GOLD CIRCLE

RACING AND GAMING GROUP

Annual Report

2022

Gold Circle Racing and Gaming Group

The Business Of Gold Circle Is:

To promote the thoroughbred racehorse through operating:

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

The Vision Of Gold Circle Is:

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

Content

Board of Directors

D Chetty

GM Grant

C Moodley

S Naidoo
(Vice Chairperson)

MJL Nairac
(CEO)

Ms M Nhlanhla

Ms Y Pillay
(CFO)

MW Rohwer

Ms BF Scott
(Chairperson)

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 and this Report for the year ended 31 July 2022 are presented on behalf of the Directors.

The 2022 financial year has been a challenge for both the Board and management as the country's continuing negative economic trends, together with Covid regulations and dealing with the legalities surrounding the Phumelela business rescue process, have affected the company's operational and investment activities over the past year.

FINANCIAL PERFORMANCE

Total revenue generation, available for racing activities, has increased by only 5% and has not, in real terms, kept pace with inflation. The income generation from the totalisator is in decline similar to the international trend as the product offering is not sufficiently flexible to customer expectations together with the limited scope in respect of gaming licensing regulation. The company continues to pursue all possible avenues of income generation to ensure that the financial contribution to the industry is sustainable into the future.

Total totalisator bets struck over the year amounted to R 970.2 million (2021: R821.8 million). The increase in turnover needs to take into account the perspective of the relaxed Covid regulations during the trading year. Competitive pricing in the fixed-odds market together with more favourable betting products continue to hamper betting opportunities particularly in sports pools. In contrast, the gross income generation of the Group's investment in bookmaking activities saw an improvement of 14% in net gaming revenue. Income received from third party bookmaking activities was similar to the prior year at R70.4 million (2021:R70.3 million).

International income, derived through the sale of South African racing product, initially through Phumelela Gaming & Leisure which was terminated in February 2022, followed by Gold Circle's relationship with Tabcorp (Australia) experienced a significant growth of 13% to R85.8 million for the current financial year. It is expected that this source of income will continue to experience growth in the year ahead.

Income from investments, including the amount "ring-fenced" by Members in 2012 reflects a small decrease compared with the prior year due mainly to the disinvestment of investments to provide for necessary operational cash utilization and the volatile international investment market. Whilst the stock market indices have been erratic over the past year and mostly traded negatively, the Group's investments are held for the longer term. The liquidation of certain investments was necessary during the year.

In terms of the International Financial Reporting Standards (IFRS), certain income categories have not been included in the Consolidated Income Statement and have been allocated directly to the Balance Sheet. Total comprehensive income for the year after taxation and extraordinary revenue adjustments, amounted to a deficit of R71.9 million compared with a profit of R46.4 million in the prior year. The main reason for the variance was as a result of extraordinary adjustments being required to account for the settlement of the Phumelela Gaming and Leisure Limited receivable and the Phumelela Gold International Investment amounting to R75.3 million.

Total expenditure, excluding Stakes paid to Owners and Breeders, amounted to R401.8 million and reflects an increase of 16% on the comparable amount of R347.1 million spent in 2021. Stakes paid to Owners over the past year increased by 30% from R76.2 million in 2021 to R99.4 million.

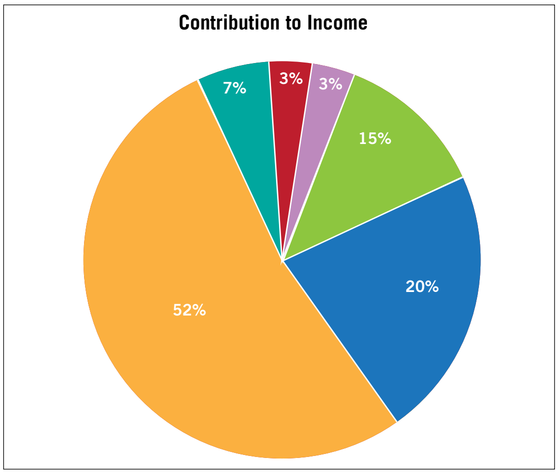
Phumelela

Club members have been fully apprised, since 08 May 2020, on the business arrangements that had been in place since Phumelela Gaming and Leisure Limited went into business rescue. As reported in the Chairman's Report last year, the Business Rescue Practitioner was withholding cash settlements due to Gold Circle pending the legal process instigated by the company against Phumelela. This process by agreement eventually took the form of Arbitration proceedings rather than a Court trial.

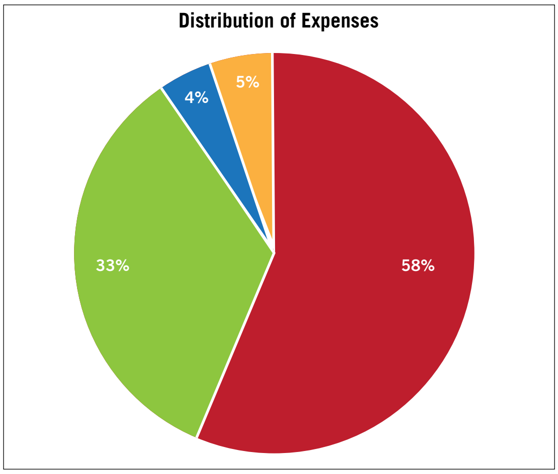
In April 2022 Club members were advised that, following detailed negotiations, a settlement of the Phumelela dispute had been agreed and relevant legal agreements with the Business Rescue Practitioner had been signed. In terms of the respective signed agreements, Gold Circle received a settlement consideration of R176 million in full and final settlement of its claim against Phumelela Gaming and Leisure Limited. In reviewing the settlement value received it should be noted that, taking account of various taxation benefits on the transaction, the total settlement benefit to Gold Circle was in the region of R201.8 million.

Chairman's Report (continued)

The graphs below reflect the 2022 macro management summary of Gold Circle's sources of income and the sectors where expenditure was incurred to provide facilities for KwaZulu-Natal racing. These statistics conform in total with the statement of total comprehensive income but are defined differently in the audited financial statements.



	%	R in Millions
Investments	3	7.9
Racing revenue	15	44.0
Wagering	20	60.0
Intellectual Property	52	155.3
Asset Utilisation	7	21.1
Hollywoodbets Durban July	4	10.6



	%	R in Millions
Racing - Training Centres, Tracks and Operations	58	185.6
Stakes - Owners and Breeders	33	104.4
Jockey Remuneration	4	11.8
Regulatory Costs - National Horseracing Authority	6	18.0

Chairman's Report (continued)

FINANCIAL POSITION

At 31 July 2022, the Group controlled total assets of R896.9 million (2021: R944.8 million) and total liabilities amounting to R248.1 million (2021: R224.0 million). Excluding the loan owing to Gold Circle Racing Club amounting to R39.5 million, the total equity attributable to shareholders amounts to R648.8 million (2021: R720.8 million).

Cash and cash equivalents as at 31 July 2022 amounted to R33.3 million (2021: R15.7 million). The increase in available cash is due to an inflow arising from the Hollywoodbets Durban July and the Marshall World of Sport Gold Cup that was held at almost full capacity. The group also had new International contracts which had improved liquidity compared to 2021.

ASSET UTILIZATION

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

The Greyville Convention Centre, due to the relaxation of the Covid regulations, opened its doors again and generated sales of R4.5 million during the current financial year. This non-core revenue stream has the potential to once again make a significant contribution to the company in the years ahead.

The Agreement with Hollywoodbets for the naming rights to the two racecourses in KwaZulu-Natal has been renewed for a further three years. This partnership has had significant benefits for Gold Circle and for horse racing in the province. Awareness exposure of Gold Circle has been elevated to increasing heights and thanks are extended to Hollywoodbets for their continued support of Gold Circle and increasing their investment in horse racing.

The investment into a solar power system three years ago continues to provide solar energy directly into the current electricity grid of the company during daylight hours. Projected annual savings in electricity costs over the past year are in the region of R1.1million. The country continues to be negatively impacted through loadshedding and management are in the process of investigating an extension to the current solar project in the retention of solar power as well as expanding the present footprint of the solar resource.

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

National & International Initiatives

The national involvement of Gold Circle in external business operations is currently limited to contractual obligations in respect of a National Sports and Administration agreement which deals with horse racing matters including the National Racing Bureau as well as a Commingling Agreement.

GALLOP TV

Tellytrack, the entity managed by Phumelela Gaming & Leisure Limited, which held the Racing Operators' intellectual property rights to the racing picture, and broadcasts the South African horse racing picture to South Africa, Namibia and Zimbabwe is in the process of dissolution. Tellytrack ceased its operations on 28 February 2022.

4Racing the Racing operator which acquired the racing assets of Phumelela Gaming & Leisure Limited commenced a new broadcast channel on DSTV and invited Gold Circle to participate in the initiative on certain onerous financial conditions. These operational and financial conditions were unacceptable to Gold Circle.

Gold Circle, through its own initiatives created a new broadcast platform named Gallop TV which now broadcasts all KwaZulu-Natal racing to the public at large. Simultaneously the Gallop TV channel carries all the imported international racing broadcasts on which the public bet. It is pleasing to report that since the inception of Gallop TV, the broadcast signal is in digital format and is made available to the broader public "free to air".

Gold Circle has partnered with Hollywoodbets in contributing an equal value in sharing the costs of providing Gallop TV channel to the public. This is another example of synergies between the two partners in identifying and ensuring that all opportunities are being exploited to the benefit of the public. Gold Circle's share of the total costs for the financial year to launch and maintain the channel amounted to R8.1 million.

In collaboration with 4Racing, KwaZulu-Natal racing is being hosted on DSTV on a month-to-month basis.

INTERNATIONAL

The Licence Agreement between Gold Circle and Phumelela Gaming and Leisure Limited, whereby the Group's racing product is sold internationally, was terminated in February 2022.

Gold Circle entered into a contractual relationship with Tabcorp (Aus) through Sky Channel Proprietary Limited for the international sale of Gold Circle's racing picture with effect from 01 February 2022. A commercial agreement with Premier Gateway International also commenced in February 2022. The international sale of racing picture remains a significant source of revenue for the company and contributed R85.8 million in the current the year. It is expected that this revenue source will be sustained in the year ahead.

Totalisator & Bookmaking

TOTALISATOR

Totalisator commission from betting turnover is an important source of income for the Group. Gross betting turnovers for all products for the 2022 financial year amounted to R970.2 million which reflects an increase of 18% compared with turnovers in the prior year. The main reason for this positive trend is that over the past year the company has been successful in generating greater turnover through virtual operations. This turnover is however contributing a smaller percentage to the gross margin.

The costs of operating the totalisator network, have increased significantly compared with the prior year again due to the relaxation of Covid regulations as the Group ramped-up its operations in line with its ability to sell bets to the public. Using a two-year average, operational costs have risen on average 6%.

BOOKMAKING

Track and Ball Proprietary Limited, the Group's Black owned subsidiary has performed in line with the relaxing of Covid regulations and increased its net gaming income by 14% to R26.7 million. The company traded from five owned licensed premises in KwaZulu-Natal together with a telephone call centre and internet operations. Track and Ball Proprietary Limited also managed six additional Black-empowered licenses in which Track and Ball Proprietary Limited has a minority equity ownership.

The company traded at a deficit of R6.4 million (2021: R6.1 million) after finance related interest costs of R7.5 million (2021: R6.8 million). Gold Circle has impaired its loan with Track and Ball Proprietary Limited to equate to the current capital value of disposing of the business. Management are reviewing this investment in terms of its future value balanced against initiatives that could improve its profitability.

Events and Marketing

MARKETING

In February, it was announced that Hollywoodbets would be the new title sponsor of Africa's greatest horse race The Hollywoodbets Durban July, and that the race would be run for a highest ever stake of R5 million. The good news continued as Champions Season drew near and Government began to ease Covid restrictions, allowing the race day venues to host at full capacity with an additional 2000 people allowed in the open-air public areas on the course.

Gold Circle's media relationship with Independent Newspapers continued with the opening day of Champions Season featuring the Independent on Saturday Drill Hall Stakes along with another loyal sponsorship partner in World Sports Betting whose uninterrupted support of racing in KZN through Covid with the WSB KZN Guineas, WSB Fillies Guineas and WSB 1900 is greatly appreciated.

The Daily News 2000 proved another popular day as the best 3-year-olds in the country took centre stage. Safe Passage became the 5th individual 3-year-old Grade 1 winning colt of the season and staked his claim as a potential Equus Champion of his generation with a resounding victory.

