



GRAND PARADE

INVESTMENTS LIMITED

**NOTICE OF ANNUAL
GENERAL MEETING,
FORM OF PROXY AND
SUMMARISED AUDITED
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2018



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LETTER TO SHAREHOLDERS

Dear Shareholder,

I am pleased to notify you that the annual financial statements of Grand Parade Investments Limited ("the Company") and the Group, for the financial year ended 30 June 2018, have been published and are available, without charge, upon request to the company secretary at info@grandparade.co.za during normal business hours.

You will find a copy of the summarised audited financial statements of the Company and the Group, for the financial year ended 30 June 2018 in this booklet and a copy thereof is available as indicated in the paragraph above.

I am furthermore, pleased to notify you that the annual general meeting of the shareholders of the Company will be held on 12 December 2018 in the Market Hall at GrandWest Casino, 1 Jakes Gerwel Drive, Goodwood, commencing at 18:30.

The full notice of the Annual General Meeting is included and the form of proxy is inserted.

In closing, I would like to invite you to visit our newly refreshed website at the address given above. Please also ensure that Computershare has your current contact and banking details on record to prevent the non-delivery of our communications or the non-payment to you of any dividend payments. If you have not yet elected to receive communications by electronic means (email), please consider electing this as your preferred method of receiving communications from GPI and Computershare, as this will contribute to our efforts to embrace the use of technology to conserve our natural resources.

Sincerely,



Hassen Adams
Executive Chairman

31 October 2018



NOTICE TO SHAREHOLDERS

GRAND PARADE INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration Number: 1997/003548/06)

Share code: GPL

ISIN: ZAE000119814

Notice is hereby given of the annual general meeting of shareholders of Grand Parade Investments Limited ("GPI" or "the Company"), to be held at 18:30 on 12 December 2018 in the Market Hall at GrandWest Casino, 1 Jakes Gerwel Drive, Goodwood, Cape Town, Western Cape ("the Annual General Meeting").

PURPOSE

The purpose of the Annual General Meeting is to transact the business set out in the agenda below.

AGENDA

- Presentation of the audited annual financial statements of the Company and its subsidiaries ("the Group"), which includes the report of the board of directors, the Independent Auditor's report and the Audit and Risk Committee report for the financial year ended 30 June 2018.
- The Group's audited annual financial statements for the year ended 30 June 2018 are available on the Company's website, at www.grandparade.co.za or may be obtained, at no charge, upon request to the company secretary at info@grandparade.co.za or in person at the Company's registered office during office hours.
- To consider and, if deemed fit, approve, with or without modification, the ordinary and special resolutions set out below.

Note:

For any of the ordinary resolutions numbers 1 to 9 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.

1. APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

(Biographical details of all of the directors of the Company are set out in Annexure 1 hereto)

1.1 Ordinary resolution number 1

"Resolved that Ms P Moodley's appointment as a director in terms of the memorandum of incorporation of the Company be and is hereby confirmed."

1.2 Ordinary resolution number 2

"Resolved that Dr NV Maharaj, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

1.3 Ordinary resolution number 3

"Resolved that Prof. WD Geach, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

The reason for ordinary resolution number 1 is that the memorandum of incorporation of the Company, the Listings Requirements of the JSE require that any director appointed by the board of the Company be confirmed by the shareholders at the Annual General Meeting of the Company.

The reason for ordinary resolutions numbers 2 to 3 (inclusive) is that the memorandum of incorporation of the Company, the Listings Requirements of the JSE Limited ("JSE") and, to the extent applicable, the South African Companies Act, 71 of 2008, as amended ("the Companies Act"), require that a component of the non-executive directors rotate at every Annual General Meeting of the Company and, being eligible, may offer themselves for re-election as directors.

2 RE-APPOINTMENT OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE OF THE COMPANY

(Biographical details of all of the directors of the Company are set out in Annexure 1 hereto)

2.1 Ordinary resolution number 4

"Resolved that, subject to his re-election in terms of resolution 2 above, Dr NV Maharaj, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next Annual General Meeting of the Company."

2.2 Ordinary resolution number 5

"Resolved that, subject to his re-election in terms of resolution 3 above, Professor WD Geach, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next Annual General Meeting of the Company."

2.3 Ordinary resolution number 6

"Resolved that Mr R Hargey, being eligible, be and is hereby appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next Annual General Meeting of the Company."

The reason for ordinary resolutions numbers 4 to 6 (inclusive) is that the Company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each Annual General Meeting of a company.

3. RE-APPOINTMENT OF AUDITOR

Ordinary resolution number 7

"Resolved that Ernst & Young Inc be and is hereby re-appointed as auditor of the Company for the ensuing year on the recommendation of the audit and risk committee of the Company."



NOTICE TO SHAREHOLDERS (continued)

The reason for ordinary resolution number 7 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the Annual General Meeting of the Company as required by the Companies Act.

4. NON-BINDING ADVISORY VOTE ON THE REMUNERATION POLICY OF THE COMPANY

Ordinary resolution number 8

"Resolved that the Company's remuneration policy, as set out in the remuneration report in Annexure 2 to this notice of Annual General Meeting, be and is hereby endorsed by way of a non-binding advisory vote."

The reason and effect for Ordinary Resolution Number 8 is that the King IV Report on Corporate Governance™ for South Africa (King IV™) recommends that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each annual general meeting.

This enables shareholders to express their views on the remuneration policy adopted. Ordinary Resolution Number 8 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

5. NON-BINDING ADVISORY VOTE ON THE IMPLEMENTATION OF THE REMUNERATION POLICY OF THE COMPANY

Ordinary resolution number 9

"Resolved that the Company's implementation of the remuneration policy, as set out in the remuneration report in Annexure 2 to this notice of Annual General Meeting, be and is hereby endorsed by way of a non-binding vote."

The reason and effect for Ordinary Resolution Number 9 is that King IV™ recommends that the implementation of a company's remuneration policy be tabled for a non-binding vote by shareholders at each annual general meeting. This enables shareholders to express their views on the implementation of the Company's remuneration policies. Ordinary Resolution Number 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration arrangements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

- To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

Note:

For any of the special resolutions numbers 1 to 4 to be adopted, at least 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

6. REMUNERATION OF NON-EXECUTIVE DIRECTORS

Special resolution number 1

"Resolved, in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its directors for their services as directors on the basis set out below, provided that this authority will be valid until the next Annual General Meeting of the Company:

Proposed fees for the period 1 January 2019 to 31 December 2019

	Number of meetings (Indicative)	Base fee R	Attendance fee R	Attendance fee above minimum number of meetings R
Lead Independent Director	4	186 180	18 190	10 700
Directors	4	147 660	18 190	10 700
Audit & Risk Committee Chair	3	41 570	28 890	10 700
Audit & Risk Committee Member	3	28 425	14 713	10 700
Remuneration & Nomination Committee Chair	2	41 570	21 935	10 700
Remuneration & Nomination Committee Member	2	28 425	14 713	10 700
Social & Ethics Committee Chair	2	41 570	21 935	10 700
Social & Ethics Committee Member	2	28 425	14 713	10 700
Investment Committee Chair	2	–	–	–
Investment Committee Member	2	–	10 700	10 700

The reason for special resolution number 1 is for the Company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next Annual General Meeting of the Company.

