Limited to another operator. The revised value of the investment has resulted in an impairment of R10 883 762. Revenue earned from Phumelela Gold International is R25 526 050 (2020: R31 374 040). This has been accounted for as accrued income under trade and other receivables (refer note 9).

6. Intangible assets

| | 2021 | 2020 |
|---|-------------------|--------------|
| | R | R |
| 6.1 Composition of intangible assets | | |
| <i>Goodwill</i> | | |
| Balance at the beginning of the year | – | 12 979 783 |
| Impairment | – | (12 979 783) |
| Balance at end of year | – | – |
| <i>Fixed odds licences</i> | | |
| Balance at the beginning of the year | 29 709 275 | 35 673 075 |
| Impairment | – | (1 963 800) |
| Transfer to non-current held for sale | – | (4 000 000) |
| Balance at end of year | 29 709 275 | 29 709 275 |
| Total intangible assets | 29 709 275 | 29 709 275 |

Notes to the Consolidated Financial Statements

6. Intangible assets (continued)

6.1 Composition of intangible assets (continued)

Goodwill

Goodwill arose as a result of the acquisition of the agency outlets and the Greyville Convention Centre in prior years. Goodwill was written off in the prior year.

Fixed odd licences

The Group has classified the above intangible assets as having indefinite useful lives as these licences can be renewed annually at no significant cost. These licences are tested for impairment annually and when indicators of impairment exist. The indefinite useful life assumption is reviewed annually. In assessing the indefinite useful life assumption, management considers the period over which the outlet will operate. Due to social distancing restrictions applied as a result of Covid-19 revenues from outlets previously acquired reduced significantly. As a result of these indicators certain outlets were impaired in the prior year.

The impairment review process is as follows:

The carrying amount of all intangible assets with an indefinite useful life is subject to an impairment test annually at reporting date and when indicators of impairment exist.

Due to social distancing restrictions applied as a result of Covid 19, eventing revenues earned from Greyville Convention Centre and revenues from outlets previously acquired will reduce significantly. As a result of these indicators, goodwill was written off at the end of the previous financial year.

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

During the prior year Shelly Beach and Brackenham outlets were impaired to the sales price of the most recent sales agreement and was in line with level 2 of the fair value hierarchy.

As at 31 July 2021, the recoverable amount of the fixed odd licences was R30 000 000 (2020: R34 000 000).

Since the recoverable amount exceeds the carrying amount of the licences, no impairment is required in the current financial period.

| | 2021 | 2020 |
|-----------------------------|------|------|
| <i>Assumptions applied:</i> | % | % |
| Net win percentage | 10 | 9 |
| Inflation rate | 4 | 4 |
| Average growth rate | – | (16) |

6.2 Non-current asset held for sale

On 31 August 2020, the Group entered into a sale agreement with Hollywood Sportsbook KwaZulu-Natal Proprietary Limited for the sale of Shelly Beach and Brackenham fixed odds betting licences. The agreed selling price for both was R4 million against the original purchase price for the licence of R4.5 million. This represents the fair value less cost to sell.

Notes to the Consolidated Financial Statements

7. Deferred tax (asset)/liability

| | 2021 | 2020 |
|---|--------------|--------------|
| | R | R |
| Balance at the beginning of the year | 57 169 985 | 53 331 162 |
| Temporary differences | 3 324 772 | 3 838 823 |
| Balance at the end of the year | 60 494 757 | 57 169 985 |
| Deferred tax comprises: | | |
| Accruals | (11 445 243) | (17 595 668) |
| Capital allowances and finance leases | 46 542 311 | 51 396 305 |
| Tax losses | (1 126 523) | (4 204 928) |
| Investments in financial assets | 26 524 212 | 22 193 928 |
| Deferred tax asset not recognised | – | 5 380 348 |
| Balance at end of year | 60 494 757 | 57 169 985 |
| Disclosed as follows: | | |
| Deferred tax asset | (9 403 716) | (6 326 776) |
| Deferred tax liability | 69 898 473 | 63 496 761 |
| Deferred tax has been calculated at 28% (2020: 28%) | 60 494 757 | 57 169 985 |

8. Inventories

| | | |
|----------------|-----------|-----------|
| Finished goods | 1 553 645 | 1 565 164 |
|----------------|-----------|-----------|

9. Trade and other receivables

Financial

| | | |
|--|-------------|--------------|
| Trade receivables | 23 090 693 | 19 306 389 |
| Phumelela Gaming and Leisure Limited (Refer to note 33) | 230 440 513 | 75 935 926 |
| Provision for impairment of receivables | (2 968 766) | (3 257 814) |
| Provision for impairment: Phumelela Gaming and Leisure Limited | – | (20 823 367) |
| Net trade receivables | 250 562 440 | 71 161 134 |
| Other receivables | 2 982 083 | 3 507 270 |
| | 253 544 523 | 74 668 404 |

Non-financial

| | | |
|-------------|-------------|------------|
| Prepayments | 731 976 | 526 945 |
| | 254 276 499 | 75 195 349 |

Trade receivable amounts are subject to the Group's standard credit terms and are due within a maximum of either 30 or 60 days after month end depending on the class of debtor. Interest has not been charged on these amounts.

Notes to the Consolidated Financial Statements

9. Trade and other receivables (continued)

| | 2021 R | 2020 R |
|---|--------------|--------------|
| The movement in the allowance for impairment is as follows: | | |
| Balance at the beginning of the year | (24 081 181) | (2 354 044) |
| Decrease/(increase) in impairment | 289 048 | (903 770) |
| Impairment against Phumelela Gaming and Leisure Limited* | 20 823 367 | (20 823 367) |
| Balance at the end of the year | (2 968 766) | (24 081 181) |

* The impairment of R20 823 367 in the 2020 financial year against the amount owing by Phumelela Gaming and Leisure Limited was made on the basis that at the accounting date correspondence published by the Phumelela Gaming and Leisure Limited business rescue practitioner's indicated an approximate distribution to creditors of 0.72c in the Rand. In the current year the business rescue practitioner's reports indicates that there are sufficient funds for all creditors to be paid in full. Management have therefore assessed that there is no indicator of impairment or credit loss associated with this receivable. The trading transactions are supported by longstanding agreements since 2012 and is expected to be settled following the conclusion of the arbitration process. This impairment reversal is included under note 24.

The other classes within trade and other receivables do not contain impaired assets. There is a significant concentration of credit risk in respect of the amount due from Phumelela Gaming and Leisure Limited.

10. Loans receivable

| | 2021 R | 2020 R |
|---|-------------|-------------|
| <i>Current</i> | | |
| Sports Tracking Proprietary Limited | 1 968 056 | 1 963 738 |
| Provision for impairment on Sports Tracking Proprietary Limited | (1 968 056) | (1 963 738) |
| <i>This loan is unsecured, bears no interest and is repayable on demand.</i> | | |
| Global Lotto Nigeria Limited | – | 1 101 157 |
| Provision for impairment on Global Lotto Nigeria Limited | – | (1 101 157) |
| <i>This loan is unsecured, bears interest at 10% and is repayable on demand. This loan was written off in the current year.</i> | | |
| Betsumor Gaming Proprietary Limited | 1 076 652 | 974 598 |
| Alphabet Betting Proprietary Limited | 297 500 | – |
| <i>These loans are unsecured, bear interest at 10% and are repayable on demand. These associates are managed by Track and Ball Proprietary Limited.</i> | | |
| | 1 374 152 | 974 598 |
| <i>Reconciliation to the cash flow:</i> | | |
| Balance at the beginning of the year | 974 598 | 3 966 197 |
| Interest accrued | 104 045 | 152 385 |
| Interest paid | – | (60 006) |
| Advances | 295 509 | (1 120 240) |
| Impairments | – | (1 963 738) |
| Balance at the end of the year | 1 374 152 | 974 598 |