Next on the calendar came the Golden Horse Sprint race day at Hollywoodbets Scottsville. The Witness South African Fillies Sprint produced a scintillating turn of foot from the darling of the South African turf, Captain's Ransom, who got up close home to secure her 3rd Grade 1 race of the season. Alesian Chief then recorded one for the smaller stables, when winning the Golden Horse Sprint, a first Grade 1 win for his trainer, Coerie Lensley.

Hollywoodbets once again used their Gold Challenge race meeting to provide a platform for their many branding, sponsorship and media partners to get involved in racing. La Liga, SABC Sport, Cell C Sharks, Hollywoodbets Dolphins, East Coast Radio, Rising Sun and Netball South Africa were all race name partners on a day of high-quality racing which saw Al Muthana get the better of Linebacker and Jet Dark for the Mike De Kock stable to claim the Hollywoodbets Gold Challenge.

The KwaZulu-Natal Breeders Day on 26 June was the first race meeting featured without Covid restrictions for more than 2 years and the crowd in attendance were treated to a winning return to the saddle for Pierre Strydom as he secured another feature race victory on Nexus in the Kwazulu-Natal Breeders Mile.

The lifting of restrictions came a week before the Hollywoodbets Durban July and most hospitality vendors could not react in time to increase their numbers, however the sale of public tickets increased significantly in the final week and Hollywoodbets Greyville racecourse was able to host a crowd of 35 000 people on the day. The course was a buzz of excitement with all the fashion and entertainment building up to the R5 million Hollywoodbets Durban July, as S'manga Khumalo steered the only filly in the race, Sparkling Water, to an impressive 3 length victory for Mary Slack's first win in the race. Later in the evening the Gareth van Zyl trained She's A Keeper recorded her first Grade 1 win in the Brentford FC Garden Province Stakes. The day proved to be highly successful with many new and returning sponsors ensuring a popular public return for Africa's greatest horseracing event.

Post event media reports confirmed this year's Hollywoodbets Durban July to be one of the most successful events ever staged. Ethekwini Municipality commissioned BDO Advisory Services to conduct an Economic Impact Assessment Report which calculated the event's economic contribution to the Municipality's GDP to be R431 million. This is up from R288 million in 2019, the last prior "open to public" event, which represented a 50% increase. Thanks must go to the Group's new title sponsors, Hollywoodbets, the other race day sponsors, associate event sponsors and media partners who continue to ensure that the Hollywoodbets Durban July remains a pinnacle event, not only on the racing calendar, but on the South African social calendar as well.

The Marshalls World of Sport Gold Cup race meeting brought the curtain down on another hugely successful Champions Season with the two principal Equus Horse of the Year contenders in Jet Dark and Captain's Ransom both securing Grade 1 victories on the day, but it was ultimately Captain's Ransom's 4th Grade 1 victory of the season in the Mercury Sprint that would secure her the prestigious title. It was a group of Grade 1 firsts for KZN based trainer Darryl Moore, jockey Jason Gates and owner Preggie Somasundram when Canadian Summer claimed the Thekwini Stakes and she would go onto to be awarded the Equus Champion 2-Year-Old Filly title. The Hong Kong Jockey Club once again classified the race meeting as a world pool event and record turnovers were achieved on the day.

Gratitude is extended to all sponsors who have supported Gold Circle and the KwaZulu-Natal Racing Industry through these unprecedented times as we look forward to a full unrestricted Champions Season in 2023.

Events and Marketing (continued)

RACING

Gold Circle featured 110 race meetings during the year compared with 108 in the prior period. Although the Group's revenue streams were under pressure, stakes were increased for both feature and minor races. Stakes paid to stakeholders amounted to R99.4 million compared with R76.2 million in the prior year after the initiation of a joint Hollywoodbets / Gold Circle top-up programme which lasted from 01 March 2022 to 31 August 2022.

The success of the 2022 Champions Season was hallmarked by many outstanding performances and high-quality competitive racing. The jewel in Africa's racing crown, the Hollywoodbets Durban July, continues to attract the best of breed and provides the country with a racing extravaganza that is the envy of other racing jurisdictions.

The condition of the Hollywoodbets Greyville turf track has been exceptional over the past year and stood up particularly well over the Champions Season. Spring treatment is scheduled for January 2023.

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 grass 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 September and October and will re-open for racing in November 2022.

The Willowfontein Rural Horse Riding Club hosted the Umtelebhelo Heritage Cup at Hollywoodbets Scottsville on Saturday, 17 September 2022, Gold Circle played a major part in the event and the day was a huge success.

Global Teams Horseracing introduced Team-based, fast paced, thrilling horse racing, specifically aimed at a new generation of fans. Four night race meetings were held on 5th, 12th and 19th August with the final event being held on Friday 2 September 2022.

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 COVID restrictions now being lifted, a few night race meetings have been scheduled in November and December 2022.

Training facilities at Ashburton and Summerveld continue to provide the highest standards and both centres were well supported during the Winter Season.

Gambling Legislation and Regulation

KZN GAMING AND BETTING BOARD (KZNGBB)

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

The new Gaming and Betting Tax Amendment Bill, which was initially published on 29 November 2021 and later withdrawn by the KwaZulu-Natal Treasury, sought to remove Gold Circle's right to receive 50% of the 6% punters' winning bets taxation, as a bookmakers' contribution to the running costs of Gold Circle. Regrettably, the Bill was re-gazetted on 7 January 2022 and provides that 1.4% (just under half of the contribution being received) will be diverted to the 'Transformation Fund', which will be under the control of the KwaZulu-Natal Gaming & Betting Board. Gold Circle will have to apply for the remaining 1.6% to be expended at the discretion of the KwaZulu-Natal Gaming and Betting Board, which may be conditional.

Gold Circle, together with many other affected parties have made written representations objecting to the implementation of the legislation recording the devastating impact that the legislation will have on the racing industry, as well as the tax collection of KwaZulu-Natal Treasury. Public hearings have been conducted by KwaZulu-Natal Treasury and further written representations had a closing date of 19 August 2022. Should the tax legislation amendment be promulgated, Gold Circle stands to lose a life threatening R70 million per annum as a worst-case scenario.

The pending amendment to tax legislation has also affected other gaming industry operators who in turn, have made relevant written submissions and public representations opposing the Bill.

Corporate Governance and Structure

COMPANY 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
- Racing Committee
- Tender and Adjudication Committee (non-remunerative)
- Investment Committee (non-remunerative)

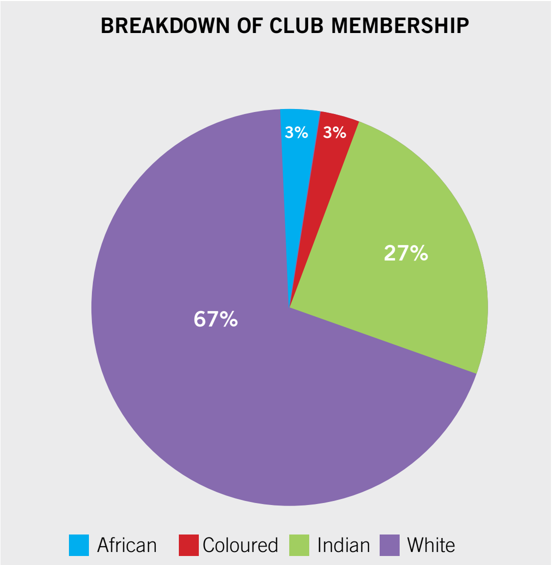
Committee members comprise only non-executive directors and remuneration levels have been set and approved by the Board of Directors. The following table reflects the attendance records of statutory and other remunerated committee meetings of the Board:

	Board	Audit	Risk	Remco	Racing	Social & Ethics	Remuneration "R"
NON-EXECUTIVE							
D Chetty	4/5	-	-	-	5/5	1/3	115 000
G M Grant	4/5	2/3	2/2	3/3			80 000
C Moodley	4/5	2/3	1/2	-	-	-	70 000
S Naidoo	5/5						100 000
M Nhlanhla	3/5	-	-	-	-	1/3	55 000
M W Rohwer	5/5				5/5		100 000
B F Scott	5/5	-	-	-	4/5	-	145 000
K Thambiran	5/5						75 000
L R Whiteford	5/5				5/5		100 000
Z Zulu	5/5	3/3	2/2	-	-	3/3	105 000
Total Remuneration Cost							**945 000**

Corporate Governance and Structure

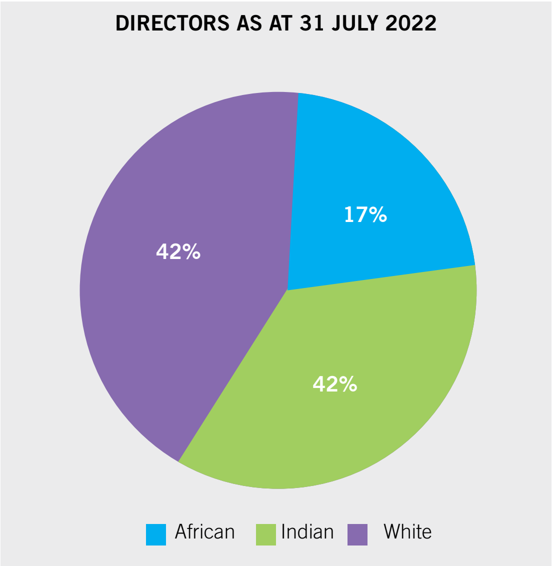
CLUB MEMBERSHIP

The Gold Circle Racing Club, as the single shareholder in Gold Circle, comprised 653 members as at 31 July 2022. There are no barriers to becoming a member of the Club and the Board of Directors continues to initiate efforts to improve the demographic profile of club membership. The target set to achieve an African membership component of 35% by 2022 has not been achieved and will remain the target in the year ahead.



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 2022 the Board comprised two executive and ten non-executive directors.



Corporate Governance and Structure

(continued)

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.

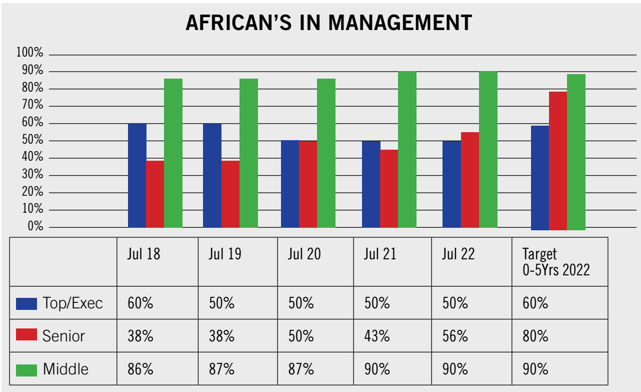
The Group outsources a limited number of designated skills which will be phased out by the Board through respective appointments in line with the strategic objectives of the company.

The following table reflects the employment sectors and the demographic profile of personnel employed by the company at 31 July 2022.

Race	Executive Management	Senior & Middle Management	Junior Management	Semi-Skilled	Unskilled	Grand Total	%
African	0	7	105	258	127	497	68
Indian	3	22	62	75	2	164	23
Coloured	0	1	11	16	2	30	4
Sub Total	**3**	**30**	**178**	**349**	**131**	**691**	**95**
White	3	10	17	8	1	39	5
Total	**6**	**40**	**195**	**357**	**132**	**730**	**100**

A demographic profile of African management employed by the company over the past five years, together with future strategic targets, is depicted as in the adjacent graph.

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 wheelchair bound, are employed.



Corporate Governance and Empowerment

Gold Circle is a responsible corporate entity and aligns itself with the principles of Broad Based Black Economic Empowerment. The company has over the years implemented several initiatives which demonstrate a positive commitment to transformation throughout its business. Gold Circle is a Level 2 contributor to Broad Based Black Economic Empowerment.

Summarized below, with comparatives, is the actual expenditure that the company has contributed to its transformation strategy which is on-going and dynamic in nature.

	2022	2021
	R	R
Skills Development	**8 296 074**	4 845 183
Corporate Social Investment	**510 785**	63 000
Socio-Economic Development	**8 847 734**	8 121 708
Enterprise Development	**1 244 562**	2 081 836
Supplier Development	**2 739 723**	1 529 579
TOTAL SPEND ON TRANSFORMATION	**21 638 878**	16 641 306

Skills Development

During the year under review, Gold Circle expended an amount of R8.3m on Skills Development compared with R4.8m in the prior year. Funding of the various initiatives was mainly targeted at the development of African individuals, both employees and non-employees. Some of the training and development initiatives included:

- Learnerships, internships and on the job training in various departments of the company including chef cookery skills, television camera operators, departmental administration and understudying management to name but a few;

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

- July recruitment – 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.