7. INTER-COMPANY FINANCIAL ASSISTANCE

7.1 Special resolution number 2: Inter-company financial assistance

"Resolved, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the Company may deem fit to any company or corporation that is related or inter-related ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next Annual General Meeting of the Company."



NOTICE TO SHAREHOLDERS (continued)

The reason for and effect of special resolution number 2 is to grant the directors of the Company the authority, until the next Annual General Meeting of the Company, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company. This means that the Company is, *inter alia*, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

7.2 Special resolution number 3: Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company

"Resolved, in terms of section 44(3)(a)(iii) of the Companies Act, as a general approval, that the board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the board of the Company may deem fit to any company or corporation that is related or inter-related to the Company ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the board of the Company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next Annual General Meeting of the Company."

The reason for and effect of special resolution number 3 is to grant the directors the authority, until the next Annual General Meeting of the Company, to provide financial assistance to any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation. This means that the Company is authorised, *inter alia*, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for or acquiring any options, shares or securities in the Company or its subsidiaries. A typical example of where the Company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

Additional disclosure in respect of Special Resolution number 2 and Special Resolution number 3.

In terms of and pursuant to the provisions of sections 44 and 45 of the Companies Act, the directors of the Company confirm that the board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolution numbers 2 and 3 above:

- the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company);

- the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's memorandum of incorporation have been met.

8. SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES

Special resolution number 4: Share buy-back by the Company and its subsidiaries

"Resolved, as a special resolution, that the Company and the subsidiaries of the Company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the Company and the Listings Requirements, provided that:

- the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next Annual General Meeting of the Company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 5% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- a resolution has been passed by the board of directors approving the purchase, that the Company has satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Company and its subsidiaries ("the Group");
- the general repurchase is authorised by the Company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five-business day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the Listings Requirements."





NOTICE TO SHAREHOLDERS (continued)

The reason for and effect of special resolution number 4 is to grant the directors a general authority in terms of its memorandum of incorporation and the Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 4. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2) (b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a Company. For the avoidance of doubt, a pro rata repurchase by the Company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

9. OTHER BUSINESS

To transact such other business as may be transacted at an Annual General Meeting or raised by shareholders with or without advance notice to the Company.

INFORMATION RELATING TO THE SPECIAL RESOLUTIONS

1. The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 4 to the extent that the directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the Group would not be compromised as to the following:
 - the Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this Annual General Meeting and for a period of 12 months after the repurchase;
 - the consolidated assets of the Group will at the time of the Annual General Meeting and at the time of making such determination be in excess of the consolidated liabilities of the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group;
 - the ordinary capital and reserves of the Group after the repurchase will remain adequate for the purpose of the business of the Group for a period of 12 months after the Annual General Meeting and after the date of the share repurchase; and
 - the working capital available to the Group after the repurchase will be sufficient for the Group's requirements for a period of 12 months after the date of the notice of the Annual General Meeting.

General information in respect of major shareholders, material changes and the share capital of the Company is set out in Annexure 3 hereto, as well as the full set of annual financial statements, being available on the Company's website at www.grandparade.co.za or which may be requested and obtained in person, at no charge, at the registered office of the Company during office hours.

2. The directors, whose names appear in Annexure 1 hereto, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of Annual General Meeting contains all information required by the Listings Requirements.
3. Special resolutions numbers 2 and 3 are a renewal of resolutions taken at the previous Annual General Meeting held on 7 December 2017.

VOTING

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the Company ("the Share Register") for purposes of being entitled to receive this notice is Friday, 26 October 2018.
2. The date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at this Annual General Meeting is Friday, 7 December 2018, with the last day to trade being Tuesday, 4 December 2018.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the Annual General Meeting and must accordingly bring a copy of their identity document, passport or driver's licence to the Annual General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.
4. Shareholders entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the Company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the Annual General Meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the Annual General Meeting.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the Company at the address given below by not later than 18:00 on Monday, 10 December 2018, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the Annual General Meeting prior to the commencement of the Annual General Meeting, at any time before the appointed proxy exercises any shareholder rights at the Annual General Meeting.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the Annual General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.



NOTICE TO SHAREHOLDERS (continued)

7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Annual General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

By order of the Board



Statucor (Pty) Ltd
Company Secretary

31 October 2018
Cape Town

Registered address

33 Heerengracht Street
Foreshore
Cape Town, 8001
(PO Box 6563, Cape Town, 8012)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

SUMMARISED AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

INTRODUCTION

Despite significant economic headwinds due to the pending recession, the decline in consumer spending, the VAT increase, Sugar Tax, water levies in the Western Cape (where GPI is based), a substantial increase in the price of beef, and increases in the fuel price, the decision to enter the food service sector has proven to be positive for GPI. Burger King, GPI's first and biggest investment in the food service arena, was able to meet its MFDA obligation by delivering 80 stores within the prescribed time limit. Whilst Burger King's gross margin was dramatically affected by the headwinds cited above, it successfully maintained steady growth by reducing cost of sales as a result of economies of scale through store growth, and improvements in the gross margin by renegotiating bulk discounts.

In the case of Dunkin' Donuts and Baskin-Robbins the recessionary environment impacted consumer spending which negatively affected earnings. The Group has countered this by introducing a Bakery that has proven to positively reduce the cost of doughnuts by approximately half.

The gaming and leisure investments are showing good traction, and GrandWest Casino and Sun Slots have shown improvement year-on-year in contrast to the flat gaming performances elsewhere in the country.

GPI remains focussed on selling off non-profitable, non-core assets whilst paying close attention to the Group's strategic investments in Spur, Atlas Gaming, Mac Brothers and the meat plant.

The Group continues to venture into operational opportunities which are then either leveraged as assets for sale or retained (either in whole or in part) to realise substantial profit. These retained stakes are central to GPI as a business and will continue to define GPI as an active investment company.



