

CORPORATE GOVERNANCE REPORT



GrandWest Casino

The board of GPI endorses the application of the principles recommended in the King II Code of Corporate Practices and Conduct. The board is satisfied that the company is compliant with the King Code in most material aspects and with the related Listings Requirements.

The extent of the company's compliance with the Code and related Listings Requirements of the JSE is dealt with under appropriate sections throughout this report.

Board of directors

The board is the focal point of the company's corporate governance system which is ultimately accountable and responsible for the key governance processes and the performance and affairs of the company.

Board charter

The board subscribes to a charter which regulates how business is to be conducted by the board in accordance with the principles of good corporate governance.

The charter regulates and deals with, inter alia:

- retaining full and effective control over the company and monitoring management in implementing board plans and strategies;
- ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and the company's own governing documents and codes of conduct;
- defining levels of materiality, reserving specific powers to the board and delegating other matters with the necessary written authority to management and instituting effective mechanisms that ensure board responsibility for management performance of its functions;
- acting responsibly towards the company's stakeholders;

- being aware of, and committing to, the underlying principles of good governance;
- reviewing the strategic direction of the company and adopting business plans proposed by management for the achievement thereof;
- approving specific financial and non-financial objectives and policies proposed by management;
- reviewing processes for the identification and management of business risk and processes for compliance with key regulatory and legal areas;
- delegating authority for capital expenditure and reviewing investment, capital and funding proposals reserved for board approval; and
- providing oversight of performance against targets and objectives.

Board chairman

The board has been chaired by Mr H Adams, a non-executive chairman. The chairman of the board is responsible, inter alia, for ensuring the integrity and effectiveness of the board's governance processes.

Board composition

GPI has a unitary structure comprising a mix of executive and non-executive directors. Procedures for appointment to the board are formal and transparent and a matter for the board as a whole. The board is assisted in this process by the remuneration and nomination committee. The board also consults independent experts in areas such as remuneration as and when required.

The board presently comprises two executive directors and seven non-executive directors, of whom four are considered independent in terms of the definitions contained in the Code. The non-executive directors have the necessary skills and experience, as is evidenced from their CVs.

Directors' period of office and retirement

In terms of the company's articles, new non-executive directors may only hold office until the next annual general meeting at which they will be required to retire and may offer themselves for re-election. One-third of the directors are subject to retirement by rotation at least once a year. The retirement age for a director is 70.

Richard Hopton and Adrian Funkey are the only two executive directors who have employment agreements with GPI containing terms and conditions that are normal for such contracts.

The directors who offer themselves for re-election at the next annual general meeting are set out in the notice of the annual general meeting in the annual report.

Induction of directors

On appointment, all directors are provided with materials aimed at broadening their understanding of the group and the business environment and markets in which the group operates. All directors are expected to keep abreast of changes and trends in the business and in the group's environments and markets, including changes and trends in the economic, political, social and legal climate.

Access to company information and confidentiality

Procedures are in place, through the board chairman and the company secretariat, enabling the directors to have access, at reasonable times, to all relevant company information to assist them in the discharge of their duties and responsibilities and to enable them to make informed decisions. Directors are expected to strictly observe the provisions of the statutes applicable to the use and confidentiality of information.

Independent professional advice and company secretariat

A procedure is in place for directors to take independent advice, for the furtherance of their duties, if necessary, at the company's expense, subject to prior notification to the board chairman or the company secretary.

CORPORATE GOVERNANCE REPORT continued

The company secretary provides a central source of advice to the board on the requirements of the Code on corporate governance and, in addition to the company secretary's statutory and other duties, provides the board as a whole, directors individually and the committees with guidance as to how their responsibilities should be discharged in the best interest of the company. The appointment and removal of the company secretariat is a matter for the board as a whole.

Conflict of interest

Directors are required to inform the board of any conflicts or potential conflicts of interest which they may have in relation to particular items of business. Directors are required to recuse themselves from discussions or decisions on those matters where they have conflict or potential conflicts of interest and the board may, if it deems appropriate, request a director to recuse himself/herself from the meeting for the duration of the matter under discussion. If material, the matter is put to the shareholders for approval.

Board meetings

A minimum of five board meetings is scheduled per financial year to consider, deal with and review, inter alia, strategic and key issues, financial issues, the review of operational performance and any specific proposals for capital expenditure relative to the company and the group.

| | Official board meetings* | Special board meetings# |
|---------------|--------------------------|-------------------------|
| A Abercrombie | 9 | 2 |
| H Adams | 9 | 2 |
| A W Bedford | 8 | 2 |
| R G Freese | 8 | 1 |
| N Mlambo | 8 | 2 |
| R Hoption+ | 3 | NA |

* Total number of board meetings attended during the year.

Total number of special board meetings attended during the year.

+ Appointed 23 March 2008.

NA Not applicable.

