

GRAND PARADE

INVESTMENTS LIMITED

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# INTEGRATED ANNUAL REPORT 2018

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THE EMERGENCE  
OF A NEW ERA



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# ABOUT THIS REPORT

## REPORT SCOPE, BOUNDARY

Grand Parade Investments Ltd's (GPI or the Group) Integrated Annual Report 2018 (this report) provides a succinct review of our strategy and business model, operating context, material stakeholder interests, key risks, and performance and governance practices, covering the financial year ending 30 June 2018. This report is supplemented by our separate Consolidated Annual Financial Statements 2018 (AFS). The report focuses on the activities of GPI as an investment holding company, and includes an analysis of our underlying investments, both in the Executive Reviews section (pages 13 – 25) and the Investment Reviews section (pages 26 – 42, focusing on the most material investments only). Since last year there have been no significant changes to the Group's organisational structure, and no material restatements of data during the year.



### REPORTING PRINCIPLES

This report was prepared in accordance with International Financial Reporting Standards (IFRS), the JSE Listings Requirements and the Companies Act, No. 71 of 2008, as amended (the Companies Act), where relevant. The report has sought to apply the International <IR> Framework of the International Integrated Reporting Council (IIRC). GPI has applied the majority of the principles and recommendations outlined in the King IV Report on Governance for South Africa 2016™ (King IV); a summary of those principles that were not fully applied is presented in the Corporate Governance Report on page 43.



### TARGET AUDIENCE AND MATERIALITY

This report has been prepared primarily for current and prospective investors, although it is also relevant for any other stakeholder who has an interest in GPI's performance and prospects. This report focuses on those issues that we have identified as being most material to our capacity to create value and deliver on our strategic growth objectives. In addressing these material issues, we review what we do (page 4), describe our business model (page 7), identify the material interests of priority stakeholders (page 9), assess the principal risks and opportunities arising from the operating context (pages 10 – 11), and review our performance (pages 13 – 42) and governance practices (pages 43 – 63) aimed at ensuring value.



### EXTERNAL ASSURANCE

Independent external auditors, EY, audited the AFS in accordance with the International Standards on Auditing. The opinion of the external auditors is provided in the full AFS. The Group has not sought external assurance on the contents of this report.



### FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements that relate to the financial position and results of the operations of GPI and its investments. These statements, by their very nature, involve risk and uncertainty as they relate to future events and depend on circumstances that may or may not occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national economic conditions, interest rates, exchange rates and regulatory delays or changes. The forward-looking statements have not been reviewed or reported on by the Group's external auditors.

## APPROVAL OF THE INTEGRATED ANNUAL REPORT

The Board acknowledges its responsibility to ensure the integrity of the Integrated Annual Report. The directors confirm they have collectively assessed the content of the report and believe that it is a fair representation of the Group's material issues, performance and prospects. The Board has therefore approved the Integrated Annual Report 2018 for release to stakeholders.

# YEAR IN REVIEW

## SALIENT FEATURES

↑ **19%**

**R1,145 million**

Increase in revenue

↑ **125%**

**R79 million**

Increase in profit from operations

↓ **366%**

**(11.66 cents)**

Decrease in basic earnings per share

↓ **144%**

**(11.18 cents)**

Decrease in headline earnings per share from continuing operations

## OPERATIONAL HIGHLIGHTS

Opened **19 Burger King** outlets increasing to a total of 80 corporate owned outlets as at 30 June 2018

Met the target of **80 Burger King** stores by 30 June 2018

Rolled out **5 stores** for **DUNKIN' DONUTS®** and **1** store for **BASKIN-ROBBINS®**, bringing total stores to **11** and **5** respectively

Reduced central costs' headline loss before taxation contribution by **51%** to **R32.9 million** for the period under review

# OVERVIEW: HOW WE CREATE VALUE

## WHAT WE DO

Grand Parade Investments (GPI) is an empowered investment holding company that actively manages investments in its current focus areas of food and gaming. The company was founded in 1997 for the express purpose of partnering with Sun International South Africa (Pty) Ltd as its primary black economic empowerment partner in the Western Cape. Since then we have grown our investment portfolio within the gaming industry, and in recent years have diversified into food, having acquired the South African master franchise licences for BURGER KING®, Dunkin' Donuts®, and Baskin-Robbins®. GPI listed on the main board of the JSE in 2008. Our current investment portfolio comprises the following investments:

## FOOD INVESTMENTS

### BURGER KING SOUTH AFRICA

Has a long-term master franchise and development agreement with Burger King Europe GmbH, obtaining exclusive rights to expand the BURGER KING® brand in the country. BURGER KING® is a global quick-service restaurant (QSR) brand with stores in 86 countries. There are currently 87 restaurants in South Africa across five provinces.

### GRAND FOODS MEAT PLANT

An established supplier of quality Halaal products to wholesalers and retailers in South Africa. Runs a Halaal-certified export-approved production plant in Cape Town, built according to EU standards, supplying approximately 167 tons of beef burger patties to Burger King SA and Spur restaurants every month. Has the capacity to produce 700 tonnes of patties per month.

### MAC BROTHERS CATERING EQUIPMENT

A leading supplier of catering equipment and associated services. Owns a catering and refrigeration equipment manufacturing facility in Cape Town, with branches in South Africa and Zimbabwe, and agent offices throughout Africa. Became a wholly-owned subsidiary of GPI in January 2015.

### SPUR CORPORATION

Operates the Spur Steak Ranches, Panarottis Pizza Pasta, John Dory's Fish Grill Sushi, Captain DoRegos, The Hussar Grill and RocoMamas restaurant franchises targeting consumers across various income levels. Has 575 outlets worldwide, with restaurants in various parts of Africa, Mauritius, the UK and Australia.

## GAMING INVESTMENTS

### SUNWEST INTERNATIONAL

Holds 100% of GrandWest Casino and Entertainment World (the largest entertainment destination of its kind in South Africa, operating the only casino in Cape Town), and 100% of The Table Bay Hotel (a five-star luxury hotel located at the Victoria & Alfred Waterfront in Cape Town).

### WORCESTER CASINO

Owns 100% of the Golden Valley Casino in the Breede River Valley, an hour's drive from Cape Town. The Casino is one of the most intimate casinos in the Western Cape.

### SUN SLOTS

Installs and operates limited pay-out machines (LPMs) in the premises of licensed sites, primarily with age-controlled access. LPMs function in the same way as casino slot machines, though with limited pay-out capacity, in line with prevailing gambling laws.

## NON-CORE

### GPI PROPERTIES

Operates as a property holding and project management company. The properties are leased to subsidiaries of GPI, including BURGER KING® and Dunkin' Donuts®.

# INVESTMENT AND EFFECTIVE HOLDING

## FOOD

Spur Corporation Limited	17.79%
Burger King (South Africa)	91.1%
Grand Foods Meat Plant	100.0%
Dunkin' Donuts	100.0%
Baskin-Robbins	100.0%
Mac Brothers Catering Equipment (Pty) Ltd	100.0%

## GAMING AND LEISURE

SUnWest International (Pty) Ltd	15.1%
Sun Slots (Pty) Ltd	15.1%
GPI Slots (Pty) Ltd	30.0%

## NON-CORE

Atlas Gaming	4.95%
GPI Properties (Pty) Ltd	100.0%

## OUR VALUE CREATION MODEL

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As an empowered investment holding company, we create value by actively managing our investments. We use our entrepreneurial flare to identify investment opportunities which we then actively manage and/or operate to maximise value growth. When the time is right we strategically exit these investments to unlock further value. Our investment philosophy is to invest in the equity of listed and unlisted companies where we can use our strengths to add value to the investee company's underlying business, by providing capital, empowerment, management expertise and creating synergies with existing investments.

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We invest in companies that provide a combination of long-term growth, opportunities for value creation and a sustainable yield. We seek to minimise our investment holding costs by ensuring that management involvement is appropriate to the stage of growth of the asset. Over the short-term, we invest surplus cash in low-risk capital-guaranteed investments that provide money market returns as a minimum. Where we cannot deploy surplus cash into new

investments over the short term, we return cash to shareholders in the form of dividends.

We have invested in a number of start-up or early stage companies and participated in their establishment and growth. In some instances, such as Sun Slots, we have divested our holding to generate superior returns. Looking ahead we will build on this trajectory and continue to invest in companies that have the following characteristics:

- High growth industries
- Market-leading brand
- Strong management team with a demonstrable track record
- Clearly defined value-based strategy
- Robust corporate governance practices
- Strong investment partners that are aligned with GPI's strategic objectives

## HOW WE MANAGE OUR INVESTMENTS

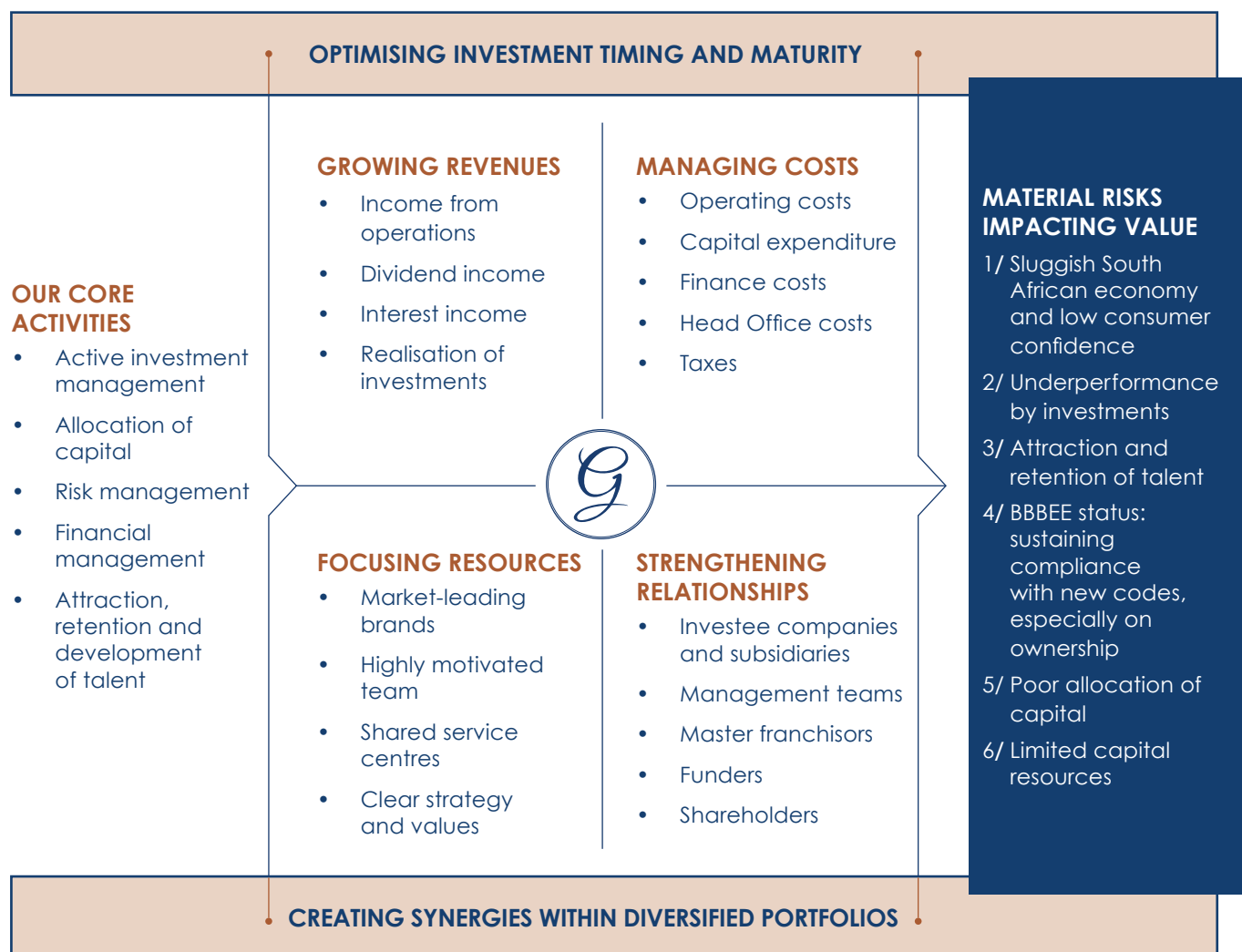
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GPI manages its investments on a decentralised basis by ensuring that the company in which we invest has a strong management team and to whom we can provide support services, funding and strategic direction. We are committed to aligning the strategic objectives of our investee companies with our own ambitions, ensuring that each investment has a remuneration structure that incentivises the implementation and performance. We monitor the performance of our investments on a monthly basis and provide support on strategic objectives and operational performance targets of the business. We encourage management teams across investments to identify synergies between the respective businesses to ensure that maximum value is unlocked across our investment portfolio. We have a sound governance and integrated risk management process in place to ensure that we are able to protect the intrinsic value and prospects of our investments.

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## VALUE CREATION – GRAND PARADE INVESTMENTS

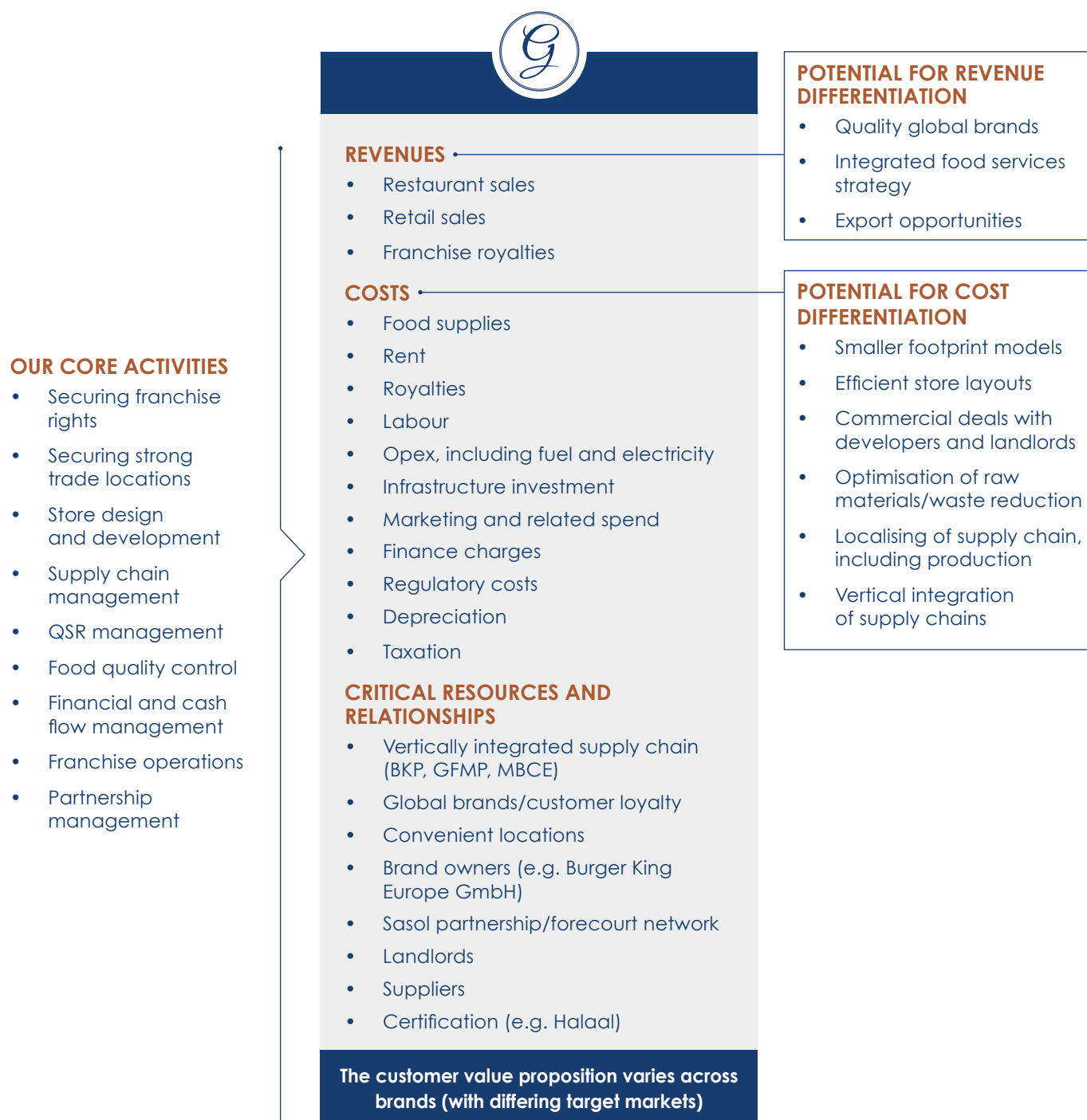


### GRAND PARADE INVESTMENTS

An empowered investment holding company that actively manages investments in its current focus areas of gaming and food

FOOD	GAMING AND LEISURE	NON-CORE
     	  	

## VALUE CREATION – FOOD INVESTMENTS



### MATERIAL IMPACTS ON VALUE

- ↑ Employment opportunities, particularly for underskilled and previously unemployed
- ↑ Sustained financial returns for shareholders
- ↑ Positive contribution to transformation
- ↑ Local procurement and enterprise development

- ↑ Provision of convenient, affordable food
- ↓ Health issues (salt, sugar, trans fats, obesity)
- ↓ Waste management and packaging
- ↓ Supply chain environmental impacts (e.g. feedlots)

# OUR CRITICAL RELATIONSHIPS

Our capacity to deliver value depends ultimately on the quality of our relationship with those stakeholders who are fundamental to our business model, and on our demonstrated ability to address their material interests (summarised below).



