GRAND PARADE

INVESTMENTS LIMITED

Annual Financial Statements 2012

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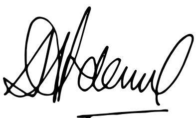
Directors' approval

The directors are responsible for the preparation of the annual financial statements and other information contained in this report. In their opinion, the financial statements set out in this report fairly represent the state of affairs of the group and of the company. The financial statements have been prepared in accordance with IFRS and in the manner required by the Companies Act.

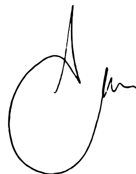
The external auditors are responsible for conducting an independent audit of the annual financial statements of the company and its subsidiaries in accordance with International Standards on Auditing and reporting their opinion to shareholders. Their report is presented on page 51.

The directors have reviewed the group's and company's budget and cash flow forecast for the year to 30 June 2013. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the group and company is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

The financial statements were approved by the board on 17 September 2012 and are signed on its behalf by



Hassen Adams
Executive Chairman



Alan Keet
Chief Executive Officer

Declaration by the Company Secretary

TO THE MEMBERS OF GRAND PARADE INVESTMENTS LIMITED

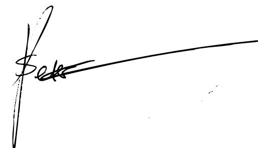
Pursuant to section 88 (2) (e) of the Companies Act, I certify that, to the best of my knowledge and belief, all returns required of the company, in terms of the said Act, have been duly lodged with the Companies Intellectual Property Commission (CIPC), and all such returns are true, correct and are up to date.

Lazelle Parton
Company Secretary

17 September 2012

Preparation of annual financial statements

The annual financial statements have been prepared under the supervision of the Financial Director.



Sukena Petersen
Financial Director

17 September 2012

Report on the financial statements

We have audited the annual financial statements and the group annual financial statements of Grand Parade Investments Limited, which comprise the statements of financial position as at 30 June 2012, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 58 to 111.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa as amended and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the group and company as at 30 June 2012, and of the financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa as amended.

Other reports

As part of our audit of the financial statements for the year ended 30 June 2012, we have read the Director's Report, Audit and Risk Committee Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between the reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified any material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Abdul-Majid Cader
Registered Auditor
Chartered Accountant (SA)

20 September 2012
Cape Town

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 30 June 2012

The Audit and Risk Committee is pleased to report that it has discharged its obligations in terms of the Companies Act, the JSE Listings Requirements and its Charter and has complied with its statutory obligations in all material respects.

More specifically, the committee has performed the following duties:

- considered the annual appointment of the external auditors Ernst & Young and the designated audit partner, with due regard to the provisions of sections 90 and 94(8) of the Companies Act and is satisfied as to their effectiveness and their independence of the company and the group. The committee accordingly nominates Ernst & Young as independent auditors to continue in office until the conclusion of the 2013 annual general meeting;
- considered and approved the external auditors terms of engagement for the annual audit for the period ending 30 June 2012, the extent and scope of the audit as well as the timing thereof, and prior to commencement of the audit, considered and approved the audit fees payable;
- considered and pre-approved the scope of non-audit services performed by the external auditors and the fees relating to such services;
- reviewed the IAR and annual financial statements, including the valuation of unlisted investments and loans, prior to submission to the Board. In the course of the review the audit committee took appropriate steps to ensure that the annual financial statements are prepared in accordance with IFRS and the Companies Act, and considered and made recommendations, where appropriate, on internal controls;
- reviewed the adequacy of the systems of internal control and any legal matters which could significantly impact on the group's annual financial statements;
- reviewed compliance with the King III and Listings Requirements insofar as these relate to the annual financial statements; and
- reviewed the risk management framework and made recommendations, where appropriate, to the Board.

No complaints were received by the committee relative to the audit, the group's accounting practices and internal financial controls or any other related matters.

The committee has also considered the appropriateness of the expertise, experience and adequacy of the finance function and in particular of its Finance Director and is satisfied that the Finance Director and the finance department collectively, possess the appropriate resources and level of expertise and experience to fulfil their responsibilities to the Board and the company.

The Chairman of the Audit and Risk Committee reports to the Board on matters attended to by that committee and Board members have access to the audit committee minutes.

The external and internal auditors have unrestricted access to the committee and all of its members throughout the year.

With regard to the IAR and the sustainability information included in the report, the committee is satisfied that the sustainability information is reliable and consistent with the information in the annual financial statements.

Having performed its oversight role and with due regard to the material issues that may affect the integrity of the IAR, the committee recommended the annual financial statements and the IAR to the Board for approval.

Although I was only appointed as chairman of the Committee on 20 August 2012, I have participated in finalising the annual financial statements and this IAR in conjuction with the other members of the committee who have provided the nesessary continuity and supported me in the process.

Colin Priem
Chairman
Audit and Risk Committee

Date 17 September 2012

The directors present their report on the activities of the group and company for the year ended 30 June 2012.

NATURE OF THE BUSINESS

The nature of business of the company is investment holding. In addition the group provides management services to the gaming and leisure industry. GPI's LPM operations are conducted through its wholly-owned subsidiary, GPI Slots (and its group) and GPI's management services are provided through its wholly-owned subsidiary, GPI Management Services (Pty) Ltd (GPIMS).

EARNINGS

It is important to note that when analysing the group's performance, adjusted headline earnings and not net profit/(loss) or total comprehensive income/(loss) is the most appropriate measure to use, since adjusted headline earnings remove distortions caused by adjustments. This is particularly relevant for the current year as on 2 December 2011 the group sold certain of its investments to Sun International. The effects of this transaction are detailed in this report.

The results of the group and company are set out in the consolidated statements of comprehensive income on page 58. Adjusted HEPS increased from 22.38 cents per share to 29.23 cents per share and basic earnings/(loss) per share increased from 4.89 cents loss per share to a 53.58 cents earnings per share. The increase primarily arises from returns on available cash, decreased finance costs as well as the improved performance of the Slots group.

EFFECT OF THE RESTRUCTURING WITH SUN INTERNATIONAL

On 2 December 2011 the group sold 4.9% of its holding in SunWest, 20.3% of its holding in Golden Valley and its full 30.6% holding in RAH to Sun International for R733.9 million. After the transaction the group's effective holding in Sunwest and Golden Valley was reduced to 25.1% each. The group reported an accounting profit on the sale of the investments of R60.2 million.

On 3 January 2012 Golden Valley bought back 400 000 of its own shares from the Breede River Community Trust, which increased the group's effective holding in Golden Valley to 25.6%. On the same day the group sold a further 100 400 shares in Golden Valley to Sun International to reduce its effective holding back to 25.1%. In terms of IAS 36 – Impairment of Assets, this sale allowed the group to reverse R0.3 million of previously recognised impairments to recognise the portion that was sold at its recoverable amount being the fair value less cost to sell of R0.3 million.

In the prior year, as a result of the pending transaction with Sun International, the group was required in terms of IAS 12 – Income Taxes, to measure its deferred tax assets and liabilities based on the expected manner of recovery. As a result of the group's change in expected recovery of the portion of the investment in SunWest being sold to Sun International, a deferred tax expense of R10.9 million was recognised in the prior year statement of comprehensive income. This amount was realised in the current year when the investment was sold to Sun International.

DIVIDENDS

A final dividend of 20 cents per share (2011: 10 cents) consisting of a 12.5 cents ordinary dividend and a 7.5 cents special dividend, was declared by the directors in respect of the year under review. This final dividend will be accounted for in the 2013 annual financial statements as it was declared subsequent to year-end.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENT

A summary of the operating subsidiaries, jointly-controlled entities and associates operating performance for the year is set out below.

SunWest

SunWest's attributable earnings consist of attributable earnings from GrandWest and the Table Bay Hotel. GrandWest's revenue increased by 7.9% compared to the prior year, whilst its attributable earnings after the payment of the once-off cancellation fee increased by 5.9% despite the adverse economic environment in the Western Cape over the last year. GrandWest's EBITDA margin increased by 19.8% from R627.4 million last year to R751.7 million this year.

The Table Bay Hotel's revenue decreased by 4.0% compared to the prior year, whilst its attributable loss increased by 37.2% mainly due to a 5.1% drop in the average room rate year on year from R2 060 last year to R1 956 this year and the occupancy rate decreasing from 48.1% to 47.5%.

Golden Valley

Golden Valley's revenue increased by 6.7% compared to the prior year, whilst its attributable earnings before the payment of the once-off cancellation fees increased by 158.4%. After the payment of the cancellation fees its attributable loss decreased by 66.0% compared to the prior year. The investment is yet to produce a positive earnings contribution, however management expects this investment to generate earnings in the short term.

Western Cape Manco

Western Cape Manco attributable earnings increased by 421.2% for the year due to the once-off cancellation fee received in respect of the management contract with SunWest.

Akhona GPI

GPI's share of Akhona GPI earnings decreased by 18.2% mainly as a result of GPI's decreased shareholding from 74.1% to 59.0%.

Grandslots

Grandslots achieved a 16.9% increase in revenue from last year to R249.6 million. At year-end Grandslots had 873 LPMs out of the 1 611 operating LPMs in the Western Cape.

Kingdomslots

Kingdomslots achieved a 19.8% increase in revenue from last year to R119.3 million. At year-end Kingdomslots had 708 LPMs out of the 1 996 operating LPMs in KZN.

Grand Gaming Slots

Grand Gaming Slots, during its first full year of trading, achieved revenue of R26.7 million. At year-end Grand Gaming Slots had 203 LPMs out of the 1 360 operating LPMs in Gauteng.

SHARE CAPITAL

During the year GPI acquired 9.78 million of its own shares for R24.2 million at an average price of 249 cents per share. This represents 2.1% of the issued ordinary share capital at 1 July 2011.

PREFERENCE SHARES

There were no new preference shares issued during the year and R125.7 million of the preference shares issued to SCM were redeemed. The outstanding preference share capital owing at year-end amounted to R132.4 million.

INTEREST-BEARING BORROWINGS

No additional interest-bearing debt was raised during the year. R40.0 million was repaid by GPI to Grindrod Bank and R12.0 million was repaid by GPIMS to SCM.

SUBSIDIARIES

At year-end the group consisted of GPI and its wholly-owned subsidiaries as listed below:

	Ordinary share capital and premium		Percentage held		Profit/(loss) after tax	
	2012 R'000s	2011 R'000s	2012 %	2011 %	2012 R'000s	2011 R'000s
Direct subsidiary companies						
BVI 575	1 000	1 000	100	100	95 280	67 642
GPI Slots*	–	–	100	100	24 797	(25 712)
Utish*	–	–	100	100	136 210	19 945
GPIMS	2 000	2 000	100	100	7 682	(4 679)
Grand Lifestyles*	–	–	100	100	(48)	(34)
Grand Capital*	–	–	100	–	(5)	–
Grand Sports*	–	–	100	–	–	–
Indirect subsidiary companies						
GPI House Properties*	–	–	100	–	(141)	–
Grandslots	–	10	100	100	29 419	23 906
Kingdomslots	–	10	100	100	3 328	541
Grand Gaming Slots	–	1	100	100	(7 712)	122
Thuo Gaming Mpumulanga (Pty) Ltd#	–	–	100	100	(670)	(49)
Thuo Gaming Free State (Pty) Ltd#	–	–	100	100	(32)	(1 674)
Thuo Gaming North West (Pty) Ltd#	–	–	100	100	(38)	(53)
Subsidiary companies in the process of being deregistered						
Carentan*	–	–	100	100	–	21 833
Slots Solutions*	–	–	100	100	–	6 530
Stripe*	–	–	100	100	–	–
Thuo SA*	–	1	100	100	–	13 567
BVI 967*	–	–	100	100	–	10 100
Wild Rush*	–	–	100	100	–	(5)
Special purpose entities						
GPSIT**	–	1	100	100	1 999	3 412

* The issued share capital for these companies is less than R1 000.

These companies have been registered in preparation for the possibility of securing LPM route operator licences.

** The Grand Parade Share Incentive Trust (GPSIT) is consolidated in terms of SIC 12 – Special purpose entities. The consolidation of this Trust is, however, reversed to calculate the adjusted headline earnings as the group does not receive the economic benefits of the Trust.

INVESTMENTS, ASSOCIATES AND JOINT VENTURES

	Economic percentage		Voting percentage	
	2012 %	2011 %	2012 %	2011 %
Direct interest (held by GPI)				
SunWest	8.00	10.25	0.02	0.04
Akhona GPI	59.00	59.00	40.21	40.21
Golden Valley	25.10	45.37	25.10	45.37
Grand World Vision Events	33.30	33.30	33.30	33.30
Indirect interest (held by subsidiaries)				
SunWest	17.10	19.79	49.87	49.97
Western Cape Manco	50.00	50.00	50.00	50.00
RAH	–	30.57	–	30.57
National Manco	5.67	5.67	5.67	5.67

SUBSIDIARIES

BVI 575

Business Venture Investments No. 575 (Pty) Ltd (BVI 575) is a wholly-owned special purpose vehicle established to obtain preference share funding from the Standard Bank of South Africa Limited (Standard Bank) and Depfin Investments (Pty) Ltd (Depfin) and holds a 17.1% holding in SunWest, a 50% stake in Western Cape Manco and a 5.7% stake in National Manco.

GPI SLOTS

GPI Slots is a wholly-owned subsidiary and is the holding company of all the LPM operating companies.

Carentan Investments (Pty) Ltd (Carentan), Thuo Gaming South Africa (Pty) Ltd (Thuo SA), Slots Solutions (Pty) Ltd (Slots Solutions), Business Venture Investments No. 967 (Pty) Ltd (BVI 967) and Wild Rush Trading 97 (Pty) Ltd (Wild Rush) were either deregistered or submitted to CPIC for deregistration during the year. Stripe Investments 7 (Pty) Ltd (Stripe) was in the process of being deregistered at year-end.

UTISH

Utish Investments (Pty) Ltd (Utish) is a wholly-owned special purpose vehicle established to obtain preference share funding from SCM and had a 30.5% stake in RAH. During the current year Utish sold its 30.5% stake in RAH to Sun International and redeemed the full preference share funding out of the proceeds received from the sale. The company will be used for future investments made by the group.

GPIMS

GPIMS is a wholly-owned subsidiary established to perform management services for the group and third parties.

GRAND LIFESTYLES

Grand Lifestyles (Pty) Ltd (Grand Lifestyles) was established during 2010 as a vehicle to expand into the non-gaming tourism and leisure market. The company did not trade during the current year.

GRANDSLOTS

The company is engaged in the operation of an electronic gaming machine route operation network in the Western Cape and related activities insofar as the relevant laws permit. During the year Grandslots changed its registered name from Thuo Gaming Western Cape (Pty) Ltd to Grand Gaming Western Cape (Pty) Ltd.

