Grand Parade Investments Limited

Reviewed results for the year ended 30 June 2011

Headlines

Grand Parade Investments Limited ("GPI", "the Company" or "the Group") had a successful year, notwithstanding continuing adverse economic conditions. The highlights of the year include:

- *Reaching an agreement to restructure certain common interests with Sun International Limited ("SUI");*
- *Increase adjusted HEPS by **15%**;*
- *Successfully completing the integration of the Slots business and restructure of the acquired Slots group;*
- *Acquiring a LPM licence in Gauteng;*
- *Acquiring the remaining effective 7.5% non-controlling interest in Kingdomslots;*
- *Recommend a final dividend of 10 cents per share representing a **33%** increase; and*
- *GPI also intends paying a special dividend of 50 cents per share subject to the successful conclusion of the proposed restructure with SUI and securing the necessary regulatory approvals.*

Directors
H Adams (Executive Chairman), A Abercrombie #, A W Bedford #, R Freese #, R Hoption CA (SA) (Executive), Dr N Maharaj #*, N Mlambo#, F Samaai #, S Petersen CA (SA) (Financial Director)
(# non-executive * lead independent)

GRAND PARADE INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1997/003548/06
Share code: GPL
ISIN: ZAE000119814
Registered office
15th Floor, Triangle House, 22 Riebeek Street, Cape Town, 8001
(PO Box 7746, Roggebaai, 8012)
Transfer secretaries
Computershare Investor Services (Proprietary) Limited
70 Marshall Street, Johannesburg, 2001
Attorneys: Bernadt Vukic Potash & Getz Attorneys
Corporate advisers: Leaf Capital (Proprietary) Limited
Sponsor: PSG Capital (Proprietary) Limited
Company secretary: Lazelle Parton

Condensed group statement of comprehensive income

	Notes	Reviewed 30 June 2011 R'000s	Audited 30 June 2010 R'000s	% change
Gross gaming revenue	1	316 193	–	–
Cost of sales	2	(184 343)	–	–
Gross profit		131 850	–	–
Other revenue	1	10 248	6 329	62%
Operating costs	3	(124 388)	(26 958)	361%
Profit / (loss) from operations		17 710	(20 629)	186%
Profit from equity-accounted investments	4	119 565	117 628	2%
Profit from jointly-controlled entities		88 643	82 200	8%
Profit from associates		30 922	35 428	(13%)
Impairment of investments	5	(113 486)	(3 860)	–
Remeasurement of investment	6	–	42 488	–
Net income before finance costs and taxation		23 789	135 627	(82%)
Interest received		1 746	–	100%
Finance costs	7	(32 916)	(29 835)	10%
Net (loss) / profit before taxation		(7 381)	105 792	–
Taxation		(15 291)	(1 084)	–
Net (loss) / profit for the year		(22 672)	104 708	–
Other comprehensive income				
Unrealised fair value (losses) / gains on available-for-sale investments, net of tax		(4 492)	3 950	–
Change in reserves from equity-accounted investments, net of tax		13 197	22 391	–
Total comprehensive (loss) / income for the year		(13 967)	131 049	–
Net (loss) / profit for the year attributable to:				
Ordinary shareholders		(22 672)	104 708	–
		(22 672)	104 708	–
Total comprehensive (loss) / income attributable to:				
Ordinary shareholders		(13 967)	131 049	–
		(13 967)	131 049	–
Basic and diluted (loss) / earnings per share (cents)		(4.89)	23.04	–
Adjusted basic and diluted (loss) / earnings per share (cents)		(4.95)	23.34	–
Headline earnings per share (cents)	8	19.12	15.45	24%
Adjusted headline earnings per share (cents)		22.38	19.52	15%
Dividends paid per share (cents)*		7.50	7.50	–

*Final dividend declared in respect of the previous financial year and paid in December.

