GOLD CIRCLE
RACING AND GAMING GROUP

ANNUAL REPORT
2016

Gold Circle Racing and Gaming Group

The Business Of Gold Circle Is:

To promote the thoroughbred racehorse through operating:

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

The Vision Of Gold Circle Is:

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

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Board of Directors

P MNGANGA
(Chairman)

M TEMBE
(Vice Chairman)

M J L NAIRAC
(CEO)

N P BUTCHER

P V LAFFERTY

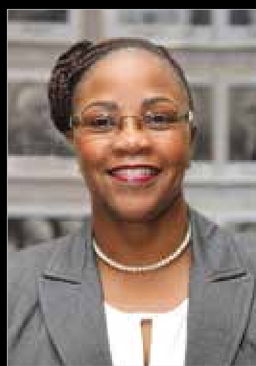
J H S DE KLERK

S NAIDOO

M NHLANHLA

L NUNAN

G PETZER



L RAKHAREBE

Entity Information

REGISTERED ADDRESS:	150 Avondale Road Durban 4001	BANKERS:	First National Bank of SA Limited Standard Bank of SA Limited ABSA Bank of SA Limited Nedbank Limited
POSTAL ADDRESS:	P.O. Box 40 Durban 4000	ATTORNEYS:	Barkers Incorporated
AUDITORS:	KPMG Durban		

Chairman's Report

INTRODUCTION

The Annual Financial Statements and this report for the year ended 31 July 2016 are presented on behalf of the Directors. The 2016 financial year has been a challenge for both the Board and management alike as the economic market trends affecting the betting segment of the gambling industry continue to be negative. Additionally, the company continues to be embroiled in legal actions which are unproductive and take much of management's time and effort.

FINANCIAL PERFORMANCE

Revenue generated from the local horse racing industry has not kept pace with inflation and in most part has been a consequence of certain decisions taken by the Tellytrack Board with regard to broadcast product pricing. 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 1.5 billion (2015: R1.5 billion) and is a reflection of the tough trading in this limited betting segment, this notwithstanding an increase in the number of race meetings scheduled during the year compared with 2015. In contrast, the gross income generation of the company's investment in bookmaking activities saw an improvement of 96% in net gaming revenue to R28 million.

Income received from third party bookmaking activities decreased by 3.4% to R42 million mainly as a result of bookmakers migrating their products away from horse racing to activities that are more profitable.

International operations income, derived through the international sale of South African racing product by Phumelela Gaming & Leisure, again experienced improved growth as a result of a negative foreign exchange rate and a renegotiation of certain oveseas contracts. Income increased by 53% to R 67.1 million in 2016 from R43.7 million in the prior year. It is expected that future international earnings will continue to improve.

Total revenue generated from operating activities amounted to R456.6 million, an increase of 8.3% compared with the R421.6 million earned in 2015.

Income from investments, including the amount "ring-fenced" by Members in 2012 reflects an average pre-tax increase of 6.3% compared with 2.1% in the prior year. Stock market investment indices have mostly traded negatively over the past year mainly as a result of a depressed economy. Total comprehensive income for the year after taxation and extraordinary revenue adjustments, amounted to a profit of R6.3 million compared with a profit of R19.8 million in the prior year. The main reason for the decrease is as a result of asset revaluations credited to the income statement in the prior year.

The final stakes contribution commitment to Kenilworth Racing has been included in the current year and brings to a close the three year agreement with Kenilworth Racing in terms of the Demerger Agreement.

Total overhead expenditure amounted to R466.9 million, excluding Stakes paid to Owners, which reflects an increase of 7.6% on the comparable amount of R433.8 million spent in 2015. Stakes paid to Owners over the past year increased by 17% from R93.5 million in 2015 to R109.4 million.

FINANCIAL POSITION

At 31 July 2016, the Group controlled total assets of R890 million (2015: R882 million) and total liabilities amounting to R218 million (2015: R218 million). Excluding the loan owing to Gold Circle Racing Club amounting to R39.5 million, the total equity attributable to shareholders amounts to R671 million (2015: R664 million).

Cash and cash equivalents as at 31 July 2016 amounted to R43.6 million (2015: R25.8 million). The increase in available cash is due to an inflow of funds from trade receivables.

ASSET UTILIZATION

Property assets under the control of Gold Circle now relate in the main to the training centres at both Ashburton and Summerveld, as well as a few sundry properties from which totalisator betting operations take place. The Greyville racecourse is leased from the Ethekwini Municipality until 2069 whilst the Scottsville Racecourse is leased from the Msunduzi Municipality until 2035. The 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.

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

Greyville Hospitality Facilities

In 2014 Gold Circle concluded an agreement to outsource the company's non-race day hospitality business to eLan Lifestyle and Communications. It is an accepted fact that Greyville Racecourse and its available facilities, holds a great potential in the hospitality market. Whilst the synergies between the two businesses ensured growth in this market segment the management relationship and control aspects were problematic. As a result, the agreement was terminated in September 2016 and Gold Circle will now continue to provide hospitality services from the premises. The additional revenue source from this initiative will increase the company's non-core business profitability.

National & International Initiatives

Gold Circle has contractual obligations in respect of a National Sports and Administration agreement which deals with horse racing matters including the National Racing Bureau, as well as Tellytrack in which Gold Circle has a minority partnership holding.

TELLYTRACK

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

Bookmakers, both locally in KZN and nationally, have embarked on a concerted offensive against the Racing operators in retaliation to the revised pricing structure for the Tellytrack broadcast signal in their betting outlets. The disputes that exist as between the bookmaking fraternity and Tellytrack were documented in detail and reported to Members in the 2015 Chairman's Report. Since then there has been little activity on the various issues other than waiting for the various matters to be brought to a conclusion through either Court or Competition Commission interventions.

INTERNATIONAL

The Licence Agreement between Gold Circle and Phumelela Gaming and Leisure Limited, whereby the company's racing product is sold internationally, remains a significant source of revenue for Gold Circle contributing in excess of R67.1 million for the year. It is expected that increasing revenue from this source will be sustained in the year ahead.

Totalisator & Bookmaking

TOTALISATOR

Totalisator commission from betting turnover continues to be the major source of income for the company. Gross betting turnovers for all products for the 2016 financial year amounted to R1.5 billion which is similar to turnovers in the prior year.

The migration of the totalisator betting software platform away from the present API in the Phumelela system will take place in November 2016. Gold Circle will then be in a position to control its own betting and reporting requirements.

The roll-out strategy of upgrading communication with customers in the off-course betting outlets through the introduction of electronic display of racing and sports betting information continues on an outlet priority basis. This upgrade is proving to be popular with the betting public.

BOOKMAKING

Track and Ball, the company's Black owned subsidiary has performed well in its second year of trading achieving Net Gaming Revenues of R28 million over the past year compared to R14 million in the prior year. The company traded from seven licenced premises in KZN and will soon manage several other licenced Black-empowered entities through management agreements. It is anticipated that a call centre will be commissioned in the new financial year which should be beneficial to revenue generation.

Events and Marketing

MARKETING

Gold Circle's major marketing campaign in any year is the period leading up to, and including the 2016 Champions Season. This is the time of year when racing in KwaZulu-Natal takes centre stage and where all the country's equine champions converge, participate and celebrate a feast of top class racing events. The pinnacle of the Season will always be the show-stopping spectacle of the Vodacom Durban July and it remains South Africa's sought after race day and event. Vodacom, as sponsors of the VDJ, are exceptional partners and we record our appreciation to them for their continued support and promotion of this event. It is pleasing to report that Vodacom have extended their sponsorship agreement for a further period to 2018.

The culmination of the Champions Season's racing events takes place on Champions Day and includes the Gold Cup sponsored by the eLan Property Group. This sponsorship has been extended for a further year. The race day is also used by Gold Circle to offer charities a no cost platform and opportunity to raise funds for their particular purposes.

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

The spectacle of Friday night racing at Greyville continues to be a popular series of programmes for the South African and International betting fraternity. Locally, Greyville offers an entertainment venue for the public to socialize and be part of the racing activities. The Friday night racing series will continue through to April 2017.

The joint venture between Gold Circle and the Independent Newspapers Group nationally, is a powerful marketing tool for the betting product of horse racing and Gold Circle's events in particular. The joint venture provides a national platform in several daily and weekend newspapers.

Apart from the traditional forms of marketing and advertising, Gold Circle is extending its public reach through available digital and internet based platforms. This form of marketing and communication is the future as more and more people advance in the use of technology for both social and business purposes.

The company is presently developing a racing application which will afford users to participate in a virtual racing experience. This prototype concept will, if tested successfully, need the approval of the regulatory authorities prior to commissioning.

COMMUNICATIONS

Continuous communication of information to the company's customer base is an imperative and is undertaken through traditional platforms as well as the new internet based digital solutions. The world of communication is moving toward easier, more accessible and efficient communication channels and Gold Circle is migrating much of its information base to be internet based. Smart phone applications are more dynamic and interactive and the company information is currently available on Facebook, through Twitter, podcasts and other similar platforms.

From a Stakeholder perspective, newsletters and electronic communications are circulated from time to time as an update on racing in the province. Communication with Owners has been identified as a problem area and the company has taken steps to address this matter.

Interactions with the Provincial, National and Local Government departments are on-going keeping channels of communication open to deal with matters of joint interest. Over the past year most matters for discussion have been over legislative issues as affects the gambling industry.

RACING

Gold Circle staged 122 race meetings during the 2016 financial year compared with 110 in the prior year. Prize money paid to winning owners amounted to R109.3 million against R93.5 million during the comparative period and reflects an increase of 17%.