KINGDOMSLOTS

The company is engaged in the operation of an electronic gaming machine route operation network in KZN and related activities insofar as the relevant laws permit. During the year Kingdomslots changed its registered name from Thuo Gaming KwaZulu-Natal (Pty) Ltd to Grand Gaming KwaZulu-Natal (Pty) Ltd.

GRAND GAMING SLOTS

The company is engaged in the operation of an electronic gaming machine route operation network in Gauteng and related activities insofar as the relevant laws permit. During the year Grand Gaming Slots changed its registered name from Thuo Gaming Gauteng (Pty) Ltd to Grand Gaming Gauteng (Pty) Ltd.

SPECIAL PURPOSE ENTITIES

GPSIT

GPSIT was established as an incentive scheme for employees. This Trust is consolidated as required by SIC 12 – Special purpose entities. During the year a total of 1.05 million shares were issued to the CEO and the Executive Director – Gaming Operations at R2.50 per share.

Joint ventures, associates and investments

GPI has investments in SunWest, Western Cape Manco and Golden Valley which it classifies as joint ventures that are equity-accounted. GPI also has investments in Akhona GPI and Grand World Vision Events (Pty) Ltd (Grand World Vision Events) which are classified as associates that are also equity-accounted. RAH which was classified as a non-current asset held for sale in terms of IFRS 5 in the prior year was sold to Sun International during the current year.

SUNWEST

During the year the group sold 4.9% of its economic interest and 0.1% of its voting rights in SunWest to Sun International. Subsequent to the sale the group's economic interest amounts to 25.1% (2011: 30.0%) and voting rights to 49.9% (2011: 50.0%).

WESTERN CAPE MANCO

Western Cape Manco is a jointly-controlled entity that is equity-accounted as allowed by IAS 31 – Interests in Joint Ventures.

GOLDEN VALLEY

During the year the group sold 20.3% of its economic interest and voting rights in Golden Valley to Sun International. Subsequent to the sale the group's economic interest and voting rights amount to 25.1% (2011: 45.4%).

AKHONA GPI

Akhona GPI is owned by GPI, AIHL and the Akhona Governing Body Trust (AGBT). GPI holds 59.0% (2011: 59.0%) of the economic rights and 40.2% (2011: 40.2%) of the voting rights in Akhona GPI. During the financial year Akhona GPI held a 24.9% in Dolcoast Investments (Pty) Ltd (Dolcoast), which in turn as the empowerment shareholder holds 22.4% of Sibaya Casino. GPI's effective holding in Sibaya Casino through its investment in Akhona GPI is 3.3%

RAH

In the prior year GPI owned indirectly, through its wholly-owned subsidiary Utish, 30.5% of RAH and directly owned 0.03% in RAH. The group's entire investment in RAH was sold to Sun International during the current year.

GRAND WORLD VISION EVENTS

GPI is a 33.3% shareholder in Grand World Vision Events. This entity is in the process of being deregistered.

NATIONAL MANCO

GPI indirectly through its wholly-owned subsidiary BVI 575 owns 5.7% shareholding in National Manco that was initially purchased at a cost of R57. This investment has been measured at fair value in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

DIRECTORS AND COMPANY SECRETARY

Particulars of the present directors and company secretary are given on page 26.

DIRECTORS' RELATED PARTY DISCLOSURE

Directors' interest in contracts

Listed below are the directors' interest in contracts which have been identified and disclosed:

H Adams

– Proman Project Management Services (Pty) Ltd (Proman)

– Nadesons

A Abercrombie

– DLA Cliffe Dekker Hofmeyr

C W Williams

– DLA Cliffe Dekker Hofmeyr

F Samaai

– Nadesons

DIRECTORS' SHAREHOLDING

As at 30 June, the directors of the company beneficially held direct and indirect ordinary shares in the issued share capital of the company as follows:

Shares	Beneficial direct 2012 000's	Beneficial indirect 2012 000's	Beneficial total shares 2012 000's	Beneficial total shares 2012 %	Beneficial direct 2011 000's	Beneficial indirect 2011 000's	Beneficial total shares 2011 000's	Beneficial total shares 2011 %
Director								
H Adams	3 565	50 391	53 956	11.71	3 439	28 053	31 492	6.69
A Abercrombie	4 606	300	4 906	1.06	3 393	2 614	6 007	1.28
A W Bedford	375	3 988	4 363	0.95	237	2 925	3 162	0.67
A P Funkey*	–	–	–	–	1 180	927	2 107	0.45
R Freese##	168	155	323	0.07	–	–	–	–
N Mlambo	20	31	51	0.01	10	31	41	0.01
A Keet	600	–	600	0.13	–	–	–	–
R J Hoption#	450	–	450	0.10	–	–	–	–
F Samaai	29	377	406	0.09	6	327	333	0.07
N V Maharaj	–	5	5	–	–	4	4	–
S Petersen	400	–	400	0.09	400	–	400	0.09
	10 213	55 247	65 460	14.21	8 665	34 881	43 546	9.26

During the year the GPI BBBEE Trust and the GPI SPV Trust were unbundled and the units held by the directors were converted to GPI shares in the ratio of one unit to one GPI share.

Units	Beneficial direct 2012 000's	Beneficial indirect 2012 000's	Beneficial total units 2012 000's	Beneficial total units 2012 %	Beneficial direct 2011 000's	Beneficial indirect 2011 000's	Beneficial total units 2011 000's	Beneficial total units 2011 %
Director								
H Adams	–	–	–	–	126	5 392	5 518	14.25
A Abercrombie	–	–	–	–	558	100	658	1.70
A W Bedford	–	–	–	–	135	1 063	1 198	3.09
R G Freese##	–	–	–	–	–	–	–	–
F Samaai	–	–	–	–	–	49	49	0.13
N Mlambo	–	–	–	–	10	–	10	0.02
	–	–	–	–	829	6 604	7 433	19.19

* A P Funkey resigned as a director on 30 June 2011.
# R J Hoption was reappointed on 22 July 2011.
R Freese was reappointed on 20 July 2011 and resigned as director on 29 June 2012.

There has been no change in director shareholding from the date of the financial year-end up to the approval of the annual financial statements.

CAPITAL COMMITMENTS

Authorised but not contracted

The group has no capital commitments.

SUBSEQUENT EVENTS

On 18 July 2012 Grand Gaming Slots opened the first Type B LPM licensed site in Gauteng. The Type B licence permits the site to operate up to 40 LPMs in a single venue as opposed to the current Type A licence which only permits the site up to 5 LPMs per venue. This is the first licence of its type in Gauteng.

On 3 August 2012 the transfer of the office building was registered at the Deeds Office. A redevelopment of the property of up to R65 million has been approved by the Board.

GPI concluded an agreement on 17 August 2012 to acquire the additional 41.0% it does not already own in Akhona GPI. The acquisition will give the group a greater exposure to Sibaya Casino.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME for the year ended 30 June 2012

	Note	GROUP		COMPANY	
		2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
REVENUE	3	435 667	326 442	558 032	36 304
Cost of sales		(231 248)	(184 343)	–	–
Gross profit		204 419	142 099	558 032	36 304
Operating costs		(107 599)	(88 529)	(21 507)	(8 893)
Profit from operations		96 820	53 570	536 525	27 411
Profit from equity-accounted investments		131 072	119 566	–	–
Impairment of investments	9, 10	–	(128 485)	–	(36 700)
Reversal of impairment of investment	9	336	15 000	336	15 000
Realisation of fair value reserve		35 588	–	–	–
Profit on disposal of investments		60 248	151	57 485	151
Depreciation	13	(35 987)	(34 011)	(164)	(111)
Amortisation	14	(2 623)	(1 999)	–	–
Profit before finance costs and taxation	4	285 454	23 792	594 182	5 751
Finance income	5	1 781	1 745	–	–
Finance costs	5	(24 225)	(32 916)	(1 849)	(4 264)
Profit/(loss) before taxation		263 010	(7 379)	592 333	1 487
Taxation	6	(11 598)	(15 292)	(8 871)	(89)
Profit/(loss) for the year		251 412	(22 671)	583 462	1 398
Other comprehensive income					
Change in reserves of associated companies, net of tax	10	–	13 197	–	–
Unrealised fair value loss on available-for-sale investments, net of tax	11	(5 676)	(4 491)	–	–
Realisation of fair value reserve		(35 588)	–	–	–
Total comprehensive income/(loss) for the year		210 148	(13 965)	583 462	1 398
Profit/(loss) for the year attributable to:					
Ordinary shareholders		251 412	(22 671)	583 462	1 398
		251 412	(22 671)	583 462	1 398
Total comprehensive income/(loss) attributable to:					
Ordinary shareholders		210 148	(13 965)	583 462	1 398
		210 148	(13 965)	583 462	1 398
		Cents	Cents		
Basic and diluted earnings per share	7	53.58	(4.89)		
Headline and diluted headline earnings per share	7	34.88	19.13		
Adjusted and diluted adjusted headline earnings per share	7	29.23	22.38		
Dividends paid per share		70.00	7.50		

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION for the year ended 30 June 2012

	Note	GROUP 2012 R'000s	GROUP 2011 R'000s	COMPANY 2012 R'000s	COMPANY 2011 R'000s
ASSETS					
Non-current assets		1 406 521	2 082 715	174 037	246 920
Investments in jointly-controlled entities	9	1 062 182	1 313 387	150 079	222 524
Investments in associates	10	34 884	30 676	20 929	21 241
Investments	11	9 900	16 055	–	–
Investments in subsidiaries	12	–	–	3 000	3 000
Goodwill	15	122 934	122 907	–	–
Property, plant and equipment	13	101 972	77 874	29	155
Intangible assets	14	55 392	54 370	–	–
Deferred tax assets	6	19 257	16 446	–	–
Non-current asset held for sale	20	–	451 000	–	–
Current assets		461 805	112 179	518 358	357 788
Inventories	16	2 067	2 363	–	–
Trade and other receivables	17	33 095	21 252	3 509	708
Related party loans	18	20 009	17 454	189 104	352 067
Cash and cash equivalents	19	405 147	69 248	325 745	5 013
Income tax receivable	31.1	1 487	1 862	–	–
Total assets		1 868 326	2 194 894	692 395	604 708
EQUITY AND LIABILITIES					
Capital and reserves					
Total equity		1 617 477	1 756 792	680 882	451 062
Ordinary share capital and premium	21	730 364	754 164	725 913	750 234
Treasury shares	21	(2 346)	(4 451)	–	–
Accumulated profit/(loss)		881 026	957 382	(45 031)	(299 172)
Available-for-sale investments' fair value reserve		8 132	49 396	–	–
Capital redemption reserve fund		301	301	–	–
Non-current liabilities		150 502	306 401	–	40 044
Cumulative redeemable preference share capital and premium	22.3	101 670	193 157	–	–
Interest-bearing borrowings	23	36 000	88 000	–	40 000
Finance lease liabilities	24	1 134	1 500	–	–
Deferred tax liabilities	6	11 525	23 618	–	44
Provisions	25	173	126	–	–
Current liabilities		100 347	131 701	11 513	113 602
Trade and other payables	26	36 259	40 578	858	3 296
Provisions	25	5 311	4 347	–	–
Related party loans	18	–	–	6	105 020
Cumulative redeemable preference share capital and premium	22.3	30 754	63 804	–	–
Interest-bearing borrowings	23	16 000	16 000	–	–
Finance lease liabilities	24	681	937	–	–
Dividends payable	31.2	10 648	5 285	10 648	5 285
Taxation	31.1	694	750	1	1
Total equity and liabilities		1 868 326	2 194 894	692 395	604 708
		Cents	Cents		
Tangible net asset value per share		312	347		
Adjusted tangible net asset value per share		314	349		
Net asset value per share		351	373		
Adjusted net asset value per share		352	375		

GROUP	Ordinary share capital R'000s	Share premium R'000s	Treasury shares R'000s	Accumulated profits R'000s	Available-for-sale fair value reserve R'000s	Capital redemption reserve fund R'000s	Non-controlling interest R'000s	Total equity R'000s
Balance at 30 June 2010	115	727 186	(11 669)	1 010 803	40 690	277	4 978	1 772 380
Total comprehensive income/(loss) for the year	–	–	–	(22 671)	8 706	–	–	(13 965)
Dividends declared	–	–	–	(34 238)	–	–	–	(34 238)
Treasury shares allocated to employees	–	3 726	7 218	–	–	–	–	10 944
Share capital raised	2	23 168	–	–	–	–	–	23 170
Share issue expense	–	(33)	–	–	–	–	–	(33)
Transfer to capital redemption reserve fund	–	–	–	(24)	–	24	–	–
Acquisition of non-controlling interest	–	–	–	3 512	–	–	(4 978)	(1 466)
Balance at 30 June 2011	117	754 047	(4 451)	957 382	49 396	301	–	1 756 792
Total comprehensive income/(loss) for the year	–	–	–	251 412	(41 264)	–	–	210 148
Dividends declared	–	–	–	(327 768)	–	–	–	(327 768)
Shares bought back	(2)	(24 319)	–	–	–	–	–	(24 321)
Treasury shares allocated to employees	–	521	2 105	–	–	–	–	2 626
Balance at 30 June 2012	115	730 249	(2 346)	881 026	8 132	301	–	1 617 477

COMPANY	Ordinary share capital R'000s	Ordinary share premium R'000s	Accumulated profits/(loss) R'000s	Total equity R'000s
Balance at 30 June 2010	115	726 982	(265 895)	461 202
Total comprehensive income for the year	–	–	1 398	1 398
Dividends declared	–	–	(34 675)	(34 675)
Share capital raised	2	23 168	–	23 170
Share issue expenses	–	(33)	–	(33)
Balance at 30 June 2011	117	750 117	(299 172)	451 062
Total comprehensive income for the year	–	–	583 462	583 462
Dividends declared	–	–	(329 321)	(329 321)
Shares bought back	(2)	(24 319)	–	(24 321)
Balance at 30 June 2012	115	725 798	(45 031)	680 882

