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Preliminary reviewed results of Grand Parade Investments Limited (GPI) for the year ended 30 June 2014

GRAND PARADE
INVESTMENTS LIMITED

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Introduction

2014 was a year in which GPI took significant strides in implementing its growth strategy.

A reduction of 26% in adjusted HEPS to 22.5c reflects GPI's commitment to investing in future value and growth. This decline can be primarily attributed to significant investment in BURGER KING ®.

The effect on adjusted HEPS of the R53 million loss incurred in BURGER KING ® is material in isolation, but it does not provide the necessary detail with regards to the significant gains made in a mere 13 months to establish a world class brand projected to produce significant long term profits. In arguably a very tough trading environment BURGER KING ® managed to establish 18 stores and a scalable supply chain. BURGER KING ® also managed to contract on favourable terms with landlords and suppliers, and this will set a platform for growing BURGER KING ®.

Interpreting these results is further complicated by the disclosures required in terms of the various IFRS statements which arise as a result of several impending transactions, and these need to be studied closely to fully appreciate the implications.

The company believes that Net Asset Value is grossly understated, as was disclosed in the circular relating to the disposals of our businesses to Sun International and other parties. The value attributable to shareholders from these transactions will only materialise in the current year (FY15) once all the conditions precedent (to those transactions) have been fulfilled.

Highlights

Increase in Slots Group Gross Gaming Revenue

26%

Contributed to Corporate Social Investment projects

R8.2 million

Sale of significant gaming assets, subject to certain conditions precedent

Realising significant cash for reinvestment

BURGER KING ®

18 stores, employing in excess of 1 000 people

Condensed group statement of comprehensive income

for the year ended 30 June 2014

	Note	Preliminary 30 June 2014 R000's	Restated 30 June 2013 R000's
Continuing operations			
Revenue	1	134 976	15 593
Cost of sales	2	(85 107)	(3 288)
Gross profit		**49 869**	**12 305**
Operating costs	3	(165 385)	(49 590)
Loss from operations		**(115 516)**	**(37 285)**
Loss from equity-accounted investments	4	(255)	–
Remeasurement of investment	5	32 838	–
Gain on acquisition of investment	5	23 637	–
Depreciation and amortisation		(15 531)	(9 651)
Loss before finance costs and taxation		**(74 827)**	**(46 936)**
Finance income		8 621	4 502
Finance costs	6	(18 026)	(12 415)
Loss before taxation		**(84 232)**	**(54 849)**
Taxation	7	20 744	3 438
Loss for the year from continuing operations		**(63 488)**	**(51 411)**
Discontinued operations			
Profit for the year from discontinued operations	8	121 972	178 526
Profit for the year		**58 484**	**127 115**
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss			
Unrealised fair value losses on available-for-sale investments, net of tax		(5 189)	(1 887)
Total comprehensive income for the period		**53 295**	**125 228**
Loss for the year from continuing operations attributable to:			
– Ordinary shareholders		(52 937)	(49 454)
Profit for the year from discontinued operations attributable to:			
– Ordinary shareholders		121 972	178 526
Non-controlling interest		(10 551)	(1 957)
		58 484	**127 115**
Total comprehensive income attributable to:			
– Ordinary shareholders		63 846	127 185
– Non-controlling interest		(10 551)	(1 957)
		53 295	**125 228**

	Note	Cents	Cents	% change
Basic earnings per share	9	14.79	28.02	(47)
– Diluted basic earnings per share		14.73	28.02	(47)
Headline earnings per share	9	2.76	28.23	(90)
– Diluted headline earnings per share		2.75	28.23	(90)
Adjusted headline earnings per share	9	22.50	30.46	(26)
– Adjusted diluted headline earnings per share		22.41	30.46	(26)
Ordinary dividend per share		15.00	12.50	20
Special dividend per share		–	7.50	(100)

Condensed group statement of financial position

as at 30 June 2014

	Note	Preliminary 30 June 2014 R000's	Restated 30 June 2013 R000's
ASSETS			
Non-current assets	10	293 873	1 529 714
Assets classified as held for sale	8	1 640 743	–
Current assets	11	210 483	472 697
Total Assets		**2 145 099**	**2 002 411**
EQUITY AND LIABILITIES			
Total equity	12	1 681 277	1 649 098
Non-controlling interest		(12 575)	(1 957)
		1 668 702	**1 647 141**
Non-current liabilities			
– Deferred tax liability		16 660	12 107
– Cumulative redeemable preference shares	13	132 691	132 424
– Interest-bearing borrowings	13	60 000	83 436
– Provisions		490	768
– Finance lease liability		945	244
Liabilities classified as held for sale	8	155 532	–
Current liabilities	14	110 079	126 291
Total equity and liabilities		**2 145 099**	**2 002 411**

	Cents	Cents	% change
Net asset value per share (before deducting treasury shares)	344	358	(4)
Adjusted net asset value per share (after deducting treasury shares)	358	358	–
Tangible net asset value per share (before deducting treasury shares)	292	318	(8)
Adjusted tangible net asset value per share (after deducting treasury shares)	304	319	(15)