	Reviewed 30 June 2011 R'000s	Audited 30 June 2010 R'000s
Headline earnings reconciliation		
(Loss) / profit attributable to ordinary shareholders	(22 672)	104 708
Remeasurement of investment	–	(42 488)
Impairment of investments	113 486	3 860
Profit on sale of investment	(151)	–
Loss on sale of property, plant and equipment	759	–
Adjustments by jointly controlled entities	412	1 871
– Loss on disposal of plant and equipment	412	682
– Fair value adjustment	–	1 189
Adjustments by associates	(2 855)	3 105
– Impairment of casino licence	–	3 870
– Realised investment profits	(1 987)	(664)
– Impairment of available-for-sale investment	–	2 252
– Profit on sale of investment	(868)	–
– Bargain purchase price	–	(788)
– Remeasurement of investment	–	(1 565)
Tax effect of above	(286)	(830)
Headline earnings	88 693	70 226
Reversal of employee share trust	751	62
Reversal of transaction costs	2 133	17 307
Reversal of IAS12 tax adjustment	10 917	–
Adjusted headline earnings	102 494	87 595
Reconciliation of shares		
Shares in issue (before deducting treasury shares) ('000s)	470 460	462 331
Shares in issue (after deducting treasury shares) ('000s)	468 240	456 511
Weighted average number of shares in issue ('000s)	463 757	454 507
Adjusted weighted average number of shares in issue ('000s)	457 937	448 687

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	Accumulative profits R'000s	Total R'000s
Balance at 30 June 2009	253	112	697 269	(11 669)	14 350	–	939 401	1 639 716
Comprehensive income for the year	–	–	–	–	26 341	–	104 708	131 049
Ordinary dividends paid	–	–	–	–	–	–	(33 282)	(33 282)
Ordinary shares issued	–	3	29 959	–	–	–	–	29 962
Share issue expenses	–	–	(42)	–	–	–	–	(42)
Transfer to capital redemption reserve fund	24	–	–	–	–	–	(24)	–
Non-controlling interest	–	–	–	–	–	4 978	–	4 978
Balance at 30 June 2010	277	115	727 186	(11 669)	40 691	4 978	1 010 803	1 772 381
Comprehensive (loss) / income for the year	–	–	–	–	8 705	92	(22 764)	(13 967)
Ordinary dividends paid	–	–	–	–	–	–	(34 238)	(34 238)
Ordinary shares issued	–	2	23 168	–	–	–	–	23 170
Share issue expenses	–	–	(33)	–	–	–	–	(33)
Transfer to capital redemption reserve fund	24	–	–	–	–	–	(24)	–
Treasury shares issued	–	–	3 726	7 218	–	–	–	10 944
Acquisition of non-controlling interest	–	–	–	–	–	(5 070)	3 603	(1 467)
Balance at 30 June 2011	301	117	754 047	(4 451)	49 396	–	957 380	1 756 790

Condensed group statement of financial position

	Notes	Reviewed 30 June 2011 R'000s	Audited 30 June 2010 R'000s
ASSETS			
Non-current assets	9	1 631 716	2 156 127
Non-current asset held for sale	10	451 000	–
Current assets	11	112 177	122 352
Total assets		2 194 893	2 278 479
EQUITY AND LIABILITIES			
Capital and reserves			
Total equity		1 756 790	1 772 381
Shareholders' interest		1 756 790	1 767 403
Non-controlling interest		–	4 978
Non-current liabilities			
– Deferred tax liabilities		23 618	17 112
– Cumulative redeemable preference shares	12	256 961	281 124
– Interest-bearing loans and borrowings	12	106 436	120 057
– Provisions		126	93
Current liabilities	13	50 962	87 712
Total equity and liabilities		2 194 893	2 278 479
Net asset value (before deducting treasury shares) (cents)		373	383
Net asset value (after deducting treasury shares (cents)		375	388
Tangible net asset value (before deducting treasury shares) (cents)		347	351
Adjusted tangible net asset value (after deducting treasury shares) (cents)		349	356