CONSOLIDATED STATEMENTS OF CASH FLOWS for the year ended 30 June 2012

	Note	GROUP 2012 R'000s	GROUP 2011 R'000s	COMPANY 2012 R'000s	COMPANY 2011 R'000s
Cash flows from operating activities					
Profit/(loss) before taxation		263 010	(7 379)	592 333	1 487
Adjustments for:					
– Depreciation	13	35 987	34 011	164	111
– Amortisation	14	2 623	1 999	–	–
– Finance income – investment and operations		(6 797)	(3 405)	(3 001)	(490)
– Finance costs	5	24 225	32 916	1 849	4 264
– Dividends received	3	(26 971)	(2 009)	(555 031)	(35 795)
– Loss on sale of property, plant and equipment		447	759	–	–
– Profit on sale of investments	4	(60 248)	(151)	(57 485)	(151)
– Realisation of expenses previously recognised against share premium		1 189	–	–	–
– Impairment of investments	9, 10	–	128 485	–	36 700
– Reversal of impairment of investment	9	(336)	(15 000)	(336)	(15 000)
– Realisation of fair value reserve		(35 588)	–	–	–
– Impairment of loans		217	–	–	–
– Profit from jointly-controlled entities		(131 072)	(119 566)	–	–
Operating cash flows before working capital changes		66 686	50 660	(21 507)	(8 874)
Decrease/(increase) in inventory		296	(1 034)	–	–
(Increase)/decrease in trade and other receivables		(11 843)	(1 248)	(2 801)	2 374
Decrease in trade and other payables		(6 795)	(26 209)	(2 434)	(5 538)
Cash flows from operations		48 344	22 169	(26 742)	(12 038)
Income taxes paid	31.1	(25 704)	(11 907)	(8 915)	(238)
Finance income – operations	5	1 781	1 745	–	–
Net cash inflow/(outflow) from operating activities		24 421	12 007	(35 657)	(12 276)
Cash flows from investing activities					
Acquisition of plant and equipment	13	(35 647)	(28 299)	(38)	–
Acquisition of land and buildings	13	(25 002)	–	–	–
Acquisition of intangibles		(3 672)	(2 577)	–	–
Consideration from disposal of assets		117	127	–	–
Net cash paid for business combination	8	–	(5 976)	–	–
Inter-group loans repaid/(advanced)					
– GPI Slots		–	–	5 000	(10 680)
– Grand Lifestyles		–	–	(31)	(34)
– Utish		–	–	185 709	6 933
– GPIMS		–	–	903	(541)
– Grand Capital		–	–	(28 500)	–
Investments (made)/received					
– Golden Valley	9	–	(32 839)	–	(32 839)
Proceeds from the sale of investments		733 935	–	130 575	–
Finance income – investments		5 016	1 660	3 001	490
Dividends received		182 686	143 683	555 031	35 795
Net cash inflow/(outflow) from investing activities		857 433	75 779	851 650	(876)
Cash flows from financing activities					
Preference shares redeemed		(125 726)	(24 163)	–	–
Dividends paid	31.2	(322 405)	(33 666)	(323 958)	(34 103)
Share issue expenses paid		–	(33)	–	–
Shares bought back		(24 321)	–	(24 321)	–
Inter-group loans (repaid)/advanced					
– BVI		–	–	(105 131)	26 396
Loans advanced		(1 250)	–	–	–
Loans advanced to employees		(7)	–	–	–
Loans repaid by employees		1 110	–	–	–
Consideration from finance leases advanced		424	2 915	–	–
Repayment of finance leases		(1 045)	(479)	–	–
Repayment of interest-bearing borrowings		(52 000)	(16 000)	(40 000)	–
Finance costs		(20 735)	(28 304)	(1 851)	(4 264)
Net cash outflow from financing activities		(545 955)	(99 730)	(495 261)	(11 971)
Net increase/(decrease) in cash and cash equivalents		335 899	(11 944)	320 732	(25 123)
Cash and cash equivalents at the beginning of the year		69 248	81 192	5 013	30 136
Cash and cash equivalents at the end of the year	19	405 147	69 248	325 745	5 013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial results

The consolidated and separate financial statements have been prepared on the historical cost basis, except where otherwise stated or disclosed, and as a going concern. The consolidated financial statements are presented in rands and all values are rounded to the nearest thousand (R'000s), except where otherwise indicated.

The accounting policies applied are consistent with those applied in the prior year, with the exception of the standards which are effective for the financial years beginning 1 July 2011, described in note 1.4 below.

Company financial statements

Investments in subsidiaries, associates and joint ventures in the separate financial statements presented by the company are recognised at cost less accumulated impairment loss.

Recognition of assets and liabilities

Assets are recognised if it is probable that future economic benefits associated with the asset will flow to the group and the cost or fair value can be measured reliably.

Liabilities are recognised if it is probable that an outflow of resources embodying economic benefits will result from the settlement of the present obligation and the amount at which the settlement will take place can be reliably measured. Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument.

The gain or loss on derecognition of the assets or liabilities are treated as income or expense in profit and loss as appropriate.

1.2 Statement of compliance

The consolidated and separate financial statements are prepared in accordance with IFRS and Interpretations of those Standards as adopted by the International Accounting Standards Board, and in a manner required by the Companies Act.

1.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the group and its subsidiaries as at 30 June 2012 and the year then ended.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, income, expenses and unrealised profits and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

A change in the ownership interest of an exisiting subsidiary, without a loss of control, is accounted for as an equity transaction. If the group relinquishes control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- recognises the fair value of the consideration received;
- recognises the fair value of the investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained income as appropriate.

(a) Business combinations and goodwill

Business combinations from 1 July 2009

Business combinations are accounted for by using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest that relates to current equity interests in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets. All other components of non-controlling interest are measured at the acquisition date fair value of the interest. Acquisition costs incurred are expensed and included in profit or loss.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If a business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value

of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled in equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interest and the fair value of the existing interest prior to obtaining control over the net identifiable assets and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase.

After initial recognition, goodwill is measured at cost less any impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 July 2009
In comparison to the abovementioned requirements, the following differences applied:

Business combinations were accounted for using the purchase price method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

Contingent consideration was recognised if and only if the group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments of the contingent consideration were recognised as part of goodwill.

(b) Interest in jointly-controlled entities and associates

The group has interests in joint ventures which are classified as jointly-controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The contractual arrangement implies unanimous agreement for financial and operating decisions amongst the joint venturers.

The group also has investments in associates. An associate is an entity in which the group has significant influence.

The group recognises its interest in the jointly-controlled entities and associates using the equity method. The financial statements of the jointly-controlled entities and associates are prepared for the same reporting period as the parent company.

Under the equity method, the investments in the jointly-controlled entity and associate is carried in the statement of financial position at cost plus post-acquisition changes in the group's share of net assets of the jointly-controlled entity and associate. Goodwill relating to the jointly-controlled entity and associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Losses of a jointly-controlled entity and associate in excess of the group's interest in the jointly-controlled entity and associate (which includes any long-term interest that, in substance, forms part of the group's net investment in the jointly-controlled entity and associate) are not recognised unless the group has a legal or constructive obligation in respect of those jointly-controlled entities and associates. If the jointly-controlled entity and associate subsequently report profits, the group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

After application of the equity method, the group assesses whether there is any objective evidence that the investment in the jointly-controlled entities and associates is impaired. If any such indication exists, the entire carrying amount of the investment in the jointly-controlled entity and associate is tested for impairment by comparing the recoverable amount with its carrying amount, to determine whether it is necessary to recognise any impairment losses.

The group makes an assessment at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the investment in jointly-controlled entities' and associates' recoverable amount and reverses the impairment to the lower of the recoverable amount or carrying amount, that would have been determined had no impairment losses been recognised in prior periods. Such reversals are recognised in profit or loss.

The statement of comprehensive income reflects the share of the results of operations of jointly-controlled entities and associates. Where there has been a change recognised directly in the other comprehensive income or equity of the jointly-controlled entity or associate, the group recognises its share of any changes and discloses this, where applicable, in the statement of comprehensive income or in the statement of changes in equity.

Where a group entity transacts with a jointly-controlled entity or associate, unrealised profits and losses are eliminated to the extent of the group's interest in the jointly-controlled entity or associate. The jointly-controlled entity and associate is equity-accounted until the date on which the group ceases to have joint control or significant influence over the jointly-controlled entity or associate. Upon loss of significant influence or joint control over the associate or jointly-controlled entity, the group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate or jointly-controlled entity upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Upon derecognition of the investment in a jointly-controlled entity or associate, previously recognised gains or losses in other comprehensive income will be released to profit and loss for the period.

1.4 New standards and interpretations adopted during the year

The accounting policies adopted by the group are consistent with those of the previous financial year, with the exception of the following applicable new and amended IFRS and IFRIC interpretations issued by the International Accounting Standards Board (IASB):

IAS 24 Related Party Transactions (Amendment) (effective 1 January 2011)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements from transitions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance, cash flows or disclosure of the group.

IAS 32 Financial Instruments: Presentation (Amendment) (effective 1 February 2011)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instrument for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the group as the group does not have these type of instruments.

IFRIC 14 Prepayments of a minimum Funding Requirement (Amendment) (effective 1 January 2011)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the group.

IFRS 7 Financial Instruments: Disclosures (Amendment) Transfers of Financial Assets (effective 1 July 2011)

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when:

- Financial assets are derecognised in their entirety, but the entity has a continuing involvement in them (e.g. options or guarantees on the transferred assets)
- Financial assets are not derecognised in their entirety.

The amendment is not expected to impact the group, unless transactions are entered into that would meet the requirements set out in the amended standard.

Improvements to IFRSs (May 2010)

The annual improvements issued by the IASB during 2010 which are applicable to the group have been adopted with no material impact.

1.5 Significant accounting judgements and estimates

In the preparation of the annual financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements within the next financial period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements concerning the future. Estimates and judgements are continually evaluated and are based on historical factors coupled with expectations about future events that are considered reasonable.

Estimates that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next year are described below. Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, as they involve assessments or decisions that are particularly complex or subjective, are discussed below.

Depreciation rates and residual values

The depreciation method reflects the pattern in which economic benefits attributable to the assets flow to the entity. The useful lives of these assets can vary depending on a variety of factors, including but not limited to: technological obsolescence, maintenance programmes, refurbishments, product life cycles and the intention of management.

The estimation of the useful life and residual value of an asset is a matter of judgement based on the past experience of the group with similar assets and the intention of management (refer to note 13).

Deferred tax assets

Before any deferred tax asset is recognised, judgement coupled with estimates based on forecasts and budgets, is required to determine if the various companies showing deferred tax assets will make an appropriate level of taxable profit in the foreseeable future (refer to note 6). The critical assumptions and estimates used in the budgets and forecasts are: revenue growth percentages which are based on historical growth percentages and management's assessment of future growth; inflation which is based on research data obtained from local financial institutions and future capital expenditure requirements which are based on management's assessment of the level of expenditure required to support the revenue growth rates and future cash flow requirements.

Fair value of unquoted equity instruments

The fair value of unquoted equity instruments has been valued based on expected cash flows discounted at current market rates applicable for items with similar terms and risk characteristics. The valuation requires the group to make estimates about expected future cash flows and discount rates (refer to note 11).

Recoverable amount of goodwill and intagible assets with indefinite useful lives

Annually the group assesses the recoverable amount of all equity-accounted investments, intangible assets and cash-generating units that contain goodwill and intangible assets with an indefinite useful life.

Fair value less costs to sell is determined with reference to an active market price or a recent agreement of sale, where applicable.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The value in use calculation is most sensitive to the following assumptions:

- discount rate; and
- growth rates used to discount cash flows beyond the budgeted period.

Discount rates – discount rates represent the current market assessment of the risks specific to each cash-generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments as derived from its weighted average cost of capital (WACC). The WACC takes into account both equity and debt. The cost of equity is derived from the expected return on investment. The cost of debt is based on the interest-bearing borrowings the group

is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

The growth rates used to discount cash flows beyond the budgeted period are based on management's assessment of the future growth rates, taking into consideration the historical and budgeted growth rates of each investment. Management also reviews published information related to the growth rates of companies in similar industries and markets as the group's investments to determine the appropriateness of the growth assumptions used.

Estimated impairment of intangible assets

The group tests goodwill for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Refer to note 15 for the estimates and assumptions used when testing goodwill for impairment.

The group also tests intangible assets with indefinite useful lives for impairment annually at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired. Refer to note 14 for the estimates and assumptions used when testing intangible assets with infinite lives for impairment.

Net gaming win

The group regards the national VAT levied on net gaming win to be comparable with the gaming levies which are paid to provincial gaming boards. These are seen as direct costs of the group as they are borne entirely by the group and have no effect on gaming activities from the customer's perspective. In the gaming industry, the nature of betting transactions makes it difficult to separate bets placed by customers and winnings paid to customers. It therefore follows that gambling institutions experience practical difficulties reflecting output tax separately from input tax. Accordingly, SARS allows gaming operations to account for VAT by applying the tax fraction to the net betting transaction. Any change in either the VAT rate or the provincial gaming levies would be absorbed by the group and would not be recouped from the customer. The group thus treats VAT and other taxes levied on gaming winnings as direct costs. These amounts are included in net gaming win and are treated as part of cost of sales.

1.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any discounts, rebates and related taxes, with the exception of gaming taxes which are treated as a cost of sale. Revenue is recognised on the bases set out below:

Gross Gaming Revenue

GGR comprises the net gaming win generated by gaming operations being the difference between total bets made and the amounts returned to players. Net gaming win is measured as the net cash received from gaming operations. Due to the short-term nature of the group's gaming operations, all income is recognised in profit and loss immediately, at fair value.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income

Interest income is recognised in profit or loss on an accrual basis using the effective interest rate method.

Management fees

Management fees are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of actual services provided as a proportion of the total services to be provided.

1.7 Cost of sales

Cost of sales comprise amounts directly related to GGR and include provincial gaming levies, monitoring fees, site commissions, VAT and contributions to the national responsible gambling board and corporate social investment contributions.

Provincial gaming levies

The provincial gaming levies are payable to the respective gambling boards in each province and are based on the monthly GGR generated by each entity. The levies range between 10% and 15% of the monthly GGR and are legislated in the provincial gambling acts.

Monitoring fees

Monitoring fees are payable to the national monitoring service provider elected by the national gambling board, Zonke Monitoring Systems (Pty) Ltd.

The monitoring fee is set at 6% of the monthly GGR generated by each entity.

Site commissions

Site commissions comprise the net amount paid to site owners based on the revenue share agreements with each site. The revenue share is based on the GGR generated by each site.

VAT

VAT and other taxes levied on gaming winnings are included in the net gaming win and are treated as direct costs as these are borne by the group and not the customers.

Contributions to the National Responsible Gambling Board and Corporate Social Investments

Contributions to the National Responsible Gambling Board and CSI are legislated by the respective Provincial Gambling Boards and the National Gambling Boards and are determined as a percentage of GGR and/or profits.

1.8 Property, plant and equipment

Property, plant and equipment is initially recognised at cost, being the cash price equivalent at the recognition date. The cost of an asset comprises directly attributable costs and any costs incurred in bringing the asset to the location and condition necessary for it to operate as intended by management.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and accumulated impairment loss, if any. Subsequent costs are included in the asset's carrying amount or are recognised as separate assets, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably.

