GRAND PARADE
INVESTMENTS LIMITED

Grand Parade Investments Limited (GPI)

Provisional reviewed results for the year ended 30 June 2010

Headlines

Against recessionary trends GPI was able to:

- *invest **R192 million** and become a leading slots operator;*
- *invest **R28 million** in increasing its direct stake in SunWest to over **30%**;*
- *invest **R4 million** in increasing its stake in Golden Valley Casino to **44,4%** and achieve joint control;*
- *grow its indirect stake in Sibaya through Akhona GPI's increased stake in Dolcoast, which increased from **18,5%** to **23%**;*
- *maintain its commitment of being dividend active in matching last year's 7,5 cents declaration; and*
- *increase its net asset base by **8%** and contain its decline in adjusted headline earnings per share to **7%**.*

Condensed group statement of comprehensive income

	Notes	Reviewed 30 June 2010 R'000s	Restated 30 June 2009 R'000s	% change
Revenue	1	**6 329**	6 733	(6)
Operating costs	2	**(26 958)**	(13 190)	104
Loss from operations		**(20 629)**	(6 457)	219
Profit from equity-accounted investments	3	**117 626**	130 492	(10)
Profit from jointly controlled entities		**82 199**	97 600	(16)
Profit from associates		**35 427**	32 892	8
Bargain purchase price	4	**–**	80 623	(100)
Remeasurement of investment	5	**42 488**	–	100
Net income before finance costs and taxation		**139 485**	204 658	(32)
Finance costs	6	**(29 834)**	(31 938)	(7)
Net profit before tax		**109 651**	172 720	(37)
Taxation		**(1 085)**	(1 000)	9
Net profit for the year		**108 566**	171 720	(37)
Other comprehensive income				
Unrealised fair value gains/(losses) on available-for-sale investments, net of tax		**3 950**	(3 134)	
Change in reserves from equity-accounted investments, net of tax		**22 391**	–	
Total comprehensive income for the year		**134 907**	168 586	
Net profit for the year attributable to:				
Ordinary shareholders		**108 566**	171 720	
Non-controlling interest*		**–**	–	
		108 566	171 720	
Total comprehensive income attributable to:				
Ordinary shareholders		**134 907**	168 586	
Non-controlling interest*		**–**	–	
		134 907	168 586	
Basic and diluted earnings per share (cents)		**23,89**	37,17	
Adjusted basic and diluted earnings per share (cents)		**24,20**	37,17	
Headline earnings per share (cents)		**15,45**	20,88	
Adjusted headline earnings per share (cents)		**19,52**	20,89	
Dividends paid per share (cents)		**7,50**	10,00	

* There is no non-controlling interest in the above results of the GPI group as the GPI group only took control of Carentan Investments (Pty) Limited (**Carentan**) on 30 June 2010, the last day of the financial year, and commenced consolidating Carentan's results from that date.

	Notes	30 June 2010 R'000s	30 June 2009 R'000s	
Headline earnings reconciliation				
Basic earnings		**108 566**	171 720	
Remeasurement of investment		**(42 488)**	–	
Bargain purchase price		**–**	(80 623)	
Profit on sale of investment		**–**	(213)	
Loss on sale of plant and equipment		**–**	12	
Adjustments by jointly controlled entities		**1 871**	53	
– Loss on disposal of plant and equipment**		**682**	53	
– Fair value adjustment**		**1 189**	–	
Adjustments by associates		**3 105**	5 495	
– Impairment of casino licence		**3 870**	3 613	
– Realised investment profits		**(664)**	(869)	
– Impairment of available-for-sale investment		**2 252**	–	
– Provision for pension fund exposure		**–**	2 751	
– Bargain purchase price		**(788)**	–	
– Remeasurement of investment		**(1 565)**	–	
Tax effect of above		**(830)**	28	
Headline earnings		**70 224**	96 472	(27)
Reversal of employee share trust		**62**	43	
Reversal of transaction costs		**17 307**	–	
Adjusted headline earnings		**87 593**	96 515	(9)
Headline earnings calculation				
Shares in issue (before deducting treasury shares) ('000s)		**462 331**	449 581	
Shares in issue (after deducting treasury shares) ('000s)		**456 511**	443 761	
Weighted average number of shares ('000s)		**454 507**	462 033	
Adjusted weighted average number of shares ('000s)		**448 687**	462 033	
Basic and diluted earnings per share (cents)		**23,89**	37,17	
Adjusted basic and diluted earnings per share (cents)		**24,20**	37,17	
Headline earnings per share (cents)	8	**15,45**	20,88	
Adjusted headline earnings per share (cents)		**19,52**	20,89	
Dividends paid per share (cents)*		**7,50**	10,00	

* Final dividend declared in respect of the previous financial year and paid in December.
** These items relate to adjustments in respect of SunWest.