## INVESTORS AND ANALYSTS

- Clarity on value creation strategy
- Detail on financial performance
- Candid communication that manages performance expectations
- Evidence of ability to effectively execute delivery of strategy
- Sound corporate governance
- Transparent executive remuneration



## COMMUNITY AND NON-GOVERNMENTAL ORGANISATIONS (NGOs)

- Evidence of good corporate citizenship, including water and waste management, recycling, supply chain and human rights
- Addressing negative social impacts associated with gaming
- Addressing negative social impacts associated with sugar, salt and fat content of quick service restaurant (QSR) foods



## EMPLOYEES AND REPRESENTATIVES

- Career progression and personal growth
- Appropriate remuneration
- Job security
- Empowerment and employment equity issues
- Safe, healthy and congenial working conditions



## GOVERNMENT/REGULATORS

- Compliance with regulatory requirements
- Job creation, localisation, transformation and BBBEE delivery
- Sustained contribution to national tax base
- Transparency and clear communications



## CUSTOMERS

- Positive customer experience
- Taste, quality, price, accessibility and food safety (food investments)
- Fair operating practices (gaming investments)



## SUPPLIERS

- Timely payment and fair contract terms
- Localisation and support for enterprise development



## MEDIA

- Transparency on strategy, performance and governance
- Evidence of responsiveness to material stakeholder interest



## OUR MATERIAL RISKS

The following table outlines the most material internal and external risks facing GPI, with a brief description of the risk context and our approach to mitigating each risk.

Material risk	Risk context	Our strategic response
<b>Sluggish South African economy and low consumer confidence</b>	Rising fuel prices, potential higher interest rates, a zero growth economy and reduced levels of job growth are negatively impacting South African consumer sentiment. The sluggish local economy has been compounded by the recent drought, instability in the labour market and continuing challenges relating to crime.	GPI invests in assets with strong brands that appeal to a range of customers across different income groups. This provides an element of protection against cyclical economic downturns. To further reduce this risk, we seek to invest in businesses that provide support services to our main investments, where possible by vertically integrating operational supply chains.
<b>Under-performance by investments</b>	GPI's performance is a direct result of the performance of the underlying companies in its investment portfolio. We need to fully appreciate, and where possible proactively address, all internal and external issues that could impact these investments.	GPI invests in businesses with strong management teams and that are leading brands in their respective industries. We seek to obtain strategic influence over our investments by either having a controlling holding in the investment, or by having representation on the investment's board of directors.
<b>Attraction and retention of talent</b>	GPI's ability to deliver value depends ultimately on the people who lead the Group and direct our underlying investments. Our ability to attract and retain talent is critical to our future sustainability.	We have adopted a 'people first' stance aimed at attracting, retaining and developing talent through the provision of appropriate remuneration and personal development programmes.
<b>BBBEE status: sustaining compliance with new codes, especially on ownership</b>	The revised BBBEE Codes impose new measurement criteria and compliance targets that have the potential to reduce companies' contributor levels. There are potential challenges in particular with the onerous provisions of the Ownership element of the BBBEE scorecard, with listed companies (such as GPI) having greater compliance challenges due to their more limited control over shareholder changes.	In terms of a provision in the new BBBEE Codes, we have been able to recognise the disposal of certain assets to other empowered companies for purposes of our ownership verification. Greater emphasis is placed on maintaining information on the verified shareholder database and monitoring shareholding changes. To enable early identification of any changes that could impact negatively on the Group's BBBEE status, we ensure regular reporting by management of the subsidiary companies to their company boards and ultimately the GPI board.

Material risk	Risk context	Our strategic response
<b>Poor allocation of capital</b>	As an investment holding company, we have the responsibility of deciding where and how to best allocate our capital resources in a manner that is in line with our strategic objectives, and that delivers sustained value for our shareholders and other stakeholders.	To ensure appropriate allocation of its capital resources, GPI measures new investments against their ability to contribute to the achievement of our overarching strategic objectives. Where an existing investment is no longer aligned with these strategic objectives, we will either use our influence to realign the strategic direction of the investment or, where this is not achievable, look to divest from the investment.
<b>Limited capital resources</b>	As an investment holding company, GPI faces the potential risk of a lack of available capital resources to provide returns to shareholders or to invest in new and existing assets.	GPI forecasts its cash requirements over a five-year period. Prior to investing in new assets, the impact on the five-year cash flows is determined to ensure that there are sufficient capital resources to meet the Group's strategic objectives. We maintain a conservative approach to accessing debt funding for our investments, with the goal of maintaining a debt: equity ratio within a range of between 20% and 35%.

# OUR GROUP STRATEGY

Our Group strategy remains consistently focused on value and growth, with the 2015 strategic objectives refined annually in response to our operating environment and material risks. The board leads and approves the review of these objectives, and has oversight of the implementation, performance and controls in place to ensure value creation.

We have taken the conscious decision to focus on realigning our investment portfolio with our philosophy of being active investors. In doing so we have directed our efforts at understanding our current portfolio and investigating ways of leveraging these assets to maximise value creation. To optimise our capital allocation over the next year we have prioritised assets that we believe have good value potential such as Burger King and Grand

Foods Meat Plant while reducing capital to non-productive assets.

Our underlying strategic goal is to become the leading empowerment company on the JSE. We currently seek to realise this objective by leveraging our existing investments in the foods business and investigating ways to partially exit our mature operational assets.

We believe that our well-defined value creation strategy, which has buy-in from the board, all executives

and the management team, presents an exciting investment proposition. Our aggressive, yet achievable growth objectives, will build on our existing food assets, supported by a strong capital base associated with our holdings in our Gaming Assets. The GPI Group's mix of the growth Food Assets and mature Gaming Assets will result in a stable, cash-generative business, supported by an experienced management team and a long-standing Board.



## ENSURE SHAREHOLDER RETURNS

- Provide consistent and above average returns to shareholders
- Ensure that we remain dividend active
- Clear policies and practices
- Effective investor communication



## UPHOLD OUR BBBEE CONTRIBUTOR STATUS

- Deliver on BBBEE ownership targets
- Implement strategic corporate social investment (CSI) initiative
- Work with the future in mind, to leave a legacy for future generations



## FOCUS ON A DIVERSIFIED PORTFOLIO

- Diversify across industries
- Balance listed and non-listed assets
- Identify exit strategies and timing to maximise returns



## MAINTAIN INVESTMENT GROWTH

- Intrinsic Net Asset Value growth
- Optimal capital allocation
- Provide strategic direction





# EXECUTIVE REVIEW

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# EXECUTIVE CHAIRMAN'S REVIEW

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“During my lifetime I have dedicated myself to this struggle of the African people.

I have fought against white domination, and I have fought against black domination. I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to achieve. But if needs be, it is an ideal for which I am prepared to die.” – Nelson Mandela

The year 2018 should be a year of celebrating 21 years since the inception of Grand Parade Investments (GPI) and 10 years since listing the company on the Johannesburg Stock Exchange. Instead, our journey and celebration has been tainted by an event that has triggered an Extraordinary General Meeting (EGM).

The reasons for the EGM, in my opinion, are highly questionable and suggest an agenda to capture the company by way of a hostile takeover. GPI is a Black Empowerment Company which started with R28 million capital from community shareholders. GPI has been compliant, transparent and upheld the empowerment ethos without compromising its integrity. We respect the call by the disgruntled shareholders as a valid demand for an EGM in terms of the Companies Act, the JSE and our MOI.

For us, GPI has always been a long-term investment company that has leveraged its operating assets, once it matures into assets for sale. We have done so without fail and will continue to do so with its operational business opportunities. We started this with community funds and respected their investment as the holy grail of our empowerment initiatives to enter the mainstream economy.

As Executive Chairman of GPI, I strongly believe in the empowerment of people and continuously strive to improve the lives of the previously disenfranchised. Grand Parade Investments has consistently afforded its shareholders with dividends annually. As part of the SunWest Group, we have been proactive in leading the CSI initiatives where we have been instrumental in large-scale, worthy community causes and projects. Since 2000, GrandWest Corporate Social Investments invested over R200 million towards the betterment of needy communities. Grand Parade Investments has played a pivotal role in the support of the SHAWCO Community Health Projects for the last 10 years, the GrandWest Bursary Fund for over 1 500 students at the cost of R18 million, the building of the Kensington Old-aged and Frail Care Centre, the Peninsula School-Feeding Association – Blisters for Bread Fundraiser and many other initiatives.

Prior to GPI listing, unscrupulous fund managers targeted unsuspecting and naïve community shareholders by buying up their shares at prices far below the intrinsic net asset value. It was an event that became intolerable to me personally, and the only way to combat this was to list GPI on the JSE, to allow a free and fair trading platform for all of our shareholders.

We listed in 2008 (10 years ago) and our shares became a very active trading stock. The share price peaked at over R7.00, after the announcement of the acquisition of Burger King, and today we are trading at a significant discount of approximately 75% to Net Asset Value (NAV).

It would appear that GPI's philosophy and innovation is being punished by the market because of impatience and the prevailing negative South African economy.

We have shown our commitment to develop our investment in the food sector and currently boast some of the biggest brands in the world including Burger King, Dunkin' Donuts, Baskin-Robbins, and the Spur Corporation. In a very short time, we have become the envy of most of our competitors.

In 5 years, Burger King, is showing good traction, and we are confident that this will become one of our biggest assets that will give good returns and great annuity income.

Over the last 20 years, we have attracted shareholders from all over the world, fund managers, institutional investors, pension funds and various high-profile people. Notwithstanding this, GPI retains a vastly certificated shareholder base made up of hard-working people, who over the 21 years have used their dividend income to embrace a better life for themselves.

## **OPERATIONAL BUSINESSES**

### **1. Burger King**

I would like to firstly commend my team for the sterling work that has been done, especially in Burger King, which has now become a matured asset, 2 years prior to the targeted date. We have achieved our Master Franchise Agreement compliance of 80 stores, and to date have opened 83 stores in total. We hope to take this to more than 90 stores by the end of the new financial year. The performance of Burger King and all of our operating businesses have been impeded by a punitive economic environment and exacerbated by sugar taxes, 1% increase in VAT, high beef prices as a result of the drought, and the new minimum wage act. Whilst these events had negative impacts on our margins, our team continued to put their heads down to combat these adverse influences on our gross margin and brought it back in line by re-negotiating bulk discounts from suppliers.

### **2. Grand Foods Meat Plant**

The beef patty plant is now reaching targets where it is showing a profit, even though it is operating at less than 50% of its normal capacity. With the rapid expansion of Burger King throughout Africa, this plant could become a huge profit centre and a substantial asset in the books of GPI. I would also like to commend my COO, Mohsin Tajbhai and the team at the plant for the sterling and professional manner in which they created the turnaround of the production unit.

### **3. Dunkin' Donuts and Baskin-Robbins**

Dunkin' Donuts and Baskin-Robbins on the other hand became businesses under scrutiny and I have personally dug my heels to slow down expansion. We have placed a moratorium on increasing the number of stores until we understand the business and the product better. The Grand Bakery, which was introduced this year as the support centre to produce local doughnuts, is starting to produce a product far better than the imported doughnut. In addition, the bakery facility itself is an exciting production unit to have. It holds strong potential as a stand-alone business outside of the Dunkin' business. This must however be seen as work in progress.

### **4. Mac Brothers**

We have taken a different approach to Mac Brothers, by not chasing revenues in a highly competitive market which places our profits at risk due to the low margins. As a result of the economic downturn and the suppressed catering equipment demand, we have quickly taken corrective action by entering a highly lucrative and specialised sector introducing medical and architectural equipment for sale, to the export market. In doing so, we had to sacrifice the profitability and introduce a research and development budget to accelerate the offering of products to the market. We are confident that whilst our revenues will drop initially, our profitability would be far greater than before.



# EXECUTIVE CHAIRMAN'S REVIEW (CONTINUED)

## INVESTMENTS

### 1. GrandWest

GrandWest has shown good traction and very encouraging positive results. It remains our star performer in terms of annuity income.

### 2. Sun Slots

Sun Slots is tracking the same trends as GrandWest.

### 3. DRGT Africa

Our newly acquired slots manufacturing and sales company has great potential in that our products are locally produced under international licences and have already been accepted into established markets like Sun International. There is also an opportunity to expand its footprint into the card technology and inter-connected digital marketing screens that can simultaneously operate at various venues.

### 4. The Table Bay Hotel

The Table Bay Hotel has improved their numbers year-on-year and continues to be our flagship hotel.

### 5. The Spur Corporation

The Spur Corporation share price is under the same pressure as all food groups due to the South African macro economy, and despite a marginal decline in share price, still shows great potential as an investment.

## THE FUTURE

The future of GPI is looking bright as we are vigorously addressing the discount on our share price by taking a strategic view on our food assets.

First, we have applied austerity measures by reducing our head office costs significantly. Second, we have put new initiatives in place that are expected to increase revenues substantially. These include new technology introduced at our point of sales at restaurant levels, increasing our offering through home deliveries, breakfasts, as well as remote payment and ordering facilities. Whilst trying to maintain all of this, our investment in people remains paramount and is already showing traction. In addition to being voted South Africa's favourite hamburger for 5 years in a row, the Team received the Ask Afrika Orange Index Award for Service Excellence in September this year.

## THANKS

We have had a very difficult year of dealing with numerous issues simultaneously and had many spurious and unfounded statements made against us. I know how difficult it has been for the board, its executives, the staff and especially friends of GPI. I would like to place on record our gratitude to all of those who have supported us over the 21 years and continue to support us to grow GPI into a great company.



**HASSEN ADAMS**  
Executive Chairman

# CHIEF OPERATING OFFICER'S REVIEW

## ECONOMIC OVERVIEW

After growing by 3.1% in the fourth quarter of 2017, the South Africa economy declined in the first quarter of 2018, shrinking by 2.2% quarter-on-quarter. This decline represents the largest quarter-on-quarter decline since the first quarter of 2009. In addition to the sluggish economic growth several other factors created an extremely tough trading environment over the last financial year, including:

- high food inflation costs which have impacted our margins;
- 20% increase in beef prices that severely affected gross margins in Burger King;
- Health promotion Levy (sugar tax) and increase in VAT further affected gross margins in all our businesses;
- the political instability has further contributed to the lack of international investor confidence and the subsequent withdrawal of capital from foreign institutions;
- the persistent drought in the Western Cape, resulting in higher costs; and
- rising inflation rates coupled with increasing tax rate hikes have all negatively impacted the consumer's disposable income.

## INDUSTRY OVERVIEW

### *Restaurant industry*

Despite the tough economic climate the Quick Service Restaurant (QSR) industry has shown steady growth over the last year. With a contribution in excess of 29% by turnover, the QSR industry was by far the largest contributor to franchising market turnover. The total market was estimated at R587 billion which is approximately 13.3% of the total GDP. The data also indicates that South Africa has seen more franchises opening fast food outlets notwithstanding the declining economy. This fiercely competitive environment has only fuelled our drive for excellence which is evidenced by Burger King being voted the best burger in South Africa and achieving the Ask Afrika service award in the fast food sector. Despite the steady growth of the industry punitive measures such as the increase in VAT, the sugar tax and the increase in beef prices have led to margin erosion over the last financial year.

### *Gaming industry*

The overall gambling industry continued to grow from a revenue perspective. Total gambling revenues ("GGR") form all forms of gaming increased by 6.7% to R28.2 billion in 2018. Casino gross gambling revenues ("GGR") increased by 2.9% to R18.4 billion in 2018 with the casino sector dominating other gambling modes or sectors with a 64% contribution to total GGR. Total GGR in the limited pay-out machine (LPM) sector increased considerably by 9.8% to 2.96 billion over the year and represents 10.3 of the total GGR generated.

The Western Cape currently operates 5 casino licences. The exclusivity licence (most recently held by SunWest) for the Cape Town Metro-pole area lapsed a few years ago and is a highly-contentious issue as the Cape Town metropole is a lucrative catchment area. It is still unclear which casino will receive this operating licence in the future.

GrandWest's revenue remained flat at R2.2 billion for the 2017 financial year while EBITDA decreased by 2%. Strong growth in tables' revenue was achieved while slots revenue came under pressure with a slowdown in top end play. Overall footfall was up, however average spend was down. SunWest remains the star performer in this investment class contributing an overall of 70.18 million in dividend income over the year.

## STRATEGY

GPI is an empowered investment holding company, whose ultimate objective is to remain dividend active and to create sustainable value for all of our stakeholders. Our focus is to invest in quality assets in the broader consumer space, that essentially will create one entry point for investors and offer capital growth in the longer term.

All this while maintaining a healthy balance sheet with low gearing levels is imperative, particularly through a tough trading environment.

The investments in our gaming assets and Spur remain core to our business model and provide a strategic and steady annuity income that underpins the cash flow required to fund the growth of our operational assets. Our foods businesses are still in their early stages of growth – besides Burger King which we believe is on the cusp of maturity.