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

Corporate Social Investment

Gold Circle is committed to making a positive contribution to the upliftment of disadvantaged communities through its Corporate Social Initiatives Programme. All activities undertaken are approved and monitored through the Social and Ethics Committee. The Group has an approved Transformation Strategy which is geared to achieving the objectives of the Broad-Based Black Empowerment Act, as amended from time to time. The majority of initiatives undertaken are Industry based and also serve as a skills transfer mechanism to the broader traditional horse owning community.

COMMUNITY TELEVISION

Gold Circle has embarked on a project to expose low income households and people from rural areas to the sport of horseracing. The Department of Communications and Digital Technologies' vision is to see all South Africans digitally empowered to create and participate in tech-enabled opportunities that drive inclusiveness, employment and economic transformation across our cities, towns and provinces.

Gold Circle has partnered with Hollywoodbets to ensure that in the Sentech bouquet of channels, there will be at least one channel on the decoder dedicated to horseracing. This initiative will take the sport of horseracing to the homes of people, predominantly African, who have not previously been exposed to horse racing due to broadcasts only being aired on pay to view channels in the past.

The Umtelebelo Heritage Cup featured at Hollywoodbets Scottsville, under the banner of Traditional Racing, was broadcast on the dedicated Sentech channel on 17 September 2022.

GENERAL

Gold Circle continuously seeks opportunities to uplift the lives of the vulnerable, including the aged, children, people with disabilities and those living in poverty, through its Corporate Social Initiatives. As part of a broader social and welfare initiative, Gold Circle provides its administrative infrastructure, buildings and racing events to non-profit organisations and other entities to raise funds for charity and other worthy causes. Gold Circle has through its Charity race days, assisted several welfare entities to raise much needed funding for their charity work in the community.

COASTAL HORSE CARE UNIT

The Coastal Horse Care Unit is a registered non-profit organisation that has as its main objectives, the welfare and care of horses in KwaZulu-Natal. Associated with this objective is the transfer of skills to disadvantaged rural communities to assist them to care for their horses.

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

The collaborative initiative provides Gold Circle employees with an opportunity of making a positive contribution to the equine community. Gold Circle is a major financial contributor to the Coastal Horse Care Unit and also assists the organisation to raise funds towards their various initiatives.

TRADITIONAL HORSE RACING

The primary use of Gold Circle's facilities/racecourses is for thoroughbred racing however the facilities/racecourses have also been used for other forms of racing such as harness racing and rural/traditional racing as we know it, which includes trotting, pacing and tripling races.

Gold Circle became involved in rural racing in 2005, at a point when Government took an initiative to investigate and invest in this sector and in particular, develop the rural race meeting staged in Dundee in July. Gold Circle created an intervention to bridge the gap between formal thoroughbred horseracing and traditional rural horseracing.

Gold Circle has embraced the opportunity to become involved in rural racing events by providing technical and financial support to these events and has identified rural racing as one of its key Corporate Social Initiatives.

Flagship events such as the Dundee July aim to promote an active lifestyle and horsemanship as well as promote economic development in the rural areas by creating interim jobs and business opportunities for the local community. There is significant awareness of the phenomenal growth and improvements that The Dundee July has experienced and, prior to Covid, the event had become commercially self-sustainable.

Corporate Social Investment (continued)

Gold Circle has become more involved in rural race meeting events staged at various other districts within the province, in an attempt to grow these events to the standard of the Dundee July. These events include the Harry Gwala Summer Cup which the company has been involved in since 2014, the Willowfontein Cup since 2012 which then moved to the Hollywoodbets Scottsville Racecourse as the Umtelebelo Heritage Cup last featured on 17 September 2022 where Gold Circle was the main sponsor.

Gold Circle has since provided the following assistance to traditional racing:

- Covered all legal and ancillary costs to register a company in the name of Traditional Horse Riding Association to facilitate a formalised structure of the sector.
- Provided significant financial support for operational costs including stakes, wage costs, maintenance, transport and infrastructure costs for race days.
- Provided technical support in the build-up to rural racing events and on the day of the event. This support includes race track maintenance, judging of races, race day officials, camera crew, stabling and facility costs and administrative support.
- Engaged with the government authorities as part of a steering committee, with a common vision of developing and regulating a positive economic plan to advance informal horseracing in the community.

GROOMS

Gold Circle does not employ grooms as they are employed and responsible to trainers. The company has recognised that the grooms community at the training centres is a particularly vulnerable employment sector of the industry.

For meaningful employment, grooms should have some financial security after their careers as grooms and Gold Circle has, through the KZN Owners and Trainers Association, initiated, facilitated and funded the creation of a consolidated retirement savings scheme for grooms amounting to R4,5m. Gold Circle has paid all of the preliminary legal and associated administration costs relating to the creation of this scheme. This is a first for the horse racing industry in South Africa and Gold Circle is proud to proclaim that grooms will henceforth be able to finish their careers with the comfort of a retirement benefit scheme.

Gold Circle provides full amenities for the wellbeing of grooms at both Ashburton and Summerveld. This is an extensive benefit to grooms who do not have the necessary means to afford their own quarters and comes at an approximate cost to Gold Circle of R7 million per annum.

Gold Circle has in collaboration with a medical practitioner established a fully-fledged Healthcare Clinic at the Summerveld Training Centre to provide medical care to approximately 800 grooms. Gold Circle is also working closely with the Department of Health to expand these medical services to the local community resident in the surrounding areas.

Gold Circle continues to seek opportunities to incentivise Grooms through association and partnership with trainers and sponsors. Since December 2019, Gold Circle, in partnership with Hollywoodbets, initiated an empowerment programme to recognise the critical and integral role that grooms play in the racing industry. Gold Circle and Hollywoodbets are in total contributing on aggregate, R1.1 million per annum towards the incentive programme.

Enterprise Development

RACE HORSE TRAINER DEVELOPMENT

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

ENTERPRISE & SUPPLIER DEVELOPMENT

Gold Circle provides financial, operational and managerial support to enable associated companies to achieve operational success. Ezeefun Proprietary Limited, Betsumor Gaming Proprietary Limited and Wozabets Gaming Proprietary Limited are exempt micro-bookmaking enterprises, each with a majority African shareholding. These companies operate their businesses in conjunction with Gold Circle's totalisator thus generating commission earnings from Gold Circle. They also benefit from the synergy that exists between totalisator betting and fixed odds betting. As of 31 July 2022, these entities employed 184 individuals.

PROCUREMENT

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

	2018	2019	2020	2021	2022	Target 2022
Recognition Levels	%	%	%	%	%	%
All Suppliers	97.1	87.3	72.7	83.2	81.6	80
QSEs & EMEs*	37.8	33.9	32.7	36.2	53.0	30

* QSEs – Qualifying Small Enterprises
EMEs – Exempt Micro Enterprises

Acknowledgements and Prospects

PERSONNEL

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

OFFICE BEARERS

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

ACKNOWLEDGEMENTS

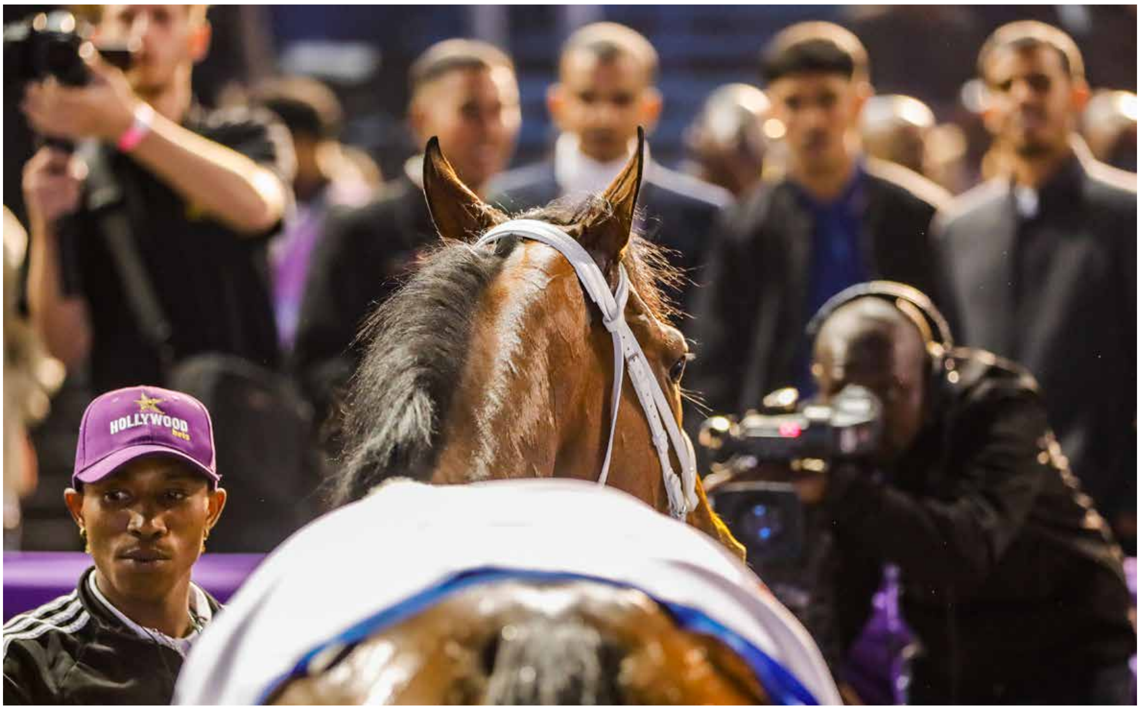
The Board would like to thank the many supporting organisations and people who provide the infrastructure and services necessary for Gold Circle to successfully stage horseracing and contribute to its successes. Included in this group amongst others are Owners, Trainers, Jockeys, Breeders, Sponsors,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

PROSPECTS

There continues to be many challenges that face the horse racing industry in South Africa both politically and financially. Future sustainability lies in the ability of those in control of the racing industry to work with Government to find common ground. The changing face of the of the Industry participants continues to be dynamic particularly having regard to the equity ownership of Kenilworth Racing. Gold Circle has a strong framework of core competences and the goal is to play a significant role, together with other role players in planning the future. Gold Circle believes that with the support of Government, racing in the province will be resilient and continue to have a sustainable future.

The Board and management are seeking to grow the Group's business and to find new and innovative sources of revenue. These initiatives will positively impact on the return to Owners through stakes and at the same time provide a sustainable future for Gold Circle.

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 2022, 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 15 November 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

	2022	2021
	R	R
Total comprehensive income for the year	**(71 987 092)**	46 388 935

The loss incurred is due to the write-off amounting to R75 344 237 and operations that were negatively affected due to the Covid 19 restrictions.

4. Share capital

The fully issued share capital comprises 2 000 ordinary shares of R1 each:	**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

BF Scott (Chairperson)
NP Butcher (Resigned 30 August 2021)
D Chetty
GM Grant (Appointed 30 August 2021)
PV Lafferty (Resigned 30 August 2021)
C Moodley
S Naidoo (Appointed 30 August 2021)
MJL Nairac (CEO)
MM Nhlanhla
G Petzer (Resigned 30 August 2021)
Y Pillay (CFO)
MW Rohwer (Appointed 30 August 2021)
K Thambiran (Appointed 30 August 2021)
LR Whiteford
Z Zulu

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 (2021: Rnil).

Report of the Directors (continued)

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
GM Grant (Chairperson)
C Moodley
Z Zulu

Remuneration Committee
G Petzer (Independent Chairperson)
GM Grant
P Lafferty (Resigned 30 August 2021)

Risk Committee
GM Grant (Chairperson)
C Moodley
Z Zulu

Social and Ethics Committee
MM Nhlanhla (Chairperson)
D Chetty
Z Zulu
L Nunan (Resigned 30 August 2021)

Racing Committee
D Chetty (Chairperson)
MW Rohwer
BF Scott
LR Whiteford
PV Lafferty (Trainer representative)
C Martin (Breeder representative)
L Nunan (Resigned 30 August 2021)
NP Butcher

Report of the Directors (continued)

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
Gallop TV Proprietary Limited	100	100

10. Special resolution

On 5 August 2021, the shareholder of the Company passed various ordinary and special resolutions for Natal Racing Properties Proprietary Limited to release R36 million of ring-fenced investment funds, held by subsidiary Natal Racing Properties Proprietary Limited, to be utilised to fund the operating activities of the Company. This was facilitated by way of a dividend declared of R36 million by Natal Racing Properties Proprietary Limited to Gold Circle.