Notes to the Consolidated Financial Statements

11. Investments

| | 2021 | 2020 |
|--|-------------------|------------|
| | R | R |
| <i>Fair value through profit and loss:</i> | | |
| Alpha Wealth – Chrysalis | 25 606 501 | 23 733 597 |
| Sanlam Private Wealth | 22 177 768 | 29 256 527 |
| | 47 784 269 | 52 990 124 |

Fair value through other comprehensive income

| | | |
|---|--------------------|-------------|
| Gryphon Dividend Income Fund | 26 521 604 | 10 332 053 |
| Alpha Prime Equity Qualified | 12 906 688 | 10 583 819 |
| Alpha Wealth – Lynx Prime Global Diverse Fund | 19 061 495 | 18 274 947 |
| RMB Protected Flexible Private Portfolio | – | 55 007 774 |
| Sanlam Private Portfolio – listed shares | 30 854 529 | 33 452 641 |
| Investec Asset Management | 43 303 | 40 770 |
| Alpha Wealth Investments | – | 1 951 523 |
| Automatic Systems Limited | 14 779 372 | 13 794 991 |
| | 104 166 991 | 143 438 518 |
| | 151 951 260 | 196 428 642 |

11.1 Percentage return

| | % | % |
|-------------------|-----|-----|
| Pre – tax return | 8.4 | 6.4 |
| Post – tax return | 6.0 | 4.6 |

This return includes all financial income earned on financial assets above.

11.2 Ring fenced investments

The assets are at fair value as determined by an active market. The Group's exposure to credit, currency and interest rate risks related to financial assets and the exposure to currency, interest rate and liquidity risk related to financial liabilities is disclosed in note 34.

In terms of a special resolution of shareholder's dated 23 April 2012, an amount of R200 000 000 was ring fenced to be held in subsidiary Natal Racing Properties Proprietary Limited and invested for the future benefit of the thoroughbred racing industry. A minimum of 35% of the returns earned on the ring-fenced investment is required to be retained. In the 2020 financial year a special resolution was passed to distribute pursuant to the declaration of a dividend, R70 000 000 of these funds to Gold Circle Proprietary Limited to fund cash flow shortfalls arising from the effects of the Covid-19 pandemic and the withholding of the payment of trade revenues by the Phumelela Gaming and Leisure Limited business rescue practitioner. During the current year two further special resolutions were passed to distribute pursuant to the declaration of a dividend, an additional R40 000 000 in aggregate for the same purpose.



Notes to the Consolidated Financial Statements

11.2 Ring fenced investments (continued)

The ring-fenced funds which comprise a portion of the aggregate value of the investments are as follows:

| | 2021 | 2020 |
|------------------------------|--------------------|-------------|
| | R | R |
| Calculated ring-fenced funds | 129 127 961 | 164 660 384 |

11.3 Returns included as follows in the consolidated statement of profit and loss and other comprehensive income

| | | |
|----------------------------------|-------------------|------------|
| Finance income | 639 253 | 2 184 529 |
| Net change in fair value reserve | 7 944 202 | (544 606) |
| Dividend income | 572 344 | 1 691 423 |
| Investment income | 3 608 709 | 8 073 665 |
| | 12 764 508 | 11 405 011 |

12. Cash and cash equivalents

| | | |
|----------------|-------------------|------------|
| Bank | 8 107 406 | 13 190 003 |
| Fixed deposits | 28 023 | 6 510 676 |
| Cash on hand | 7 516 822 | 4 348 499 |
| | 15 652 251 | 24 049 178 |

Guarantees

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

| | Value (R) | Review date |
|-------------------------------------|------------------|---------------|
| Environmental Management Branch | 100 000 | |
| Eskom | 565 | Unlimited |
| Eskom Holdings Soc Limited | 587 000 | Unlimited |
| Eskom Holdings Soc Limited | 262 850 | Unlimited |
| Ethekwini Municipality | 983 693 | Unlimited |
| Ethekwini Municipality | 82 979 | Unlimited |
| Ethekwini Municipality | 69 285 | Unlimited |
| Kwazulu-Natal Gaming and Betting | 150 000 | Unlimited |
| Kwazulu-Natal Gaming and Betting | 1 380 000 | Unlimited |
| Kwazulu-Natal Gaming and Betting | 4 700 000 | Unlimited |
| South African Mutual Property | 30 000 | Unlimited |
| The South African Breweries Limited | 170 000 | Unlimited |
| Umlazi Mega City | 218 320 | 30 April 2023 |
| | 8 734 692 | |

Facilities

The Group has overdraft facilities of R15 million (2020: R15 million) and contingent facilities of R8.7 million (2020: R5.8 million) with First National Bank Limited which were due for review on 31 August 2021. The board approved the renewal of these facilities in October 2021. In addition, the Group has an asset finance facility of R8.7 million (2020: R18.5 million) and an Auto card facility of R350 000 (2020: R350 000) with Wesbank.

Notes to the Consolidated Financial Statements

13. Share capital

| | 2021 | 2020 |
|----------------------------------|--------------|-------|
| | R | R |
| <i>Authorised and issued</i> | | |
| 2 000 ordinary shares of R1 each | 2 000 | 2 000 |

14. Finance lease liabilities

Finance lease liabilities are secured by lease agreements over property, plant and equipment with a carrying amount of R12 604 541 (2020: R17 698 754). The average monthly repayment for the year amounted to R507 795 (2020: R1 474 896).

Finance lease liabilities bear interest at rates between prime and prime less 1.5%. The average monthly repayments for the year amounted to R507 795 (2020: R1 474 896)

| | 2021 | 2020 |
|-------------------------|--------------------|-------------|
| | R | R |
| Finance lease liability | 8 853 218 | 13 232 060 |
| Payable within one year | (3 862 947) | (4 638 557) |
| | 4 990 271 | 8 593 503 |

Finance lease obligations (continued)

Minimum lease payments are due as follows:

| | | |
|---|------------------|------------|
| Due within one year (current) | 3 862 947 | 4 638 557 |
| Due within two and five years (non-current) | 4 990 271 | 8 593 503 |
| | 8 853 218 | 13 232 060 |

Reconciliation to the cash flow:

| | | |
|------------------------------|--------------------|-------------|
| Balance at beginning of year | 13 232 060 | 11 513 307 |
| Additions | – | 6 051 607 |
| Interest – accrued | 957 787 | 1 179 810 |
| Interest – paid | (957 787) | (1 179 810) |
| Repayments | (4 378 842) | (4 332 854) |
| Balance at end of year | 8 853 218 | 13 232 060 |

15. Right of use liability

The Group leases land and buildings. The lease typically runs for a period of 2 years with the option to renew at the end of the lease term.

| | 2021 | 2020 |
|---|-------------------|-----------|
| | R | R |
| Minimum lease payments are due as follows: | | |
| Due within one year - current | 4 139 332 | 5 620 499 |
| Due within two and five years – non-current | 6 060 057 | 3 979 332 |
| | 10 199 389 | 9 599 831 |

Notes to the Consolidated Financial Statements

15. Right of use liability (continued)

Expenses relating to short-term leases amounted to R10 447 920 (2020: R10 893 156). Income from sub-leases amounted to R3 739 943 (2020: R4 356 600).