Condensed group statement of financial position

	Notes	Reviewed 30 June 2010 R'000s	Restated 30 June 2009 R'000s	Restated 30 June 2008 R'000s
ASSETS				
Non-current assets	9	**2 159 964**	1 876 381	1 700 256
Current assets		**122 352**	79 363	90 217
Total assets		**2 282 316**	1 955 744	1 790 473
EQUITY AND LIABILITIES				
Capital and reserves				
Total equity		**1 776 239**	1 639 715	1 572 533
Shareholders' interest		**1 771 261**	1 639 715	1 572 533
Non-controlling interest		**4 978**	–	–
Non-current liabilities				
– Deferred tax liabilities		**17 091**	2 372	2 842
– Cumulative redeemable preference shares	6	**281 124**	285 124	201 398
– Interest-bearing borrowings	6	**120 058**	–	–
– Provisions		**94**	–	–
Current liabilities	10	**87 710**	28 533	13 700
Total equity and liabilities		**2 282 316**	1 955 744	1 790 473
Net asset value (before deducting treasury shares) (cents)		**384**	365	335
Net asset value (after deducting treasury shares) (cents)		**389**	370	335

Condensed group statement of cash flows

	Reviewed 30 June 2010 R'000s	Restated 30 June 2009 R'000s
Cash flows from operating activities		
Profit before tax	**109 651**	172 720
Non-cash flow items		
– Depreciation	**478**	310
– Other non-cash flow items	**–**	(201)
– Bargain purchase price	**–**	(80 623)
– Remeasurement of investment	**(42 488)**	–
– Profit from equity-accounted investments	**(117 626)**	(130 492)
Adjustments for:		
– Finance costs per the statement of comprehensive income	**29 834**	31 938
– Interest received per the statement of comprehensive income	**(3 943)**	(2 836)
– Dividends received per the statement of comprehensive income	**(1 910)**	(3 650)
Net working capital changes	**(3 927)**	7 547
Income tax paid	**(845)**	(3 105)
Net cash (outflow) from operating activities	**(30 776)**	(8 392)
Cash flows from investing activities		
Plant and equipment acquired	**(181)**	(566)
Loans advanced to associate	**–**	(7 818)
Investments made	**(29 204)**	(110 032)
Acquisition of subsidiary	**(174 104)**	–
Cash acquired – Carentan group	**42 916**	–
Net cash (outflow) from investing activities	**(160 573)**	(118 416)
Dividends received	**130 203**	144 255
Finance costs paid	**(30 075)**	(25 281)
Interest received	**3 552**	2 836
Capital raised – ordinary	**29 921**	–
Shares repurchased – ordinary	**–**	(43 658)
Capital raised – treasury shares	**–**	3 773
Shares repurchased – treasury shares	**–**	(15 238)
Preference share capital raised	**20 000**	105 726
Preference shares redeemed	**(24 000)**	(22 000)
Ordinary dividends paid	**(32 814)**	(45 902)
Loans advanced to employees	**–**	(3 783)
Loans raised	**120 000**	–
Net cash inflow from financing activities	**216 787**	100 728
Net increase/(decrease) in cash and cash equivalents	**25 438**	(26 080)
Cash and cash equivalents at the beginning of the year	**55 754**	81 834
Cash and cash equivalents at the end of the year	**81 192**	55 754

Group statement of changes in equity

	Capital redemption reserve fund R'000s	Ordinary share capital R'000s	Share premium R'000s	Treasury shares R'000s	Available-for-sale fair value reserve R'000s	Non-controlling interest R'000s	Accu-mulative profits R'000s	Total R'000s
Balance at 30 June 2008	230	117	740 718	–	17 483	–	813 985	1 572 533
Comprehensive income for the year	–	–	–	–	(3 134)	–	171 720	168 586
Ordinary dividends paid	–	–	–	–	–	–	(46 281)	(46 281)
Shares repurchased	–	(5)	(43 653)	–	–	–	–	(43 658)
Treasury shares purchased	–	–	–	(15 238)	–	–	–	(15 238)
Treasury shares issued	–	–	204	3 569	–	–	–	3 773
Transfer to capital redemption reserve fund	22	–	–	–	–	–	(22)	–
Balance at 30 June 2009	**252**	**112**	**697 269**	**(11 669)**	**14 349**	**–**	**939 402**	**1 639 715**
Comprehensive income for the year	**–**	**–**	**–**	**–**	**26 341**	**–**	**108 566**	**134 907**
Ordinary dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(33 282)**	**(33 282)**
Ordinary shares issued	**–**	**3**	**29 959**	**–**	**–**	**–**	**–**	**29 962**
Share issue expenses	**–**	**–**	**(41)**	**–**	**–**	**–**	**–**	**(41)**
Transfer to capital redemption reserve fund	**24**	**–**	**–**	**–**	**–**	**–**	**(24)**	**–**
Non-controlling interest	**–**	**–**	**–**	**–**	**–**	**4 978**	**–**	**4 978**
Balance at 30 June 2010	**276**	**115**	**727 187**	**(11 669)**	**40 690**	**4 978**	**1 014 662**	**1 776 239**

Segmental analysis

IFRS 8 – Operating Segments requires a "management approach" whereby segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision-maker/s who have been identified as the board of directors. These directors review the group's internal reporting by investment in equity-accounted investments. Only GPI's profit from equity-accounted investments can be reconciled to the statement of comprehensive income.

