



Grand Parade Investments Limited

Reviewed results for the year ended 30 June 2011

Headlines

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

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

Condensed group statement of comprehensive income

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

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

Headline earnings reconciliation

	Reviewed 30 June 2011 R'000s	Audited 30 June 2010 R'000s
(Loss) / profit attributable to ordinary shareholders	(22 672)	104 708
Remeasurement of investment	—	(42 488)
Impairment of investments	113 486	3 860
Profit on sale of investment	(151)	—
Loss on sale of property, plant and equipment	759	—
Adjustments by jointly controlled entities	412	1 871
— Loss on disposal of plant and equipment	412	682
— Fair value adjustment	—	1 189
Adjustments by associates	(2 855)	3 105
— Impairment of casino licence	—	3 870
— Realised investment profits	(1 987)	(664)
— Impairment of available-for-sale investment	—	2 252
— Profit on sale of investment	(868)	—
— Bargain purchase price	—	(788)
— Remeasurement of investment	—	(1 565)
Tax effect of above	(286)	(830)
Headline earnings	88 639	70 226
Reversal of employee share trust	751	62
Reversal of transaction costs	2 133	17 307
Reversal of IAS36 tax adjustment	10 917	—
Adjusted headline earnings	102 494	87 595
Reconciliation of shares		
Shares in issue (before deducting treasury shares) ('000s)	470 460	462 331
Shares in issue (after deducting treasury shares) ('000s)	468 240	456 511
Weighted average number of shares in issue ('000s)	463 757	454 507
Adjusted weighted average number of shares in issue ('000s)	457 937	448 687

Group statement of changes in equity

	Capital redemption reserve fund R'000s	Ordinary share capital R'000s	Share premium R'000s	Treasury shares R'000s	Available-for-sale fair value reserve R'000s	Non-controlling interest R'000s	Accumulative profits R'000s	Total R'000s
Balance at 30 June 2009	253	112	697 269	(11 669)	14 350	—	939 401	1 639 716
Comprehensive income for the year	—	—	—	—	26 341	—	104 708	131 049
Ordinary dividends paid	—	—	—	—	—	—	(33 282)	(33 282)
Ordinary shares issued	—	3	29 959	—	—	—	29 962	29 962
Share issue expenses	—	—	(42)	—	—	—	(42)	(42)
Transfer to capital redemption reserve fund	24	—	—	—	—	—	(24)	—
Non-controlling interest	—	—	—	—	—	4 978	—	4 978
Balance at 30 June 2010	277	115	727 186	(11 669)	40 691	4 978	1 010 803	1 772 381
Comprehensive (loss) / income for the year	—	—	—	—	8 705	92	(22 764)	(13 967)
Ordinary dividends paid	—	—	—	—	—	—	(34 238)	(34 238)
Ordinary shares issued	—	2	23 168	—	—	—	23 170	23 170
Share issue expenses	—	—	(33)	—	—	—	(33)	(33)
Transfer to capital redemption reserve fund	24	—	—	—	—	—	(24)	—
Treasury shares issued	—	—	3 726	7 218	—	—	10 944	10 944
Acquisition of non-controlling interest	—	—	—	—	—	(5 070)	3 603	(1 467)
Balance at 30 June 2011	301	117	754 047	(4 451)	49 396	—	957 380	1 756 730

Performance of GPI's LPM slots operations

Western Cape
GrandSlots achieved an 11.9% increase in revenue from last year to R213.6 million.

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

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

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

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

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

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

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

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

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

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

Condensed group statement of financial position

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

Condensed group statement of cash flows

	Reviewed 30 June 2011 R'000s	Audited 30 June 2010 R'000s
Cash flows from operating activities		
Net (loss) / profit before taxation	(7 381)	105 792
Non-cash flow items		
— Depreciation and amortisation	36 010	478
— Loss on sale of property, plant and equipment	759	—
— Profit on sale of investments	(151)	—
— Impairment of investments	113 486	3 860
— Remeasurement of investment	—	(42 488)
— Profit from equity-accounted investments	(119 565)	(117 628)
Adjustments for:		
— Finance costs per the statement of comprehensive income	32 916	29 835
— Interest received per the statement of comprehensive income	(1 746)	—
— Operations	(1 659)	(9 943)
— Dividends received per the statement of comprehensive income	(2 008)	(1 910)
— Interest received - operations	1 746	—
— Other Operating Revenue	(23 879)	(9 929)
— Income tax paid	(11 907)	(842)
Net cash inflow / (outflow) from operating activities	16 621	(30 775)
Cash flows from investing activities		
Plant and equipment acquired	(28 299)	(181)
Intangible assets acquired	(2 578)	—
Consideration from the disposal of plant and equipment	128	—
Net investments made	(32 838)	(203 308)
Acquisition of subsidiary	(5 977)	—
Cash acquired - acquisition of subsidiary	—	42 916
Net cash (outflow) from investing activities	(69 564)	(160 573)
Cash flows from financing activities		
Dividends received	143 682	130 203
Finance costs paid	(32 916)	(30 077)
Interest received	1 659	3 552
Share issue expenses on new share issue	(33)	—
Capital raised - ordinary shares	—	29 921
Preference share capital raised	—	20 000
Preference shares redeemed	(24 163)	(24 000)
Ordinary dividends paid	(33 667)	(32 814)
Loans raised	—	120 000
Loans repaid	(16 000)	—
Finance lease liability raised	2 915	—
Finance lease liability repaid	(40 998)	216 785
Net cash inflow from financing activities	(11 945)	25 437
Net (decrease) / increase in cash and cash equivalents	81 191	55 754
Cash and cash equivalents at the beginning of the year	69 246	81 191
Cash and cash equivalents at the end of the year	—	—

Performance of GPI's jointly-controlled entities

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

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

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

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

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

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

Performance of GPI's associate investments

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

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

Segmental analysis

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

	Reviewed 30 June 2011 R'000s	Audited 30 June 2010 R'000s	% change
FULLY CONTROLLED ASSETS			
Operations	12 509	—	—
— Gross profit	131 850	—	—
— Operating costs	(81 043)	—	—
— Depreciation and amortisation	(35 899)	—	—
— Finance costs	(8 042)	—	—
— Other	5 563	—	—
Investments	(43 381)	(47 402)	—
— Operating costs	(7 335)	(26 480)	—
— Depreciation and amortisation	(1 111)	(478)	—
— Finance costs	(24 874)	(29 835)	—
— Other	(11 061)	9 391	—
JOINTLY-CONTROLLED ENTITIES			
— SunWest	88 643	82 200	8%
— GrandWest	77 048	71 111	8%
— Table Bay Hotel	(13 522)	(11 097)	(22)
— Western Cape Manco	11 395	11 089	3%
ASSOCIATES			
— RAH	25 773	23 619	9%
— Akhona GPI	5 149	6 807	(24)
— GrandSlots	5 002	5 002	(100)
Reversal of employee share trust	751	62	—
Reversal of transaction costs*	2 133	17 307	—
Adjusted of IAS36 tax adjustment	10 917	—	—
Adjusted headline earnings	102 494	87 595	17

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

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

Accounting policies and basis of preparation

The condensed consolidated annual financial information has been prepared on the historical cost basis, except where stated otherwise, and in accordance with International Financial Reporting Standards ("IFRS") and is presented in