Condensed group statement of cash flows

for the year ended 30 June 2014

	Note	Preliminary 30 June 2014 R000's	Restated 30 June 2013 R000's
Cash flows from operating activities			
Net cash utilised in operations	15	(100 341)	(31 584)
Income tax paid		(1 950)	(1 310)
Finance income		8 621	4 502
Net cash from operating activities from discontinued operations		106 711	105 911
Net cash inflow from operating activities		**13 041**	**77 519**
Cash flows from investing activities			
Acquisition of plant and equipment		(75 118)	(31 111)
Acquisition of land and buildings		(41 858)	(78 555)
Acquisition of intangibles		(4 286)	(2 779)
Consideration from disposal of property, plant and equipment		24	–
Cash acquired through business combinations		5 930	–
Investments made		(43 331)	–
Consideration from the sale of investments		229	–
Dividends received		4 916	10 262
Net cash from investing activities from discontinued operations		34 087	72 318
Net cash outflow from investing activities		**(119 407)**	**(29 865)**
Cash flows from financing activities			
Dividend paid		(68 563)	(90 873)
Acquisition of treasury shares		(10 770)	–
Share issue expenses		(134)	–
Increase in loans advanced	16	9 595	78 435
Finance costs paid		(17 702)	(11 721)
Net cash from financing activities from discontinued operations		(32 109)	(25 424)
Net cash outflow from financing activities		**(119 683)**	**(49 583)**
Net decrease in cash and cash equivalents		(226 049)	(1 929)
Cash and cash equivalents at the beginning of year		403 218	405 147
Cash and cash equivalents at the end of year		**177 169**	**403 218**

Group statement of changes in equity
for the year ended 30 June 2014

	Capital redemption reserve fund R000's	Ordinary share capital R000's	Share premium R000's	Treasury shares R000's	Share-based payment reserve R000's	Available-for-sale fair value reserve R000's	Accumulated profits R000's	Non-controlling interest R000's	Total
Balance at 30 June 2012	**301**	**115**	**730 249**	**(2 346)**	**–**	**8 132**	**881 026**	**–**	**1 617 477**
Prior year error*	–	–	–	–	–	–	(3 938)	–	(3 938)
Restated balance	**301**	**115**	**730 249**	**(2 346)**	**–**	**8 132**	**877 088**	**–**	**1 613 539**
Total comprehensive income/(loss) for the year	–	–	–	–	–	(1 887)	129 072	(1 957)	125 228
– Profit/(loss) for the year	–	–	–	–	–	–	129 072	(1 957)	127 115
– Other comprehensive income	–	–	–	–	–	(1 887)	–	–	(1 887)
Dividends declared	–	–	–	–	–	–	(91 902)	–	(91 902)
Conversion of par value shares to non-par value shares	–	730 249	(730 249)	–	–	–	–	–	–
Treasury shares allocated to employees	–	–	–	276	–	–	–	–	276
Balance at 30 June 2013	**301**	**730 364**	**–**	**(2 070)**	**–**	**6 245**	**914 258**	**(1 957)**	**1 647 141**
Total comprehensive income/(loss) for the year	–	–	–	–	–	(5 189)	69 035	(10 551)	53 295
– Profit/(loss) for the year	–	–	–	–	–	–	69 035	(10 551)	58 484
– Other comprehensive income	–	–	–	–	–	(5 189)	–	–	(5 189)
Dividends declared	–	–	–	–	–	–	(68 964)	–	(68 964)
Dividends prescribed and written back	–	–	–	–	–	–	4 383	–	4 383
Acquisition of subsidiary	–	–	–	–	–	–	67	(67)	–
Shares issued	–	100 000	–	(70 639)	–	–	–	–	29 361
Share issue expenses	–	(134)	–	–	–	–	–	–	(134)
Treasury shares allocated to employees	–	–	–	–	–	–	–	–	–
Share-based payment reserve	–	–	–	–	3 620	–	–	–	3 620
Balance at 30 June 2014	**301**	**830 230**	**–**	**(72 709)**	**3 620**	**1 056**	**918 779**	**(12 575)**	**1 668 702**

* Refer to prior year error note on page 7.

Segmental analysis

IFRS 8: Operating Segments requires a "management approach" whereby segmental information is presented on the same basis as that used for internal reporting purposes to the chief decision maker/makers. The chief decision makers are considered to be the members of the Executive Committee, who review the group's internal reporting by industry.

SunWest International (Pty) Ltd (SunWest), Grand Casino Investments KZN (Pty) Ltd (Grand Casino KZN), Golden Valley Casino, Grand Casino Investments (Pty) Ltd (Grand Casino) and National Casino Resort Manco (Pty) Ltd (National Manco) are classified as Casinos. The GPI Slots group is classified as Slots. The Casino and Slots segments have been classified as assets held for sale and has been separately classified in the segment analysis below as discontinued operations. GPI House Properties (Pty) Ltd (GPI House Properties) is classified as Property. Grand Technologies (Pty) Ltd (Grand Tech) is classified as IT and BURGER KING® is classified as Food division. All other expenses, finance costs and overheads are classified as Corporate.