PROFIT FROM EQUITY-ACCOUNTED INVESTMENTS

	Reviewed 30 June 2010 R'000s	Restated 30 June 2009 R'000s	% variance
TOTAL REVENUE			
Jointly controlled entities			
Western Cape Manco	**37 493**	40 230	(7)
SunWest	**1 749 114**	1 841 382	(5)
– GrandWest	**1 582 040**	1 641 977	(4)
– Table Bay Hotel	**167 074**	199 405	(16)
Associates			
RAH	**62 718**	77 041	(19)
Grandslots	**193 164**	188 240	3
Akhona GPI	**4 870**	2 427	101
TOTAL EBITDA			
Jointly controlled entities			
Western Cape Manco	**34 058**	37 542	(9)
SunWest	**649 370**	739 526	(12)
– GrandWest	**614 051**	674 630	(9)
– Table Bay Hotel	**35 319**	64 896	(46)
Associates			
RAH	**85 759**	105 152	(18)
Grandslots	**42 416**	40 552	5
Akhona GPI	**9 246**	389	2 277
TOTAL ATTRIBUTABLE EARNINGS			
Jointly controlled entities			
Western Cape Manco	**22 180**	24 603	(10)
SunWest	**242 981**	291 718	(17)
– GrandWest	**280 899**	304 107	(8)
– Table Bay Hotel	**(37 918)**	(12 389)	(206)
Associates			
RAH	**77 268**	91 948	(16)
Grandslots	**19 928**	18 192	10
Akhona GPI	**9 074**	348	2 507
PROFIT FROM EQUITY-ACCOUNTED INVESTMENTS			
Jointly controlled entities			
Western Cape Manco	**11 089**	12 301	(10)
SunWest	**71 110**	85 298	(17)
– GrandWest	**82 207**	88 921	(8)
– Table Bay Hotel	**(11 097)**	(3 623)	(206)
Associates			
RAH	**23 619**	28 109	(16)
Grandslots	**5 002**	4 566	10
Akhona GPI	**6 806**	218	3 022
Profit from equity-accounted investments	**117 626**	130 492	(10)
CARRYING VALUE OF EQUITY-ACCOUNTED INVESTMENTS			
Jointly controlled entities			
Western Cape Manco	**3 407**	4 028	
SunWest	**1 315 684**	1 303 489	
Golden Valley Casino	**3 860**	–	
Associates			
RAH	**537 548**	520 002	
Grandslots	**–**	5 908	
Akhona GPI	**31 896**	25 090	
	1 892 395	1 858 517	

Accounting policies and basis of preparation

The condensed consolidated annual financial information has been prepared on the historical cost basis, except where stated otherwise, and in accordance with International Financial Reporting Standards (IFRS) and is presented in terms of disclosure requirements set out in IAS 34 – Interim Financial Reporting and the Companies Act of South Africa, as amended. The accounting policies applied, other than those described below and except for the following standards which are effective for the financial year beginning 1 July 2009 are consistent with those applied in the financial results for the year ended 30 June 2009.

- IAS 1 (Revised) – Presentation of Financial Statements, which requires changes in equity not relating to equity owners to be disclosed in a separate statement. As permitted by the standard, the group has elected to present the required information as part of the statement of comprehensive income.
- IFRS 8 – Operating Segments, which requires an entity to present segment information on the same basis as that used for internal reporting purposes. The operating segments have been identified as the group's underlying equity-accounted investments.
- IFRS 7 – Financial Instruments: Disclosures, which requires enhanced disclosures about fair value measurement and liquidity risk.
- IFRS 3R – Business Combinations, which introduces significant changes in the accounting for business combinations.

Change in accounting policy

Western Cape Casino Resort Manco (Pty) Limited (**Western Cape Manco**) was previously proportionately consolidated as allowed by IAS 31 – Joint Ventures. In terms of IAS 31 paragraph 38, the statement allows an entity to account for its investment in a joint venture using the equity accounting method as an allowed alternative. In order to better reflect the underlying substance of its joint venture investments the group decided to change its accounting policy with regards to the method used for measuring jointly controlled entities from proportionately consolidating to equity accounting. Western Cape Manco is therefore equity accounted for the year ended 30 June 2010. The retrospective application of this policy is applied to the previous reporting period and although the effect of the change in policy on net earnings is nil, it is detailed in the table below.