Maintenance and repairs, which do not meet these criteria, are charged against profit or loss as incurred. Property, plant and equipment is depreciated on the straight-line basis over the estimated useful lives of the assets to the current values of their expected residual values. The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, at each reporting date.

Depreciation and impairment losses are included in profit or loss. Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on derecognition of assets are included in profit or loss in the year that the asset is derecognised.

The useful lives are as follows:

Audiovisual	– 3 years
Computer equipment	– 3 years
Software	– 2 years
Leasehold improvements	– 4 to 10 years
Furniture and fittings	– 5 years
Owned plant and equipment	– 5 years
Gaming equipment	– 5 years
Site soft furnishings	– 5 years
Leased plant and equipment	– 5 to 10 years
Office buildings	– 50 years

1.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally-generated intangible assets excluding capitalised development costs, are not capitalised and the expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. Intangible assets with finite lives are amortised over the useful life and assessed for impairment when there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

Bid costs and licences

Expenditure incurred by the group in applying for new gaming licences is capitalised up to the date that the group submits new licence applications to the relevant licensing authorities. These costs are only capitalised when it is probable that they will result in future economic benefits accruing to the group.

Bid costs and licences are shown at historical cost and are tested for impairment annually.

The costs associated with unsuccessful bid applications are written off as and when the related bids are determined to be unsuccessful.

Computer software costs

Computer software acquired separately is measured on initial recognition at cost. Following initial recognition

computer software is carried at cost less any accumulated amortisation and accumulated impairment losses. Computer software is amortised over its useful economic life and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortisation period and the amortisation method for computer software is reviewed at the end of each reporting period. The amortisation expense is in recognised in profit and loss under the depreciation and amortisation category.

1.10 Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When the carrying amount exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case then the asset's carrying amount is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit and loss.

1.11 Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale investments or as derivatives designated as hedging instruments in an effective hedge as appropriate. The group determines the classification on initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market-place (regular way trade) are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset. The group's financial assets include cash and short-term deposits, trade and other receivables, loans and receivables and unquoted equity instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on the classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include related party loans receivable and certain trade and other receivables. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Cash and cash equivalents (including short-term deposits)

Cash and cash equivalents are measured at amortised cost and consist of cash on hand and balances at banks. Interest income on cash and cash equivalents are recognised using the effective interest rate method.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in

payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating costs. Collectability of trade receivables is reviewed on an ongoing basis and when a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in profit or loss.

Available-for-sale investments
Available-for-sale investments consist of investments in unlisted equity instruments. After initial recognition available-for-sale investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit and loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured shall be measured at cost.

Derecognition
A financial asset or portion of a financial asset is derecognised where:

– the rights to receive cash flows from the asset have expired;

– the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without any material delay to a third party under a pass-through arrangement; or

– the group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all rights and rewards of the asset or (ii) has neither transferred nor retained substantially all the rights and rewards of the asset but has transferred control of the asset.

When the group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuous involvement in the asset.

(ii) Impairment of financial assets
The group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of assets is impaired.

Where the carrying value of these instruments exceeds the recoverable amount, the asset is written down to the recoverable amount.

Impairment losses are recognised in the profit and loss.

Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced by any impairment loss. The amount of the loss is recognised in profit or loss.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

– significant financial difficulty of the issuer or obligor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

– it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

– the disappearance of an active market for that financial asset because of financial difficulties; or

– observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (a) adverse changes in the payment status of borrowers in the portfolio; and

  (b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists individually for the financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed what the amortised cost would have been at the reversal date if no impairment loss was recognised in the past.

Available-for-sale investments
The group assesses at each reporting date whether there is objective evidence that an available-for-sale investment is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment losses on that investment previously recognised in profit and loss, is removed from other comprehensive income and recycled to profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed with the amount of the reversal recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

(iii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or derivatives designated as hedging instruments in an effective hedge, as appropriate. The group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recognised at fair value plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. The group's financial liabilities include trade and other payables, loans and preference shares.

Subsequent measurement
The subsequent measurement of financial liabilities depends on the classification as follows:

Loans and borrowings
After initial recognition, interest-bearing borrowings and loans are subsequently measured at amortised cost using an effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables
Trade and other payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the trade and other payables are derecognised and through interest based on the effective interest rate method. Trade and

other payables are short-term in nature and are classified as current liabilities in the statement of financial position. Related party loans are payable on demand and are classified as current liabilities in the statement of financial position.

Preference shares

Preference shares that are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are held at amortised cost using the effective interest method. The dividends on these preference shares are recognised in the statement of comprehensive income as interest expense.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognised as a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(iv) Offsetting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a currently legally enforceable right to set off the recognised amounts and there is an intention to realise the assets and settle the liabilities simultaneously or settle on a net basis.

1.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and applicable variable marketing, selling and distribution expenses.

1.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised. All other borrowing costs are expensed in the period they occur.

1.14 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Leases are classified as finance leases where substantially all the risks and rewards associated with ownership have transferred from the lessor to the lessee. Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are treated as operating leases and the relevant rentals are recognised as an expense in profit or loss on a straight-line basis over the lease term. Contingent rentals are recognised as incurred.

The group leases certain property, plant and equipment.

1.15 Taxes

Current income tax

Current income tax assets and liabilities for the current year and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in the profit or loss.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits

will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the tempory differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates/laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

STC

STC is recognised as part of the current tax charge in profit and loss when the related dividend is declared.

Dividend withholding tax

Effective 1 April 2012, STC is no longer payable. STC has been replaced by dividend withholding tax, which is a tax on the shareholders as opposed to the company.

The withholding tax payable is included as part of trade and other payables in the statement of financial position. The gross amount of dividends declared is accounted for in equity.

1.16 Dividends payable

Dividends payable and the related taxation or withholding tax thereon are recognised as liabilities in the period in which the dividends are declared. A dividend declared subsequent to period-end is not charged against total equity at the reporting date as no liability exists.

1.17 Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are due to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts that are due to be paid when the liabilities are settled.

Long-service leave provision

The liability for long service leave is recognised in provisions and measured on a pro-rata basis of total number of weeks worked in relation to the long-service award period of 15 years. Consideration is given to the current wage and salary levels and the number of employees who may qualify for this award.

Retirement benefit obligations

The group has a defined contribution plan which is governed by the Pension Fund Act 1956 (Act No. 24 of 1956). The defined contribution plan receives fixed contributions from the group and its legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments are available.

Short-term incentive plan

The group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the group's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation, the amount can be measured reliably and the directors are of the opinion that it is probable that such bonuses will be paid.

Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either:

- terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or
- providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

1.18 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date.

1.19 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as other capital reserves.

2. STANDARDS ISSUED NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following applicable standards were in issue but not yet effective and have not been early adopted in these financial statements.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendment to IAS 1 changes the grouping of items presented in Other Comprehensive Income (OCI). Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, fair value reserves for available for sale financial assets) would be presented separately from items that will never be reclassified. The amendment does not change the nature of items that are currently recognised in OCI, nor does it impact the determination of whether items of OCI are reclassified through profit or loss in future periods. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets for post-retirement defined benefit plans to simple clarifications and rewording. Other amendments relate to the classification of employee benefits as short-term employee benefits. In terms of the amended standard the classification will be based on the expected settlement of the benefit and not when the benefit is due to be settled. This could result on some short-term benefits being reclassified to other long-term benefits with the corresponding change in measurment and disclosure. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The group does not have any defined benefit plans and is currently assessing the full impact of the remaining amendments.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly-controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of the project is expected over the course of 2012 and the first half of 2013. The adoption of the first phase of IFRS 9 will have and impact on the classification and measurement of financial assets but no impact is currently expected on the classification and measurement of financial liabilities.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for the consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent. The standard becomes effective for annual periods beginning on or before 1 January 2013 and the group is still assessing the impact upon adoption of this new standard.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-12 Jointly-controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 removes that option to account for jointly-controlled entities using proportionate consolidation. Instead joint arrangements that meet the definition of a joint venture must be accounted for using the equity method, while joint operations will be reflected according to the rights and obligations of the investor regarding the assets and liabilities of the jointly-controlled operation. The standard becomes effective for annual periods beginning on or after 1 January 2013 and the group is still assessing the impact upon adoption of this new standard.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The standard becomes effective for annual periods beginning on or after 1 January 2013.

The amendment to IAS 1 changes the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon recognition of settlement) would be presented separately from items that will never be reclassified. The amendment does not change the nature of items that are currently recognised in OCI, nor does it impact the determination of whether items of OCI are reclassified through profit or loss in future periods. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

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mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The group does not have any defined benefit plans and will therefore not be impacted by a number of these amendments. The group is currently assessing the full impact of the remaining amendments (termination benefits and definitions of short-term and long-term employee benefits).

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and the risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011 and the group is still in the process of determining how it will impact the note disclosures upon adoption.

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
3. REVENUE				
Gross gaming revenue	395 606	316 193	–	–
Interest income – investments	5 016	1 660	3 001	490
Dividends received	26 971	2 009	555 031	35 795
– Subsidiaries	–	–	514 920	–
– Jointly-controlled entities	–	–	30 776	33 313
– Associates	–	–	–	2 482
– Non-current asset held for sale	13 277	–	13	–
– Investment	5 544	2 009	1 172	–
– Other	8 150	–	8 150	–
Other income	8 074	6 580	–	19
	435 667	326 442	558 032	36 304

Included in revenue is an amount of R48.6 million (2011: R47.5 million) which represents the net tax fraction of VAT on gaming revenues collected. This related amount is included in cost of sales as it is considered comparable to gaming levies as noted in the accounting policies. The required legislated payout to players was maintained for the current year.

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
4. PROFIT BEFORE FINANCE COSTS AND TAXATION				
Profit before finance and taxation cost is stated after:				
Income:				
Profit on sale of investments	(60 248)	(151)	(57 485)	(151)
Reversal of impairment of investment	(336)	(15 000)	(336)	(15 000)
Realisation of fair value reserve	(35 588)	–	–	–
Expenses:				
Depreciation (note 13)	35 987	34 011	164	111
Amortisation (note 14)	2 623	1 999	–	–
Operating lease rentals – premises	5 971	6 469	150	611
Impairment of investments	–	128 485	–	36 700
Impairment of investment in associate (note 10)	–	95 646	–	–
Impairment of investment in jointly-controlled entity (note 9)	–	32 839	–	36 700
Loss on disposal of plant and equipment	447	759	–	–
Auditor's remuneration				
Audit fees	2 181	2 259	900	877
– current year	1 782	1 488	900	228
– prior year under provision	399	376	–	362
– other services	–	395	–	287
Staff costs	41 713	36 160	1 001	1 140
– Salaries and wages	27 808	26 731	–	–
– Directors' remuneration	13 905	9 429	1 001	1 140
Number of employees	135	122	–	–
5. FINANCE COSTS AND INCOME				
Finance costs				
Bank loans and overdraft	7 297	11 470	1 849	4 264
Preference shares – interest	16 750	20 608	–	–
Interest on finance lease liabilities	178	121	–	–
Interest on loan to minorities	–	717	–	–
	24 225	32 916	1 849	4 264
Finance income	1 781	1 745	–	–
Interest income – bank deposits	1 781	1 745	–	–

6. TAXATION

	GROUP 2012 R'000s	GROUP 2011 R'000s	COMPANY 2012 R'000s	COMPANY 2011 R'000s
South African normal tax				
– current year	25 946	10 705	8 927	110
– prior year under/(over) provision	77	(27)	(12)	(25)
Deferred tax	(14 425)	4 614	(44)	4
	11 598	15 292	8 871	89
	%	%	%	%
Standard rate	28.00	(28.00)	28.00	(28.00)
Exempt income	(74.45)	430.06	(26.24)	674.40
Non-deductible expenses	58.01	(98.72)	1.09	(657.10)
Prior year under provision	0.03	(56.55)	–	3.29
Derecognition of deferred tax assets	–	9.77	–	–
Difference in tax rate of a trust	(0.18)	6.80	–	–
Difference in capital gains tax rate	(3.06)	(10.43)	(1.35)	1.42
Change in intended recovery of investment	(4.03)	148.64	–	–
Assessed loss not recognised	0.09	(194.33)	–	–
Effective tax rate	4.41	207.24	1.50	(5.99)
Deferred taxation:				
Deferred tax assets	19 257	16 446	–	–
Deferred tax liabilities	(11 525)	(23 618)	–	(44)
	7 732	(7 172)	–	(44)
The deferred tax balance is made up as follows:				
Operating lease	50	202	–	(16)
Assessed losses	18 056	16 085	–	–
Provisions and accruals	1 868	2 008	–	–
Prepayments	(1 397)	(1 488)	–	–
Property, plant and equipment	(8 013)	(10 813)	–	(28)
Change in intended recovery of investment	–	(10 918)	–	–
Available-for-sale investments	(2 832)	(2 248)	–	–
	7 732	(7 172)	–	(44)

6. TAXATION (CONTINUED)

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Reconciliaiton of net deferred tax liability				
Opening balance	(7 172)	(3 290)	(44)	(40)
Tax expense for the period recognised in the statement of comprehensive income	14 425	(4 614)	44	(4)
– Change in intended recovery of investment	10 918	(10 918)	–	–
– Property, plant and equipment	2 800	(10 797)	28	–
– Assessed losses	1 971	16 085	–	–
– Prepayments, provision and accruals	(49)	747	–	(4)
– Operating leases	(152)	–	16	–
– Available-for-sale investments	(1 063)	–	–	–
– Other	–	269	–	–
Tax expense for the period recognised in other comprehensive income	479	732	–	–
– Revaluation of available-for-sale investments	479	732	–	–
Closing balance	7 732	(7 172)	–	(44)

Unrecognised deferred tax assets relate to unused STC credits available to the group which amount to R252 million (2011: R447 million) and must be utilised on or before 31 March 2015. STC credits of R92.1 million were applied against the dividend declared subsequent to year-end and as a result no DWT was levied against the dividend declared. The STC on dividends declared subsequent to the prior year-end amounts to R4.7 million. This has not been accounted for in the current year's tax amount.

Total deferred tax assets of R3.4 million, relating to assessed losses in the non-operating Slot subsidiary companies of the group, have not been recognised as it is not probable that the related entites will generate future taxable income against which the losses can be utilised.

7. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing net profit/(loss) for the year attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year. The company has no dilutive potential ordinary shares. Basic and diluted earnings per share are therefore the same.