On 1 July 2013, GPI restructured its operations to effectively split the central services costs, classified under the Services segment in the prior period, between its investment/corporate function and the operating divisions. The restructure has impacted how the executive management review the business and as a result the following items have been reclassified in the current segment report. The results of the operating services costs have been reallocated between Slots and the remainder of the services costs have been reallocated to the Corporate segment. The split of the central costs was also applied retrospectively and was allocated on a proportionate basis using the head count numbers during the prior year.

The segments have been further amended to take into account the assets and liabilities held for sale due to the sale of certain investments as discussed below in note 8. The directors do not review the group's performance by geographical sector and therefore no such disclosure has been made. Listed below is a detailed segmental analysis.

	Preliminary 30 June 2014 R000's	Restated 30 June 2013 R000's	Preliminary 30 June 2014 R000's	Restated 30 June 2013 R000's
Continuing operations				
	Revenue		**Inter-segment Revenue**	
Property	838	366	13 348	2 987
Food	126 867	4 965	–	–
IT	436	–	5 406	–
Corporate	6 835	10 262	24 671	–
	134 976	**15 593**	**43 425**	**2 987**
Discontinued operations				
Casinos	556	1 953	–	–
Slots	599 060	471 739	–	69 574
	599 616	**473 692**	**–**	**69 574**
Continuing operations				
	Operating costs		**EBITDA**	
Property	8 143	939	8 982	1 306
Food	(108 101)	(22 688)	(66 547)	(20 920)
IT	(3 705)	–	(3 321)	–
Corporate	(61 722)	(27 841)	1 590	(17 671)
	(165 385)	**(49 590)**	**(59 296)**	**(37 285)**
Discontinued operations				
Casinos	–	–	127 860	116 626
Slots	(105 329)	(93 250)	142 444	103 226
	(105 329)	**(93 250)**	**270 304**	**219 852**

	Preliminary 30 June 2014 R000's	Restated 30 June 2013 R000's	Preliminary 30 June 2014 R000's	Restated 30 June 2013 R000's
Continuing operations				
	Finance income		**Finance costs**	
Property	729	85	(6 038)	(687)
Food	676	91	(71)	(159)
IT	–	–	(11)	–
Corporate	7 216	4 326	(11 906)	(11 569)
	8 621	**4 502**	**(18 026)**	**(12 415)**
Discontinued operations				
Casinos	–	–	–	–
Slots	1 499	1 714	(4 116)	(2 685)
	1 499	**1 714**	**(4 116)**	**(2 685)**
Continuing operations				
	Depreciation and amortisation		**Equity-accounted earnings**	
Property	(7 920)	(672)	–	–
Food	(5 623)	(287)	(255)	–
IT	(862)	–	–	–
Corporate	(1 126)	(8 692)	–	–
	(15 531)	**(9 651)**	**(255)**	**–**
Discontinued operations				
Casinos	–	–	127 304	114 672
Slots	(38 142)	(26 479)	–	–
	(38 142)	**(26 479)**	**127 304**	**114 672**
Continuing operations				
	Taxation		**Profit after tax**	
Property	1 219	(9)	(3 028)	23
Food	18 879	5 074	(52 686)	(16 202)
IT	–	–	(4 194)	–
Corporate	646	(1 627)	(3 580)	(35 232)
	20 744	**3 438**	**(63 488)**	**(51 411)**
Discontinued operations				
Casinos	–	–	127 860	116 625
Slots	(107 573)	(13 876)	(5 888)	61 901
	(107 573)	**(13 876)**	**121 972**	**178 526**
Continuing operations				
	Total assets		**Total liabilities**	
Property	169 774	133 164	(70 159)	(75 727)
Food	179 548	83 512	(42 625)	(20 883)
IT	9 012	–	(7 966)	–
Corporate	146 022	313 955	(200 115)	(135 972)
	504 356	**530 631**	**(320 865)**	**(232 582)**
Discontinued operations				
Casinos	1 179 507	1 092 469	–	–
Slots	461 236	379 311	(155 532)	(122 688)
	1 640 743	**1 471 780**	**(155 532)**	**(122 688)**

Accounting policies and basis of preparation

The preliminary reviewed condensed consolidated Annual Financial Statements (AFS) have been prepared on the historical cost basis, except where stated otherwise, in accordance with International Financial Reporting Standards (IFRS) and the Listing Requirements of the JSE Limited (JSE) and are presented in terms of disclosure requirements set out in IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa. The accounting policies applied are consistent with those applied in the financial results for the year ended 30 June 2013, with the exception of the following new and amended standards which are effective for the financial year.

