RACING ASSOCIATION

31 JULY 2020

ANNUAL REPORT

CONTENTS

MISSION STATEMENT

To protect and advance the interests of all owners, while ensuring an excellent race horse ownership experience and playing a leading role in the inevitable restructure, transformation and re-capitalization of the horseracing industry.

Photographs supplied by JC Photographics, Pauline Herman and Wayne Marks

Notice of Annual General Meeting

THE RACING ASSOCIATION NPC (Registration Number 1997/19092/08) ("The Association")
NOTICE OF THE TWENTY SECOND ANNUAL GENERAL MEETING OF MEMBERS OF THE RACING ASSOCIATION NPC TO BE HELD ON MONDAY 14 DECEMBER 2020 AT 18H00 IN THE CENTENARY ROOM, TURFFONTEIN RACECOURSE, JOHANNESBURG, THE RA ROOM, FAIRVIEW RACECOURSE, PORT ELIZABETH AND THE PADDOCK ROOM, KENILWORTH RACECOURSE, CAPE TOWN.

AGENDA

Notice is hereby given to the Members of The Racing Association NPC that the twenty second Annual General Meeting of the Association will be held in the three venues as listed above (via video conference) on Monday 14 December 2020 at 18h00.

The annual general meeting takes place for the following purpose:

1. To confirm the Minutes of the twenty first Annual General Meeting held on Monday 10 February 2020, copies of which accompany the Notice of Annual General Meeting.

   Note: Subsequent to the Minutes of the Meeting being posted on the Racing Association website, Mrs S Rowett raised a dispute and requested an amendment which more accurately records the point that she had raised under Point 6. Mr Brian Riley, who had been present at the meeting, agreed that the Minutes should be amended accordingly.

2. To receive the Chairman's Report for the year under review.

3. To consider the audited annual financial statements for the financial year ended 31 July 2020, including the Directors' report and the report of the Auditors. Copies of the audited annual financial statements accompany the Notice of Annual General Meeting.

4. To authorize the directors to determine the auditors' remuneration for the past year and to appoint auditors for the coming year.

5. To announce the names of the directors who have been elected, as provided for in terms of Clause 21 of the Memorandum of Incorporation, and who will assume office at the close of the Annual General meeting.

6. SPECIAL BUSINESS

Adoption of New Memorandum of Incorporation

Special Resolution

"THAT the members of the Company hereby adopt the Memorandum of Incorporation annexed hereto as "A" in terms of section 16(1)(c) of the Companies Act, 71 of 2008, the provisions of which will substitute the Company's existing Memorandum of Incorporation in its entirety."

Explanatory note:

Following the recent developments in the horseracing industry, the board of directors of the Company has been concerned with amending the Company's Memorandum of Incorporation.

As a part of this project, the Company embarked on a comprehensive review of the Memorandum of Incorporation with a view to:

- simplifying the document by making it easier to understand;
- expanding the objects of the Company to ensure that the Company is able to adequately support and advance the interests of members;
- simplifying the Company's governance structures; and
- aligning the document with the Companies Act, 71 of 2008, and the Income Tax Act.

A summary of the material changes to the MOI is annexed hereto as "B".

The effect of this resolution, if adopted, will be to substitute the Association's existing Memorandum of Incorporation with the new Memorandum of Incorporation in its entirety.

7. To transact such business as may be transacted at an Annual General Meeting. Members are invited to submit items for discussion and inclusion on the Agenda by no later than Monday 30 November 2020.

8. VOTING AND PROXIES
   On a show of hands, every member present in person or by proxy shall have one vote, and on a poll, every member present in person or by proxy shall have one vote. A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend, speak and vote on behalf of such member.
   The proxy so appointed must be a member of the Association in good standing. Proxy forms, for use by members are attached to this notice. Duly completed and executed proxy forms must be lodged at the registered office of the Company, by no later than the commencement of Annual General Meeting. No proxy form(s) will be considered once the Annual General Meeting has commenced.

CHAIRMAN

Administration

Directors

Mr B Riley	Chairman
Mr M F de Kock	
Mr G Paddock	Eastern Cape Region
Mr C Savage	
Mrs M Sambo	
Mr W Smith	Western Cape Region
Mr G Towell	

Chief Executive Officer

Natalie Turner

Administration Office

14 Turf Club Street, Turffontein, Johannesburg

P O Box 74054, Turffontein, 2140

Telephone: (011) 683-3220

Website: www.racingassociation.co.za

Auditors

PKF Octagon

Bankers

Standard Bank of South Africa Limited

Minutes of the AGM

MINUTES OF THE TWENTY FIRST ANNUAL GENERAL MEETING OF MEMBERS OF THE RACING ASSOCIATION HELD AT 18H00 ON MONDAY 10 FEBRUARY 2020 IN THE PADDOCK ROOM, KENILWORTH RACECOURSE AND CENTENARY ROOM, TURFFONTEIN RACECOURSE

PRESENT:

Directors: Messrs	M E Leaf	(Chairman)
	M F de Kock	
	G Paddock	
	C Savage	
	L Wainstein	
	W Smith	
	B Riley	

33 Members in Western Cape (As per the register)
12 Members in Gauteng (As per the register)

APOLOGIES: 1 Apology in Western Cape (As per the register)
9 Apologies in Gauteng (As per the register)

1. WELCOME

The Chairman welcomed Members and guests to the twenty first annual general meeting of Members of the Racing Association. He said that this meeting would include Members from the Western Cape RA chapter and Gauteng Members who were in attendance by video link.

2. INTRODUCTION

The Chairman stated that the meeting would be conducted in two parts, one formal to deal with the business of the AGM and the other informal to deal with general business which would incorporate the stakes presentation and a special presentation by the Board on the future of the RA. Moving to the formal part of the meeting, the Chairman informed the meeting that the proceedings at the annual general meeting are prescribed in the Racing Association Memorandum of Incorporation.
He welcomed Brian Friedman who was in attendance representing the company's audit firm, BRF and Co and Joshna Budhia representing Levitt Kirson, the company's secretarial firm to the RA. He also welcomed the CEO of Phumelela Gaming and Leisure Limited, John Stuart. Messrs Friedman, Budhia and Stuart were in attendance in Gauteng.

3. QUORUM FOR AN ANNUAL GENERAL MEETING

The Chairman informed the meeting that 7 Proxy forms had been received from members who wished to be represented by proxy at this meeting. The directors accepted 7 proxy forms. Apologies from 10 members had been recorded.
He said that the number of members in good standing on the register is 1178. He further advised that 52 members were present at this meeting in person or by proxy. This represented 4,4% of members entitled to be present and vote at this meeting. In terms of 15.3 of the Memorandum of Incorporation, 20 members present in person or by proxy constitutes a quorum. The Chairman accordingly declared the meeting duly constituted.

Before proceeding with the business of the meeting, Ms Rowett enquired whether it would not be appropriate to deal upfront with the special resolution, namely, to condone the late calling and holding of the AGM as required by Clause 13.3 of the MOI. The Chairman said while he agreed in principle, he had sought advice regarding this matter and the opinion was that he should proceed with the points of business as set out on the agenda as the matter would be addressed later in the agenda.

4. BEREAVEMENTS

Before proceeding with the agenda, the Chairman asked members to be upstanding and observe a few moments silence as a mark of respect for the following members who had passed away during the year under review

B M Aaron	DS Alexander
EG Anderson	FC Blomkamp
SFG Habib	Dr R Maponya
BO Wiid	IAE Jayes
GT Peter	

Messrs A Little, (Phumelela) and trainers J van Eck and S Ferreira had also passed away during the year.

5. ORDINARY RESOLUTION 1 PROPOSES CONFIRMING THE MINUTES OF THE TWENTIETH ANNUAL GENERAL MEETING HELD ON TUESDAY 11 DECEMBER 2018 AS A TRUE RECORD OF THE MEETING

The Chairman invited members to make themselves heard on the proposal to pass Ordinary Resolution 1.
There were no questions from Members. The Chairman called for a proposer and a seconder.

Proposer: C Savage
Seconder: W Smith

IT WAS RESOLVED that Ordinary Resolution 1 be adopted.

Minutes of the AGM (Cont.)

6. THE REPORT OF THE CHAIRMAN FOR THE YEAR UNDER REVIEW

The Chairman said that the report of the Chairman had been available for some time. He invited members to raise questions.

Ms S Rowett enquired about the number of Trustees that should be sitting on the Thoroughbred Horseracing Trust. She said in her recollection, the number of Trustees should be 7. The response was that there had been an amendment to the Trust Deed that stated that there could not be less than 5 Trustees which is the case at present. 2 Trustees had been selected and their credentials had been submitted to the Master. A response was imminent.

Note: Subsequent to the Minutes of the Meeting being posted on the Racing Association website, Mrs S Rowett raised a dispute and requested an amendment which more accurately recorded the point that she had raised under Point 6.

"Mrs Rowett suggested that the Report of the Chairman should have reflected detail on a loss as substantial as R35 million. The Chairman replied that the loss was due to the fall in value of Phumelela shares. She then queried the wisdom of acquiring the Phumelela shares. In the past the Board of the RA had adopted a very conservative investment strategy. The funds had been held 100% in cash, and then in later years moved to 100% in Unit Trusts. Then the Board had gone very aggressive and made a 100% investment in a single stock which was a very risky strategy. The Chairman (Mr Leaf) said it was in fact 50% and was corrected by Mr Savage who stated that it was 100% originally with half the Phumelela shares sold to members. Mr Savage commented that what is done is done and we must look forward. Mrs Rowett said regardless of the merits of that decision to buy shares and offer them to members, she questioned the Board's action in the year under review, which started with 45% of assets in a single stock, Phumelela, and the board made no trades in order to move to a more conservative diversified strategy despite public knowledge of trade difficulties at Phumelela with redundancies etc. The result was that in the year under review, that investment lost R35,4 million and at the end of the year, was worth just 14,3% of what it was at the start. Mrs Rowett asked why the Board had not acted."

7. ORDINARY RESOLUTION 2 – TO CONSIDER THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2019 INCLUDING THE REPORT OF THE DIRECTORS' AND THE REPORT OF THE AUDITORS' THEREON. THE AUDITED ANNUAL FINANCIAL STATEMENTS HAD BEEN INCLUDED IN THE ANNUAL REPORT

The Chairman invited members to make themselves heard on the proposal to pass Ordinary Resolution 2.

7.1 Servitude at Randjesfontein

Ms Rowett enquired about the sale of the servitude at Randjesfontein. Mr Wainstein explained that a developer was proceeding with the building of units adjacent to the training centre and had approached Randjesfontein to acquire a small portion of the land. The offer had been presented to the Board and after due consideration this was agreed to.

7.2 Revenue and trade receivables

The increase reflected in the audited financials relating to the increase in trade receivables in respect of Kenilworth Racing was raised by Mrs Rowett. Mr Savage confirmed that the information was in fact accurate as Kenilworth Racing owed R9,3 million to the Racing Association. Mr Wainstein said that two payments had been made and thereafter the RA had approached Kenilworth Racing seeking a payment plan. He said the Board had been kept informed of this matter including the fact that Kenilworth Racing may not have the funds available to pay. He said that this is a problem which had been raised by the auditors relative to impairment. The matter will be left in abeyance for the time being. Mr Wainstein said that Kenilworth Racing had acknowledged the debt and promised to pay when the funds became available. They had paid R1million after The Queens Plate but no further payments had been made. Ms Rowett concurred that this had contributed to the cash negative situation for the year. Mr Savage said hopefully the Board can provide suitable responses during the presentation later.

There being no further questions, the Chairman called for a proposer and a seconder.

Proposer: W Smith
Seconder: C Savage

IT WAS RESOLVED THAT Ordinary Resolution 2 be adopted.

8. ORDINARY RESOLUTION 3 – PROPOSES AUTHORISING THE DIRECTORS TO FIX THE AUDITORS REMUNERATION FOR THE PAST YEAR AND TO APPOINT THE AUDITORS FOR THE COMING YEAR

The Chairman invited members to make themselves heard on the proposal to pass Ordinary Resolution 3.