# CHIEF OPERATING OFFICER'S REVIEW

## (CONTINUED)

The strategy for our operational foods assets is to maximise value. This has prompted a deep introspection into our portfolio to understand whether they are creating or destroying value, based on an economic profit model. This has approach allowed us to prioritise capital to assets with higher value potential. We believe that Burger King has an extremely high value potential based on the popularity of the brand in South Africa and the massive potential for growth. We thus remain focused on driving growth through new restaurants. Dunkin' Donuts and Baskin Robins have shown signs of value destruction prompting our decision to slow the roll-out and reduce the capital allocated to these brands.

Insofar as manufacturing and Mac Brothers is concerned we have been affected by a significant decline in the manufacturing and construction sectors. Consequently, we focused on driving sales into Africa while diversifying our product range away from catering equipment into the hospital market which we believe is a "blue ocean" opportunity.

We understand that our share price only reflects the value of our gaming assets, with a massive discount on our foods businesses. This is reflected by the 70% discount in our share price against Intrinsic Net Asset Value (iNAV), albeit before the CGT and head office costs implications. Narrowing the discount at which our share price trades to iNAV is one of our primary focus areas over the next year. We believe that this can be achieved by the following:

- Adopting a value-based approach and optimising capital allocation
- Better communication of our strategy as a business
- Partially exiting mature operational businesses and realigning with our active investment philosophy

### OPERATIONAL INVESTMENTS OVERVIEW

#### *Corporate Activity*

In line with our efforts to remain a strategic investment player and clean up our balance sheet with non-core assets, we have disposed of unproductive properties; No 1 Heerengracht and 78 Parkmore. We also initiated a deal to swap our equity in Altas Gaming for a 25% stake in DRGT Africa. DRGT is one of the largest suppliers of Jackpot solutions globally and we are excited about realising the vertical integration synergies with our slots businesses.

#### *Burger King*

One of the main aims for Burger King South Africa (BKSA), over the last year was to meet its master franchise development agreement (MFDA) target of 80 corporate owned stores by June 2018. This significant milestone was achieved during the year allowing BKSA to maintain exclusivity of the Burger King Brand in South Africa. This was done on the back of an improved site selection model which was one of the major drivers in increasing the average monthly revenue per store which increased by 5.3% over the year. The increase in revenue in Burger King has had a major positive impact on the revenues in Grand Foods Meat Plant (GFMP) which performed extremely well over the last year. GFMP posted a 34% increase in revenue and a 25% increase in EBITDA over the year.

Burger King continued to focus on growing market share through actively managing menu pricing architecture to drive sales growth. Total revenue for the year increased by 22.1% from R623.5 to R756.2 million. The increase in revenue was partially offset by a decline in margins driven by increase in beef prices and additional taxes. EBITDA for the year grew by R11.77 million from R11.1 million to R22.87 million. Net loss after tax improved marginally from R29.15 to R26.57 million.

The Burger King brand continues to grow in popularity with the South African consumer. Burger King South Africa has consistently clinched the best burger award over the last 5 years and our commitment to service excellence has earned us the best service award in the fast food industry. The growing popularity of the brand and the huge potential for growth in South Africa make Burger King a valuable asset in our investment portfolio and a business that we are committed to growing over the next 5 years.



### **Dunkin' Donuts and Baskin-Robbins**

Dunkin' Donuts and Baskin-Robbins continued to experience a challenging year with the second half having a greater impact on trading. The introduction of the new health promotion levy and increase in VAT had a significant impact on margins as these additional costs were absorbed by the businesses in order to increase market penetration and grow market share. To keep abreast of demand and manage price fluctuations as a result of imports we commissioned a state-of-the-art bakery facility to localise the production of Donuts. The facility only came on line in the last quarter of 2018 and did not contribute for a full year. In the next year we expect a marked improvement in margins for Dunkin' Donuts based on the localised production.

As mentioned earlier, the sluggish growth of the economy and mediocre performance of Dunkin' Donuts and Baskin-Robbins have called for a deep introspection into the performance of these two brands. Aligned with our value-based strategy we have decided to reduce the capital to these businesses and focused our attention on growing revenue and profitability at store level while reducing the head office costs required to service the existing store footprint. We are confident that this change in focus will help reduce the drag that these two businesses have on our traded share price.

### **PROSPECTS**

While the uncertainty around the socio- political situation in South Africa continues to have an impact on our economy, management continues to seek adopt a cautious approach to navigate through these tough economic conditions. We have prioritised capital to high value potential assets while adopting austerity measures across the group in order to ensure the sustainability of our business.

We see growth in our existing foods business driven by the steady growth of the QSR sector as well as the leveraging off the high mobile penetration rate in South Africa. South Africa is one of the leaders in mobile penetration while digital evolution in the restaurant industry is gaining traction with the consumer. In the next year we believe that growth within our foods businesses will be driven by better menu architecture coupled with the implementation of digital ordering platforms and home delivery.

The Group's focus is to remain dividend active and strive towards sustainable value creation for all stakeholders. Through the implementation of a robust value-based strategy and associated capital allocation model we believe that we will achieve our strategic objectives as a Group.

### **APPRECIATION**

Grand Parade Investments employs over 3000 employees and I would like to take this opportunity to thank each one for the contribution they have had to the success in building the GPI brand.

"If I have seen further, it is by standing on the shoulders of giants." – Isaac Newton

I would like to thank the board for their effort in driving the strategic direction of the business and their support in our constant search for excellence.

To our senior management and their staff, an extended appreciation and thank you for your contribution to GPI's success. Lastly but not least a very special thanks to all of our customers that continue to support our brands.



**MOHSIN TAJBHAI**  
Chief Operating Officer

# CHIEF FINANCIAL OFFICER'S REVIEW

## INTRODUCTION

GPI has continued on its journey of unlocking value in the food sector and maintaining the growth of its investment earnings. The past year was not without challenges with the increase in the VAT rate, the introduction of sugar tax and the ever-increasing fuel price, resulting in significant margin pressures across all business units. The Group remained focussed on its core goal for the year, being the opening of new Burger King Stores to meet its Master Franchise Licence agreement. Store selection was the definitive aspect in opening new stores, with store location and cash generation potential being the set criteria of new stores targeted. The management of depressed margins and focus on increasing market share was continually monitored throughout the year and store traffic has increased. Value meal offerings was used to negate the effect of the depressed economy in order to ensure traffic volumes remained constant or increased.

In previous years our focus was to:

- To divest from non-profitable businesses
- Drive operational efficiencies in all areas of the business through restructuring and innovation
- Utilise free cash generated from our sale of businesses to expand our Foods business

The past financial year was no different, however an area of emphasis was to meet our Master Franchise Agreement in respect of Burger King. We have continued to conduct our business in a financially conservative manner to ensure that we remain focussed on our long-term value creation strategy.

## INVESTMENT ACTIVITIES

The Group has continued to restructure its investment portfolio in line with its strategy of increasing its investments in food. The move towards strategic investments in gaming & leisure and completely divesting from its non-core investments is on-going.

## FOOD

Burger King, Dunkin' Donuts and Baskin-Robbins continued to experience a challenging year with the second half having the most significant impact on trading.

## GAMING AND LEISURE

The gaming and leisure investments have performed in line with GPI's expectations of low to medium growth within the casino and LPM segment of the gaming industry. Furthermore, the Group concluded the swap agreement in respect of Atlas Gaming Australia for a 26% stake in a local company called DRGT Africa (Pty) Ltd.

## NON-CORE INVESTMENTS

GPI concluded further divestment of non-core loss making investments.

### *Corporate activity*

The sale of Grand Tellumat was finalised on 2 November 2017 for a total consideration of R15.0 million. The settlement of the proceeds was deferred over 4 months with an initial upfront payment of R2.5 million paid at fulfilment of all the conditions precedent, and the balance to be paid by the end of March 2018. To date, R5.5 million has been received of the total consideration. The settlement of the unpaid balance was renegotiated and a revised payment plan concluded on 24 July 2018 in which full settlement is to be made by the 30 November 2018. As a result, management has raised a provision to impair the remaining settlement of R9.5 million.

The Group entered into a sale agreement to dispose of its property situated on Sandton Drive and 1 Heerengracht. The properties were accounted for respectively at a cost of R11.3 million and R40.2 million. The sales were concluded at a price of R 11.5 million and R51.2 million respectively. Both properties were transferred within this financial year, realising a profit of R0.2 million and R8.5 million respectively, after CGT.

**ENTREPRENEURIAL // SUSTAINABLE // EXCELLENCE // ETHICAL // RESPECT**

### EARNINGS FOR THE YEAR ENDED 30 JUNE 2018

The Group uses headline earnings to assess the underlying investment contributions to earnings. To make the operational assets more comparable year on year this was done on a pre-tax basis. Using pre-tax headline earnings eliminates the once-off effects of the Group's investment activities and changes in the estimates if the recoverability of taxes. This ensures a comparable view of the Group's operational and continuing earnings.

The decline in headline earnings is largely due to Dunkin' Donuts, including the Bakery and Baskin-Robbins, which collectively contributed a R 62.9 million headline loss before taxation for the period. This was offset by Burger King which decreased its loss contribution by R11.5 million to R29.7 million. SunWest and Sun Slots contributed positively to headline earnings with a collective increase of 14% or R14.1 million offset by a decline in Worcester Casino of 23% or R0.7 million.

GPI showed an overall decrease in its headline earnings from core investments for the year, which declined by R27.9 million from a loss of R20.1 million last year to R48.0 million this year.

The table below shows the contribution each investment made to the Group headline earnings/(losses):

	30 June 2018 R'000s	30 June 2017 R'000s	Movement	
			R'000s	%
<b>FOOD</b>	<b>(107 741)</b>	<b>(112 330)</b>	<b>4 589</b>	<b>4%</b>
Burger King	(29 744)	(41 285)	11 541	28%
Dunkin' Donuts	(29 833)	(27 754)	(2 079)	(7%)
Baskin-Robbins	(24 863)	(16 193)	(8 670)	(54%)
Mac Brothers	(10 700)	(10 345)	(355)	(3%)
Bakery	(8 172)	–	(8 172)	(100%)
Spur	608	(4 939)	5 547	112%
Grand Foods Meat Plant	(5 037)	(11 814)	6 777	57%
<b>GAMING</b>	<b>117 076</b>	<b>103 755</b>	<b>13 321</b>	<b>13%</b>
SunWest	77 739	70 354	7 385	10%
Sun Slots	36 786	30 102	6 684	22%
Worcester Casino	2 551	3 299	(748)	(23%)
<b>CENTRAL COSTS</b>	<b>(35 644)</b>	<b>(40 996)</b>	<b>5 352</b>	<b>13%</b>
Corporate Costs (excl net finance income)	(32 992)	(67 919)	34 927	51%
Net corporate finance income	(7 786)	18 186	(25 972)	(143%)
GPI Properties	5 134	8 737	(3 603)	(41%)
<b>NON-CORE INVESTMENTS</b>	<b>(9 500)</b>	<b>(12 408)</b>	<b>2 908</b>	<b>23%</b>
GTM	(9 500)	(9 350)	(150)	(2%)
Grand Sport	–	(3 058)	3 058	100%
<b>Headline loss before taxation</b>	<b>(35 809)</b>	<b>(61 979)</b>	<b>26 170</b>	<b>42%</b>
<b>Taxation</b>	<b>(12 210)</b>	<b>41 853</b>	<b>(54 063)</b>	<b>(129%)</b>
<b>Headline loss after tax</b>	<b>(48 019)</b>	<b>(20 126)</b>	<b>(27 893)</b>	<b>(139%)</b>

# CHIEF FINANCIAL OFFICER'S REVIEW

## (CONTINUED)

### DIVIDENDS

On 27 December 2017 GPI declared a dividend of 11.5 cents per share in respect of the 2017 financial year, which amounted to R54.5 million, of which R4.1 million related to GPI shares held in treasury. GPI is committed to remaining dividend-active. Any distribution relating to 2018 financial year will be considered once future cash flows can be determined with more certainty.

### CAPITAL STRUCTURE

The Group recognises that whilst Burger King is still in its growth phase and the Dunkin' Brands businesses in their start-up phase, they consequently contribute minimal earnings to the Group. The Group will continue to maintain a conservative approach on its gearing for these operations to meet its Master Franchise obligations.

Over the past 36 months the Group decreased its gearing levels from 35.5% to 30.4% as a result of part disposals in its gaming and leisure investments over this period. The proceeds received from its part disposal of SunWest were utilised to repay the full Standard Bank revolving credit facility of R225.0 million. This was however offset by the raising of a new Standard Bank preference share facility in December 2017 of R251.7 million at an embedded dividend rate of 85% of prime over a 5 year term. The Group's targeted debt equity ratio is set between 20.0% and 35.0%. At 30 June 2018, the debt equity ratio increased by 13.6% from 16.8% last year to 30.5%, which is within the targeted range.

		30 June 2018 R'000s	30 June 2017 R'000s	Movement R'000s                  %	
<b>HOLDING COMPANY FACILITIES</b>		<b>507 118</b>	<b>240 401</b>	<b>266 717</b>	<b>111%</b>
SunWest	Preference shares	251 673	–	251 673	
Spur	Preference shares	255 445	240 401	15 044	6%
<b>SUBSIDIARY FACILITIES</b>		<b>92 635</b>	<b>113 973</b>	<b>(21 338)</b>	<b>(19%)</b>
GPI Properties	Term loans (Mortgage)	67 229	74 641	(7 412)	(10%)
Mac Brothers	Finance leases	8 704	12 880	(4 176)	(32%)
GF Meat Plant	Finance leases	14 645	24 246	(9 601)	(40%)
Burger King	Finance leases	1 710	1 594	116	7%
Baskin-Robbins	Finance leases	124	146	(22)	(15%)
Dunkin' Donuts	Finance leases	153	357	(204)	(57%)
GPIMS	Finance leases	70	109	(39)	(36%)
<b>Total Debt</b>		<b>599 753</b>	<b>354 374</b>	<b>245 379</b>	<b>69%</b>
<b>Debt/Equity</b>		<b>30.5%</b>	<b>16.8%</b>	<b>(14%)</b>	<b>(83%)</b>



## REVIEW OF INVESTMENTS' OPERATIONS

### FOOD

#### BURGER KING

The total number of Burger King restaurants at 30 June 2018 closed at 87 stores of which 80 are corporate owned. The net restaurant movement included the opening of 19 new restaurants with no closures during the year. The average monthly restaurant revenues (ARS) increased by 5.3% from R0.8 million last year to R0.9 million this year, largely as a result of positive restaurant comparative sales of 3.45% (2017: 1.82%) and a proportional increase in revenue from Drive Thru sites opened towards the end of the 2017 financial year. Burger King's food revenue for the year increased by 22.19% from R623.5 million in the prior year to R756.2 million in the current year.

Burger King continued to focus on market share growth by actively managing the menu pricing to increase traffic through the stores. A total of 15.6 million customers were served compared to 13.3 million in the prior year. The resulting increase in revenue was however offset by higher than anticipated food cost increases, increase in the VAT rate of 1% and the implementation of the Healthy Promotion Levy (Sugar Tax) during the second half of the financial year. This translated to a decrease in the restaurant EBITDA margin from 9% in the prior year to 6.6% in the current year.

Of significant importance is the improvement of Company EBITDA from a profit of R11.1 million to a profit of R22.9 million in the current financial year.

#### DUNKIN' DONUTS

Dunkin' Donuts opened its first outlet on 13 October 2016. During the current period Dunkin' Donuts opened 5 outlets bringing the total number of outlets to 11 stores including 1 Drive Thru as at 30 June 2018. All the outlets are currently corporate-owned.

The outlets reported revenue of R29.8 million and a gross profit of R11.6 million with over 1.4 million doughnuts sold in the period under review. The gross profit of 39% is below the target due to doughnuts still being imported for the major part of the financial year.

The Restaurant EBITDA loss for the period was R5.3 million, however after head office and marketing costs, a Company EBITDA loss of

R24.9 million was reported compared to a R24.5 million loss for the prior period.

#### BASKIN-ROBBINS

Baskin-Robbins opened 1 new store during the period. Total revenue for the 5 stores amounted to R12.4 million with a gross profit of R4.9 million. The gross profit percentage of 39% is below target mainly due to high inventory holding costs in respect of the minimum required flavours for each store.

Restaurant EBITDA for the period amounted to a loss of R0.3 million for the period. Baskin-Robbins reported a Company EBITDA loss for the period of R18.6 million compared to R14.4 million in the prior period.

#### SPUR

GPI increased its shareholding in Spur with the acquisition of 330 000 shares for R9.1 million. The shares were acquired on the open market at an average price of R27.70 per share and increased GPI's effective overall holding in Spur to 17.79% from 17.48% in the prior year. A total dividend of R23.7 million was received during the period with a related finance charge of R23 million resulting in a R0.7 million reported net profit contribution for the period.

#### GRAND FOODS MEAT PLANT

Grand Foods Meat Plant is indirectly exposed to Burger King through their agreement with Burger King's main supplier, Vector. As a result of Burger King's 21% increase in revenue, Grand Foods Meat Plant's revenue increased by 35% from R92 million to R124.4 million this year. Cost of sales in the current year increased by 32.8% from R83.9 million to R111.4 million. This is a direct result of higher input costs due to increased food costs. Grand Foods Meat Plant's earnings for the year resulted in a R3.5 million loss after tax, which was 62% lower than the R9.3 million net loss after tax incurred last year.