11. Corporate restructure

On 5 August 2021, the members of the Gold Circle Racing Club in principle, approved a corporate restructure of Gold Circle Proprietary Limited and the Gold Circle Racing Club, to facilitate a greater BBBEE participation in the ownership of the group.

12. 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. As at 31 July 2022 the company held a level 2 BBBEE rating.

Report of the Directors (continued)

13. Phumelela Gaming and Leisure Limited

Phumelela Gaming and Leisure Limited was placed in business rescue on 8 May 2020 and as at the date hereof, remains in business rescue. The business rescue proceedings have negatively impacted the Company for, inter alia, the following reasons:

a. Various critical aspects of the day-to-day businesses of both companies were 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 disputed the Company's ownership of shares in the Isle of Man registered Phumelela Gold International Limited and ceased paying all proceeds, dividends and revenues derived from the Company's ownership of these shares;
c. The Company had unpaid claims against Phumelela Gaming and Leisure Limited aggregating R244 065 107 as at 31 October 2021 (July 2021: R230 746 378) in respect of:
   - indebtedness arising from regular and usual commercial transactions both before and subsequent to the date of business rescue; and
   - sale proceeds relating to the sale of the shares in Premier Gateway International by Phumelela Gold International to which the Company contends it is entitled.

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

In April 2022, the Company settled the legal dispute with the business rescue practitioner. A payment of R176 000 000 was received in respect of claims owed to the Company, resulting in a write-off of R75 344 237.

Report of the Directors (continued)

14. Going concern

During the 2022 year, the Group incurred a loss after tax of R71 987 092 (2021 profit: R46 388 935). This resulted from the write- off of a Phumelela Gaming and Leisure Limited receivable and the write off of the Phumelela Gold International investment of R75 344 237.

As at 31 July 2022 the Group had:

a. cash resources of R33 million (2021: R16 million); and
b. an investment portfolio valued at R270 547 094 (2021: R151 951 260) 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; and
c. the Group has overdraft facilities of R15 million (2021: R15 million) and contingent facilities of R5.8 million with First National Bank Limited due for review on 31 October 2022. In addition, the Group has an asset finance facility of R18.5 million (2021: R18.5 million) and an Auto card facility of R350 000 with Wesbank.

Despite the loss in 2022, the forecast for the 2023 financial year anticipates reversing this trend.

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.

15. Subsequent events

No matter which is material to the financial affairs of the Company, besides that which is mentioned above, has occurred between the statement of financial position date and the date of approval of the financial statement.

16. KwaZulu-Natal Gaming and Betting Tax Amendment Bill

On 29 November 2021 Government published an amendment to the gambling tax bill that if implemented it could result in the company losing the third-party contribution by bookmakers. The company has objected to these changes and has made verbal and written submissions to the Finance Portfolio Committee. The submissions closed on 19 August 2022. The company is awaiting a decision from the Finance Portfolio Committee before determining on its next strategy on taking the matter forward.

Independent Auditor’s Report

To the shareholders of Gold Circle Proprietary Limited

Opinion

We have audited the financial statements of Gold Circle Proprietary Limited (the Group) set out on pages 28 to 72, which comprise the statement of financial position as at 31 July 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gold Circle Proprietary Limited and its subsidiaries as at 31 July 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the 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 2022”, which includes the Report of Directors as required by the Companies Act of South Africa, Mission Statement, Board of Directors, Entity Information, Chairman’s Report and Statement of Directors’ Responsibility . 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 Shandhir Lachman
Chartered Accountant (SA)
Registered Auditor
Director
15 November 2022

Pran Boulevard
6 Nokwe Avenue
Umhlanga Ridge
Durban
4000

Consolidated Statement of Financial Position

Assets	Notes	2022	2021
Non–current assets		**R**	R
Property, plant and equipment	*3*	**454 987 165**	473 506 229
Investment in associate	*4*	**35**	35
Investment in Phumelela Gold International	*5*	**–**	7 279 131
Intangible assets	*6*	**29 709 275**	29 709 275
Deferred tax asset	*7*	**31 357 126**	9 403 716
		516 053 601	519 898 386
Current assets			
Tellytrack Investment	*8*	**230 561**	–
Inventories	*9*	**2 664 488**	1 553 645
Trade and other receivables	*10*	**69 844 462**	254 276 499
SARS receivable		**2 751 581**	66 360
Loans receivable	*11*	**1 512 404**	1 374 152
Cash and cash equivalents	*12*	**33 253 430**	15 652 251
Investments	*13*	**270 547 094**	151 951 260
		380 804 020	424 874 167
Total assets		**896 857 621**	944 772 553
Equity and liabilities			
Equity and reserves			
Share capital	*14*	**2 000**	2 000
Fair value reserve		**30 109 291**	26 570 452
Revaluation reserve		**234 497 100**	234 497 100
Post–retirement medical aid reserve		**3 926 320**	3 643 080
Retained earnings		**392 720 660**	466 609 146
		661 255 371	731 321 778
Non–controlling interests		**(12 491 678)**	(10 570 993)
Total equity		**648 763 693**	720 750 785
Non–current liabilities			
Finance lease liabilities	*15*	**2 747 712**	4 990 271
IFRS 16 liability	*16*	**6 733 304**	6 060 057
Deferred tax liability	*7*	**66 979 421**	69 898 473
Tellytrack funding	*8*	**–**	875 257
Post–retirement medical aid obligations	*17*	**8 868 000**	9 509 000
		85 328 437	91 333 058
Current liabilities			
Post–retirement medical aid obligations	*17*	**1 091 000**	1 087 000
Trade and other payables	*18*	**94 022 843**	56 285 563
Share of losses of associate	*4*	**1 867 182**	1 106 324
Provisions	*20*	**17 817 131**	26 749 663
Finance lease liability	*15*	**3 736 434**	3 862 947
IFRS 16 liability	*16*	**4 773 020**	4 139 332
Borrowings	*19*	**39 457 881**	39 457 881
		162 765 491	132 688 710
Total liabilities		**248 093 928**	224 021 768
Total equity and liabilities		**896 857 621**	944 772 553

Consolidated Statement of Comprehensive Income

	Notes	2022	2021
		R	R
Gross wagering revenue		**250 322 079**	245 289 270
Provincial tax		**(22 533 291)**	(19 277 892)
Net wagering revenue	*21*	**227 788 788**	226 011 378
Less: Agents commission and other direct costs	*22*	**(36 680 540)**	(19 064 153)
Less: Wagering expenditure	*22*	**(123 706 723)**	(113 371 735)
Contribution to racing from wagering activities		**67 401 525**	93 575 490
Add: Contribution to racing from third party bookmaking activities	*21*	**70 375 826**	70 282 716
Stand up and information fees		**900 200**	–
Contribution to horseracing from bookmakers' tax	*23*	**69 475 626**	70 282 716
International income	*21*	**85 797 946**	75 748 390
Gross revenue available for racing activities		**223 575 297**	239 606 596
Add: Direct racing revenue	*21*	**81 619 079**	50 271 607
Add: Eventing revenue	*21*	**4 464 839**	536 479
Gross revenues available for racing activities		**309 659 215**	290 414 682
Share of profit from Tellytrack partnership	*21*	**1 115 349**	6 633 991
Income available for racing activities		**310 774 564**	297 048 673
Less: Racing expenditure	*22*	**(340 904 341)**	(290 877 497)
Operating expenditure for racecourses and training facilities		**(206 680 036)**	(182 506 428)
National Horseracing Authority – regulatory costs		**(17 990 978)**	(18 776 519)
Stakes – gross		**(99 446 625)**	(76 209 775)
Stakes – breeders		**(5 000 004)**	–
Contribution to jockey's remuneration and insurance		**(11 786 698)**	(13 384 775)
Net (loss)/profit before impairment		**(30 129 777)**	6 171 176
Less: Impairment- Phumelela Gold International investment	*24*	**(7 279 131)**	9 939 605
Less; Bad debt written off- Phumelela Gaming and Leisure Limited		**(68 065 106)**	–
Add: Impairment of trade receivables	*10*	**1 254 347**	289 048
Net (loss)/profit before financing and taxation		**(104 219 667)**	16 399 829
Add: Finance income	*25*	**530 274**	1 044 612
Less: Finance costs	*26*	**(2 869 489)**	(3 055 551)
Add: Dividend income	*27*	**1 038 280**	1 381 180
Add: Fair value adjustments	*28*	**3 593 254**	3 632 023
Net (loss) before financing and taxation		**(101 927 348)**	19 402 093
Share of loss on equity accounted associates		**(760 857)**	(455 452)
(Loss)/profit before taxation		**(102 688 205)**	18 946 641
Income taxation	*29*	**26 879 034**	(678 673)
(Loss)/profit for the year		**(75 809 171)**	18 267 968
(Loss)/profit attributable to:			
Owners of the Group		**(73 888 486)**	20 111 184
Non–controlling interest		**(1 920 685)**	(1 843 216)
(Loss)/profit for the year		**(75 809 171)**	18 267 968
Other comprehensive income		**3 822 079**	28 120 967
Items that will not be reclassified into profit and loss:			
Post–retirement medical aid gain/(loss)	*17*	**388 000**	(691 000)
Taxation on change in post–retirement medical aid		**(104 760)**	193 480
Net change in fair value of investments		**2 758 414**	12 393 133
Taxation on change in fair value of investments		**780 425**	523 539
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 (loss)/income for the year		**(71 987 092)**	46 388 935
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Group		**(70 066 407)**	48 232 151
Non–controlling interest		**(1 920 685)**	(1 843 216)
		(71 987 092)	46 388 935

Consolidated Statement of Changes in Equity

	Share Capital R	Revaluation reserve R	Fair value reserve R	Post-retirement medical aid reserve R	Retained earnings R	Total R	Non-controlling interests R	Total R
	a	*b*	*c*	*d*	*e*		*f*	
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 for the year	–	15 701 815	12 916 672	(497 520)	20 111 184	48 232 151	(1 843 216)	46 388 935
Profit 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
Total comprehensive loss for the year	**–**	**–**	**3 538 839**	**283 240**	**(73 888 486)**	**(70 066 407)**	**(1 920 685)**	**(71 987 092)**
Loss for the year	**–**	**–**	**–**	**–**	**(73 888 486)**	**(73 888 486)**	**(1 920 685)**	**(75 809 171)**
Other comprehensive income	**–**	**–**	**3 538 839**	**283 240**	**–**	**3 822 079**	**–**	**3 822 079**
Balance at 31 July 2022	**2 000**	**234 497 100**	**30 109 291**	**3 926 320**	**392 720 660**	**661 255 371**	**(12 491 678)**	**648 763 693**

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.

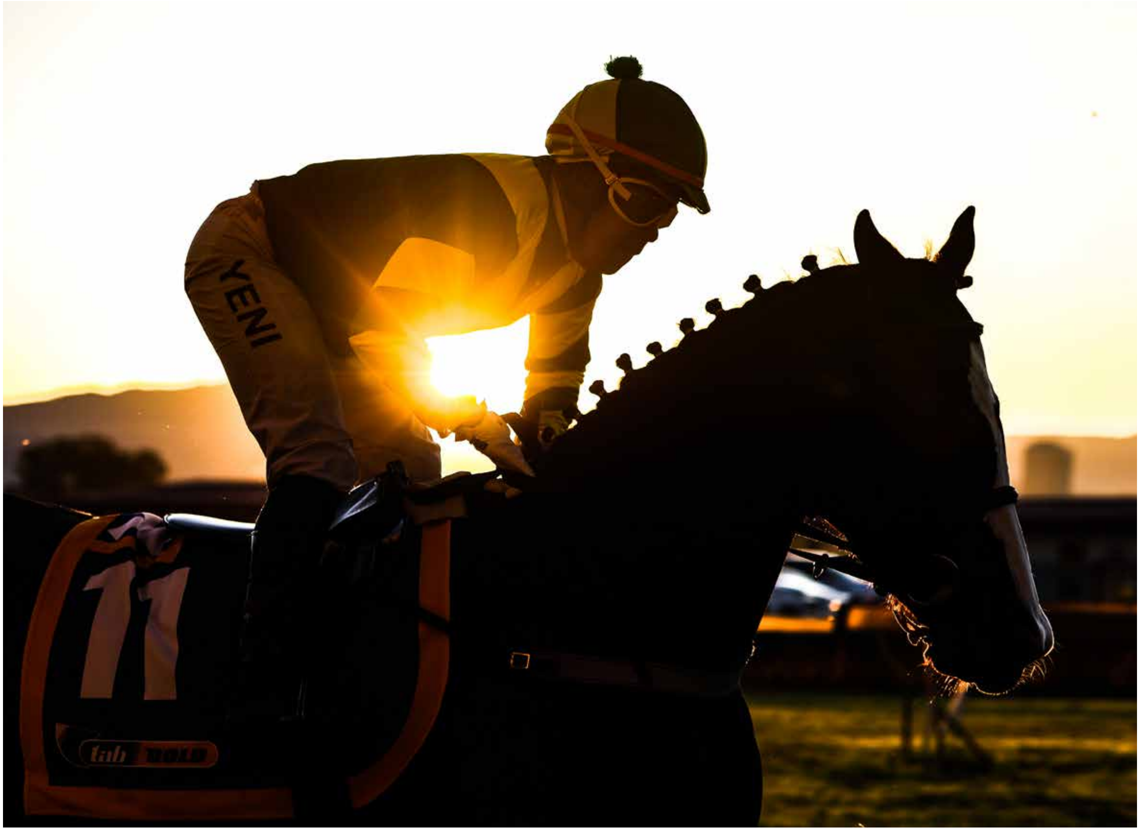
e The retained earnings represent the cumulative historic profit and loss reinvested in the Group. No restrictions exist on the use of the retained earnings.