Over the past few years the grass surfaces at Greyville and Scottsville have come under extreme pressure and as a consequence corrective measures were introduced during the year which limited the number of races over these surfaces. Greyville in particular was nurtured in order that racing for the Champions Season was presented at its best. The Polytrack continued to be a true racing surface and riders achieved successes from all draw positions. Remedial maintenance was effected to the drainage of the Scottsville track which negatively impacted on the recovery time for the grass surface which was also affected by the continuing drought conditions.

The Training Centres at Ashburton and Summerveld are a fantastic asset for promoting the value to Owners of training facilities in the province. Over 2000 horses are stabled and trained from the two Centres, both of which come under severe pressure during the Champions Season with the additional requirements of visiting trainers.

Champions Season once again proved a resounding success, hallmarked by many outstanding performances and high quality competitive racing. Many of the Equus Awards winners secured their Championship status as a result of their quality performances during Gold Circle's Champions Season.

Turnovers for the Vodacom Durban July race meeting grew by 8.6% to R63 million which clearly demonstrates the significant importance of this event in the betting and racing calendar. Attendances were similar to those recorded in 2015 and the on-course promotion was effected without any major problems with the public receiving value for their participation.

The KwaZulu-Natal Racing Awards for the 2016 Season took place during September 2016 and congratulations are extended to the winning Owners, Markus Jooste and Roy Moodley, the winning Trainer Dennis Drier and winning Jockey Anthony Delpech for their exceptional achievements over the past year. The KwaZulu-Natal horse of the year went to Marinaresco with the Breeder category being awarded to Summerhill Stud.

Gambling Regulation

Gold Circle's relationship with the KwaZulu-Natal Gaming and Betting Board (KZNGBB) was maintained over the past year through liaison and communication on matters of licencing and legislative regulation. The KZN Gaming and Betting Act 2010 is still under review and the company has made several submissions on the proposed amendment thereof.

The Department of Trade and Industry (DTI) has reviewed the Gambling Policy Commission's recommendations on gambling and betting in the country and have proposed several amendments to the National Gambling Act 2004 which may, if promulgated, have a long term negative impact on the company's ability to provide sustainable returns to industry stakeholders. The major area of concern relates to betting on sport. The DTI has however recognised the protection of the racing operators' intellectual property rights.

Corporate Governance

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

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

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

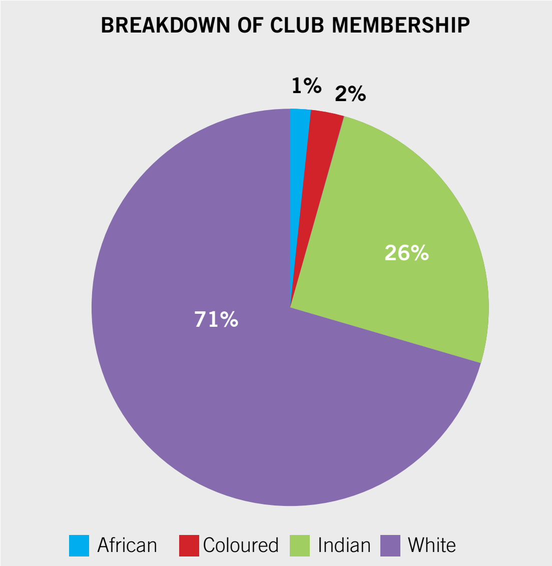
	Board	Audit	Risk	Remco	Racing	Social & Ethics	Remuneration "R"
P Mnganga	5/5	-	-	-	-	2/2	104 000
M Tembe	4/5	-	-	-	1/2	-	73 500
N P Butcher	5/5	2/3	2/2	-	5/5	-	112 500
J H S De Klerk	5/5	3/3	1/2	-	5/5	-	109 000
P V Lafferty	4/5	-	-	2/3	5/5	-	80 500
M J R Mauvis - resigned 8/12/2015	2/2	-	-	-	-	-	40 000
S Naidoo	4/5	-	-	-	-	-	50 000
M Nhlanhla – appointed 10/12/2015	1/2	-	-	-	-	3/3	30 000
L Nunan	5/5	-	-	-	3/5	5/5	97 000
G Petzer	4/5	-	-	3/3	-	-	77 000
L Rakharebe – resigned 17/08/2016	5/5	2/3	2/2	-	-	4/5	90 500
TOTAL REMUNERATION COST							864 000

Transformation

Gold Circle is a responsible corporate entity and aligns itself with the principles of Broad-Based Black Economic Empowerment. The company is demographically represented in all aspects of its business operations and presently holds a certified Level 3 Contributor status under the new codes. Monitored through the Social & Ethics Committee, the company's strategic plan on transformation is being effected and demonstrates a commitment to improve representation in all aspects of its business.

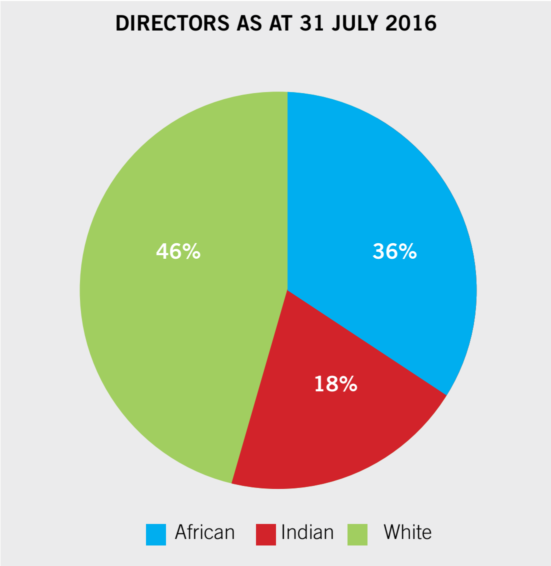
CLUB MEMBERSHIP

The Gold Circle Racing Club, as the shareholder, comprised 965 members as at 31 July 2016. There are no barriers to becoming a member of the Club and the Board of Directors continues to initiate efforts to improve the demographic profile of club membership. The target set to achieve a Black membership component of 35% by 2016 has not been achieved. Summarised below are the statistics relating to the demographic profile at 31 July 2016:



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 2016 the Board comprised 1 executive and 10 non-executive directors and it is pleasing to report that the demographic profile of the Board has been positively influenced over the years and continues to reflect a balanced profile.



MANAGEMENT AND STAFF

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

The company reviewed its management structure during the year and changes were effected during March 2016. The Executive Management group was reduced to six members and the departmental reporting structure simplified. Gold Circle 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.

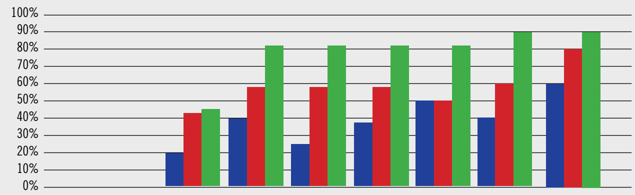
The following table reflects the employment sectors, the demographic profile of personnel contracted and employed by the company including branch betting outlet operations at 31 July 2016.

	Exec	Senior	Junior	Semi- Skilled	Unskilled	Total	%
Black		6	71	1020	248	1345	77
Asian	3	19	86	160	4	272	15
Coloured		2	12	52	3	69	4
Sub Total	**3**	**27**	**169**	**1232**	**255**	**1686**	**96**
White	3	19	21	27	2	72	4
Total	**6**	**46**	**190**	**1259**	**257**	**1758**	**100**

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

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

BLACKS IN MANAGEMENT



	July 12	Jul 13	Jul 14	Jul 15	Jul 16	Target 0-5 Yrs	Target 6-10Yrs
Top/Exec	20%	40%	25%	38%	50%	40%	60%
Senior	42%	56%	56%	62%	50%	60%	80%
Middle	46%	83%	83%	83%	84%	90%	90%

Skills Development

The training and development of skills within the company is a necessary requirement in order that the company is able to efficiently conduct its business and meet operational challenges. The total number of staff undergoing training during the year was 853 of which 99% were Black.

In-house educational training programmes have been developed which enhance skills and allow staff to progress their careers within the company. Of particular importance is the training provided to hundreds of aspirant matriculants who apply for consideration as betting cashiers over the Champions Season on an annual basis. This training is not available at any tertiary educational institution and prepares candidates for similar employment opportunities in the open markets once their contracts with Gold Circle have concluded.

During the year the company extended its Employee Learnership Programme which provides for, and improves career prospects for employees. These Learnerships have been made available within all departments of the company and are externally facilitated by a qualified service provider.

Formal training at certified tertiary educational institutions is also available to selected employees who have the potential to further their careers in management positions. The company assists employees with the funding of this skills development programme.

Corporate Social Investment

Gold Circle is committed to making a positive contribution to the upliftment of disadvantaged communities through its Corporate Social Invesment Programme. All initiatives undertaken are approved and monitored through the Social and Ethics Committee. The company has an approved Transformation Strategy and 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 skill transfer mechanism to the broader traditional horse owning community.

RURAL RACING

Gold Circle has since 2006 assisted the development of traditional and rural racing by financially and operationally supporting the Dundee July. This event has now reached a stage of maturity and is becoming commercially self-sustainable. Support has also been extended to the Harry Gwala and Willowfontein race meetings staged annually in November and December each year. Rural Racing as a sport still requires further development to a professional level where the racing activities become legally regulated. Gold Circle assists in making these festivals more sustainable which in turn derives benefit to the supporting communities.

COASTAL HORSE CARE UNIT

The Coastal Horse Care Unit is a registered non-profit organisation that has as its main objective 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 Coastal Horse Care Unit, Gold Circle has a Rural Outreach initiative called “Empowering Equine Communities through Service” and the company is actively involved in these community based programmes to support equine welfare in rural areas. The aim is to help educate rural communities on how to better take care of their horses which are used for racing, transport, herding and leisure. These programmes highlight the racing industry and are an encouragement to horse owners to enhance their knowledge and skills to a more professional platform. Gold Circle volunteers its personnel to undertake, together with the Coastal Horse Care Unit, various clinics and workshops within rural communities. The initiative provides Gold Circle employees with an opportunity of making a positive contribution to the equine community. Gold Circle is a major financial contributor to the Coastal Horse Care Unit.