#### MAC BROTHERS CATERING EQUIPMENT

Amid tough trading conditions experienced in the manufacturing sector, Mac Brothers revenue increased by 7% to R224.2 million (2017: R209.4 million) mainly as a result of a 87.2% increase in internal sales to Burger King and Dunkin' Brands which collectively

# CHIEF FINANCIAL OFFICER'S REVIEW

## (CONTINUED)

contributed R52.3 million (2017: R27.9 million). The operating costs for the year amounted to R69.7 million which is 17% higher than the operating costs of R59.6 million incurred in the prior year. The increase is mainly due to increased rental paid during the year from the new lease agreement signed for the rental of office and warehouse space.

The EBITDA for the year of R0.3 million is 83.5% lower than the R1.4 million EBITDA in the prior year.

Depreciation for the year of R4.1 million which decreased slightly by R0.2 million and the interest costs of R4 million decreased by R0.8 million when compared to the prior year.

Mac Brothers recorded a company loss after tax for the year of R5.0 million, representing a 5.2% decrease from the net loss after tax of R5.3 million in the prior year.

### GAMING

#### SUNWEST

SunWest's revenue for the year increased by 3.3% from R2 478 million last year to R2 560 million this year. Net profit after tax increased by 12.6% to R524.5 million for the year (2017: R465.9 million).

#### SUN SLOTS

Sun Slots increased their revenue by 9.5% from R1 019.5 million last year to R1 117 million this year. Sun Slots Net Profit After Tax increased by 31% from R92.8 million in the prior year to R122 million in the current year.

### OTHER

#### CENTRAL COSTS

The Group's net central costs for the year amounted to R49.6 million, which is 13% higher than the central costs of R43.8 million last year. This is a direct result of the increase in debt funding raised in the current year thereby reducing the net finance income of R18.1 million the prior year to a net interest expense of R7.8 million in the current year.

#### SHARE CAPITAL

The Company bought back 3.7 million shares during the year at an average price of R2.16 per share. These shares were subsequently cancelled. No new shares were issued during the year. Details of the share and the share capital of the Company both authorised and issued have been disclosed in Note 23.1 of the Consolidated Annual Financial Statements.

### TREASURY SHARES

At 30 June 2018 a total of 43.8 million GPI shares were held as treasury shares by the Grand Parade Share Incentive Trust, GPI Management Services and the GPI Women's BBBEE Empowerment Trust. These entities are controlled by the Group, with the Grand Parade Share Incentive Trust holding 4.98 million treasury shares, GPI Management Services holding 24 million shares and the GPI Women's BBBEE Empowerment Trust holding 14.82 million treasury shares. Details of the Group's treasury shares have been disclosed in Note 23.2 of the Consolidated Annual Financial Statements.

### PREFERENCE SHARES

During the current year, the Group issued 10 000 redeemable preference shares to Standard Bank at an issue price of R25 400 per share. The total preference share funding raised from this issue amounted to R251.6 million after capital raising fees. The terms of these respective preference shares and others have been disclosed in Note 25.1, 25.2 and Note 25.3 of the Consolidated Annual Financial Statements.

## **BORROWINGS**

The terms of Group's borrowings are fully disclosed in Note 26 of the Consolidated Annual Financial Statements. In terms of the Memorandum of Incorporation of the Company and its subsidiaries, the borrowing powers of the Directors of these companies are unlimited.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

Details of the Group's capital commitments are disclosed in Note 37 of the Consolidated Annual Financial Statements.

## **SUBSIDIARY COMPANIES AND INVESTMENTS**

Particulars of subsidiary companies, equity accounted investments and other investments are disclosed in Appendix 1 and Appendix 2 of the Consolidated Annual Financial Statements.

## **DIRECTORS AND COMPANY SECRETARY**

D Pienaar resigned as an Executive Director on 07 November 2017. T Karriem resigned as Chief Executive Officer and Director of the Group on 02 April 2018 and was replaced by P Moodley on 08 August 2018. S Barends resigned as Financial Director on 30 June 2018 and was replaced by C Priem on 01 July 2018. Colin Priem was previously a Non-Executive Director and stepped down from all the Board Sub-Committees.

## **DIRECTORS' INTEREST IN CONTRACTS**

Details of the directors' interests in contracts and transactions with the Group are disclosed in Note 36 of the Consolidated Annual Financial Statements.

## **DIRECTORS SHAREHOLDING**

Details of the directors' interests in the shares of the Company are disclosed in Appendix 3 of the Consolidated Annual Financial Statements.

## **GOING CONCERN**

These Annual Financial Statements have been prepared on the going concern basis. The Board has performed a review of the Group's ability to continue trading as a going concern in the foreseeable future and, based on this review, consider that the presentation of the financial statements on this basis is appropriate.

There are no pending or threatened legal or arbitration proceedings which have had or may have a material effect on the financial position of the Group.

## **SUBSEQUENT EVENTS**

The details of events occurring subsequent to the reporting date but prior to the date of issue of this report are detailed in Note 38 of the Consolidated Annual Financial Statements.

## **RELATED PARTIES**

The Group, in the ordinary course of business, entered into various transactions with related parties consistent with those as reported at 30 June 2017. Details of related parties and transactions are disclosed in Note 36 of the Consolidated Annual Financial Statements.



**COLIN PRIEM**  
*Chief Financial Officer*



# INVESTMENT REVIEW

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## BURGER KING SOUTH AFRICA

### OVERVIEW

#### OWNERSHIP STRUCTURE

**91.1%**

effective ownership  
(as at 30 June 2018)

**R29.7 million**

loss contribution before  
taxation to GPI headline  
earnings (2017: R41.3 million  
loss contribution)

#### OPERATIONAL FOOTPRINT

**15.6 million**

customers served  
(2017: 13.3 million)

**80 restaurants**

in nine provinces  
(2017: 61)

Western Cape: 27 (23)  
Gauteng: 36 (28)  
KwaZulu-Natal: 5 (5)  
Mpumalanga: 3 (2)  
North West: 3 (3)  
Northern Cape: 1 (0)  
Eastern Cape: 1 (1)  
Limpopo: 1 (0)  
Free State: 3 (0)

# INVESTMENT REVIEW – FOOD

## EMPLOYEES

**3 060**

employees  
(2017: 1 951)

**96.6%**

previously unemployed individuals  
(First Time Employed &  
Previously Employed – 2 955 (2017: 1 805))

**67.2%**

(2017: 68.9%) females 2 055  
(2017: 1 344)

**96.4%**

(2017: 96.6%) historically disadvantaged  
individuals (HDIs) (African, Coloured, Indian  
only – 2 950 (2017: 1 884))

Key financial indicators (R'000s)	2018	2017	2016	2015	2014
Revenue	<b>756 236</b>	623 862	485 162	303 883	124 862
Restaurant EBITDA*	<b>50 149</b>	52 858	14 757	3 198	(31 969)
EBITDA*	<b>23 820</b>	11 104	(36 506)	(72 301)	(66 665)
Net loss after tax	<b>(4 808)</b>	(80 969)	(75 850)	(72 085)	(52 790)
Shareholder loan (Capital)	<b>506 023</b>	466 888	441 888	231 893	–
Shareholder loan (Capitalised Interest)	<b>66 815</b>	66 815	20 405	–	–
Total debt excluding shareholder loans	<b>1 307</b>	1 593	1 898	1 132	944

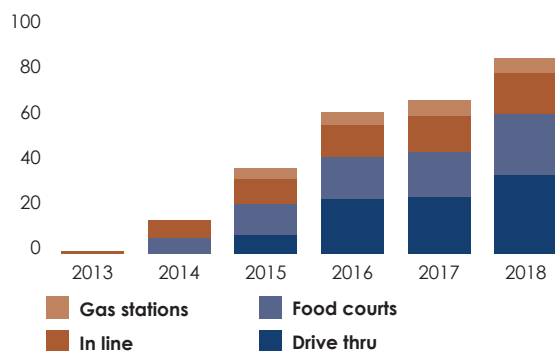
\* Excludes profit on disposal of 35% of the Grand Foods Meat Plant at R37.2m and the GPI Ltd Asset Management fee of R-4.5m, hence Company EBITDA 2018 R56m (2017: 11.104m).

## OPERATING CONTEXT AND PERFORMANCE

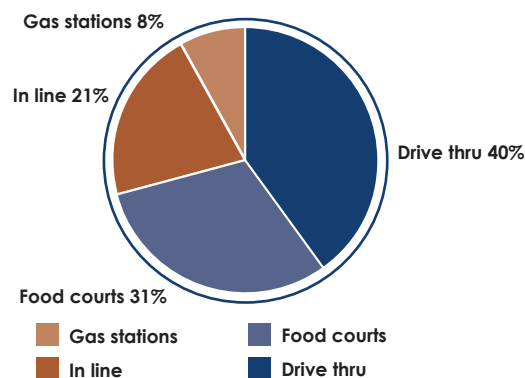
The food industry has been negatively affected by consumer financial constraints, being a barrier to purchasing fast food. Further the category has seen greater clutter in competing brands.

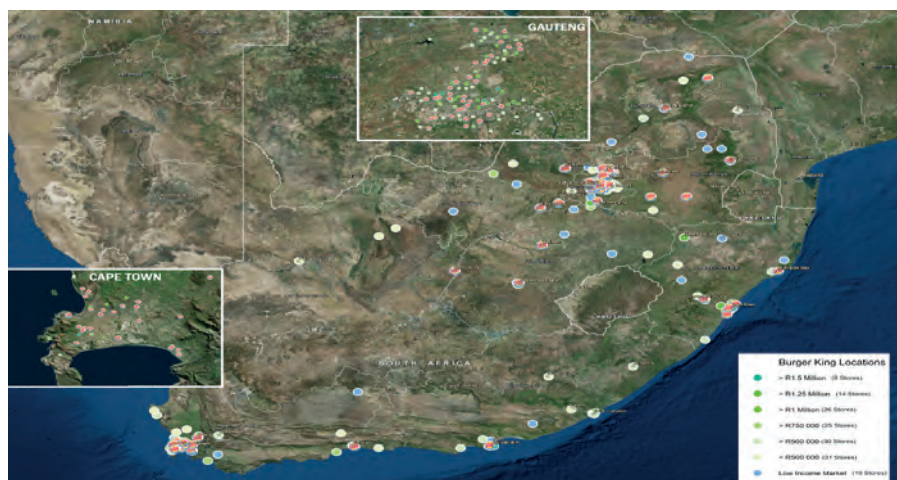
BURGER KING® demonstrated significant growth in awareness, usage metrics and purchase frequency and most importantly loyalty based on top preference during the period.

### RESTAURANT NETWORK COUNT 2018



### PORTFOLIO 2018





Cost push inflation from beef prices, the increased VAT rate and the Health Promotion Levy has deteriorated operating margins in the 2nd half of the reporting period.

BURGER KING® South Africa opened 19 new restaurants, achieving our exclusivity development milestone in terms of our master franchisee licence development commitment with BURGER KING® Corporation.

The total number of BURGER KING® Restaurants at 30 June 2018 was 80 (2017: 61). We opened 10 Freestanding Drive Thrus, 7 Food Court's and 2 In-Line restaurants. The restaurant network shift continues to focus on Drive Thrus.

We achieved the strongest growth in same store sales at 3.45% (2017: 1.82%) and company EBITDA of R22.87m (2017: R11.1m) in the trading history of BURGER KING® since 2013, repeating this result from 2017.

## PROSPECTS

Our research has indicated that overall, consumers are aware of more brands. This however, has been coupled with a decline in awareness of specific brands.

**Visibility, taste and trust** remain key drivers of performance in this category.

To achieve increased **visibility** we will continue to focus on restaurant growth, by identifying the communities that love our burgers and building restaurants to reach them. This allows us to unlock value, from achieving scale and diluting central costs at an accretive rate, with each new restaurant added.

Our insights gathered from our GIS benchmarking has supported our growth ambitions to add another 100 restaurants to our network, performing at or above our current average restaurant sales.

Our research indicates that we perform well on the functional attributes of service, food quality and taste, being consistently ranked as the best burger in the category. Supporting this, globally BURGER KING® is rolling out a new Visual Identity and Brand Positioning. With the intention to bring to life the Brands' values and personality, to further develop **trust**.

All our restaurants opened during the period were in line with the new **20/20 Prime Décor** design, developed by NYC restaurant concept firm Brand Bureau. The design incorporates the attributes of handcrafted furniture with different

layered and textured materials. Food photography has been replaced with cheerful graphics and a bold colour palette with heritage prints.

On the **technology** front, we will be trialling the introduction of **Self-Service Kiosks** at selected locations.

The key attributes of **Self-Service Kiosks** are to improve speed of service, improve order accuracy, and free up our staff, to engage with our customers with greater service excellence so we can introduce service leaders.

Launched just after the current financial period, is the 1st phase of the BURGER KING® APP with over 20 000 downloads and counting. The key attributes will be the availability of instant coupons, the ability to earn Crowns (Loyalty points) from purchases, mobile pay and functional information like nearest store location.

Our crew and restaurant management will feature a new uniform image, complementary to the new restaurant image. The BURGER KING® uniforms are an important touch point for our guests and should be an extension of our new brand positioning. They emphasise the WHOPPER® Sandwich colours as well as the craftsmanship that goes into the making of our food.

The BURGER KING® uniforms should help to strengthen the emotional connection with our guests to assist to develop **trust**.

We anticipate commencing trials with **Home Delivery** in 2019 at selected pilot locations, for the eventual roll out nationally, with Home Delivery, as proves feasible.



# INVESTMENT REVIEW – FOOD

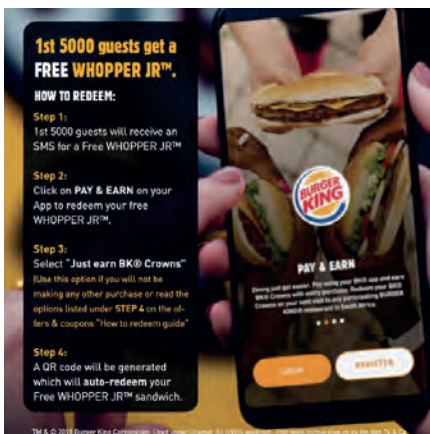
## (CONTINUED)



To drive further penetration and frequency, with potential and existing guests, we will focus on promotions that drive value for money and specific targeted specials, across our menu architecture. We will continue to deliver on the top drivers of service satisfaction being; speed of service, food quality and friendliness of staff.

In conclusion, we continue to strive to ensure all our products are of the same or better quality than available from competitors, to ensure we beat customer expectations and ensure we have products available on our menu boards, across all price points and all income groups, to drive traffic growth and improve margins.

The management team of BURGER KING® are proud of the achievements of the business unit, since its launch on 9 May 2013. In only 5 years it has developed 87 restaurants, served over 49 million guests, with a presence in all 9 provinces and increasing same stores sales growth for the last two financial years. We are excited and feel the business is poised to unlock its value, to deliver on the expectations its stakeholders have.







## DUNKIN' DONUTS SOUTH AFRICA

### OVERVIEW

#### OWNERSHIP STRUCTURE

**100.0%**

effective ownership  
(as at 30 June 2018)

**R29.8 million**

loss contribution before tax  
(2017: R27.8 million) to GPI  
headline earnings

#### OPERATIONAL FOOTPRINT

**414 000**

customers  
served

**11**

(2017:6 stores) stores in one  
province

Western Cape: 11  
Gauteng  
KwaZulu-Natal  
Mpumalanga  
North West

# INVESTMENT REVIEW – FOOD

## (CONTINUED)

### EMPLOYEES

**170**

employees (2017: 166)

**93%**

(2017: 90%) previously unemployed individuals  
(First Time Employed & Previously Employed)

**74%**

females (2017: 79%)

**162**

(2017: 153) historically disadvantaged individuals  
(HDIs) (African, Coloured, Indian only)

#### Key financial indicators (R'000s)

	2018	2017
Revenue	30.5m	24.0m
Restaurant EBITDA	(5.3m)	(3.5m)
EBITDA	(24.9m)	(23.6m)
Net loss after tax	(36.2m)	(21.5m)
Shareholder loan	110.3m	75.6m
Total debt excluding shareholder loans	6.3m	8.0m

#### OPERATING CONTEXT AND PERFORMANCE

Dunkin' Donuts opened 5 outlets to December 2017 bring their total outlets to 11 during the year. All outlets are corporate owned.

The outlets reported sales of R29.8 million and a gross profit of R11.6 million for the period with over 1.4 million doughnuts sold in the period under review. The gross margin achieved for the period of 39% is well below the target due to the doughnuts still being imported for the major part of the financial year.

The Restaurant EBITDA loss for the period was R5.3 million, however after head office and marketing costs, a Company EBITDA loss of R23.3 million was reported for the period compared to a R24.4 million loss for the prior period.

#### PROSPECTS

The main focus of Dunkin' Donuts, entering the new financial year, was to create a profitable restaurant operating model. To achieve this objective we focused on gross margin improvement, labour cost

reduction and capex optimisation for all future restaurants.

Gross margin improvement plans included localising the supply of doughnuts in particular. A local bakery was established and became operational during the latter part of year. As of 30 June 2018 all doughnuts were locally produced.