Statement	Name	Effective Date	Effect
IFRS 10	Consolidated financial statements	01-Jan-13	No material effect, only additional disclosure required.
IFRS 11	Joint Arrangements	01-Jan-13	
IFRS 12	Disclosures of interests in other entities	01-Jan-13	
IFRS 13	Fair Value measurement	01-Jan-13	
IAS 28	Investments in Joint Ventures and Associates	01-Jan-13	
IAS 1	Clarification of requirements for comparative information	01-Jan-13	Clarifications of requirements around comparatives, especially in the instances of restatements. No material effect, only additional disclosure required.
IAS 32	Income tax consequences of distributions to holders of an equity instrument, and of transaction costs of an equity transaction	01-Jan-13	To clarify that income tax related to distributions to equity holders and income tax related transaction costs of an equity transaction would be accounted for in accordance with IAS 12 Income Taxes (this includes determining whether the income tax is recognises in profit and loss or immediately in equity). No material effect, only additional disclosure required.
IAS 34	Segment reporting disclosures in interim financial statements	01-Jan-13	To align the disclosure requirements in IAS 34 with those of IFRS 8. To clarify that total assets for a particular reportable segment need only be disclosed when both: The amounts are regularly provided to the chief operating decision maker, and There has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. No material effect, only additional disclosure required.

Audit opinion

Our auditors, EY (previously known as Ernst & Young), have reviewed the condensed consolidated results contained herein. Their unmodified reviewed report is available for inspection at the company's registered office.

Prior year error

During the current year management identified areas of non-compliance in some of the subsidiaries of GPI related to the VAT status of suppliers which stemmed from the fact that the legacy accounting system was not configured to distinguish between VAT registered vendors and non-VAT registered vendors. The total impact of the error was quantified and disclosed to the South African Revenue Services (SARS) as part of the voluntary disclosure programme. Management has corrected the treatment by way of month end adjustments, until such time as the accounting system can be reconfigured to distinguish between the VAT status of suppliers.

Accounting policies and basis of preparation *continued*

	Restated 30 June 2013 R000's	Restated 30 June 2012 R000's
Statement of financial position		
Increase in income tax receivable	1 664	1 147
Increase in trade and other payables	(8 063)	(5 085)
Statement of changes in equity		
Decrease in opening balance	(3 938)	(2 050)
Decrease in net profit after tax	(2 461)	(1 888)
Statement of comprehensive income		
Decrease in revenue	(68)	(76)
Increase in cost of sales	(2 381)	(1 850)
Increase in operating costs	(32)	(99)
Increase in finance cost	(497)	(307)
Decrease in operating profit	(2 978)	(2 332)
Taxation		
Decrease in taxation	(517)	(444)
Decrease in net profit after tax	(2 461)	(1 888)
	Cents	Cents
Basic and diluted earnings per share	(0.53)	(0.40)
Headline and diluted headline earnings per share	(0.53)	(0.40)
Adjusted and diluted adjusted headline earnings per share	(0.54)	(0.40)

Notes to the financial statements

Due to GPI entering into sale agreements to sell various investments, the related assets and liabilities have been separately disclosed in terms of IFRS 5 – Non-current Assets held for Sale and Discontinued Operations. As these investments represents the Slots and Casino segments it meets the definition of a discontinued operation and as a result the statement of comprehensive income comparative figures were restated as required by IFRS 5. The effect of these transactions are disclosed in note 8.

The explanations contained in these results have taken the above effect into account.

1. Revenue

   Revenue from continuing operations comprises mainly of food sales from GPI's food division, dividends received from Grindrod Bank Limited (Grindrod), IT fees and rental income. Food sales from BURGER KING ® amounted to R127 million for the year.

2. Cost of sales

   Costs of sales consists mainly of food costs. Food costs were higher than what is expected due to the temporary practice of importing of goods.

3. Operating costs

   Overall operating costs increased as a result of the additional establishment costs of BURGER KING ®.

   Included in operating costs are transaction costs to the value of R21 million which have been incurred during the year. R13 million of these costs relate to the lottery bid, the remainder relates to all other deals undertaken during the year. Transaction costs are added back in adjusted headline earnings.

4. Profit from equity-accounted investments

   Profit from equity-accounted investments is made up of profits of R0.1 million from Mac Brothers Catering Equipment (Pty) Ltd (Mac Brothers) for the period since acquiring our 22.2% interest and losses of R0.4 million from equity-accounted investments from the food group in respect of the joint venture with Excellent Meat.

5. IFRS 3 Business Combinations

   During 2012 GPI made an offer to acquire the remaining 41% interest in Grand Casino KZN which GPI did not already own. On 20 November 2013 all conditions precedent were met and the deal was concluded. Grand Casino KZN owns a 24.9% stake in Dolcoast, which in turns owns 22.4% of Afrisun KZN (Pty) Ltd (Sibaya Casino). This investment provided GPI with an effective 5.6% stake indirectly in Sibaya Casino. The R33 million relates to the remeasurement of the 59% previously held interest in Grand Casino KZN and arose due to acquiring 100% of this investment. A detailed fair value assessment of Grand Casino KZN was conducted at the time of this transaction and a R24 million gain on bargain purchase on the acquisition of the investment adjustment was accounted for. The cost of this investment is included in the cash flow as investments made during the year.