Board committees

The board is authorised to form committees to assist in the execution of its duties, powers and authorities. The board has three standing committees, namely the audit and risk; remuneration and nomination; and investment committees. The terms of reference and composition of the committees were determined and approved by the board during the financial period and have been adopted by the committees. The terms of reference of the committees will be subject to review and amendments on an annual basis. The chairmen of the committees report to the board on a regular basis.

Audit and risk committee

Composition: Messrs R G Freese, N V Maharaj and C W Williams

The audit and risk committee is primarily responsible for overseeing the company's financial reporting process on behalf of the board, and assists the board in discharging its fiduciary duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

The mandate of the audit and risk committee includes:

- consideration of the annual appointment and evaluation of the external auditors, the audit plan and audit fees;
- evaluation of the independence and effectiveness of the external auditors;
- consideration of non-audit services performed by them in respect of which a policy has been established;
- review of the interim report and annual financial statements, including the valuation of unlisted investments and loans, prior to submission to the board;

- discussion of problems arising from external audit and review of the external auditors' interim and final reports and identification of key issues;
- consideration of major findings of internal investigations and management responses;
- review of the adequacy of the systems of internal control and any legal matters which could significantly impact on the group's financial statements; and
- review of compliance with the King Code and Listings Requirements in so far as these relate to the financial statements.

All members of the audit and risk committee are directors and are financially literate. The chairman of the audit and risk committee, or in his absence another member of the committee nominated by him, attends the annual general meeting to answer questions falling under the mandate of the committee.

The audit and risk committee is required to meet at least three times a year. The first audit committee meeting was held during the 2008 financial year.

Remuneration and nomination committee

Composition: Mr A W Bedford and Ms N Mlambo

The members of the committee are non-executive directors. For as long as the committee also performs a nomination function, the chairman is to be appointed by the committee. The remuneration and nomination committee reviews the design and management of executive salary structures and policies. The group is primarily an investment company where its subsidiaries and investment companies have their own remuneration committees. The committee also regularly reviews the composition of the board and makes recommendations to the board on its composition, the appointment of non-executive directors, the re-election of retiring directors and the composition of the board committees, in terms of the prerequisites set out in the board charter.

The mandate of the remuneration and nomination committee requires the committee, inter alia, to:

- ensure that competitive reward strategies and programmes are in place in support of realising corporate objectives and in safeguarding shareholders' interests;
- recommend the level of non-executive director and board committee fees to the board, having received the proposals/recommendations of the executive directors, and where appropriate, independent remuneration consultants for consideration and approval by shareholders;
- ensure consideration is given to succession planning in the group; and
- review and determine the remuneration of the executive directors, subject to consideration of the short- and longer-term components of remuneration and individual contributions and performance.

No executive director is present at meetings of the remuneration and nomination committee when his own remuneration is discussed or considered. The chairman of the remuneration and nomination committee, or in his absence, another member of the committee, is required to attend the annual general meeting to answer questions on the subject of remuneration.

The remuneration and nomination committee is required to meet formally at least once a year.



CORPORATE GOVERNANCE REPORT continued

| | Salary R | Directors' fees R | Total annual remuneration 2008 R | Total remuneration 2007 R |
|--------------------------------|----------------|-------------------------|---|------------------------------------|
| Executive directors | | | | |
| R Hoption | 225 000 | 15 000 | 240 000 | – |
| H Adams | – | 1 213 500 | 1 213 500 | 1 583 000 |
| | 225 000 | 1 228 500 | 1 453 500 | 1 583 000 |
| Non-executive directors | | | | |
| A Abercrombie | – | 397 500 | 397 500 | 235 000 |
| H Adams | – | 404 500 | 404 500 | – |
| A W Bedford | – | 247 500 | 247 500 | 235 000 |
| R G Freese | – | 547 500 | 547 500 | 235 000 |
| N Mlambo | – | 110 000 | 110 000 | 60 000 |
| N Daniels | – | – | – | 30 000 |
| P Volkwyn | – | – | – | 30 000 |
| | – | 1 707 000 | 1 707 000 | 825 000 |
| Total | 225 000 | 2 935 500 | 3 160 500 | 2 408 000 |

Investment committee

Composition: Messrs H Adams (Chairman), R G Freese and A Abercrombie

GPI's investment policy is to achieve above average returns for its shareholders by investing in undertakings and entering into joint ventures and other similar alliances, whereby it forms partnerships with entities contributing not only to capital, but also providing strategic managerial input, a high profile corporate identity, and, most importantly, impeccable empowerment credentials.

Risk management, accountability and audit

Risk management

The directors of GPI have committed the group to a process of risk management that is aligned to the principles of the King II Report. Effective risk management is imperative to a group with GPI's risk profile. The realisation of the business strategy depends on GPI being

able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk enables GPI to anticipate and respond to changes in the business environment, as well as take informed decisions under conditions of uncertainty. Every key risk in each part of the group is included in a structured and systematic process of risk management. All key risks are managed within a unitary framework that is aligned to the group's corporate governance responsibilities.