Right of use liability bears interest at prime. Refer to note 3.

| | 2021 | 2020 |
|--|-------------|-------------|
| | R | R |
| <i>Reconciliation to the cash flow</i> | | |
| Balance at beginning of year | 9 599 831 | – |
| Initial application on 1 August 2019 | – | 11 295 304 |
| Additions | 7 955 979 | 3 599 650 |
| Interest accrued | 696 304 | 1 130 164 |
| Interest paid | (696 304) | (1 130 164) |
| Repayments | (5 042 495) | (4 859 406) |
| Modifications to lease liability | (75 891) | (435 717) |
| Derecognition | (2 238 035) | – |
| Balance at end of year | 10 199 389 | 9 599 831 |

16. Tellytrack funding

| | | |
|---|-------------|-------------|
| Partnership (profit)/loss | (6 633 991) | 14 765 539 |
| Partnership funding | 7 509 248 | (4 947 475) |
| | 875 257 | 9 818 064 |
| Funding/(investment) at the beginning of the year | 9 818 064 | 2 920 815 |
| Partnership (profit)/loss | (6 633 991) | 14 765 539 |
| Partnership funding | (2 308 816) | (7 868 290) |
| Funding at the end of year | 875 257 | 9 818 064 |

Financial information of Tellytrack Partnership

| | | |
|----------------------------|-------------|---------------|
| Assets | 12 910 043 | 14 015 350 |
| Liabilities | (7 901 523) | 45 193 473 |
| Revenue | 58 608 452 | 70 079 615 |
| Profit/(loss) for the year | 18 041 022 | (103 891 752) |
| Interest held | 24.96% | 24.96% |
| Profit share | 24.96% | 24.96% |

The Group has a 24.96% (2020: 24.96%) interest in the Tellytrack Partnership, a partnership between Gold Circle Proprietary Limited, Kenilworth Racing Proprietary Limited and Phumelela Gaming and Leisure Limited. Tellytrack coordinates audio visual content created by the partners at their respective racecourses which, together with imported product, is broadcast to the public on DSTV channel 249 and disseminated to betting operators through a separate satellite platform. The territory in which Tellytrack operates is South Africa, Namibia, and Zimbabwe.

Profits and losses are shared in accordance with the Tellytrack partnership agreement. The activities of the partnership are considered material to the Group. The partnership is managed and controlled by Phumelela Gaming and Leisure Limited.

The principal place of business of the partnership is 79th Avenue and Wessel Rd, Rivonia, Johannesburg, Gauteng, South Africa, 2128.

Notes to the Consolidated Financial Statements

17. Post-retirement medical aid obligations

Post-retirement medical aid obligations is a post-employment healthcare benefit which includes contributions towards or subsidisation of medical aid premiums to retirees.

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

The Group's obligation towards the post-retirement medical aid obligation was actuarially calculated as at 31 July 2021 by Alexander Forbes Health Proprietary Limited. The calculation assumes that the fund has 7 years remaining and is disclosed in accordance with International Accounting Standard 19: Employee Benefits, as follows:

| | 2021 R | 2020 R |
|--|-------------------|-------------|
| <i>Defined benefit plan</i> | | |
| Non-current | 9 509 000 | 9 054 000 |
| Current | 1 087 000 | 1 131 000 |
| | 10 596 000 | 10 185 000 |
| <i>Statement of financial position</i> | | |
| Present value of funded obligations | 10 596 000 | 10 185 000 |
| <i>Statement of comprehensive income</i> | | |
| Interest cost | 899 000 | 955 000 |
| Employer contributions | (1 179 000) | (1 168 000) |
| Total amount recognised in profit or loss | (280 000) | (213 000) |
| Actuarial loss/(gain) recognised in other comprehensive income | 691 000 | (951 000) |
| Total amount recognised | 411 000 | (1 164 000) |
| <i>Movement in the present value of funded obligations recognised in the statement of financial position</i> | | |
| Balance at the beginning of the year | 10 185 000 | 11 349 000 |
| Interest cost recognised | 899 000 | 955 000 |
| Employer contributions recognised in profit and loss | (1 179 000) | (1 168 000) |
| Actuarial loss/(gain) recognised in other comprehensive income | 691 000 | (951 000) |
| Balance at the end of the year | 10 596 000 | 10 185 000 |
| Key valuation assumptions | % | % |
| Discount rate | 8.8 | 9.4 |
| Health care cost inflation | 7.1 | 6.3 |
| General inflation rate | 5.1 | 4.3 |

Notes to the Consolidated Financial Statements

17. Post-retirement medical aid obligations (continued)

Health care cost inflation

The valuation basis assumes that the health care cost inflation rate and discount rate will remain constant in the long term. The effect of a one percent increase and decrease in the health care cost inflation rate and discount rate is as follows:

| | 1% increase | Valuation basis | 1% decrease |
|------------------------------|-------------|-----------------|-------------|
| Employer's accrued liability | 11 365 000 | 10 596 000 | 9 903 000 |
| Employer's interest cost | 947 000 | 899 000 | 819 000 |

Discount rate:

The valuation basis assumes that the discount rate will remain constant in the long term. The effect in a one percent increase and decrease in the health care cost inflation rate is as follows:

| | 1% increase | Valuation basis | 1% decrease |
|------------------------------|-------------|-----------------|-------------|
| Employer's accrued liability | 9 931 000 | 10 596 000 | 11 346 000 |

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

The funding requirements are based on the pension funds actuarial measurement framework set out in the funding policies of the defined benefit plan. The funding of the defined benefit plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out. Employees are not required to contribute to the defined benefit plans.

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements for the defined benefit plan) for the plans of the respective jurisdictions, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a plan-by-plan basis. As such, no decrease in the defined benefit liability was necessary at 31 July 2021 or 31 July 2020.

18. Trade and other payables

| | 2021 | 2020 |
|----------------------------|-------------------|-------------------|
| <i>Financial</i> | R | R |
| Amount due to punters | 3 888 103 | 3 537 405 |
| Breeders premiums accrual | 200 000 | 268 624 |
| Leave pay accrual | 4 105 109 | 4 445 424 |
| Trade creditors | 34 738 389 | 24 481 986 |
| Telephone betting | 3 334 749 | 2 611 614 |
| Other | – | 211 500 |
| | 46 266 350 | 35 556 553 |
| <i>Non-financial</i> | 4 500 000 | – |
| Income received in advance | 2 836 812 | 2 910 633 |
| VAT | 2 682 401 | – |
| Current tax payable | 56 285 563 | 38 467 186 |

Notes to the Consolidated Financial Statements

19. Borrowings

| | 2021 | 2020 |
|-----------------------------------|-------------------|------------|
| | R | R |
| <i>Current shareholders loans</i> | | |
| Gold Circle Racing Club | 39 457 881 | 39 457 881 |

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

Current - other

| | | |
|--|---|------------|
| Hollywood Sportsbook Proprietary Limited | – | 17 368 309 |
|--|---|------------|

This loan bore interest at prime and was repayable within three months' notice.

This loan was repaid on 11 September 2020.

Reconciliation to the cash flow:

| | | |
|------------------------------|---------------------|--------------|
| Balance at beginning of year | 56 826 190 | 39 457 881 |
| Advances | – | 57 000 000 |
| Interest accrued | 368 309 | 549 971 |
| Interest paid | (368 309) | (181 662) |
| Repayments | (17 368 309) | (40 000 000) |
| Balance at end of year | 39 457 881 | 56 826 190 |

20. Provisions

Provision for retrenchment

| | | |
|------------------------------|--------------------|-------------|
| Balance at beginning of year | 10 348 531 | – |
| Provision utilised | (2 288 231) | (1 654 719) |
| Provision raised | – | 12 003 250 |
| Balance at the end of year | 8 060 300 | 10 348 531 |

Salary equalisation fund

| | | |
|------------------------------|---|---|
| Balance at beginning of year | – | – |
|------------------------------|---|---|

Provision raised:

| | | |
|--|-------------------|------------|
| Distributable in 2022 | 8 477 607 | – |
| Bonus provision available for distribution | 10 211 756 | – |
| Balance at the end of year | 18 689 363 | – |
| Total provisions | 26 749 663 | 10 348 531 |