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

	Notes	2022	2021
Cash flows from operating activities		**R**	R
Cash generated/(utilised) in operations	*30*	**148 434 905**	(38 229 774)
Interest paid	*26*	**(2 869 489)**	(3 055 551)
Interest received	*25*	**389 039**	940 567
Investment income received	*28*	**–**	3 632 023
Dividends received	*27*	**1 038 280**	1 381 180
Taxation paid	*31*	**(2 682 401)**	–
Net cash inflow/(outflow) from operating activities		**144 310 334**	(35 331 555)
Cash flows from investing activities			
Purchase of property, plant and equipment	*3*	**(4 893 507)**	(6 674 334)
Proceeds on disposal of property, plant and equipment		**412 174**	250 319
Advances in loan receivable	*11*	**–**	(295 509)
Proceeds from disposal of intangible assets		**–**	4 000 000
Investment in associate	*4*	**–**	(50)
Acquisition of other investments		**(228 428 878)**	(42 118 351)
Proceeds from disposal of other investments		**115 775 749**	98 842 199
Net cash (outflow)/inflow from investing activities		**(117 134 462)**	54 004 274
Cash flows from financing activities			
Repayment of post–retirement medical obligation	*17*	**(249 000)**	(280 000)
Repayments in respect of borrowings	*19*	**–**	(17 368 309)
Repayments in respect of finance leases liability	*15*	**(3 812 871)**	(4 378 842)
Repayments in respect of right of use lease liabilities	*16*	**(5 512 822)**	(5 042 495)
Net cash outflow from financing activities		**(9 574 693)**	(27 069 646)
Net Increase/decrease in cash and cash equivalents for the year		**17 601 179**	(8 396 927)
Cash and cash equivalents at beginning of the year		**15 652 251**	24 049 178
Cash and cash equivalents at end of the year	*12*	**33 253 430**	15 652 251

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 2022 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 15 November 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.

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.

1.2 Basis of preparation (continued)

(d) Use of estimates, assumptions and judgements (continued)

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 10 Trade and other receivables – impairment considerations in respect of trade debtors.
- Note 17 Post–retirement medical aid obligation – inputs to the independent 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 valuators, 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.

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.

(b) Property, plant and equipment (continued)

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 of cash and cash equivalents, investments, loans receivable and trade and other receivables.

Financial liabilities comprise of 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 irrecoverably 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 of FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrecoverably 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 receivable are measured initially at fair value.

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.

(c) Financial instruments (continued)

Subsequent measurement and gains and losses (continued):

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. Financial liabilities are subsequently measured at amoritsed cost.

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.

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.

Accounting Policies (continued)

(c) Financial instruments (continued)

Impairment of financial assets (continued)

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.

(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.

Accounting Policies (continued)

(f) Leased assets (continued)

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.

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.

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.

Accounting Policies (continued)

(i) Employee benefits (continued)

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 40) 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.

(m) Revenue (continued)

Type of goods or services	Nature and timing of performance obligation, including significant payment terms	Revenue recognition
Net wagering revenue	Net wagering revenue comprises totalisator betting and bet gaming income. *Totalisator betting:* Customers (punters) rights arise 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. *Net gaming income:* Net gaming income is derived from total bets struck less payouts made to punters and provincial tax. Income received in advance from punters is based on bets placed against the occurrence/non-occurrence of a future event.	Revenue from the commission is recognised when the result of the betting event is finalised on a daily basis. The result of the betting event is the performance obligation. Revenue from 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.
Contribution to racing from third party bookmaking activities	Customers (bookmakers) rights arise when they sell the Group's horseracing betting products through fixed odds channels. As a contribution from the use of the company's products, the local gambling board distributes a portion of the punter's winnings to the Group.	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 (applicable up until January 2022)	Customers (international totalisator operators and fixed odds operators) rights arise when they use the Group's horseracing television broadcast and related data to be displayed in their betting outlets for their punters to strike bets. This dissemination is controlled by Phumelela Gaming and Leisure Limited to enable synergies of international sales from South Africa. The Group earns commission on the use of Intellectual Property.	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)- applicable for 2021 financial year end until January 2022.	Profits are derived from selling bets to international customers via the Isle of Man tote.	Revenue from the share of profits is recognised monthly.
Sale of horseracing television broadcast and data. Appliable from 01 February 2022.	The Group sells its televised horseracing picture and data to customers around the world. This was previously done with Phumelela Gaming and Leisure Limited.	Revenue from intellectual property 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 or 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 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 as required and are payable immediately on supply.	Revenue is recognised at a point in time as the goods and services are provided.
LPM commission	Commissions are earned 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.

(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 2022. The Group has not 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 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

2022	Cost/ Revaluation R	Accumulated depreciation and impairment R	Carrying amount R
Land	**46 373 334**	**–**	**46 373 334**
Leasehold buildings	**139 467 762**	**(73 597 677)**	**65 870 085**
Freehold buildings	**409 754 634**	**(113 381 030)**	**296 373 604**
Plant, vehicles and equipment	**182 491 139**	**(147 271 606)**	**35 219 533**
Assets under construction	**34 791**	**–**	**34 791**
Right-of-use assets	**27 445 095**	**(16 329 277)**	**11 115 818**
	805 566 755	**(350 579 590)**	**454 987 165**

Movement in carrying amount	Land R	Leasehold buildings R	Freehold buildings R	Plant, vehicles and equipment R	Assets under construction R	Right-of-use assets R	Total R
Carrying amount at beginning of year	**46 373 334**	**72 680 000**	**305 966 243**	**38 393 899**	**363 491**	**9 729 262**	**473 506 229**
Additions*	**–**	**–**	**–**	**6 666 006**	**(328 700)**	**5 602 716**	**11 940 022**
Gain on remeasurement of right of use assets	**–**	**–**	**–**	**–**	**–**	**2 134 737**	**2 134 737**
Disposals	**–**	**–**	**–**	**(327 810)**	**–**	**(686 397)**	**(1 014 207)**
Depreciation	**–**	**(6 809 915)**	**(9 592 639)**	**(9 512 562)**	**–**	**(5 664 500)**	**(31 579 616)**
Carrying amount at end of year	**46 373 334**	**65 870 085**	**296 373 604**	**35 219 533**	**34 791**	**11 115 818**	**454 987 165**

*Cashflow flows from investing activities represents R4 893 507.

2021	Cost R	Accumulated depreciation and impairment R	Carrying amount R
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

Movement in carrying amount	Land R	Leasehold buildings R	Freehold buildings R	Plant, vehicles and equipment R	Assets under construction R	Right-of-use assets R	Total R
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.

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. 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 Company.

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

	2022 **R**	2021 R
Cost	**220 516 923**	220 516 923
Accumulated depreciation	**(49 319 258)**	(41 689 871)
	171 197 665	178 827 052

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 R11 950 590 (2021: R12 604 541). Refer to note 15.

4. Investment in and share of losses of associates

The Group has determined that is 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, Alphabet Betting Proprietary Limited and Ezeefun Proprietary Limited lies with the Board of Directors, in which the Group does not control the majority of the voting rights. The Group therefore does not have power over the relevant activities of these companies. As a result, the Group does not consolidate these associates. 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:

	2022	2021
	%	%
Betsumor Gaming Proprietary Limited	**30**	30
Wozabets Gaming Proprietary Limited	**30**	30
Ezeefun Proprietary Limited	**40**	40
Alphabet Betting Proprietary Limited	**50**	50
Sports Tracking Proprietary Limited	**35**	35

	R	R
Share of loss/(profit) from equity accounted associates		
Betsumor Gaming Proprietary Limited	**138 333**	355 545
Wozabets Gaming Proprietary Limited	**44 679**	(43 371)
Ezeefun Proprietary Limited	**552 032**	131 322
Alphabet Betting Proprietary Limited	**25 814**	11 956
	760 858	455 452
Movement in net investment in associates		
Balance at the beginning of the year	**(1 106 289)**	(650 887)
Acquisition of the associate	**–**	50
Share of loss/(profit) in associates		
Betsumor Gaming Proprietary Limited	**(138 333)**	(355 545)
Wozabets Gaming Proprietary Limited	**(44 679)**	43 371
Ezeefun Proprietary Limited	**(552 032)**	(131 322)
Alphabet Betting Proprietary Limited	**(25 814)**	(11 956)
Balance at the end of the year	**(1 867 147)**	(1 106 289)
Disclosed as follows on the consolidated statement of financial position:		
Investment in associate	**35**	35
Share of losses in associates	**(1 867 182)**	(1 106 324)

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**
2022	**R**	**R**	**R**	**R**
Assets	**2 753 368**	**854 678**	**272 430**	**254 495**
Liabilities	**(4 448 131)**	**(4 020 999)**	**(1 002 344)**	**(350 168)**
Revenue	**2 474 663**	**3 056 604**	**1 428 276**	**–**
Profit/(loss) for the year	**(1 380 087)**	**(461 108)**	**(148 927)**	**(51 627)**
2021				
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)

Notes to the Consolidated Financial Statements

5. Investment in Phumelela Gold International	**2022**	2021
	R	R
Gross investment in Phumelela Gold International	**11 373 642**	117 000 000
Obligation to Kenilworth Racing Proprietary Limited	**(4 094 511)**	(42 120 000)
Opening balance of investment	**7 279 131**	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: write-off	**(7 279 131)**	(10 883 762)
Closing balance of investment	**–**	7 279 131

In April 2022, the legal dispute with Phumelela Gaming Leisure Limited was settled. A settlement consideration of R176 000 000 was received. The conditions of settlement included the Group relinquishing it's rights to the ownership of shares in Phumelela Gold International. The carrying value of the investment was therefore written-off.

6. Intangible assets	**2022**	2021
	R	R
Composition of intangible assets		
Fixed odds licences	**29 709 275**	29 709 275

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. Based on this and management's assessment of market value, no Impairments are required as none of the recoverable amount exceed the costs.

The impairment review process is as follows:

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

The impairment review process is as follows:

The cash generating units relating to the fixed odds betting licences were identified as being the branches from which they operate. The recoverable amount of the asset is its fair value less costs of disposal. There are no significant assumptions applied as the fair values are determined by a 20 – 25% adjustment over recent offers and sales for similar licences held, based on relative size and performance indicators of the respective outlet.

Notes to the Consolidated Financial Statements

7. Deferred tax asset/(liability)

	2022	2021
	R	R
Balance at the beginning of the year	**60 494 757**	57 169 985
Temporary differences	**(24 872 462)**	3 324 772
Balance at the end of the year	**35 622 295**	60 494 757
Deferred tax comprises:		
Accruals	**(16 237 155)**	(11 445 243)
Capital allowances and finance leases	**36 070 957**	46 542 311
Tax losses	**(17 990 724)**	(1 126 523)
Investments in financial assets	**11 727 998**	26 524 212
Deferred tax asset on equity adjustments	**22 051 219**	–
Balance at end of year	**35 622 295**	60 494 757
Disclosed as follows:		
Deferred tax asset	**31 357 126**	9 403 716
Deferred tax liability	**(66 979 421)**	(69 898 473)
Deferred tax has been calculated at 28% (2021: 28%)	**(35 622 295)**	(60 494 757)

The directors are satisfied that sufficient taxable profits will be available in future years to offset the deferred tax asset. In coming to this assumption, management have considered future earnings, cash flow forecasts and potential changes to provincial tax law.