Condensed group statement of cash flows

	Reviewed 30 June 2011 R'000s	Audited 30 June 2010 R'000s
Cash flows from operating activities		
Net (loss) / profit before taxation	(7 381)	105 792
Non-cash flow items		
– Depreciation and amortisation	36 010	478
– Loss on sale of property, plant and equipment	759	–
– Profit on sale of investments	(151)	–
– Impairment of investments	113 486	3 860
– Remeasurement of investment	–	(42 488)
– Profit from equity-accounted investments	(119 565)	(117 628)
Adjustments for:		
– Finance costs per the statement of comprehensive income	32 916	29 835
– Interest received per the statement of comprehensive income – Operations	(1 746)	–
– Interest received per the statement of comprehensive income – Investments	(1 659)	(3 943)
– Dividends received per the statement of comprehensive income	(2 008)	(1 910)
Interest received - operations	1 746	–
Net working capital changes	(23 879)	(3 929)
Income tax paid	(11 907)	(842)
Net cash inflow / (outflow) from operating activities	16 621	(30 775)
Cash flows from investing activities		
Plant and equipment acquired	(28 299)	(181)
Intangible assets acquired	(2 578)	–
Consideration from the disposal of plant and equipment	128	–
Net investments made	(32 838)	(203 308)
Acquisition of subsidiary	(5 977)	–
Cash acquired - acquisition of subsidiary	–	42 916
Net cash (outflow) from investing activities	(69 564)	(160 573)
Cash flows from financing activities		
Dividends received	143 682	130 203
Finance costs paid	(32 916)	(30 077)
Interest received	1 659	3 552
Share issue expenses on new share issue	(33)	–
Capital raised- ordinary shares	–	29 921
Preference share capital raised	–	20 000
Preference shares redeemed	(24 163)	(24 000)
Ordinary dividends paid	(33 667)	(32 814)
Loans raised	–	120 000
Loans repaid	(16 000)	–
Finance lease liability raised	2 915	–
Finance lease liability repaid	(479)	–
Net cash inflow from financing activities	40 998	216 785
Net (decrease) / increase in cash and cash equivalents	(11 945)	25 437
Cash and cash equivalents at the beginning of the year	81 191	55 754
Cash and cash equivalents at the end of the year	69 246	81 191

Segmental analysis

IFRS 8: Operating segments require a "management approach" whereby segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision- makers who have been identified as the Board of Directors. With the acquisition of the Limited Payout Slot Machine business ("LPM") the Group now reports to the Board of Directors in respect of its fully controlled assets, jointly-controlled entities and associates. Listed below is a detailed analysis of adjusted headline earnings:

	Reviewed 30 June 2011 R'000s	Audited 30 June 2010 R'000s	% variance
FULLY CONTROLLED ASSETS			
Operations	12 509	–	–
– Gross profit	131 850	–	–
– Operating costs	(81 043)	–	–
– Depreciation and amortisation	(35 899)	–	–
– Finance costs	(8 042)	–	–
– Other#	5 643	–	–
Investments	(43 381)	(47 402)	–
– Operating costs	(7 335)	(26 480)	–
– Depreciation and amortisation	(111)	(478)	–
– Finance costs	(24 874)	(29 835)	–
– Other#	(11 061)	9 391	–
JOINTLY-CONTROLLED ENTITIES	88 643	82 200	8
– SunWest	77 048	71 111	8
– GrandWest	90 570	82 208	10
– Table Bay Hotel	(13 522)	(11 097)	(22)
– Western Cape Manco	11 595	11 089	5
ASSOCIATES	30 922	35 428	(13)
– RAH	25 773	23 619	9
– Akhona GPI	5 149	6 807	(24)
– Grandslots	–	5 002	(100)
Reversal of employee share trust	751	62	–
Reversal of transaction costs*	2 133	17 307	–
Reversal of IAS12 tax adjustment	10 917	–	–
Adjusted headline earnings	102 494	87 595	17

Other includes dividends and interest received, other revenue, tax paid and adjustments to headline earnings.

* Total transaction costs include the transaction costs expensed as part of the operating costs and the finance costs

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 as well as the AC 500 standards and the Companies Act of South Africa, 71 of 2008, as amended. The accounting policies applied are consistent with those applied in the financial statements for the year ended 30 June 2010.

Audit Opinion

Our auditor, Ernst & Young Inc., has reviewed the condensed consolidated annual financial information contained herein. Their reviewed report in which they expressed an unqualified opinion is available for inspection at the Company's registered office. Shareholders are advised that GPI has moved its physical offices to 12th Floor, Convention Towers, Heerengracht, Foreshore, Cape Town, 8001. Whilst our existing telephone number, fax number and postal address may still be used the telephone number of the new offices is +27 (0) 21 421 7771. The change of the registered office at the Companies and Intellectual Property Commission ("CIPC") is pending.