   On 2 August 2013 GPI announced that the Mpumalanga Gambling Board (MGB) had approved the transfer of the LPM Route Operator License held by Zimele Slots Mpumalanga (Pty) Ltd (Zimele) to Grand Gaming Mpumalanga (Pty) Ltd (GGM), a wholly-owned subsidiary of GPI Slots. The acquisition became unconditional on 17 July 2013 when the MGB approved the acquisition and transfer of the route operator license resulting in GGM formally gaining control of the business on 18 July 2013. The only tangible assets acquired were the assets as defined per the agreement, which mostly consisted of property, plant and equipment. As for intangible assets the route operator license and site operator licenses were identified as intangible assets. No other intangible assets have been identified.

   On 2 August 2013 GPI announced that, through its 100% held subsidiary GPI Slots, it had entered into an agreement to acquire 100% of the issued share capital and loan accounts of Bohwa 1 (Pty) Ltd (Grand Gaming Hot Slots). The effective date of the deal was 17 December 2013. As per IFRS 3R the acquirer, GPI Slots is required to identify all the assets purchased and liabilities assumed and to recognise these items, separately from goodwill, at the fair value on the acquisition date. As for intangible assets the route operator license, site operator licenses, brand and trademarks were identified as intangible assets. No other intangible assets have been identified.

   On 1 July 2013 Grand Capital Investment Holding (Pty) Ltd (GCI) acquired an 85% interest in Grand Tech. This acquisition is part of the group's stated objective of investing in its own Information Technology infrastructure. The non-controlling interest in Grand Tech was based on the proportionate share of net assets.

   Goodwill on the above acquisitions has arisen as a result of expected synergies, whereas the gain on acquisition of Grand Casino KZN has arisen from a discounted consideration paid for the fair value of the net assets acquired. The discount realised can be attributed to the appreciation of the Dolcoast asset during the interim period of negotiations.

Acquisition date	**Grand Casino KZN 20 November 2013**	**Zimele 18 July 2013**	**Hotslots 17 December 2013**	**Grand Tech 01 July 2013**
Economic percentage acquired	41%	–	100%	85%
Voting percentage acquired	60%	–	100%	85%
Revenue since acquisition (R000s)	6 461	44 480	32 746	6 982
Profit/(loss) since acquisition (R000s)	6 557	(3 006)	(1 523)	(4 194)
Revenue if acquired on 1 July 2013 (R000s)	10 365	44 480	58 363	6 982
Profit/(loss) if acquired on 1 July 2013 (R000s)	10 531	(3 006)	(3 543)	(4 194)
Identifiable assets and liabilities				
Investment in associate	119 302	–	–	–
Property, plant and equipment	–	554	14 080	2 281
Intangible assets	–	4 836	28 002	–
Trade and other receivables	–	–	2 704	1 386
Cash and cash equivalents	4 672	–	2 261	1 258
Deferred tax liabilities	(15 013)	(1 509)	(7 751)	–
Related party loans	–	–	(92 042)	(1 450)
Trade and other payables	(120)	–	(6 381)	(3 918)
Total identifiable net assets at fair value	108 841	3 881	(59 127)	(443)
Goodwill/(Gain on acquisition of investment)	(23 637)	2 869	32 085	376
Non-controlling interest	–	–	–	67
Loans acquired	–	–	92 042	–
Fair value of existing equity interest	(31 378)	–	–	–
Remeasurement of investment	(32 838)	–	–	–
Purchase consideration	20 988	6 750	65 000	–
Purchase consideration made up as follows				
Cash paid in respect of acquisition	20 988	6 750	25 000	–
Shares issued	–	–	40 000	–
	20 988	6 750	65 000	–
Analysis of cash flow on acquisition				
Net cash acquired on acquisition	4 672	–	2 261	1 258
Cash paid in respect of acquisition	(20 988)	(6 750)	(25 000)	–
Net cash outflow	(16 316)	(6 750)	(22 739)	1 258

6. Finance costs

Finance costs increased year on year as a result of the long term loan that was received at the end of the 2013 financial year from Sanlam Capital Markets (SCM) in respect of our head office building.

7. Taxation

The tax charge in the statement of comprehensive income decreased compared to the prior year due to BURGER KING ® only being part of the group for six weeks during the prior year, whereas during the current year an additional R19 million deferred tax asset was raised, as a result of
losses incurred.

8. Discontinued operations and assets held for sale

Due to GPI entering into sale agreements to sell various investments, the related assets and liabilities have been separately disclosed on the statement of financial position and statement of comprehensive income as required by IFRS 5.

As these investments include the Slots and Casino segments it is considered to be a separate major line of business, and therefore meet the definition of discontinued operations and as a result the statement of comprehensive income and statement of cash flows comparative figures have been restated as required by IFRS 5.

While GPI currently owns 100% of the Slots group it plans to dispose of 70% of GPI Slots in three separate tranches with the effective date of the first tranche of 25% being 1 July 2014. As the sale of the first tranche gives rise to a loss in control of the assets and liabilities of the Slots group it has been disclosed as held for sale.

Currently GPI owns 25.1% in SunWest and Worcester respectively and an effective indirect stake of 5.6% in Sibaya Casino through its investment in Dolcoast. In terms of the sale agreement, GPI will sell these investments during the next twelve months once all conditions precedent have been met.