GROOMS

With the number of Grooms at the training centres, Gold Circle commissioned a recreational facility to cater for their upliftment. A soccer training programme was initiated and tournaments are held quarterly at Summerveld. Gold Circle sponsors the full equipment requirements as well as the cost of organizing all the events. The Grooms Soccer League has led to Gold Circle sponsoring a Grooms’ soccer team to participate in the AmaZulu Charity Cup Challenge. Participants benefited from the media exposure on Super Sport DSTV channels and East Coast Radio. AmaZulu Club has scouted a talented groom to join the club.

Grooms Health is an imperative and to assist in managing this, Gold Circle has procured the services of a medical practitioner to provide basic health care facilities for the grooms. The project, first piloted at Summerveld, has since been extended to Ashburton.

Gold Circle supports the principle of Social Development and as a result skills development is one of the Transformation

Corporate Social Investment

pillars that the company promotes, not only for its employees, but also for its community. It is for this reason that Gold Circle has fully subsidized a Grooms School at Summerveld which provides basic education and career development for previously disadvantaged persons.

From an economic welfare perspective, Gold Circle subsidises accommodation, electricity and water to approximately 900 grooms at its training centres.

CHILDREN AND ANIMAL CARE

In partnership with the KZN Education Department, Gold Circle has piloted a project where different schools around Pinetown Districts are invited on school excursions to the Summerveld Training Centre and The South African Jockey Academy. Learners are exposed to career opportunities in the Horse Racing Industry including assessment by the Academy, to identify those learners whom they see having potential of being jockeys.

Through this initiative, Gold Circle in partnership with SARDA (South African Riding for the Disabled Association) is involved in a project where learners are given an opportunity to interact with horses.

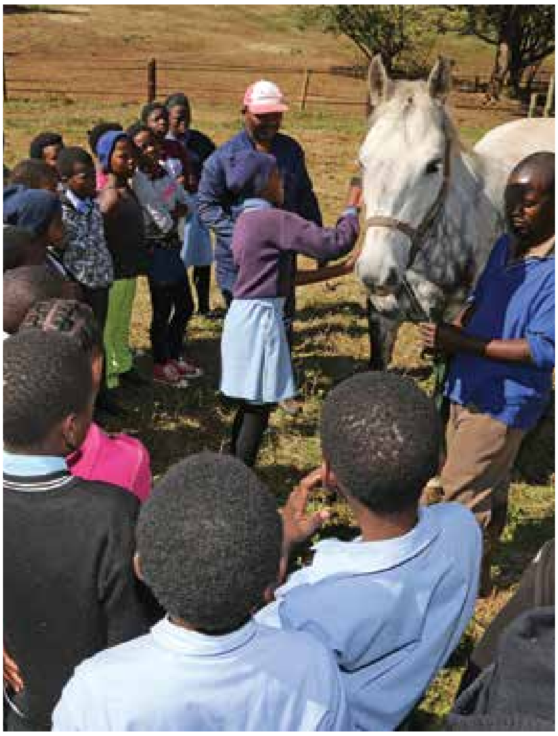
COMMUNITY

AGE-IN-ACTION

Age-In-Action is a developmental organisation which strives, in collaboration with other stakeholders, to uphold the rights and dignity of older persons, through advocacy of lobbying; improved access to care; support and protection; training and development and sustainable economic empowerment. Gold Circle in partnership with Age-In-Action supports this initiative, whereby Senior Citizens are invited to attend horse racing events. Gold Circle also assists Age-In-Action in other areas of operation.

YOUTH SUPPORT

Youth are the leaders of the future. Gold Circle, acknowledges the importance of providing youth an opportunity to grow through support programs. The Greyville Primary School is a school that borders Greyville Racecourse, and which needs such support. Gold Circle assists the school from time to time with initiatives which are fun and rewarding. 10 learners attended a youth empowering initiative, “Think Tank Youth Business Breakfast Seminar” during the course of the year.



ASSISTANT 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 licenced trainers are provided with financial assistance to achieve their goals. It is pleasing to note that Michael Makiakola who has been on the program as an Assistant trainer has now obtained his trainers licence.

CHARITY RACE DAYS

Gold Circle has through its Charity race days helped several organisations raise funds totaling R3,6m for the financial year ended 31 July 2016.


Flower Alley
13
NAAD

PROCUREMENT

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

	2013	2014	2015	2016	Target 2016
Recognition Levels	%	%	%	%	%
All Suppliers	75.1	76.9	94.5	90.0	90
QSEs & EMEs*	42.1	18.5	57.0	42.2	45
* QSEs - Qualifying Small Enterprises EMEs - Exempt Micro Enterprises					

The reason for the change in percentage of QSEs and EMEs in the 2014 period is the significant contracts awarded for the development of track and training infrastructure at both Greyville Racecourse and Summerveld Training Centre. Total procurement, due to these contracts, skewed the percentage outcome.

Acknowledgements and Prospects

PERSONNEL

Total employment of personnel in the company during the year was 1758 and included 29 persons with disabilities. This number takes into account all short term employment opportunities offered over the Champions Season period.

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

OFFICE BEARERS

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

ACKNOWLEDGEMENTS

The Board would like to thank the many supporting organizations 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

The rationalization of the racing assets in KwaZulu-Natal has had a positive effect on the company and provides a solid platform for horse racing in the future. Notwithstanding the negative economic market trends and the changing regulatory environment the company believes that racing in the province is resilient and has a sustainable future.

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

P Mnganga

P Mnganga
Chairman

Statement of Directors' Responsibility

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Gold Circle Proprietary Limited, comprising the consolidated statement of financial position at 31 July 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the 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, and the directors' report.

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

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

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

Approval of consolidated annual financial statements

The consolidated annual financial statements of Gold Circle Proprietary Limited, as identified in the first paragraph, were approved by the board of directors on 31 October 2016 and signed by:

P Mnganga
Chairman
Authorised Director

M Nairac
Chief Executive Officer
Authorised Director

Report of the Directors

1. Consolidated and separate financial statements

The company financial statements have been separately presented.

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, the totalisator, bookmaking, hospitality and service divisions of the thoroughbred horse racing industry within the province of KwaZulu-Natal.

3. Review of Results

	2016	2015
	R	R
Total comprehensive income	**6 333 873**	19 773 546
Less: Revaluation on property, plant and equipment	**-**	(24 195 269)
Total comprehensive income/(loss) excluding the above transactions	**6 333 873**	(4 421 723)

4. Share Capital

The fully issued share capital comprises 2000 ordinary shares of R 1 each:

Gold Circle Racing Club	**2 000**	2 000

5. Directors and Secretary

Gold Circle Proprietary Limited and its subsidiaries

N P Butcher (Appointed 06/12/2012)
J H S de Klerk (Appointed 06/12/2012)
G Petzer (Appointed 14/11/2011)
M J R Mauvis (Chairman) (Resigned 08/12/2015)
L E Rakharebe (Resigned 17/08/2016)
M Tembe (Appointed 14/11/2011)
M Nhlanhla (Appointed 10/12/2015)
S Mthethwa (Appointed 07/10/2013)
M J L Nairac (Appointed 11/12/2012)
L Nunan (Appointed 14/11/2011)
P V Lafferty (Appointed 14/11/2011)
P Mnganga (Chairman)(Appointed 01/02/2011)
S Naidoo (Appointed 04/06/2014)
D R Moses (Resigned 01/04/2016)
P Loker (Appointed 07/10/2013)
P Maujean (Appointed 15/04/2015)

6. Company Secretary

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

7. Dividends

No dividends were declared or paid during the year (2015: R nil).

8. Corporate Governance

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

The following standing committees have been appointed:

Audit Committee	J H S de Klerk (Chairman)	
	N P Butcher	L E Rakharebe
Remuneration Committee	G Petzer (Chairman)	
	P V Lafferty	
Risk Committee	J H S de Klerk (Chairman)	
	L E Rakharebe	N P Butcher
Social and Ethics Committee	L E Rakharebe (Chairman)	
	L Nunan	
	N Nhlanhla	
Racing Committee	N P Butcher (Chairman)	
	J H S de Klerk	P V Lafferty
	L Nunan	L Scribante (Breeder representative)
	A J Rivalland (Trainer representative)	M Tembe (Resigned 10/12/2015)
Investment Committee	N P Butcher (Chairman)	
	P Mnganga	

9. Subsidiaries and associates

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

	Issued Share Capital R	Percentage Holding %
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 Technology Proprietary Limited	240	50
Videotrac Proprietary Limited	120	100
Wozabets Gaming Proprietary Limited	120	30
Betsumor Gaming Proprietary Limited	400	30
Sports Tracking Proprietary Limited	100	35

10. Black empowerment initiatives

Gold Circle has a transformation policy which regulates its activities against Government's Broad Based Black Economic Empowerment Codes as gazetted in May 2016. The Group's transformation initiatives are monitored by the Board of Directors through the Social and Ethics Committee, as well as monitored by the KwaZulu-Natal Gaming and Betting Board.

11. Events after the statement of financial position date

During September 2016 an agreement between Elan Lifestyle and Communications Proprietary Limited and Gold Circle Proprietary Limited was concluded. This was in respect of the transfer of control of the eventing operations managed by Elan Lifestyle and Communications Proprietary Limited to Gold Circle Proprietary Limited. The operations included employees, clients, assets and inventory. This would result in a business combination in the subsequent financial period.