Notes to the financial statements

1. Revenue

Revenue comprises Gross Gaming Revenue ("GGR") from our LPM operations, Other Operating Revenue, which include other LPM operating cost recoveries, as well as Other Investment Revenue, being dividends received from National Casino Resort Manco (Proprietary) Limited ("National Manco") and investment interest on positive cash balances.

GGR is the term used for the revenue generated from an LPM, being the amount of cash played through the LPM less the payouts to players. Although there is no prior year GGR comparative, as GPI acquired control over the LPM operations on the last day of the previous financial year, the GGR increased by 16.1% on the prior year.

	Reviewed 30 June 2011 R'000s	Audited 30 June 2010 R'000s
Gross Gaming Revenue	316 193	–
- Grandslots	213 598	–
- Kingdomslots	99 550	–
- Grand Gaming Slots - Gauteng	3 045	–
Other Operating Revenue	6 581	–
Other Investment Revenue	3 667	6 329
- Dividends received	1 659	3 943
- Interest received	2 008	1 910
- Other revenue	–	476
TOTAL REVENUE	326 441	6 329

2. Cost of sales

Cost of sales is directly related to GGR, and comprises direct costs such as commissions to site owners, gambling levies and monitoring fees. Although there is no prior year comparative as explained above, cost of sales has increased by 16.1% in line with the increase in GGR.

3. Operating costs

Operating costs include transaction costs of R1.4 million which relates to SUI, Playmeter Leisure Services (Proprietary) Limited ("Playmeter") and the SunWest International (Proprietary) Limited ("SunWest") BEE lock-in transaction, which are expensed in terms of IFRS 3R – Business Combinations, and which are reversed for adjusted headline earnings per share.

4. Profit from equity-accounted investments

Profit from equity-accounted investments comprise profits from jointly-controlled entities and profits from associates. Overall profits from equity-accounted investments for the financial year increased by R1.937 million or 1.7 % on the prior year.

Profit from jointly-controlled entities

Profit from jointly-controlled entities consist of SunWest attributable earnings and Western Cape Casino Resort Manco (Proprietary) Limited ("Western Cape Manco") attributable earnings.

SunWest's attributable earnings consists of attributable earnings from GrandWest Casino and Entertainment World ("GrandWest") and The Table Bay Hotel. Western Cape Manco attributable earnings consists of management fees, which are based on SunWest's attributable earnings and EBITDA less operating expenses.

Profit from associates

Profit from associates consists of attributable earnings from Real Africa Holdings Limited ("RAH") up to 13 May 2011 (see note 10) and Akhona Gaming Portfolio Investments (Proprietary) Limited's ("Akhona GPI") attributable earnings.

Notes to the financial statements – continued

5. Impairment of investment

In terms of IFRS 5 – Non-current Assets held for Sale and Discontinued Operations assets that meet the specific criteria are required to be measured at the lower of the carrying amount and fair value less cost to sell. The inclusion of RAH in the 13 May 2011 Heads of Agreement to restructure certain common interests with SUI has resulted in RAH having to be classified as a non-current asset held for sale, and impaired by R95,646 million to its fair value less cost to sell (see note 10 for detailed commentary).

In terms of IAS 36 – Impairment of Assets, an entity must determine whether there is any indication of impairment at each reporting date. IAS 36 requires assets to be impaired to the higher of market value or value in use based on discounted free cash flow valuations. GPI fully subscribed for its allocation of Worcester Casino (Proprietary) Limited (Golden Valley/ Worcester) rights offer shares allotted in July 2010 and December 2010 at a total cost of R32.838 million. Of this, R15.0 million represents a reversal of the previous impairment being the part of the shares that will be sold as part of the restructure of common assets with SUI. Unlike RAH above, there will be no change in GPI's control after the restructure and therefore this measurement remains consistent with prior years.

6. Remeasurement of investment

There was no change in control of investments, therefore no remeasurement was required during the year in terms of IFRS 3R. The R42.488 million prior year remeasurement relates to GPI's previously held 25.1% interest in Grandslots, which became a wholly-owned subsidiary of GPI following GPI's acquisition of Carentan Investment (Proprietary) Limited ("Carentan") on 30 June 2010 in the prior year.