There were no matters arising regarding the Authorising of Directors to fix the Auditors' remuneration for the past year and the appointment of Auditors for the coming year.
In response to a query whether the RA rotate the auditors, Ms Turner said this will take place in 2023. The Chairman called for a proposer and a seconder.

Minutes of the AGM (Cont.)

Proposer: G Knowles
Seconder: W Smith

IT WAS RESOLVED THAT Ordinary Resolution 3 be adopted.

9. SPECIAL RESOLUTION 1 – Members were requested to condone the late calling and holding of the AGM as required by Clause 13.3 of the MOI.

Mr Wainstein explained that a date had been set for the RA's annual general meeting in December 2019. Unfortunately, Phumelela had delayed the announcement of their results and the RA need to hold their annual general meeting after the PGL meeting in order that the RA would be in a position to announce the stakes. The Chairman called for a proposer and a seconder.

Proposer: C Savage
Seconder: G Knowles

The Chairman called for the persons present to vote by a show of hands to pass special resolution 1.
Members voted as follows:
All those in favour: 40
All those against: 1

IT WAS RESOLVED THAT Special Resolution 1 be adopted by a 76,9% majority

10. STAKES PRESENTATION

The Chairman stated that the stakes for the forthcoming season would form part of the presentation after the conclusion of the formal agenda.

11. DIRECTORS

The Chairman reported that nominations were held for national board and regional chapters.

11.1 National
In terms of Clause 21.2 of the Memorandum of Incorporation of the Racing Association, Laurence Wernars and Michael Leaf resigned as national directors. In terms of the Memorandum of Incorporation, both Mr Leaf and Mr Wernars were eligible and agreed to stand for re-election. A further nomination was received on behalf of Mr Brian Riley. In terms of Clause 21.1, the Directors, in their discretion, took a decision not to proceed with a voting procedure but to accept all three nominees onto the RA Board. No additional nominations were forthcoming. Laurence Wernars had since resigned from the Board of the Racing Association upon his appointment to the Board of the National Horseracing Authority.
Larry Wainstein, Director and CEO at the RA, had also resigned from the Board taking effect on the 29 February 2020.
With effect from this Annual General Meeting, the national Board comprises:

Michael Leaf	
Grant Paddock	Representing the Eastern Cape Chapter
Wehann Smith	Representing the Western Cape Chapter
Mike de Kock	
Charles Savage	
Brian Riley	

The Chairman stated that the Board is addressing the issue of vacancies on the Board and had invited Dr. John Lamola and Ms Mapula Sambo to be co-opted onto the board. Both candidates are widely experienced in the corporate sector and the Board believes that they would add enormous value to the Association. The position of the CEO would be advertised.

11.2 Eastern Cape Chapter

In terms of Clause 25.1 of the Memorandum of Incorporation of the Racing Association, Grant Paddock and Jacques Strydom resigned. Messrs Paddock and Strydom offered themselves for re-election. Mr Strydom later withdrew his agreement to stand. The matter of the EC Chapter would be dealt with in due course.
The Eastern Cape chapter committee is as follows:
Grant Paddock

11.3 Western Cape Chapter

In the Western Cape Chapter, in terms of Clause 25.1 of the Memorandum of Incorporation of the Racing Association, Mr Jonathan Snaith and Mr Justin Vermaak resigned. They did not make themselves available for re-election. Nominations from four WC RA Members were received,
Troy Finch
Ashwin Reynolds
Philip Sarembock
Kevin Sommerville

The auditors carried out a voting procedure and Philip Sarembock and Kevin Sommerville were elected to the Western Cape Chapter Committee which is as follows:
Wehann Smith
Craig Kieswetter
Philip Taberer
Philip Sarembock
Kevin Sommerville
The Chairman thanked all of the chapter committee members who had made an invaluable contribution to the regional committees.

Minutes of the AGM (Cont.)

12. GENERAL BUSINESS

Members had been requested to provide, in writing to the RA, by no later than Friday 31 January 2020, any item not on the agenda which the members wished to discuss. No items were submitted for discussion.

12.1 CEO – Larry Wainstein

The Chairman said that it was with some sadness that the Board bids farewell to its CEO, Larry Wainstein, who leaves at the end of February 2020. For the record, his departure had been of his own accord. The Chairman further stated that the very nature of our industry can test the resolve of all those in leadership and it was inevitable that our CEO has had to face such challenges in his 12 years with the RA, both as Chairman and CEO, so the polarisation of views during his tenure was not surprising. Mr Wainstein's significant contribution and efforts during his time with the RA were recognized and greatly appreciated.

13. THANKS AND CLOSE

The Chairman said that the industry had been through a challenging year. He thanked the members for their support and the board and the staff for their commitment. This concluded the formal business of the AGM.

THERE BEING NO FURTHER FORMAL AGENDA ITEMS, THE MEETING CLOSED AT 19H00

B Riley

Presentation to Members

AIDE MEMOIRE - PRESENTATION IN CONJUNCTION WITH THE TWENTY-FIRST ANNUAL GENERAL MEETING OF THE RACING ASSOCIATION HELD ON MONDAY 10 FEBRUARY 2020

Mr Savage addressed the members. He said that he intended to keep the presentation informal and suggested that the persons present should feel free to raise any questions. He thanked Ms Rowett for putting questions to the Board as this is the appropriate forum.

1. STAKES

An amount of R53m has been taken out of the stakes pot in the last year for the following reasons:

- No dividend paid by PGL (R18 million in the previous year)
- R35million which is the 3% rebate from government.

The take-outs which make up the stakes pot have been publicised in various reports and are based on the following:

Net contribution - horseracing	30%
Net contribution – other sports	20%
Bookmakers' levies	30%
Unclaimed dividends and fractions	30%
Net lotto income	15%
Net LPM income	15%
Net share of IOM tote limited income	30%
Fixed Odds	30%
Net GC and International royalties SA product	30%

Costs that come out of the stakes pot are in respect of jockeys' medical aid and insurance plus horse transport. There is an onerous liability for Kenilworth Racing which is currently in the region of R15-R18 million which comes out the stakes pot. Checks are carried out to ensure that the audit which is carried out by Phumelela appointed auditors, is accurate.

The following schedule was presented.
What determines stakes:

- Primary sources of revenue:
  - Tote turnover
  - PGL dividends
  - PGL bookmaker profits
  - Government taxes
- Primary sources of costs:
  - Kenilworth racing
  - Jockeys medical aid and insurance
  - Horse transport costs
- Role of RA

Mr Wainstein reported that the RA was doing whatever it could to assist in keeping small owners in racing. To this end, the industry had been paying stakes down to 10 places in stakes and had undertaken to re-address this in January 2020.

	KwaZulu-Natal		Western Cape		Highveld		EC		NC		
	Stakes	Meetings	Stakes	Meetings	Stakes	Meetings	Stakes	Meetings	Stakes	Meetings	TOTALS
2007-2008	R 79 657 010	120	R 56 261 160	94	R 102 179 075	125	R 29 558 875	70	R 11 078 500	37	R 278 734 620
2008-2009	R 80 818 000	116	R 58 654 000	92	R 113 486 225	140	R 32 062 000	68	R 13 042 000	36	R 298 062 225
	1%	-3%	4%	-2%	11%	12%	8%	-3%	18%	-3%	7%
2009-2010	R 81 390 250	107	R 58 424 430	87	R 117 065 500	148	R 33 876 500	68	R 13 166 000	36	R 303 922 680
	1%	-8%	0%	-5%	3%	6%	6%	0%	1%	0%	2%
2010-2011	R 73 337 465	109	R 56 855 179	87	R 116 096 000	149	R 33 076 500	69	R 13 180 000	36	R 292 545 144
	-10%	2%	-3%	0%	-1%	1%	-2%	1%	0%	0%	-4%
2011-2012	R 73 417 785	106	R 53 892 270	86	R 118 893 625	148	R 32 553 000	68	R 14 325 000	36	R 293 081 680
	0%	-3%	-5%	-1%	2%	-1%	-2%	-1%	9%	0%	0%
2012-2013	R 84 912 075	99	R 54 343 070	81	R 126 626 000	146	R 34 478 000	66	R 14 143 000	34	R 314 502 145
	16%	-7%	1%	-6%	7%	-1%	6%	-3%	-1%	-6%	7%
2013-2014	R 95 254 750	100	R 61 436 675	78	R 133 769 000	144	R 37 644 000	67	R 14 886 450	34	R 342 990 875
	12%	1%	13%	-4%	6%	-1%	9%	2%	5%	0%	9%
2014-2015	R 95 839 950	110	R 69 419 000	84	R 140 218 500	144	R 40 867 000	71	R 14 786 000	34	R 361 130 450
	1%	10%	13%	8%	5%	0%	9%	6%	-1%	0%	5%
2015-2016	R 112 346 000	122	R 68 795 000	83	R 145 449 500	147	R 42 419 000	72	R 15 002 000	33	R 384 011 500
	17%	11%	-1%	-1%	4%	2%	4%	1%	1%	-3%	6%
2016-2017	R 110 645 775	115	R 92 149 275	84	R 148 861 400	147	R 44 459 000	71	R 16 785 775	33	R 412 901 225
	-1.5%	-6%	33.9%	1%	2.3%	0%	4.8%	-1%	11.9%	0%	7.5%
2017-2018	R 110 817 413	106	R 88 844 000	82	R 148 621 910	139	R 45 007 000	69	R 18 391 000	35	R 411 681 323
	0.2%	-8%	-3.6%	-2%	-0.2%	-5%	1.2%	-3%	9.6%	6%	-0.3%
2018-2019	R 114 520 875	109	R 83 610 450	74	R 151 697 950	139	R 47 751 000	72	R 17 949 000	34	R 415 529 275
	3.3%	3%	-5.9%	-10%	2.1%	0%	6.1%	4%	-2.4%	-3%	0.9%
2019-2020	R 109 848 000	106	R 74 561 000	76	R 131 809 750	136	R 41 468 000	72	R 16 255 000	37	R 373 941 750
BUDGET	-4.1%	-3%	-10.8%	3%	-13.1%	-2%	-13.2%	0%	-9.4%	9%	-10.0%

Presentation to Members (Cont.)

Mr de Kock said that the broodmare population had been hard hit and a number of horses were being relocated to race in Mauritius. This also impacted on local field sizes.

Mr Sarembock said that in view of the fact that jockeys' remuneration comes out of the stakes pot, he enquired whether the jockeys also take a reduction. He suggested that this be considered with a view to reducing jockeys' fees to give more back to the owners. Mr Wainstein said he has been negotiating with jockeys over the past three years, in particular, as regards medical aid and insurance. These benefits had been reduced and a limit was put on the payouts for insurance as well as the number of dependents covered by medical aid. By 2021 the medical aid subsidy will fall away. The Board felt that in order to be fair, they undertook not to cease paying this benefit immediately as this would impact negatively on certain jockeys. Discussions were on-going.

2. PROPOSED CHANGES TO STAKES

- Negotiation with PGL
  - Sponsorship allocation to Stakes - Mr de Kock said that he had been surprised upon being elected to the RA Board that sponsors' money does not go to the stakes but rather to PGL's bottom line. He said that the race operators were generating income from the racing product and he had suggested that the RA should be asking for a 50-50 split whereas at present, the scenario is 30-70 to Phumelela's benefit which was preferable to what we had previously.

    Mr de Kock said that sponsors wanted some of the funds to be paid towards the stakes. It would be in our interests to support this to ensure that we could retain the existing people in racing.
  - Improve Stakes Agreement
- Review decision to pay stakes down to 10th place - Mr de Kock explained that paying to 10th place was put in place to try and attract larger fields. This had not had the desired effect and therefore, we are going to revert to the first 6 runners past the post receiving a stake.

- Review distribution of Stakes
  - National program
  - Seasonal stakes - Seasonal stakes had been recommended in that during the winter months, lesser horses running would be offered lower stakes and bigger stakes during the spring/summer seasons. He said that a number of roleplayers felt that the market place would dictate what needed to be done.