The holding in National Manco, an available for sale instrument, is also being disposed of in this transaction. The investment is carried at its fair value of R1 million, based on the agreed transaction price, which is considered to be the best indication of the fair value of this investment. This measurement basis results in the asset being considered a level 3 investment (i.e. that the valuation is based on unobservable inputs). No significant change in the valuation is expected to impact the profit and loss and therefore no sensitivity has been provided.

Overall Gross Gaming Revenue (GGR) from the Slots group increased by 26% compared to the prior year. GGR is the term used for the net revenue generated by a limited payout machine (LPM) from the amount of cash played through the LPM less payouts to players. Cost of sales mainly consists of cost of sales in respect of LPM's, which includes direct costs such as commissions to site owners, gambling levies and monitoring fees. Cost of sales in respect of LPM's increased by 29%, due to additional taxes incurred as a result of the additional revenues. Included in the tax charge in the statement of comprehensive income is the deferred tax effect of R70 million as a result of the decision to sell these assets.

Profit from equity-accounted investments relates to the profit from SunWest and Grand Casino KZN. No profit from Worcester has been recognised due to the company making losses during the year and the cumulative losses since acquisition exceeding the original cost, resulting in a carrying value of nil.

The results of the Slots group, SunWest, Dolcoast and National Manco for the year are presented below.

Statement of Comprehensive Income	Preliminary 2014 R000's	Restated 2013 R000's
Revenue	599 616	473 692
Cost of Sales	(351 287)	(275 262)
Gross Profit	**248 329**	**198 430**
Operating costs	(105 329)	(93 250)
Profit from operations	**143 000**	**105 180**
Profit from equity-accounted investments	127 304	114 672
Depreciation and amortisation	(38 142)	(26 479)
Profit before finance costs and taxation	**232 162**	**193 373**
Finance income	1 499	1 714
Finance costs	(4 116)	(2 685)
Profit before taxation	**229 545**	**192 402**
Taxation	(107 573)	(13 876)
Profit for the year from discontinued operations	**121 972**	**178 526**
Statement of financial position		
ASSETS		
NON-CURRENT ASSETS		
Investments in jointly-controlled entities	1 056 924	
Investment in associates	121 283	
Investments	1 300	
Goodwill	160 902	
Property, plant and equipment	132 130	
Intangible assets	85 006	
Deferred tax assets	2 887	
CURRENT ASSETS		
Inventories	1 419	
Trade and other receivables	40 260	
Related party loans	3 887	
Income tax receivable	3 058	
Cash and cash equivalents	31 687	
TOTAL ASSETS	**1 640 743**	
NON-CURRENT LIABILITIES		
Finance lease liabilities	1 773	
Deferred tax liabilities	88 932	
Provisions	1 653	
CURRENT LIABILITIES		
Trade and other payables	54 172	
Provisions	4 478	
Related party loans	–	
Finance lease liabilities	516	
Taxation	4 008	
TOTAL EQUITY AND LIABILITIES	**155 532**	
NET ASSETS DIRECTLY ASSOCIATED WITH DISCONTINUED OPERATIONS	**1 485 211**	
	Cents	Cents
Basic earnings per share	26.20	31.92
Diluted basic earnings per share	41.00	31.92

9. Headline earnings, HEPS and adjusted HEPS

Headline earnings per share (HEPS) decreased by 90% while adjusted HEPS decreased by 26%. The main reason for the decrease when compared to the prior year is the additional establishment costs incurred in BURGER KING ®, which is consistent with the growth phase of a business.

	Preliminary 30 June 2014 R000's	Restated 30 June 2013 R000's
Headline earnings reconciliation		
Profit for the year	58 484	127 115
Less non-controlling interest	(10 551)	(1 957)
Profit for the year attributable to ordinary shareholders	69 035	129 072
Remeasurement of investment	(32 838)	–
Gain on acquisition of investment	(23 637)	–
Impairment of plant and equipment	–	316
Loss on sale of property, plant and equipment	190	733
Adjustments by jointly-controlled entities	253	167
– Loss on disposal of plant and equipment	253	167
Tax effect on above	(124)	(252)
Headline and diluted headline earnings	**12 879**	**130 036**
Reversal of employee share trust	(156)	73
Reversal of transaction costs	21 580	9 904
Reversal of IAS 12 tax adjustment	69 885	–
Adjusted headline and diluted adjusted headline earnings	**104 188**	**140 013**

	000's	000's
Reconciliation of the number of shares		
Shares in issue (before deducting treasury shares)	484 403	460 680
Shares in issue (after deducting treasury shares)	466 170	459 648
Weighted average number of shares in issue	466 738	460 680
Adjusted weighted average number of shares in issue	462 985	459 623
Diluted weighted average number of shares in issue	468 719	460 680
Diluted adjusted weighted average number of shares in issue	464 966	459 623

	Cents	Cents
Basic earnings per share	14.79	28.02
Diluted earnings per share	14.73	28.02
Headline earnings per share	2.76	28.23
Diluted headline earnings per share	2.75	28.23
Adjusted headline earnings per share	22.50	30.46
Adjusted diluted headline earnings per share	22.41	30.46
Ordinary dividend per share paid#	15.00	12.50
Special dividend per share#	–	7.50

Final and special dividend declared in respect of the previous financial year and paid in October.