7. Finance costs

Finance costs increased by 10.3% due to the higher level of debt, which was raised on 30 June 2010. The additional debt raised at 30 June 2011 is made up of a R40.0 million term loan from Grindrod Bank Limited, an R80.0 million Sanlam Capital Markets ("SCM") term loan and additional preference shares of R20.0 million drawn down from the existing SCM preference share facility. During the year under review R16.0 million of the SCM term loan was repaid and R24.2 million of the preference share debt was redeemed. Finance costs include R0.7 million in transaction costs, which are reversed for adjusted headline earnings per share.

8. Adjusted and headline earnings

Headline earnings increased by 26.3%, which resulted in adjusted headline earnings per share increasing by 14.6% to 22.38 (2010: 19.52) cents per share. The increase primarily arises from the acquisition of our LPM operations.

9. Non-current assets

Included in non-current assets is positive goodwill and intangibles to the value of R12.3 million and R15.9 million respectively, which have been recognised on the acquisition date of the LPM operator licence in Gauteng from Playmeter.

10. Non-current asset held for sale

The application of IFRS 5 – Non-current Assets held for Sale and Discontinued Operations has had an adverse effect on the reported basic earnings contained in these results. Notwithstanding the comprehensive disclosures of the financial effects of the proposed restructure with SUI in the circular sent to GPI shareholders on 15 August 2011 ("the Circular"), IFRS 5 requires that assets classified as held for sale be measured at the lower of the carrying amount and fair value less cost to sell and that these assets are required to be presented separately in the statement of financial position.

This means that as from 13 May 2011, the date the Heads of Agreement with SUI was signed, GPI's 30.57% investment in RAH is required to be reclassified from an investment in associate, which is equity-accounted and only impaired in terms of IAS 36 when the recoverable amount exceeds the higher of market value or value in use, based on discounted free cash flow valuations, to a non-current asset held for sale which is impaired in terms of IFRS 5 to the lower of its carrying amount and fair value less cost to sell.

Consequently, the investment in RAH now has to be impaired by R95.646 million at the time of the reclassification. In addition, the attributable earnings from RAH from 13 May 2011 to the date that the sale, if approved, ceases to be recognised in GPI's earnings.

It is important to note here that when analysing performance, adjusted headline earnings and not net profit / (loss) or total comprehensive income / (loss) is the most appropriate measure to use since headline earnings removes distortions caused by IFRS adjustments. This is particularly relevant in this case because the proposed restructure with SUI is made up of many parts and will only be concluded if all parts to this transaction are executed as each part cannot be taken in isolation. Furthermore, in the event that the proposed restructure with SUI is not concluded, this asset would not be regarded as for sale and GPI's intention would continue to be to recover this value through use.

The following additional information is therefore provided to the users of these financial results:

The effect of this reclassification is as follows:	IFRS 5 applied R'000s	IFRS 5 not applied R'000s	Impact R'000s
Investment in associate	30 676	579 701	549 025
Non-current asset held for sale	451 000	–	451 000
Available-for-sale fair value reserve	50 161	49 287	(874)
Profit from associate	30 923	34 177	(3 254)
Impairment of investment per IFRS 5	95 646	–	95 646
	Cents per share	**Cents per share**	**Cents per share**
Basic and diluted earnings per share (cents)	(5.46)	15.86	(21.32)
Adjusted basic and diluted earnings per share (cents)	(5.53)	16.06	(21.59)
Headline earnings per share (cents)	21.78	22.47	(0.69)
Adjusted headline earnings per share (cents)	22.69	23.38	(0.69)

11. Current assets

Current assets decreased mainly due to the decrease in cash. Included in current assets are interest-free loans totalling R10.944 million advanced to employees as assistance to acquire share options. As per the SENS announcement on 30 June 2011, 3 million share options were issued to Mr H Adams, the Executive Chairman, and 0.25 million share options were issued to Ms S Petersen, the Financial Director, from the GPI Share Incentive Trust. In addition 0.35 million share options were issued to Ms A Sadler-Almeida, the Chief Operating Officer: Slots. All the share options were issued at the 30 Volume Weighted Average Price share price of 304 cents per share and were immediately exercised.