SUMMARISED AUDITED FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2018

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. Details of these transactions are set out below.

FOOD

Burger King, Dunkin' Donuts and Baskin-Robbins continued to experience a challenging year with the second half being the most significant on trading. The introduction of the new Health Promotion Levy (Sugar Tax) and the increase in the VAT rate from 14% to 15% had a significant negative impact on the margins as these costs were absorbed by the businesses to maintain market share growth. In addition, increased food and supply chain costs further eroded food margins.

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 Infinity Gaming Africa (Pty) Ltd (IGA).

NON-CORE INVESTMENTS

During the current year, GPI concluded its divestment of non-core loss making investments. The sale of Grand Tellumat was finalised on 2 November 2017 for a total consideration of R15 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 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 during the year. 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 R11.5 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.

GROUP FINANCIAL REVIEW

The Group uses headline earnings to assess the underlying investment contributions to the Group's earnings. The reason for using headline earnings is that it eliminates the once-off effects of the Group's investment activities and therefore provides a comparable view of the Group's continuing earnings.

The decline in headline earnings is largely due to Dunkin' Donuts, including the Bakery and Baskin-Robbins which collectively contributed a R62.9 million headline loss before taxation for the period and 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 Group headline earnings:

	30 June 2018 R'000s	30 June 2017 R'000s	Movement	
			R'000s	%
Food	(107 741)	(112 330)	4 589	4%
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%
Gaming	117 076	103 755	13 321	13%
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%)
Central costs	(35 644)	(40 996)	5 352	13%
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%)
Non-core Investments	(9 500)	(12 408)	2 908	23%
GTM	(9 500)	(9 350)	(150)	(2%)
Grand Sport	–	(3 058)	3 058	100%
Headline loss before taxation	(35 809)	(61 979)	26 170	42%
Taxation	(12 210)	41 853	(54 063)	(129%)
Headline loss after tax	(48 019)	(20 126)	(27 893)	(139%)

SUMMARISED AUDITED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

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 has recognised that whilst Burger King is still in its growth phase and the Dunkin' Brands businesses in start-up which consequently contributes minimal earnings to the Group, the Group will continue to adopt 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 30.5% 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 range is set between 20.0% and 35.0%. At 30 June 2018, the debt equity ratio increased by 13.7% 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	%
Holding company facilities		507 118	240 401	266 717	111%
SunWest	Preference shares	251 673	–	251 673	
Spur	Preference shares	255 445	240 401	15 044	6%
Subsidiary facilities		92 635	113 973	(21 338)	(19%)
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%)
Total Debt		599 753	354 374	245 379	69%
Debt/Equity		30.5%	16.8%	(14%)	(83%)

REVIEW OF INVESTMENT OPERATIONS

FOOD

BURGER KING

The total number of Burger King restaurants at 30 June 2018 closed at 87 stores of which 80 is corporate owned. The net restaurant movement included the opening of 19 new restaurants and no closures during the year. The average monthly restaurant revenues (ARS) increased by 5.3% from R0.865 million last year to R0.911 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 total 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 architecture 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 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 and 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 for the year with over 1.4 million doughnuts sold in the period under review. The gross profit percentage of 39% is 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 R24.9 million was reported for the period compared to a R24.4 million loss for the prior period.

BASKIN-ROBBINS

Baskin-Robbins opened 1 new store during the period. Total revenue for the 6 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 R18.6 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.



SUMMARISED AUDITED FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2018

GRAND FOODS MEAT PLANT

Grand Foods Meat Plant is exposed to Burger King indirectly 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 last year 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 cost. Grand Foods Meat Plant's earnings for the year resulted in a R3.5 million loss after tax, which was 62% lower than the R9.3million net loss after tax incurred last year.

MAC BROTHERS CATERING EQUIPMENT

Amidst 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 an 87.2% increase in internal sales to Burger King and Dunkin' Brands which collectively 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 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. These shares were subsequently cancelled. No new shares were issued during the year.

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.

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.

DIRECTORS AND COMPANY SECRETARY

Dylan Pienaar resigned as an Executive Director on 7 November 2017. Tasneem Karriem resigned as Chief Executive Officer and Director of the Group on 2 April 2018 and was replaced by Prabashinee Moodley on 8 August 2018. Shaun Barends resigned as Financial Director on the 30 June 2018 and was replaced by Colin Priem, previously a Non-Executive Director, on the 1 July 2018. Mrs Lazelle Parton resigned as company secretary with effect from 31 January 2018 and Statucor (Pty) Ltd has been appointed as company secretary with effect from the same date.

SUBSEQUENT EVENTS

Disposal of Atlas Gaming Africa

On 29 August 2017, the Group entered into a share swap agreement with DRGT International SARL, for its 4.95% holding in Atlas Gaming Holdings and its 100% holding in Atlas Gaming Africa in exchange for a 26% stake in DRGT's local wholly-owned subsidiary Infinity Gaming Africa. This swap is subject to certain conditions precedent, including SARB approval, which was fulfilled in August 2018. Infinity Gaming Africa is an industry-leading gaming systems supplier servicing licensed customers in Africa and the Indian Ocean islands.

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.

PROSPECTS

Over the last 21 years GPI has successfully navigated economic downturns and challenging business environments by holding to its course of being a dividend active, growth company. It is during these challenging times that GPI turns to the adoption of austerity measures to drive savings that weather these storms. For example, during this fiscal year, the Group has nurtured young aspirant management staff to grow into leadership positions as part of a carefully crafted succession plan. This has given GPI substantial payroll savings and has reduced head office costs significantly.

GPI's gaming assets and shareholding in Spur have both improved substantially and are projecting positive future forecasts. Today, Burger King is positioned to become one of the biggest QSR brand in Southern Africa, with rapid roll-out of new stores in anticipation of the economy coming out of this recessionary period soon. The growth of Burger King enables extensive vertical integration opportunities especially for the meat plant and Mac Brothers.