The revised, improved restaurant operating model will allow restaurant roll-out to be re-energised in the new financial year.



baskin **BR** robbins

## BASKIN-ROBBINS SOUTH AFRICA

### OVERVIEW

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#### OWNERSHIP STRUCTURE

**100.0%**

effective ownership  
(as at 30 June 2018)

**R24.9 million**

(2017: R16.19 million) loss  
contribution before taxation  
to GPI headline earnings

#### OPERATIONAL FOOTPRINT

**110 620**

customers served

**5 stores**

(2017: 4 stores) in the  
Western Cape

# INVESTMENT REVIEW – FOOD

## (CONTINUED)

### EMPLOYEES

**62**

employees (2017: 46)

**82%**

females (2017: 73.9 %)

**98%**

(2017: 95.5 %) previously unemployed individuals  
(First Time Employed & Previously Employed)

**61**

(2017: 41) historically disadvantaged individuals  
(HDIs) (African, Coloured, Indian only)

#### Key financial indicators (R'000s)

	2018	2017
Revenue	12.4m	5.5m
Restaurant EBITDA	(0.3m)	(1.0m)
EBITDA	(18.8m)	(5.6m)
Net loss after tax	(24.0m)	(14.4m)
Shareholder loan	55.6m	37.3m
Total debt excluding shareholder loans	3.9m	12.3m

#### OPERATING CONTEXT AND PERFORMANCE

Baskin-Robbins opened 1 new store during the period. Total revenue for the 5 stores amounted to R12.4 million with a gross profit of R4.9 million. The gross profit percentage of 39% is below target due mainly to high inventory holding costs in respect of the minimum required flavours for each store.

Restaurant EBITDA for the period amounted to a loss of R0.3 million

for the period. Baskin-Robbins reported a Company EBITDA loss for the period of R18.8 million compared to R5.6 million in the prior period.

#### PROSPECTS

The roll-out of Baskin-Robbins will be carefully implemented with a view to focussing on profitable stores as opposed to chasing store numbers. Our required store targets for the 2019 financial year will be managed with the brand owners and only

earnings positive stores will be considered. Concurrently a significant focus will be placed on maximising the gross profit margin at individual store level through numerous initiatives, including localisation of all inventory other than ice-cream and the active management of inventory waste.





## GRAND FOODS MEAT PLANT

# GRAND FOODS MEAT PLANT

### OVERVIEW

#### OWNERSHIP STRUCTURE

**100.0%**

effective ownership  
(as at 30 June 2018)

**R5.04 million**

loss contribution before taxation  
to GPI headline earnings  
(2017: R11.81 million loss  
contribution)

#### OPERATIONAL FOOTPRINT

**1**

meat processing and distribution  
facility situated in Cape Town

#### EMPLOYEES

**34**

employees (2017: 31)

# INVESTMENT REVIEW – FOOD

## (CONTINUED)

Key financial indicators (R'000s)	2018	2017	2016	2015*
Revenue	126 321	91 477	69 052	31 352
EBITDA*	1 114	(2 456)	3 856	4 148
Net (loss)/profit after tax	(3 524)	(7 226)	50	(1 461)
Shareholder loan	16 000	16 000	11 100	–
Total debt excluding shareholder loans	24 246	52 061	44 946	–

\* Results are for the six-month period as the company commenced operations during January 2015.

### OPERATING CONTEXT AND PERFORMANCE

Sales have increased by 38% to R126.3 million for the period ended 30 June 2018 driven predominantly by an increase in volumes to the BURGER KING® brand. The Plant has maintained an average monthly gross profit margin of 12%, and produced on average 187 tonnes of patties per month which represents a 12% increase from the prior year average production of 167 tonnes.

Raw material costs for fresh and frozen beef have increased by 21% for the period. This increase was driven by a shortage in the supply of cattle as farmers are still re-building herds following the in-land drought from 2015/2016.

The inflated beef prices are expected to continue in the 2018/2019 financial year. The continued increase in raw material costs puts further pressure in GP margins, but with adjustments made to the selling prices of beef patties, margin improved to 12% against 10% in the prior financial year. The plant is continually looking for alternative beef suppliers from all over the world to mitigate the raw material increase, but this is a tougher task than initially anticipated due to a volatile and depreciating Rand.

In light of the water situation in the Western Cape, the risk of a complete shutdown due to lack of water has been mitigated by the successful installation of a

grey water management plant coupled with a 20 000 L emergency water storage solution.

### PROSPECTS

The 2017/2018 period saw production of 215 tonnes of beef patties for the Spur Halaal market and the plant aims to further increase the profitability in supply to this customer. Further discussions are being held with a retail chain, the LULU Group, to potentially export beef patties into the Middle East. The plant is also collaborating with WESGRO to further explore potential supply of beef patties to Saudi Arabia and neighbouring countries.



# MAC BROTHERS CATERING EQUIPMENT

## OVERVIEW

### OWNERSHIP STRUCTURE

**100.0%**

effective ownership

**R10.7 million**

loss contribution before  
taxation to GPI headline  
earnings (2017: R10.4 million  
loss contribution)

### OPERATIONAL FOOTPRINT

Catering, refrigeration  
and hospital equipment  
manufacturing facility in  
Cape Town

Branches in Cape Town,  
Durban, Johannesburg  
and Harare

Established agency network  
throughout Africa

# INVESTMENT REVIEW – FOOD

## (CONTINUED)

### EMPLOYEES

**225**  
employees (2017: 232)

**24%**  
females

**84%**  
historically disadvantaged  
individuals (HDIs)

Key financial indicators (R'000s)	2018	2017	2016	2015
Revenue	<b>224 090</b>	209 354	267 703	233 924
EBITDA	<b>226</b>	1 372	18 212	8 807
Net (loss)/profit before tax	<b>(5 015)</b>	(5 325)	10 397	3 736
Shareholder loan	<b>23 740</b>	25 029	26 231	25 602
Total debt excluding shareholder loans	<b>32 978</b>	26 833	44 943	67 726**

\*\* Includes GPI Properties loan of R2.529 million.

### OPERATING CONTEXT AND PERFORMANCE

Market conditions continue to be tight in South Africa, with certain areas within the food service industry remaining under some stress. Poor market performance and site delays on an array of secured business prospects were the dominant factors that lead to the lacklustre performance of Mac Brothers.

Mac Brothers revenue increased mainly as a result of an 87.2% increase in Grand Foods. Cold room and extraction sales increased from

R12.4 million to R17.6 million. Increasing operating costs is mainly attributable to higher rentals paid under the new lease agreement coupled with the prior year costs which were reduced due to a lease smoothing reversal. The business incurred unanticipated SLA charges that were not incurred in the previous year.

### PROSPECTS

Following pressures on the construction and manufacturing sectors, a strategic decision was made to diversify and take

advantage of other market segments such as hospital equipment and sanitary ware. The effort and money spent diversifying our product range has started to pay dividends in the form of sales but the true potential has not been realised. We expect this part of the business to grow substantially over the next five years.





**SPUR**  
CORP.

## SPUR CORPORATION

### OVERVIEW

#### OWNERSHIP STRUCTURE

**17.79%**

effective ownership  
(as at 30 June 2018)

**R608 000**

profit contribution to  
GPI headline earnings  
(2017: R4.9 million  
loss contribution)

**R233.2 million**

intrinsic net asset value  
at 30 June 2018

#### OPERATIONAL FOOTPRINT

**9**

brands within the Spur Group

**513 local stores**

across these brands  
(2017: 528)

**62 international  
stores:**

11 in Australasia  
49 in Africa and Mauritius  
2 in the Middle East





**SUNWEST**  
INTERNATIONAL

## SUNWEST INTERNATIONAL

### OVERVIEW

#### OWNERSHIP STRUCTURE

**15.1%**

effective ownership  
(as at 30 June 2018)

**R77.7 million**

contribution before taxation to  
GPI headline earnings  
(2017: R70.3 million contribution)

**R883.7 million**

intrinsic net asset value  
at 30 June 2018

#### OPERATIONAL FOOTPRINT

**1**

casino and entertainment  
complex

**1**

Five-star hotel



## WORCESTER CASINO

### OVERVIEW

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#### OWNERSHIP STRUCTURE

**15.1%**

effective ownership  
(as at 30 June 2018)

**R2.6 million**

contribution to  
GPI headline earnings  
(2017: R2.5 million contribution)

**R36.2 million**

intrinsic net asset value  
at 30 June 2018

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## SUN SLOTS

### OVERVIEW

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#### OWNERSHIP STRUCTURE

**30%**

effective ownership  
(as at 30 June 2018)

**R36.8 million**

contribution to GPI headline  
earnings (2017: R30.1 million  
contribution)

**R707.1 million**

intrinsic net asset value  
at 30 June 2018

#### OPERATIONAL FOOTPRINT

Sun Slots is licensed by  
relevant provincial gambling  
board to operate in the  
following provinces:

Western Cape: 1 000 LPMs

KwaZulu-Natal: 2 000 LPMs

Gauteng: 2 000 LPMs

Mpumalanga: 226 LPMs



# CORPORATE GOVERNANCE

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# CORPORATE GOVERNANCE REPORT

The Board continued to practice corporate governance aimed at promoting value creation and long-term sustainability – to generate value and benefits for all stakeholders. As the ultimate governing body of the GPI Group, the Board is committed to providing ethical, accountable and effective leadership and to ensuring that the businesses and affairs of the group are managed responsibly.

Responsibility for ensuring full and effective control of the Group's businesses, as well as the overall strategy, performance and governance of the Group, rests with the Board. The day-to-day responsibility for ensuring that the group's businesses are managed appropriately rests with executive management who have clearly defined roles and reporting lines to the Board.

The directors confirm that during the 2018 Reporting period the Group has in all material respects applied the King Code of Governance Principles for South Africa 2016™ (King IV) and where such application has not been complied with, explains the factors and circumstances resulting in an alternative application.

## KING IV

The King IV Report came into operation on 1 November 2016 and on 19 June 2018 the JSE Listings Requirements ("Listings Requirements") were amended to include provision for the adoption of King IV and other governance arrangements.

## THE BOARD OF DIRECTORS

The Board believes that its composition must reflect –

- a wide range of attributes and competencies (as opposed to similar overlapping qualities) that will position the Board to collectively provide good corporate governance and strategic oversight; and

- a diversity of perspective and views that will lead to more innovation, better risk management, and will better enable the Board to anticipate and consider the concerns and perspectives of all key stakeholders.

## Board structure

The Board provides direction and leadership to the Group and is ultimately accountable for the overall governance, performance, strategy and affairs of the Group. The Board delegates authority to the relevant Board Committees to ensure that all aspects of strategy, performance and governance are applied.

The roles of the executive chairman and the Chief Executive Officer (CEO) are clearly defined. The executive chairman is responsible for leading the Board and ensuring that the Board and its committees are effective and act with integrity. The Chief Executive Officer is responsible for managing and running the Company's business effectively in accordance with the strategy and objectives approved by the Board.

## Composition of Board

Dr Hassen Adams continued on the Board as Executive Chairman and Dr Norman Maharaj remained the Lead Independent Director (LID) providing leadership to the Board, committees, directors and executives in the event of conflicts of interest. As the chairperson of the Remuneration

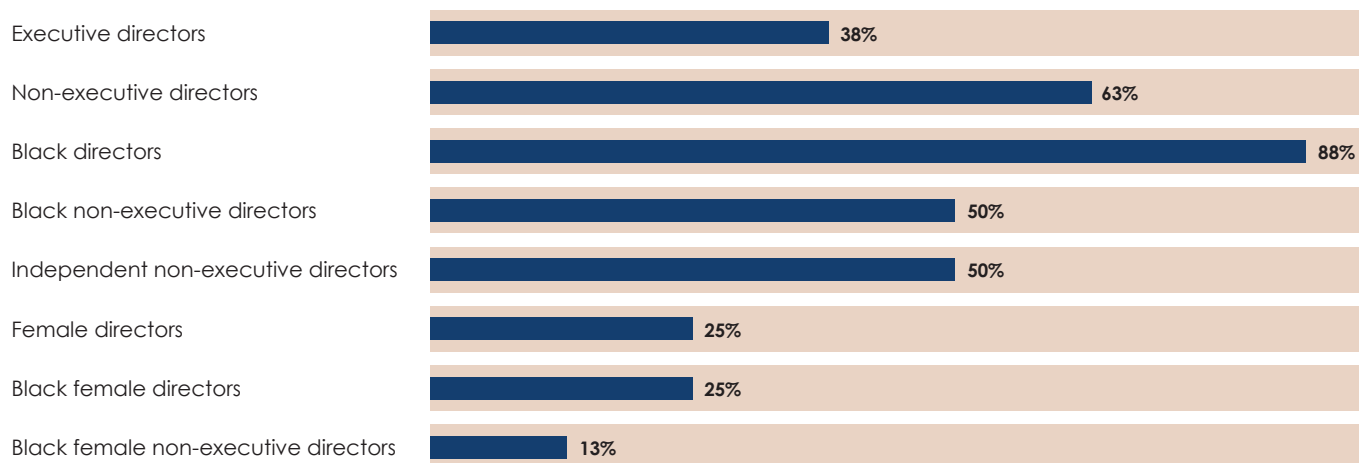
and Nomination Committee, Dr Maharaj also manages the performance appraisal of the Executive Chairman.

The Group has a unitary Board structure and at the end of the Reporting period had six non-executive directors and one full-time salaried executive director. Mrs Tasneem Karriem resigned as CEO and executive director during the Reporting period as well as Mr Shaun Barends as Financial Director. These positions were filled after the reporting period, with Mr Colin Priem appointed to the office of Financial Director on 1 July 2018 and Ms Prabashinee Moodley to the office of CEO on the 1 August 2018. With Mr Colin Priem taking up a position as an executive director, the non-executive directors reduced from six to five with effect from 1 July 2018.

The Board and Board members have clearly defined responsibilities and this division of responsibilities ensures a balance of authority and power, with no individual director having unrestricted powers and decision-making authority.

The Board is of the view that it possesses the appropriate mix of knowledge, experience, skills, age, culture, race and gender and that these attributes collectively contribute to better decision-making and effective governance at Board level.

The Board's composition at the time of preparing this report is illustrated below:



Note: percentages are of total Board of 8 directors

### Length of service

#### 0 – 5 years

##### **Prof Walter Geach**

Independent non-executive director  
Appointed: 2013

##### **Rasheed Hargey**

Independent non-executive director  
Appointed: 2015

##### **Prabashinee Moodley**

Chief Executive Officer  
Appointed: August 2018

#### 5 years and more

##### **Dr Hassen Adams**

Executive Chairman  
Appointed: 1997

##### **Nombeko Mlambo**

Independent non-executive director  
Appointed: 1997

##### **Alex Abercrombie**

Non-executive director  
Appointed: 1997

##### **Dr Norman Maharaj**

Independent non-executive director  
Appointed: 2008

##### **Colin Priem**

Financial Director  
Appointed: 2012

Biographical details of the directors reflecting their diversity in terms of academic and professional qualifications, age, race and gender appear on pages 61, 62 and 63 of this report.

# CORPORATE GOVERNANCE REPORT

## (CONTINUED)

### **Race and diversity policy**

As a black economic empowerment company GPI's workforce and Board composition has always been representative in terms of race and gender diversity.

The Board has nevertheless adopted a Policy on gender and race diversity at Board level to formalise its objectives for the continued achievement of diversity.

The Remuneration and Nomination Committee, in collaboration with the Social and Ethics Committee will consider and annually agree on measurable targets for achieving race and gender diversity at Board level. In identifying suitable candidates for appointment to the Board, the nomination committee will consider individuals on merit against objective criteria and with due regard for the potential benefits of race and gender diversity.

The Group has set a target to ensure that the Board composition remains at a minimum 25% female and 75% black representation and have complied with this during the current year. The graphic on page 45 clearly illustrates the Board's approach, with women constituting 25% of the Board and black directors making up more than 75% of the numbers.

### **Board appointments**

Directors are appointed by the Board in a formal manner. The Remuneration and Nomination Committee, in consultation with the Executive Chairman, considers suitable candidates and nominates persons for appointment as directors taking into account the requirements of the business. These include skills, qualifications and experience as well as race and gender diversity requirements to ensure that the Board and committees' compositions are appropriately balanced.

Proposals for election/re-election to the Board are, after review, recommended by the nomination committee and are considered by the Board, subject to the approval/ratification of shareholders.

One-third of the company's executive directors are required to retire by rotation at the annual general meeting (AGM) of shareholders. Retiring directors may offer themselves for re-election and directors appointed during the period are required to have their appointments ratified at the following AGM. Details of these directors are given in the Notice of AGM which is distributed to shareholders and is also available online on the Company's website [www.grandparade.co.za](http://www.grandparade.co.za).

At the AGM on 12 December 2018, Messrs Geach and Maharaj will retire and offer themselves for re-election.

Further changes were made on the Board post the end of the reporting period. Mr Colin Priem was appointed as Group Financial Director on 1 July 2018 following Mr Shaun Barends' resignation. In addition, Ms Prabashinee Moodley was appointed as Chief Executive Officer of the Group with effect from 1 August 2018 following Ms Tasneem Karriem's resignation, this appointment is included in the resolutions to be ratified at the annual general meeting.