12. Going concern

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

Independent Auditor's Report

To the shareholder of Gold Circle Proprietary Limited

We have audited the consolidated financial statements of Gold Circle Proprietary Limited, which comprise the consolidated statement of financial position at 31 July 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 23 to 52.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of Gold Circle Proprietary Limited at 31 July 2016, 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.

Other Reports Required by the Companies Act

As part of our audit of the financial statements for the year ended 31 July 2016, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. The Directors' Report is the responsibility of the directors. Based on reading the Directors' Report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited the Directors' Report and accordingly do not express an opinion thereon.

KPMG Inc.

Paul Fay

Per Paul Fay
Chartered Accountant (SA)
Registered Auditor
Director
07 November 2016

KPMG House
5 Arundel Close
Kingsmead Office Park
Durban
4000

Consolidated Statement of Financial Position

	Notes	2016	2015
		R	R
Assets			
Non-current assets			
Property, plant and equipment	*3*	**477 928 152**	481 388 416
Investment in associate	*4*	**35**	35
Loans receivable – long term portion	*5*	**6 968 775**	7 382 251
Intangible assets	*6*	**36 347 402**	31 247 402
		521 244 364	520 018 104
Current assets			
Inventories	*7*	**3 195 664**	3 210 260
Trade and other receivables	*8*	**75 147 735**	93 459 263
Loans receivable – short term portion	*5*	**3 800 753**	5 615 412
Cash and cash equivalents	*9*	**43 585 778**	25 782 715
Financial assets	*10*	**242 741 131**	234 305 238
		368 471 061	362 372 888
Total assets		**889 715 425**	882 390 992
Equity and liabilities			
Equity reserves			
Share capital	*12*	**2 000**	2 000
Available for sale fair value reserve	*13*	**8 053 142**	6 027 419
Revaluation Reserves		**190 456 498**	190 456 498
Post-retirement medical aid reserve		**1 238 400**	653 760
Retained earnings		**473 008 724**	469 461 156
		672 758 764	666 600 833
Non-controlling interests		**(1 648 228)**	(1 824 170)
Total equity		**671 110 536**	664 776 663
Non-current liabilities			
Borrowings – long term portion	*14*	**7 883 101**	5 117 503
Deferred tax liability	*15*	**47 350 636**	46 935 954
Post-retirement medical aid obligations - long term	*16*	**13 164 000**	14 004 000
		68 397 737	66 057 457
Current liabilities			
Post- retirement medical aid obligations - short term	*16*	**1 218 000**	1 266 000
Tellytrack funding	*17*	**3 530 075**	16 030 497
Trade and other payables and provisions	*18*	**89 978 449**	83 482 159
Share in liability of associate	*4*	**131 816**	117 017
Borrowings – short term portion	*14*	**15 890 931**	11 203 318
Gold Circle Racing Club	*14*	**39 457 881**	39 457 881
		150 207 152	151 556 872
Total liabilities		**218 604 889**	217 614 329
Total equity and liabilities		**889 715 425**	882 390 992

Consolidated Statement of Comprehensive Income

	Note	2016	2015
		R	R
Gross wagering revenue		**406 323 446**	382 894 327
Provincial tax		**(29 812 739)**	(28 455 874)
Net Wagering revenue	*20*	**376 510 707**	354 438 453
Less: Agents commission & other direct costs	*21*	**(31 491 928)**	(31 030 184)
: Wagering expenditure	*21*	**(212 686 378)**	(193 642 865)
Contribution to racing from wagering activities		**132 332 401**	129 765 404
Add Contribution to racing from third party bookmaking activities	*20*	**41 952 185**	43 438 428
- Stand up and information fees		**1 828 863**	2 329 333
- Tax on punters winnings		**40 123 322**	41 109 095
Share of international licence fee	*20*	**67 136 916**	43 768 168
Share of profit in Tellytrack	*20*	**3 845 657**	4 142 212
Gross wagering revenues available for racing activities		**245 267 159**	221 114 212
Add: Direct racing revenues	*20*	**80 153 691**	67 193 438
Gross revenues available for racing activities		**325 420 850**	288 307 650
Less: Racing expenditure	*21*	**(332 157 922)**	(302 614 963)
Operating expenditure for racecourses and training facilities		**(186 477 058)**	(173 551 092)
National Horseracing Authority- Regulatory costs		**(14 227 998)**	(14 989 260)
Stakes - Owners		**(109 396 000)**	(93 489 950)
Stakes - Breeders		**(10 580 210)**	(9 760 851)
Racing South Africa contributions		**(836 840)**	(753 507)
Contribution to jockeys remuneration		**(10 639 816)**	(10 070 303)
Net loss before financing and taxation		**(6 737 072)**	(14 307 313)
Add: Finance income		**13 119 743**	16 643 209
Less: Finance costs		**(1 105 518)**	(1 672 873)
Add: Dividends received		**2 234 956**	436 863
		7 512 109	1 099 886
Loss on equity accounted investees		**(14 799)**	(117 173)
Profit before tax		**7 497 310**	982 713
Taxation	*22*	**(3 773 800)**	4 487 618
Profit for the year		**3 723 510**	5 470 331
Profit/(loss) attributable to:			
Owners of the Company		**3 547 568**	7 215 141
Non-controlling interest		**175 942**	(1 744 810)
Profit for the year		**3 723 510**	5 470 331
Total other comprehensive income		**2 610 363**	14 303 215
Post-retirement medical aid reserve	*16*	**812 000**	(473 000)
Net change in fair value of available for sale financial assets	*13*	**2 610 467**	(11 717 026)
Revaluation Reserve	*3*	**-**	32 933 862
Taxation on other comprehensive income		**(812 104)**	(6 440 621)
Total comprehensive income		**6 333 873**	19 773 546
Total comprehensive income attributable to:			
Owners of the Company		**6 157 931**	21 518 356
Non-controlling interest		**175 942**	(1 744 810)
		6 333 873	19 773 546

Consolidated Statement of Changes in Equity

	Share Capital	Revaluation reserve	Available for sale fair value reserve	Post-retirement medical aid Reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 July 2014	2 000	166 261 229	15 578 913	994 320	462 246 015	645 082 477	(79 480)	645 002 997
Acquisition of subsidiary	-	-	-	-	-	-	120	120
Total comprehensive income	-	24 195 269	(9 551 494)	(340 560)	7 215 141	21 518 356	(1 744 810)	19 773 546
Balance at 31 July 2015	**2 000**	**190 456 498**	**6 027 419**	**653 760**	**469 461 156**	**666 600 833**	**(1 824 170)**	**664 776 663**
Total comprehensive income	**-**	**-**	**2 025 723**	**584 640**	**3 547 568**	**6 157 931**	**175 942**	**6 333 873**
Balance at 31 July 2016	**2 000**	**190 456 498**	**8 053 142**	**1 238 400**	**473 008 724**	**672 758 764**	**(1 648 228)**	**671 110 536**

Consolidated Statement of Cash Flows

	Notes	2016	2015
		R	R
Cash flows from operating activities			
Cash generated from/(utilised in) operations	*24*	**34 299 449**	(5 535 463)
Interest paid		**(1 105 518)**	(1 672 873)
Interest received		**13 119 743**	16 643 209
Dividends received		**2 234 956**	436 863
Tax received	*19*	**371 617**	6 489 201
Net cash flows from operating activities		**48 920 247**	16 360 937
Cash flows from investing activities			
Purchases of property, plant and equipment	*3*	**(29 926 983)**	(33 127 986)
Disposal of property, plant and equipment	*3*	**129 999**	248 570
Acquisition of intangible assets	*6*	**(5 100 000)**	(28 173 075)
Acquisition of non-controlling interest		**-**	(120)
Investment in subsidiary		**(120)**	(155)
(Acquisition)/disposal of other investments		**(5 825 426)**	9 221 952
Net cash flows from investing activities		**(40 722 530)**	(51 830 814)
Cash flows from financing activities			
Post-retirement medical obligation		**(76 000)**	(55 000)
Decrease in loans receivable		**2 228 135**	939 426
Proceeds from borrowings		**7 453 211**	9 300 382
Net cash flows from financing activities		**9 605 346**	10 184 808
Net increase/(decrease) in cash and cash equivalents		**17 803 063**	(25 285 069)
Cash and cash equivalents at beginning of year		**25 782 715**	51 067 784
Cash and cash equivalents at the end of year	*9*	**43 585 778**	25 782 715

Accounting Policies

1. Accounting policies

1.1 Reporting Entity

Gold Circle Proprietary Limited is a company domiciled in the Republic of South Africa. The address of the Group's registered office is 150 Avondale Road, Greyville. The consolidated financial statements of the Group for the year ended 31 July 2016 comprise the company, its subsidiaries, associates and partnership (together referred to as the "Group").

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

1.2 Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Separate financial statements for the Company have been prepared.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for land and buildings which are stated at their fair value.

The methods used to measure fair values are discussed further in note 1.2 (d) use of estimates and judgements.

(c) Functional and presentation currency

These consolidated financial statements are presented in South African Rands, rounded to the nearest Rand, which is the Group's functional currency.

(d) Use of estimates and judgements

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

Accounting Policies (continued)

1.2 Basis of Preparation (continued)

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

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

- Note 3 Property, plant and equipment
- Note 6 Intangible assets
- Note 14 Borrowings
- Note 15 Deferred tax liability
- Note 16 Post retirement medical aid obligation
- Note 22 Income taxation
- Note 23 Operating lease commitments
- Note 26 Financial instruments

1.3 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Investments in associates and jointly controlled entities (equity-accounted investees)

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost (including transaction costs). The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence or joint control ceases.