Basic and diluted earnings per share reconciliation	2012	2011
Basic earnings/(loss) attributable to ordinary shareholders (R'000s)	251 412	(22 671)
Number of shares for basic EPS calculation		
– Weighted average number of shares in issue (000's)	469 195	463 757
Basic and diluted earnings/(loss) per share (cents)	53.58	(4.89)

Headline earnings per share reconciliation	2012 Gross R'000s	2012 Net R'000s	2011 Gross R'000s	2011 Net R'000s
Basic earnings/(loss) attributable to ordinary shareholders		251 412		(22 671)
Profit on sale of investments	(60 248)	(52 172)	(151)	(109)
Loss on sale of plant and equipment	447	321	759	547
Impairment of investments		–	128 485	128 485
Reversal of impairment of investments	(336)	(336)	(15 000)	(15 000)
Realisation of fair value reserve	(35 588)	(35 588)		–
Adjustments by associates		–	(2 855)	(2 855)
– Profit on sale of investment		–	(868)	(868)
– Realised investment profits		–	(1 987)	(1 987)
Adjustments by jointly-controlled entities		–	412	297
– Loss on disposal of plant and equipment		–	412	297
– Fair value adjustment		–		–
Headline and diluted headline earnings		163 637		88 694
Reversal of employee share trust consolidated*	(95)	75	751	751
Reversal of transaction costs	13 907	13 907	2 133	2 133
Change in intended recovery of investments		(10 918)	10 918	10 918
Preference share redemption fee	2 100	2 100		–
Reversal of cancellation fees received	(32 271)	(32 271)		–
Adjusted and diluted adjusted headline earnings		136 530		102 496
Number of shares for headline EPS calculation				
– Weighted average number of shares in issue (000's)		469 195		463 757
– Adjusted weighted average number of shares in issue (000's)**		467 166		457 937
Headline and diluted earnings per share (cents)		34.88		19.13
Adjusted and diluted adjusted headline earnings per share (cents)		29.23		22.38

* The consolidation of the employee share trust is reversed as the group does not receive the economic benefits of the trust.

** The weighted average number of shares in issue have been reduced by 1 170 000 treasury shares held by the GPSIT.

8. BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST

Acquisitions in 2011

On 29 April 2011, the group acquired the net assets of Playmeter Leisure Services (Pty) Ltd (Playmeter) in order to obtain a LPM route operator license in Gauteng.

The acquisition became unconditional on 29 April 2011 at which time Grand Gaming Slots formally took control of Playmeter.

Of the total transaction costs of R2.1 million which were expensed in the prior year, R0.7 million related to the acquisition of LPM route operator license in Gauteng.

The goodwill of R12.3 million comprises the value of expected synergies arising from the application of the group's existing procedures and intellectual capital to the LPM operations acquired. The procedures and intellectual capital of the acquired business is not separable and therefore does not meet the criteria for recognition as an intangible asset under IAS 38 – Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Between the acquisition date and the prior year-end, the acquired business contributed R3.0 million to the group's revenue and R1.4 million to the group's loss before taxation. The group was unable to obtain sufficient information on the acquired company to determine what impact the acquired business would have had on the prior year results had it been incorporated from the begining of the prior financial year.

At the time of acquiring Playmeter their accounting records were incomplete, therefore at 30 June 2011, the fair value of the net assets acquired and the related goodwill were calculated based on the information available to the the group. During the current year the accounting records of Playmeter were satifactorily completed resulting in the fair value of the trade and other receivables as well as the trade and other payables at 30 June 2011 being adjusted as follows:

	Adjusted fair value recognised 2012 R'000s	Fair value recognised on acquisition 2011 R'000s	Movement R'000s
Assets			
Property, plant and equipment (note 13)	573	573	–
Intangible assets (note 14)	15 847	15 847	–
Trade and other receivables	1 654	563	1 091
Cash and cash equivalents	3	3	–
	18 077	16 986	1 091
Liabilities			
Trade and other payables (note 26.1)	(1 216)	(98)	(1 118)
	(1 216)	(98)	(1 118)
Total identifiable net assets at fair value	16 861	16 888	(27)
Goodwill on acquisition (note 15)	12 288	12 261	27
Purchase consideration	29 149	29 149	–
Purchase consideration made up as follows:			
Cash paid	5 979	5 979	–
Shares issued	23 170	23 170	–
	29 149	29 149	–
Cash flow on acquisition			
Net cash acquired	3	3	–
Cash paid	(5 979)	(5 979)	–
Net cash outflow	(5 976)	(5 976)	–

9. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

GROUP

Sunwest

On 2 December 2011 the group sold 4.9% of its investment in Sunwest to Sun International, thereby reducing it's economic interest to 25.1% (2011: 30.0%) and voting rights to 49.9% (2011: 50.0%). In the prior year GPI held a further 4.3% indirectly in SunWest through a 30.6% stake in RAH, which was disposed of during the current year. Its total effective stake in SunWest at year-end is 25.1% (2011: 34.3%).

Western Cape Manco

GPI indirectly through its wholly-owned subsidiary BVI 575, owns 50% (2011: 50%) economic interest and voting rights in Western Cape Manco.

Golden Valley

On 2 December 2011 the group sold 20.3% of its investment in Golden Valley to Sun International, which reduced its economic stake in Golden Valley to 25.1% (2011: 45.4%.).

On 3 January 2012 Golden Valley bought back 400 000 of its own shares from the Breede River Community Trust, which increased the group's effective holding in Golden Valley to 25.6%. On the same day the group sold a further 100 400 shares in Golden Valley to Sun International to reduce its effective holding back to 25.1%. In terms of IAS 36 – Impairment of Assets, this sale allowed the group to reverse R0.3 million of previously recognised impairments to recognise the portion that was sold at its recoverable amount being the fair value less cost to sell of R0.3 million.

The group's share of assets, liabilities, income and expenditure for the year ended 30 June in respect of its jointly-controlled entities are equity-accounted in the consolidated financial statements and listed as follows.

	SunWest		Western Cape Manco		Golden Valley		Total	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s	2012 R'000s	2010 R'000s
Carrying amount of the investment – beginning of the year	1 295 110	1 315 683	3 277	3 407	15 000	–	1 313 387	1 319 090
Cost of investment	–	–	–	–	–	32 839	–	32 839
Profit from jointly-controlled entities	66 428	77 048	60 432	11 595	–	–	126 860	88 643
Dividends received	(92 062)	(97 621)	(63 652)	(11 725)	–	–	(155 714)	(109 346)
Impairment of investment	–	–	–	–	–	(32 839)	–	(32 839)
Reversal of impairment	–	–	–	–	336	15 000	336	15 000
Disposal of investment	(207 351)	–	–	–	(15 336)	–	(222 687)	–
Carrying amount of the investment – end of the year	1 062 125	1 295 110	57	3 277	–	15 000	1 062 182	1 313 387
Share of jointly-controlled entities' assets and liabilities								
Non-current assets	301 411	389 385	–	–	45 668	87 806	346 034	477 191
Current assets	21 629	20 303	850	3 780	1 937	3 679	24 322	27 762
Non-current liabilities	(101 241)	(131 990)	–	–	(10 478)	(28 159)	(112 033)	(160 149)
Current liabilities	(137 712)	(160 138)	(794)	(503)	(30 268)	(50 517)	(31 106)	(211 158)
Net assets	84 087	117 560	56	3 277	6 859	12 809	227 217	133 646
Share of jointly-controlled entities' revenue and profits								
Revenue	527 272	544 183	75 500	19 332	45 514	52 797	648 286	616 312
Profit	66 428	77 048	60 432	11 595	–	–	126 860	88 643

9. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

	SunWest		Golden Valley		Total	
COMPANY	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Carrying amount of investment – beginning of the year	207 524	207 524	15 000	–	222 524	207 524
Cost of investment	–	–	–	36 700	–	36 700
Impairment of investment	–	–	–	(36 700)	–	(36 700)
Reversal of impairment	–	–	336	15 000	336	15 000
Disposal of investment	(57 445)	–	(15 336)	–	(72 781)	–
Carrying amount of the investment – end of the year	150 079	207 524	–	15 000	150 079	222 524

The group's proportional share of losses incurred by Golden Valley during the year amounted to R0.9 million (2011: R1.2 million). The group has not recognised their proportional share of losses in terms of IAS 28. Cumulatively the group has not recognised R15.8 million of losses in Golden Valley (2011: R14.9 million).

10. INVESTMENTS IN ASSOCIATES

GROUP

RAH

In the prior year and 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 the fair value less cost to sell. The inclusion of RAH in the 13 May 2011 heads of agreement to restructure certain common interests with Sun International has resulted in RAH having to be classified as a non-current asset held for sale, and impaired by R95.7 million to its fair value less cost to sell.

Akhona GPI

GPI holds a 59.0% (2011: 59.0%) economic interest and 40.2% (2011: 40.2%) voting stake in Akhona GPI. The group holds an indirect stake of 3.3% (2011: 7.5%) in Sibaya Casino.

Grand World Vision Events

GPI is a 33.3% (2011: 33.3%) shareholder in Grand World Vision Events, which was dormant for the full year. The company is in the process of being deregistered and as a result the group impaired the investment during the year in terms of IAS 26 – Impairment of Assets, which states that 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 fair value less costs to sell or value in use based on discounted free cash flow valuations.

10. INVESTMENTS IN ASSOCIATES (continued)

The group's share of assets, liabilities, income and expenditure for the year ended 30 June of these associates which is equity-accounted in the consolidated financial statements are listed as follows.

	RAH		Akhona GPI		Grand World Vision Events		Total	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Carrying amount of the investment – beginning of the year	–	537 549	30 676	31 896	–	–	30 676	569 445
Sale of investment	–	–	–	(3 916)	–	–	–	(3 916)
Profit from associates	–	25 773	4 212	5 150	–	–	4 212	30 923
Change in reserve of associate companies	–	13 197	–	–	–	–	–	13 197
Dividends received	–	(29 873)	–	(2 454)	–	–	–	(32 327)
Impairment of investment	–	(95 646)	(4)	–	–	–	(4)	(95 646)
Reclassification to non-current asset held for sale (note 20)	–	(451 000)	–	–	–	–	–	(451 000)
Carrying amount of the investment – end of the year	–	–	34 884	30 676	–	–	34 884	30 676
Share of associates' assets and liabilities								
Non-current assets	–	280 637	26 773	22 936	–	–	26 773	303 573
Current assets	–	10 481	5 786	2 249	–	–	5 786	12 730
Non-current liabilities	–	–	(3 186)	(1 593)	–	–	(3 186)	(1 593)
Current liabilities	–	(3 638)	(98)	(149)	–	–	(98)	(3 787)
Net assets	–	287 480	29 275	23 443	–	–	29 275	310 923
Share of associates' revenue and profits								
Revenue	–	19 684	176	196	–	–	176	19 880
Profits	–	25 773	4 212	5 150	–	–	4 212	30 923

COMPANY	2012 R'000s	2011 R'000s
Akhona GPI	20 929	20 933
Opening balance	20 933	24 849
– Sale of investment	–	(3 916)
– Impairment of investment	(4)	–
RAH	–	308
Opening balance	308	308
– Sale of investment	(308)	–
Carrying amount of the investment – end of the year	20 929	21 241

11. INVESTMENTS

	GROUP	
	2012 R'000s	2011 R'000s
Available-for-sale investments: National Manco		
Opening balance	16 055	21 278
Unrealised fair value losses on available-for-sale investments	(6 155)	(5 223)
	9 900	16 055
Available-for-sale fair value reserve		
Unrealised fair value losses on available-for-sale investments	(6 155)	(5 223)
Deferred tax	479	732
	(5 676)	(4 491)

A discounted cash flow model has been used in order to determine the fair values of unlisted investments. The valuation requires management to make certain assumptions about the model inputs. These included assuming expected future cash flows which were determined by applying growth rates to the underlying investments in which GPI has a stake. The discount rate is based on the company's WACC adjusted for a risk premium. For information relating to the sensitivity analysis, refer to note 29, other price risk section.

12. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2012 R'000s	2011 R'000s
GPI Slots*	–	–
Utish*	–	–
Grand Lifestyles*	–	–
Grand Capital*	–	–
Grand Sport*	–	–
GPIMS	2 000	2 000
BVI 575	1 000	1 000
	3 000	3 000

* The investment in these entities are less than R1 000.

GPI registered and incorporated two wholly-owned subsidiaries, namely Grand Capital and Grand Sport (Pty) Ltd (Grand Sport) during the year.

Special purpose entity

The GPSIT is consolidated in terms of SIC-12 in the group accounts.

Subsidiaries in the process of deregistration

During the year, Wild Rush, Thuo SA, Carentan, and Slots Solutions were deregistered. An application to deregister BVI 967 was submitted to CPIC during the year.

13. PROPERTY, PLANT AND EQUIPMENT

GROUP 2012	Computer equipment R'000s	Furniture and fittings R000's	Leasehold improve-ments R'000s	Motor vehicles R'000s	Plant and equipment – machines R'000s	Gaming equipment R'000s	Premises soft furnishings R'000s	Projects under develop-ment R'000s	Land and buildings R'000s	Total R'000s
Beginning of the year										
– Cost	850	1 372	3 149	5 875	62 330	16 042	20 302	–	–	109 920
– Accumulated depreciation	(87)	(46)	(772)	(549)	(21 742)	(4 096)	(4 754)	–	–	(32 046)
Net book value	763	1 326	2 377	5 326	40 588	11 946	15 548	–	–	77 874
– Additions	735	23	111	1 181	24 779	3 450	4 118	1 250	25 002	60 649
– Disposals cost	(180)	(2)	(638)	(235)	(2)	(257)	(906)	–	–	(2 220)
– Disposal accumulated depreciation	159	1	626	75	1	238	556	–	–	1 656
– Depreciation	(498)	(802)	(1 758)	(1 346)	(21 550)	(4 474)	(5 559)	–	–	(35 987)
– Transfer costs	–	–	–	43	(71)	–	28	–	–	–
Balance at the end of the year	979	546	718	5 044	43 745	10 903	13 785	1 250	25 002	101 972
Made up as follows:										
– Cost	1 405	1 393	2 622	6 864	87 036	19 235	23 542	1 250	25 002	168 349
– Accumulated depreciation	(426)	(847)	(1 904)	(1 820)	(43 291)	(8 332)	(9 757)	–	–	(66 377)
Net book value	979	546	718	5 044	43 745	10 903	13 785	1 250	25 002	101 972

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Computer equipment R'000s	Software R'000s	Audiovisual R'000s	Furniture and fittings R'000s	Leasehold improvements R'000s	Motor vehicles R'000s	Plant and equipment – machines R'000s	Plant and equipment – other R'000s	Gaming equipment R'000s	Premises soft furnishings R'000s	Total R'000s
GROUP **2011**											
Beginning of year											
– Cost	918	292	1	2 598	3 449	70	46 724	1 238	11 675	18 292	85 257
– Accumulated depreciation	(229)	(177)	(1)	(239)	(289)	(10)	–	–	–	–	(945)
Net book value	689	115	–	2 359	3 160	60	46 724	1 238	11 675	18 292	84 312
– Additions	485	–	–	54	162	5 737	14 928	–	4 138	2 795	28 299
– Addition through business combination (note 8)	20	–	–	3	–	76	17	–	401	56	573
– Disposals cost	(30)	–	(1)	(264)	(39)	–	(280)	–	(183)	(830)	(1 627)
– Disposal accumulated depreciation	24	–	1	151	32	–	35	–	79	418	740
– Depreciation	(441)	–	–	(970)	(937)	(539)	(21 777)	–	(4 175)	(5 172)	(34 011)
– Transfer to intangibles cost	(543)	(292)	–	(1 019)	(423)	(8)	941	(1 238)	11	(11)	(2 582)
– Transfer to intangibles accumulated depreciation	559	177	–	1 012	422	–	–	–	–	–	2 170
Balance at the end of the year	763	–	–	1 326	2 377	5 326	40 588	–	11 946	15 548	77 874
Made up as follows:											
– Cost	850	–	–	1 372	3 149	5 875	62 330	–	16 042	20 302	109 920
– Accumulated depreciation	(87)	–	–	(46)	(772)	(549)	(21 742)	–	(4 096)	(4 754)	(32 046)
Net book value	763	–	–	1 326	2 377	5 326	40 588	–	11 946	15 548	77 874

Plant and equipment – machines have been given as security for the SCM term loan (note 23) to GPIMS.