Prior period reclassification

SunWest International (Pty) Limited (**SunWest**) was previously classified as an investment in an associate. The directors of GPI have reviewed this classification and believe that this investment is more fairly presented as a joint venture. GPI has 50,01% of the voting rights of SunWest, however the shareholders' agreement requires 60% majority vote on resolutions to be passed. Sunwest is treated as a jointly controlled entity that is equity accounted as allowed by IAS 31 pargraph 38. This reclassification has no effect on net earnings. Accordingly, the statement of financial position includes restated comparatives and the effect of the reclassification is detailed in the table below.

The effects of the change in accounting policy and the prior period reclassification are listed in the table below:

Year ended 30 June 2009	Balance previously reported R'000s	Effect of change in accounting policy R'000s	Prior period reclassifi-cation R'000s	Restated balance R'000s
Non-current assets	**1 872 354**	**4 027**	**–**	**1 876 381**
– Investment in jointly controlled entities	**–**	**4 027**	**1 303 489**	**1 307 516**
– Investment in associates	**1 854 490**	**–**	**(1 303 489)**	**551 001**
– Other non-current assets	**17 864**	**–**	**–**	**17 864**
Current assets	**84 017**	**(4 654)**	**–**	**79 363**
Current liabilities	**(29 160)**	**627**	**–**	**(28 533)**
Revenue	**27 246**	**(20 513)**	**–**	**6 733**
Profit from jointly controlled entities	**1**	**12 301**	**85 298**	**97 600**
Profit from associates	**118 190**	**–**	**(85 298)**	**32 892**
Operating costs	**(14 932)**	**1 742**	**–**	**(13 190)**
Taxation	**(7 469)**	**6 469**	**–**	**(1 000)**
Net effect on earnings		**–**	**–**	

Year ended 30 June 2008	Balance previously reported R'000s	Change in accounting policy R'000s	Prior period reclassifi-cation R'000s	Restated balance R'000s
Non-current assets	1 696 387	3 869	–	1 700 256
– Investment in jointly controlled entities	–	3 869	1 148 985	1 152 854
– Investment in associates	1 675 121	–	(1 148 985)	526 136
– Other non-current assets	21 266	–	–	21 266
Current assets	95 626	(5 409)	–	90 217
Current liabilities	(15 238)	1 539	–	(13 699)
Revenue	34 032	(22 061)	–	11 971
Profit from jointly controlled entities	–	13 124	36 808	49 932
Profit from associates	47 051	–	(36 808)	10 243
Operating costs	(16 137)	2 006	–	(14 131)
Taxation	(9 385)	6 931	–	(2 454)
Net effect on earnings		–	–	

The change in accounting policy and prior period reclassification had no effect on earnings and headline earnings per share, nor did it have any tax effect.

Audit opinion

Our auditor, Ernst & Young Inc. has reviewed the condensed consolidated financial information contained herein. Their reviewed report in which they expressed their unqualified opinion is available for inspection at the company's registered office.

Notes to the financial statements

1. Revenue
The decrease in revenue is primarily due to lower dividends received of R338 000 (2009: R2,1 million) from a short-term investment. Previously Western Cape Manco was measured using the proportional consolidation method. This was changed to the equity accounting method. See change in the accounting policy note.

2. Operating costs
Operating costs include transaction costs of R11,0 million which relate to the Carentan transaction of R5,6 million and SunWest BEE lock-in fees of R5,4 million as referred to below. In terms of IFRS 3R – Business Combinations, these costs can no longer be capitalised and therefore must be expensed. These transaction costs are non-recurring and were anticipated and include all professional fees incurred to date, but exclude the vendor finance transaction costs dealt with below.

3. Profit from equity-accounted investments
Overall profits from equity-accounted investments for the financial year decreased by 10% from the prior year.

Profit from jointly controlled entities
SunWest attributable earnings consists of GrandWest Casino and Entertainment World (**GrandWest**) and the Table Bay Hotel.

GrandWest's attributable earnings declined by 8% and while this casino was unable to escape the downturn in the global economy it certainly has been resilient notwithstanding its dependence on severely pressured household discretionary spend. The Table Bay Hotel was badly affected by the economic crisis and its impact on the international tourism market. Occupancy rates at The Table Bay Hotel decreased from 67,1% (2009) to 53,4% (2010) which resulted in a substantial loss being incurred by this operation and a significantly adverse impact on SunWest's attributable earnings and GPI's share thereof.