(iii) Transactions eliminated on consolidation

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

(iv) Non-controlling interests

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

(b) Financial instruments

(i) Non-derivative financial assets

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

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

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss.

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

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost using the effective interest method. Cash and cash equivalents comprise cash balances and bank balances with original maturities of three months or less. Cash and cash equivalents are measured at amortised cost which approximates their fair value.

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any other categories. The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses or foreign exchange differences on debt instruments, are recognised in other comprehensive income and presented within equity in the available-for-sale fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss.

Held-to-maturity financial assets

Held-to-maturity assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, loans from shareholders, bank overdrafts and trade and other payables. The Company also has amounts owing to subsidiary companies. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capital

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

(c) Property, plant and equipment

(i) Recognition and measurement

Land and buildings are shown at fair value, based on periodic, but at least three-yearly, valuations by external independent valuators, less subsequent depreciation for buildings. Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

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

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

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.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The estimated useful lives for the current and comparative periods are 25 years for buildings and between 3 and 6 years for movable assets.

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

1.3 Significant accounting policies (continued)

(d) Goodwill

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

(e) Investment property

Investment property is held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

An external, independent valuation expert, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property every three years.

Fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein both parties had each acted knowledgeably.

(f) Leased assets

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

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

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

(g) 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) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset and can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restricting of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against loans and receivables. When an event occurring after the impairment was recognised causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than investment property, 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 Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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.

(i) Employee benefits

(i) Defined benefit plans

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in 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 or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognised gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(ii) Termination benefits

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

1.3 Significant accounting policies (continued)

(iii) Short-term employee benefits

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

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

(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) Revenue

(i) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(ii) Goods sold

Revenue from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised once the risks and rewards of ownership have passed, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

(iii) Rental income

Rental income is recognised as revenue on a straight-line basis over the term of the lease.

(l) Finance income and finance costs

The Group's finance income and finance costs include interest income, interest expense, the net gain or loss on the disposal of available-for-sale financial assets, and the net gain or loss on financial assets at fair value through profit or loss.

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

(m) Income taxation

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

(n) Related parties

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

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

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

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

Close family member of the family of an individual includes:

i) The individual's domestic partner and children;

ii) Children of the individual's domestic partner; and

iii) Dependents of the individual or the individual's domestic partner.

(o) Comparative figures

Where necessary comparative figures have been reclassified.

New Standards and Interpretations

2 New standards and interpretations

2.1 Standards and interpretations not yet effective

Standard/Interpretation		Date issued by IASB	Effective date Periods beginning on or after
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	May 2014	1 January 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	May 2014	1 January 2016
IFRS 9	Financial Instruments	July 2014	1 January 2018
IAS 27	Equity Method in Separate Financial Statements	August 2014	1 January 2016
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	1 January 2016
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	December 2014	1 January 2016
IAS 1	Disclosure Initiative	December 2014	1 January 2016
IFRS 15	Revenue from contracts with customers	May 2014	1 January 2018
IFRS 16	Leases	January 2016	1 January 2019

All Standards and Interpretations will be adopted at their effective date.

The Directors are of the opinion that the above amendments will not have a material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

3 Property, plant and equipment

2016	Cost	Accumulated depreciation and impairment	Carrying amount
	R	R	R
Freehold land and buildings	**344 292 361**	**(68 007 936)**	**276 284 425**
Leased buildings	**168 465 287**	**(33 509 368)**	**134 955 919**
Plant, vehicles and equipment	**176 039 835**	**(111 778 140)**	**64 261 695**
Assets under construction	**2 426 113**	**-**	**2 426 113**
	691 223 596	**(213 295 444)**	**477 928 152**

	Land and buildings	Plant, vehicles and equipment	Assets under Construction	Total
Movement in carrying amount				
Carrying amount at beginning of year	**413 159 696**	**61 277 556**	**6 951 164**	**481 388 416**
Additions	**7 739 069**	**19 999 739**	**2 188 175**	**29 926 983**
Transfers in/(out)	**2 616 487**	**4 096 739**	**(6 713 226)**	**-**
Disposals at carrying amount	**-**	**(129 999)**	**-**	**(129 999)**
Depreciation	**(12 274 908)**	**(20 982 340)**	**-**	**(33 257 248)**
	411 240 344	**64 261 695**	**2 426 113**	**477 928 152**

	Cost	Accumulated depreciation and impairment	Carrying amount
2015			
Freehold land and buildings	341 675 874	(61 792 362)	279 883 512
Leased buildings	160 726 218	(27 450 034)	133 276 184
Plant, vehicles and equipment	151 943 357	(90 665 801)	61 277 556
Assets under construction	6 951 164	-	6 951 164
	661 296 613	(179 908 197)	481 388 416

	Land and buildings	Plant, vehicles and equipment	Assets under Construction	Total
Movement in carrying amount				
Carrying amount at beginning of year	297 641 485	59 335 059	83 292 149	440 268 693
Additions	17 856 692	15 271 294	-	33 127 986
Transfers in/(out)	75 401 184	939 801	(76 340 985)	-
Disposals at carrying amount	-	(198 237)	-	(198 237)
Revaluation of land and buildings	32 933 862	-	-	32 933 862
Depreciation	(10 673 527)	(14 070 361)	-	(24 743 888)
	413 159 696	61 277 556	6 951 164	481 388 416

The Group's land and buildings were revalued on 31 July 2015 by an independent valuator, Africa Corporate Real Estate Solutions Proprietary Limited (Trevor Richardson). Valuations were made on the basis of recent market transactions at arm's length terms. The revaluation surplus, net of applicable deferred income taxes, was credited to non-distributable reserves.

Depreciation expense of **R33 257 248** (2015: R24 743 888) has been included in administrative expenses.

3 Property, plant and equipment (continued)

	2016	2015
	R	R
Depreciation	**36 826 194**	32 453 520
Less: Reassessment of useful lives	**(3 568 946)**	(7 709 632)
	33 257 248	24 743 888

Useful lives of moveable assets were reassessed during the year.

A register detailing the descriptions, situation and date of acquisition of fixed assets is available for inspection at the registered office of the Group. If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2016	2015
	R	R
Cost	**18 532 000**	18 532 000
Accumulated depreciation and impairment	**(14 553 849)**	(13 627 249)
	3 978 151	4 904 751

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 the purchase of betting terminals, outlet upgrades and training tracks expansions.

Finance leased assets

Finance lease obligations secured by lease agreements over property, plant and equipment with a carrying value of R11 539 612 (2015: R5 744 429). Finance lease obligations over motor vehicles bear interest at rates between prime and prime less 1.5%. Refer to note 14.

4 Investment/ Share of Liability in associate

The Group has interests in a number of individually immaterial associates. The Group has determined that it has significant influence because it has representation on the board of the investee.

The decision-making capacity that drives the relevant activities within Betsumor Gaming Proprietary Limited, Wozabets Gaming Proprietary Limited and Sports Tracking Proprietary Limited lies with the board of directors, whereby the Group does not control the majority of the voting rights. The Group therefore does not have power over the relevant activities of these companies. As a result the Group does not consolidate these associates.

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

The voting rights and loss sharing of the associate is as follows on the face of the financial statements:

	2016	2015
	%	%
Betsumor Gaming Proprietary Limited	**30**	30
Wozabets Gaming Proprietary Limited	**30**	30
Sports Tracking Proprietary Limited	**35**	35
Carrying amount of interest in associate	**R**	R
Betsumor Gaming Proprietary Limited	**36**	36
Wozabets Gaming Proprietary Limited	**120**	120
Sports Tracking Proprietary Limited	**35**	35
	191	191
Share of loss from equity accounted investees, net of tax		
Betsumor Gaming Proprietary Limited	**7 459**	76 883
Wozabets Gaming Proprietary Limited	**7 340**	40 290
Sports Tracking Proprietary Limited	**-**	-
	14 799	117 173
Net investment in associate		
Amount at the beginning of the period	**117 017**	-
Losses in associates		
Betsumor Gaming Proprietary Limited	**7 459**	76 847
Wozabets Gaming Proprietary Limited	**7 340**	40 170
	131 816	117 017
Disclosed as follows on the statement of financial position:		
Investment in associate	**35**	35
Share in liability of associate	**131 816**	117 017

Notes to the Consolidated Financial Statements

5 Loans receivable

	2016	2015
	R	R
Non-current – interest bearing		
National Horse Racing Authority	**3 744 437**	4 870 672
Sports Tracking Proprietary Limited	**1 666 101**	992 709
These loans are unsecured, bear interest at 2% below prime, with a repayment period of 5 years. Instalments are payable monthly in arrears.		
Summerhill Stud Farm	**1 012 565**	1 231 932
SV Connaway	**216 500**	-
These loans are unsecured, bear interest linked to prime and are repayable over 4 years.		
Betsumor Gaming Proprietary Limited	**236 139**	216 275
Wozabets Gaming Proprietary Limited	**93 033**	69 301
Videotrac Proprietary Limited	**-**	1 362
These loans are unsecured, bear variable interest and are repayable on liquidation of the respective companies.		
	6 968 775	7 382 251
Current – interest bearing		
Phumelela Gaming & Leisure Limited – Betting World	**2 140 090**	2 140 090
This loan is unsecured, bears interest of 5.5% and is repayable on demand.		
Shareholders in Crusade	**805 448**	2 619 987
This loan is unsecured, bears interest linked to prime and is repayable on demand.		
Current – non-interest bearing		
Horseracing S A Proprietary Limited	**855 215**	855 215
Public Display Technology Proprietary Limited	**-**	120
These loans are unsecured, bear no interest and are repayable on demand.		
	3 800 753	5 615 412

6 Intangible assets

Definite useful life assets		
Goodwill		
Balance at the beginning of the year	**3 074 327**	3 074 327
Impairment	**-**	-
	3 074 327	3 074 327
Indefinite useful life assets		
Fixed odds licences		
Balance at the beginning of the year	**28 173 075**	-
Impairment	**-**	-
Acquisition	**5 100 000**	28 173 075
	36 347 402	31 247 402

Goodwill

Goodwill arose as a result of the acquisition of agency outlets in prior years. The carrying amount of goodwill was subject to an impairment test at statement of financial position date. The underlying key assumptions of the test of impairment include, but are not limited to, cash flow forecasts. Such forecasts are performed utilising the current year growth in revenue for each of the outlets.