On appointment, a director receives a formal letter of appointment together with a pack of the relevant statutory information to ensure an understanding of the provisions of the Act and the obligations of directors. The director is also provided with information on the Group's strategy, operational activities, and the products and services offered by the various divisions. New directors are informed of the closed periods for dealing in the Company's securities, the

procedure they are required to follow before dealing in securities as well as details pertaining to related-party transactions.

### **Director independence**

Dr Norman Maharaj (lead independent director), Professor Walter Geach, Ms Nombeko Mlambo and Mr Rasheed Hargey are classified as independent non-executive directors. The Board is satisfied that these directors, through their actual conduct at Board and committee meetings, have displayed independence of mind in their decision-making and that there are no relationships or circumstances which could affect, or could appear to affect, their independence.

Dr Adams, Mr Alex Abercrombie and Ms Nombeko Mlambo have been directors of GPI since its inception 21 years ago and Dr Maharaj has served on the Board for a period of ten years. The Board is of the view that the historical knowledge that these directors have of the Company and its businesses, together with the specific skills they each contribute, has contributed to the effectiveness of the Board and the committees on which they serve. The extended tenure of these directors is balanced by the remaining directors who have brought new perspectives and additional skills to the table.

### **Board committee composition**

Board committees are constituted with due regard to the skills and experience required by each committee in order to fulfil the relevant committee's mandate and to ensure a balanced distribution of power. The Board Committees have clear terms of reference that define their powers and duties and these are documented in Committee Charters which are regularly reviewed by each Committee and amended with the approval of the Board.

Management are invited to attend Board committee meetings by way of standing invitations or on an ad hoc basis when specific contributions in their fields of expertise are required.

Further details with regard to the committee memberships and their terms of reference are given in the individual Committee reports on pages 50, 52 and 60.

### **Board and committee evaluations**

During the Reporting period the chairman of the Remuneration and Nomination Committee, in consultation with the executive chairman, evaluated the effectiveness of the Board and the Board committees. No issues of material concern were raised in the evaluations and the Board is satisfied with its performance and effectiveness. Additionally, the group has obtained the services of an external firm to conduct board and committee member evaluations.

The Board is similarly satisfied that all Board committee members collectively have the skills and acumen to fulfil the respective committee's mandate and that all committees have indeed performed their responsibilities in accordance with their terms of reference during the Reporting period.

### **Financial director**

Mr Colin Priem was appointed as Financial Director of the Company with effect from 1 July 2018. The audit and risk committee and the Board are satisfied that Mr Priem possesses the appropriate experience and qualifications for this position. A review of the effectiveness of the Financial Director and the Finance function has been undertaken by the audit and risk committee and the

Committee is satisfied as to their effectiveness and that appropriate financial reporting procedures are in place and are operating. In this regard refer to the report of the audit and risk committee on page 50 of this Report.

### **Company secretary**

Ms Lazelle Parton resigned as Company Secretary on 31 January 2018 and was replaced by Statucor (Pty) Ltd. All directors have access to the support and services of the company secretary who is responsible for the duties set out in section 88 of the Companies Act, No. 71 of 2008, as amended, ("Companies Act") and for ensuring compliance with the Listings Requirements.

The company secretary has been appointed as secretary of the standing committees of the Board and coordinates the functioning of the Board and its committees. In addition, the company secretary also ensures that the appropriate statutory and other records are maintained.

The Board confirms that the company secretary maintains an arm's length relationship with the Board and the directors and is not a director of the Company. The Board is of the opinion that the company secretary has the requisite competence, qualifications, knowledge and experience to carry out the duties of a secretary of a public company.

### **DEALING IN SECURITIES AND INSIDER TRADING**

A policy on share dealings and insider trading is applied across the Group to all Company directors, the Company Secretary, prescribed officers and certain identified senior executives with access to financial results and other price-sensitive

information. These individuals may not deal in shares of the Company during the 'closed periods' as defined in the Listings Requirements or whilst in the possession of unpublished price sensitive information concerning the business and affairs of the group and its subsidiaries. The policy prohibits the dissemination of price-sensitive information pertaining to the company by employees.

Directors and the Company Secretary are obliged to obtain the Executive Chairman's written clearance (or in his absence, the LID's) prior to dealing in the Company's shares and all requests are referred through the Company Secretary for record-keeping purposes and to liaise with the Company's sponsors to disclose such dealings to shareholders on SENS.

During the Reporting period, the share trading policy was adhered to and the necessary clearance contemplated in the Listings Requirements was given prior to trading in GPI shares.

### **DISCLOSURES AND CONFLICTS OF INTEREST**

Directors are obliged to avoid situations that may place them in conflict with the interests of the Company or the Group. In addition, interests must be declared before each Board meeting and procedures are in place for directors to provide the company secretary with full disclosure of any related-party transactions to which they or their immediate families may be party.



# CORPORATE GOVERNANCE REPORT

## (CONTINUED)

### DIRECTORS' REMUNERATION

Details of the remuneration paid to directors in the Reporting period ended 30 June 2018 are contained in the financial statements, the Notice of AGM posted to shareholders on 31 October 2018 and are included in the Remuneration and Nomination Committee Report on pages 52 – 59.

Non-executive directors' remuneration is based on a scale that takes into account the director's role on the Board and on the various Board committees. Fees are accordingly not linked to the performance of the Group and neither do non-executive directors participate in the Group share incentive scheme.

The fees paid to non-executive directors are benchmarked against fees paid to the non-executive directors by a JSE-listed peer group and similar small-cap Companies by

market capitalisation. The Remuneration and Nomination Committee, with the Board's endorsement, have proposed that the fees of non-executive directors be increased by 7% in line with the general salary increase paid to employees in the Group. A small adjustment to the fee structure in respect of the fees paid to the chairperson and members of the Social and Ethics Committee has also been proposed to bring them in line with the fees paid to other Board committees.

A special resolution to obtain shareholder approval for the change in remuneration for non-executive directors has been included (as special resolution number 1) in the Notice of AGM that was posted to shareholders on 31 October 2018.

Following the dissenting vote at the 2017 AGM. The Remuneration

Committee engaged with dissenting shareholders and based on feedback received have started engagement with PWC with regard to the KPIs of executive directors. This is to align these measures with industry standards and benchmarked measures for STIs and LTIs. Once finalised the Remuneration Committee will review the remuneration policy to ensure it is in line with these recommendations.

### BOARD MEETINGS

As a rule, the Board meets quarterly to discharge its statutory obligations and to ensure adherence with the Company's strategic focus. Additional meetings were held during the reporting period to attend to other specific business as and when the need arose.

An overview of Board and committee meeting attendances during the Reporting period is provided in table 1 below.

**TABLE 1: DIRECTOR BOARD AND COMMITTEE MEETING ATTENDANCE DURING THE 2018 FINANCIAL YEAR**

		GPI	Audit and	Remuneration	Social	Investment
	Director designation	Board	Risk Committee	Nomination and Committee	and Ethics Committee	Committee
H ADAMS	Executive Chairman	6/6			1/1	2/2
T KARRIEM*	Chief Executive Officer	4/6*				
S BARENDS	Financial Director	6/6**				
D PIENAAR	Executive director	1/6***				
A ABERCROMBIE	Non-executive director	4/6		4/5	0/1	1/2
W GEACH	Independent non-executive director	6/6	5/5			
R HARGEY	Independent non-executive director	6/6				
NV MAHARAJ	Independent non-executive director	6/6	4/5	5/4	1/1	
N MLAMBO	Independent non-executive director	6/6		4/5		
CM PRIEM	Independent non-executive director	6/6	5/5	5/5		2/2

\* T Karriem resigned 1 May 2018.

\*\* S Barends resigned 30 June 2018.

\*\*\* D Pienaar resigned 7 November 2017.

## GOVERNANCE PRACTICES

A schedule indicating how the Group is applying the King IV principles is available on the Company's website at: [www.grandparade.co.za](http://www.grandparade.co.za) under the investor relations section.

An outline of the Board's approach to governance as well as the policies and processes that are aimed at protecting stakeholder value and achieving the King IV outcomes.

### Values and ethics

The Company's ethical values are based on integrity, transparency, fairness and trust and a commitment to making a meaningful contribution to broad-based black economic empowerment as inclusively as possible; to uphold the highest ethical and moral standards; and to invest in the finest people and promote their personal growth.

The Board expects all in the business to apply the above values in their

personal conduct, ensuring that they are never compromised in favour of personal gain, or to benefit the business at the expense of the values. Directors of the Company and of the subsidiaries, as well as key management, are required to disclose their directorships in other companies as well as any interests in contracts or related party transactions. These disclosures are updated and reviewed annually.

### Oversight of Risk

The Board assumes ultimate accountability for the risk management process and the Group's system of internal control. In collaboration with the Group Audit and Risk Committee, the Board has adopted a Risk Management Framework aimed at achieving the Group's overall strategic objectives and the creation of long-term value for shareholders.

A complete review of the Group's risk management processes and reporting framework is in the process

of being finalised. The Audit and Risk committee has tasked management to specifically investigate a combined assurance model that incorporates our external and internal auditors.

### IT Governance

The IT governance processes are continuously evaluated with the Group Technology Officer providing the Audit and Risk Committee with reports at all committee meetings. The Audit and Risk Committee is responsible for considering the efficacy of IT controls, policies and processes to the extent that these pose a risk to the financial reporting process, the effectiveness of financial controls and the continuity of the Group's operations.

# BOARD COMMITTEE AND REPORTS

## AUDIT AND RISK COMMITTEE REPORT

### Membership

The Audit and Risk Committee is constituted in terms of section 94(2) of the Companies Act and comprises three non-executive directors who have the necessary academic qualifications and experience to perform their duties.

Members are elected by the shareholders at each annual general meeting of the Company and for the 2018 financial year the members were:

- Colin Priem – Chairperson (independent non-executive director)
- Dr Norman Maharaj (lead independent director)
- Professor Walter Geach (independent non-executive director)

Subsequent to the financial year end Colin Priem, was appointed as the Financial Director. Rasheed Hargey, a current non-executive director was appointed to Audit and Risk Committee. Professor Walter Geach was appointed as the new Chairperson with effect from 1 July 2018.

While the Audit and Risk Committee operates independently of management, the Chief Executive Officer, Financial Director, Group Internal Auditor and the external auditors attend meetings of the Committee by invitation. The Committee is also at liberty to hold confidential meetings with the internal and external auditors as well as with management should they so require.

The Audit and Risk Committee meets quarterly to attend to business and details of members attendances at the meetings are included in the table on page 48.

### Terms of reference

The Audit and Risk Committee has clear terms of reference delegated to it by the Board. The terms of reference are aligned with the Companies Act, King IV and the Listing Requirements and include the following:

- ensuring that adequate accounting records are maintained and that financial reporting and internal control systems are effective;
- ensuring that published financial reports comply with relevant legislation, reporting standards and good governance;
- ensuring that Group assets are safeguarded by monitoring the implementation of effective systems of internal control to safeguard assets and support business sustainability;
- maintaining oversight over information technology;
- confirming the nomination and appointment of the external auditor and ensuring that the appointment complies with relevant legislation;
- approving the terms of engagement and fees paid to the external auditor;
- approving the provision of non-audit services by the external auditor;
- considering the findings arising from the annual audit;
- monitoring the functioning and approval of the internal audit plan ensuring that there is adequate audit coverage in the Group;
- fulfilling the function of audit committee to Group subsidiaries;
- reviewing the expertise, resources and experience of the Group's finance function and the expertise and experience of the Finance Director;

- recommending for approval by the Board, the audited financial statements and results, as well as the Integrated Annual Report; and
- ensuring the effectiveness and reliability of the group's risk management processes and that disclosure regarding risk is comprehensive, timely and relevant.

During the reporting period, the Committee attended to the following:

### Engagement with the external auditors

- nominated and recommended to shareholders the appointment of a registered auditor as the external auditor of the Company and the Group;
- satisfied itself that the external auditor is independent of GPI, as set out in section 94(8) of the Companies Act, and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Ltd Listings Requirements. In considering whether the external auditor is independent, the committee, in relation to the company (and other companies within the group), ascertained that the auditor does not receive any direct or indirect remuneration or other benefit from the company, except as auditor, or for rendering other services to the company, to the extent permitted in terms of the Companies Act and as agreed with the committee. The committee also ensured compliance with other criteria relating to independence or conflict of interest as prescribed by the Independent Regulatory Board for Auditors established by the Auditing Profession Act;
- considered and approved the terms of engagement of the

external auditor and the extent and scope of the audit and the timing thereof;

- prior to the commencement of the audit, determined and recommended the audit fees to be paid to the auditor;
- ensured that the appointment of the auditor complies with the Companies Act, and other legislation relating to the appointment of the auditor;
- determined the nature, scope and extent of any non-audit services that the auditor may provide to the Group and the fees relating to such services, and satisfied itself that the nature of such services and fees relating thereto did not adversely impact on the independence of the external auditor.

#### **Internal financial controls, and internal audit function**

- evaluated the independence, effectiveness and performance of the internal audit function;
- reviewed and approved the internal audit annual work plan, as well as the quarterly internal audit report;
- reviewed the internal auditor's reports and noted the findings thereof and reported to the Board in connection therewith;
- assessed internal financial controls and concluded that no material breakdowns in the functioning of the internal financial controls were noted during the year under review and that the results of the internal audit tests conducted indicate that the internal financial controls provided a sound basis for the preparation of financial statements; and
- considered and confirmed its satisfaction with the effectiveness of the internal audit function,

as well as the expertise and experience of the internal auditor.

#### **Oversight of risk management including IT**

- monitored the implementation of the Group risk policy and Group risk plan as approved by the Board and reviewed the risk management framework and made appropriate recommendations to the Board;
- reviewed and considered business unit risk reports presented to the Committee;
- reviewed and considered the report by internal audit on the integrity and robustness of the Group's risk management processes; and
- reviewed and considered the status of financial, Information Technology and internal controls, for the year under review, and reviewed and accepted the reports relating thereto.

#### **Complaints and concerns**

The Committee did not receive any complaints or concerns from neither from within or outside the company, or find any concerns on its own initiative, relating to the following:

- the accounting practices and internal audit of the company;
- the content or auditing of the company's financial statements;
- the internal financial controls of the company; or
- any other matter.

#### **Annual financial statements and reporting**

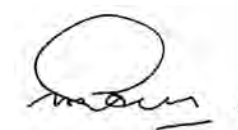
- satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Ltd Listings Requirements that the Group Chief Financial Officer, as well as the Group finance function, has the appropriate expertise and experience;

- reviewed and made recommendations to the Board in respect of the publicly disclosed financial information including the interim results for the six months ended 31 December 2017 and the audited annual results for the 2018 financial year; and
- reviewed the 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 and Risk Committee ensured that the AFS are prepared in accordance with IFRS and the Companies Act, and considered and made recommendations, where appropriate, on internal controls.

The Committee believes that the Group's performance during the year under review has been of an acceptable standard and is satisfied that there have been no instances of material non-compliance with legislation and regulation, or non-adherence with codes of best practice, in relation to the areas within the Committee's mandate.

The Chairman of the Audit Committee, or in his absence the other members of the Audit Committee, will attend the annual general meeting to answer questions falling within the mandate of the committee.

The Board is satisfied that the Committee has performed its responsibilities in compliance with its terms of reference for the period under review.



**WALTER GEACH**

*Chairman: Audit and Risk Committee*



# BOARD COMMITTEE AND REPORTS

## (CONTINUED)

### REMUNERATION AND NOMINATION COMMITTEE REPORT

GPI's combined Remuneration and Nomination Committee (Remco) assists the Board in ensuring that the remuneration policies and practices that are applied in the Group reflect a fair, responsible and transparent approach to remuneration to achieve the strategic objectives and positive outcomes in the short, medium and long terms.

To this end, Remco has oversight over the Group remuneration strategy and policy and is responsible for ensuring the ongoing application of a policy aligned with the Group strategic, operating and financial objectives and best practice remuneration principles. All elements of remuneration offered in the Group, and the mix of these, are set out in the Group policy.

Remco is also tasked with nominating candidates for appointment to the Board and for making recommendations to the Board on the re-election of directors retiring by rotation.

#### Membership

The committee comprises four non-executive directors and is chaired by the Lead Independent Director. During the 2018 financial year the committee was constituted as follows:

- Dr Norman Maharaj – Chairperson (lead independent director)
- Nombeko Mlambo (independent non-executive director)
- Alex Abercrombie (non-executive director)
- Colin Priem (independent non-executive director)

Subsequent to the financial year end Colin Priem, was appointed as the Financial Director. Rasheed Hargey, a current non-executive director was appointed to Remuneration and Nomination Committee on 1 July 2018.

Remco operates independently of management but the Executive Chairman, Chief Executive Officer and Financial Director are invitees to meetings of the committee and are recused from aspects of the committee's discussions when so required and are specifically excused from discussions that relate to their performance and remuneration.

The committee's annual meeting schedule makes provision for two meetings per year and provision is made for additional meetings to be held when the need arises. Details of the meetings held during the 2018 financial year and members attendance at the meetings are included in the table on page 48.

#### Terms of reference

The Committee has clear terms of reference that are aligned with King IV and the Listings Requirements.