The 10% decline in earnings from GPI's 50% stake in Western Cape Manco is in line with the decline in GrandWest's revenue and EBITDA from which its management fees are derived. Western Cape Manco earns 1% of GrandWest's revenue and 3% of its adjusted EBITDA, whereas the total management fees incurred amounts to 3% of revenue and 15% of adjusted EBITDA.

Profit from associates
Earnings from Real Africa Holdings Limited (**RAH**) decreased by 16% compared to the prior year mainly due to lower earnings from Carnival City and a 15% decrease in SunWest's dividends, which RAH accounts for as an investment. On a more positive note, the dividend flow from RAH's high-quality urban casino investments along with the repayment of its interest-bearing borrowings enabled the board of RAH to declare a substantially higher dividend compared to the prior year.

Pleasingly, GPI's share of Thuo Gaming Western Cape (Pty) Limited's (**Grandslots**) income increased by 10% to R5 million which highlights the resilience of the Limited Pay-out Machine (LPM) market and lends further support to GPI's commitment to increasing its exposure to this market.

GPI's share of Akhona Gaming Portfolio Investments (Pty) Limited's (**Akhona GPI**) income increased significantly to R6,8 million and is attributed to its increased exposure to Sibaya, which managed to increase its revenues and EBITDA in difficult conditions.

4. Bargain purchase price
There was no bargain purchase price adjustment in the current year. The R80,6 million bargain purchase price adjustment in the comparative year arose from GPI increasing its direct stake in SunWest as a result of it exercising its call option in July 2008 (SENS – 6 August 2008).

5. Remeasurement of investment
IFRS 3R – Business Combinations requires that where an acquirer purchases its interest in an acquiree in stages and this results in a change in control of the acquiree, then the acquirer remeasures its previously held interest at the acquisition date and recognises the resulting gain or loss, if any, in profit or loss. The R42,4 million relates to the remeasurement of its previously held 25,1% interest in Grandslots and arose due to the acquisition of Carentan (which is dealt with below).

6. Finance costs
Finance costs decreased by 7% due to a combination of lower interest rates (10% compared to 11% for the previous year) and a lower average level of interest-bearing debt due to R24 million of The Standard Bank / Depfin preference shares having been redeemed in March 2010. Finance costs also include R6,2 million in respect of the LPM acquisition. Had this not been incurred during the 2010 financial year, finance costs would have decreased by 26%. The prior financial year includes non-recurring finance cost of R2 million in respect of short-term bridging finance and R1,2 million raising fees on the Utish preference shares that were issued.

The group secured R120 million in additional borrowings at the end of the financial year, which was partly used to fund the Carentan acquisition. The group also drew down R20 million on an existing preference share facility held with Sanlam Capital Markets.

7. Impairment of assets
No impairments were required in accordance with IAS 36 – Impairment of Assets, which requires assets to be impaired to the higher of market value or value in use based on discounted free cash flow valuations prepared by management. The impairment disclosed in the headline earnings reconciliation relates to adjustments made by associates.

8. Adjusted and headline earnings
Headline earnings decreased by 27%, which resulted in headline earnings per share declining by 26% to 15,45 (2009: 20,88) cents per share. Had the transaction fees and finance costs in respect of the LPM acquisition and SunWest BEE lock-in fees as detailed below not been expensed this decline in headline earnings per share reduces to 7% or 19,52 (2009: 20,89) cents per share.

The table below highlights the different components of GPI's adjusted headline earnings.

	Reviewed 30 June 2010 R'000s	Restated 30 June 2009 R'000s	% variance
Adjusted headline earnings	**87 593**	96 515	(9)
Profit from equity-accounted investments	**117 626**	130 492	(10)
Jointly controlled entities			
– Western Cape Manco	**11 089**	12 301	(10)
– SunWest	**71 110**	85 298	(17)
Associates			
– RAH	**23 619**	28 109	(16)
– Grandslots	**5 002**	4 566	10
– Akhona GPI	**6 806**	218	3 022
Other	**9 390**	11 108	(15)
Total operating costs	**(26 958)**	(13 190)	104
– Operating costs excluding transaction costs	**(15 937)**	(13 190)	21
– Transaction cost*	**(11 021)**	–	100
Total finance costs	**(29 834)**	(31 938)	(7)
– Finance costs excluding transaction costs	**(23 548)**	(31 938)	(26)
– Transaction costs*	**(6 286)**	–	100
Total transaction costs*	**17 307**	–	100
Reversal of employee share trust	**62**	43	44

* Total transaction costs include the transaction costs expensed as part of the operating costs and the finance costs. In the prior year transaction costs were capitalised.

9. Non-current assets
Included in non-current assets are positive goodwill and intangibles to the value of R110,6 million and R37,5 million respectively, which were recognised on the acquisition of Carentan.