10. **Non-current assets**
Comparatively non-current assets decreased as a result of disclosing the Slots group, SunWest, Worcester and Dolcoast as Assets Held for Sale. Remaining in non-current assets are property, plant and equipment acquired as a result of the establishment of BURGER KING ® stores and our initial investment of 22.2% in Mac Brothers amounting to R22 million which was accounted for as an associate at year end. Subsequent to year end we acquired a further 42.8% in Mac Brothers.

11. **Current assets**
Current assets decreased as a result of a decrease in cash and cash equivalents. The cash utilised during the year was mainly used to fund the expansion of BURGER KING ®, the acquisition of LPMs, new investments and servicing of debt.

12. **Increase in shares**
During the year 8.9 million and 14.8 million ordinary GPI shares to the value of R40 million and R60 million respectively were issued, which related to the purchase price of Grand Gaming Hot Slots and the establishment of the GPI Womens BBBEE Trust. The shares issued to the GPI Womens BBBEE Trust has been accounted for as treasury shares. In addition 2.5 million treasury shares were acquired at an average price of 431 cents per share in anticipation of the exercising of the options awarded to executives during October 2013.

13. **Non-current liabilities**
During the year R32 million was repaid in respect of term loans. No capital amounts have been repaid on the cumulative redeemable preference shares.

14. **Current liabilities**
Current liabilities mainly comprise trade and other payables of R69 million, the current portion of the term loans with SCM of R7 million, dividends payable of R8 million, the current portion of finance leases of R1 million and R25 million relating to the facility with The Standard Bank of South Africa.

15. **Cash generated from operations**
The reconciliation of net profit for the period to cash generated by operations is as follows:

	Preliminary 30 June 2014 R000's	Restated 30 June 2013 R000's
Loss before tax	**(84 232)**	**(54 849)**
Depreciation and amortisation	15 531	9 651
Finance income	(8 621)	(4 502)
Finance costs	18 026	12 415
Non cash staff costs	(98)	276
Share-based payment expense	3 029	–
Loss on sale of property, plant and equipment	(21)	–
Dividends received	(4 916)	(10 262)
Loss from equity-accounted investments	255	–
Remeasurement of investment	(32 838)	–
Gain on acquisition of investment	(23 637)	–
Net cash utilised in operations before working capital movements	**(117 522)**	**(47 271)**
Increase in inventories	(9 150)	(300)
(Increase)/decrease in trade and other receivables	(39 696)	1 270
Increase in trade and other payables	66 027	14 717
Net cash utilised from operations	**(100 341)**	**(31 584)**

16. Increase in loans

	Note	Preliminary 30 June 2014 R000's	Restated 30 June 2013 R000's
Loans receivable recovered		–	3 491
Loans receivable advanced		(10 232)	(1 450)
Employee loans receivable recovered		1 112	1 762
Finance leases received	14	1 188	–
Finance leases repaid	14	(37)	–
Term loans repaid		(7 436)	(368)
Term loans received	14	25 000	75 000
Net loans advanced		9 595	78 435

Review of operations

Casino Group

SunWest

SunWest consists of GrandWest Casino and the Table Bay Hotel.

GrandWest's revenue increased by 8.2% when compared to the prior year and its EBITDA increased by 5.6% to R833 million. These increases translated into a 0.5% increase in GrandWest's profit after tax to R489 million. As GPI's major investment we are very pleased with the results for the period and acknowledge the effort that GrandWest's management team have put in to achieve these results.

The Table Bay Hotel incurred a loss after tax for the year of R25 million despite showing a R23 million operating profit. Pleasingly, the loss for the year is 45.4% lower than the prior year. The current year EBITDA of R50 million is 127% higher than that of the prior year and most encouragingly the revenue of R233 million has increased by 28.6% compared to the prior year.

Golden Valley Casino

Golden Valley Casino's revenue increased by 12.2% to R144 million. Its EBITDA however decreased by 6.3% to R27 million and its EBITDA percentage decreased by 3.6% to 18.5% (22.2%). These decreases resulted in a loss after tax of R0.1 million (R1 million profit after tax).

Grand Casino KZN

GPI acquired the remaining 41% of Grand Casino KZN on 20 November 2013 and in so doing became the 100% owner of this entity. Grand Casino KZN has been consolidated from this time and the share of profits from Dolcoast has been accounted for as part of the assets held for sale.

Slots Group

The group now owns and operates a total of 5 LPM Route Operator Licences in South Africa since the acquisition of Hot Slots. Together with our other four licences namely; Grandslots, Kingdomslots, Grand Gaming Mpumalanga and Grand Gaming Gauteng, the group now has access to a possible 5 000 LPMs.