Indefinite useful life intangible assets

The Group has classified the above intangible assets as having indefinite useful lives and shall not be amortised.

Impairment test for intangible assets with indefinite useful lives

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

The impairment review process is as follows:

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

Assumptions applied:

Net win percentage - 14%

Inflation rate - 6%

Average growth rate - 12%

7 Inventories

	2016	2015
	R	R
Finished goods	**3 195 664**	3 210 260

8 Trade and other receivables

Trade receivables	**23 452 481**	19 459 349
Phumelela International trade debtor*	**49 807 869**	70 687 412
Less provision for impairment of receivables	**(1 364 887)**	(1 544 178)
Trade receivables – net	**71 895 463**	88 602 583
Other receivables	**848 735**	275 130
Provincial tax	**130 021**	124 622
Prepayments	**2 273 516**	1 705 305
SARS receivable	**-**	2 751 623
	75 147 735	93 459 263

Notes to the Consolidated Financial Statements

8 Trade and other receivables (continued)

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

Phumelela International receivable is due to local rights sold in the international markets. Included in the receivable are balances owed to Phumelela Gaming and Leisure Limited for transactions in the normal course of business of
R 19 826 009 (2015: R 16 285 512).

*Phumelela has a credit facility of R 30 million, which bears interest at 7% per annum.

	2016	2015
	R	R
Trade receivables can be analysed as follows:		
Neither past due nor impaired	**71 895 463**	88 602 583
Past due but not impaired	**-**	-
Past due and impaired	**1 364 887**	1 544 178
Impairment against these receivables	**(1 364 887)**	(1 544 178)
	71 895 463	88 602 583
The movement in the allowance for impairment is as follows:		
At beginning of the year	**(1 544 178)**	(498 854)
Trade receivables impaired during the year	**-**	-
Decrease/(increase) in impairment	**179 291**	(1 045 324)
At end of the year	**(1 364 887)**	(1 544 178)

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

9 Cash and cash equivalents

Current accounts	**19 479 460**	11 568 481
Fixed deposits	**7 960 894**	7 961 282
Cash on hand	**16 145 424**	6 252 952
	43 585 778	25 782 715

Guarantees

The Group has the following Guarantees in place:

In favour of	Value	Review Date
KwaZulu Natal Gaming and Betting Board	600 000	31/12/2025
Artemis Properties Proprietary Limited	110 000	31/05/2017
Pinetown Regional Water	69 285	31/12/3035
SA Retail Properties Proprietary Limited	98 504	31/07/2016
South African Breweries Limited	170 000	31/12/2025
Eskom	117 945	31/12/2025
Ethekwini Municipality	1 680 214	31/12/2025
City Treasurer	46 455	31/12/2025
Environmental Management Branch	100 000	31/12/2025
Kwazulu-Natal Provincial Admin	175 455	31/12/2025

9 Cash and cash equivalents (continued)

	Value	Review Date
Natal Bookmakers Control	60 000	31/12/2025
SA Mutual Property Investment	30 000	31/12/2025
Vividend Income Fund Limited	57 000	31/10/2016
Synergy Income Fund	75 164	31/07/2018
Accelerate Property Fund Limited	39 543	30/06/2018
Old Mutual Life Assurance	84 600	31/03/2019
Umlazi Mega City	212 171	28/02/2022
Wesbank	2 381 400	31/07/2021

Facilities

The Group has overdraft facilities of R18 000 000 and contingent facilities of R2 600 000 with First National Bank, due for review on 31 August 2016. In addition, The Group has an asset financing facility of R17 600 000 with Wesbank.

Collateral

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

	2016 R	2015 R
Mion Holdings Proprietary Limited	**2 000 000**	2 000 000
Gold Circle Proprietary Limited	**5 000 000**	5 000 000

10 Financial assets

	2016	2015
FNB Preference shares– held to maturity	**80 000 000**	120 000 000
Momentum BNP Investment	**40 638 833**	-
Sanlam Private Portfolio – money market	**180 892**	150 779
RMB Protected flexible	**52 375 761**	53 085 501
Sanlam Private Portfolio: listed shares	**36 904 180**	36 453 193
Sanlam Private Portfolio: asset swap	**13 771 540**	11 486 374
RMB Private Bank Trust Account	**893 265**	845 999
Investec Asset Management Account	**74 087**	123 003
Sanlam Private Portfolio: listed shares	**4 209 339**	3 877 637
Alpha Wealth Investments	**2 311 646**	2 162 987
Investment in ASL Limited	**9 555 881**	4 181 422
ABSA Eurogroup Basket	**1 825 707**	1 938 343
	242 741 131	234 305 238

10.1 Percentage return

	2016	2015
Pre – tax return	**6.3%**	2.1%
Post – tax return	**4.9%**	1.6%

This return includes all financial income earned on financial assets above and cash and cash equivalents as per note 9.

11 Ring fenced funds

The assets are at fair value as determined by an active market. The Group's exposure to credit, currency and interest rate risks related to financial assets and the exposure to currency, interest rate and liquidity risk related to financial liabilities is disclosed in note 27.

In terms of a special resolution of shareholder's dated 23 April 2012, an amount of R200 000 000 was ring fenced in Natal Racing Properties Proprietary Limited for the future benefit of the thoroughbred racing industry in KwaZulu-Natal. A minimum of 35% of the returns earned on the ring fenced investment is required to be retained. The ring fenced funds are as follows:

	2016 R	2015 R
Ring fenced funds	**217 103 406**	213 851 194

As at 31 July 2016, the financial assets held in Natal Racing Properties Proprietary Limited is R 223 871 206 (2015 : R 221 175 847).

Notes to the Consolidated Financial Statements

11.1 Returns included as follows in the consolidated statement of comprehensive income	2016	2015
	R	R
As part of finance income and other associated income	**6 596 677**	7 361 464
Net change in fair value of available for sale financial assets	**(865 263)**	(1 946 382)
Investment Income	**3 560 622**	3 238 737
	9 292 036	8 653 819

12 Share capital

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

No dividends were declared or paid during the year (2015: R nil).

13 Available for sale reserve

Opening balance	**6 027 419**	15 578 913
Fair value movement on available for sale financial assets	**2 610 467**	(11 717 026)
Deferred taxation on fair value movement on available for sale financial assets	**(584 744)**	2 165 532
	8 053 142	6 027 419

In 2015, the share price in Automatic Systems Limited had significantly decreased, this resulted in fair value losses being recognised in the available for sale reserve. The decrease in the price was primarily due to proposed regulatory restrictions in the Mauritian totalisator industry. In 2016 these have been alleviated and thus, Automatic Systems Limited has returned to favourable trading conditions. Management believes that the fair value losses are of a temporary nature as forecasted by gains to be recognised subsequent to the current financial year.

14 Borrowings

Non-current - Other		
Finance lease liabilities – long term portion	**7 883 101**	5 117 503
Current – Other		
Finance lease liability – short term	**3 587 091**	2 470 042
Mion Holdings Proprietary Limited (Track and Ball Proprietary Limited fixed odds licence)	**8 544 197**	8 733 276
P Maujean (Track and Ball Proprietary Limited fixed odds licence)	**3 759 643**	-
	15 890 931	11 203 318
Current – Shareholders Loan		
Gold Circle Racing Club	**39 457 881**	39 457 881

Shareholder's loans

Loans are unsecured, interest free and are repayable on demand.

Finance lease liabilities

Finance lease obligations secured by lease agreements over property, plant and equipment with a carrying value of R11 539 612 (2015: R5 744 429). Finance lease obligations over motor vehicles bear interest at rates between prime and prime less 1.5%. Refer to note 3.

14 Borrowings (continued)

	2016	2015
	R	R
Finance lease liability	**11 470 192**	7 587 545
Less: Payable within one year	**(3 587 091)**	(2 470 042)
	7 883 101	5 117 503
Minimum lease payments are due as follows:		
Due within one year	**3 587 091**	2 470 042
Due within two and five years	**7 883 101**	5 117 503
	11 470 192	7 587 545

15 Deferred tax liability

	2016	2015
Opening balance	**46 935 954**	40 445 359
Prior period over provision	**(360 318)**	(269 469)
Deferred tax – temporary differences at normal rate	**(2 280 667)**	1 539 471
Deferred tax – temporary differences at CGT rate	**701 064**	469 923
Utilisation of assessed loss	**(353 128)**	(1 706 190)
Temporary difference through OCI (assets)	**-**	8 738 591
Deferred tax CGT on disposal of assets	**-**	16 239
Deferred tax - through other comprehensive income (Available for sale financial assets)	**584 743**	(2 165 530)
Deferred tax – through other comprehensive income (Post-retirement medical aid reserve)	**227 360**	(132 440)
Deferred tax – CGT rate change	**1 895 628**	-
	47 350 636	46 935 954
Comprises:		
Accruals	**7 733 784**	(8 236 624)
Capital allowances and finance leases	**40 320 735**	56 105 776
Assessed loss	**(3 283 697)**	(2 742 466)
Investments in financial assets	**2 479 251**	2 069 818
Deferred income	**-**	(403 398)
Prepayments	**100 563**	142 848
	47 350 636	46 935 954