    Peter de Beyer said there used to be different stakes paid on weekdays as opposed to a Saturday racing fixture. Mr de Kock said that this system was also being looked at. He said that the RA would be engaging with PGL and the NHA to get the best solution for the industry. Mr Sarembock said that a paper had appeared on the sahorseracing.com website and he enquired what was being planned regarding dictating stakes and payouts. Mr de Kock said this was dealt with by the Stakes Committee in conjunction with the race operators and applied in the case of Maiden Plate races. Mr Wainstein agreed with Mr Sarembock's comments. Mr Savage said that the RA Board would address these matters with PGL, taking into account income and expenditure.

3. STATE OF THE NATION

Mr Savage said that with the benefit of being an RA director and engaging the industry over the past year, he had learnt a lot about the state of the industry and felt it important to share his findings more broadly.

- National Unity
  - Re-organise racing under single banner
  - Review current structures – The current structures were set up 20 years ago and had failed to either protect or advance the industry adequately since then. In many instances, the structures prohibited the RA and other organisations in racing to make timely and effective decisions and as such warranted some review. Mr Savage assured members that whilst it was our intention to review these structures, nothing will be implemented without the support (75%) of the members.

- Cashflow crisis
  - Industry asset rich – cashflow poor - Cash flow crisis should come as no surprise to members but Mr Savage said he felt that the reality of the situation was not well understood. If you looked at the most recent annual financial statements of PGL you would find that they have around one month of cash cover over their operating expense base and limited ability to lend more money from their bankers. Given this and the simple fact that in order to turn around their own fortune, it would be easy to conclude that you could expect PGL to be seeking out capital in the year ahead and that the industry needs to stand prepared to support this and retain their rights.
  - Cashflow deteriorating everywhere – All organisations in racing were showing deteriorating cash flows.
  - Funding model for racing needs urgent review
  - Balance sheet of racing needs to be more productive
  - If the status quo remains further stakes reductions in the years ahead was a certain trend.

Presentation to Members (Cont.)

- Stakeholder relationships
  - Government – Taxes – Mr Savage said in his view, government will not easily give back the 3% that had been taken from PGL. Hopefully government would reconsider but at this stage it would appear that this was not the case. He said as an industry, we needed to ensure that our assets were more productive. Stakeholder relationships had never been worse and the Public Protector's report had cast a shadow over the entire horseracing industry. We seriously needed to consider how we re-engaged all stakeholders and improved relationships along with understanding our industry.
  - Bookmakers – Open Bet - Our relationship with bookmakers is another area that needed focus. We must find common ground and work with them to grow our industry. In summary improving government and bookmaker relationships were going to be key to our future success.

4. MISSION 2020

Mr Smith said that with the state of the nation in mind, he recommended that a new Mission Statement should be adopted.

- To protect and advance the interests of all owners, while ensuring an excellent racehorse ownership experience and playing a leading role in the inevitable restructure, transformation and re-capitalisation of the horseracing industry.

5. FOCUS 2020

.

- Protect and Advance
  - Responsible committee – Finance/Risk
  - Responsible directors – Messrs C Savage (Chair), W Smith, M Leaf, M Sambo
  - Review strategy, funding, governance, management and organisation structures of:
    - o RA
    - o National Horse Trust
    - o PGL (indirectly 29%)
    - o KR (indirectly 100%)
    - o Randjesfontein (directly 100%)
  - Create efficiencies in decision making
  - Increase clarity on responsibility and accountability
  - Work with PGL to increase tote revenue through industry co-operation

- Ownership Experience
  - Responsible committee – Sales/Marketing/Racing Operations
  - Responsible directors – Messrs B Riley (Chair), M de Kock, M Leaf, C Savage, W Smith, G Paddock, M Sambo, J Lamola
  - Establishment of national ownership body, tiered levels of membership and benefits
    - o Gold Circle
    - o RA existing regions
  - Review and revamp RA benefits - Reviewing regional chapters with a look at having a single RA board.
  - Overall improvement of raceday experience for owners
  - Stakes/Programming – There is an existing agreement in place and we need to continue engaging with PGL as we are conscious that this needs to be improved.

- Stakeholder Relationships
  - Responsible committee – Transformation/Social/Ethics
  - Responsible directors – Messrs M Leaf (Chair), M de Kock, B Riley, J Lamola
  - Key stakeholders focus 2020
    - o Government play pivotal role in creating and fostering strong Government and Gambling Board relationships - National unity cannot be emphasised enough. The RA sits in a situation where they are in a position to achieve this goal. We need to speak with one voice.
    - o Bookmakers – win back the open bet
    - o NHA – work together to improve ownership experience
    - o Grooms
    - o Trainers
    - o Industry bodies, including TBA, SAEHP and SAJA

- RA Operations
  - Responsible committee – National Board
  - Improved transparency and communication
    - o Technology
  - "Right-size" and organisational structure to support Focus 2020
  - Invest in partner initiatives aligned with Focus 2020

The RA had direct and indirect control of a number of racing interests and a decision had been taken by the Board to review strategy. We had a structure where racehorse owners came on board as RA members but this did not attract significant income. It was the considered opinion of the Board that all people who contributed towards nominations and declarations must be recognised for their contribution to racing.

The Board had given consideration as to how the Board's objectives could be achieved in a cost effective manner. Mr Wainstein had resigned and the Board needed to fill this position. The Board was taking a hard look at the organisation structure. We considered it a priority to improve communication which we acknowledged had been lacking and we realised that we needed RA members' support whilst reviewing current agreements that were in place. We were also cognisant of investing in initiatives along with other stakeholders.

RACING ASSOCIATION

Presentation to Members (Cont.)

Mr Savage called for questions from the members in attendance.

The following questions and comments were raised:

John Kingsley
As regards ownership experience, Mr Kingsley enquired whether Gold Circle would be interested in getting involved. Further, as regards stakeholder relationships, a serious issue related to grooms. Mr Kingsley was advised that the Board has had confirmation that Gold Circle were interested and would be prepared to enter into negotiations.
Mr Wainstein said that the issue the industry was facing concerning grooms was that Grooms Associations had been formed but unfortunately, in spite of many appeals, they could not come up with numbers that they represent. Every groom in each region is registered. Mr Wainstein concluded saying that the people running the Grooms Associations as such were delinquent. He said that they had agreed on Summer Cup day that they would be registered with the NHA to deal with their complaints. The problem was that the trainers employ the grooms. The issue on Summer Cup day was that the grooms wanted 5% takeout from stakes whereas they currently received 1%. Mr de Kock acknowledged that this did create a problem and further, provision of reasonable accommodation needed to be addressed. We had to address this across the board. The initiative taken with Hollywood Bets specifically to acknowledging grooms was a huge success as money goes a long way towards making people happy. It would in all probability, rest with the owner as with most other matters. In terms of legislation, it was in the stable leases that a trainer could be evicted from the training centre if grooms were not treated properly. It was also covered in the NHA rules. Mr de Kock recognised that it was crucial that we recognised the value and gave grooms equity in this industry. Mr Savage said that ESG was going to be central to our success as an industry and it was critical that we take this far more seriously.

Adam Kethro
Hollywood Bets – If it is a fact that Gold Circle and Hollywood Bets were doing well but our bookmakers were not, it stood to reason that we were doing something wrong. Whether Gold Circle was doing well was not clear. Hollywood Bets were definitely looking after the punters.
Tote technology is outdated – We did not have the infrastructure to compete. We needed to decide where we would spend our capital. Our stakes depended upon greater turnover on the tote and from our bookmakers. Mr de Kock said that the bookmakers were not our enemies and the sooner we engaged them the better for us.

Robert Bloomberg
Bookmakers' integration – this had probably cost the industry R750 million over the past 7 years. Mr Bloomberg said he woud be meeting with Gold Circle the following day to address this subject and hopefully come up with some resolution. Matters for discussion would include, amongst a number of issues, legal costs, closure of agencies and a deal on the table which had been rejected previously by Rian du Plessis. If we could resolve this, they may be prepared to sponsor in the other provinces. We needed to resolve the Tellytrack impasse with the bookmakers. Mr Savage said whilst it was convenient to blame Rian du Plessis, we stood by as stakeholders and supported this stance even if just by being complicit with our votes. He said that we needed to get resolution on this and move forward.

Grooms – An issue that we must not lose sight of with grooms registering with NHA is that they were between a rock and a hard place. The NHA was not the infrastructure likely to deal with the problems. They could only act against a trainer as defined by a competent body which meant CCMA or a court of law. Mr Bloomberg cautioned that the registration of grooms by the NHA would not change anything.

Ken Truter
Government co-operation – Mr Truter asked whether the RA were making efforts to garner influence with politicians regarding the tax that was about to be implemented. Mr Savage responded that the RA were a related party and were planning to try and influence politicians. However, at this stage, we may be too late. Mr Truter disagreed with Mr Savage's notion that we needed to work with bookmakers, he said that they inflicted massive damage on the industry and had been bad for horse racing in laying the open bet. Mr Savage said he was against the perception that bookmakers are bad. They were part of the solution and we needed to recognise that.

Garth Towell (Johannesburg)
Mr Towell said he was small owner and was pleased to advise that from what he has heard at this forum, he would go away with some hope. He thanked the board for outlining what was needed and was sure that this would be achieved with good people on the board. Execution by sub committees would be only as good as the management teams that would execute this. However, he enquired whether timelines around these initiatives had been considered.

As regards his opinion on the point of the grooms, Mr Towell said he regularly watched his horses and it had struck him that an owner has the confidence to entrust the well-being of their horses, which often cost in excess of R1 million, to a man who was at times not given the respect that he deserved. He totally agreed that owners needed to step up and look after people in the correct manner.

Mr Smith thanked Mr Towell for his comments and said the Board have no illusion about the amount of work that had been undertaken. He said that the Board intended reporting back to

Presentation to Members (Cont.)

members by mid to end April with firm plans. It was for this reason that the Board were not rushing into appointing a CEO.

Alan Preddy (Johannesburg)
Mr Preddy raised the question whether the RA was able to pick their partners for the hurdles ahead. In particular, he spoke of stakes going to Kenilworth Racing and sponsorship by Sun International should go to KR and not PGL's bottom line.

Charles Faul
Mr Faul said it seemed that we needed a strong NHA. He acknowledged that there were good people on their board and they needed to work towards making a difference. Positive changes had been experienced but we needed to strengthen all stakeholders within the industry. Success often came from failure and we must learn from this. Mr Savage said whilst we appreciated that the NHA must be an autonomous body, there must be co-operation.

Joe Soma (Johannesburg)
Mr Soma thanked the Board for the presentation.
He put it to the Board that in his opinion, we have left a key player out of the discussion. He said that the most important factor revolved around stakes and with this in mind, the owner and the punter were the most important players and crucial to the sustainability of the industry. The race operators had not treated the punters fairly over the past few years. He asked that we make crucial decisions immediately to show the punter that we were on his side because as things stand, we were chasing our current punters away. Mr Soma thanked the Board for their efforts and wished them well with the endeavours.

In response, Mr Smith said the plan was to work with race operators, NHA, and bookmakers going forward.

A Mahlangu
Mr Mahlangu enquired whether the RA had a relationship with government ministers. In response, Mr Smith said we were aware of the need to develop such relationship and to this end, we had invited John Lamola and Mapula Sambo to participate in the Board structures.

Alan Preddy (Johannesburg)
Mr Preddy agreed with Mr Soma's comments and said it was in the best interest of the Board to take cognisance of his remarks. Mr Smith acknowledged past mistakes and recognised that we needed to work with all stakeholders in order to succeed.

Mr Preddy said he had been very disappointed with the promotion of the Sun Met and suggested that the industry needed to look at what other sports are doing. Mr Smith acknowledged the comment and said that was why we held this meeting in Cape Town to acknowledge the importance of KR.
Ettienne Braun said that R3000 to attend the Met was far too expensive.
Robert Bloomberg said that without pointing fingers at PGL management, they played a significant role in the reduction of the stake in the Met.
Mr Snaith said that Kenilworth Racing outsourced the event to Circa by the sponsor who handled the event for them. It had nothing to do with Kenilworth Racing. We believed that in two key areas, they had failed. Firstly they tried to replicate the Queens Plate.
The Met is a "peoples' day" and the second is that they priced themselves out of the market. We did not work hand in hand with other sporting events. It was suggested that consideration be given to the board (chapter) being paid a salary so that they could give input into these promotions. As it stood, they did not take their role seriously.