21. Revenue

| | | |
|---|--------------------|--------------|
| Totalisator revenue | | |
| Net gaming income from fixed odds betting | 202 556 648 | 178 644 279 |
| Net wagering revenue | 23 454 730 | 21 689 416 |
| Contribution to racing from third party bookmaking activities | 226 011 378 | 200 333 695 |
| International income | 70 282 716 | 37 185 151 |
| Net share of international licence fees | 75 748 390 | 68 934 299 |
| Share of income from Phumelela Gold International | 50 222 340 | 37 560 259 |
| Direct racing revenues | 25 526 050 | 31 374 040 |
| Eventing revenue | 50 271 607 | 53 597 829 |
| | 536 479 | 4 953 724 |
| Share of profit/(loss) from Tellytrack partnership | 422 850 570 | 365 004 698 |
| Revenue available for racing activities | 6 633 991 | (14 765 539) |
| | 429 484 561 | 350 239 159 |

Notes to the Consolidated Financial Statements

22. Expenses by nature

| | 2021 | 2020 |
|---|--------------------|--------------------|
| | R | R |
| The following items have been included in arriving at operating loss: | | |
| Advertising, events and promotions | 12 505 933 | 8 830 537 |
| Agents commissions and other direct costs | 19 064 153 | 17 861 727 |
| Cash collection costs | 1 233 068 | 1 032 345 |
| Catering costs | 4 079 457 | 5 805 473 |
| Contribution to jockey's remuneration | 13 384 775 | 10 122 880 |
| Depreciation | 34 215 416 | 33 627 271 |
| Directors emoluments | 10 349 068 | 11 383 395 |
| Employee benefits | 97 827 213 | 90 607 421 |
| Insurance premiums | 1 530 573 | 1 326 724 |
| Licence fees | 11 510 106 | 11 570 687 |
| National Horseracing Authority – Regulatory cost | 18 776 519 | 15 628 105 |
| Operating lease rentals – property | 2 452 957 | 2 922 071 |
| Printing costs | 2 848 604 | 3 442 311 |
| Provision for retrenchment | – | 10 000 000 |
| Race meeting expenses | 11 681 295 | 10 905 223 |
| Repairs and maintenance | 12 512 671 | 12 091 132 |
| Security expenses | 7 444 733 | 8 438 168 |
| Service fees (Saftote) | 4 107 295 | 3 658 644 |
| Stakes | | |
| – owners | 76 209 775 | 73 499 049 |
| – breeders | – | 1 280 775 |
| Tellytrack subscriptions | 7 281 375 | 5 218 174 |
| Transformation fund | 955 121 | 1 592 873 |
| Utility costs | 22 834 952 | 21 932 140 |
| Other operating expenses | 50 508 326 | 44 729 823 |
| | 423 313 385 | 407 506 948 |
| Reconciled to expense by function: | | |
| Agents commission and other direct costs | 19 064 153 | 17 861 727 |
| Wagering expenditure | 113 371 735 | 124 770 769 |
| – Totalisator | 87 485 130 | 96 944 862 |
| – Fixed odds licences | 25 886 605 | 27 825 907 |
| Racing expenditure | 290 877 497 | 264 874 452 |
| | 423 313 385 | 407 506 948 |

23. Tax on punters winnings

In terms of the KwaZulu-Natal Gaming and Betting Tax Act 2010 (the Act), punters' winnings from successful bets placed with licensed bookmakers are taxed at 6%. In accordance with the Act, 50% of this tax, comprising 3% of punters' winnings, is distributed to racecourse operators. This portion of the tax is distributed to Gold Circle by the KwaZulu-Natal Provincial Treasury. The payment to the Group is an indirect contribution by bookmakers' punters towards the Group's cost of providing and staging the horse racing in the province. In its capacity as a licensed racecourse operator, in terms of the Act, the Group receives this contribution to compensate Gold Circle for bookmakers offering fixed-odds bets on its horse racing product.

Notes to the Consolidated Financial Statements

23. Tax on punters winnings (continued)

Gross racing expenditure incurred is listed below:

| | 2021 | 2020 |
|-------------------------|-------------------|------------|
| | R | R |
| Tax on punters winnings | 70 282 716 | 35 177 951 |

Tax on punters winnings has been applied against the following costs:

| | | |
|--------------------------|-------------------|------------|
| Breeders | 643 868 | 663 655 |
| Grooms | 3 656 005 | 2 009 907 |
| Industry Related Costs | 1 692 953 | 2 574 100 |
| Jockeys | 13 384 775 | 5 061 440 |
| Maintenance - Racetracks | 1 304 826 | 894 186 |
| NHA Levies | 18 256 236 | 15 628 105 |
| Race Meeting Expenses | 8 744 385 | 3 592 818 |
| Racing Academy | 1 523 780 | 543 520 |
| Stakes | 18 472 476 | 3 368 325 |
| Stakes - Grooms | 1 251 998 | 666 005 |
| Transformation | 1 351 414 | 175 890 |
| | 70 282 716 | 35 177 951 |

24. Impairments

| | | |
|--------------------------------------|---------------------|------------|
| Sports Tracking Proprietary Limited | – | 1 963 738 |
| Phumelela Gaming and Leisure Limited | (20 823 367) | 20 823 367 |
| Phumelela Gold International | 10 883 762 | – |
| Goodwill | – | 12 979 783 |
| Fixed odds licences | – | 1 963 800 |
| | (9 939 605) | 37 730 688 |

25. Finance income

| | | |
|-------------------------|------------------|-----------|
| Related party loans | 104 318 | 111 691 |
| Bank | 780 167 | 2 302 224 |
| Other interest received | 160 127 | 53 001 |
| | 1 044 612 | 2 466 916 |
| Interest accrued | 104 045 | 92 380 |
| Interest received | 940 567 | 2 374 536 |
| | 1 044 612 | 2 466 916 |



Notes to the Consolidated Financial Statements

26. Finance costs

| | 2021 | 2020 |
|------------------------------|------------------|------------------|
| | R | R |
| Borrowings | 108 024 | 549 971 |
| Right of use lease liability | 696 304 | 1 130 164 |
| Finance leases | 957 787 | 1 179 810 |
| Overdraft | 389 570 | 488 977 |
| Other interest expense | 903 866 | 3 749 |
| | 3 055 551 | 3 352 671 |
| Interest accrued | – | 368 309 |
| Interest paid | 3 055 551 | 2 984 362 |
| | 3 055 551 | 3 352 671 |

27. Dividend income

| | | |
|---------------------|------------------|------------------|
| Local investments | 345 560 | 1 735 620 |
| Foreign investments | 1 035 620 | 941 930 |
| | 1 381 180 | 2 677 550 |

28. Fair value adjustment

| | | |
|--|------------------|------------------|
| Investments | 3 632 023 | 8 674 231 |
| Investment in Phumelela Gold International | – | (6 456 680) |
| | 3 632 023 | 2 217 551 |

29. Income taxation

| | | |
|----------------|------------------|--------------------|
| Current tax | (2 682 401) | – |
| - Current year | (2 682 401) | – |
| - Prior year | – | – |
| Deferred tax | 2 003 728 | (3 779 220) |
| - Current year | 2 003 728 | (6 876 688) |
| - Prior year | – | 3 097 468 |
| Taxation | (678 673) | (3 779 220) |

29.1 Reconciliation of tax charged

| | % | 2021 | % | 2020 |
|--|---------|-------------|---------|--------------|
| | | R | | R |
| Profit/(loss) before taxation | | 18 946 641 | | (92 035 945) |
| Income tax at standard rate (28%) | (28.00) | (5 305 059) | (28.00) | 25 770 065 |
| Non-taxable income | 62.27 | 11 798 969 | (76.18) | 70 116 894 |
| Non-deductible expenses | (37.72) | (7 147 347) | 83.16 | (76 534 932) |
| Deferred tax prior recognised/(unrecognised) | 22.28 | 4 222 355 | 16.92 | (15 572 807) |
| Effect of temporary differences raised at CGT rate | (22.42) | (4 247 591) | – | – |
| Taxation credit/(charge) | (3.58) | (678 673) | (4.11) | (3 779 220) |

The directors are satisfied that sufficient taxable profits will be earned in future years to offset the deferred tax asset. The assumptions have been considered in note 7.