16 Medical aid benefits

Post-retirement Medical Aid Benefits is a post-employment healthcare benefit which includes contribution 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 2016 by Alexander Forbes Health Proprietary Limited and is disclosed in accordance with International Accounting Standard 19: Employee Benefits, as follows:

Notes to the Consolidated Financial Statements

16 Medical aid benefits (continued)	2016	2015
	R	R
Non- current portion	**13 164 000**	14 004 000
Current portion	**1 218 000**	1 266 000
Present value of funded obligations	**14 382 000**	15 270 000
Service cost	**1 239 000**	1 206 000
Interest cost	**(1 315 000)**	(1 261 000)
Total amount recognised in the net profit	**(76 000)**	(55 000)
Actuarial (gain)/loss	**(812 000)**	473 000
Amount recognised in other comprehensive income	**(812 000)**	473 000
Total amount recognised in the consolidated statement of comprehensive income	**(888 000)**	418 000
Movement in the net liability recognised in the consolidated statement of financial position		
Opening value	**15 270 000**	14 852 000
Net expense recognised in statement of comprehensive income	**1 239 000**	1 206 000
Employer contributions	**(1 315 000)**	(1 261 000)
Actuarial (gain)/loss	**(812 000)**	473 000
Closing value	**14 382 000**	15 270 000
Key valuation assumptions		
Discount Rate	**8.8%**	8.5%
Health care cost inflation	**8.6%**	8.4%
General inflation rate	**6.6%**	6.0%
Nominal inflation gap	**0.2%**	0.1%
Expected retirement age	**65 years**	65 years

Health care cost inflation

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

	1% increase	Valuation basis	1% decrease
Employer's accrued liability	**15 638 000**	**14 382 000**	**13 274 000**
Employer's service and interest cost	**1 317 000**	**1 207 000**	**1 109 000**

Sensitivity results from previous valuation

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

17 Tellytrack funding

In 2016, the Tellytrack Partnership continued to perform poorly due to the ongoing dispute with bookmakers over the cost of subscriptions. The losses incurred over the past 2 years have resulted in the Group owing the partnership for its portion of the funding required to operate the business.

	2016	2015
	R	R
Partnership profit	**(3 845 657)**	(4 142 212)
Partnership funding	**7 375 732**	20 172 709
	3 530 075	16 030 497
Financial information of Tellytrack		
Assets	**32 797 755**	27 610 722
Liabilities	**21 520 808**	12 371 068
Revenue	**144 559 159**	132 038 874
(Loss)/profit	**(1 731 556)**	4 249 679
	%	%
Interest held	**24.96**	24.96
Profit share	**24.96**	24.96

Gold Circle Proprietary Limited has a 24.96% (2015: 24.96%) interest in Tellytrack which is a joint venture between Gold Circle Proprietary Limited, Kenilworth Racing Proprietary Limited and Phumelela Gaming and Leisure Limited. Profits/losses are shared in accordance with the Tellytrack partnership agreement.

18 Trade and other payables

	2016	2015
Amount due to customers	**8 917 026**	6 504 781
Provision for breeders and owners premiums	**7 531 611**	6 705 929
Provision for leave pay	**5 303 809**	5 367 028
Trade creditors and accruals	**55 625 953**	50 543 901
Telephone Betting	**3 801 824**	5 175 820
Value Added Tax	**6 582 778**	7 843 032
South African Revenue Services payable	**1 791 252**	-
Other	**424 196**	31 168
Deferred income	**-**	1 310 500
	89 978 449	83 482 159

19 Tax received

	2016	2015
Receivable at the beginning of the year	**2 751 623**	4 753 206
Tax for the year recognised in the statement of comprehensive income	**(4 171 258)**	4 487 618
Less: payable/(receivable) at year end	**1 791 252**	(2 751 623)
Tax received	**371 617**	6 489 201

20 Revenue

	2016	2015
Totalisator revenue	**346 555 539**	339 616 616
Net gaming revenue from fixed odds betting	**29 955 168**	14 821 837
Net Wagering Revenue	**376 510 707**	354 438 453
Contribution to racing from third party bookmaking activities	**41 952 185**	43 438 428
Share of income from Tellytrack	**3 845 657**	4 142 212
Share of international licence fee	**67 136 916**	43 768 168
Direct racing revenues	**80 153 691**	67 193 438
	569 599 156	512 980 699

Notes to the Consolidated Financial Statements

21 Expenses by nature

The following items have been included in arriving at operating profit:	**2016** **R**	2015 R
Advertising, events and promotions	**17 056 677**	20 691 373
Audit fee	**930 501**	984 540
Cash collection costs	**1 868 049**	1 819 416
Catering costs	**14 178 929**	10 884 020
Contribution to jockey's remuneration	**10 639 816**	10 070 303
Depreciation (including impairment)	**33 257 248**	24 743 888
Directors emoluments	**6 666 800**	6 534 688
Employee benefits	**122 329 330**	118 145 552
Insurance costs	**1 316 176**	1 598 859
Licence fees	**21 050 731**	19 524 945
Operating lease rentals – Property	**15 088 835**	12 964 636
Operating lease rentals - Equipment and vehicles	**5 181**	57 417
Printing costs	**7 432 128**	6 806 823
Race meeting expenses	**9 651 528**	6 716 090
Regulatory costs (National Horseracing Authority)	**14 227 998**	14 989 260
Repairs and maintenance	**21 757 349**	21 610 969
Security expenses	**9 436 000**	7 978 403
Service fee (Saftote)	**7 591 553**	7 495 314
Stakes – owners	**109 396 000**	93 489 950
Stakes - breeders	**10 580 210**	9 760 851
Tellytrack subscriptions	**20 403 631**	16 266 427
Tote agents commission paid	**31 491 928**	31 030 184
Transformation fund	**2 205 654**	1 326 007
Utility costs	**20 913 715**	19 122 753
Other operating expenses	**66 860 261**	62 675 344
	576 336 228	527 288 012
Reconciled to expense by function		
Agents commission & other direct costs	**31 491 928**	31 030 184
Wagering expenditure	**212 686 378**	193 642 865
- Totalisator	**186 228 180**	171 737 096
- Fixed odds licences	**26 458 198**	21 905 769
Racing expenditure	**332 157 922**	302 614 963
	576 336 228	527 288 012

22 Income taxation

Current taxation	**3 747 194**	-
Current taxation – prior year under provision	**424 064**	-
Current tax- withholding tax deducted at source	**-**	(4 318 446)
Deferred tax- temporary differences	**(1 579 640)**	2 009 393
Deferred tax – over provision	**(360 318)**	(488 614)
Deferred tax – CGT rate change	**1 895 628**	-
Deferred tax utilisation of capital loss	**-**	16 239
Deferred tax – utilisation of assessed loss	**(353 128)**	(1 706 190)
	3 773 800	(4 487 618)

22 Income taxation (continued)

	2016	2015
	R	R
22.1 Reconciliation of tax charged		
Profit before taxation	**7 497 310**	982 713

	%	R	%	R
Income tax at 28%	**28**	**2 099 247**	28	275 160
Current tax – withholding tax deducted at source	**-**	**-**	(439)	(4 318 446)
Current tax – prior period under provision	**6**	**424 064**	-	-
Permanent differences	**(4)**	**(267 842)**	(13)	(130 690)
Deferred tax utilisation of capital loss	**-**	**-**	2	16 239
Deferred tax – CGT rate change	**25**	**1 895 592**	-	-
Deferred tax – prior year under provision	**(5)**	**(360 318)**	-	-
Capital gains tax	**2**	**158 323**	26	256 785
Capital gains – rate change	**(2)**	**(175 266)**	-	-
Deferred tax – temporary differences	**-**	**-**	(24)	(235 667)
Deferred tax – under provision	**-**	**-**	(36)	(350 999)
	50	**3 773 800**	(456)	(4 487 618)

No current taxation was provided as the Group had an assessed loss of R 10 466 324 (2015: R10 286 018).

23 Operating lease commitments

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

	2016	2015
	R	R
Due within one year	**1 459 698**	1 190 945
Due within two and five years	**5 838 793**	4 763 780
Due after five years	**72 984 912**	59 547 250

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

	2016	2015
	R	R
Due within one year	**272 983**	272 979
Due within two and five years	**1 091 931**	1 091 916
Due after five years	**4 367 725**	4 367 664

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

Due within one year	**7 666 817**	4 348 148
Due within two and five years	**14 593 020**	8 864 316

Notes to the Consolidated Financial Statements

24 Cash generated from/(utilised in) operations

	2016 R	2015 R
Profit from continuing operations before tax	**7 497 310**	982 713
Adjustments for:		
Depreciation	**33 257 248**	24 743 888
Share of profit of equity-accounted investees, net of tax	**14 799**	117 173
Straight lining provision	**-**	692 879
Interest received	**(13 119 743)**	(16 643 209)
Dividends received	**(2 234 956)**	(436 863)
Interest paid	**1 105 518**	1 672 873
	26 520 176	11 129 454
Changes in working capital	**7 779 273**	(16 664 917)
Decrease/(increase) in inventories	**14 596**	(199 611)
Decrease/(increase) in trade and other receivables	**15 559 905**	(3 707 627)
(Decrease)/increase of Tellytrack funding	**(12 500 422)**	5 471 138
Increase/(decrease) in trade and other payables and provisions	**4 705 194**	(18 228 817)
Cash generated from/(utilised in) operations	**34 299 449**	(5 535 463)

25 Capital Commitments

Authorised and contracted for	**2 553 638**	6 412 838
Authorised and not contracted for	**32 279 431**	25 217 123
	34 833 069	31 629 961