12. Non-current liabilities

Cumulative redeemable preference shares consist of the outstanding preference share facilities with Standard Bank South Africa Limited and Depfin Investments (Proprietory) Limited and SCM which amounts to R131.235 million (2010: R155.398 million) and R125.725 million (2010: R125.725 million) respectively.

Interest-bearing loans and borrowings consist of term loans and finance lease liabilites of R104.0 million and R2.436 million respectively.

13. Current liabilities

Included in the prior year current liabilities is vendor finance to the value of R22.0 million in respect of the acquisition of the minority interest in Carentan and the Stripe Investments 7 (Proprietary) Limited (Stripe) acquisition. This amount was paid to the respective parties during the current year in terms of the purchase and sale agreement.

Also included in the prior year current liabilities is a provision for the R4.3 million specific payment to shareholders, H Adams (R1.0 million), A Abercrombie (R0.339 million), R Freese (R0.040 million) and A Bedford (R0.050 million), which was approved by the shareholders at the annual general meeting held on 15 December 2010 and paid during the year.

14. IFRS 3R – Business Combinations

As announced on SENS on 3 May 2011 Thuo Gaming Gauteng (Proprietary) Limited ("Grand Gaming Slots - Gauteng"), a wholly-owned subsidiary of GPI / GPI Slots (Proprietary) Limited (GPI Slots) acquired an LPM business and operator licence in Gauteng from Playmeter. The total consideration of R29.1 million was settled by way of a new issue of 8.1 million GPI shares (R23.2 million), and R5.9 million cash. 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 R12.3 million and R15.9 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 Playmeter as at the date of acquisition was:

	Fair value recognised on acquisition R'000s
Assets	
Property, plant and equipment	573
Intangible assets	15 847
Trade and other receivables	563
Cash and cash equivalents	2
	16 985
Liabilities	
Provisions	(96)
	(96)
Total identifiable net assets at fair value	16 889
Goodwill on acquisition	12 260
Purchase consideration transferred	29 149
Consideration made up of	
Shares issued	23 170
Cash paid	5 979
	29 149
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	2
Cash paid	(5 979)
Net cash outflow	(5 977)

Performance of GPI's LPM slots operations

Western Cape

Grandslots achieved an 11.9% increase in revenue from last year to R213.6 million.

Our Western Cape-based LPM business continues to deliver a significant portion of our LPM operation's revenue and is our best performing province in terms of LPM revenue. It grew 14.0% year-on-year from R335.7 million to R382.8 million to June 2011.

With two licenced operators in the Western Cape, Grandslots enjoyed an active LPM market share at 30 June 2011 of 53.2% and an even larger portion of the total provincial LPM revenue at 55.8% in the Western Cape.

KwaZulu-Natal

Thuo Gaming KwaZulu-Natal (Proprietary) Limited (Kingdomslots) achieved a 21.8% increase in revenue to R99. 6 million from last year.

Our KwaZulu-Natal-based LPM operation made significant in-roads during the financial year under review by actively managing its network of actual LPM sites in order to ensure greater operational efficiencies. The success thereof is reflected in their 21.8% year-on-year revenue growth despite the strategic decrease of 57 (7.6%) active LPMs at end June 2011 compared to 30 June 2010.

Provincially, KwaZulu-Natal saw a 22.6% annual increase in total LPM revenue from R183.9 million to June 2010 compared to R225.4 million with a 0.8% increase at 30 June 2011 compared to 30 June 2010 in active LPMs.

With four licenced operators in KwaZulu-Natal, Kingdomslots enjoyed an active LPM market share at 30 June 2011 of 36.4% and a considerably larger portion of the total provincial LPM revenue at 48%.

During the financial year GPI successfully aquired out the minority shareholders in Kingdomslots, which ensured GPI a 100% ownership of all its LPM operations at this time.

Grand Gaming Slots - Gauteng

Grand Gaming Slots - Gauteng acquired a licence to operate 1 000 LPM's in Gauteng on 29 April 2011. For the two months, Grand Gaming Slots - Gauteng generated R3 million in GGR.