The Chairman thanked members for attending the meeting and invited them to join the directors for cocktails.

The proceedings concluded at 20h10

Chairmans Report

On behalf of the Directors of The Racing Association NPC (RA), I have pleasure in presenting the Annual Report, together with the Consolidated and separate Financial Statements of the Racing Association and the Group for the year ended 31 July 2020.

The RA is a members' Association representing the interests of racehorse owners. The RA aims to promote and advance the interests of members and the sport of racing. One of the Association's key roles is overseeing the stakes agreement. This year that task has proven particularly difficult since Phumelela Gaming and Leisure Ltd (PGL) went into business rescue and the stakes agreement was subsequently suspended by the Business Rescue Practitioner. The stakes have been negotiated with PGL virtually on a monthly basis since then with the RA deciding on occasion to supplement the amounts committed to by PGL. This support was in the Board's opinion critical to ensuring the survival of horseracing in South Africa.

This has been a year of transition for the RA with many new projects being initiated over and above the significant financial support rendered to stakes and other worthy causes. The Board felt strongly that a long-term approach was taken on the assumption that the sport would be saved. This approach has put the RA in a strong position to make meaningful improvements for our members in 2021. During the crisis, the directors decided to forgo their full remuneration from the lockdown period as at 8 April 2020. This will be reinstated with effect from 1 February 2021. I would like to personally thank all of the directors for providing their significant services ex gratia during a most difficult period.

One of the initiatives this year was to increase transparency. Not only was a performance contract created from scratch for the newly appointed CEO, Natalie Turner, this contract was published on the RA website. This enables members to scrutinize the projects and goals of the Association for the immediate future.

1. RACING ASSOCIATION BOARD OF DIRECTORS

The following Directors held office during the year:-

- Mr M F de Kock
- Mr G Paddock — Eastern Cape Region
- Mr B Riley
- Mrs M Sambo
- Mr C Savage
- Mr W Smith — Western Cape Region
- Mr G Towell

Brian Riley held the position as Chairman of the Racing Association during the year under review. Charles Savage was a director on the Board until 16 September 2020 at which time, he resigned from the Board. The Chairman and directors thank him for his untiring efforts in supporting not only the Racing Association but the industry in general. A decision to co-opt Peter Riskowitz, who had been nominated to the Board of the RA, was taken to replace Mr Savage who will, going forward, serve on the MOD task team. The Racing Association Directors served on the following committees during the year :-

Sales/Marketing/Racing Operations Committee	B Riley, M de Kock, G Paddock, W Smith, G Towell, M Sambo, P Riskowitz
Finance/Audit/Risk	P Riskowitz, B Riley, W Smith
Social/Ethics/ Transformation	G Towell, M Sambo, M de Kock
Industry Liaison	M de Kock, W Smith
Programming	M de Kock, S Tarry, J Soma, J Janse van Vuuren
Stakes Committee	Mr B Riley, M de Kock, W Smith

The CEO, Natalie Turner, serves on all the above committees. The committees will be restructured at the first Board/Strategy meeting scheduled in 2021 in the light of newly joined directors and their specific skillsets.

2. ASSOCIATED RACING BODIES IN SOUTH AFRICA

2.1 The Thoroughbred Horseracing Trust

The persons elected by the board to represent the RA on the Trust are:

Mark Currie (Chairman)
Jessica Slack-Jell
Bradley Ralph
Pieter Graaff
Clayton Vetter
Barry Hendricks represents SASCOC on the Trust
SASCOC will appoint an additional Trustee to the Trust

3. RACING ASSOCIATION FINANCIALS

The RA's net income was R14 467 789
(2019: R17 944 095).
Net loss for the RA as at 31 July 2020 was R9 705 488
(2019: R34 915 545).
The Group net loss before tax was R9 832 908
(2019: R34 765 636).

3.1 Donation – National Horse Trust

In the year under review, donations of R296 400 were made to the National Horse Trust's Highveld Horse Care Unit, which looks after

Chairmans Report (Cont.)

the Gauteng and Free State regions. A further R125 025 was set aside for the Eastern Cape region.

3.2 Donation – Trainers' Benevolent Fund
An annual contribution amounting to R507 542 was made to the Trainers' Benevolent Fund which includes Gauteng and Eastern Cape Regions.

4. FEATURE SEASON AWARDS

As a result of the outbreak of the Covid-19 virus, the feature season awards were severely disrupted. It was decided that the racing fraternity had already been adversely affected but equine and human champions would nevertheless be recognized by awarding trophies in spite of the lockdown which prevented the industry from having the awards event that was normally hosted by the Racing Association.

4.1 RA Highveld Feature Season Awards
The Champion Horse of the Season was awarded to Hawwaam who is owned by Sheikh Hamdam bin Rashid Al Maktoum, trained by Mike de Kock and bred by Wilgerbosdrift and Mauritzfontein Stud. Chris van Niekerk was the Champion Owner, Champion Trainer was Sean Tarry and the Champion Jockey Warren Kennedy. Congratulations to these worthy winners.

4.2 Northern Cape Racing Awards
Three awards were handed out in Kimberley to the following individuals. Champion Owner was Francois du Toit, Champion Trainer, Cliffie Miller and Champion Jockey in the Northern Cape for the 11th consecutive year was Muzi Yeni.
Sadly, the curtain came down on racing at Flamingo Park, Kimberley on 23rd March 2020 and the majority of the trainers relocated to other racing jurisdictions. We wish them success in their new beginnings.

4.3 Eastern Cape Racing Awards
Provincial awards in the Eastern Cape were handed to the following champions in their respective categories.
Champion Owners – Mr CG and LF Scribante, Champion Trainer – Alan Greeff, Champion Jockey – Greg Cheyne, Champion Local Jockey – Teaque Gould. The Champion horse in the Eastern Cape went to World Radar, owned by Wilgerbosdrift (Pty) Limited (Nominee: Mrs M Slack) trained by Alan Greeff and bred by Wilgerbosdrift and Mauritzfontein Stud.

4.4 Western Cape Racing Awards
The Racing Association was pleased to award trophies to the winners in the Western Cape. Golden Ducat, owned by Mr and Mrs MLP Rattray, trained by Eric Sands and bred by Wilgerbosdrift and Mauritzfontein stud was the Horse of the Year.

Human awards went to Owner of the Year - Ridgemont (Nominee: Mr Wayne Kieswetter), Cape Trainer of the Year – Justin Snaith and Cape Jockey of the Year – Richard Fourie.

5. EQUUS AWARDS

The 2019/20 Equus Awards was a virtual affair this year with Neil Andrews and Nico Kritsiotis joint masters of ceremony doing the honours. The production was a resounding success and we offer our heartiest congratulations to all the winners. Chris van Niekerk won the Champion Owners trophy, Champion trainer was Sean Tarry while the Paul Peter trained Summer Pudding owned by Mauritzfontein (Pty) Ltd (Nominee: Mrs Jessica B Jell) won the Champion Horse of the Season Award. Warren Kennedy was the Champion Jockey.

I wish to record a special word of thanks to the organizations who, along with the Racing Association, contributed towards the success of the event, namely:
Emperors Palace
Gold Circle Racing
Kenilworth Racing
Phumelela Gaming and Leisure Limited
Thoroughbred Breeders Association
Tellytrack

6. RA ENTERTAINMENT OF OWNERS IN MAJOR FEATURE RACES

The Racing Association hosted connections of runners in Grade I events who are either RA members or out-of-town visitors. We congratulate all the winning connections in those events and look forward to their continued support.

7. GENERAL

7.1 Members' Benefits
Your Board is planning a relaunch of the RA in terms of members' benefits. Members will be kept informed about our plans via the Members newsletter.

7.2 Covid-19
The World Health Organisation declared the Covid-19 virus an international pandemic during January 2020 which resulted in a national lockdown. Racing activities ceased for the months of April and May but with the necessary permits and clearances, training centres were able to operate nationally.
The lack of racing resulted in no nomination fees being received and no stakes paid during the period. This placed a significant strain on all sectors of the industry.

Chairmans Report (Cont.)

7.3 Finally

I record special thanks to the RA Board as well as the CEO, Natalie Turner, and her team at the RA for their commitment and support. Collectively, our aim is to continue serving our Members and the industry at large to the best of our ability.

It is appropriate to acknowledge the support of MOD during the year and more specifically to Mary Slack and Jessica Jell. Their belief and financial commitment in the industry has provided a platform for us to succeed and we look forward to their involvement in taking over the racing assets of Phumelela Gaming and Leisure Limited in the near future. We also pay tribute to all of the stakeholders, namely, owners, trainers, grooms, jockeys, punters, fellow associations and all management and staff within the industry whose resilience through this difficult period has been unwavering and has undoubtedly played an important role in keeping the industry afloat.

We look forward with much optimism to 2021 when we believe that the efforts from those people who played leading roles in saving this industry will start to bear fruit.

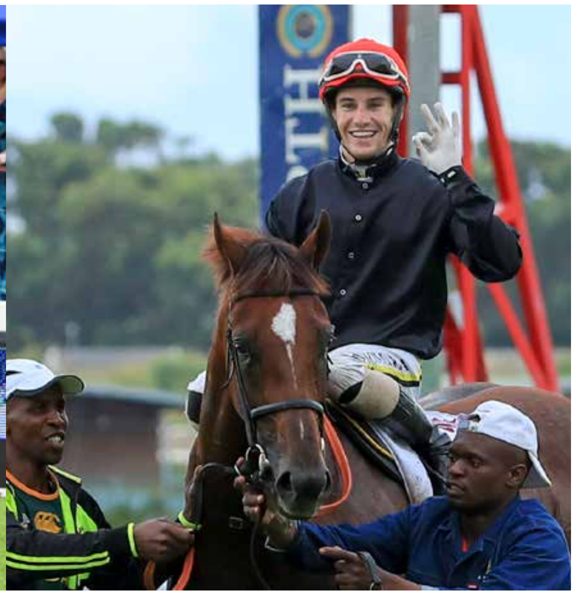
B Riley


FAIRVIEW
RACECOURSE


Bidvest
Bidvest

RACING ASSOCIATION


2020 LORMARINS QUEENS PLATE
2020 L'Ormarins Queens Plate (W.F.A) (Grade 1)



FINANCIAL STATEMENTS

Financial Statements - General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Advancing and promoting the sport of thoroughbred horseracing
Directors	MF De Kock GW Paddock B Riley PR Riskowitz PM Sambo W Smith GN Towell NA Turner
Registered office	4th Floor, Aloe Grove Houghton Estate Office Park 2 Osborne Road Gauteng 2000
Business address	14 Turf Club Street Turffontein Johannesburg 2140
Postal address	PO Box 1523 Johannesburg 2000
Bankers	Standard Bank of South Africa Limited Investec Bank Limited
Auditors	PKF Octagon Inc.
Secretary	Levitt Kirson Management Services CC
Company registration number	1997/019092/08
Level of assurance	These consolidated financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The consolidated financial statements were independently compiled by: Johan Lusse Chartered Accountant (SA)
Issued	20 November 2020

Contents

The reports and statements set out below comprise the consolidated and separate financial statements presented to the members:

The following supplementary information does not form part of the consolidated financial statements and is unaudited:

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate financial statements.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 July 2021 and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the group's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the group's external auditors and their report is presented on pages 28 to 29.

The consolidated and separate financial statements set out on pages 30 to 65, which have been prepared on the going concern basis, were approved by the directors on 11 November 2020 and were signed by:

Director

Director

Directors' Report

The directors have pleasure in submitting their report on the consolidated and separate financial statements of The Racing Association NPC and the group for the year ended 31 July 2020.

1. Incorporation

The company was incorporated in South Africa on 10 November 1997 and obtained its certificate to commence business on the same day.

2. Nature of business

The Racing Association NPC is engaged in advancing and promoting the sport of thoroughbred horseracing in the interest of its members. The group operates principally in South Africa.

There have been no material changes to the nature of the group's business from the prior year.

3. Review of financial results and activities

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 2.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated and separate financial statements.