Notes to the Consolidated Financial Statements

30. Cash utilised in operations

| | 2021 | 2020 |
|--|---------------------|---------------------|
| | R | R |
| Profit/(loss) before taxation | 18 946 641 | (92 035 945) |
| <i>Adjustments for:</i> | | |
| Depreciation | 34 215 416 | 33 627 272 |
| Loss on disposals of property, plant and equipment | 350 034 | 331 146 |
| Brokerage fees | 1 157 692 | 1 029 388 |
| Impairment of goodwill and intangible assets | – | 14 943 583 |
| Impairment of Premier Gateway International Limited | 10 883 762 | – |
| Impairment of loans | – | 1 963 738 |
| Share of loss of equity-accounted associates, net of tax | 455 452 | 143 044 |
| Fair value adjustments | (7 252 075) | (10 699 370) |
| Exchange rate gain | 2 609 028 | 926 681 |
| Finance income | (1 044 612) | (2 466 916) |
| Dividend income | (1 381 180) | (2 677 550) |
| Gain on remeasurement of lease liability | (467 260) | (542 548) |
| Finance costs | 3 055 551 | 3 352 671 |
| | 61 528 449 | (52 104 806) |
| <i>Changes in working capital</i> | | |
| Decrease in inventories | 11 519 | 549 033 |
| Increase in trade and other receivables | (122 364 043) | (2 681 318) |
| (Decrease)/increase of Tellytrack funding | (8 942 807) | 6 897 249 |
| Increase in provisions | 16 401 132 | 10 348 531 |
| Increase/(decrease) in trade and other payables | 15 135 976 | (36 270 041) |
| | (38 229 774) | (73 261 352) |

31. Taxation received

| | | |
|--------------------------------------|-------------|----------|
| Payable at the beginning of the year | 66 360 | 124 906 |
| Tax receivable impaired | – | (58 546) |
| Tax charge for the year | (2 682 401) | |
| Receivable at the end of the year | 2 616 041 | 66 360 |
| Tax received | – | 132 720 |

32. Operating lease commitments

| | | |
|--|------------------|------------------|
| Property rentals to be received | | |
| Due within one year | 2 036 765 | 4 583 771 |
| Due within one to two years | 2 682 983 | 2 485 105 |
| Due within two and five years | 605 463 | 605 463 |
| | 5 325 211 | 7 674 339 |
| Expenses relating to short-term leases | 9 618 340 | 9 694 283 |

Notes to the Consolidated Financial Statements

33. Phumelela Gaming and Leisure Limited indebtedness

| | 2021 | 2020 |
|--|-------------|--------------|
| | R | R |
| The total receivable from Phumelela Gaming and Leisure Limited can be summarised as follows: | | |
| Pre-business rescue | 70 483 861 | 70 483 861 |
| Post business rescue | 103 239 545 | 5 452 065 |
| Trading amount owing | 75 098 992 | 2 837 562 |
| Phumelela Gold International | 28 140 553 | 2 614 503 |
| Proceeds from sale of Premier Gateway International | 56 717 107 | – |
| | 230 440 513 | 75 935 926 |
| Provision for bad debts | – | (20 823 367) |
| | 230 440 513 | 55 112 559 |

34. Financial risk management

34.1 Financial instrument categories and fair values

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

| Group | 2021 | 2021 | 2020 | 2020 |
|--|-----------------|-------------|-----------------|-------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | R | R | R | R |
| <i>Fair value through other comprehensive income</i> | | | | |
| Investments | 104 166 991 | 104 166 991 | 143 438 518 | 143 438 518 |
| <i>Fair value through profit and loss</i> | | | | |
| Investments | 47 784 269 | 47 784 269 | 52 990 124 | 52 990 124 |
| Investment in Phumelela Gold International* | 7 279 131 | 7 279 131 | 74 880 000 | 74 880 000 |
| | 55 063 400 | 55 063 400 | 127 870 124 | 127 870 124 |

* The free cash flow model was used to determine the fair value of the investment in Phumelela Gold International.

Financial assets carried at amortised cost

| | | | | |
|---------------------------|-------------|-------------|------------|------------|
| Trade receivables | 253 544 523 | 253 544 523 | 74 668 404 | 74 668 404 |
| Cash and cash equivalents | 15 652 251 | 15 652 251 | 24 049 178 | 24 049 178 |
| Loan receivable | 1 374 152 | 1 374 152 | 974 598 | 974 598 |
| | 270 570 926 | 270 570 926 | 99 692 180 | 99 692 180 |

Financial liabilities at amortised cost

| | | | | |
|---------------------------|-------------|-------------|-------------|-------------|
| Borrowings | 39 457 881 | 39 457 881 | 56 826 190 | 56 826 190 |
| Finance lease liabilities | 8 853 218 | 8 853 218 | 13 232 060 | 13 232 060 |
| Right of use liability | 10 199 389 | 10 199 389 | 9 599 831 | 9 599 831 |
| Trade and other payables | 46 266 350 | 46 266 350 | 35 556 553 | 35 556 553 |
| | 104 776 838 | 104 776 838 | 115 214 634 | 115 214 634 |

Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

34.1 Financial instrument categories and fair values (continued)

Equity securities designated at fair value through other comprehensive income

The Group designated the investments shown below as equity securities as fair value through other comprehensive income because the equity securities represent investments that the Group intends to hold for the long term for strategic purposes. Since their performance does not affect the operations of the entity, they have been classified as fair value through other comprehensive income.

| | Fair value at | | Dividend income recognised during | |
|---|--------------------|--------------------|--------------------------------------|------------------|
| | 31 July 2021 | 31 July 2020 | 2021 | 2020 |
| Gryphon Dividend Income Fund | 26 521 604 | 10 332 053 | – | – |
| Alpha Prime Equity Qualified | 12 906 688 | 10 583 819 | – | – |
| Alpha Wealth – Lynx Prime Global Diverse Fund | 19 061 495 | 18 274 947 | – | – |
| RMB Protected Flexible Private Portfolio | – | 55 007 774 | – | 689 806 |
| Sanlam Private Portfolio Listed Shares | 30 854 529 | 33 452 641 | 572 344 | 1 016 880 |
| Investec Asset Management Account | 43 303 | 40 770 | – | – |
| Alpha Wealth Investments | – | 1 951 523 | – | – |
| Automatic Systems Limited | 14 779 372 | 13 794 991 | – | 877 623 |
| | 104 166 991 | 143 438 518 | 572 344 | 2 584 309 |

34.2 Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

34.3 Risk management framework

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

Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

34.4 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group manages credit risks as follows:

Cash and cash equivalents – financial institutions used are reputable with stable credit ratings

Investments – financial institutions used are reputable with stable credit ratings.

Trade and other receivables – management regularly monitors long outstanding balances and the granting of credit.

Loans to related parties – these loans are within the Group and therefore exposure is minimal due to support received from other entities within the Group.

Other loans receivable – loans granted are to racing industry participants. These parties are reputable.

| | Carrying amount 2021 R | Carrying amount 2020 R |
|--|------------------------------|------------------------------|
| <i>Exposure to credit risk</i> | | |
| Trade and other receivables | 253 544 523 | 74 668 404 |
| Investments | 151 951 260 | 196 428 642 |
| Cash and cash equivalents | 15 652 251 | 24 049 178 |
| Loans receivable | 1 374 152 | 974 598 |
| Investment in Phumelela Gold International | 7 279 131 | 74 880 000 |
| | 429 801 317 | 371 000 822 |

Expected credit losses (ECL) for individual customers

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 60 days for individual customers. The Group uses an allowance matrix to measure ECLs of trade receivables from individual customers. Loss rates are calculated using a 'roll rate' method for each aging bracket based on the probability of a receivable progressing through successive stages of delinquency to write-off. All customers that are credit impaired fall under the 12-month ECL range.



Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

34.4 Credit risk (continued)

| | Trade receivables | Allowance for impairment loss | Net trade receivables |
|-------------------------|--------------------|-------------------------------|-----------------------|
| | R | R | R |
| 2021 | | | |
| Current | | | |
| Past due 1 – 30 days | 14 234 895 | – | 14 234 895 |
| Past due 31 – 60 days | 11 465 850 | – | 11 465 850 |
| Past due 61 – 120 days | 5 271 716 | – | 5 271 716 |
| Past due 121 – 365 days | 9 587 551 | (800 264) | 8 787 287 |
| Past due 365+ days | 78 790 824 | – | 78 790 824 |
| Total* | 137 162 453 | (2 168 502) | 134 993 951 |
| | 256 513 289 | (2 968 766) | 253 544 523 |
| 2020 | | | |
| Current | | | |
| Past due 1 – 30 days | 92 795 281 | (20 908 989) | 71 886 292 |
| Past due 31 – 60 days | 2 405 319 | (135 085) | 2 270 234 |
| Past due 61 – 120 days | 631 548 | (130 415) | 501 133 |
| Past due 121 – 365 days | 1 138 796 | (150 578) | 988 218 |
| Past due 365+ days | 663 135 | (192 326) | 470 809 |
| Total* | 1 115 506 | (2 563 788) | (1 448 282) |
| | 98 749 585 | (24 081 181) | 74 668 404 |

* Trade receivables for 2021 and 2020 includes the amounts owing by Phumelela Gaming and Leisure Limited which is the subject of litigation between the Group and Phumelela Gaming and Leisure Limited and is due to be settled by way of an arbitration hearing to be heard in April 2022.

34.5 Liquidity risk

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

Cash flow forecasting is performed by the Group and management monitors rolling forecasts to ensure that the Group has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities. Surplus cash held by the entity over and above its working capital requirements are invested in interest bearing current accounts, time deposits and money market deposits.

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

Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

34.5 Liquidity risk (continued)

| | Carrying amount | Contractual cash flows | Less than 1 year | Between 1 and 5 years |
|------------------------------|--------------------|------------------------|--------------------|-----------------------|
| | R | R | R | R |
| 2021 | | | | |
| Trade and other payables | 46 266 350 | 46 266 350 | 46 266 350 | – |
| Borrowings | 39 457 881 | 39 457 881 | 39 457 881 | – |
| Finance lease liability | 8 853 218 | 10 307 719 | 3 619 220 | 6 688 499 |
| Right-of use lease liability | 10 199 389 | 11 155 923 | 6 758 892 | 4 397 031 |
| | 104 776 838 | 107 187 873 | 96 102 343 | 11 085 530 |
| 2020 | | | | |
| Trade and other payables | 35 556 553 | 35 556 553 | 35 556 553 | – |
| Borrowings | 56 826 190 | 56 934 213 | 56 934 213 | – |
| Finance lease liability | 13 232 060 | 15 027 579 | 6 008 822 | 9 018 757 |
| Right-of use lease liability | 9 599 831 | 10 460 742 | 5 816 085 | 4 644 657 |
| | 115 214 634 | 117 979 087 | 104 315 673 | 13 663 414 |

Management monitors its projected cash flow requirements against cash and cash equivalents and undrawn borrowing facilities. At year end the Group's available resources were as follows:

| | 2021 | 2020 |
|--|--------------------|--------------------|
| | R | R |
| Cash resources | 15 652 251 | 24 049 178 |
| Undrawn borrowing facilities | 15 000 000 | 15 000 000 |
| Trade and other receivables | 254 276 499 | 75 195 349 |
| Investments | 151 951 260 | 196 428 642 |
| Investment in Phumelela Gold International | 7 279 131 | 74 880 000 |
| Total available resources | 444 159 141 | 385 553 169 |

Capital risk management

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

34.6 Market risk

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

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

The Group has exposure to currency, interest rate and equity price risk. Currency risk is managed by frequent review of international investments by the investment committee. Financial institutions used are reputable with stable credit ratings. Interest rate risk is managed by benchmarking interest rates across banks.

Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

34.6 Market risk (continued)

(i) Currency risk

The Group is exposed to currency risk on the foreign listed equities that is denominated in a currency other than the respective functional currencies of Group entities and also investments in foreign countries. The Group is primarily exposed to the United States dollar and Mauritian Rupee.

Exposure to currency risk

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

| | 2021 R | 2020 R |
|-------------------------------|------------|------------|
| <i>Amounts shown in rands</i> | | |
| Foreign listed equities | 22 177 768 | 29 256 527 |
| ASL Limited | 14 779 372 | 13 794 991 |

The following significant exchange rates applied during the period:

| | 2021 Reporting date spot rate | 2021 Average for the period | 2020 Reporting date spot rate | 2020 Average for the period |
|-----------------|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| US Dollar | 14.49 | 14.37 | 17.05 | 15.90 |
| Mauritian Rupee | 0.34 | 0.38 | 0.43 | 0.41 |

Sensitivity analysis

A 10 percent weakening of the rand at the reporting date applied against the net foreign currency exposure would have increased/ (decreased) profit and loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2020.

| | Profit/(loss) | |
|-----------------|----------------|----------------|
| | 2021 | 2020 |
| <i>Group</i> | | |
| US Dollar | \$161 945 | \$172 407 |
| Mauritian Rupee | -MRU 3 905 651 | -MRU 2 906 350 |

A 10 percent strengthening of the rand against the Mauritian rupee and US Dollar at the reporting date would have had the equal and opposite effect to the amounts shown above.

(ii) Interest rate risk

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

Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

34.6 Market risk (continued)

(ii) Interest rate risk (continued)

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

| | Carrying amount | |
|----------------------------------|-----------------|--------------|
| | 2021 | 2020 |
| | R | R |
| Fixed rate instruments | | |
| Financial assets | 17 026 403 | 25 023 776 |
| Variable rate instruments | 151 951 260 | 196 428 642 |
| Financial assets | (19 052 607) | (40 200 200) |
| Financial liabilities | 132 898 653 | 156 228 442 |

A decrease in 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant.

| | Profit/(loss) | |
|----------------------------------|---------------|-------------|
| | 2021 | 2020 |
| | R | R |
| Variable rate instruments | | |
| <i>Financial liabilities</i> | | |
| Finance lease liability | (1 053 566) | (1 297 791) |
| Right-of-use liability | (765 934) | (1 243 180) |
| Net cash flow sensitivity | (1 819 500) | (2 540 971) |

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

(iii) Equity price risk

Variable rate instruments

The Group's exposure to equity price risk on investments is as follows:

| | 2021 | 2020 |
|-------------|-------------|-------------|
| | R | R |
| Investments | 104 166 991 | 143 438 518 |

Sensitivity analysis

A decrease of 100 basis points in equity prices at the reporting date would have the following effect on profit and loss and other comprehensive income.