8. Tellytrack investment/ (funding)

	2022	2021
Movement for the year		
Partnership profit	**1 115 349**	6 633 991
Partnership funding	**(884 788)**	(7 509 248)
	230 561	(875 257)
Current asset(/liability)		
Investment at the beginning of the year	**(875 257)**	(9 818 064)
Partnership profit	**1 115 349**	6 633 991
Partnership (funding)/investment	**(9 531)**	2 308 816
Investment/ (funding) at the end of year	**230 561**	(875 257)
Financial information of Tellytrack Partnership		
Assets	**17 000**	12 910 043
Liabilities	**(197 000)**	(7 901 523)
Revenue	**30 768 000**	58 608 452
Profit for the year	**5 940 000**	18 041 022
Interest held	**24.96%**	24.96%
Profit share	**24.96%**	24.96%

On 28 February 2022, the three racing operators agreed to dissolve the operations of the Tellytrack partnership. Gold Circle in association with Hollywoodbets launched Gallop TV Proprietary Limited which now distributes the television broadcast countrywide.

Notes to the Consolidated Financial Statements

9. Inventories

	2022	2021
	R	R
Finished goods	**2 664 488**	1 553 645

10. Trade and other receivables

Financial		
Trade receivables	**65 832 808**	23 090 693
Phumelela Gaming and Leisure Limited (Refer to note 33)	**–**	230 440 513
Provision for impairment of receivables	**(1 714 419)**	(2 968 766)
	64 118 389	250 562 440
Net trade receivables	**2 795 859**	2 982 083
Other receivables	**66 914 248**	253 544 523
Non-financial	**616 927**	731 976
Prepayments	**2 313 287**	–
VAT receivable	**69 844 462**	254 276 499

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

	2022	2021
	R	R
The movement in the allowance for impairment is as follows:		
Balance at the beginning of the year	**(2 968 766)**	(24 081 181)
Decrease in impairment	**1 254 347**	289 048
Impairment against Phumelela Gaming and Leisure Limited	**–**	20 823 367
Balance at the end of the year	**(1 714 419)**	(2 968 766)

The other classes within trade and other receivables do not contain impaired assets. There was a significant concentration of credit risk in respect of the amount due from Phumelela Gaming and Leisure Limited (2021).

Notes to the Consolidated Financial Statements

11. Loans receivable

	2022	2021
	R	R
Current		
Sports Tracking Proprietary Limited	**1 968 156**	1 968 056
Provision for impairment on Sports Tracking Proprietary Limited	**(1 968 156)**	(1 968 056)
This loan is unsecured, bears no interest and is repayable on demand.		
Betsumor Gaming Proprietary Limited	**1 189 391**	1 076 652
Alphabet Betting Proprietary Limited	**323 013**	297 500
These loans are unsecured, bear interest at 10% and are repayable on demand.		
These associates are managed by Track and Ball Proprietary Limited.		
	1 512 404	1 374 152
Reconciliation to the cash flow:		
Balance at the beginning of the year	**1 374 152**	974 598
Interest accrued	**138 252**	104 045
Advances	**–**	295 509
Balance at the end of the year	**1 512 404**	1 374 152

12. Cash and cash equivalents

	2022	2021
Bank	**19 067 436**	8 107 406
Fixed deposits	**5 728 022**	28 023
Cash on hand	**8 457 972**	7 516 822
	33 253 430	15 652 251

12.1 Guarantees

The Group's bankers have issued the following guarantees on behalf of the Group, in favour of:

	Value (R)	Review date
Environmental Management Branch	**100 000**	Unlimited
Eskom Holdings SOC Limited	**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 Board	**150 000**	Unlimited
Kwazulu-Natal Gaming and Betting Board	**1 380 000**	Unlimited
Kwazulu-Natal Gaming and Betting Board	**4 700 000**	Unlimited
South African Mutual Property	**30 000**	Unlimited
The South African Breweries Limited	**170 000**	Unlimited
Umlazi Mega City Mall	**218 320**	30 April 2023
	8 734 692	

Notes to the Consolidated Financial Statements

12.1 Guarantees (continued)	2022	2021
	R	R
12.2 Facilities		
The Group has the following facilities:		
First National Bank:		
Overdraft facilities	**15 000 000**	15 000 000
Guarantee facilities	**8 734 692**	8 734 692
Wesbank:		
Asset finance facility	**8 700 000**	8 700 000
Auto card facility	**350 000**	350 000
12.3 Collateral and Suretyship		
The Group facilities are secured as follows:		
Track and Ball Proprietary Limited		
Mion Holdings Proprietary Limited	**2 000 000**	2 000 000
Gold Circle Proprietary Limited	**3 000 000**	3 000 000
Gold Circle Proprietary Limited		
Natal Racing Properties Limited on behalf of Gold Circle Proprietary Limited	**30 000 000**	30 000 000

13. Investments

Fair value through profit and loss:		
Alpha Wealth – Chrysalis Credit Arbitrage Fund	**36 244 282**	25 606 501
Sanlam Private Wealth- Asset Swap	**10 855 565**	22 177 768
	47 099 847	47 784 269
Fair value through other comprehensive income		
Gryphon Dividend Income Fund	**11 744 375**	26 521 604
Alpha Prime Equity Qualified	**13 947 504**	12 906 688
Alpha Wealth – Lynx Prime Global Diverse Fund	**19 623 277**	19 061 495
Sanlam Private Portfolio – listed shares	**15 113 808**	30 854 529
Investec Asset Management	**44 942**	43 303
Gryphon Dividend Income Fund	**150 322 920**	–
Shares in Automatic Systems Limited	**12 650 421**	14 779 372
	223 447 247	104 166 991
	270 547 094	151 951 260

The assets are valued at a fair market value. 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.

13.1 Percentage return	2022	2021
	%	%
Pre – tax return	**6.3**	8.4
Post – tax return	**4.5**	6.0

Notes to the Consolidated Financial Statements

13. Investments (continued)

13.2 Ring fenced investments

In terms of a special resolution of shareholder's dated 23 April 2012, an amount of R200 000 000 was ring fenced in Natal Racing Properties Proprietary Limited for the future benefit of the thoroughbred racing industry. A minimum of 35% of the returns earned on the ring–fenced investment is required to be retained. In the prior year, a special resolution was passed to support Gold Circle's operational requirements by declaring a dividend R110 000 000. During the current year special resolutions were passed to assist Gold Circle's operational requirement by declaring a dividend of R36 000 000. Gold Circle did not use all of the approved dividend. Following the receipt of the settlement proceeds from Phumelela Gaming and Leisure Limited, R126 700 000 has been reinvested to the member's ring-fenced funds. The ring-fenced funds are as follows:

	2022	2021
	R	R
Calculated ring-fenced funds	**222 627 524**	129 127 961

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

Finance income	**113 881**	639 253
Net change in fair value reserve	**3 573 552**	7 944 202
Dividend income	**826 692**	572 344
Investment income	**3 484 625**	3 608 709
	7 998 750	12 764 508

14. Share capital

Authorised and issued		
2 000 ordinary shares of R1 each	**2000**	2000

15. Finance lease liabilities

Finance lease liabilities are secured by lease agreements over property, plant and equipment with a carrying amount of R11 950 590 (2021: R12 604 541).

Finance lease obligations bear interest at rates between prime and prime less 1.5%. Refer to note 3.

	2022	2021
	R	R
Finance lease liability	**6 484 146**	8 853 218
Payable within one year	**(3 736 434)**	(3 862 947)
	2 747 712	4 990 271
Minimum lease payments are due as follows:		
Due within one year (current)	**3 736 434**	3 862 947
Due within two and five years (non-current)	**2 747 712**	4 990 271
	6 484 146	8 853 218
Reconciliation to the cash flow:		
Balance at beginning of year	**8 853 218**	13 232 060
Additions	**1 443 799**	–
Interest – accrued	**611 264**	957 787
Interest – paid	**(611 264)**	(957 787)
Repayments	**(3 812 871)**	(4 378 842)
Balance at end of year	**6 484 146**	8 853 218

16. IFRS 16 lease liability

The Group leases land and buildings and motor vehicles. The lease typically runs for a period of 5 years with the option to renew at the end of the lease term.

	2022	2021
	R	R
Minimum lease payments are due as follows:		
Due within one year - current	**4 773 020**	4 139 332
Due within two and five years – non-current	**6 733 304**	6 060 057
	11 506 324	10 199 389

Right of use liability bears interest at prime.

Reconciliation to the cash flow

Balance at beginning of year	**10 199 389**	9 599 831
Additions	**4 891 292**	7 955 979
Interest accrued	**849 301**	696 304
Interest paid	**(849 301)**	(696 304)
Repayments	**(5 512 822)**	(5 042 495)
Modifications to lease liability	**1 094 879**	(75 891)
Derecognition	**833 586**	(2 238 035)
Balance at end of year	**11 506 324**	10 199 389

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 2022 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:

	2022	2021
	R	R
Defined benefit plan		
Non-current	**8 868 000**	9 509 000
Current	**1 091 000**	1 087 000
	9 959 000	10 596 000
Statement of financial position		
Present value of funded obligations	**9 959 000**	10 596 000
Statement of comprehensive income		
Interest cost	**880 000**	899 000
Employer contributions	**(1 129 000)**	(1 179 000)
Total amount recognised in profit or loss	**(249 000)**	(280 000)
Actuarial (gain)/loss recognised in other comprehensive income	**(139 000)**	691 000
Total amount recognised	**(388 000)**	411 000
Movement in the present value of funded obligations recognised in the statement of financial position		
Balance at the beginning of the year	**10 596 000**	10 185 000
Interest cost recognised	**880 000**	899 000
Employer contributions recognised in profit and loss	**(1 129 000)**	(1 179 000)
Actuarial (gain)/loss recognised in other comprehensive income	**(388 000)**	691 000
Balance at the end of the year	**9 959 000**	10 596 000
Key valuation assumptions	**%**	%
Discount rate	**10.8**	8.8
Health care cost inflation	**7.7**	7.1
General inflation rate	**6.2**	5.1

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

2022	**1% increase**	**Valuation basis**	**1% decrease**
Employer's accrued liability	**10 635 000**	**9 959 000**	**9 347 000**
Employer's interest cost	**1 084 000**	**880 000**	**945 000**
2021	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 discount rate is as follows:

2022	**1% increase**	**Valuation basis**	**1% decrease**
Employer's accrued liability	**9 379 000**	**9 959 000**	**10 609 000**
2021	1% increase	Valuation basis	1% decrease
Employer's accrued liability	9 931 000	10 596 000	11 346 000

The plan is fully funded by the Group's subsidiaries, except the obligation for directors and executive officers, which is funded by the Company. The funding requirements are based on the pension funds actuarial measurement framework set out in the funding policies of the plan. The funding of the 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 plans.