A register providing information regarding land and buildings is available for inspection at the registered office of the group.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY 2012	Computer equipment R'000s	Software R'000s	Audiovisual R'000s	Furniture and fittings R'000s	Leasehold improvements R'000s	Total R'000s
Beginning of the year						
– Cost	–	–	–	–	555	555
– Accumulated depreciation	–	–	–	–	(400)	(400)
Net book value	–	–	–	–	155	155
– Additions	38	–	–	–	–	38
– Disposal cost	–	–	–	–	(555)	(555)
– Disposal accumulated depreciation	–	–	–	–	555	555
– Depreciation	(9)	–	–	–	(155)	(164)
Balance at the end of the year	29	–	–	–	–	29
Made up as follows:						
– Cost	38	–	–	–	–	38
– Accumulated depreciation	(9)	–	–	–	–	(9)
Net book value	29	–	–	–	–	29
2011						
Beginning of the year						
– Cost	429	291	1	481	555	1 757
– Accumulated depreciation	(229)	(177)	(1)	(239)	(289)	(935)
Net book value	200	114	–	242	266	822
– Disposal cost	(429)	(291)	(1)	(481)	–	(1 202)
– Disposal accumulated depreciation	229	177	1	239	–	646
– Depreciation	–	–	–	–	(111)	(111)
Balance at the end of the year	–	–	–	–	155	155
Made up as follows:						
– Cost	–	–	–	–	555	555
– Accumulated depreciation	–	–	–	–	(400)	(400)
Net book value	–	–	–	–	155	155

14. INTANGIBLE ASSETS

GROUP 2012	Trademarks R'000s	Exclusivity agreements R'000s	Licence acquisition costs R'000s	Computer software R'000s	Total R'000s
Beginning of the year					
– Cost	3 467	7 322	40 903	4 677	56 369
– Accumulated amortisation	–	–	–	(1 999)	(1 999)
Net book value at the beginning of the year	3 467	7 322	40 903	2 678	54 370
– Additions	–	–	(18)	3 663	3 645
– Amortisation	–	–	(633)	(1 990)	(2 623)
– Disposals cost	–	–	(633)	–	(633)
– Disposals accumulated amortisation	–	–	633	–	633
Net book value at the end of the year	3 467	7 322	40 252	4 351	55 392
Balance made up as follows:					
– Cost	3 467	7 322	40 252	8 340	59 381
– Accumulated amortisation	–	–	–	(3 989)	(3 989)
Net book value at the end of the year	3 467	7 322	40 252	4 351	55 392
2011					
Beginning of the year					
– Cost	3 467	6 475	26 396	1 195	37 533
– Accumulated amortisation	–	–	–	–	–
Net book value at the beginning of the year	3 467	6 475	26 396	1 195	37 533
– Additions	–	–	11	2 566	2 577
– Acquisition through business combination (note 8)	–	847	15 000	–	15 847
– Amortisation	–	–	–	(1 999)	(1 999)
– Transfer from property, plant and equipment	–	–	(504)	916	412
Net book value at the end of the year	3 467	7 322	40 903	2 678	54 370
Balance made up as follows:					
– Cost	3 467	7 322	40 903	4 677	56 369
– Accumulated amortisation	–	–	–	(1 999)	(1 999)
Net book value at end of year	3 467	7 322	40 903	2 678	54 370

The group has not recognised any internally-generated intangibles. All classes of intangibles, with the exception of computer software, have indefinite useful lives and are tested for impairment annually in terms of IAS 36 – Impairment of Assets. Computer software has a useful life of three years and is amortised using the straight-line method.

Licence acquisition costs comprise of LPM route operator licences that have no specified termination date and therefore have indefinite useful lives. The licence acquisition costs relates to Grandslots (R12.5 million), Kingdomslots (R12.5 million), Grand Gaming Slots (R12.5 million) and other (R2.8 million).

Exclusivity agreements comprise agreements signed with LPM site operators which are expected to be renewed and therefore have indefinite useful lives. The exclusivity agreements relates to Grandslots (R5.4 million), Kingsdomslots (R1.0 million) and Grand Gaming Slots (R0.9 million).

Trademarks and other intangible assets relate to the Slots operating business, which are expected to continue in perpetuity and therefore have indefinite useful lives.

15. GOODWILL

GROUP 2012	Grandslots R'000s	Kingdomslots R'000s	Grand Gaming Slots R'000s	Total R'000s
Net book value at the beginning of the year	84 334	26 312	12 261	122 907
– Additions	–	–	27	27
Net book value at the end of the year	84 334	26 312	12 288	122 934
Balance made up as follows:				
– Cost	84 334	26 312	12 288	122 934
Net book value at the end of the year	84 334	26 312	12 288	122 934
2011				
Net book value at the beginning of the year	84 334	26 312	–	110 646
– Acquisition through business combination (note 8)	–	–	12 261	12 261
Net book value at the end of the year	84 334	26 312	12 261	122 907
Balance made up as follows:				
– Cost	84 334	26 312	12 261	122 907
Net book value at the end of the year	84 334	26 312	12 261	122 907

Impairment testing of goodwill and intangibles

Goodwill, trademarks, exclusivity agreements, licence costs and other intangible assets acquired in 2010 have been allocated to the Grandslots or Kingdomslots operation cash-generating unit. The goodwill and intangible assets that were recognised in the prior year relate to the acquisition of Playmeter through a business combination and have also been allocated to the Grand Gaming Slots operation cash-generating unit.

The recoverable amount of the cash-generating units has been determined based on a value-in-use calculation using cash flow projections from financial forecasts covering a five-year period. Based on the discounted cash flows no impairment is necessary for these cash-generating units.

Key assumptions used in value-in-use calculations

The calculation of value in use for the cash-generating units is most sensitive to the following assumptions:

- revenue growth rates between 5.0% and 18.0%
- discount rates between 14.3% and 15.1%
- terminal growth rates between 3.5% and 5.5%

Revenue growth rates – The revenue growth rates used in the cash flow projections have been based on the growth rates of the preceeding two years. The growth rates have also been adjusted to take into account the impact of annual inflation.

Discount rates – Discount rates represent the current market assessment of the risks specific to the operating units, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow projections. The discount rate calculation is based on specific circumstances of the group and its operating units and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the group's shareholders. The cost of debt is based on the interest-bearing borrowing the group is obliged to service. Unit-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Terminal growth rates – The terminal growth rates have been based on the growth rates of revenues and expenses for the preceeding two years. These rates have been adjusted to take into account the impact of inflation.

Sensitivity to changes in assumptions

The group believes that any reasonable change in any of the above assumptions would not cause the carrying value of the cash-generating units to materially exceed its recoverable amount.

16. INVENTORY

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Spare parts	2 043	2 327	–	–
Consumables	24	36	–	–
	2 067	2 363	–	–

17. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Trade receivables	7 906	8 028	645	–
Less: provision for doubtful debts	(1 377)	(1 014)	–	–
	6 529	7 014	645	–
Other receivables	19 252	8 367	2 606	504
Prepayments	7 314	5 871	258	204
	33 095	21 252	3 509	708

The fair value of trade and other receivables approximates their book value. There is no concentration of credit risk with respect to trade receivables, as the group has a large number of customers dispersed across the Western Cape, KZN and Gauteng.

Group revenue debtors are considered overdue 3 days from the invoice date and group premises debtors 12 months from the invoice date. No interest is charged on overdue accounts.

17.1 Income tax receivable

	2012 R'000s	2011 R'000s
Tax receivable	1 487	1 862

17.2 Age analysis of accounts receivables

The age analysis of the financial assets within the accounts receivables are listed in the table below:

17.2.1 Fully performing accounts receivable

Group revenue debtors and premises debtors are reviewed on a site-by-site basis for impairment.

	2012 R'000s	2011 R'000s
Revenue		
Fully performing	793	3 491
Past due not impaired	222	209
Past due and impaired	118	157
	1 133	3 857

17. TRADE AND OTHER RECEIVABLES (continued)

17.2 Age analysis of accounts receivables (continued)

17.2.1 Fully performing accounts receivable (continued)

	2012 R'000s	2011 R'000s
Premises		
Fully performing	5 324	3 245
Past due not impaired	214	81
Past due and impaired	1 235	857
	6 773	4 183
Sundry		
Fully performing	26 542	14 225
Past due and impaired	24	–
	26 566	14 225

17.2.2 Past due but not impaired accounts receivable

The age analysis of these debtors are as follows:

	2012 R'000s	2011 R'000s
0 to 30 days	100	146
30 to 60 days	27	2
60 to 120 days	61	30
over 120 days	248	112
	436	290

17.2.3 Past due and impaired accounts receivable

The individually impaired receivables mainly relate to sites that have invoices in excess of 30 days overdue or are no longer operational.

The age analysis of these revenue and premises debtors is as follows:

	2012 R'000s	2011 R'000s
0 to 30 days	769	269
30 to 60 days	21	34
60 to 120 days	29	1
over 120 days	558	710
	1 377	1 014
Opening balance	1 014	865
Charge to the statement of comprehensive income	572	214
Impairment utilised	(209)	(65)
Closing balance	1 377	1 014

18. RELATED PARTY LOANS

GPI and its subsidiary companies, in the ordinary course of business, entered into various service and investment transactions.

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Employee loans	14 634	14 754	–	–
– Non-directors	822	2 023	–	–
– Directors	13 812	12 731	–	–
Interest free loans				
– GPSIT	–	–	15 400	15 400
– Akhona GPI	2 700	2 700	2 700	2 700
– Grand Capital	–	–	28 500	–
– BVI 575	–	–	112	–
– GPIMS	–	–	–	897
– Utish	–	–	–	185 709
– Grand Lifestyles	–	–	65	34
– GPI Slots	–	–	142 327	147 327
Interest-bearing loans				
– Loans – A Funkey	1 643	–	–	–
Other loans				
– Loans – Royal Park Hotel	1 032	–	–	–
Total current assets	20 009	17 454	189 104	352 067
Interest free loans				
– BVI 575	–	–	–	(105 020)
– GPIMS	–	–	(6)	–
Total current liabilities	–	–	(6)	(105 020)

Employee loans are secured by the shares purchased by employees from GPSIT. On 25 April 2012, 0.6 million shares were issued to the CEO, Alan Keet at R2.50 per share and on 18 May 2012, 0.45 million shares were issued to the Executive Director, Alex Abercrombie at R2.50 per share. The market value of the shares held as security at 30 June 2012 amounted to R13.4 million (2011: R16.4 million).

Interest free loans are unsecured, interest free, payable on demand and are recorded at cost.

Interest-bearing loans are unsecured and interest accrues at the prime interest rate. At year-end the loan was due and subsequent to year-end the balance of the loan was repaid. These loans are carried at cost.

Other loans comprise a loan to Royal Park Hotel, a LPM site in Gauteng. The loan is unsecured, interest free and is repayable in 48 equal instalments between 1 August 2012 and 31 July 2016. The loan is carried at its discounted fair value of R1.0 million and a cost, before fair value adjustments of R1.3 million.

19. CASH AND CASH EQUIVALENTS

Cash at bank and deposit bank accounts includes Money Market call accounts with floating interest rates that fluctuated between 5.08% and 5.05% during the year.

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Cash and cash equivalents	405 147	69 248	325 745	5 013
	405 147	69 248	325 745	5 013

At year-end the group had unused overdraft facilities of R15 million (2011: R15 million).

20. NON-CURRENT ASSET HELD FOR SALE

At 30 June 2011, GPI's 30.6% holding in RAH which at 30 June 2011 met the specified criteria in terms of IFRS 5 to be classified as a non-current asset held for sale. On 2 December 2011 GPI sold its full 30.6% hodling in RAH to Sun International.

	GROUP	
	2012 R'000s	2011 R'000s
Opening balance	451 000	–
Reclassification from investments in associate (note 10)	–	451 000
Sale of non-current asset held for sale	(451 000)	–
Closing balance	–	451 000

During the year the group recognised fair value gains from this associate of R Nil (2011: R13.2 million). The group realised cumulative fair value adjustments amounting to R35.6 million in the statement of comprehensive income when the investment in RAH was sold to Sun International. The fair value adjustments that were realised during the year reduced the cumulative fair value adjustments to Rnil.

21. SHARE CAPITAL AND PREMIUM

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Opening balance – 1 July	754 164	727 301	750 234	727 097
Ordinary shares bought back	(24 321)	–	(24 321)	–
Shares issued	–	23 170	–	23 170
Share issue expenses	–	(33)	–	(33)
Premium on treasury shares allocated to employees	521	3 726	–	–
Closing balance (issued and fully paid) – 30 June	730 364	754 164	725 913	750 234
Treasury shares				
Opening balance – 1 July	(4 451)	(11 669)		
Treasury shares allocated to employees	2 105	7 218		
Closing balance – 30 June	(2 346)	(4 451)		
	000's	000's	000's	000's
Authorised share capital				
2 000 000 000 ordinary shares of 0,00025 cent each	500	500	500	500
Reconciliation of number of shares in issue				
Opening balance – 1 July	470 459	462 331	470 459	462 331
Shares bought back	(9 781)	–	(9 781)	–
Issued during the year	–	8 128	–	8 128
Closing balance – 30 June	460 678	470 459	460 678	470 459

During the year GPI bought back 9.78 million of its own shares for R24.2 million. The shares were acquired at an average price per share of 249 cents per share and the number of shares bought back represents 2.1% of the issued share capital at 1 July 2011.