26 Financial Instruments

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

Categories of financial instruments		
Financial Assets		
Accounts receivable	**75 147 735**	93 459 263
Available for sale	**162 741 131**	114 305 238
Held to maturity	**80 000 000**	120 000 000
Loans receivable	**10 769 528**	12 997 663
Cash and cash equivalents	**43 585 778**	43 585 778
	372 244 172	384 347 942
Financial liabilities		
Loan from related party	**39 457 881**	39 457 881

27 Financial risk management

27.1 Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

27.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

27.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk through the following instruments:

- Derivative financial assets
- Amounts owing by the holding company
- Trade and other receivables
- Cash and cash equivalents

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount 2016 R	Carrying amount 2015 R
Held to maturity	**80 000 000**	120 000 000
Available-for-sale financial assets and fair value through profit and loss	**162 741 131**	114 305 238
Cash and cash equivalents	**43 585 778**	25 782 715
	286 326 909	260 087 953

27.4 Liquidity risk

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

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

	Less than 1 year	**Between 2 & 5 years**	**Over 5 years**
As at 31 July 2016			
Trade and other payables and provisions	**89 978 449**	**-**	**-**
Borrowings	**51 752 720**	**-**	**-**
Tellytrack funding	**3 530 075**	**-**	**-**
Finance lease liability*	**3 587 091**	**7 883 101**	**-**
As at 31 July 2015			
Trade and other payables and provisions	83 482 003	-	-
Borrowings	48 191 157	-	-
Tellytrack funding	16 030 497	-	-
Finance lease liability*	2 470 042	5 117 503	-

*Current portion of finance lease liability is included in borrowings.

Notes to the Consolidated Financial Statements

27 Financial risk management (continued)

27.4 Liquidity risk (continued)

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

	2016	2015
	R	R
Cash resources	**43 585 778**	25 782 715
Undrawn borrowing facilities	**18 000 000**	10 000 000
Trade and other receivables	**75 147 735**	93 459 263
Available for sale financial assets	**242 741 131**	234 305 238
Total available resources	**379 474 644**	363 547 216

Capital risk management

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

27.5 Market risk

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

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

The Group has exposure to currency and interest rate risk.

(i) Currency risk

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

Exposure to currency risk

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

	2016	2015
	R	R
Amounts shown in foreign currency units		
Asset Swap	**13 771 540**	11 486 374

The following significant exchange rates applied during the period:

	31 July 2016		31 July 2015	
	Reporting date spot rate	**Average for the period**	Reporting date spot rate	Average for the period
US Dollar	**13.85**	**14.78**	12.64	12.44
Mauritian Rupee	**0.38**	**0.38**	0.34	0.34

Sensitivity analysis

A 10 percent weakening of the rand against the following currencies at the reporting date applied against the net foreign currency exposure would have increased/(decreased) equity and profit or loss 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 2015.

27 Financial risk management (continued)

27.5 Market risk (continued)

Group	Profit/(loss) 2016	2015
US Dollar	**90 394**	82 612
Mauritian Rupee	**-**	-

A 10 percent strengthening of the rand against the above currencies at the reporting date would have had the equal opposite effect to the amounts shown above.

(ii) Interest rate risk

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

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount 2016 R	Carrying amount 2015 R
Variable rate instruments		
Financial assets		
Financial Assets at amortised cost – FNB Preference Shares	**80 000 000**	120 000 000
Loans Receivable – Non Current	**6 968 775**	7 382 251
Loans Receivable –Current	**2 945 538**	4 760 077

Sensitivity Analysis

Cash flow sensitivity analysis for variable instruments

A decrease of 100 basis points in interest rates at the reporting date calculated on the closing balances, would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Loss 2016 R	Loss 2015 R
Variable rate instruments		
Financial assets		
Financial Assets are amortised cost - FNB Preference Shares	**(711 160)**	(200 040)
Loans Receivable – Non Current	**(69 688)**	(73 824)
Loans Receivable –Current	**(29 455)**	(47 600)
Net cash flow sensitivity	**(810 303)**	(321 464)

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.

27.6 Financial instrument categories and fair values

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

	2016		2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Group	**R**	**R**	R	R
Available-for-sale financial assets				
Equity investments	**162 741 131**	**162 741 131**	114 305 238	114 305 238
Financial assets carried at amortised cost	**123 585 778**	**123 585 778**	145 782 715	145 782 715
Preference Shares	**80 000 000**	**80 000 000**	120 000 000	120 000 000
Cash and cash equivalents	**43 585 778**	**43 585 778**	25 782 715	25 782 715

Notes to the Consolidated Financial Statements

27 Financial risk management (continued)

27.7 Fair value hierarchy

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

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

27.7 Fair value hierarchy (continued)

	Level 1	Level 2	Level 3
Group	**R**	**R**	**R**
2016			
Financial assets			
Available-for-sale financial assets	**148 969 591**	**-**	**-**
Derivative financial assets	**-**	**11 486 374**	**-**
	148 969 591	**11 486 374**	**-**
Group			
2015			
Financial assets			
Available-for-sale financial assets	102 818 864	-	-
Derivative financial assets	-	11 486 374	-
	102 818 864	11 486 374	-

Investments and Securities

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

28 Subsidiaries of Gold Circle Proprietary Limited

	Issues Share capital	% holding	Issued share capital	% holding
	2016	**2016**	2015	2015
	R		R	
Directly held				
Gold Circle Gaming Investments Proprietary Limited	**100**	**100**	100	100
Natal Racing Properties Proprietary Limited	**150 000**	**100**	150 000	100
Track and Ball Gaming Proprietary Limited	**140**	**70**	140	70
Betting Information Technology Proprietary Limited	**120**	**50**	120	50
Videotrac Propriety limited	**100**	**100**	-	-

29 Related parties

29.1 Identity of related parties

The holding entity of Gold Circle Proprietary Limited is Gold Circle Racing Club.

Subsidiaries are as follows

Natal Racing Properties Proprietary Limited

Gold Circle Gaming Investments Proprietary Limited

Videotrac Proprietary Limited

Track and Ball Gaming Proprietary Limited

Betting Information Technology Proprietary Limited

Associated companies are as follows:

Sports Tracking Proprietary Limited

Betsumor Gaming Proprietary Limited

Wozabets Gaming Proprietary Limited

Associated clubs are as follows:

Clairwood Turf Club

Durban Turf Club

Holding entities

Gold Circle Racing Club

Group Directors

N P Butcher (Appointed 06/12/2012)

J H S de Klerk (Appointed 06/12/2012)

G Petzer (Appointed 14/11/2011)

M J R Mauvis (Chairman) (Resigned 08/12/2015)

L E Rakharebe (Resigned 17/08/2016)

M Tembe (Appointed 14/11/2011)

M Nhlanhla (Appointed 10/12/2015)

S Mthethwa (Appointed 07/10/2013)

M J L Nairac (Appointment 11/12/2012)

L Nunan (Appointed 14/11/2011)

P V Lafferty (Appointed 14/11/2011)

P Mnganga (Chairman)(Appointed 01/02/2011)

S Naidoo (Appointed 04/06/2014)

D R Moses (Resigned 01/04/2016)

P Loker (Appointed 07/10/2013)

P Maujean (Appointed 15/04/2015)

Other related parties

Tellytrack

Phumelela Gaming and Leisure Limited

29.2 Related parties transactions

The following related party transactions have occurred between Phumelela Gaming and Leisure Limited, Tellytrack and Gold Circle Proprietary Limited as well as balances payable and receivable at 31 July 2016.

	2016	2015
	R	R
Income/(expenses)		
Tellytrack subscriptions	**(20 403 631)**	(16 266 427)
Finance income	**2 089 380**	472 110
Transactions and balances at year end		
Funding in Tellytrack partnership	**(3 530 075)**	(16 030 497)
Amount due by Phumelela	**49 807 869**	70 687 412
Phumelela International trade debtor	**69 633 878**	86 972 924
Phumelela current account	**(19 826 009)**	(16 285 512)

Notes to the Consolidated Financial Statements

29 Related parties (continued)

29.3 Directors' remuneration

N P Butcher	**112 500**	92 000
J H S de Klerk	**109 000**	81 500
P V Lafferty	**80 500**	67 500
P Loker	**1 402 800**	1 260 688
P Maujean	**1 200 000**	1 100 000
M J R Mauvis	**40 000**	100 000
P Mnganga	**104 000**	68 000
D R Moses	**800 000**	1 080 000
S Naidoo	**50 000**	30 000
M J L Nairac	**2 400 000**	2 400 000
L Nunan	**97 000**	81 500
G Petzer	**77 000**	64 000
L E Rakharebe	**90 500**	57 500
M Tembe	**73 500**	52 000
M Nhlanhla	**30 000**	-
	6 666 800	6 534 688

30 Subsequent events

During September 2016 an agreement between Elan Lifestyle and Communications Proprietary Limited and Gold Circle Proprietary Limited was concluded. This was in respect of the transfer of control of the eventing operations managed by Elan Lifestyle and Communications Proprietary Limited to Gold Circle Proprietary Limited. The operations included employees, clients, assets and inventory. This would result in a business combination in the subsequent financial period.

31 Going concern

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

32 Contingent liabilities

32.1 Bookmakers Odds (BODDS)

The South African Bookmakers Association instituted action against Phumelela Gaming and Leisure Limited and Gold Circle Proprietary Limited. It has been claimed that the Tellytrack partnership has contravened the Bookmakers copyright in Bookmakers' odds. The estimated exposure for legal fees is between R 200 000 to R 500 000, regardless of the result.

32.2 Sports pools

The South African Bookmakers Association instituted action against the National Totalisators for unlawfully operating sports pools in contravention of their totalisator licences. The estimated exposure for legal fees is between R 200 000 to R 500 000, regardless of the result.

GOLD CIRCLE
RACING AND GAMING GROUP