10. Current liabilities
Included in current liabilities is vendor finance to the value of R22 million in respect of the acquisition of the minority interest in Carentan and the Stripe Investments 7 (Pty) Limited (**Stripe**) acquisition referred to below. This is only payable at the end of December 2010 in terms of the applicable purchase and sale agreements.

11. IFRS 3R – Business Combinations
The total consideration paid for the Carentan transaction amounted to R191,8 million, including the minority buy-out but excluding transaction costs, which in terms of IFRS 3R – Business Combinations now have to be expensed and cannot be capitalised (see detail in notes above). This transaction resulted in GPI Slots acquiring tangible assets at a book value of R146,9 million, which includes cash of R42,9 million before any IFRS adjustments. IFRS 3R requires that the fair value of net identifiable assets and liabilities of the acquired group be performed as at the date of acquisition and that any goodwill or bargain purchase on acquisition is brought to account. This exercise entails determining the fair value of each identifiable asset and liability, and comparing this to the consideration paid. The fair value of net identifiable assets and liabilities has been made and goodwill and intangible assets of R110,6 million and R37,5 million respectively have been recognised. An impairment review of goodwill and intangible assets will be made annually.

The fair value of the identifiable assets and liabilities of Carentan as at the date of acquisition was:

	Fair value recognised on acquisition R'000s
Assets	
Property, plant and equipment	83 430
Intangible assets	37 533
Deferred tax asset	13 802
Inventories	1 329
Trade and other receivables	16 008
Tax receivable	672
Cash and cash equivalents	42 916
	195 690
Liabilities	
Deferred tax liabilities	(14 072)
Provisions	(1 746)
Trade and other payables	(24 318)
Tax liabilities	(174)
Borrowings	(110 722)
	(151 032)
Total identifiable net assets at fair value	44 658
Non-controlling interest	(4 978)
Goodwill on acquisition	110 645
Fair value adjustment of previously held interest in Grandslots	(53 399)
Goodwill on minority buy-out	(17 703)
Loans acquired	94 881
Purchase consideration transferred	174 104
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	42 916
Cash paid	(174 104)
Net cash outflow	(131 188)

Taking control of GPI's LPM interests

The table below highlights GPI's shareholding in the companies it acquired through this acquisition.

	30 June 2010 %	30 June 2009 %
Carentan	**100**	–
Thuo SA	**100**	–
Grandslots	**100**	25,1
Kingdomslots	**92,5**	22,5

As announced on SENS on 2 November 2009, an offer of R170 million was made to and accepted by The Tatts Group for all its shares in and shareholders' loan accounts against Carentan (**LPM acquisition**). Carentan owns 90% of Thuo Gaming South Africa (Pty) Limited (**Thuo SA**), which in turn owns 70% of Grandslots (GPI already directly owned 25,1% in Grandslots) and 70% of Thuo Gaming KwaZulu-Natal (Pty) Limited (**Kingdomslots**) (GPI, through Akhona GPI, already owned an effective 22,5% in Kingdomslots). Carentan has a number of other 100%-held subsidiaries, which have been established in readiness for the acquisition of licences and the establishment of operations in various other provinces.

In May 2010, GPI announced the buy-out of the remaining minority stakes in Thuo SA and Grandslots through GPI Slots (Pty) Limited's (**GPI Slots**) acquisition of 100% of the shares in and shareholders' loan claims against Business Venture Investments No. 967 (Pty) Limited (**BVI 967**) (having a 10% interest in Thuo SA) and Slots Solutions (Pty) Limited (**Slots Solutions**) (having a 4,9% interest in Grandslots) (collectively referred to as the minority buy-out).

The LPM acquisition became unconditional on 30 June 2010, at which time GPI Slots formally took control of Carentan, BVI 967 and Slots Solutions. The acquisition of Carentan represents a significant milestone for GPI and its shareholders in its planned transition from being purely an investment holding company to an operating company with investments.

Carentan is consolidated as a subsidiary as at 30 June 2010. Income derived from GPI's previously held interest in Grandslots (25,1%) is accounted for as income from an associate in the 2010 financial year. In terms of IFRS 3R Grandslots has been remeasured on the acquisition date.

A total of 50 000 LPMs are available for roll-out by the LPM industry in South Africa in two types of site formats, being sites with no more than five LPMs and sites with no more than 40 LPMs. Given that only 5 473 LPMs out of this overall allocation had actually been rolled out by the end of June 2010, GPI believes that this is the part of the gaming sector with the most exciting growth prospects. It also believes that due to the limits placed on machine pay-outs it represents the most socially responsible form of gambling currently available. The Western Cape and KwaZulu-Natal provinces were allocated 9 000 machines each of which 2 000 and 4 000 LPMs have been licensed respectively. Grandslots and Kingdomslots each owns a licence to operate 1 000 LPMs and presently have rolled out 989 and 771 machines respectively.