GPI remains focussed on taking advantage of opportunities to leverage its mature food assets to unlock value, which further enhances its credentials as an active investment holding company.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	2018 R'000s	2017 R'000s
Revenue	1 144 638	962 998
Cost of sales	(596 362)	(508 724)
Gross profit	548 276	454 274
Operating costs	(578 830)	(515 342)
Loss from operations	(30 554)	(61 068)
Profit from equity-accounted investments	109 360	96 094
Profit on disposal of investments	–	91 929
Impairment of property, plant, equipment and intangible assets	–	(18 549)
Impairment of investment	–	(8 271)
Impairment of other receivables	(9 500)	–
Impairment of loans	–	(4 701)
Depreciation	(59 750)	(66 083)
Amortisation	(5 705)	(4 906)
Profit before finance costs and taxation	3 851	24 445
Finance income	8 387	31 583
Finance costs	(48 714)	(50 093)
(Loss)/profit before taxation	(36 476)	5 935
Taxation	(13 391)	5 018
(Loss)/profit for the year	(49 867)	10 953
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
Unrealised fair value adjustments on available-for-sale investments, net of tax	(35 303)	(51 099)
Total comprehensive loss for the year	(85 170)	(40 146)
(Loss)/profit for the year attributable to:		
– Ordinary shareholders	(50 064)	19 281
– Non-controlling interest	197	(8 328)
	(49 867)	10 953
Total comprehensive loss attributable to:		
– Ordinary shareholders	(85 367)	(31 818)
– Non-controlling interest	197	(8 328)
	(85 170)	(40 146)
	Cents	Cents
Basic and diluted basic (loss)/earnings per share	(11.66)	4.39
Headline and diluted headline loss per share	(11.18)	(4.59)
Ordinary dividend per share	11.50	25.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	2018 R'000s	2017 R'000s
ASSETS		
Non-current assets	2 428 528	2 361 016
Investments in jointly controlled entities	625 882	616 099
Investments in associates	376 762	358 157
Available-for-sale investment	494 273	520 435
Investment properties	7 014	6 821
Property, plant and equipment	633 617	575 789
Intangible assets	48 584	44 079
Goodwill	92 508	92 508
Deferred tax assets	149 888	147 128
Assets classified as held-for-sale	–	40 175
Current assets	355 223	230 023
Inventory	85 804	88 763
Deferred proceeds	–	–
Related party loans	21 467	44 774
Trade and other receivables	101 706	64 135
Cash and cash equivalents	136 287	22 911
Income tax receivable	9 959	9 440
Total assets	2 783 751	2 631 214
EQUITY AND LIABILITIES		
Capital and reserves		
Total equity	1 995 855	2 141 147
Ordinary share capital	798 586	806 707
Treasury shares	(166 286)	(166 286)
Accumulated profit	1 431 892	1 532 361
Available-for-sale reserve at fair value	(78 347)	(43 044)
Share based payment reserve	10 010	11 409
Non controlling-interest	(29 557)	(29 754)
Total shareholder's equity	1 966 298	2 111 393
Non-current liabilities	560 430	337 912
Preference shares	501 939	238 390
Interest-bearing borrowings	29 931	67 238
Finance lease liabilities	10 578	25 023
Provisions	631	2 792
Deferred tax liabilities	17 351	4 469
Liabilities associated with assets held-for-sale	–	–
Current liabilities	257 023	181 909
Preference shares	5 179	2 011
Interest-bearing borrowings	37 298	7 403
Finance lease liabilities	14 442	14 309
Provisions	13 193	17 833
Trade and other payables	148 936	103 877
Bank overdraft	25 603	25 474
Dividends payable	10 416	9 744
Income tax payable	1 956	1 258
Total equity and liabilities	2 783 751	2 631 214

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Ordinary share capital R'000s	Treasury shares R'000s	Accumulated profits R'000s	Available-for-sale reserve at fair value R'000s	Share based payment reserve R'000s	Non-controlling interest R'000s	Total equity R'000s
Balance at 30 June 2016	859 517	(105 971)	1 626 255	8 055	9 636	(28 038)	2 369 454
Total comprehensive income/(loss) for the year	–	–	19 281	(51 099)	–	(8 328)	(40 146)
– Profit/(loss) for the year from continuing operations	–	–	19 281	–	–	(8 328)	10 953
– Other comprehensive loss	–	–	–	(51 099)	–	–	(51 099)
Dividends declared	–	–	(113 070)	–	–	–	(113 070)
Shares cancelled ⁽¹⁾	(52 810)	–	–	–	–	–	(52 810)
Treasury shares acquired	–	(69 317)	–	–	–	–	(69 317)
Share based payment reserve expense	–	–	–	–	3 453	–	3 453
Sale of subsidiary	–	–	–	–	–	6 612	6 612
Treasury shares allocated to employees	–	9 002	(105)	–	(1 680)	–	7 217
Balance at 30 June 2017	806 707	(166 286)	1 532 361	(43 044)	11 409	(29 754)	2 111 393
Total comprehensive income/(loss) for the year	–	–	(50 064)	(35 303)	–	197	(85 170)
– Loss for the year from continuing operations	–	–	(50 064)	–	–	197	(49 867)
– Other comprehensive loss	–	–	–	(35 303)	–	–	(35 303)
Dividends declared	–	–	(50 405)	–	–	–	(50 405)
Shares cancelled ⁽¹⁾	(8 121)	–	–	–	–	–	(8 121)
Share based payment reserve expense	–	–	–	–	(1 399)	–	(1 399)
Balance at 30 June 2018	798 586	(166 286)	1 431 892	(78 347)	10 010	(29 557)	1 966 298

Notes

⁽¹⁾ Shares bought back are deducted from share capital at cost.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	2018 R'000s	2017 R'000s
Cash flows from operating activities		
Net cash utilised from operations	(64 231)	(95 787)
Income tax refunded/(paid)	(3 090)	(60 501)
Finance income	8 387	31 583
Net cash outflow from operating activities	(58 934)	(124 705)
Cash flows from investing activities		
Acquisition of plant and equipment	(109 029)	(80 941)
Acquisition of land and buildings	(27 523)	(7 799)
Acquisition of investment properties	(193)	(15)
Acquisition of intangibles	(10 210)	(8 694)
Proceeds from disposal of property, plant and equipment	71 080	61 862
Proceeds from disposal of investment property	–	56 000
Loans advanced	–	(6 849)
Loan repayment received	13 816	1 128
Investments made	(9 141)	(266 555)
Consideration received from the disposal of subsidiaries	–	10 215
Consideration received from the disposal of equity accounted investment	–	790 937
Dividends received	104 962	87 829
Net cash inflow from investing activities	33 762	637 118
Cash flows from financing activities		
Dividends paid	(49 733)	(112 152)
Treasury shares acquired	–	(69 317)
Shares bought back for cancellation	(8 121)	(52 810)
Loans received	251 673	–
Repayment of loans	(21 730)	(301 754)
Finance costs	(33 670)	(36 618)
Net cash inflow/(outflow) from financing activities	138 419	(572 651)
Net increase/(decrease) in cash and cash equivalents	113 247	(60 238)
Cash and cash equivalents at the beginning of the year	(2 563)	57 675
Total cash and cash equivalents at the end of the year	110 684	(2 563)
Total cash and cash equivalents at year end comprises:	110 684	(2 563)
Cash and cash equivalents	136 287	22 911
Overdraft	(25 603)	(25 474)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial results

The abridged audited Group financial statements for the period ended 30 June 2018 are prepared in accordance with the requirements of the JSE Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summarised financial statements. The Listing Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting.