The conditions of the Gauteng Route Operator Licence require that a minimum of 30% ownership of the licence must be held in local black hands. Structures have been designed to meet this requirement and progress is being made to implement these structures.

Integration of Slots Business and Restructure of Slots Group

The Slots business has now been integrated into the GPI Group, and the benefit of having GPI as the controlling shareholder is already been seen. The intended restructure of the Slots group of companies as highlighted in the June 2010 annual report has been completed as planned, and the affected companies are in the process of deregistration at the CIPC.

Performance of GPI's jointly-controlled entities

SunWest

On 23 September 2010, GPI exercised its remaining option to purchase 140 182 SunWest shares at an option price of R165 per share. This, together with other pre-emptive rights exercised during June 2010 and issued in August 2010, increased GPI's direct shareholding in SunWest from 29.24% to 30.04%.

GrandWest's initial 10-year casino exclusivity in the Cape Metropole expired during December 2010. The provincial government of the Western Cape (PGWC) is still considering whether to permit the relocation of one of the other casino licences in the Western Cape to the Cape Metropole. There is insufficient information to assess the potential impact on GrandWest's revenue and profitability.

GrandWest's revenue increased by 4.4% compared to the prior year whilst its attributable earnings increased by 7.9% despite the adverse economic environment in the Western Cape over the last year. GrandWest's EBITDA margin decreased slightly from 38.8% last year to 37.8% this year.

The Table Bay Hotel's attributable loss disappointingly increased by 18.7% mainly due to a 9.9% drop in room occupancy from 53.4% to 48.1%.

Golden Valley Casino

The GPI Group took up certain rights and increased its direct and indirect economic stake in Golden Valley Casino from 44.39% to 45.37%. The funds raised were partly used to fund the completion of the Worcester N2 interchange that was due for construction as committed to in the initial Golden Valley Casino licence application submission to the Western Cape Gambling and Racing Board (WCGRB). The cost of this investment to GPI has historically been very small given that it has largely been funded internally through interest-bearing debt and pleasingly revenues grew 10% to R123.3 million although the investment is yet to produce a positive earnings contribution.

Western Cape Manco

Western Cape Manco's attributable earnings increased by 5% for the year, which is in line with the increase in GrandWest's revenue and EBITDA.

Performance of GPI's associate investments

Real Africa Holdings Limited

Attributable earnings from RAH increased by 9.1 % compared to the prior year, despite RAH being reclassified as a non-current asset held for sale on 13 May 2011 and GPI's share of associate earnings from RAH only being recognised up to that date. The increase is mainly due to higher dividends received by RAH from SunWest and the R6.5 million profit from the sale of a 14.3% interest in Zonwabise. During the year the earnings from associate companies also increased, due to the payment of a cancellation fee on the early termination of the Emfuleni Manco management contract which resulted in higher earnings from National Manco and Zonwabise who each own 50% of the Emfuleni Manco. RAH has declared a final dividend of 12 cents per share compared to 14 cents per share the previous year.

Akhona GPI

Akhona GPI is owned by GPI, Akhona Investment Holdings 2005 Limited ("AIHL") and the Akhona Governing Body Trust ("AGBT"). At the beginning of the financial year Akhona GPI held investments in Kingdomslots and in Dolcoast Investments Limited ("Dolcoast"), the empowerment shareholder of Afrisun KZN (Proprietary) Limited ("Sibaya").

Effective 8 March 2011, Akhona GPI sold its direct 20% interest in Kingdomslots, and 100% interest in Wild Rush Trading 97 (Proprietary) Limited, holding a 10% interest in Kingdomslots, to GPI Slots. At the same time AIHL re-purchased shares (in terms of a call option) from GPI, whilst AIHL and GPI purchased their respective rights issue shares, which resulted in GPI's shareholding reducing from 74.95% economic (49.99% voting) to 59.00% economic (40.21% voting) and shareholder's loan accounts being equalised at R2.7 million each.