Within the context and framework of the above, the Committee is responsible for –

- the annual review of the remuneration policy and practices applied in the Group and reporting thereon to the Board or making recommendations to the Board for amendment of the policy and/or practices.
- reviewing and recommending (to the Board) the remuneration for Executive Directors, non-executive directors, divisional company directors (where applicable) and/or Senior Executives ensuring that the remuneration is fair and responsible in the context of overall employee remuneration (i.e. that the gap between the remuneration of executives and employees at the lower end of the pay scale is addressed).
- reviewing and approving the remuneration principles that are applied in respect of all other employee levels in the Group,

including changes to the benchmarking methodology used for setting base salaries and incentive targets; the methodology to be applied in respect of performance-based rewards and/or incentive and retention bonuses.

- determining and recommending to the Board the terms and conditions of Executive Directors' employment agreements, including the performance criteria or metrics to be applied in setting the Executive Directors' and Senior Executives' remuneration levels.
- considering and measuring the individual performances of Executive Directors and Senior Executives against the criteria or metrics approved by the Board, ensuring performance aligns with positive outcomes relative to the Group strategic, operating and financial objectives and merits the rewards being recommended to the Board.
- considering management's proposals for annual salary adjustments for employees in the Group and making recommendations in this regard to the Board.
- overseeing the preparation of the annual remuneration report for approval by the Board and for consideration by shareholders means of the non-binding shareholder vote at the annual general meeting. The Committee must ensure that the remuneration report provides the necessary level of disclosure set out in King IV.
- overseeing management's engagement with Dissenting Shareholders and framing of measures that appropriately address such shareholders' legitimate and reasonable objections and concerns, including amendment of the

remuneration policy or clarifying or adjusting remuneration governance processes.

- adopting a formal and transparent procedure for the nomination of candidates for appointment to the Board (including interviewing potential candidates) and subsequently, for referring recommendations for nominations to the Board.
- making recommendations to the Board on the re-election of directors retiring by rotation, taking into account governance requirements such as director independence, evaluation of the performance and attendance of such directors, and taking into account the director's past performance and contribution to the Board.
- overseeing the annual evaluation of the Board's effectiveness and that of the Committees of the Board according to a formal process (either externally facilitated or by means of an internal methodology approved by the Board). The evaluation must be performed at least every two years.
- determining and recommending to the Board appropriate long-term succession plans for all key positions in the Group, particularly for the chairperson, executive directors and Senior Executives in the Group, and ensure implementation of approved succession plans.

The chairman of the Committee or in his or her absence, another designated member of the Committee attends the annual general meeting of the Company to answer any remuneration-related questions.

## REMUNERATION POLICY

In accordance with King IV and in compliance with the Listings Requirements, the GPI remuneration

policy and implementation of the policy have been proposed for endorsement by shareholders at the Company's 2018 annual general meeting.

## Background

GPI's remuneration philosophy is aimed at attracting, rewarding and retaining talent across the Group. One of the key objectives of the remuneration policy is to align the key decision makers in the Group with the expectations of shareholders in order to create sustainable long-term value. The GPI Board thus views its remuneration policy as a key enabler to affect this Group philosophy. Ultimately the group objectives and reward outcomes must be aligned with shareholder interests over the short and long term.

## Remuneration policy and approach

The remuneration of executive directors and the top 3 highest paid executives (collectively "the top executives") comprises a total guaranteed cost to company component and a variable component incorporating short and long term incentives. The components are weighted as follows:

- 25% allocated to guaranteed pay
- 25% allocated as a maximum short-term incentive, and
- 50% allocated as a maximum long-term incentive.

The short and long term incentives are based on pre-determined targets (KPIs) for management and focus on growth in Intrinsic Net Asset Value, dividend growth, maintaining the gearing ratio, deal creation, achievement of strategic objectives as well as the personal performance of the individual.

## Guaranteed pay

Guaranteed pay is benchmarked against the 25th percentile of the local salary survey. Benchmarking is

intentionally aimed at the lower end of the scale with performance-based remuneration being weighted at the higher end of the scale.

## Short-term incentives

Short-term incentives are capped at 100% of the executive director's guaranteed pay, subject to the achievement of pre-determined key performance indicators (KPIs). The KPIs are weighted 60% towards the company's performance and 40% to individual performance.

A five-point rating scale is applied with the minimum threshold to receive a STI being 3 points. At 3 points an executive director is eligible to receive 50% of his/her guaranteed pay while at 4 points, 4.5 points and 5 points, the executive director is eligible to receive 75%, 85% or 100%, respectively, of guaranteed pay.

## Long-term incentives

Long-term incentives (LTIs) are determined by means of the same KPIs as the short-term incentives and using the same weightings. Subject to the executive's performance as rated according to the above scale, LTIs are capped at 200% of guaranteed pay per annum. Although the preference is to award share options as LTIs, the Board has a discretion to determine that cash be paid or a combination of share options and cash be paid taking into account the relevant executive director's total exposure to GPI shares, the director's length of service and specific performance during the year.

Share options are governed by the Company's share incentive scheme and are linked to a requirement of continued employment over the prescribed option period.

## IMPLEMENTATION REPORT

The Remco is satisfied that GPI complied with the remuneration policy in the 2018 financial year.

The annual salary increases were based on various factors, ranging

# BOARD COMMITTEE AND REPORTS

## (CONTINUED)

from but not limited to the company's performance, average CPI, market salary increase indicators, amongst other.

During the 2018 financial year, the Remco benchmarked the salaries against PwC's report on executive directors' remuneration and trends.

STIs and LTIs were calculated based on the group's results as well as on an individual's performance. KPIs included the group's focus on growth in Intrinsic Net Asset Value, dividend growth, maintaining the gearing ratio, deal creation, achievement of strategic objectives.

### **Voting at upcoming AGM**

Both GPI's remuneration policy and its implementation report to shareholders will be presented to shareholders for separate non-binding advisory votes thereon at GPI's upcoming AGM to be held on 12 December 2018. In the event that 25% or more of shareholders vote against either the remuneration policy or the implementation report at the meeting, GPI will engage with shareholders through dialogue, requesting written submissions or otherwise, in order to address shareholders concerns, always with due regard to meeting GPI's stated business objectives while being fair and responsible towards both the employee and shareholders.

### **Non-executive director remuneration**

GPI's non-executive directors' remuneration is based on a scale that takes into account the director's role on the Board and on the various Board committees. Fees are accordingly not linked to the performance of the Group and neither do non-executive directors participate in the Group share incentive scheme.

The fees paid to non-executive directors are benchmarked against fees paid to the non-executive directors by a JSE-listed peer group and similar small-cap Companies by market capitalisation. The fees are tabled annually for approval by GPI's shareholders and the fees paid to non-executive directors in the 2018 financial year are set out below.

The Remuneration and Nomination Committee, with the Board's endorsement, have proposed that the fees of non-executive directors be increased by 7% in line with the general salary increase paid to employees in the Group. A small adjustment to the fee structure in respect of the fees paid to the chairperson and members of the Social and Ethics Committee has also been proposed to bring them into line with the fees paid to other Board committees.

A special resolution to obtain shareholder approval for the change in remuneration for non-executive directors has been included (as special resolution number 1) in the notice of annual general meeting.

The fees currently paid to non-executive directors for their services as directors as well as the proposed fees to be paid from 1 January 2019 are contained in Table 1 below. The remuneration received by non-executive directors for the financial year ended 30 June 2018 is provided in Table 2 below.

### **Independent external advice**

During the year PwC provided benchmarking data for guidance on Executive remuneration and the grading of various non-executive positions in the Group.

### **Remuneration received by directors in the 2018 financial year**

Details of the remuneration, STIs and LTIs received by the top executives and non-executive directors during the 2018 financial year can be found at Tables 2 and 3 below.



**DR NORMAN MAHARAJ**

*Chairman: Remuneration and Nomination Committee*

TABLE 2: NON-EXECUTIVE DIRECTOR FEES

	CURRENT FEES			PROPOSED FEES		
	1 January 2018 to 31 December 2018			1 January 2019 to 31 December 2019		
	Base fee	Attendance	Attendance	Base fee	Attendance	Attendance
	R	fee	fee above	R	fee	fee above
			minimum no.			minimum no.
			of meetings			of meetings
Lead Independent Director	174 000	17 000	10 000	186 180	18 190	10 700
Directors	138 000	17 000	10 000	147 660	18 190	10 700
Audit & Risk Committee Chair	38 850	27 000	–	41 570	28 890	10 700
Audit & Risk Committee Member	26 565	13 750	–	28 425	14 713	10 700
Remuneration & Nomination Committee Chair	38 850	20 500	–	41 570	21 935	10 700
Remuneration & Nomination Committee Member	26 565	13 750	–	28 425	14 713	10 700
Social & Ethics Committee Chair	38 850	20 500	–	41 570	21 935	10 700
Social & Ethics Committee Member	26 565	13 750	–	28 425	14 713	10 700
Investment Committee Chair	–	–	–	–	–	–
Investment Committee Member		10 000	–		10 700	10 700



# BOARD COMMITTEE AND REPORTS

## (CONTINUED)

TABLE 3: DIRECTORS' EMOLUMENTS

	Salary R'000s	Short-term benefits <sup>(1)</sup> R'000s	Long-term benefits R'000s	Bonuses R'000s
<b>2018</b>				
<b>Executive directors</b>				
H Adams	3 825	1 473	124	4 862
T Karriem <sup>(2)</sup>	1 620	84	243	2 015
D Pienaar <sup>(3)</sup>	1 489	69	72	2 109
S Barends <sup>(4)</sup>	1 333	70	143	274
<b>Subtotal</b>	<b>8 267</b>	<b>1 696</b>	<b>582</b>	<b>9 260</b>
<b>Non-executive directors</b>				
A Abercrombie	–	–	–	–
W Geach	–	–	–	–
R Hargey	–	–	–	–
C Priem	–	–	–	–
N Maharaj	–	–	–	–
N Mlambo	–	–	–	–
<b>Subtotal</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>8 267</b>	<b>1 696</b>	<b>582</b>	<b>9 260</b>
<b>Top three senior employees</b>				

<sup>(1)</sup> Short-term benefits include medical aid contributions, allowances and fringe benefit tax on interest-free loans.

<sup>(2)</sup> T Karriem resigned as executive director on 02 April 2018. Amounts disclosed above include remuneration for 11 months.

<sup>(3)</sup> D Pienaar resigned as executive director on 07 November 2017. Amounts disclosed above include remuneration for 5 months.

<sup>(4)</sup> S Barends resigned as executive director on 30 June 2018. Amounts disclosed above include remuneration for 12 months.

	Salary R'000s	Short-term benefits <sup>(1)</sup> R'000s	Long-term benefits R'000s	Bonuses R'000s
<b>2017</b>				
<b>Executive directors</b>				
H Adams	4 327	1 195	649	10 701
A Keet <sup>(2)</sup>	1 947	2 818	292	3 000
T Karriem <sup>(3)</sup>	1 143	156	171	–
D Pienaar	1 808	56	271	1 250
<b>Subtotal</b>	<b>9 225</b>	<b>4 225</b>	<b>1 383</b>	<b>14 951</b>
<b>Non-executive directors</b>				
N Maharaj	–	–	–	–
N Mlambo	–	–	–	–
C Priem	–	–	–	–
A Abercrombie	–	–	–	–
R Hargey	–	–	–	–
W Geach	–	–	–	–
<b>Subtotal</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>9 225</b>	<b>4 225</b>	<b>1 383</b>	<b>14 951</b>
<b>Top three senior employees</b>				

<sup>(1)</sup> Short-term benefits include medical aid contributions, allowances and fringe benefit tax on interest-free loans.

<sup>(2)</sup> A Keet resigned as CEO and executive director of GPI on 03 April 2017.

<sup>(3)</sup> T Karriem was appointed on 9 September 2016 as a executive director. Amounts disclosed above include remuneration for 10 months.

Directors fees R'000s	Audit and Risk Committee R'000s	Remuneration and Nomination Committee R'000s	Investment Committee R'000s	Social and Ethics Committee R'000s	Total Remuneration R'000s	Loans advanced R'000s	Share-based payment expense R'000s
-	-	-	-	-	10 284	-	486
-	-	-	-	-	3 962	-	-
-	-	-	-	-	3 739	-	-
					1 820		-
-	-	-	-	-	19 805	-	486
195	-	67	10	37	309	-	-
212	93	-	-	-	305	-	-
219	-	-	-	-	219	-	-
248	143	53	10	-	454	-	-
246	80	98	-	20	444	-	-
212	-	67	-	-	279	-	-
1 332	316	285	20	57	2 010	-	-
1 332	316	285	20	57	21 815	-	486

Directors fees R'000s	Audit and Risk Committee R'000s	Remuneration and Nomination Committee R'000s	Investment Committee R'000s	Total Remuneration R'000s	Loans advanced R'000s	Share-based payment expense R'000s
-	-	-	-	16 872	5 251	765
-	-	-	-	8 057	1 847	(729)
-	-	-	-	1 470	-	201
-	-	-	-	3 385	411	289
-	-	-	-	29 784	7 509	526
232	75	36	-	343	-	-
202	-	6	-	208	-	-
225	136	24	9	394	-	-
202	-	24	-	226	-	-
202	-	-	-	202	-	-
202	75	-	-	277	-	-
1 265	286	90	9	1 650	-	-
1 265	286	90	9	31 434	7 509	526

# BOARD COMMITTEE AND REPORTS

## (CONTINUED)

**TABLE 4: DIRECTORS' EQUITY-BASED REMUNERATION (GPI SHARE OPTIONS GRANTED IN TERMS OF THE GRAND PARADE SHARE INCENTIVE TRUST)**

	Number of unvested share options 30 June 2017 000s	Granted during the year 000s	Exercised during the year 000s
<b>2018</b>			
<b>Executive directors</b>			
H Adams	2 251	2 378	–
T Karriem <sup>(1)</sup>	1 188	921	–
D Pienaar <sup>(2)</sup>	1 286	1 027	–
S Barends <sup>(3)</sup>	174	–	–
<b>Subtotal</b>	<b>4 899</b>	<b>4 326</b>	<b>–</b>
<b>2017</b>			
<b>Executive directors</b>			
H Adams	3 376	–	(1 125)
A Keet <sup>(4)</sup>	2 005	1 161	(669)
T Karriem <sup>(5)</sup>	620	568	–
D Pienaar	617	875	(206)
<b>Subtotal</b>	<b>6 618</b>	<b>2 604</b>	<b>(2 000)</b>

<sup>(1)</sup> T Karriem resigned as executive director on 02 April 2018. All unvested share options are forfeited on an employee's resignation date.

<sup>(2)</sup> D Pienaar resigned as executive director on 07 November 2017. All unvested share options are forfeited on an employee's resignation date.

<sup>(3)</sup> S Barends resigned as executive director on 30 June 2018. All unvested share options are forfeited on an employee's resignation date.

<sup>(4)</sup> A Keet resigned as an executive director on 03 April 2017. All unvested share options are forfeited on an employee's resignation date.

<sup>(5)</sup> T Karriem was appointed on 9 September 2016 as an executive director.

### GPI SHARE OPTIONS HELD AT 30 JUNE PER STRIKE PRICE

	Strike price	H Adams 000s	A Keet 000s
<b>2018</b>			
<b>Executive directors</b>			
30 August 2013	3,61	1 126	–
19 October 2015	5,32	–	–
09 September 2016	3,52	–	–
26 September 2017	2,61	2 378	–
<b>Subtotal</b>		<b>3 504</b>	<b>–</b>
<b>2017</b>			
<b>Executive directors</b>			
30 August 2013	3,61	2 251	–
19 October 2015	5,32	–	–
09 September 2016	3,52	–	–
<b>Subtotal</b>		<b>2 251</b>	<b>–</b>

Forfeited during the year 000s	Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of unvested share options 30 June 2018 000s
(1 125)	2.70	3.61	26 September 2017	3 504
(2 109)	–	2,61	26 September 2017	–
(2 313)	–	2,61	26 September 2017	–
(174)	–			–
(5 721)			–	3 504
–	5,50	3,61	01 September 2013	2 251
(2 497)	5,54	3,61	01 September 2013	–
–	5,54	3,61	01 September 2013	1 188
–	5,42	3,61	01 September 2013	1 286
(2 497)				4 725

T Karriem 000s	D Pienaar 000s	S Barends 000s	Total 000s
–	–	–	1 126
–	–	–	–
–	–	–	–
–	–	–	2 378
–	–	–	3 504
–	411	–	2 662
620	–	–	620
568	875	–	1 443
1 188	1 286	–	4 725



# BOARD COMMITTEE AND REPORTS

## (CONTINUED)

### SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee (the Committee) assists the Board in providing effective ethical leadership by monitoring the Group's performance as a good corporate citizen to ensure accountability from a financial perspective and in terms of the Group's social and environmental impact.

The Committee is constituted in terms of the Companies Act, No 71 of 2008, as amended and comprises an equal number of non-executive and executive directors. During the 2018 financial year, the Committee was constituted as follows:

- Alex Abercrombie – Chairperson (non-executive director)
- Dr Hassen Adams (executive chairman)
- Dr Norman Maharaj (lead independent director)

The Committee's primary objective is to assist the Board in providing effective leadership and corporate citizenship and it performs statutory functions as prescribed in regulation 43(5) under the Companies Act as well as certain delegated functions derived from King IV and/or functions specifically delegated to the Committee by the Board namely.