4. Directorate

The directors in office at the time of the review of the financial statements with changes during the year:

Directors	**Changes**
MF De Kock	
ME Leaf	Resigned, 06 April 2020
GW Paddock	
B Riley	Appointed, 10 February 2020
PR Riskowitz	Appointed, 16 September 2020
PM Sambo	Appointed, 18 May 2020
CH Savage	Resigned, 19 September 2020
W Smith	
GN Towell	Appointed, 18 May 2020
NA Turner	Appointed, 01 August 2020
LA Wainstein	Resigned, 10 February 2020
LMF Wernars	Resigned, 09 December 2019

5. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the group had an interest in and which significantly affected the business of the group.

6. Interests in subsidiaries, associates and joint arrangements

Details of the company's investment in its subsidiary are set in note 6.

7. Events after the reporting period

The directors are not aware of any material subsequent events which occurred after the reporting date and up to the date of this report.

8. Going concern

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

COVID 19

During January 2020 the World Health Organisation declared the COVID-19 virus an international pandemic. The virus spread globally. Many countries around the world, including South Africa have implemented significant governmental measures to control the spread of the virus. In South Africa this has included the national lockdown, originally announced on 23 March 2020, stretching from 26 March to at least December 2020. With the implementation of these measures, all racing activities ceased for the months of April and May 2020. Critically however, with the necessary permits and clearances, training centres were able to operate nationally.

Due to the lack of racing, no nomination fees were received and no stakes paid during the closure period. This put a significant strain on, among others, owners and trainers resulting in debtors' terms granted by the Racing Association being relaxed. Racing operators have come under presure and have suffered severe cash flow constraints. The financial impact of COVID-19, not only on South African and international racing but also on sport in general, was duly considered. The Racing Association accordingly participated actively in the formulation of appropriate risk management responses, including providing funding to assist those in the industry most affected. These measures included assistance to owners and grooms as well as Stakes subsidies to the value of R 4 705 829 and R 5 212 428 respectively.

Directors' Report (Cont.)

With the resumption of racing on 1 June 2020 and the subsequent move by government to lower regulatory and restrictive levels, the industry has begun to recover. The Racing Association has negotiated revised terms with debtors and with this in mind, management have assessed cash flows and reserves, concluding that these remain sound and sustainable.

9. Auditors

PKF Octagon Inc. was appointed in office as auditors for the company and its subsidiary for the year end 31 July 2020.

10. Secretary

The company secretary is Levitt Kirson Management Services CC.

Business address: **Fourth Floor, Aloe Grove**
Houghton Estate Office Park
2 Osborne Road
Houghton

11. Date of authorisation for issue of financial statements

The consolidated financial statements have been authorised for issue by the directors on Friday, 20 November 2020.

Independent Auditor's Report

To the members of The Racing Association NPC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of The Racing Association NPC (the company) set out on pages 30 to 65, which comprise the statement of financial position as at 31 July 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of The Racing Association NPC as at 31 July 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for opinion

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

Emphasis of matter

We draw attention to Note 26 in the consolidated and separate financial statements, which deals with going concern and specifically the possible effects of the future implications of COVID-19 on group's future prospects, performance and cashflows. Management have also described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "The Racing Association NPC consolidated and separate financial statements for the year ended 31 July 2020", which includes the Directors' Report as required by the Companies Act 71 of 2008 and the Detailed Income Statement, which we obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that

Independent Auditor's Report (Cont.)

an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

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

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

PKF Octagon Inc.

PKF Octagon Inc.
Director: MA Schalekamp
Registered Auditor

20 November 2020
Johannesburg

Statement of Financial Position as at 31 July 2020

Figures in Rand	Note(s)	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Assets					
Non-Current Assets					
Property, plant and equipment	3	1 077 287	1 159 035	1 027 041	1 009 719
Investment property	4	195 770 290	195 770 290	-	-
Intangible asset	5	7 400	14 800	7 400	14 800
Investment in subsidiary	6	-	-	100	100
		196 854 977	**196 944 125**	**1 034 541**	**1 024 619**
Current Assets					
Loans to related entities	7	-	61 918	77 347 513	77 394 643
Trade and other receivables	8	16 830 305	11 099 662	16 801 615	11 070 834
Financial assets at fair value through profit or loss	9	45 638 912	57 558 032	45 638 912	57 558 032
Cash and cash equivalents	10	5 486 625	9 074 458	5 205 661	8 787 749
		67 955 842	**77 794 070**	**144 993 701**	**154 811 258**
Total Assets		**264 810 819**	**274 738 195**	**146 028 242**	**155 835 877**
Equity and Liabilities					
Equity					
Retained income		236 304 925	246 137 833	144 087 133	153 792 621
Liabilities					
Non-Current Liabilities					
Deferred tax	11	26 543 155	26 543 155	-	-
Current Liabilities					
Trade and other payables	12	1 962 739	1 511 157	1 941 109	1 497 206
Deferred income	13	-	546 050	-	546 050
		1 962 739	**2 057 207**	**1 941 109**	**2 043 256**
Total Liabilities		**28 505 894**	**28 600 362**	**1 941 109**	**2 043 256**
Total Equity and Liabilities		**264 810 819**	**274 738 195**	**146 028 242**	**155 835 877**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Revenue	14	12 932 374	13 801 680	12 907 374	13 776 680
Other income	15	240 000	507 390	240 000	240 000
Fair value gains/(losses)	16	532 315	(35 602 530)	532 315	(35 602 530)
Operating expenses	17	(24 858 691)	(17 399 981)	(24 705 511)	(17 256 586)
Operating loss		**(11 154 002)**	**(38 693 441)**	**(11 025 822)**	**(38 842 436)**
Investment income	18	1 321 175	3 928 329	1 320 415	3 927 415
Finance costs	19	(81)	(524)	(81)	(524)
Loss before taxation		**(9 832 908)**	**(34 765 636)**	**(9 705 488)**	**(34 915 545)**
Taxation	20	-	(27 165)	-	-
Loss for the year		**(9 832 908)**	**(34 792 801)**	**(9 705 488)**	**(34 915 545)**
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		**(9 832 908)**	**(34 792 801)**	**(9 705 488)**	**(34 915 545)**

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Group		
Balance at 01 August 2018	**280 930 634**	**280 930 634**
Loss for the year	(34 792 801)	(34 792 801)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(34 792 801)**	**(34 792 801)**
Balance at 01 August 2019	**246 137 833**	**246 137 833**
Loss for the year	(9 832 908)	(9 832 908)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(9 832 908)**	**(9 832 908)**
Balance at 31 July 2020	**236 304 925**	**236 304 925**
Company		
Balance at 01 August 2018	**188 708 166**	**188 708 166**
Loss for the year	(34 915 545)	(34 915 545)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(34 915 545)**	**(34 915 545)**
Balance at 01 August 2019	**153 792 621**	**153 792 621**
Loss for the year	(9 705 488)	(9 705 488)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(9 705 488)**	**(9 705 488)**
Balance at 31 July 2020	**144 087 133**	**144 087 133**

Statement of Cash Flows

		Group		Company	
		2020	2019	**2020**	2019
Figures in Rand	Note(s)	**R**	R	**R**	R
Cash flows from operating activities					
Cash used in operations	21	(17 336 066)	(7 930 827)	(17 314 773)	(7 750 083)
Interest income		996 328	1 575 753	995 568	1 574 839
Dividends received		324 847	2 352 576	324 847	2 352 576
Finance costs		(81)	(524)	(81)	(524)
Tax paid	22	-	(100)	-	-
Net cash from operating activities		**(16 014 972)**	**(4 003 122)**	**(15 994 439)**	**(3 823 192)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(86 214)	(15 458)	(86 214)	(15 458)
Sale of investment property	4	-	29 710	-	-
Purchase of other intangible assets	5	-	(22 200)	-	(22 200)
Loans to group companies repaid		61 918	-	47 130	-
Loans advanced to group companies		-	(61 918)	-	(62 022)
Purchase of investments at fair value		-	(1 388 881)	-	(1 388 881)
Sale of investments at fair value		12 451 435	-	12 451 435	-
Net cash from investing activities		**12 427 139**	**(1 458 747)**	**12 412 351**	**(1 488 561)**
Total cash movement for the year		**(3 587 833)**	**(5 461 869)**	**(3 582 088)**	**(5 311 753)**
Cash and cash equivalents at the beginning of the year		9 074 458	14 536 327	8 787 749	14 099 502
Total cash at end of the year	10	**5 486 625**	**9 074 458**	**5 205 661**	**8 787 749**

Accounting Policies

Corporate information

The Racing Association NPC is a non-profit company incorporated and domiciled in South Africa.

1. SIGNIFICANT ACCOUNTING POLICIES

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

Reference to the "group" in these accounting policies refer to the annual financial statements and consolidated annual financial statements, except where stated otherwise.

1.1 Basis of preparation

The consolidated and separate financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these consolidated and separate financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

These consolidated and separate financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The consolidated and separate financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the group and company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 2.

1.2 Consolidation

Basis of consolidation

The consolidated and separate financial statements incorporate the consolidated and seperate financial statements of the company and all subsidiaries. Subsidiaries are entities which are controlled by the group.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Business combinations

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying shareholding of more than one half of the voting rights. The existence and affect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies buy virtue of defacto control.

Defacto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date control ceases.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of consolidated and separate financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances.

Accounting Policies (Cont.)

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.

The carrying value less impairment provision of trade and other receivables, cash and cash equivalents and trade and other payables are assumed to approximate their fair values due to the short term nature of trade and other receivables, cash and cash equivalents and trade and other payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic factors.

Trade and other receivables and loan to group company

The group assesses its trade and other receivables and loan to group company for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment (or loss allowance) for trade receivables is calculated on a portfolio basis adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.
Refer to note 9 for trade and other receivables considerations.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future.

Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Residual values and useful lives of assets

Residual values and useful lives of tangible and intangible assets are reassessed on an annual basis. Estimates and judgements in this regard are based on the historical experience and expectations of the manner in which the assets are to be used, together with the expected proceeds likely to be realised when the assets are disposed of at the end of their useful lives. Such expectations could change over time and, therefore, impact both the depreciation and amortisation charges and carrying values of tangible and intangible assets in the future.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Accounting Policies (Cont.)

1.4 Investment property

The group owns property that is held to earn long-term rental income and for capital appreciation.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the group, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value representing the open market value determined annually by external valuers/directors.

Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

1.5 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Furniture and fixtures	5 - 6 years
Office equipment	6 years
Leasehold improvements	4 years
Trophies	Indefinite

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Accounting Policies (Cont.)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

The gain or loss arising from derecognition of an item of plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.6 Intangible asset

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible asset are initially recognised at cost.
Intangible asset are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end. If expected pattern of consumption of future economic benefits embodying the asset change, the change is accounted for as a change in accounting estimate.

Amortisation is provided to write down the intangible asset, on a straight line basis, to their residual values as follows:

Item	Average useful life
Website design	3 years

1.7 Investment in subsidiary

Investment in subsidiary are carried at cost less any accumulated impairment losses. .

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of any assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

1.8 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss.

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows).

Financial liabilities:

- Amortised cost.

Financial instruments and risk management (note 27) presents the financial instruments held by the group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

Loans to group companies

Classification

Loans to related entities (note 7) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

Accounting Policies (Cont.)

Recognition and measurement

Loans receivable are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 18).

Impairment

The group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the group considers that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the group considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Accounting Policies (Cont.)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default, taking the time value of money into consideration.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance.

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 27).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of a loan receivable are included in profit or loss in derecognition gains (losses) on financial assets at amortised cost.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 8).

They have been classified in this manner because their contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 18).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the

Accounting Policies (Cont.)

interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 8.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance.

Write off policy

The group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 8) and the financial instruments and risk management note (note 27).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item.

Financial assets at fair value which are equity instruments mandatorily at fair value through profit or loss

Classification

Financial assets at fair value through profit or loss are presented in note 9. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the group may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

Recognition and measurement

Financial assets at fair value through profit or loss are recognised when the group becomes a party to the contractual provisions of the instrument. The financial assets are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Financial assets are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments), depending on their classification. Details of the valuation policies and processes are presented in note 28.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other operating gains (losses) (note 16).