18. Trade and other payables

	2022	2021
Financial	**R**	R
Amount due to punters	**3 424 477**	3 888 103
Breeders premiums accrual	**1 902 905**	200 000
Leave pay accrual	**5 148 470**	4 105 109
Trade creditors	**65 589 659**	34 738 389
Telephone and Internet betting balances	**3 400 162**	3 334 749
Other	**1 241 683**	–
	80 707 356	46 266 350
Non-financial		
Deferred revenue	**13 002 828**	4 500 000
VAT	**312 659**	2 836 812
Current tax payable	**–**	2 682 401
	94 022 843	56 285 563

Notes to the Consolidated Financial Statements

19. Borrowings

	2022	2021
	R	R
Current shareholder loans		
Gold Circle Racing Club	**39 457 881**	39 457 881

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

Reconciliation to the cash flow:		
Balance at beginning of year	**39 457 881**	56 826 190
Advances	**–**	–
Interest accrued	**–**	368 309
Interest paid	**–**	(368 309)
Repayments	**–**	(17 368 309)
Balance at end of year	**39 457 881**	39 457 881

20. Provisions

Provision for retrenchment		
Balance at beginning of year	**8 060 300**	10 348 531
Provision utilised	**(64 246)**	(2 288 231)
Balance at the end of year	**7 996 054**	8 060 300
Salary equalisation fund		
Balance at beginning of year	**18 689 363**	–
Provision utilised	**(8 868 286)**	–
Distributable	**–**	8 477 607
Bonus provision available for distribution	**–**	10 211 756
Balance at the end of year	**9 821 077**	18 689 363
Total provisions	**17 817 131**	26 749 663

21. Revenue

Totalisator revenue	**201 042 359**	202 556 648
Net gaming income from fixed odds betting	**26 746 429**	23 454 730
Net wagering revenue	**227 788 788**	226 011 378
Contribution to racing from third party bookmaking activities	**70 375 826**	70 282 716
International income- refer to note 21.1	**85 797 946**	75 748 390
Direct racing revenues	**81 619 079**	50 271 607
Eventing revenue	**4 464 839**	536 479
	470 046 478	422 850 570
Share of profit from Tellytrack partnership	**1 115 349**	6 633 991
Revenue available for racing activities	**471 161 827**	429 484 561

Notes to the Consolidated Financial Statements

21. Revenue (continued)

	2022	2021
	R	R
21.1 International income		
Net share of International licence fees – Phumelela Gaming and Leisure Limited	**29 510 660**	50 222 340
Net share of International licence fees – Sky Channel Proprietary Limited	**27 875 292**	–
Share of income from Phumelela Gold International*	**7 537 645**	25 526 050
Commission- Hong Kong Jockey Club	**7 590 092**	–
Host track fees- Premier Gateway International	**13 284 257**	–
** Represent foreign dividends earned from Phumelela Gold International*	**85 797 946**	75 748 390

22. Expenses by nature

The following items have been included in arriving at operating (loss)/profit:

	2022	2021
Advertising, events and promotions	**17 793 315**	12 505 933
Agents commissions and other direct costs	**36 680 540**	19 064 153
Cash collection costs	**1 162 010**	1 233 068
Catering costs	**11 755 985**	4 079 457
Contribution to jockey's remuneration	**11 786 698**	13 384 775
Depreciation	**31 579 615**	34 215 416
Directors emoluments	**12 895 020**	10 349 068
Employee benefits	**88 898 613**	97 827 213
Insurance premiums	**393 626**	1 530 573
Licence fees	**14 056 918**	11 510 106
National Horseracing Authority – Regulatory cost	**17 990 978**	18 776 519
Operating lease rentals – property	**2 087 422**	2 452 957
Printing costs	**3 036 854**	2 848 604
Race meeting expenses	**12 079 073**	11 681 295
Repairs and maintenance	**20 658 922**	12 512 671
Security expenses	**9 455 538**	7 444 733
Service fees (Saftote)	**4 815 036**	4 107 295
Stakes		
– Gross	**99 446 625**	76 209 775
– Breeders	**5 000 004**	–
Tellytrack subscriptions	**4 729 146**	7 281 375
Transformation fund	**1 265 677**	955 121
Utility costs	**24 874 208**	22 834 952
Other operating expenses	**68 849 789**	50 508 326
	501 291 604	423 313 385

The expenses in 2022 are significantly higher in comparison to 2021, in 2021 facilities were not at full capacity as a result of Covid 19 restrictions.

	2022	2021
Reconciled to expense by function:		
Agents commission and other direct costs	**36 680 540**	19 064 153
Wagering expenditure	**123 706 723**	113 371 735
– Totalisator	**90 628 340**	87 485 130
– Fixed odds licences	**33 078 383**	25 886 605
Racing expenditure	**340 904 341**	290 877 497
	501 291 604	423 313 385

Notes to the Consolidated Financial Statements

23. Contribution to Horseracing from Third Party Bookmakers

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 six percent (6%). Fifty percent (50%) of this tax is distributed to racecourse operators i.e., Gold Circle Proprietary Limited by the KwaZulu-Natal Provincial Treasury. The distribution is an indirect contribution by the bookmaking industry as a quid pro quo towards the company's cost of providing and staging horse racing and incurring related expenditure thereto. The Group recognises this revenue as part of its intellectual property.

	2022	2021
	R	R
Stand up and information fees	**900 200**	-
Received from KwaZulu-Natal Provincial Treasury	**69 475 626**	70 282 716
	70 375 826	70 282 716
Contribution to horseracing from Bookmakers tax has been applied against the following costs:		
Breeders	**5 000 004**	643 868
Grooms' amenities and subsidies	**5 691 486**	3 656 005
Trade Council and WITS contributions	**610 000**	1 692 953
Jockey's remuneration	**11 786 697**	13 384 775
Maintenance – Racetracks	**3 152 069**	1 304 826
National Horseracing Authority – Regulatory cost	**17 990 978**	18 256 236
Race Meeting Expenses	**8 936 623**	8 744 385
Racing Academy	**1 662 306**	1 523 780
Stakes contribution	**12 252 786**	18 472 476
Stakes – Grooms	**1 137 000**	1 251 998
Transformation contribution	**1 255 677**	1 351 414
	69 475 626	70 282 716

24. Impairments and write-off's

Phumelela Gaming and Leisure Limited	**–**	(20 823 367)
Phumelela Gold International	**7 279 131**	10 883 762
	7 279 131	(9 939 605)

25. Finance income

Related party loans	**138 252**	104 318
Bank	**277 232**	780 167
Other interest received	**114 790**	160 127
	530 274	1 044 612
Interest accrued	**141 235**	104 045
Interest received	**389 039**	940 567
	530 274	1 044 612

26. Finance costs

Borrowings	**–**	108 024
Right of use lease liability	**849 301**	696 304
Finance leases	**611 264**	957 787
Overdraft	**528 924**	389 570
Other interest expense	**880 000**	903 866
	2 869 489	3 055 551
Interest accrued	**–**	–
Interest paid	**2 869 489**	3 055 551
	2 869 489	3 055 551

Notes to the Consolidated Financial Statements

27. Dividend income

	2022	2021
	R	R
Local investments	568 997	345 560
Foreign investments	469 283	1 035 620
	1 038 280	1 381 180

28. Fair value adjustment

	2022	2021
Investments	3 593 254	3 632 023

29. Income taxation

	2022	2021
Current tax		
- Current year	(2 682 401)	(2 682 401)
Deferred tax	(24 196 633)	2 003 728
- Current year	(16 030 362)	2 003 728
- Prior year	(7 093 934)	–
Change in tax rate	(1 072 337)	–
Taxation	(26 879 034)	(678 673)

29.1 Reconciliation of tax charged

	%	2022	%	2021
		R		R
(Loss)/profit before taxation		(102 688 205)		18 946 641
Income tax at standard rate (28%)	28	(28 752 697)	(28)	(5 305 059)
Non-taxable income	0	-	62	11 798 969
Non-deductible expenses	9	(8 894 676)	(38)	(7 147 347)
Deferred tax prior recognised/(unrecognised)	10	10 306 101	22	4 222 355
Effect of temporary differences raised at CGT rate	2	1 534 575	(22)	(4 247 591)
Change in tax rate	1	(1 072 337)	–	–
Taxation credit/(charge)	26	(26 879 034)	(4)	(678 673)

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)/generated in operations

	2022	2021
	R	R
(Loss)/Profit before taxation	**(102 688 205)**	18 946 641
Adjustments for:		
Depreciation	**31 579 616**	34 215 416
(Profit)/Loss on disposals of property, plant and equipment	**(84 364)**	350 034
Brokerage fees	**1 256 583**	1 157 692
Impairment of Premier Gateway International Limited	**7 279 131**	10 883 762
Share of loss of equity–accounted associates, net of tax	**760 857**	455 452
Fair value adjustments	**(3 593 254)**	(7 252 075)
Exchange rate gain	**(847 620)**	2 609 028
Finance income	**(530 274)**	(1 044 612)
Dividend income	**(1 038 280)**	(1 381 180)
Gain on remeasurement of lease liability	**(231 299)**	(467 260)
Finance costs	**2 869 489**	3 055 551
	(65 267 620)	61 528 449
Changes in working capital		
(Increase)/Decrease in inventories	**(1 110 843)**	11 519
Decrease/(Increase) in trade and other receivables	**184 432 037**	(122 364 043)
Increase of Tellytrack funding	**(1 105 818)**	(8 942 807)
(Increase)/Decease in provisions	**(8 932 532)**	16 401 132
Decrease in trade and other payables	**40 419 681**	15 135 976
	148 434 905	(38 229 774)

31. Taxation (paid) / received

Balance (payable)/receivable at the beginning of the year	**(2 616 041)**	66 360
Current year credit/tax charge for the year	**2 685 221**	(2 682 401)
Balance (payable)/receivable at the end of the year	**(2 751 581)**	2 616 041
Tax (paid) / received	**(2 682 401)**	–

32. Operating lease commitments

Property rentals to be received		
Due within one year	**2 924 535**	2 036 765
Due within one to two years	**3 777 111**	2 682 983
Due within two and five years	**356 142**	605 463
	7 057 788	5 325 211

Notes to the Consolidated Financial Statements

33. Phumelela Gaming and Leisure Limited indebtedness

The total receivable due by Phumelela Gaming and Leisure Limited can be summarised as follows:

	2022 R	2021 R
Pre-business rescue	**70 483 861**	70 483 861
Post business rescue	**116 864 139**	103 239 545
Trading amount owing	**81 185 942**	75 098 992
Phumelela Gold International	**35 678 197**	28 140 553
Proceeds from sale of Premier Gateway International	**56 717 107**	56 717 107
Total	**244 065 107**	230 440 513
Bad debt written- off	**(68 065 107)**	-
Litigation settlement proceeds	**(176 000 000)**	-
	-	230 440 513

The litigation settlement proceeds include an amount of R2 000 000 which was paid to Kenilworth Racing Proprietary Limited.

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	**2022** **Carrying amount**	**2022** **Fair value**	2021 Carrying amount	2021 Fair value
Fair value through other comprehensive income	**R**	**R**	R	R
Investments	**223 447 247**	**223 447 247**	104 166 991	104 166 991
Fair value through profit and loss				
Investments	**47 099 847**	**47 099 847**	47 784 269	47 784 269
Investment in Phumelela Gold International*	**–**	**–**	7 279 131	7 279 131
	47 099 847	**47 099 847**	55 063 400	55 063 400
Financial assets carried at amortised cost				
Trade receivables	**66 914 248**	**66 914 248**	253 544 523	253 544 523
Cash and cash equivalents	**33 253 430**	**33 253 430**	15 652 251	15 652 251
Loan receivable	**1 512 404**	**1 512 404**	1 374 152	1 374 152
	101 680 082	**101 680 082**	270 570 926	270 570 926
Financial liabilities at amortised cost				
Borrowings	**39 457 881**	**39 457 881**	39 457 881	39 457 881
Finance lease liabilities	**6 484 146**	**6 484 146**	8 853 218	8 853 218
Right of use liability	**11 506 324**	**11 506 324**	10 199 389	10 199 389
Trade and other payables	**80 707 356**	**80 707 356**	46 266 350	46 266 350
	138 155 707	**138 155 707**	104 776 838	104 776 838

*The free cash flow model was used to determine the fair value of the investment in Phumelela Gold International. In determining value of the investment, management considered observable inputs, discounted by the weighted average cost of capital.

Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

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.

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.

Exposure to credit risk	**Carrying amount 2022 R**	Carrying amount 2021 R
Trade and other receivables	**66 914 248**	253 544 523
Investments	**270 547 094**	151 951 260
Cash and cash equivalents	**33 253 430**	15 652 251
Loans receivable	**1 512 404**	1 374 152
Investment in Phumelela Gold International	**–**	7 279 131
	372 227 176	429 801 317

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 at fair value through other comprehensive income.

Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

34.4 Credit Risk (continued)

	Fair value at		Dividend income recognised during	
	31 July 2022	31 July 2021	**2022**	2021
Gryphon Dividend Income Fund	**11 744 375**	26 521 604	**–**	–
Alpha Prime Equity Qualified	**13 947 504**	12 906 688	**–**	–
Alpha Wealth – Lynx Prime Global Diverse Fund	**19 623 277**	19 061 495	**–**	–
Sanlam Private Portfolio	**15 113 808**	30 854 529	**568 997**	572 344
Investec Asset Management	**44 942**	43 303	**–**	–
Gryphon Dividend Income Fund	**150 322 920**	–	**–**	–
Automatic Systems Limited	**12 650 421**	14 779 372	**–**	–
	223 447 247	104 166 991	**568 997**	572 344

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 ageing 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.