21. SHARE CAPITAL AND PREMIUM (continued)

Reconciliation of number of treasury shares

	GROUP	
	2012 R'000s	2011 R'000s
Opening balance – 1 July	(2 220)	(5 820)
Shares allocated to employees	1 050	3 600
Closing balance – 30 June	(1 170)	(2 220)

22. CUMULATIVE REDEEMABLE PREFERENCE SHARE CAPITAL AND PREMIUM REDEEMABLE AT THE OPTION OF THE HOLDER – DEBT

22.1 Issued Preference shares – Standard Bank/Depfin

Authorised

203 356 authorised preference shares of R1 per share (2011: 203 356)

Issued

155 398 redeemable preference shares of R1 per share (2011: 155 398)

	2012 R'000s	2011 R'000s
Balance at beginning of year – 1 July	131 235	155 398
Preference shares redeemed	–	(24 163)
Realisation of expenses previously recognised against share premium	1 189	–
Closing balance – 30 June	132 424	131 235

On 1 April 2012 as a result of the abolishment of STC and the introduction of DWT, the interest rate on unredeemed preference shares increased from 75% of the prime rate to 82.5% of the prime rate. Interest is paid semi-annually on 31 March and 30 September. During the year the preference share agreement was amended to waive the redemption of R28 million due on 31 March 2012. The above redemptions were made voluntarily as allowed by the subscription agreement. The preference shares are redeemable from 2012 to 2014. The security on the facility reduced to 17.1% (2011: 26.4%) of SunWest shares held by the group during the year. The proportionate carrying amount at year-end is R266.6 million (2011: R347.6 million)

22.2 Issued preference shares – SCM

	2012 R'000s	2011 R'000s
Authorised and issued		
200 redeemable preference shares of R0,01 per share (2011: 200)		
Balance at beginning of year – 1 July	125 726	125 726
Preference shares redeemed	(125 726)	–
Closing balance – 30 June	–	125 726

Interest is calculated at 83% of the prime rate and is paid semi-annually on 31 March and 30 September. All the issued preference shares were redeemed during the current year.

	2012 R'000s	2011 R'000s
Total closing balance – 30 June	132 424	256 961

22. CUMULATIVE REDEEMABLE PREFERENCE SHARE CAPITAL AND PREMIUM REDEEMABLE AT THE OPTION OF THE HOLDER – DEBT (continued)

22.3 Balance made up as follows:

	GROUP	
	2012 R'000s	2011 R'000s
Short term portion	30 754	63 804
Long term portion	101 670	193 157
	132 424	256 961

23. INTEREST-BEARING BORROWINGS

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Grindrod Bank	–	40 000	–	40 000
SCM	52 000	64 000	–	–
	52 000	104 000	–	40 000
Balance made up as follows:				
Short term portion	16 000	16 000	–	–
Long term portion	36 000	88 000	–	40 000
	52 000	104 000	–	40 000

The Grindrod Bank loan bore interest at prime plus 1%. Interest is capitalised monthly and paid quarterly. The loan was repaid in full during the current year.

The SCM loan bears interest at the JIBAR rate plus 3.75%. Interest is capitalised monthly and paid quarterly. The loan is repayable in 20 quarterly instalments of R4 million each with the final instalment being due in June 2015. R12 million of the SCM loan was repaid during the year.

GPIMS has ceded all its rights, title and interest in and to (1) the lease agreements including without limitation GPIMS' right to receive payment of all and any amounts due under and terms of the lease agreement and (2) the required insurances, whether actual, prospective or contingent, direct or indirect, whether a claim of the payment of money or the performance of any other obligation, and whether or not the said rights were within the contemplation of the parties at the signature date.

The following cessions/securities have also been given by the group. All intra-group cessions/securities have not been disclosed as part of the group cession/securities as it forms part of the company accounts disclosures.

- cession of the insurance policy in respect of slot machines;
- a notarial bond over the moveable assets with a carrying value of R80 million have been registered; and
- cession of Grandslots bank deposits.

The R80 million loan secured with SCM was raised as part of the funding for the LPM acquisition in 2010 and was paid to GPI Slots in order to settle the purchase price of the machines and other assets acquired by GPIMS.

24. FINANCE LEASE LIABILITY

	GROUP 2012 R'000s	GROUP 2011 R'000s
Non-current liabilities		
Finance leases – gross payables	704	1 595
Unrecognised future finance expenses	(24)	(95)
	680	1 500
Current liabilities		
Finance leases – gross payables	1 239	1 097
Unrecognised future finance expenses	(104)	(160)
	1 135	937
	1 815	2 437
Gross liabilities from finance leases:		
Not later than 1 year	1 239	1 097
Later than 1 year and not later than 5 years	704	1 595
	1 943	2 692
Urecognised future finance expense on finance leases	(128)	(255)
	1 815	2 437
The net liability from finance lease made up as follows:		
Not later than 1 year	681	937
Later than 1 year and not later than 5 year's	1 134	1 500
	1 815	2 437

The finance leases relate to instalment sales agreements with Standard Bank for the acquisition of motor vehicles by Kingdomslots. The lease liability is secured by the underlying leased motor vehicles.

25. PROVISIONS

GROUP	Long-service leave 2012 R'000s	Employee bonuses 2012 R'000s	Total 2012 R'000s	Total 2011 R'000s
At beginning of the year	126	4 347	4 473	1 746
Provision raised during the year	47	5 253	5 300	5 274
Amounts paid during the year	–	(4 289)	(4 289)	(2 547)
At end of year	173	5 311	5 484	4 473
Balance made up as follows:				
Non-current provisions			173	126
Current provisions			5 311	4 347
			5 484	4 473

26. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Trade payables	6 467	10 045	96	786
Preference dividends accrual	3 491	4 612	–	–
Other payables and accruals	26 301	25 921	762	2 510
Annual leave accrual	1 689	1 074	–	–
Audit fee accrual	1 654	1 488	542	114
Payroll accruals	1 218	1 063	48	79
Sundry accruals	14 607	14 610	60	2 313
Other payables	7 133	7 686	112	4
	36 259	40 578	858	3 296

Trade payables are repaid on average of 30 days from the invoice date.

26.1 Trade and other payables – Acquisition of subsidiary (note 8)

	GROUP	
	2012 R'000s	2011 R'000s
Trade payables	1 118	–
Other payables	–	98
	1 118	98

27. OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Rentals due within one year	7 113	8 126	–	124
Due within one to five years	7 958	3 709	–	–
	15 071	11 835	–	124

28. SEGMENTAL ANALYSIS

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risk and returns that are different from other segments operating in other economic environments.

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 industry. Sunwest, RAH, Akhona GPI and Golden Valley, Western Cape Manco, Winelands Manco and National Manco are classified as Land-based casinos. The GPI Slots group is classified as Limited Payout Gaming. GPIMS is classified as Management Services. GPI House Properties is classified as Property. The overheads and finance costs of GPI, BVI, Utish, Grand Lifestyles, Grand Capital and GPSIT are classified as other. The directors do not review the group's performance by geographical sector and therefore no such disclosure has been made. During the year management changed the internal reporting to analyse the risks of the group more effectively. The reporting structure changed from classifying investments as per the group's control of the investment to classifying the investments as per their operating industry.

28. SEGMENTAL ANALYSIS (continued)

	External revenue		Finance income		Finance costs	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Land-based casinos	18 821	2 009	–	–	–	–
Limited payout gaming	403 583	322 222	1 500	1 443	(195)	(844)
Management services	96	532	281	302	(5 429)	(7 198)
Property	–	–	–	–	–	–
Other	13 167	1 679	–	–	(18 601)	(24 874)
	435 667	326 442	1 781	1 745	(24 225)	(32 916)

	Depreciation and amortisation		Profit from equity-accounted investments		Taxation	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Land-based casinos	–	–	131 072	119 566	–	–
Limited payout gaming	(15 661)	(13 295)	–	–	(9 826)	(6 259)
Management services	(22 785)	(22 604)	–	–	(3 015)	2 948
Property	–	–	–	–	55	–
Other	(164)	(111)	–	–	1 188	(11 981)
	(38 610)	(36 010)	131 072	119 566	(11 598)	(15 292)

	Profit after tax		Total assets		Total liabilities	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Land-based casinos	231 639	4 514	1 109 667	1 811 118	(1 769)	(13 697)
Limited payout gaming	24 026	18 479	273 278	254 448	(38 982)	(39 266)
Management services	7 741	(4 620)	72 270	77 914	(70 570)	(82 862)
Property	(141)	–	28 574	–	(216)	–
Other	(11 853)	(41 044)	384 537	51 414	(139 312)	(302 277)
	251 412	(22 671)	1 868 326	2 194 894	(250 849)	(438 102)

The effects of inter-company transactions have been eliminated from the segment analysis.

The profit on sale on investments of R60.2 million (2011: Rnil) has been included under the land-based casinos segment.

The realisation of fair value reserves of R35.6 million (2011: Rnil) has been included under the land-based casinos segment.

The R25.0 million acquisition of land and buildings in the current year (2011: Rnil) has been included under the property segment.

29. FINANCIAL INSTRUMENTS

The group's and company's principal financial liabilities comprise cumulative redeemable preference shares, interest-bearing borrowings, trade and other payables and related party loans payable. The main purpose of these instruments is to raise finance for the group operations and investments. The group has financial assets such as available-for-sale investments, trade and other receivables and cash which arise directly from its operations. The main risks arising from financial instruments are market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The fair values of each class of financial instrument approximate the carrying amounts.

GROUP	Loans and receivables R'000s	Available-for-sale R'000s	Non-financial assets R'000s	Total R'000s
Financial assets				
2012				
Cash and cash equivalents	405 147	–	–	405 147
Related party loans	20 009	–	–	20 009
Trade and other receivables	22 281	–	10 814	33 095
Tax receivable	–	–	1 487	1 487
Investments	–	9 900	–	9 900
Total	447 437	9 900	12 301	469 638
2011				
Cash and cash equivalents	69 248	–	–	69 248
Related party loans	17 454	–	–	17 454
Trade and other receivables	13 702	–	7 550	21 252
Tax receivable	1 862	–	–	1 862
Investments	–	16 055	–	16 055
Total	102 266	16 055	7 550	125 871

29. FINANCIAL INSTRUMENTS (continued)

GROUP	Financial liabilities measured at amortised cost R'000s	Non-financial liabilities R'000s	Total R'000s
Financial liabilities			
2012			
Trade and other payables	30 863	5 396	36 259
Dividends payable	10 648	–	10 648
Preference shares	132 424	–	132 424
Interest-bearing borrowings	52 000	–	52 000
Finance lease liabilities	1 815	–	1 815
Total	227 750	5 396	233 146
2011			
Trade and other payables	35 536	5 042	40 578
Dividends payable	5 285	–	5 285
Preference shares	256 961	–	256 961
Interest-bearing borrowings	104 000	–	104 000
Finance lease liabilities	2 437	–	2 437
Total	404 219	5 042	409 261

COMPANY	Loans and receivables R'000s	Non-financial assets R'000s	Total R'000s
Financial assets			
2012			
Cash and cash equivalents	325 745	–	325 745
Related party loans	189 104	–	189 104
Trade and other receivables	3 250	259	3 509
Total	518 099	259	518 358
2011			
Cash and cash equivalents	5 013	–	5 013
Related party loans	352 067	–	352 067
Trade and other receivables	504	204	708
Total	357 584	204	357 788

29. FINANCIAL INSTRUMENTS (continued)

COMPANY	Financial liabilities measured at amortised cost R'000s	Non-financial liabilities R'000s	Total R'000s
Financial liabilities			
2012			
Trade and other payables	857	1	858
Related party loans	6	–	6
Dividends payable	10 648	–	10 648
Total	11 511	1	11 512
2011			
Trade and other payables	3 296	–	3 296
Related party loans	105 020	–	105 020
Dividends payable	5 285	–	5 285
Interest-bearing borrowings	40 000	–	40 000
Total	153 601	–	153 601

As at 30 June 2012, the group held the following financial instruments measured at fair value:

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

2012	Level 1 R'000s	Level 2 R'000s	Level 3 R'000s	Total R'000s
Available-for sale-investments (note 11)	–	–	9 900	9 900
Total	–	–	9 900	9 900
2011				
Available-for sale-investments (note 11)	–	–	16 055	16 055
Total	–	–	16 055	16 055

During the reporting period ended 30 June 2012 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Market risk

Market risk is the risk that the fair value or future cash flows or the financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The group does not have any exposure to currency risk.

29. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk is the risk that the cash flows of a financial instrument will fluctuate due to changes in market interest rates. The group's exposure to the risk of changes in interest rates relates to the group's obligation in terms of the preference shares, interest-bearing borrowings, finance leases and bank accounts. The group manages this by ensuring that sufficient available funds are maintained in bank accounts. The table below reflects the interest rate sensitivity analysis. The analysis was calculated by increasing or decreasing the group's interest rate by 100 basis points assuming all other variables remain constant.

	Increase in basis points	Effect on pre-tax profit R'000s	Decrease in basis points	Effect on pre-tax profit R'000s
2012	100	(1 448)	(100)	1 448
2011	100	(2 100)	(100)	2 100
COMPANY				
2012	100	257	(100)	(257)
2011	100	(350)	(100)	350

Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the cash flows received from the investment and market prices for similar types of instruments. Discounted cash flows have been used in order to determine the fair values of unlisted investments. The valuation requires management to make estimates about the expected future cash flows of the shares which are discounted at current rates. The fair value of the investment was calculated with reference to the growth in the cash flows to be received from the investment.

The fair value sensitivity analysis was calculated by increasing or decreasing the WACC of the investment by 1% assuming that all other variables remain constant.

GROUP	Increase in WACC %	Effect on equity after tax R'000s	Decrease in WACC %	Effect on equity after tax R'000s
2012	1	(244)	(1)	325
2011	1	(1 495)	(1)	1 969

Credit risk

Credit risk is the risk of financial loss caused by the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. There is no independent rating procedure for customers as the credit quality for customers is assessed by taking into account their financial position, past experience and other factors are used in evaluating the acceptability of clients.

No individual credit limits are set as GGR generated from gaming operations is required to be paid over by the site operators on a weekly basis to the group. On a weekly basis management rigorously monitors site operators' compliance with this policy.