Dividends received on financial assets are recognised in profit or loss when the group's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 18).

Accounting Policies (Cont.)

Impairment

Financial assets at fair value through profit or loss are not subject to impairment provisions.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

The gains or losses which accumulated in equity in the reserve for valuation of financial assets at fair value through other comprehensive income are not reclassified to profit or loss on derecognition. Instead, the cumulative amount is transferred directly to retained earnings.

Trade and other payables

Classification

Trade and other payables (note 12), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 19).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 27 for details of risk exposure and management thereof.

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently measured at amortised cost. The carrying value of cash and cash equivalents approximate their fair values due to their short term nature.

Derecognition

Financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The group derecognises financial liabilities when, and only when, the group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

Accounting Policies (Cont.)

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

1.9 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretations. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.10 Leases

The group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Accounting Policies (Cont.)

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is, or contains a lease, requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Group as lessor

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income (note 15).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

1.11 Leases (Comparatives under IAS 17)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.12 Deferred income

Deferred income is recognised when payments are received in advance for a service to be delivered in the future. Such payments are not realised as revenue and do not affect the net profit or loss.

1.13 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual

Accounting Policies (Cont.)

period and at the same time every period;
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.15 Revenue from contracts with customers

The group recognises revenue from the following major sources:
- Membership subscriptions;
- Rental income;
- Nomination and acceptance fees.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the group's right to receive payment has been established.

Membership subscriptions

The company is an Association and has subscribing members. The company earns revenue through membership fees. The racing season runs from August to July and the fees for the year are recognised once a year in this period. The company invoices its members for an annual subscription each year.

New members are invoiced when they apply for membership and that revenue is recognised in the period in which they apply The membership fee is a fixed rate for the year or half years' membership.

Nomination and acceptance fees

The company earns revenue through nomination and acceptance fees. These nomination and acceptance fees are recognised as revenue in the period in which the horse race is run.

1.16 Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Financial Statements (Cont.)

		Group		Company	
		2020	2019	**2020**	2019
Figures in Rand	Note(s)	**R**	R	**R**	R

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
▪ Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	01 January 2019	The impact of the amendments is not material.
▪ Prepayment Features with Negative Compensation - Amendment to IFRS 9	01 January 2019	The impact of the amendments is not material.
▪ Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	The impact of the amendments is not material.
▪ Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	The impact of the amendments is not material.
▪ Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	The impact of the amendments is not material.
▪ Uncertainty over Income Tax Treatments	01 January 2019	The impact of the amendments is not material.
▪ IFRS 16 Leases	01 January 2019	The impact of the amendments is not material.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 August 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
▪ Definition of a business - Amendments to IFRS 3	01 January 2020	Unlikely there will be a material impact
▪ Presentation of Financial Statements: Disclosure initiative	01 January 2020	Unlikely there will be a material impact
▪ Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	Unlikely there will be a material impact

Notes to the Consolidated Financial Statements (Cont.)

3. PROPERTY, PLANT AND EQUIPMENT

Group	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	836 668	(783 692)	52 976	836 668	(682 977)	153 691
Office equipment	1 367 576	(1 350 852)	16 724	1 355 107	(1 344 783)	10 324
Leasehold improvements	6 298 701	(6 226 114)	72 587	6 224 956	(6 164 936)	60 020
Trophies	935 000	-	935 000	935 000	-	935 000
Total	**9 437 945**	**(8 360 658)**	**1 077 287**	**9 351 731**	**(8 192 696)**	**1 159 035**

Company	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	309 830	(307 100)	2 730	309 830	(305 455)	4 375
Office equipment	1 367 576	(1 350 852)	16 724	1 355 107	(1 344 783)	10 324
Leasehold improvements	6 298 701	(6 226 114)	72 587	6 224 956	(6 164 936)	60 020
Trophies	935 000	-	935 000	935 000	-	935 000
Total	**8 911 107**	**(7 884 066)**	**1 027 041**	**8 824 893**	**(7 815 174)**	**1 009 719**

Reconciliation of property, plant and equipment - Group - 2020

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	153 691	-	(100 715)	52 976
Office equipment	10 324	12 469	(6 069)	16 724
Leasehold improvements	60 020	73 745	(61 178)	72 587
Trophies	935 000	-	-	935 000
	1 159 035	86 214	(167 962)	1 077 287

Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	260 703	-	(107 012)	153 691
Office equipment	18 412	15 458	(23 546)	10 324
Leasehold improvements	232 135	-	(172 115)	60 020
Trophies	935 000	-	-	935 000
	1 446 250	15 458	(302 673)	1 159 035

Reconciliation of property, plant and equipment - Company - 2020

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	4 375	-	(1 645)	2 730
Office equipment	10 324	12 469	(6 069)	16 724
Leasehold improvements	60 020	73 745	(61 178)	72 587
Trophies	935 000	-	-	935 000
	1 009 719	86 214	(68 892)	1 027 041

Notes to the Consolidated Financial Statements (Cont.)

Reconciliation of property, plant and equipment - Company - 2019

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	6 020	-	(1 645)	4 375
Office equipment	18 412	15 458	(23 546)	10 324
Leasehold improvements	232 135	-	(172 115)	60 020
Trophies	935 000	-	-	935 000
	1 191 567	15 458	(197 306)	1 009 719

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the group.

4. INVESTMENT PROPERTY

Group	2020			2019		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Investment property	195 770 290	-	195 770 290	195 770 290	-	195 770 290

Reconciliation of investment property - Group - 2020

	Opening balance	Total
Investment property	195 770 290	195 770 290

Reconciliation of investment property - Group - 2019

	Opening balance	Disposals	Total
Investment property	195 800 000	(29 710)	195 770 290

Details of property

Portions 357 and 359 of the farm Randjesfontein 405 and Portion 106 Olievenhoutbosch 389, Old Pretoria Road, Midrand.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the group.

Details of valuation

Valuations were performed at 31 July 2018 by an independent valuer, Haacke Associates on the basis of open market value. The board is of the opinion that the fair value is still representative of the current market value of the property.

Notes to the Consolidated Financial Statements (Cont.)

5. INTANGIBLE ASSET

Group	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Website design	105 449	(98 049)	7 400	105 449	(90 649)	14 800

Reconciliation of intangible asset - Group - 2020

	Opening balance	Amortisation	Total
Website design	14 800	(7 400)	7 400

Reconciliation of intangible asset - Group - 2019

	Opening balance	Additions	Amortisation	Total
Website design	-	22 200	(7 400)	14 800

Reconciliation of intangible asset - Company - 2020

	Opening balance	Amortisation	Total
Website design	14 800	(7 400)	7 400

Reconciliation of intangible asset - Company - 2019

	Opening balance	Additions	Amortisation	Total
Website design	-	22 200	(7 400)	14 800

6. INVESTMENT IN SUBSIDIARY

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Company

Name of company	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
Randjesfontein Training Centre Proprietary Limited	100,00 %	100,00 %	100	100

The company holds 100 shares in Randjesfontein Training Centre Proprietary Limited, a company which holds investment property. The company is incorporated in South Africa and has a 31 July year end.

The carrying amount of the subsidiary is shown net of impairment.

Notes to the Consolidated Financial Statements (Cont.)

Figures in Rand		Group 2020	Group 2019	Company 2020	Company 2019
7. LOANS TO RELATED ENTITIES					
Subsidiary					
Randjesfontein Training Centre Proprietary Limited					
The loan is unsecured, bears no interest and has no fixed terms of repayment.		-	-	77 347 513	77 332 725
Related trust					
The Thoroughbred Horseracing Trust The loan is unsecured, bears no interest and has been settled during the current financial year.		-	61 918	-	61 918
Split between non-current and current portions					
Current assets		-	61 918	77 347 513	77 394 643

Exposure to credit risk

Loans receivable inherently expose the group to credit risk, being the risk that the group will incur financial loss if counterparties fail to make payments as they fall due.

The company considers the exposure to credit risk to be low as the loan relates to its subsidiary and the subsidiary is solvent and therefore management considers the risk of default to be low. Management does not consider it necessary to perform further risk assessments associated with the loans receivable from group companies.

Fair value of group loans receivable

The fair value of group loans receivable approximates their carrying amounts.

8. TRADE AND OTHER RECEIVABLES

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

	Group 2020	Group 2019	Company 2020	Company 2019
Financial instruments: Trade receivables	14 269 012	10 864 544	14 240 322	10 835 716
Equine Health Fund	2 000 000	-	2 000 000	-
Non-financial instruments: VAT	112 215	6 566	112 215	6 566
Staff loans	-	2 000	-	2 000
Prepayments	449 078	226 552	449 078	226 552
Total trade and other receivables	**16 830 305**	**11 099 662**	**16 801 615**	**11 070 834**
Split between non-current and current portions				
Current assets	16 830 305	11 099 662	16 801 615	11 070 834
Financial instrument and non-financial instrument components of trade and other receivables				
At amortised cost	16 269 012	10 864 544	16 240 322	10 835 716
Non-financial instruments	561 293	235 118	561 293	235 118
	16 830 305	**11 099 662**	**16 801 615**	**11 070 834**

Notes to the Consolidated Financial Statements (Cont.)

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if members fail to make payments as they fall due.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

Management evaluated credit risk relating to members on an ongoing basis. If members are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the member, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.

The average credit period on trade receivables is 30 days (2019: 30 days). No interest is charged on outstanding trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Group	2020	2020	2019	2019
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**
Not past due: 0% (2019: 0%)	1 809 840	-	720 494	-
Less than 30 days past due: 0% (2019: 0%)	200	-	1 734 100	-
31 - 60 days past due: 0% (2019: 0%)	-	-	296 973	-
61 - 90 days past due: 0% (2019: 0%)	322 604	-	2 748 557	-
91 - 120 days past due: 0% (2019: 0%)	12 136 368	-	5 364 420	-
Total	**14 269 012**	**-**	**10 864 544**	-

Company	2020	2020	2019	2019
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**
Not past due: 0% (2019: 0%)	2 262 167	-	691 666	-
Less than 30 days past due: 0% (2019: 0%)	200	-	1 734 100	-
31 - 60 days past due: 0% (2019: 0%)	-	-	296 973	-
61 - 90 days past due: 0% (2019: 0%)	322 604	-	2 748 557	-
91 - 120 days past due: 0% (2019: 0%)	11 655 351	-	5 364 420	-
Total	**14 240 322**	**-**	**10 835 716**	**-**

Credit loss allowances

The company assessed the expected credit loss as being immaterial and therefore no credit loss allowance is reported. Trade receivables categorised in the 90 - 120 ageing category comprise one significant debtor, Kenilworth Racing Proprietary Limited. The company has entered into debt repayment agreement whereby Kenilworth Racing Proprietary Limited will repay the debtor in monthly instalments of R 120 000 until debt is repayed. Management has therefore assessed the debtor as low credit risk.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets held by the group which are measured at fair value, are as follows:

Financial assets at fair value through profit or loss	45 638 912	57 558 032	45 638 912	57 558 032
Mandatorily at fair value through profit or loss: Shares in Phumelela Gaming Leisure Limited Listed on the JSE.	1 210 108	5 902 968	1 210 108	5 902 968
Unit trusts Unit trusts are held with Coronation Fund Managers and Foord Unit Trusts Limited.	44 428 804	51 655 064	44 428 804	51 655 064
	45 638 912	**57 558 032**	**45 638 912**	**57 558 032**

Notes to the Consolidated Financial Statements (Cont.)