The abridged Group financial statements do not include all the information required by IFRS for full financial statements and should be read in conjunction with the 2018 audited Group annual financial statements. The accounting policies applied in the preparation of the audited Group annual financial statements, from which the abridged Group financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of previous audited Group financial statements. During the period, various new and revised accounting standards became effective, however, their implementation had no impact on the results of either the current or prior year.

These abridged Group financial statements are not audited but are extracted from audited information. The audited Group annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited Group annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office. The Directors take full responsibility for the preparation of these abridged Group financial statements and the financial information has been correctly extracted from the underlying audited Group annual financial statements.

These abridged Group financial statements have been prepared under the supervision of the Group Financial Director, Mr Colin Priem.

2. ASSETS HELD FOR SALE

The assets and liabilities included in assets classified as held-for-sale are as follows:

Assets

Non-current assets

Investment property (1 Heerengracht)

Assets classified as held-for-sale

Non-current liabilities		
Liabilities associated with assets held-for-sale	-	-
Net assets	-	40 175

Non-current liabilities

Liabilities associated with assets held-for-sale

Net assets

During the previous financial year the Group dispose of its property situated at 1 Heerengracht for R52.5 million. The transfer of the property was effected on 18 August 2017. The property was previously disclosed as investment property. Non-current assets held-for-sale are measured at the lower of carrying amount and fair value less cost of sale.

3. PROFIT/(LOSS) ON DISPOSAL OF INVESTMENTS

Profit on disposal of Sun Slots	-	90 588
Loss on disposal of Grand Linkstate	-	(7 900)
Profit on disposal of Grand Sport	-	9 241
	-	91 929

4. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the Weighted Average Number of Ordinary Shares (WANOS) in issue during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders by the diluted WANOS in issue.

Headline earnings per share amounts are calculated by dividing the headline earnings for the year attributable to ordinary shareholders by the WANOS in issue for the year.

Diluted headline earnings per share amounts are calculated by dividing the headline earnings for the year attributable to ordinary shareholders by the diluted WANOS in issue for the year.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

	2018 R'000s	2017 R'000s
4. BASIC AND DILUTED EARNINGS PER SHARE (continued)		
4.1. Reconciliation of the (loss)/profit for the year		
Basic and diluted (loss)/earnings per share reconciliation		
(Loss)/profit for the year	(49 867)	10 953
Non-controlling interest	(197)	8 328
(Loss)/profit for the year attributable to ordinary shareholders	(50 064)	19 281
	2018 R'000s	2017 R'000s
4.2. Reconciliation of headline (loss)/earnings for the year		
(Loss)/profit for the year attributable to ordinary shareholders	(50 064)	19 281
(Loss)/profit on sale of investments	–	(59 819)
Impairment of investments	–	4 490
(Profit)/loss on disposal of property, plant, equipment and intangibles	(5 671)	12 910
Adjustments by jointly-controlled entities	7 716	3 012
– Impairment of investment	7 551	2 889
– Loss on disposal of plant and equipment	165	123
Headline (loss)	(48 019)	(20 126)
	000s	000s
4.3. Reconciliation of WANOS – net of treasury shares		
Shares in issue at beginning of the year	429 989	461 732
Shares repurchased during year weighted for period held by Group	–	(17 020)
Shares repurchased and cancelled during the year weighted for period held by Group	(569)	(7 148)
Shares issued during the year weighted for period in issue	–	1 271
	429 420	438 835

	000s	000s
4.4. Reconciliation of diluted WANOS – net of treasury shares		
WANOS in issue – net of treasury shares	429 420	438 835
Effects of dilution from:		
– Share options	–	–
Diluted WANOS in issue – net of treasury shares	429 420	438 835
	Cents	Cents
4.5. Statistics		
Basic and diluted (loss)/earnings per share	(11.66)	4.39
Headline and diluted headline loss per share	(11.18)	(4.59)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

5. SEGMENT ANALYSIS

The chief decision makers are considered to be the members of the GPI Executive Committee, who review the Group's internal reporting firstly by industry and secondly by significant business unit. The chief decision makers do not review the Group's performance by geographical sector and therefore no such disclosure has been made. The chief decision makers also reassessed the segments and as a results identified the following segments: Food, Gaming, Group costs and Non-core. Listed below is a detailed segment analysis:

	External revenue		Inter-segment revenue ⁽¹⁾		Operating costs ⁽²⁾	
	2018 R'000s	2017 R'000s	2018 R'000s	2017 R'000s	2018 R'000s	2017 R'000s
Food	1 137 969	948 853	52 275	27 919	(552 326)	(463 284)
Burger King	774 999	628 897	–	–	(407 421)	(342 633)
Mac Brothers	171 895	181 434	52 275	27 919	(63 229)	(59 627)
Bakery	–	–	–	–	(7 624)	–
Spur	23 726	16 859	–	–	(140)	(74)
Grand Food Meat Plant	124 411	92 087	–	–	(14 049)	(12 834)
GFMS	7	–	–	–	–	–
Dunkin' Donuts	30 523	24 035	–	–	(36 427)	(31 631)
Baskin-Robbins	12 408	5 541	–	–	(23 436)	(16 485)
Gaming and leisure	–	–	–	–	–	836
SunWest	–	–	–	–	–	836
Sun Slots	–	–	–	–	–	–
Worcester Casino	–	–	–	–	–	–
Group costs	6 669	13 506	94 130	247 042	(26 504)	(51 463)
GPI Properties	6 297	10 887	21 359	17 106	13 224	12 684
Central costs	372	2 619	72 771	229 936	(39 728)	(64 147)
Non-core	–	639	–	–	–	(1 431)
GTM	–	–	–	–	–	–
Grand Technology	–	–	–	–	–	–
Grand Sport	–	639	–	–	–	(1 431)
	1 144 638	962 998	146 405	274 961	(578 830)	(515 342)
1 Heerengracht	–	–	–	–	–	–
Held-for-sale	–	–	–	–	–	–

⁽¹⁾ Transactions between segments are concluded at arms length.

⁽²⁾ Certain costs are presented pre elimination of intergroup charges and therefore net profit are after these eliminations.