Akhona GPI exercised and took up an additional 3.8 shares in Dolcoast in terms of its pre-emptive rights. This transaction increased Akhona GPI's stake in Dolcoast from 23.0% to 24.9%. GPI's reduced shareholding in Akhona GPI and Akhona GPI's increased shareholding in Dolcoast had the net effect of reducing GPI's investment through Akhona GPI in Sibaya to 3.3%. GPI's total effective stake in Sibaya amounted to 7.48% (2010: 8.05%).

GPI's share of Akhona GPI's associate earnings decreased by 24.4% due to lower profits recognised from its investment in Dolcoast as a result of less dividends received from Sibaya as well as GPI's decrease in shareholding from 74.05% to 59.0 % effective 8 March 2011.

GPI aims to increase its stake in Sibaya Casino from 3.3% to a meaningful level and if unable to do so will exit this investment.

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 10 cents per share (2010: 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, 2 December 2011
– Trading commences "ex" the dividend	Monday, 5 December 2011
– Record date	Friday, 9 December 2011
– Date of payment of the dividend	Monday, 12 December 2011

Share certificates cannot be dematerialised or rematerialised between Monday, 5 December 2011 and Friday, 9 December 2011, both days inclusive.

Subsequent events

As advised to shareholders, GPI and SUI have agreed to the restructure of certain of their common interests (the Restructure). A Circular was sent to shareholders on 15 August 2011 giving full details of the proposed transaction and giving notice of the special general meeting to be held on 14 September 2011.

In terms of the Restructure, GPI will receive a combined consideration of R717. 8 million for the sale of shares in SunWest, Worcester and RAH while still retaining significant interests (25.1%) of each in both SunWest and Worcester. A further consideration of approximately R67. 4 million (after tax) will be received from the cancellation of existing Sun International (South Africa) (Proprietary) Limited management contracts and the implementation of new beneficial long-term operating agreements with SUI to manage GrandWest, Golden Valley Casino and the Table Bay Hotel.

There are two other important elements to the Restructure. Firstly, GPI is to be released from all empowerment lock-in obligations. This will ultimately result in the unbundling of the GPI Special Purpose Vehicle Trust ("GPI SPV Trust") and the GPI Broad-based Black Economic Empowerment Trust ("GPI BBBEE Trust"), following on which unit holders will receive GPI shares which they can trade freely. Secondly, the Restructure clearly defines the terms of the relationship between GPI and SUI and allows GPI to further its own gaming interests independently, particularly with regard to its LPM operations.

As set out in the table below the Restructure also provides GPI with the opportunity to realise a fair value for its investments in RAH and the portions of SunWest and Worcester that are being sold.

Assets	30 June 2010 % sold	Gross Consideration (Rm)
SunWest	4.9%	251.8
RAH	30.6%	451.4
Worcester	20.3%	14.6
Consideration for assets		717.8
Cancellation of management contracts (approximate)		67.4
Total consideration		785.2

The Board believes that the optimal manner of applying the proceeds of the Restructure is through the reduction of debt and a one-off special dividend, with the balance being retained for the pursuit of certain new investment opportunities. This approach will result in an improved risk profile, increased dividend flow to shareholders through the one-off special dividend and enhanced capacity for future dividends arising from the reduction in gearing.

Directorate

Although there were some changes to the GPI Board during the year, we believe that every member has contributed to the success and growth of our business.

The Board and management team continue to be fully committed to the future of the Group and strive to deliver a superior return to all stakeholders.

Prospects

We have publicly stated that our vision is to become a major and respected force in the gaming, tourism and leisure industry in Africa. Whilst we have been busy consummating the SUI, Kingdomslots Minorities and Playmeter deals we have continued to pursue and evaluate other opportunities. These opportunities lie in improving and extending our LPM footprint and in new gaming ventures. We see significant future value in technology-based gaming, which will allow us to enter other betting arenas and also prepare us for online gaming. To this end we have invested in human capital to develop this initiative further. Furthermore, we continue to pursue the licensing of the Type-B 40 LPM Site markets, which we believe will make a significant difference to our LPM business. In addition to the gaming, tourism and leisure industry, we are currently seeking to enter the non-gaming arena under the banner of Grand Capital.

For and on behalf of the board

H Adams
Executive Chairman

S Petersen
Financial Director

Cape Town
08 September 2011

Prepared by: D Pienaar CA (SA)