Figures in Rand	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Classification of financial assets at fair value through profit or loss				
Current assets	45 638 912	57 558 032	45 638 912	57 558 032
Reconciliation of carrying amount				
Listed shares - Phumelela Gaming Leisure Limited Opening balance	5 902 968	41 320 776	5 902 968	41 320 776
Interest received	5 693	6 470	5 693	6 470
Dividends received	-	1 829 920	-	1 829 920
Fair value adjustments through profit or loss	(4 692 859)	(35 417 808)	(4 692 859)	(35 417 808)
Withdrawal	-	(1 800 000)	-	(1 800 000)
Fees	(1 653)	(1 653)	(1 653)	(1 653)
Transfer of trading account to cash and equivalents	(4 041)	(34 737)	(4 041)	(34 737)
	1 210 108	5 902 968	1 210 108	5 902 968
Unit trusts - held with Coronation fund managers and Foord Unit Trust Limited Opening balance	51 655 064	50 450 905	51 655 064	50 450 905
Dividends received	324 847	522 656	324 847	522 656
Interest received	723 718	866 225	723 718	866 225
Fair value adjustment through profit or loss	5 225 175	(184 722)	5 225 175	(184 722)
Withdrawal	(13 500 000)	-	(13 500 000)	-
	44 428 804	51 655 064	44 428 804	51 655 064

Fair value information

Refer to note 28 Fair value information for details of valuation policies and processes.

Risk exposure

The investments held by the group expose it to various risks, including credit risk, interest rate risk and price risk. Refer to note 27 Financial instruments and risk management for details of risk exposure and the processes and policies adopted to mitigate these risks.

The credit quality of the investments held by the group can be assessed as high as the group only invests with reputable financial institutions.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Cash on hand	20 000	18 000	20 000	18 000
Bank balances	5 466 625	9 056 458	5 185 661	8 769 749
	5 486 625	9 074 458	5 205 661	8 787 749

Credit quality of cash at bank and short term deposits, excluding cash on hand. The credit quality of cash at bank and short term deposits, excluding cash on hand can be assessed as high as the company only banks with reputable financial institutions.

Notes to the Consolidated Financial Statements (Cont.)

	Group		Company	
	2020	2019	**2020**	2019
Figures in Rand	**R**	R	**R**	R

11. DEFERRED TAX

Deferred tax liability

Investment property	(26 626 343)	(26 626 343)	-	-

Deferred tax asset

Income received in advance	83 188	83 188	-	-

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(26 626 343)	(26 626 343)	-	-
Deferred tax asset	83 188	83 188	-	-
Total net deferred tax liability	**(26 543 155)**	**(26 543 155)**	**-**	**-**

Reconciliation of deferred tax asset / (liability)

At beginning of year	(26 543 155)	(26 516 154)	-	-
Movement in tax losses available for set off against future taxable income	-	56 187	-	-
Deductible temporaray movement on income received in advance	-	(83 188)	-	-
	(26 543 155)	**(26 543 155)**	**-**	**-**

The company, The Racing Association NPC was granted exemption from income tax in terms of section 10(1)(d)(iv)(bb) of the Income Tax Act.

12. TRADE AND OTHER PAYABLES

Financial instruments:				
Trade payables	1 644 079	664 293	1 634 228	663 833
Accrued audit fees	135 685	135 685	125 510	125 510
Other payables	108 752	472 254	108 752	472 254
Payroll liabilities	72 619	-	72 619	-
Non-financial instruments: Amounts received in advance	-	235 609	-	235 609
VAT	1 604	3 316	-	-
	1 962 739	**1 511 157**	**1 941 109**	**1 497 206**

Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	1 961 135	1 272 232	1 941 109	1 261 597
Non-financial instruments	1 604	238 925	-	235 609
	1 962 739	**1 511 157**	**1 941 109**	**1 497 206**

Exposure to liquidity risk

Refer to note 27 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Notes to the Consolidated Financial Statements (Cont.)

	Group		Company	
	2020	2019	**2020**	2019
Figures in Rand	**R**	R	**R**	R

13. DEFERRED INCOME

Membership fees are invoiced annually in advance during the month of June, giving rise to deferred income.

14. REVENUE

	Group 2020	Group 2019	Company 2020	Company 2019
Revenue from contracts with customers				
Membership subscriptions, nomination and acceptance fees	12 907 374	13 776 680	12 907 374	13 776 680
Revenue other than from contracts with customers				
Rental income	25 000	25 000	-	-
	12 932 374	13 801 680	12 907 374	13 776 680

Disaggregation of revenue from contracts with customers

The group disaggregates revenue from customers as follows:

	Group 2020	Group 2019	Company 2020	Company 2019
Rendering of services				
Membership subscriptions	1 020 974	1 160 248	1 020 974	1 160 248
Nomination and acceptance fees	11 886 400	12 616 432	11 886 400	12 616 432
	12 907 374	13 776 680	12 907 374	13 776 680
Timing of revenue recognition				
Over time				
Rendering of services	12 907 374	13 776 680	12 907 374	13 776 680

There are no performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

15. OTHER INCOME

	Group 2020	Group 2019	Company 2020	Company 2019
Administration and management fees received	240 000	240 000	240 000	240 000
Sale of servitude	-	267 390	-	-
	240 000	507 390	240 000	240 000

16. FAIR VALUE GAINS/(LOSSES)

	Group 2020	Group 2019	Company 2020	Company 2019
Financial assets at fair value through profit or loss	532 315	(35 602 530)	532 315	(35 602 530)

Notes to the Consolidated Financial Statements (Cont.)

	Group		Company	
	2020	2019	**2020**	2019
Figures in Rand	**R**	R	**R**	R
17. OPERATING EXPENSES				
Administration and management fees	439 640	433 292	439 640	433 292
Advertising and marketing	906 143	1 817 292	906 143	1 817 292
Amortisation	7 400	7 400	7 400	7 400
Auditors' remuneration	156 410	151 595	146 410	141 850
Asian Racing Conference 2020 - Contribution	1 000 000	-	1 000 000	-
COVID-19 Assistance to grooms	73 121	-	73 121	-
COVID-19 Relief grant to owners	4 482 708	-	4 482 708	-
COVID-19 Task Committee Contribution	150 000	-	150 000	-
Depreciation	167 962	302 673	68 892	197 306
Eastern Cape Chapter	757 943	971 146	757 943	971 146
Employee costs	5 146 528	6 422 658	5 146 528	6 422 658
Equine Health Fund - Contributions	1 000 000	1 000 000	1 000 000	1 000 000
Membership services	1 282 786	2 000 705	1 282 786	2 000 705
Northern Cape Chapter	198 365	165 898	198 365	165 898
Other expenses	2 073 928	2 004 544	2 029 818	1 976 261
RTA Benevolent Fund contributions	365 479	510 106	365 479	510 106
Stakes subsidy	5 212 428	-	5 212 428	-
Website	223 760	271 695	223 760	271 695
Western Cape Chapter	1 214 090	1 340 977	1 214 090	1 340 977
	24 858 691	17 399 981	24 705 511	17 256 586
18. INVESTMENT INCOME				
Dividend income	-	1 829 920	-	1 829 920
Equity instruments at fair value through profit or loss:				
Listed financial assets				
Unit trusts	324 847	522 656	324 847	522 656
Total dividend income	324 847	2 352 576	324 847	2 352 576
Interest income				
Investments in financial assets:				
Bank and other cash	266 917	703 058	266 157	702 144
Listed financial assets	-	6 470	-	6 470
Unit trusts	729 411	866 225	729 411	866 225
Total interest income	996 328	1 575 753	995 568	1 574 839
Total investment income	1 321 175	3 928 329	1 320 415	3 927 415
19. FINANCE COSTS				
Bank	81	524	81	524

	Group		Company	
	2020	2019	**2020**	2019
Figures in Rand	**R**	R	**R**	R

20. TAXATION

Major components of the tax expense

Current				
Local income tax - current period	-	164	-	-
Deferred				
Originating and reversing temporary differences	-	27 001	-	-
	-	**27 165**	**-**	**-**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting loss	(9 832 908)	(34 765 636)	(9 705 488)	(34 915 545)
Tax at the applicable tax rate of 28% (2019: 28%)	(2 753 214)	(9 734 378)	(2 717 537)	(9 776 353)
Tax effect of adjustments on taxable income	2 717 537	9 776 353	2 717 537	9 776 353
Exempt operations				
Sale of asset	-	(14 810)	-	-
Tax losses carried forward	35 677	-	-	-
	-	**27 165**	**-**	**-**

The company, The Racing Association NPC was granted exemption from income tax in terms of Section 10(1)(d0(iv)(bb) of the Income Tax Act.

21. CASH USED IN OPERATIONS

Loss before taxation	(9 832 908)	(34 765 636)	(9 705 488)	(34 915 545)
Adjustments for:	175 362	310 073	76 292	204 706
Depreciation and amortisation				
Dividend income	(324 847)	(2 352 576)	(324 847)	(2 352 576)
Interest income	(996 328)	(1 575 753)	(995 568)	(1 574 839)
Finance costs	81	524	81	524
Fair value (gains) losses	(532 315)	35 602 530	(532 315)	35 602 530
Changes in working capital:	(5 730 643)	(4 997 168)	(5 730 781)	(4 997 160)
Trade and other receivables				
Trade and other payables	451 582	(29 333)	443 903	405 765
Deferred income	(546 050)	(123 488)	(546 050)	(123 488)
	(17 336 066)	(7 930 827)	(17 314 773)	(7 750 083)

Notes to the Consolidated Financial Statements (Cont.)

	Group		Company	
	2020	2019	**2020**	2019
Figures in Rand	**R**	R	**R**	R

22. TAX PAID

Balance at beginning of the year	-	64	-	-
Current tax for the year recognised in profit or loss	-	(164)	-	-
	-	(100)	-	-

23. RELATED PARTIES

Relationships

Subsidiary	Randjesfontein Training Centre Proprietary Limited
Associated entities	Phumelela Gaming and Leisure Limited Kenilworth Racing Proprietary Limited The Thoroughbred Horseracing Trust
Directors	MF de Kock, GW Paddock, B Riley, W Smith, PM Sambo, GN Towell

Related party balances

Loan accounts - Owing (to) by related parties				
Randjesfontein Training Centre Proprietary Limited	-	-	77 347 513	77 332 725
Amounts included in trade receivable regarding related parties				
Phumelela Gaming and Leisure Limited	899 029	410 622	899 029	381 872
Kenilworth Racing Proprietary Limited	12 865 086	9 298 533	12 865 086	9 298 533
Amounts included in trade payables regarding related parties				
Phumelela Gaming and Leisure Limited	(682 672)	(177 738)	(682 672)	(177 738)
Kenilworth Racing Proprietary Limited	(841 700)	(355 612)	(841 700)	(355 612)
Related party transactions				
Rent received from related parties				
Phumelela Gaming and Leisure Limited	25 000	25 000	-	-
Rent paid to related parties				
Phumelela Gaming and Leisure Limited	146 049	66 013	146 049	66 013
Kenilworth Racing Proprietary Limited	45 648	69 504	45 648	69 504
Administration fees received from related parties				
The Thoroughbred Horseracing Trust	240 000	240 000	240 000	240 000
Administration fees paid to related parties				
Kenilworth Racing Proprietary Limited	439 060	432 742	439 060	432 742

Notes to the Consolidated Financial Statements (Cont.)

24. DIRECTORS' EMOLUMENTS

Executive

2020

	Emoluments	Total
L Wainstein	1 865 518	1 865 518

2019

	Emoluments	Total
L Wainstein	3 116 273	3 116 273

Non-executive

2020

	Directors' fees	Total
ME Leaf	36 900	36 900
GW Paddock	31 950	31 950
W Smith	38 250	38 250
	107 100	107 100

2019

	Directors' fees	Total
MK Naidoo	17 475	17 475
ME Leaf	41 625	41 625
GW Paddock	41 400	41 400
JJ Snaith	19 275	19 275
W Smith	10 950	10 950
	130 725	130 725

The other directors not listed above earned no salaries or fees for the period ending 31 July 2020.

25. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material subsequent events which occurred after the reporting date and up to the date of this report.

Notes to the Consolidated Financial Statements (Cont.)

26. GOING CONCERN

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

Following the implementation with effect from 26 March 2020 of governmental restrictions in light of the COVID-19 pandemic, all racing activities ceased for the months of April and May 2020, this having severely impacted cash flows and indeed operational viability across the racing industry. However, with the resumption of racing on 1 June 2020 and the subsequent move by government to lower regulatory and restrictive levels, the industry has begun to recover. The Racing Association has negotiated revised terms with debtors and with this in mind, management have assessed cash flows and reserves, concluding that these remain sound and sustainable.