Equity accounted earnings		EBITDA		Net profit/(loss) after tax		Total assets		Total liabilities	
2018 R'000s	2017 R'000s	2018 R'000s	2017 R'000s	2018 R'000s	2017 R'000s	2018 R'000s	2017 R'000s	2018 R'000s	2017 R'000s
-	-	(10 718)	(32 119)	(106 203)	(86 123)	1 339 427	1 297 578	(556 629)	(479 264)
-	-	22 876	249	(26 577)	(29 149)	608 019	544 657	(210 585)	(101 918)
-	-	(5 063)	(3 780)	(7 849)	(8 051)	90 612	90 609	(42 807)	(32 577)
-	-	(7 622)		(8 172)		10 420		(3 514)	
-	-	23 586	16 786	608	(4 939)	499 510	527 672	(255 559)	(288 586)
-	-	(1 063)	(4 598)	(3 490)	(7 979)	57 953	54 747	(32 318)	(51 354)
-	-	7		4				-	
-	-	(24 857)	(25 460)	(36 244)	(22 389)	53 109	54 978	(7 957)	(3 587)
-	-	(18 582)	(15 316)	(24 483)	(13 616)	19 804	24 915	(3 889)	(1 242)
109 360	100 743	109 360	101 580	109 360	101 580	1 002 644	974 256	-	-
70 188	70 354	70 188	71 190	70 188	71 190	625 882	616 099	-	-
36 621	27 861	36 621	27 861	36 621	27 861	348 205	329 583	-	-
2 551	2 528	2 551	2 529	2 551	2 529	28 557	28 574	-	-
-	-	(19 836)	46 037	43 524	15 805	441 680	304 205	260 824	(40 557)
-	-	19 521	16 826	10 774	(1 978)	187 628	234 208	(73 208)	(83 464)
-	-	(39 357)	29 211	(54 298)	17 783	254 052	69 997	(187 616)	42 907
-	(4 649)	(9 500)	(20 064)	(9 500)	(20 309)	-	15 000	-	-
-	(4 649)	(9 500)	(17 621)	(9 500)	(17 621)	-	15 000	-	-
-	-	-	(8 875)	-	(8 875)	-	-	-	-
-	-	-	6 432	-	6 187	-	-	-	-
109 360	96 094	69 306	95 434	(49 867)	10 953	2 783 751	2 591 039	(817 453)	(519 821)
-	-	-	-	-	-	-	40 175	-	-
-	-	-	-	-	-	-	40 175	-	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Level 2: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Level 3: Other techniques for which all inputs which have a significant effect on the recorded fair value and are observable, either directly or indirectly.

As at 30 June, the Group held the following instruments measured at fair value:

	Level 1 R'000s	Level 2 R'000s	Level 3 R'000s	Total R'000s
2018				
Available-for-sale investment – Spur ⁽¹⁾	217 529	–	270 957	488 486
Available-for-sale investment – Atlas Gaming	–	–	5 787	5 787
Total	217 529	–	276 744	494 273
2017				
Available-for-sale investment – Spur ⁽¹⁾	228 108	–	286 540	514 648
Available-for-sale investment – Atlas Gaming	–	–	5 787	5 787
Total	228 108	–	292 327	520 435

⁽¹⁾ **Available-for-sale investment – Spur**

The carrying value of the investment in Spur at 30 June 2018 of R488.5 million is made up of the prior years' acquisition price of R559.9 million, the acquisition during current year of R9.1 million and fair value adjustments of R35.3 million (2017: R56.9 million) (Note 12). The Group's initial investment in Spur is subject to a trading restriction linked to the Group's empowerment credentials. The restriction expires on 29 October 2019, after which the instrument may be traded without restriction. The fair value of the investment has been measured by applying a tradability discount of 3% per year remaining on the restriction against the market price of Spur, as quoted on the JSE. The tradability discount was determined with reference to the agreements which govern the trading restrictions and industry standards applied to empowerment transactions. As the terms of the trading restrictions are unobservable the instrument has been classified under level 3, had the trading restrictions not been in place, the instrument would have been classified under level 1. A change of 1.0% in the discount rate used to determine the fair value at the reporting date would have increased/decreased other comprehensive income after tax by R2.8 million (2017: R2.4 million). There were no additions to level 3 instruments in the current year.

7. DIRECTORS EMOLUMENTS

2018	Salary R'000s	Short-term benefits ⁽¹⁾ R'000s	Long-term benefits R'000s	Bonuses R'000s	Directors fees R'000s	Audit and risk committee R'000s	Remuneration and nomination committee R'000s	Investment committee R'000s	Social and ethics committee R'000s	Total remuneration R'000s	Loans advanced R'000s	Share-based payment expense R'000s
Executive directors												
H Adams	3 825	1 473	124	4 862	-	-	-	-	-	10 284	-	486
T Karriem ⁽²⁾	1 620	84	243	2 015	-	-	-	-	-	3 962	-	-
D Pienaar ⁽³⁾	1 489	69	72	2 109	-	-	-	-	-	3 739	-	-
S Barends ⁽⁴⁾	1 333	70	143	274	-	-	-	-	-	1 820	-	-
Sub-total	8 267	1 696	582	9 260	-	-	-	-	-	19 805	-	486
Non-executive directors												
A Abercrombie	-	-	-	-	195	-	67	10	37	309	-	-
W Geach	-	-	-	-	212	93	-	-	-	305	-	-
R Hargay	-	-	-	-	219	-	-	-	-	219	-	-
C Prem	-	-	-	-	248	143	53	10	-	454	-	-
N Maharaj	-	-	-	-	246	80	98	-	20	444	-	-
N Mlambo	-	-	-	-	212	-	67	-	-	279	-	-
Sub-total	-	-	-	-	1 332	316	285	20	57	2 010	-	-
Total	8 267	1 696	582	9 260	1 332	316	285	20	57	21 815	-	486