The nature of the group's risk profile demands that GPI adopts a prudent approach to corporate risk and GPI's decisions around risk tolerance and risk mitigation reflect this. Nonetheless, the group's response to risk remains flexible and dynamic so as not to hinder the group's growth with inappropriate and burdensome controls. Controls and risk interventions are chosen on the basis that they increase the likelihood that GPI will fulfil its intentions to stakeholders, being the maximising of long-term shareholder value. The risks to which the group's

existing investments are exposed are continuously identified and mitigated in terms of a group process that allocates responsibility, determines the action to be taken and monitors compliance with that action. This involves managing a changing and challenging gaming environment and industry, as well as pursuing new business opportunities on a continual basis.

Accountability and Audit

External audit

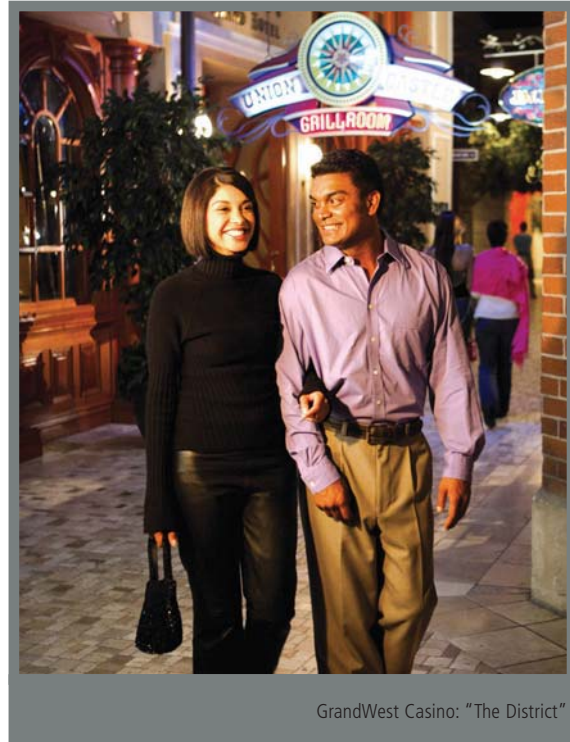
The external auditors provide the board and the audit committee with their independent observations and suggestions on the group's controls, as well as suggestions for the improvement of the financial reporting and operations of the business. The external auditors' audit approach is risk based, requiring them to continually identify and assess risk throughout the audit processes. The external auditors are reliant on the operating procedures and place emphasis on understanding how management obtains comfort that the business is generating reliable information and then evaluating and validating the basis of this comfort.

Internal control

The board of directors is responsible for the group's systems of internal control. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability of its assets and to detect and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations. Nothing has come to the attention of the directors to indicate that a material breakdown in the controls within the group has occurred during the year.

Regulatory environment

The gaming industry in which the group operates is highly regulated and is subject to significant probity and outside regulatory monitoring. This requires the group, its major shareholders, directors, senior management and key employees to observe and uphold the highest levels of corporate governance.



GrandWest Casino: "The District"

Social responsibility

GPI actively promotes the upliftment and socio-economic development of the communities in which the group operates by working with community members with the objective of transferring skills. The company is extremely aware of gambling being a problem in such communities and proactively endorses the NRGPI and interacts with individuals, industry and government to assist in focusing on this important initiative.

Communications

The board strives to provide its shareholders, employees, government, regulatory bodies, industry analysts, prospective investors and the media with relevant and accurate information, promptly and transparently. In this respect, the regulatory requirements regarding the dissemination of information are strictly observed.

Dealings in securities

Directors, the secretary and certain identified senior executives who have access to price-sensitive information and are defined as “insiders” may not deal in shares of the company during the closed periods which fall within the following periods:

- between 1 January and the date on which the interim results are published;
- between 1 July and the date on which the year-end results are published; and
- outside of the above closed periods while the company is in the process of price-sensitive negotiations, acquisitions, pending any price-sensitive announcements, or while under cautionary.

Directors, secretarial staff and certain identified senior executives are required to obtain prior clearance in writing of any proposed share transactions from the chairman of the board, or failing him, from the chairman of the remuneration and nomination committee, or failing them, from the chairman of the audit committee. Written requests for clearance should be routed through the company secretary who also maintains a written record of requests. Clearance to deal may not be given during closed periods.

Details of any transaction by directors, the secretary and certain identified senior executives in shares of the company are advised to the JSE through the sponsor for publication on SENS.

“The board strives to provide its shareholders, employees, government, regulatory bodies, industry analysts, prospective investors and the media with relevant and accurate information, promptly and transparently.”



Golden Valley Exterior