Notes to the Consolidated Financial Statements (Cont.)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

Categories of financial assets

Group - 2020

	Note(s)	Fair value through profit or loss	Amortised cost	Total	Fair value
Investments at fair value	9	45 638 912	-	45 638 912	45 638 912
Trade and other receivables	8	-	16 269 012	16 269 012	16 269 012
Cash and cash equivalents	10	-	5 486 625	5 486 625	5 486 623
		45 638 912	**21 755 637**	**67 394 549**	**67 394 547**

Group - 2019

	Note(s)	Fair value through profit or loss	Amortised cost	Total	Fair value
Loans to group companies	7	-	61 918	61 918	61 918
Investments at fair value	9	57 558 032	-	57 558 032	57 558 032
Trade and other receivables	8	-	10 864 544	10 864 544	10 864 544
Cash and cash equivalents	10	-	9 074 458	9 074 458	9 074 458
		57 558 032	**20 000 920**	**77 558 952**	**77 558 952**

Company - 2020

	Note(s)	Fair value through profit or loss	Amortised cost	Total	Fair value
Loans to group companies	7	-	77 347 513	77 347 513	77 347 513
Investments at fair value	9	45 638 912	-	45 638 912	45 638 912
Trade and other receivables	8	-	16 240 322	16 240 322	16 240 322
Cash and cash equivalents	10	-	5 205 661	5 205 661	5 205 661
		45 638 912	**98 793 496**	**144 432 408**	**144 432 408**

Company - 2019

	Note(s)	Fair value through profit or loss	Amortised cost	Total	Fair value
Loans to group companies	7	-	77 394 643	77 394 643	77 394 643
Investments at fair value	9	57 558 032	-	57 558 032	57 558 032
Trade and other receivables	8	-	10 835 716	10 835 716	10 835 716
Cash and cash equivalents	10	-	8 787 749	8 787 749	8 787 749
		57 558 032	**97 018 108**	**154 576 140**	**154 576 140**

Categories of financial liabilities

Group - 2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	12	1 961 135	1 961 135	1 961 135

Group - 2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	12	1 272 232	1 272 232	1 272 232

Company - 2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	12	1 941 109	1 941 109	1 941 109

Company - 2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	12	1 261 597	1 261 597	1 261 597

Capital risk management

The group's objective when managing capital (which includes working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Notes to the Consolidated Financial Statements (Cont.)

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (interest rate risk).

The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Risk management is carried out by a financial department department under policies approved by the board. The board provides guidance for overall risk management.

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.

Credit risk arises from loans to group companies, trade and other receivables, cash and cash equivalents and financial assets at fair value through profit or loss. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to members on an ongoing basis. If members are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the member, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate.

Some credit limits were exceeded during the reporting period, however management does not expect any losses from non performance by these counterparties.

The maximum exposure to credit risk is presented in the table below:

Company	Notes	2020			2019		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Loans to group companies	7	77 347 513	-	77 347 513	77 394 643	-	77 394 643
Trade and other receivables	8	16 240 322	-	16 240 322	10 835 716	-	10 835 716
Cash and cash equivalents	10	5 205 661	-	5 205 661	8 799 881	-	8 799 881
		98 793 496	-	98 793 496	97 030 240	-	97 030 240

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented. The gross carrying amount for debt instruments at fair value through other comprehensive income is equal to the fair value because the credit loss allowance does not reduce the carrying amount. The credit loss allowance is only shown for disclosure purposes. Debt instruments at fair value through profit or loss do not include a loss allowance. The fair value is therefore equal to the gross carrying amount.

Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the available funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, financial department maintains flexibility in funding by maintaining availability under committed credit lines.

Notes to the Consolidated Financial Statements (Cont.)

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasting is performed in the operating entities of the group in and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements for example, currency restrictions.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts

Group - 2020

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	12	1 961 135	1 961 135	1 961 135

Group - 2019

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables		1 272 232	1 272 232	1 272 232

Company - 2020

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables		1 941 109	1 941 109	1 941 109

Company - 2019

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	12	1 261 597	1 261 597	1 261 597

Notes to the Consolidated Financial Statements (Cont.)

Interest rate risk
The company's interest rate risk arises from favourable bank balances.

Interest rate profile
The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

Group	Note	Average effective interest rate 2020	Average effective interest rate 2019	Carrying amount 2020	Carrying amount 2019
Variable rate instruments: Assets					
Cash and cash equivalents	10	3,70 %	5,90 %	5 466 623	9 056 458
Unit trusts - held with Coronation fund managers and Foord Unit Trust Limited		1,50 %	1,70 %	44 428 804	51 655 064
				49 895 427	60 711 522
Variable rate financial assets as a percentage of total interest bearing financial assets				100,00 %	100,00 %

Company	Note	Average effective interest rate 2020	Average effective interest rate 2019	Carrying amount 2020	Carrying amount 2019
Variable rate instruments: Assets					
Cash and cash equivalents	10	3,70 %	5,89 %	5 185 659	8 769 749
Unit trusts - held with Coronation fund managers and Foord Unit Trust Limited		1,50 %	1,70 %	44 428 804	51 655 064
				49 614 463	60 424 813
Variable rate financial assets as a percentage of total interest bearing financial assets				100,00 %	100,00 %

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group	2020	2020	2019	2019
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
Cash and cash equivalents 1% (2019:1%)	498 954	(498 954)	607 115	(607 115)

Company	2020	2020	2019	2019
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
Cash and cash equivalents 1% (2019:1%)	496 145	(496 145)	604 248	(604 248)

28. FAIR VALUE INFORMATION

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

		Group		Company	
		2020	2019	**2020**	2019
Figures in Rand	Note(s)	**R**	R	**R**	R
Assets					
Financial assets at fair value through profit or loss	9				
Listed shares		1 210 108	5 902 968	1 210 108	902 968
Unit trusts		44 428 804	51 655 064	44 428 804	51 655 064
Total		**45 638 912**	**57 558 032**	**45 638 912**	**57 558 032**

Fair value estimation

The carrying value less impairment provision of trade and other receivables, cash and cash equivalents and trade and other payables are assumed to approximate their fair values due to the short term nature of trade and other receivables, cash and cash equivalents and trade and other payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Detailed Income Statement

Figures in Rand	Note(s)	Group 2020 R	Group 2019 R	Company 2020 R	Company 2019 R
Membership subscriptions		1 020 974	1 160 248	1 020 974	1 160 248
Nomination and acceptance fees		11 886 400	12 616 432	11 886 400	12 616 432
Rental income		25 000	25 000	-	-
Revenue	14	**12 932 374**	**13 801 680**	**12 907 374**	**13 776 680**
Other operating income					
Administration fees		240 000	240 000	240 000	240 000
Sale of servitude		-	267 390	-	-
	15	**240 000**	**507 390**	**240 000**	**240 000**
Other operating gains (losses)					
Fair value gains (losses)		532 315	(35 602 530)	532 315	(35 602 530)
Expenses (Refer to page 50)		**(24 858 691)**	**(17 399 981)**	**(24 705 511)**	**(17 256 586)**
Operating loss		**(11 154 002)**	**(38 693 441)**	**(11 025 822)**	**(38 842 436)**
Investment income	18	1 321 175	3 928 329	1 320 415	3 927 415
Finance costs	19	(81)	(524)	(81)	(524)
Loss before taxation		**(9 832 908)**	**(34 765 636)**	**(9 705 488)**	**(34 915 545)**
Taxation	20	-	(27 165)	-	-
Loss for the year		**(9 832 908)**	**(34 792 801)**	**(9 705 488)**	**(34 915 545)**

Detailed Income Statement

Other operating expenses				
Administration and management fees	439 640	433 292	439 640	433 292
Advertising and marketing	906 143	1 817 292	906 143	1 817 292
Amortisation	7 400	7 400	7 400	7 400
Annual awards dinners	126 224	183 601	126 224	183 601
Annual general meeting	67 644	13 058	67 644	13 058
Asian Racing Conference 2020 - Contribution	1 000 000	-	1 000 000	-
Auditors remuneration	156 410	151 595	146 410	141 850
Bad debts	59 176	-	59 176	-
Bank charges	70 519	76 184	68 675	74 418
Brokerage fees	6 667	1 103	6 667	1 103
COVID-19 Assistance to grooms	73 121	-	73 121	-
COVID-19 Relief grant to owners	4 482 708	-	4 482 708	-
COVID-19 Task Committee Contribution	150 000	-	150 000	-
Consulting fees	12 375	35 000	12 375	35 000
Depreciation	167 962	302 674	68 892	197 306
Donations	94 678	144 974	94 678	144 974
Eastern Cape Chapter	757 943	971 146	757 943	971 146
Election costs	-	16 729	-	16 729
Employee costs	5 146 528	6 422 658	5 146 528	6 422 658
Entertainment	8 941	13 239	8 941	13 239
Equine Health Fund - Contributions	1 000 000	1 000 000	1 000 000	1 000 000
General expenses	72 080	72 629	72 080	72 525
Insurance	110 893	47 364	110 893	47 364
Leases of low value assets	146 049	153 730	146 049	153 730
Legal fees	71 392	1 918	56 545	-
Membership services	1 282 786	2 000 705	1 282 786	2 000 705
National Horse Trust - Contribution	286 000	375 000	286 000	375 000
Northern Cape Chapter	198 365	165 898	198 365	165 898
Printing and stationery	18 781	24 366	18 781	24 366
Professional fees	18 450	24 930	3 300	12 705
RTA benevolent fund contributions	365 479	510 106	365 479	510 106
Refreshments	48 869	52 313	48 869	52 313
Repairs and maintenance	404 608	274 033	392 339	261 764
Secretarial fees	17 750	5 950	17 750	5 950
Stakes subsidy	5 212 428	-	5 212 428	-
Telephone and fax	100 166	136 249	100 166	136 249
Travel - local	236 217	306 662	236 217	306 662
Trophies	96 449	45 511	96 449	45 511
Website	223 760	271 695	223 760	271 695
Western Cape Chapter	1 214 090	1 340 977	1 214 090	1 340 977
	24 858 691	**17 399 981**	**24 705 511**	**17 256 586**

Proxy Form

ANNUAL GENERAL MEETING TO BE HELD ON MONDAY 14 DECEMBER 2020 AT 18H00 IN THE CENTENARY ROOM, 3RD FLOOR, TURFFONTEIN RACECOURSE, PADDOCK ROOM, KENILWORTH RACECOURSE, AND RA ROOM, FAIRVIEW RACECOURSE

I (full name)

____

Of (Address)

____

being a Member of the Racing Association NPC hereby appoint

____

(Please fill in the name of a member who you know will be present at the AGM or alternatively, nominate "The Chairman")

As my proxy to vote for me and on my behalf at the Annual General Meeting of The Racing Association to be held on the Monday 14 December 2020 and at any adjournment thereof as follows:

Mark Applicable box with an X

	Yes	No	Abstain
1. To confirm the Minutes of the twenty first Annual General Meeting held on Monday 10 February 2020	☐	☐	☐
2. To consider the audited financial statements for the financial year ended 31 July 2020, including the Directors' report and the report of the auditors' thereon	☐	☐	☐
3. To authorise the directors to determine the Auditors remuneration for the past year and to appoint auditors for the coming year.	☐	☐	☐
4. To approve Special Resolution 1: Your Board will take the opportunity at the Annual General Meeting to present a revised MOI for the Racing Association for approval.	☐	☐	☐

______________________ ______________________

Signature Date

Note:

In terms of the Memorandum of Incorporation of the Racing Association NPC:

- A Member entitled to attend and vote at a General Meeting shall be entitled to appoint 1 (one) person as his proxy to attend, speak and vote at a General Meeting on his behalf.
- A proxy must be a Member in good standing.
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) shall be deposited or delivered by electronic mail to the address indicated on the form appointing the proxy, or delivered by any other format which the Directors may approve, at the office at any time before the commencement of the Annual General Meeting.
- E-mail to: natalie@racingassociation.co.za or by hand to The Racing Association, 14 Turf Club Street, Turffontein, Johannesburg.