- The Company's standing with regard to the 10 principles set out in the United Nations Global Compact Principles ("Principles")
- The Company's standing with regard to the recommendations of the Organisation for Economic Co-operation and Development (OECD) regarding corruption
- The Employment Equity Act (no 55 of 1998), the purpose of which is to achieve equity in the workplace
- The Broad-Based Black Economic Empowerment Act (No 53 of 2003), the objectives of which are to facilitate broad-based black economic empowerment
- Environment, health and public safety including the impact of the company's activities and its products or services on the environment, health and public safety
- Consumer relationships, including ethically founded advertising, public relations and compliance with consumer protection laws
- Labour and employment

The Committee makes recommendations to the Board in relation to the above activities and specifically in relation to policies for fair labour practices, sustainable development, responsible product sourcing and social and ethics matters across the Group.

During the year the Committee considered the Group's employment policies to satisfy itself that appropriate provision is made for the promotion of employment equity and fair labour practices and that the Group's standing as a black economic empowerment Company continues to be upheld.

The Committee also considered a revised Code of Ethics and Conduct, and will monitor implementation thereof to ensure the development of a good performance and ethics culture across the Group. Steps have also been taken in the respective businesses to include the

Company's Code of Ethics and Conduct in the service level agreements with suppliers and contractors.

The Board is satisfied that the Committee has performed its responsibilities in compliance with its terms of reference for the period under review.



**ALEX ABERCROMBIE**

*Chairman: Social and Ethics Committee*

# DIRECTORATE AND ADMINISTRATION

## EXECUTIVE DIRECTORS



**DR HASSEN  
ADAMS (66)**

**EXECUTIVE CHAIRMAN**

*Appointed to the Board on  
20 October 1997*

*Appointed 11 February 2011*

Dr. Philosophy (hc) (UWC), H. Dip Civil Engineering (PenTech), Pr. Tech. Eng.

An engineer by profession, Hassen has been instrumental in establishing a number of successful businesses, the most high profile of these being Grand Parade Investments Limited (GPI) which he co-founded. In addition to being the executive chairman of GPI, Hassen is also executive chairman of Burger King South Africa (RF) (Pty) Ltd and non-executive chairman of SunWest International (Pty) Ltd. He serves on the board and risk committee of Grindrod Limited and on GPI's Investment Committee and Social and Ethics Committee.

Hassen also holds directorships in diverse industry sectors including construction, gaming, shipping, entertainment and leisure and has extensive experience in corporate finance. He was awarded an Honorary Doctorate in Philosophy from the Department of Economic and Management Science at the University of the Western Cape (UWC).



**PRABASHINEE  
MOODLEY (47)**

**GROUP CHIEF EXECUTIVE OFFICER**

*Appointed to the Board on  
1 August 2018*

*Appointed 1 August 2018*

B.Soc.Sc. (UKZN SA), MTRP (UKZN SA), MBA (LFGSM USA)

Prabashinee is an Urban Planner by background and has developed her career in the field of global growth strategy in the food and retail sectors, globally. She has extensive corporate experience from previous senior roles with food service giants such as McDonald's (SA and USA), and Dunkin' Brands (franchisor for Dunkin' Donuts and Baskin-Robbins in the USA). As a result, she comes to GPI with a deep understanding of international business, and, what makes brands like Burger King, Dunkin' Donuts and Baskin-Robbins grow. In addition, her expertise in the field of new market entry, existing market growth, and strategic alliances has significant promise for the further development of business interests within the groups' portfolio.

Prabashinee was born in South Africa and currently holds dual citizenship with the USA. She joined the group on 1 August 2018 as CEO, and, is in the process of completing her repatriation back to South Africa



**COLIN MICHAEL  
PRIEM (59)**

**FINANCIAL DIRECTOR**

*Appointed to the board on  
20 August 2012*

*Appointed 1 July 2018*

M.Com (UWC)

Colin has a Bachelor's degree in Commerce, with Honours in Business Administration, and a Masters of Commerce degree in Management. He was the CEO of a large services business in Cape Town and was associated with the University of the Western Cape as a contract lecturer. In addition to being a non-executive director on the Board of GPI, he also served as chairman of the Board's Audit and Risk Committee and as a member of the Remuneration and Nomination Committee and the Investment Committee.

Colin has comprehensive experience in financial, investment and strategic management gained as an academic and through active involvement in business and has more than twenty years' experience in the landscape design, construction and services industries.

# DIRECTORATE AND ADMINISTRATION

## (CONTINUED)

### NON-EXECUTIVE DIRECTORS



**DR NORMAN VICTOR  
MAHARAJ (67)**

**LEAD INDEPENDENT DIRECTOR**

*Appointed to the Board on  
1 August 2008*

*Appointed 11 February 2011*

MB, ChB (UCT)

Norman is a qualified medical doctor and a former Chief Executive Officer of Groote Schuur Hospital and member of the Public Service Commission. He has extensive public service and trade union movement experience as well as analytical and decision-making skills. He has filled the role of Lead Independent Director since February 2011, when Hassen Adams was appointed as executive chairman. He is currently chairman of the Remuneration and Nomination Committee and is also a member of the Board's Audit and Risk Committee and the Social and Ethics Committee.



**ALEXANDER  
ABERCROMBIE (67)**

**NON-EXECUTIVE DIRECTOR**

*Appointed to the Board on  
20 October 1997*

Att. Adm. Dipl. (UWC), PgD (Company Law) (Stell), Cert (Sports Law) (UCT)

Alex is an attorney by profession and a Consultant to the national law firm Cliffe Dekker Hofmeyr. His association with GPI dates back to the inception of the Company in 1997 when he was appointed as a non-executive director. On 11 June 2012, he was appointed as the executive director responsible for the Group's gambling operations until his retirement from the executive role on 28 February 2015.

He remains on the board as a non-executive director as well as continuing on the board of the GPI/Sun International slots group of companies in which GPI has an interest. Alex is chairperson of these companies, including the holding company, Sun Slots, the management company, the 6 slots routes owned by Sun Slots countrywide and the Grand Gaming Corporate Social Investment Company.

In addition, Alex is the chairman of the board of Worcester Casino (Pty) Ltd and represents GPI on the board of Sun West International (Pty) Ltd. He is also a member of the Board's Investment Committee, Social and Ethics Committee and the Remuneration and Nomination Committee. Alex is a qualified International Commercial Mediator, a former acting Judge of the Cape High Court and is currently the Deputy Chair of the Council of the College of Cape Town.

He is well known in sports circles having been appointed by the Minister of Sport as Chair of the Appeal Board of the South African Institute for Drug-Free Sport (SAIDS). He is also Chairman of the Appeal Board of the South African Football Association and has received a Special State President's Award: "In Recognition of Services to South African Football" from then, former President, Nelson Mandela.



**NOMBEKO  
MLAMBO (72)**

**NON-EXECUTIVE DIRECTOR**

*Appointed to the Board on  
20 October 1997*

BA (UNISA), B.Ed (UCT), MA in Counselling Psychology (Durham University)

Nombeko has been a non-executive director of the GPI Board since its inception in 1997. She is a non-executive director of SunWest and Worcester Casino, a member of the Board's Remuneration and Nomination Committee and chairperson of the Western Cape Women's Investment Forum.

A teacher by profession, Nombeko's interest in education continues to be expressed through the various movements she has co-founded. These include the Community Ploughback Movement, which is focused on community-based Educational, Arts and Culture Projects; the Council for Black Education and Research Trust, an educational NGO; as well as the Business Skills and Development Centre which focuses on equipping young women with much-needed business skill.



**WALTER  
GEACH (64)**

**NON-EXECUTIVE DIRECTOR**

***Appointed to the Board on  
17 September 2013***

CA(SA), BA LLB (Cape Town), M.Com FCIS

Walter is a chartered accountant (CA) (SA), an admitted advocate of the High Court of South Africa and a Professor and Head of the Department of Accounting at the University of the Western Cape. Among his many other academic achievements, he has also authored/co-authored over 14 published books on a variety of subjects such as company law, corporate governance, financial accounting, taxation, financial planning, Trusts. The books are used extensively in practice by accountants, consultants, lawyers and financial planners.

In addition, Walter serves as a non-executive director on the boards of Grindrod Ltd and Grindrod Bank and is a member of the audit committee of both companies.



**RASHEED  
HARGEY (61)**

**NON-EXECUTIVE DIRECTOR**

***Appointed 1 September 2015***

B.Com Honours (UWC)

Rasheed has a Bachelor's degree in Commerce, with Honours in Management, and has completed the Management Development Programme at the University of Stellenbosch.

In 1987 he co-founded HNR Computers where he held the position of Managing Director for a period of ten years. During his tenure the company became the largest black-owned software distributor in South Africa and won numerous awards, including Black Business of the Year in 1995 and Software Distributor of the Year for 1995, 1996, 1997 and 1998. Rasheed played a significant role in the formation of the Black IT Forum in 1993 and remains a member of the Forum as well as the Institute of Directors, the American Management Association, and the Black Management Forum.

In 2006, Rasheed was appointed as Chief Executive Officer of Tellumat (Pty) Ltd, a diversified technology group focusing on the Communications, Defence and Electronic Manufacturing market segments. Under his leadership the company saw impressive growth, developing and completing nine key product families and building project, engineering, development, manufacturing and servicing skills capacity. He resigned from Tellumat in 2013 to focus on his private business consultancy and his passion for disruptive technologies.



# CORPORATE INFORMATION

## DIRECTORS

H Adams (Executive Chairman)  
 P Moodley (Chief Executive Officer) appointed 8 August 2018  
 C Priem (Group Financial Director) appointed 1 July 2018  
 A Abercrombie  
 W Geach  
 R Hargey  
 NV Maharaj  
 N Mlambo  
 D Pienaar resigned 7 November 2017  
 T Karriem resigned 2 April 2018  
 S Barends resigned 30 June 2018

## NATURE OF BUSINESS

Investment Holding Company

## COMPANY SECRETARY

Statucor (Pty) Ltd  
 6th Floor  
 119 – 123 Hertzog Boulevard  
 Foreshore  
 Cape Town  
 8001

## PUBLIC OFFICER

C Priem

## PREPARER OF THE FINANCIAL STATEMENTS

The annual financial statements were prepared under supervision of Grand Parade Investments' (GPI) Group Financial Director, C Priem.

## TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd  
 PO Box 61051, Marshalltown, 2107

## AUDITORS

Ernst & Young Inc.  
 PO Box 656, Cape Town, 8000

## ATTORNEYS

Bernadt Vukic Potash & Getz  
 PO Box 252, Cape Town, 8000

## BANKERS

The Standard Bank of South Africa Limited

## SPONSORS

PSG Capital (Pty) Ltd  
 PO Box 7403, Stellenbosch, 7600

## REGISTERED OFFICE

10th Floor, 33 on Heerengracht  
 Heerengracht Street  
 Cape Town  
 8001

## REGISTRATION NUMBER

1997/003548/06

## DOMICILE AND COUNTRY OF INCORPORATION

South Africa

## SHAREHOLDERS' INFORMATION

Annual General Meeting

12 December 2018

### Financial reports

Announcement of interim results

March 2019

Announcement of annual results

September 2019

Annual Financial Statements

September 2019

# GENERAL INFORMATION RELATING TO SHAREHOLDERS

## ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 30 JUNE 2018

Shareholder Spread	Number of shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
1 – 1 000	1 492	17.90%	639 726	0.14%
1 001 – 10 000	4 776	57.30%	22 533 045	4.79%
10 001 – 100 000	1 826	21.91%	50 406 097	10.72%
100 001 – 1 000 000	183	2.20%	53 935 608	11.48%
Over 1 000 000	58	0.70%	342 508 265	72.87%
<b>Total</b>	<b>8 335</b>	<b>100.00%</b>	<b>470 022 741</b>	<b>100.00%</b>

DISTRIBUTION OF SHAREHOLDERS	Number of shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
Assurance Companies	16	0.19%	6 543 394	1.39%
Close Corporations	40	0.48%	2 399 127	0.51%
Collective Investment Schemes	42	0.50%	97 375 021	20.72%
Custodians	10	0.12%	1 237 690	0.26%
Foundations and Charitable Funds	5	0.06%	99 074	0.02%
Hedge Funds	3	0.04%	6 509 525	1.38%
Insurance Companies	4	0.05%	1 247 878	0.27%
Investment Partnerships	23	0.28%	1 912 710	0.41%
Managed Funds	7	0.08%	18 915 464	4.02%
Medical Aid Funds	3	0.04%	837 776	0.18%
Private Companies	93	1.12%	95 922 671	20.41%
Retail Shareholders	7 877	94.51%	110 695 834	23.55%
Retirement Benefit Funds	46	0.55%	38 203 077	8.13%
Share Schemes	2	0.02%	4 985 240	1.06%
Stockbrokers and Nominees	13	0.16%	899 467	0.19%
Trust	151	1.81%	82 238 793	17.50%
<b>Total</b>	<b>8 335</b>	<b>100.00%</b>	<b>470 022 741</b>	<b>100.00%</b>

SHAREHOLDER TYPE	Number of shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
Non-public shareholders	10	0.12%	90 601 055	19.28%
Directors and associates (Direct holding)	3	0.04%	7 464 000	1.59%
Directors and associates (Indirect holding)	4	0.05%	63 337 000	13.48%
GPI Woman's BBBEE Empowerment Trust	1	0.01%	14 814 815	3.15%
Collective Investment Schemes	2	0.02%	4 985 240	1.06%
<b>Public shareholders</b>	<b>8 325</b>	<b>99.88%</b>	<b>379 421 686</b>	<b>80.72%</b>
<b>Total</b>	<b>8 335</b>	<b>100.00%</b>	<b>470 022 741</b>	<b>100.00%</b>

FUND MANAGERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES	Number of Shares	% of issued Capital
Foord Asset Management	50 786 676	10.72%
Investec Asset Management	34 496 963	7.28%
Kagiso Asset Management	23 959 064	5.06%
Sanlam Investment Management	18 628 619	3.93%
<b>Total</b>	<b>127 871 322</b>	<b>26.99%</b>

BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES	Number of Shares	% of issued Capital
Mr Hassen Adams	63 800 938	13.47%
The Chandos Trust	47 268 792	9.98%
GPI Management Services	24 000 000	5.07%
Foord Equity Fund	23 278 514	4.95%
Investec Value Fund	21 910 864	4.66%
GPI Woman's BBBEE Empowerment Trust	14 814 815	3.13%
<b>Total</b>	<b>195 073 923</b>	<b>41.25%</b>

# GLOSSARY OF TERMS

<b>AFS</b>	Consolidated Annual Financial Statements for 2018
<b>AGM</b>	Annual General Meeting
<b>Atlas</b>	Atlas Gaming Holdings Pty Ltd, a company registered in Australia
<b>BBBEE</b>	Broad-based black economic empowerment
<b>BEE</b>	Black economic empowerment
<b>Board</b>	GPI Board of Directors
<b>Burger King South Africa/BKSA</b>	Burger King (RF) South Africa (Pty) Ltd
<b>CAPEX</b>	Capital expenditure
<b>CEO</b>	Chief Executive Officer
<b>Companies Act</b>	Companies Act, No. 71 of 2008, as amended
<b>CSI</b>	Corporate social investment
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EPS</b>	Earnings per share
<b>EY</b>	Ernst & Young Inc.
<b>GFMP</b>	Grand Foods Meat Plant (Pty) Ltd
<b>GGR</b>	Gross gaming revenue
<b>GPI</b>	Grand Parade Investments Ltd
<b>GPIMS</b>	GPI Management Services (Pty) Ltd
<b>GPI Properties</b>	GPI House Properties (Pty) Ltd
<b>GPI Slots</b>	GPI Slots (RF) (Pty) Ltd
<b>Grand Foods</b>	Grand Foods (Pty) Ltd
<b>GrandWest</b>	GrandWest Casino and Entertainment World
<b>Group</b>	GPI and all its subsidiaries
<b>HDI</b>	Historically disadvantaged individual
<b>HEPS</b>	Headline earnings per share
<b>IAR</b>	Integrated annual report
<b>IFRS</b>	International Financial Reporting Standards
<b>iNAV</b>	Intrinsic net asset value
<b>IT</b>	Information technology
<b>JSE</b>	Johannesburg Stock Exchange Ltd
<b>King IV</b>	King Report on Governance for South Africa 2016
<b>KPI</b>	Key performance indicators
<b>LID</b>	Lead Independent Director
<b>LPM</b>	Limited payout slot machine
<b>Mac Brothers or MBCE</b>	Mac Brothers Catering Equipment (Pty) Ltd
<b>Nadesons Investments</b>	Nadesons Investments (Pty) Ltd
<b>NAV</b>	Net asset value
<b>QSR</b>	Quick service restaurant
<b>SCM</b>	Sanlam Capital Markets Ltd
<b>Spur/Spur Corporation</b>	Spur Corporation Ltd
<b>Standard Bank</b>	Standard Bank of South Africa Ltd
<b>Sun International</b>	Sun International Ltd
<b>SunWest</b>	SunWest International (Pty) Ltd
<b>TNAV</b>	Tangible net asset value
<b>Worcester Casino</b>	Worcester Casino (Pty) Ltd

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