This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2020.

| | 2021 | 2020 |
|--|-----------|-----------|
| | R | R |
| Fair value gains and losses through other comprehensive income | (621 900) | (812 276) |

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

Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

34.6 Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (observable inputs).

| Group | Level 1 | Level 2 | Level 3 |
|---|--------------------|----------|--------------------|
| 2021 | R | R | R |
| Financial assets | | | |
| Fair value through other comprehensive income | 104 166 991 | – | – |
| Fair value through profit and loss | 47 784 269 | – | – |
| Freehold buildings | – | – | 305 966 243 |
| Investment in Phumelela Gold International | – | – | 7 279 131 |
| | 151 951 260 | – | 313 245 374 |

| Group | Level 1 | Level 2 | Level 3 |
|---|--------------------|-------------------|--------------------|
| 2020 | R | R | R |
| Financial assets | | | |
| Fair value through other comprehensive income | 143 438 518 | – | – |
| Fair value through profit and loss | 52 990 124 | – | – |
| Freehold buildings | – | – | 292 072 291 |
| Investment in Phumelela Gold International | – | – | 74 880 000 |
| | 196 428 642 | 99 692 180 | 366 952 291 |

35. Subsidiaries of Gold Circle Proprietary Limited

| Group | 2021 | 2021 | 2020 | 2020 |
|--|--------------|---------|--------------|---------|
| | Issued share | Holding | Issued share | Holding |
| | capital | | capital | |
| | R | % | R | % |
| <i>Directly held:</i> | | | | |
| Gold Circle Gaming Investments Proprietary Limited | 100 | 100 | 100 | 100 |
| Natal Racing Properties Proprietary Limited | 150 000 | 100 | 150 000 | 100 |
| Betting Information Technology Proprietary Limited | 240 | 100 | 240 | 100 |
| Videotrac Proprietary Limited | 120 | 100 | 120 | 100 |
| <i>Indirectly held:</i> | | | | |
| Track and Ball Gaming Proprietary Limited | 140 | 70 | 140 | 70 |

Notes to the Consolidated Financial Statements

36. Related parties

36.1 Identity of related parties

Holding entity

Gold Circle Racing Club

Subsidiaries

Natal Racing Properties Proprietary Limited
Videotrac Proprietary Limited
Track and Ball Proprietary Limited

Gold Circle Gaming Investments Proprietary Limited
Betting Information Technology Proprietary Limited

Associated companies

Sports Tracking Proprietary Limited
Wozabets Gaming Proprietary Limited
Alphabets Betting Proprietary Limited

Betsumor Gaming Proprietary Limited
Ezeefun Proprietary Limited

Associated clubs

Clairwood Turf Club

Durban Turf Club

Directors

NP Butcher (Chairperson) (Resigned 30 August 2021)
D Chetty
JHS de Klerk (Resigned 31 March 2021)
PB Gibson (Resigned 03 August 2020)
GM Grant (Appointed 30 August 2021)
PV Lafferty (Resigned 30 August 2021)
Ms P Mnganga (Resigned 30 August 2021)
Ms C Moodley
S Naidoo (Appointed 30 August 2021)
MJL Nairac (CEO)

Ms M Nhlanhla
L Nunan (Resigned 30 August 2021)
G Petzer (Resigned 30 August 2021)
Ms Y Pillay
MW Rohwer (Appointed 30 August 2021)
Ms BF Scott (Chairperson) (Appointed 21 April 2021)
K Thambiran (Appointed 30 August 2021)
LR Whiteford (Appointed 17 September 2020)
Z Zulu

Prescribed officers

P Loker
DJ Furness (Company Secretary)
SH Marshall

V Jack
MR Sheik

Other related parties – indirect

Tellytrack Partnership
Kenilworth Racing Proprietary Limited

Phumelela Gaming and Leisure Limited



Notes to the Consolidated Financial Statements

36. Related parties (continued)

36.1 Identity of related parties (continued)

The following related party transactions and balances payable and receivable have occurred as at 31 July 2021:

| Income/(expenditure) | 2021 | 2020 |
|---|-------------|--------------|
| | R | R |
| <i>Phumelela Gaming and Leisure Limited</i> | | |
| International income | 75 748 390 | 68 934 299 |
| Net share of international licence fees | 50 222 340 | 37 560 259 |
| Share of income from Phumelela Gold International | 25 526 050 | 31 374 040 |
| <i>Kenilworth Racing Proprietary Limited</i> | | |
| Racing Bureau Income | 585 456 | 645 020 |
| <i>Tellytrack Partnership</i> | | |
| Partnership profit/(loss) | 6 633 991 | (14 765 539) |
| Loss at 24.96% | (2 508 537) | (19 389 360) |
| On course production | – | (4 041 258) |
| Tellytrack subscriptions | 9 142 528 | 8 665 079 |
| <i>Betsumor Gaming Proprietary Limited</i> | | |
| Finance income | 77 827 | 167 191 |
| Information fees | 102 053 | 7 757 |
| Management fees | 19 533 | – |
| Agents commission | 169 314 | – |
| | (213 073) | 159 434 |
| <i>Alphabet Betting Proprietary Limited</i> | | |
| Finance income | 2 265 | – |
| <i>Ezeefun Proprietary Limited</i> | | |
| Information fees | 5 000 | – |
| <i>Wozabets Gaming Proprietary Limited</i> | | |
| Finance income | (29 139) | 32 131 |
| Information fees | – | 6 073 |
| Management fees | 14 533 | – |
| Property rentals | 131 701 | – |
| Agents commission | 92 610 | 240 609 |
| | (267 983) | (214 551) |



Notes to the Consolidated Financial Statements

36. Related parties (continued)

36.1 Identity of related parties (continued)

The following related party transactions and balances payable and receivable have occurred as at 31 July 2021:

| | 2021 | 2021 |
|---------------------------------------|-------------|------------|
| | R | R |
| Loans receivable | | |
| Betsumor Gaming Proprietary Limited | 1 076 652 | 974 598 |
| Alphabet Betting Proprietary Limited | 297 500 | – |
| Sports Tracking Proprietary Limited | 1 968 056 | 1 963 738 |
| Loans payable | | |
| Gold Circle Racing Club | 39 457 881 | 39 457 881 |
| Amounts receivable/(payable) | | |
| Ezeefun Proprietary Limited | 936 442 | (21 738) |
| Betsumor Gaming Proprietary Limited | 2 354 642 | 1 585 767 |
| Wozabets Gaming Proprietary Limited | 657 535 | 1 172 345 |
| Phumelela Gaming and Leisure Limited | 230 440 513 | 75 935 926 |
| Tellytrack funding | 875 257 | 9 818 064 |
| Kenilworth Racing Proprietary Limited | 2 977 859 | 1 877 683 |

36.2 Key management compensation

The following related party transactions and balances payable and receivable have occurred as at 31 July 2021:

| 2021 | Fees | Salary | Bonus | Retirement and other benefits | Total |
|-------------------------|---------|--------|-------|-------------------------------|---------|
| | R | R | R | R | R |
| Non-executive directors | | | | | |
| NP Butcher | 137 500 | – | – | – | 137 500 |
| JHS De Klerk | 67 500 | – | – | – | 67 500 |
| PV Lafferty | 100 000 | – | – | – | 100 000 |
| P Mnganga | 85 000 | – | – | – | 85 000 |
| L Nunan | 105 000 | – | – | – | 105 000 |
| G Petzer | 97 500 | – | – | – | 97 500 |
| Ms M Nhlanhla | 67 500 | – | – | – | 67 500 |
| Z Zulu | 72 500 | – | – | – | 72 500 |
| Ms C Moodley | 122 000 | – | – | – | 122 000 |
| D Chetty | 77 500 | – | – | – | 77 500 |
| L Whiteford | 52 500 | – | – | – | 52 500 |
| Ms B Scott | 15 000 | – | – | – | 15 000 |