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

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

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

7. DIRECTORS EMOLUMENTS (continued)

2017	Salary R'000s	Short-term benefits ⁽¹⁾ R'000s	Long-term benefits R'000s	Bonuses R'000s	Directors' fees R'000s	Audit and Risk committee R'000s	Remuneration and Nomination committee R'000s	Investment committee R'000s	Total remuneration R'000s	Loans advanced R'000s	Share-based payment expense R'000s
Executive directors											
H Adams	4 327	1 195	649	10 701	—	—	—	—	16 872	5 251	765
A Keet ⁽²⁾	1 947	2 818	292	3 000	—	—	—	—	8 057	1 847	(729)
T Karriem ⁽³⁾	1 143	156	171	—	—	—	—	—	1 470	—	201
D Pienaar	1 808	56	271	1 250	—	—	—	—	3 385	411	289
Sub-total	9 225	4 225	1 383	14 951	—	—	—	—	29 784	7 509	526
Non-executive directors											
N Maharaj	—	—	—	—	232	75	36	—	343	—	—
N Mlambo	—	—	—	—	202	—	6	—	208	—	—
C Priem	—	—	—	—	225	136	24	9	394	—	—
A Abercrombie	—	—	—	—	202	—	24	—	226	—	—
R Hargey	—	—	—	—	202	—	—	—	202	—	—
W Geach	—	—	—	—	202	75	—	—	277	—	—
Sub-total	—	—	—	—	1 265	286	90	9	1 650	—	—
Total	9 225	4 225	1 383	14 951	1 265	286	90	9	31 434	7 509	526

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

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

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

Equity-based remuneration (GPI share options granted in terms of the Grand Parade Share Incentive Trust)

2018	Number of unvested share options 30 June 2016 000s	Granted during the year 000s	Vested during the year 000s	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 2017 000s
Executive directors								
H Adams	2 251	2 378	-	(1 125)	2.70	3.61	26 September 2017	3 504
T Karriem ⁽¹⁾	1 188	921	-	(2 109)	-	2.61	26 September 2017	-
D Pienaar ⁽²⁾	1 286	1 027	-	(2 313)	-	2.61	26 September 2017	-
S Barends ⁽³⁾	174	-	-	(174)	-	-	-	-
Sub-total	4 899	4 326	-	(5 721)	-	-	-	3 504

2017	Number of unvested share options 30 June 2015 000s	Granted during the year 000s	Vested during the year 000s	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 2016 000s
Executive directors								
H Adams	3 376	-	(1 125)	-	5.50	3.61	01 September 2013	2 251
A Keef ⁽⁴⁾	2 005	1 161	(669)	(2 497)	5.54	3.61	01 September 2013	-
T Karriem ⁽⁵⁾	620	568	-	-	5.54	3.61	01 September 2013	1 188
D Pienaar	617	875	(206)	-	5.42	3.61	01 September 2013	1 286
Sub-total	6 618	2 604	(2 000)	(2 497)	-	-	-	4 725

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

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

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

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

⁽⁵⁾ T Karriem was appointed on 09 September 2016 as an executive director.



ANNEXURE 1 – DIRECTORS RÉSUMÉS AND ATTENDANCE AT MEETINGS

EXECUTIVE DIRECTORS

Dr Hassen Adams (66) – Appointed to Board on 20 October 1997

Executive Chairman – 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) – Appointed to the board on 1 August 2018

Group Chief Executive Officer – 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 SA.

Colin Michael Priem (59) – Appointed to the board on 20 August 2012

Financial Director – Appointed 1 July 2018

M. Commerce (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.

NON-EXECUTIVE DIRECTORS

Dr. Norman Victor Maharaj (67) – Appointed to Board on 1 August 2008

Lead Independent Director – 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) – Appointed to the Board on 20 October 1997

Non-Executive Director

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.



ANNEXURE 1 – DIRECTORS RÉSUMÉS AND ATTENDANCE AT MEETINGS (continued)

NON-EXECUTIVE DIRECTORS (continued)

Nombeko Mlambo (72)

Non-Executive Director – Appointed to 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 also a non-executive director of the various subsidiaries in the GPI Slots Group, 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 Board on 17 September 2013

CA(SA) BA LLB (Cape Town) MCom 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. Commerce 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.

Table 1: Director Board and committee meeting attendance during the 2018 financial year

	Director designation	GPI Board	Audit and Risk Committee	Remuneration and Nomination Committee	Social and Ethics Committee	Investment 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.



ANNEXURE 2 – GPI GROUP REMUNERATION POLICY AND IMPLEMENTATION REPORT

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 from but not limited to the company's profit, average CPI, market salary increase indicators, etc.

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 capitalization. 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 on pages 2 to 10 hereof.

ANNEXURE 2 – GPI GROUP REMUNERATION POLICY AND IMPLEMENTATION REPORT(continued)

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.

Table 1: Non-executive director fees.

	Current fees 1 January 2018 to 31 December 2018			Proposed fees 1 January 2019 to 31 December 2019		
	Base fee R'000s	Attendance fee	Attendance fee above minimum number of meetings	Base fee R'000s	Attendance fee	Attendance fee above minimum number 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 and Risk Committee Chair	38 850	27 000	–	41 570	28 890	10 700
Audit and Risk Committee Member	26 565	13 750	–	28 425	14 713	10 700
Remuneration and Nomination Committee Chair	38 850	20 500	–	41 570	21 935	10 700
Remuneration and Nomination Committee Member	26 565	13 750	–	28 425	14 713	10 700
Social and Ethics Committee Chair	38 850	20 500	–	41 570	21 935	10 700
Social and 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

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 overleaf.

Table 2: directors' emoluments

2018	Salary R'000s	Short-term benefits ⁽¹⁾ R'000s	Long-term benefits R'000s	Bonuses R'000s	Directors fees R'000s	Audit and Risk committee R'000s	Remune- ration and Nomination committee R'000s	Investment committee R'000s	Social and Ethics committee R'000s	Total remune- ration R'000s	Loans advanced R'000s	Share- based payment expense R'000s
Executive directors												
H Adams	3 825	1 473	124	4 862	—	—	—	—	—	10 285	—	486
T Karriem ⁽²⁾	1 620	84	243	2 015	—	—	—	—	—	3 962	—	—
D Pienaar ⁽³⁾	1 489	69	72	2 109	—	—	—	—	—	3 738	—	—
S Barends ⁽⁴⁾	1 333	70	143	274	—	—	—	—	—	1 820	—	—
Sub-total	8 268	1 696	582	9 260	—	—	—	—	—	19 805	—	486
Non- executive directors												
A												
Abercrombie	—	—	—	—	195	—	67	10	37	308	—	—
W Geach	—	—	—	—	212	93	—	—	—	305	—	—
R Hagey	—	—	—	—	219	—	—	—	—	219	—	—
C Priem	—	—	—	—	248	143	53	10	—	454	—	—
N Maharaj	—	—	—	—	246	80	98	—	20	444	—	—
N Mlambo	—	—	—	—	212	—	67	—	—	279	—	—
Sub-total	—	—	—	—	1 333	316	284	20	57	2 010	—	—
Total	8 268	1 696	582	9 260	1 333	316	284	20	57	21 815	—	486
Top three senior employees	—	—	—	—	—	—	—	—	—	—	—	—