Carentan's consolidated profit for the year ended 30 June 2010 amounting to R17,9 million was not consolidated into GPI's accounts. In terms of IFRS 3R consolidation could only commence on the date of effective control passing to GPI, which was 30 June 2010. The profit earned therefore reduces the goodwill recognised.

The table below highlights GPI's shareholding in investments excluding subsidiaries.

	30 June 2010 %	30 June 2009 %
Direct and indirect interest		
Jointly controlled entities		
– Western Cape Manco	**50,00**	50,00
– SunWest	**30,04**	29,24
– Golden Valley (Worcester Casino)	**44,39**	36,70
Associates		
– Akhona GPI	**75,00**	75,00
– RAH	**30,57**	30,57
– Grandslots*	**–**	25,10
– Grand World Vision Events	**33,33**	–
Available-for-sale investment		
– National Manco	**5,67**	5,67

* Grandslots became a subsidiary on the acquisition of Carentan on 30 June 2010.

Review of GPI's jointly controlled investments

SunWest
The GPI group exercised certain pre-emptive rights and increased its direct and indirect economic stake in SunWest from 29,24% to 29,36% by acquiring 9 694 and 7 712 SunWest shares at a price of R333,68 and R329,44 respectively. GPI further increased its direct economic stake in SunWest by an additional 0,68% to bring the group's total economic stake to 30,04% at a cost of R23 million by exercising the last remaining 140 182 SunWest share options at an exercise price of R165 per SunWest share. If these 140 182 SunWest options had been exercised at the average prices paid for such pre-emptive rights in SunWest of late, then the cost of exercising such options would have amounted to R46 million, thus resulting in an uplift to our shareholders of R23 million. Subsequent to year-end SunWest declared an additional dividend of R25 million due to the cash received as part of the exercise of such options, which saw GPI receiving R7,5 million of such additional dividend.

The share options referred to above are subject to certain conditions as set out in the call option agreement, which include the completion of an audit confirming GPI's locked in black shareholder status to be at least 35% as at 30 June 2010 (notably the actual unaudited black shareholding in GPI as at 30 June 2010 is higher than 50%). In order to achieve the required lock-in and in so doing earn the right to exercise the remaining options as referred to above, GPI entered into agreements with certain of its existing shareholders to lock in their shares, i.e. these shares can only be sold to other qualifying black shareholders, until 30 June 2012. In return for this lock-in GPI has provided for lock-in fees to the value of R5,4 million, which includes an accrual for the payment to these shareholders of R4,3 million in the 2010 financial year. This amount forms part of the transaction costs for the 2010 financial year, which have been added back for adjusted headline earnings purposes. The JSE Limited has ruled that the payment of the lock-in consideration amounts to a specific payment to certain shareholders and it therefore forms the subject-matter of a separate announcement that has been released on Securities Exchange News Service (**SENS**) simultaneously with these results (**the lock-in announcement**). Shareholders are accordingly referred to such separate lock-in announcement for further detail in this regard. The payments of these fees are conditional upon GPI's shareholders' approval, which will be sought from its shareholders at its upcoming annual general meeting to be held on or about 9 December 2010.

GPI believes that by exercising these options, its shareholders stand to benefit substantially, particularly given the expiry at the end of 2014 of the operating management agreement whereby Sun International Management Limited (**SIML**) provides management services to GrandWest. While GPI has been dealing with this issue with its partner, Sun International Limited (**SUI**), and is hopeful that a mutually beneficial shorter-term solution will be found, the GPI board believes that failing this solution, GrandWest should nevertheless be fully capable of being self-managed, especially after 15 years of skills transfer, when this contract expires. GPI shareholders could therefore benefit from the cost saving that would result should the management fees paid by SunWest to SIML be discontinued.

Golden Valley Casino
The group acquired an additional 7,72% interest in Golden Valley Casino at a cost of R3,8 million by acquiring all of the shares in and loan claims against Stripe. The preliminary fair value of net identifiable assets and liabilities has not yet been completed and therefore no positive goodwill or bargain purchase price has been recognised as the estimates cannot be reliably measured at this point in time. In terms of IFRS 3R paragraph 45, it allows for the fair value of net identifiable assets and liabilities to be completed within the first year of the acquisition. Any adjustments that may arise from this exercise will be made.

The cost of this investment to GPI has been very small given that it has largely been funded internally through interest-bearing debt. The investment is yet to produce a positive earnings contribution. The gearing structure of this investment is being addressed and the Golden Valley Casino management are confident that with the gearing structure addressed, a positive contribution to earnings will be derived from the property in the short to medium term.