Notes to the Consolidated Financial Statements

36. Related parties (continued)

36.2 Key management compensation (continued)

| 2021 | Fees | Salary | Bonus | Retirement and other benefits | Total |
|----------------------------|----------------|------------------|----------|-------------------------------|-------------------|
| | R | R | R | R | R |
| <i>Executive directors</i> | | | | | |
| MJL Nairac | – | 2 396 800 | – | – | 2 396 800 |
| Y Pillay | – | 1 035 514 | – | 93 170 | 1 128 684 |
| <i>Prescribed officers</i> | | | | | |
| PL Loker | – | 1 337 862 | – | 215 012 | 1 552 874 |
| V Jack | – | 806 944 | – | 203 858 | 1 010 802 |
| D Furness | – | 857 830 | – | – | 857 830 |
| SH Marshall | – | 1 260 394 | – | 90 900 | 1 351 294 |
| R Sheik | – | 927 537 | – | 123 747 | 1 051 284 |
| Total | 999 500 | 8 622 881 | – | 726 687 | 10 349 068 |

Directors fees are payable to all non-executive directors of Gold Circle Proprietary Limited. These includes fees for attendance at Board meetings and statutory committee meetings. MJL Nairac and DJ Furness, received a contracting fee for services rendered to the companies in the Group. PL Loker, DT Moodie, Y Pillay, V Jack, SH Marshall, R Sheik and C Fourie received remuneration for services rendered to companies in the Group as employees of the Group.

| 2020 | Fees | Salary | Bonus | Retirement and other benefits | Total |
|--------------------------------|----------------|------------------|----------------|-------------------------------|-------------------|
| | R | R | R | R | R |
| <i>Non-executive directors</i> | | | | | |
| NP Butcher | 120 000 | – | – | – | 120 000 |
| JHS De Klerk | 90 000 | – | – | – | 90 000 |
| PV Lafferty | 75 000 | – | – | – | 75 000 |
| P Mnganga | 45 000 | – | – | – | 45 000 |
| L Nunan | 100 000 | – | – | – | 100 000 |
| G Petzer | 65 000 | – | – | – | 65 000 |
| M Nhlanhla | 60 000 | – | – | – | 60 000 |
| Z Zulu | 65 000 | – | – | – | 65 000 |
| C Moodley | 67 000 | – | – | – | 67 000 |
| D Chetty | 70 000 | – | – | – | 70 000 |
| PB Gibson | 65 000 | – | – | – | 65 000 |
| SN Mthethwa | – | – | – | – | – |
| <i>Executive directors</i> | | | | | |
| MJL Nairac | – | 2 256 700 | 8 930 | – | 2 256 700 |
| DT Moodie | – | 603 229 | 14 445 | 88 747 | 700 906 |
| Y Pillay | – | 998 667 | – | 93 170 | 1 106 282 |
| <i>Prescribed officers</i> | | | | | |
| PL Loker | – | 1 231 598 | 20 076 | 200 372 | 1 452 046 |
| V Jack | – | 775 550 | 12 880 | 199 448 | 987 878 |
| D Furness | – | 630 767 | – | – | 630 767 |
| SH Marshall | – | 1 221 577 | 17 400 | 90 900 | 1 329 877 |
| R Sheik | – | 870 750 | 13 110 | 121 407 | 1 005 267 |
| C Fourie | – | 1 077 494 | 14 178 | – | 1 091 672 |
| Total | 822 000 | 9 666 332 | 101 019 | 794 044 | 11 383 395 |

Notes to the Consolidated Financial Statements

36. Related parties (continued)

36.2 Key management compensation (continued)

Directors fees are payable to all non-executive directors of Gold Circle Proprietary Limited. These includes fees for attendance at Board meetings and statutory committee meetings. MJL Nairac and DJ Furness, received a contracting fee for services rendered to the companies in the Group. PL Loker, DT Moodie, Y Pillay, V Jack, SH Marshall, R Sheik and C Fourie received remuneration for services rendered to companies in the Group as employees of the Group.

37. Subsequent events

Phumelela Gaming and Leisure Limited – Arbitration hearing

The arbitration hearing to deal with Gold Circle Proprietary Limited's claims against Phumelela Gaming and Leisure Limited was originally scheduled to be heard between 11 to 15 October 2021. It has now been rescheduled to be heard over eight days from 6 April 2022.

Release of ring fenced funds

On 5 August 2021 the shareholder of the Group passed a special resolution for Natal Racing Properties Proprietary Limited to release R36 million of ring-fenced investment funds, comprising a portion of the sale proceeds of Clairwood Racecourse held by subsidiary Natal Racing Properties Proprietary Limited, to be utilised to fund the operating activities of the Group.

Re-election of Gold Circle Racing Club's Board of Directors

On 30 August 2021 pursuant to the outcome of an election process of the Gold Circle Racing Club a new Board of Directors was appointed. The following directors now comprise the Board:

| | |
|-------------------------------------|--|
| D Chetty | Ms Y Pillay |
| GM Grant (Appointed 30 August 2021) | MW Rohwer (Appointed 30 August 2021) |
| Ms C Moodley | Ms BF Scott (Appointed 21 April 2021) |
| S Naidoo (Appointed 30 August 2021) | K Thambiran (Appointed 30 August 2021) |
| MJL Nairac | LR Whiteford (Appointed 17 September 2020) |
| Ms M Nhlanhla | Z Zulu |

No other matters which are material to the financial affairs of the Group, besides that which is mentioned above, have occurred between the statement of financial position date and the date of approval of the financial statements.

38. Going concern

During the 2021 year, the Group made a profit after tax of R18 267 968 (2020: loss after tax of R95 815 165). Total assets exceeded total liabilities by R720 750 785 (2020: 674 361 850). Current assets exceed current liabilities by R292 185 457 (2020: R180 596 406).

At 31 July 2021 the Group had:

- cash resources of R16 million; and
- access to an overdraft facility of R15 million; and
- an investment portfolio valued at R152 million which is capable of being realised in cash in the short term which, subject to the approval of the shareholder by special resolution, can be accessed for use by the Group.

During the 2021 financial year, the Group experienced significant strain on its cash flows as a result of:

- the placement of Phumelela Gaming and Leisure Limited in business rescue and ultimately its failure to pay amounts owing by it to Gold Circle Proprietary Limited;
- tough economic conditions which prevailed in South Africa; and
- the effects of the Covid-19 pandemic lockdown and subsequent restrictions on business activities.

Notes to the Consolidated Financial Statements

38. Going concern (continued)

Management has implemented many cost saving initiatives during the year and has taken mitigating actions as a result of the Phumelela business rescue practitioner electing not to pay to Gold Circle Proprietary Limited amounts due to it in terms of the daytoday commercial agreements and relationships between Gold Circle Proprietary Limited and Phumelela Gaming and Leisure Limited. These initiatives and actions include:

- a. reducing salaries and stakes;
- b. conducting preliminary but detailed engagements with appropriate participants in the sports, gaming and betting industries (locally and abroad) in order to facilitate an expeditious transition once legal outcomes and/or appropriate circumstances permit.

The Group has made a profit in the current financial year and has forecasted a profit for the 2022 financial year.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

39. Contingent liabilities

Bookmakers price determination (BODDS)

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

Phumelela Gaming and Leisure Limited

The arbitration hearing to deal with Gold Circle Proprietary Limited's claims against Phumelela Gaming and Leisure Limited has now been rescheduled to April 2022. As this is ongoing, the Group is uncertain of the total legal fees that the company will be liable for.

Dispute between Bookmakers and the Tellytrack Partnership

Since 2012 a dispute has ensued between the Bookmaking Industry and the Tellytrack Partnership relating to the fees payable by the Bookmakers for the commercial use of the televised racing picture. Following years of ongoing dispute including litigation, in February 2020 the Bookmakers and Tellytrack reviewed the fees that would be paid both for the historical and future use of the picture. Tellytrack has subsequently been unable to agree and conclude contracts for these fees with the Bookmakers. Certain Bookmakers however did pay the agreed fees for the historical use of the televised picture and some of these lodged claims for a refund against Phumelela Gaming and Leisure Limited pursuant to its business rescue proceedings. These claims were rejected by the business rescue practitioner. A legal opinion also obtained by Tellytrack indicated that it is not liable for such refunds.