GPI previously announced that its wholly-owned subsidiary, GPI Slots concluded an agreement to acquire the shares and operations of Gold Circle KwaZulu-Natal Slots (Pty) Ltd, trading as KZN Slots (KZN Slots). All conditions precedent were met on 6 August 2014 when the KZN Gambling Board approval was received. The total purchase price paid in respect of the acquisition of KZN Slots (the KZN Slots Purchase Consideration) amounted to R78 million.

The group continue to explore LPM expansion opportunities in South Africa and abroad, with new and existing bingo licences being pursued in the rest of the country.

	Revenue Preliminary 30 June 2014 R000's	Revenue Restated 30 June 2013 R000's
Gaming revenue		
– *Grandslots*	323 230	281 107
– *Kingdomslots*	173 130	142 817
– *Grand Gaming Gauteng*	52 809	39 425
– *Grand Gaming Hotslots*	31 948	–
– *Grand Gaming Mpumalanga*	4 328	–
Gross Gaming Revenue	**585 445**	**463 349**
– Other Gaming Revenue	13 615	8 390
	599 060	471 739

Food Group

During the year BURGER KING ® South Africa opened a total of 18 stores in Gauteng, Western Cape and KwaZulu-Natal, and served more than 1.8 million customers. In addition the company trained and certified more than 1000 staff members. BURGER KING ®'s beef patty plant, a Joint Venture with Excellent Meat, officially opened in May 2014 and was certified by BURGER KING ® World Wide in June 2014, further enforcing our commitment to localise our supply chain. This dedicated plant is the first of its kind in Africa and has the ability to meet the growing demand of BURGER KING ® South Africa as well as servicing an export market.

CONTINGENT LIABILITIES

The contingent liability relating to the additional assessment which was disclosed at the end of June 2013 was resolved with SARS and the R16 million paid to SARS in this regard was refunded.

No provision for penalties was raised in respect of the incorrect treatment of VAT as discussed in the prior year error note. The group has embarked on a voluntary disclosure process with SARS.

RELATED PARTY TRANSACTIONS

The group, in the ordinary course of business, entered into various transactions with related parties. Any intra-group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the group as presented.

DIVIDENDS

The company has reaffirmed its policy of being dividend active, but has delayed an announcement of a dividend until such time as the proceeds from the sale of its gaming assets to Sun International and other parties is certain, and all conditions precedent have been met.

SUBSEQUENT EVENTS

On 23 July 2014, Grand Foods acquired a further 42.8% of Mac Brothers for a cash consideration of R43 million thereby increasing its total investment to 65.8%.

The KZN Slots Purchase Consideration will be settled in a combination of a cash payment of 80%, equating to R63 million and an issue of shares equating to 20% or R15 million (the KZN Slots Acquisition Issue). The number of shares to be issued in terms of the KZN Slots Acquisition Issue will be calculated by dividing R15 million by a subscription price per GPI share equal to the 30 day volume weighted average trading price (VWAP) of GPI shares on the JSE, for the 30 day period immediately preceding 1 July 2014.

On 30 July 2014, GPI, through its wholly owned subsidiary GPI Investments 1 (Pty) Ltd entered into an agreement with Spur Corporation Limited (Spur) whereby GPI will subscribe for 10% of the issued share capital of Spur for a total consideration of R295 million. The purchase consideration represents a 10%, B-BBEE lock-in, discount to the VWAP of Spurs shares on the JSE Limited for the 90 days trading prior to 30 July 2014. This transaction is still subject to certain conditions precedent.

No information in respect of the fair value of assets and liabilities has been disclosed as the purchase price allocation has not yet been completed on any of the business combinations mentioned in this subsequent events section.

DIRECTORATE

Mogamat Faldi Samaai resigned as non-executive director on 2 June 2014 in order to take on an executive position in our property division as property executive.

PROSPECTS

The domestic economy remains under pressure with high inflation, slow growth and a cycle of increasing interest rates. Trading conditions will consequently remain under pressure for our Gaming and Food assets.

BURGER KING ® is projected to break-even in the short-term and will no longer require any further cash investment from GPI beyond June 2015. The expansion of BURGER KING ® locally as well as within the African countries to which GPI has the rights, will be continued and explored to such an extent that it is envisaged that the income that is foregone through the sales of the Gaming assets will be replaced by the remaining assets, by 2016. Beyond 2016, the potential growth in revenues and profitability is projected to justify the decision to re-position GPI through the sale of assets where growth has plateaued.

The company's strong balance sheet, positions it well to take advantage of the current economic circumstances that prevail and to pursue its strategic goals.

Any statements included in this announcement which may be construed as general profit forecasts has not been reviewed or reported on by the company's auditors.

For and on behalf of the board

H Adams	A Keet
Executive Chairman	*Chief Executive Officer*
27 August 2014	27 August 2014

Prepared by: Financial Director, S Petersen, CA(SA)

Released date: 28 August 2014

DIRECTORS

H Adams (Executive Chairman), A Abercrombie, A Bedford#, W Geach#*, A Keet (Chief Executive Officer), S Petersen (Financial Director), Dr N Maharaj#*, N Mlambo#, C Priem#* (# non-executive * independent)

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GRAND PARADE

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