The group and company only deposits cash surpluses with major banks of high quality and credit standing. At year-end, the group did not consider there to be any significant concentration of credit risk and all assets that have been idendifed as impaired, after taking the groups credit policy into account, have been appropriately provided for. The cash and cash equivalents are deposited with two financial institutions.

The group's and company's maximum exposure to credit risk in terms of cash and cash equivalents, loans and receivables equals the carrying amounts of these instruments as disclosed above.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

The group monitors its risk to a shortage of funds based on future cash flow commitments. The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The group has minimised its liquidity risk by ensuring that it has adequate banking facilities.

29. FINANCIAL INSTRUMENTS (continued)

The following table presents the contractual maturity analysis of financial liabilities.

GROUP	On demand R'000s	Less than 3 months R'000s	3 – 12 months R'000s	1 – 2 years R'000s	> 2 years R'000s	Total R'000s
2012						
Trade and other payables	–	30 863	–	–	–	30 863
Preference shares	–	–	30 754	101 670	–	132 424
Interest-bearing borrowings	–	4 000	12 000	16 000	20 000	52 000
Finance leases	–	183	952	623	57	1 815
Interest on preference shares	–	2 286	2 273	3 516	–	8 075
Interest on interest-bearing borrowings	–	1 210	3 083	2 792	1 396	8 481
Interest on finance leases	–	24	81	22	2	129
Dividends payable	10 648	–	–	–	–	10 648
Total	10 648	38 566	49 143	124 623	21 455	244 435
2011						
Trade and other payables	–	35 536	–	–	–	35 536
Preference shares	–	–	63 804	68 472	124 685	256 961
Interest-bearing borrowings	–	–	16 000	56 000	32 000	104 000
Finance leases	–	228	709	1 500	–	2 437
Interest on preference shares	–	–	16 878	12 040	5 988	34 906
Interest on interest-bearing borrowings	–	–	9 503	3 894	3 345	16 742
Interest on finance leases	–	47	113	95	–	255
Dividends payable	5 285	–	–	–	–	5 285
Total	5 285	35 811	107 007	142 001	166 018	456 122
COMPANY						
2012						
Trade and other payables	–	858	–	–	–	858
Related party loan	6	–	–	–	–	6
Dividends payable	10 648	–	–	–	–	10 648
Total	10 654	858	–	–	–	11 512
2011						
Trade and other payables	–	3 296	–	–	–	3 296
Related party loan	105 020	–	–	–	–	105 020
Interest-bearing borrowings	–	–	40 000	–	–	40 000
Interest on interest-bearing borrowings	–	–	4 079	–	–	4 079
Dividends payable	5 285	–	–	–	–	5 285
Total	110 305	3 296	44 079	–	–	157 680

29. FINANCIAL INSTRUMENTS (continued)

Gains and losses on financial instruments

The table below summarises the gains and losses on financial instruments.

GROUP	Fair value movement R'000s	Interest income R'000s	Interest expense R'000s	Total R'000s
2012				
Loans and receivables	–	6 797	–	6 797
Available-for-sale investments	(5 676)	–	–	(5 676)
Financial liabilities at amortised cost	–	–	(24 225)	(24 225)
Total	(5 676)	6 797	(24 225)	(23 104)
2011				
Loans and receivables	–	3 405	–	3 405
Available-for-sale investments	8 705	–	–	8 705
Financial liabilities at amortised cost	–	–	(32 916)	(32 916)
Total	8 705	3 405	(32 916)	(20 806)
COMPANY				
2012				
Financial liabilities at amortised costs	–	–	(1 849)	(1 849)
Loans and receivables	–	3 001	–	3 001
Total	–	3 001	(1 849)	1 152
2011				
Financial liabilities at amortised costs	–	–	(4 264)	(4 264)
Loans and receivables	–	490	–	490
Total	–	490	(4 264)	(3 774)

30. DIVIDENDS DECLARED AND PAID

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Final dividend declared and paid in respect of the 2011 financial year of 70 cents (2010: 7.50 cents per share)	327 768	34 238	329 321	34 675

The final dividend in respect of the 2012 financial year of 20 cents per share was declared on 27 August 2012.

31. NOTES TO THE CASH FLOW STATEMENT

31.1 Taxation paid

	GROUP		COMPANY	
	2012 R'000s	2011 R'000s	2012 R'000s	2011 R'000s
Taxation – beginning of the year	(1 112)	117	1	154
Amount per statement of comprehensive income (note 7)				
– current year	25 946	10 705	8 927	110
– prior year under/(over) provision	77	(27)	(12)	(25)
Taxation – closing balance	793	1 112	(1)	(1)
	25 704	11 907	8 915	238
The closing tax balances comprises of the following:				
– income tax refunds	1 487	1 862	–	–
– income tax liabilities	(694)	(750)	(1)	(1)
	793	1 112	(1)	(1)

31.2 Dividends paid

	GROUP 2012 R'000s	GROUP 2011 R'000s	COMPANY 2012 R'000s	COMPANY 2011 R'000s
Opening balance	5 285	4 713	5 285	4 713
Dividends declared	327 768	34 238	329 321	34 675
Closing balance	(10 648)	(5 285)	(10 648)	(5 285)
	322 405	33 666	323 958	34 103

32. DIRECTORS' EMOLUMENTS

Remuneration paid to directors and three highest paid employees.

2012	Salary R'000s	Short-term benefits± R'000s	Long-term benefits R'000s	Bonuses R'000s	Directors' fees R'000s	Audit and risk committee R'000s	Remuneration and nomination committee R'000s	Investment committee R'000s	Total remuneration 2012 R'000s	Interest-free loan awarded during the year R'000s
Executive directors										
H Adams	1 768	617	271	6 650	–	–	–	–	9 306	–
A Abercrombie*	271	13	41	–	–	–	–	–	325	1 128
R J Hoption	614	70	92	378	–	–	–	–	1 154	–
A Keet**	347	23	52	–	–	–	–	–	422	1 504
S Petersen	706	89	106	378	–	–	–	–	1 279	–
Sub-total	3 706	812	562	7 406	–	–	–	–	12 486	2 632
Non-executive directors										
A Abercrombie*#	–	–	–	–	523	28	12	6	569	–
A W Bedford	–	–	–	–	132	–	24	–	156	–
R G Freese	–	–	–	–	133	60	–	6	199	–
M V Maharaj	–	–	–	–	142	36	–	–	178	–
N Mlambo	–	–	–	–	138	–	12	–	150	–
D Naidoo	–	–	–	–	6	3	–	–	9	–
F Samaai	–	–	–	–	138	–	12	–	150	–
C W Williams	–	–	–	–	6	2	–	–	8	–
Sub-total	–	–	–	–	1 218	129	60	12	1 419	–
Total	3 706	812	562	7 406	1 218	129	60	12	13 905	2 632
Top three senior employees†	2 532	154	378	570	–	–	–	–	3 634	–
Prescribed officer										
A L Sadler-Almeida##	950	74	143	300	–	–	–	–	1 467	–

Refer to note 18 in respect to shares issued to directors.

Refer to note 33 for fees received by directors from investee companies.

* Appointed as executive director on 11 June 2012.

** Appointed as executive director on 10 April 2012.

Directors' fees paid in respect of additional duties on the Slots operations.

A L Sadler-Almeida has been identified as a prescribed officer in terms of the Companies Act.

† All three of the top-earning senior employees form part of the Slots operations, none of whom are directors of GPI. This amount includes A L Sadler-Almeida's remuneration which has also been separately disclosed under the section for prescribed officer. The remaining employees have not been identified as prescribed officers in terms of the Companies Act.

± Short-term benefits include medical aid contributions, allowances and fringe benefit tax on interest-free loans.

32. DIRECTORS' EMOLUMENTS (continued)

Remuneration paid to directors.

2011	Salary R'000s	Short-term benefits R'000s	Long-term benefits R'000s	Bonuses R'000s	Lumpsum payment R'000s	Directors' fees R'000s	Audit and risk committee R'000s	Remuneration and nomination committee R'000s	Total remuneration 2011 R'000s	Interest-free loan awarded during the year R'000s
Executive directors										
H Adams	1 205	15	144	–	–	–	–	–	1 364	9 143
A P Funkey	1 687	195	700	150	3 043	–	–	–	5 775	–
R J Hoption	612	51	90	70	–	–	–	–	823	–
S Petersen	252	15	38	–	–	–	–	–	305	762
Sub-total	3 756	276	972	220	3 043	–	–	–	8 267	9 905
Non-executive directors										
A Abercrombie	–	–	–	–	–	301	–	34	335	–
A W Bedford	–	–	–	–	–	113	–	68	181	–
R G Freese	–	–	–	–	–	56	34	–	90	–
N Mlambo	–	–	–	–	–	113	–	34	147	–
M V Maharaj	–	–	–	–	–	113	34	–	147	–
D Naidoo	–	–	–	–	–	44	27	–	71	–
F Samaai	–	–	–	–	–	44	–	–	44	–
C W Williams	–	–	–	–	–	113	34	–	147	–
Sub-total	–	–	–	–	–	897	129	136	1 162	–
Total	3 756	276	972	220	3 043	897	129	136	9 429	9 905
Top three senior employees	2 419	454	80	362	–	–	–	–	3 315	–
Prescribed officer										
A L Sadler-Almeida	896	7	134	159	–	–	–	–	1 196	1 067

33. RELATED PARTY TRANSACTIONS

GROUP	Shares held as security against loans 2012 000's	2011 000's	Balance (owing)/receivable 2012 R'000s	2011 R'000s	Receipts/(payments) 2012 R'000s	2011 R'000s
DLA Cliffe Dekker Hofmeyr			(14)	4	(132)	(65)
Proman			–	–	(247)	(534)
GPSIT loans to directors			14 634	12 732	(2 387)	–
– H Adams	3 000	3 000	9 143	9 143	–	–
– A Keet	600	–	1 504	–	(1 504)	–
– A Abercrombie	450	–	1 128	–	(1 128)	–
– A P Funkey	–	1 180	–	2 508	–	–
– R J Hoption	450	450	956	–	–	–
– S Petersen	400	400	1 081	1 081	–	–
– A L Sadler-Almeida	350	350	822	–	245	–

During the current year the above loans were advanced to directors to purchase GPI Shares. The terms of the loans are disclosed under note 18.

	Shares held as security against loans 2012 000's	2011 000's	Balance (owing)/receivable 2012 R'000s	2011 R'000s	Receipts/(payments) 2012 R'000s	2011 R'000s
Asch	–	–	–	–	–	(102)
Nadesons	–	–	(6)	61	(171)	(8)
SunWest	–	–	–	–	(285)	–
Key management personnel costs						
– Short-term employee benefits	–	–	–	–	(14 667)	(6 476)
– Long-term employee benefits	–	–	–	–	(705)	(1 106)
– Lump sum payment	–	–	–	–	–	(3 043)
COMPANY						
DLA Cliffe Dekker Hofmeyr	–	–	(5)	(4)	(74)	(4)
Proman	–	–	–	–	(247)	(534)
Asch	–	–	–	–	–	(94)
SunWest	–	–	–	–	(285)	–
Short-term employee benefits	–	–	–	1 419	–	(1 140)

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.

Listed below are the related party transactions identified and disclosed.

Third parties

DLA Cliffe Dekker Hofmeyr is a firm of attorneys that provides legal services to the group. Directors of DLA Cliffe Dekker Hofmeyr, A Abercrombie and C W Williams, are also directors of the company. C Williams resigned as a director of GPI on 21 July 2011.

GPI rented office space from Proman. H Adams, a director of the company, is also a director of Proman.

Nadesons are engineering consultants. Nadesons provides GPI with IT support services. H Adams and F Samaai are also directors of Nadesons.

33. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions

Included in the loans to directors is an amount of R2.6 million for loans granted to directors during the year in respect of shares issued to them. The loans granted is split between A Keet, R1.5 million and A Abercrombie, R1.1 million.

Fees received from investee companies

Certain of the directors received director fees due to them being Board members on the Board committees of the underlying investment companies. These fees are paid directly to these directors.

	2012 R'000s	2011 R'000s
SunWest		
H Adams	81	75
A Abercrombie	54	50
R G Freese	45	20
N Mlambo	54	50
A P Funkey	–	50
	234	245
Western Cape Manco		
N Mlambo	24	23
Nadesons	281	262
Mantis Projects	–	73
	305	358
Golden Valley		
H Adams	7	–
A Abercrombie	8	–
	15	–

Western Cape Manco paid Nadesons and Mantis Projects (Pty) Ltd consulting fees. H Adams and R Freese are directors of the entities respectively.

34. CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The group carefully manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the group investment strategy. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The primary source of capital is issued ordinary share capital and preference share capital. Acquisitions may be geared to those levels which investments may support and the funders will allow.

During the year the group exceeded its capital management objective of maximising shareholder value by redeeming R125.7 million in preference share capital and acquiring 9.78 million GPI shares. In addition the group declared a special dividend of R282.3 million (60 cents per share) during the year, in addition to an ordinary dividend of R47.1 million (10 cents per share). The ordinary dividend paid this year of 10 cents per share is 33.33% higher than the 7.5 cents per share paid in the prior year.

35. CAPITAL REDEMPTION RESERVE FUND

Section 98 of the previous Companies Act of South Africa, 1973 (No. 61 of 1973), as amended, required that a capital redemption reserve fund be created for the par value of the preference shares redeemed during the year. This practice was continued in the current year up to 1 May 2011 being the effective date of the new Companies Act of South Africa.

36. CAPITAL COMMITMENTS

Authorised but not contracted

The group has no capital commitments.

37. LITIGATION

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the Company is aware, which may have or have had a material effect on the financial position of the group in the last 12 months. Grandslots, a wholly-owned subsidiary of GPI, has launched review proceedings against the WCGRB, being the regulator in the province in which the subsidiary operates. The application is made in terms of the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) and seeks the review and setting aside of certain license conditions imposed on that subsidiary by the regulator, with a view to maximising roll-out of its gaming machine network. The application is of an administrative nature.

38. SUBSEQUENT EVENTS

On 18 July 2012 Grand Gaming Slots opened the first Type B LPM licenced site in Gauteng. The Type B licence permits the site to operate up to 40 LPMs in a single venue as opposed to the current Type A licence which only permits the site up to 5 LPMs per venue. This is the first license of its type in Gauteng.

On 3 August 2012 the transfer of the office building was registered at the Deeds Office. A redevelopment of the property of up to R65 million has been approved by the Board.

GPI concluded an agreement on 17 August 2012 to acquire the additional 41.0% it does not already own in Akhona GPI. The acquisition will give GPI greater exposure to Sibaya Casino.

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