2022	**Trade receivables**	**Allowance for impairment loss**	**Net trade receivables**
	R	**R**	**R**
Current	**52 640 398**	**–**	**52 640 398**
Past due 1 – 30 days	**3 818 702**	**–**	**3 818 702**
Past due 31 – 60 days	**2 813 928**	**–**	**2 813 928**
Past due 61 – 120 days	**1 028 918**	**–**	**1 028 918**
Past due 121 – 365 days	**3 684 037**	**(32 529)**	**3 651 508**
Past due 365+ days	**1 846 825**	**(1 681 890)**	**164 935**
Total	**65 832 808**	**(1 714 419)**	**64 118 389**

2021			
Current	14 234 895	–	14 234 895
Past due 1 – 30 days	11 465 850	–	11 465 850
Past due 31 – 60 days	5 271 716	–	5 271 716
Past due 61 – 120 days	9 587 551	(800 264)	8 787 287
Past due 121 – 365 days	78 790 824	–	78 790 824
Past due 365+ days	137 162 453	(2 168 502)	134 993 951
Total	256 513 289	(2 968 766)	253 544 523

Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

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.

	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Between 1 and 5 years**
2022	**R**	**R**	**R**	**R**
Trade and other payables	**80 707 356**	**80 707 356**	**80 707 356**	**–**
Borrowings	**39 457 881**	**39 457 881**	**39 457 881**	**–**
Finance lease liability	**6 484 146**	**6 484 146**	**3 736 434**	**2 747 712**
IFRS 16 liability	**11 506 324**	**11 506 324**	**4 773 020**	**6 733 304**
	138 155 707	**138 155 707**	**128 674 691**	**9 481 016**
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
IFRS 16 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

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:

	2022	2021
	R	R
Cash resources	**33 253 430**	15 652 251
Undrawn borrowing facilities	**15 000 000**	15 000 000
Trade and other receivables	**69 844 462**	254 276 499
Investments	**270 547 094**	151 951 260
Investment in Phumelela Gold International	**–**	7 279 131
Total available resources	**388 644 986**	444 159 141

Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

34.5 Liquidity risk (continued)

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.

(i) Currency risk

The Group is exposed to currency risk on the foreign listed equities that are 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:

	2022	2021
	R	R
Amounts shown in rands		
Foreign listed equities	**10 855 565**	22 177 768
Shares in Automatic Systems Limited	**12 650 421**	14 779 372
Foreign Debtor- Hong Kong	**20 622 340**	-

The following significant exchange rates applied during the period:	**2022**	**2022**	2021	2021
	Reporting date spot rate	**Average for the period**	Reporting date spot rate	Average for the period
US Dollar	**16.58**	**15.41**	14.49	14.37
Mauritian Rupee	**0.35**	**0.35**	0.34	0.38
Hong Kong Dollar	**2.11**	**2.11**	–	–

34. Financial risk management (continued)

34.6 Market Risk (continued)

(i) Currency risk (continued)

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 2022.

	Profit/(loss)	
	2022	2021
Group		
US Dollar	**$ 595 152**	$ 161 945
Hong Kong Dollar	**HK$ 887 556**	HK$ –
Mauritian Rupee	**MRU 3 255 684**	MRU 3 905 651

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

(ii) Interest rate risk

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

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

	Carrying amount	
	2022	2021
	R	R
Fixed rate instruments		
Financial assets	**34 765 835**	17 026 403
Variable rate instruments		
Financial liabilities	**(17 990 470)**	(19 052 607)

Sensitivity analysis

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)	
	2022	2021
Variable rate instruments	**R**	R
Financial liabilities		
Finance lease liability	**(672 390)**	(1 053 566)
IFRS 16 liability	**(934 231)**	(765 934)
Net cash flow sensitivity	**(1 606 621)**	(1 819 500)

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 Market Risk (continued)

(iii) Equity price risk

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

	2022	2021
	R	R
Investments	**223 447 247**	104 166 991

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 2022.

	2022	2021
	R	R
Fair value gains and losses through profit and loss		
Fair value gains and losses through other comprehensive income	**914 516**	621 900

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.

34.7 Fair value hierarchy

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

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

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

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

Group	**Level 1**	**Level 2**	**Level 3**
2022	**R**	**R**	**R**
Financial assets			
Fair value through other comprehensive income	**223 447 247**	**–**	**–**
Fair value through profit and loss	**47 099 847**	**–**	**–**
Loans receivable	**–**	**1 512 404**	**–**
Trade and other receivables	**–**	**66 914 249**	**–**
Cash and cash equivalents	**–**	**33 253 431**	**–**
	270 547 094	**101 680 084**	**–**

Notes to the Consolidated Financial Statements

34. Financial risk management (continued)

34.7 Fair value hierarchy (continued)

Group	Level 1	Level 2	Level 3
2022	**R**	**R**	**R**
Financial liabilities			
Borrowings – amortised cost	**–**	**39 457 881**	**–**
Finance lease liability – amortised cost	**–**	**6 484 146**	**–**
Right-of use lease liability – amortised cost	**–**	**11 506 324**	**–**
Trade and other payables – amortised cost	**–**	**80 707 356**	**–**
Provisions	**–**	**17 817 131**	**–**
	–	**155 972 838**	**–**

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
Financial liabilities			
Borrowings – amortised cost	–	56 826 190	–
Finance lease liability – amortised cost	–	13 232 060	–
Right-of use lease liability – amortised cost	–	9 599 831	–
Trade and other payables – amortised cost	–	50 766 350	–
Provisions	–	10 348 531	–
	–	140 772 962	–

35. Subsidiaries of Gold Circle Proprietary Limited

Group	2022 Issued share capital	2022 Holding	2021 Issued share capital	2021 Holding
Directly held:	**R**	**%**	R	%
Gold Circle Gaming Investments Proprietary Limited	**100**	**100**	100	100
Natal Racing Properties Proprietary Limited	**150 000**	**100**	150 000	100
Betting Information Technology Proprietary Limited	**240**	**100**	240	100
Videotrac Proprietary Limited	**100**	**100**	100	100
Gallop TV Proprietary Limited	**100**	**100**	–	–
Indirectly held:				
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
Gold Circle Gaming Investments Proprietary Limited
Videotrac Proprietary Limited
Betting Information Technology Proprietary Limited
Track and Ball Proprietary Limited
Gallop TV Proprietary Limited

Associated companies

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

Associated clubs

Clairwood Turf Club
Durban Turf Club

Directors

BF Scott (Chairperson)
NP Butcher (Resigned 30 August 2021)
D Chetty
GM Grant
PV Lafferty (Resigned 30 August 2021)
C Moodley
S Naidoo
MJL Nairac
MM Nhlanhla
G Petzer (Resigned 30 August 2021)
Y Pillay
MW Rohwer
K Thambiran
LR Whiteford
Z Zulu

Prescribed officers

C Fourie
V Jack
PL Loker
SH Marshall
DT Moodie
MR Sheik

Company secretary:

DJ Furness

Other related parties – indirect

Tellytrack Partnership
Phumelela Gaming and Leisure Limited
Kenilworth Racing Proprietary 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 2022:

Income/(expenditure)	**2022**	2021
Phumelela Gaming and Leisure Limited	**R**	R
International income	**29 510 660**	75 748 390
Kenilworth Racing Proprietary Limited		
Racing Bureau Income	**3 422 223**	585 456
Tellytrack Partnership		
Partnership profit/(loss)	**1 115 349**	6 633 991
Loss at 24.96%	**(4 608 939)**	(2 508 537)
Tellytrack subscriptions	**5 724 288**	9 142 528
Betsumor Gaming Proprietary Limited	**97 464**	77 827
Finance income	**112 740**	102 053
Information fees	**30 000**	19 533
Management fees	**244 469**	169 314
Agents commission	**(289 745)**	(213 073)
Alphabet Betting Proprietary Limited		
Finance income	**25 527**	2 265
Ezeefun Proprietary Limited		
Information fees	**15 000**	5 000
Wozabets Gaming Proprietary Limited	**124 168**	(29 139)
Information fees	**15 000**	14 533
Management fees	**114 277**	131 701
Property rentals	**–**	92 610
Agents commission	**(253 445)**	(267 983)

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 2022:

	2022	2021
Loans receivable	**R**	R
Betsumor Gaming Proprietary Limited	**1 189 391**	1 076 652
Alphabet Betting Proprietary Limited	**323 013**	297 500
Sports Tracking Proprietary Limited	**1 968 056**	1 968 056
Loans payable		
Gold Circle Racing Club	**39 457 881**	39 457 881
Amounts receivable/(payable)		
Ezeefun Proprietary Limited	**1 692 985**	936 442
Betsumor Gaming Proprietary Limited	**(1 887 024)**	2 354 642
Wozabets Gaming Proprietary Limited	**(331 342)**	657 535
Phumelela Gaming and Leisure Limited	**–**	230 440 513
Tellytrack funding	**(230 561)**	875 257
Kenilworth Racing Proprietary Limited	**3 422 223**	2 977 859
Alphabet Betting Proprietary Limited	**(32 207)**	–

36.2 Key management compensation

2022	Fees	Salary	Bonus	Retirement and other benefits	Total
Non-executive directors	R	R	R	R	R
D Chetty	115 000	–	–	–	115 000
GM Grant	80 000	–	–	–	80 000
C Moodley	70 000	–	–	–	70 000
S Naidoo	100 000	–	–	–	100 000
MM Nhlanhla	55 000	–	–	–	55 000
MW Rohwer	100 000	–	–	–	100 000
BF Scott	145 000	–	–	–	145 000
K Thambiran	75 000	–	–	–	75 000
LR Whiteford	100 000	–	–	–	100 000
Z Zulu	105 000	–	–	–	105 000
Executive directors					
MJL Nairac	–	2 772 000	–	–	2 772 000
Y Pillay	–	1 323 900	–	116 100	1 440 000
Prescribed officers					
C Fourie	–	1 179 600	–	–	1 179 600
DJ Furness	–	924 420	–	–	924 420
V Jack		1 005 474	–	194 526	1 200 000
PL Loker	–	1 501 861	–	232 139	1 734 000
SH Marshall	–	1 379 063	–	120 937	1 500 000
MR Sheik	–	1 045 158	–	154 842	1 200 000
Total	945 000	11 131 476	–	818 544	12 895 020

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.

Notes to the Consolidated Financial Statements

36. Related parties (continued)

36.2 Key management compensation

2021	Fees	Salary	Bonus	Retirement and other benefits	Total
Non-executive directors	R	R	R	R	R
NP Butcher	137 500	–	–	–	137 500
D Chetty	77 500	–	–	–	77 500
JHS De Klerk	67 500	–	–	–	67 500
PV Lafferty	100 000	–	–	–	100 000
C Moodley	122 000	–	–	–	122 000
P Mnganga	85 000	–	–	–	85 000
L Nunan	105 000	–	–	–	105 000
MM Nhlanhla	67 500	–	–	–	67 500
G Petzer	97 500	–	–	–	97 500
BF Scott	15 000	–	–	–	15 000
LR Whiteford	52 500	–	–	–	52 500
Z Zulu	72 500	–	–	–	72 500
Executive directors					
MJL Nairac	–	2 396 800	–	–	2 396 800
Y Pillay	–	1 035 514	–	93 170	1 128 684
Prescribed officers					
DJ Furness	–	857 830	–	–	857 830
V Jack	–	806 944	–	203 858	1 010 802
PL Loker	–	1 337 862	–	215 012	1 552 874
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.

Notes to the Consolidated Financial Statements

37. Going concern

During the 2022 year, the Group incurred a loss after tax of R71 987 092 (2021 profit: R46 388 935). This resulted from the write- off of Phumelela Gaming and Leisure Limited receivable and the write off of the Phumelela Gold International investment of R75 344 237.

As at 31 July 2022 the Group had:

- cash resources of R33 million (2021: R16 million); and
- An investment portfolio valued at R270 547 094 (2021: R151 951 260) 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; and
- the Group has overdraft facilities of R15 million (2021: R15 million) and contingent facilities of R5.8 million with First National Bank Limited due for review on 31 October 2022. In addition, the Group has an asset finance facility of R18.5 million (2021: R18.5 million) and an Auto card facility of R350 000 with Wesbank.

Despite the loss in 2022, the forecast for the 2023 financial year anticipates reversing this trend.

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.

38. Subsequent events

No matters which are material to the financial affairs of the Company occurred between the statement of financial position date and the date of approval of the financial statements.

39. Contingent liabilities

No matters which are material to the financial affairs of the Company occurred between the statement of financial position date and the date of approval of the financial statements.

GOLD CIRCLE
RACING AND GAMING GROUP