Review of GPI's associates

Real Africa Holdings
Whilst the performance of RAH was 16% lower than in the prior year, it is extremely pleasing that RAH has declared a 40% increase in its dividend to 28 cents per share from 20 cents per share in the previous year. RAH is comprised of some of the best performing urban casinos in South Africa and certainly the crown jewels of the SUI portfolio of assets.

Akhona GPI
GPI has a 74,95% economic and 49,95% voting stake in Akhona GPI and Akhona Investment Holdings 2005 Limited, which together with Akhona Gaming Body Trust owns the balance of the shares in Akhona GPI, has an option to call, based on an agreed pricing mechanism, on GPI to restore its economic shareholding to 50% on specific dates expiring in three years commencing from January 2009.

Akhona GPI took up certain pre-emptive rights in Dolcoast Investments Limited (**Dolcoast**). These transactions had the effect of increasing GPI's indirect stake in Sibaya Casino to 8,05%. Akhona GPI has completed a preliminary fair value of net identifiable assets and liabilities and GPI has recognised its share of the remeasurement of R2,08 million and bargain purchase price of R1 million on Akhona GPI's existing stake in Dolcoast, which increased Akhona GPI's shareholding in Dolcoast to 23%, thereby making the Dolcoast investment an associate. GPI's commitment to developing this partnership is reaping just rewards with the substantial increase in earnings contribution now evident.

Grand World Vision Events
GPI is a 33% shareholder in Grand World Vision Events (Pty) Limited, which is accounted for as an investment in an associate. This company is the vehicle used to share the residual profits remaining after each of its shareholding partners, being GPI, prominent event managers World Sport South Africa (Pty) Limited and leading experiential marketers VWV Group (Pty) Limited, have charged for their respective contributions relating to the fees earned from the City of Cape Town for project managing the Cape Town FIFA Fan Fest 2010.

The Fan Fest played a crucial role in raising the profile of Cape Town globally with over half a million people attending the event. It was befitting that GPI was instrumental in transforming its spiritual home, the Grand Parade in Cape Town, into an international showcase.

Related party transactions

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

Dividends

Notice is hereby given of the declaration of an ordinary cash dividend of 7,5 cents per share (2009: 7,5 cents per share). The following salient dates will apply to the payment of the dividend:

– Last date to trade "cum" the dividend	Friday, 26 November 2010
– Trading commences "ex" the dividend	Monday, 29 November 2010
– Record date	Friday, 3 December 2010
– Date of payment of the dividend	Monday, 6 December 2010

Share certificates cannot be dematerialised or rematerialised between Monday, 29 November 2010 and Friday, 3 December 2010, both days inclusive.

Subsequent events

Subsequent to year-end GPI Slots offered to acquire Akhona GPI's 7,5% stake in Kingdomslots. While the board of Akhona GPI has accepted this offer it is still subject to certain conditions, which includes obtaining the KwaZulu-Natal Gambling Board's approval.

In addition Golden Valley Casino had a rights issue and GPI share of this cost R16,6 million and resulted in a further increase in its stake to 46,30%.

GPI is also in an advanced stage of negotiations with unrelated parties that could see it further increase its LPM footprint in South Africa.

Prospects

Although trading conditions in the past financial year have been challenging, the board of GPI firmly believes that 2010 will prove to be a crucial year in the development of GPI with its transition to becoming a fully-fledged black owned and managed operator of gaming assets in South Africa. Further, it is believed that the LPM acquisition represents a key milestone and a critical step toward GPI's march to becoming a major and respected force in the African gaming and leisure industries. Whilst GrandWest's casino exclusivity expires in December 2010 and much has been said about the move by the Western Cape Government to potentially allow for a transfer of an existing casino licence (which includes Golden Valley Casino) into the Cape Town metropole, the government has made no official pronouncements in this regard. At this stage, government has indicated that should such transfer of licence occur, it will be done in a responsible manner with due regard to the impact that this may have on GrandWest Casino's revenues. It is also unlikely that this would occur before 2012. GPI will be engaging with all the appropriate stakeholders in an effort to ensure the best possible outcome for our communities and to strive to ensure that the shareholders of GPI and SunWest are not adversely affected. The board is mindful of the fact that the past decade has not come easy to GPI and its shareholders and it is therefore befitting that GPI has now graduated into a well-established business, that now looks forward to a very bright future.

Shareholders are advised that GPI will be moving offices to 12th Floor Convention Towers, Heerengracht, Foreshore, Cape Town, 8001, telephone number 021 421 7771, after the annual report has been published.

For and on behalf of the board

H Adams
Chairman

A Funkey
Chief Executive Officer

Cape Town
22 September 2010

Directors
H Adams (Chairman)#, A Abercrombie#, A W Bedford#, A Funkey (CEO), R Freese#, R Hoption (Financial Director), Dr N Maharaj*#, N Mlambo#, C Williams*#
(# non-executive * independent)

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ISIN: ZAE000119814

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