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

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

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

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

ANNEXURE 2 – GPI GROUP REMUNERATION POLICY AND IMPLEMENTATION REPORT(continued)

Table 2: directors' emoluments (continued)

2017	Salary R'000s	Short-term benefits ⁽¹⁾ R'000s	Long-term benefits R'000s	Bonuses R'000s	Directors fees R'000s	Audit and Risk Committee R'000s	Remune- ration and Nomination Committee R'000s	Investment Committee R'000s	Total remune- ration R'000s	Loans advanced R'000s	Share- based payment expense R'000s
Executive directors											
H Adams	4 327	1 195	649	10 701	-	-	-	-	16 872	5 251	765
A Keel ⁽²⁾	1 947	2 818	292	3 000	-	-	-	-	8 057	1 847	(729)
T Karriem ⁽³⁾	1 143	156	171	-	-	-	-	-	1 470	-	201
D Plenar	1 808	56	271	1 250	-	-	-	-	3 385	411	289
Sub-total	9 225	4 225	1 383	14 951	-	-	-	-	29 784	7 509	526
Non- executive directors											
N Maharaj	-	-	-	-	232	75	36	-	343	-	-
N Mlambo	-	-	-	-	202	-	6	-	208	-	-
C Priem	-	-	-	-	225	136	24	9	394	-	-
A	-	-	-	-	-	-	-	-	-	-	-
Abercrombie	-	-	-	-	202	-	24	-	226	-	-
R Hargay	-	-	-	-	202	-	-	-	202	-	-
W Geach	-	-	-	-	202	75	-	-	277	-	-
Sub-total	-	-	-	-	1 265	286	90	9	1 650	-	-
Total	9 225	4 225	1 383	14 951	1 265	286	90	9	31 434	7 509	526
Top three senior employees	-	-	-	-	-	-	-	-	-	-	-

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

⁽²⁾ A Keel resigned as CEO and executive director of GPI on 03 April 2017.

⁽³⁾ T Karriem was appointed on 9 September 2016 as an executive director. Amounts disclosed above include remuneration for 10 months

Table 3: Directors' equity-based remuneration (GPI share options granted in terms of the Grand Parade Share Incentive Trust)

Reconciliation of GPI share options granted in terms of the Grand Parade Share Incentive Trust

2018	Number of unvested share options 30 June 2017 000s	Granted during the year 000s	Exercised during the year 000s	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
Executive directors								
H Adams	2 251	2 378	–	(1 125)	2,61	2,61	26 September 2017	3 504
T Karriem ⁽¹⁾	1 188	921	–	(2 109)	–	2,61	26 September 2017	–
D Plenaar ⁽²⁾	1 286	1 027	–	(2 313)	–	2,61	26 September 2017	–
S Barends ⁽³⁾	174	–	–	(174)	–	–	–	–
Sub-total	4 899	4 326	–	(5 721)			–	3 504

2017	Number of unvested share options 30 June 2016 000s	Granted during the year 000s	Exercised during the year 000s	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 2017 000s
Executive directors								
H Adams	3 376	–	(1 125)	–	5,50	3,61	01 Sep 2013	2 251
A Keet ⁽⁴⁾	2 005	1 161	(669)	(2 497)	5,54	3,61	01 Sep 2013	–
T Karriem ⁽⁵⁾	620	568	–	–	5,54	3,61	01 Sep 2013	1 188
D Plenaar	617	875	(206)	–	5,42	3,61	01 Sep 2013	1 286
	–	–	–	–	–	–	01 Sep 2013	–
Sub-total	6 618	2 604	(2 000)	(2 497)				4 725



ANNEXURE 2 – GPI GROUP REMUNERATION POLICY AND IMPLEMENTATION REPORT(continued)

GPI share options held at 30 June per strike price

2018		Strike price	H Adams 000s	T Karriem 000s	D Plenaar 000s	S Barends 000s	Total 000s
Executive directors							
30 August 2013		3.61	1 126	—	—	—	1 126
19 October 2015		5.32	—	—	—	—	—
9 September 2016		3.52	—	—	—	—	—
26 September 2017		2.61	2 378	—	—	—	2 378
Sub-total			3 504	—	—	—	3 504
2017		Strike price	H Adams 000s	T Karriem 000s	D Plenaar 000s	S Barends 000s	Total 000s
Executive directors							
30 August 2013		3.61	2 251	—	411	—	2 662
19 October 2015		5.32	—	620	—	—	620
9 September 2016		3.52	—	568	875	—	1 443
Sub-total			2 251	1 188	1 286	—	4 725

⁽¹⁾ T Karriem resigned as executive director on 2 April 2018. All unvested share options are forfeited on an employee's resignation date.

⁽²⁾ D Plenaar resigned as executive director on 7 November 2017. All unvested share options are forfeited on an employee's resignation date.

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

⁽⁴⁾ A Keel resigned as an executive director on 3 April 2017. All unvested share options are forfeited on an employee's resignation date.

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

ANNEXURE 3 – 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%
Total	8 335	100.00%	470 022 741	100.00%

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%
Total	8 335	100.00%	470 022 741	100.00%

ANNEXURE 3 – GENERAL INFORMATION RELATING TO SHAREHOLDERS(continued)

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%
Public shareholders	8 325	99.88%	379 421 686	80.72%
Total	8 335	100.00%	470 022 741	100.00%

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%
Total	127 871 322	26.99%

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%
Total	195 073 923	41.25%

COMPANY INFORMATION

COMPANY SECRETARY

Statucor (Pty) Ltd
PO Box 3883, Cape Town, 8000

BUSINESS ADDRESS AND REGISTERED OFFICE

10th Floor, 33 on Heerengracht,
Foreshore, Cape Town, 8001
PO Box 6563, Roggebaai, 8012

LISTING

JSE Limited
Sector: Financial Services
ISIN: ZAE000119814

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196
PO Box 61051, Marshalltown, 2107

SPONSORS

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

AUDITORS

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

ATTORNEYS

Bernadt Vukic Potash & Getz



www.grandparade.co.za

FORM OF PROXY

GRAND PARADE INVESTMENTS LTD

(Incorporated in the Republic of South Africa)
(Registration number: 1997/003548/06)
Share code: GPL ISIN: AE000119814
("GPI" or "the Company")

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALIZED SHAREHOLDERS WITH OWN-NAME REGISTRATION ONLY

For use by Shareholders at the Annual General Meeting of the Company, to be held at 18:30 on Wednesday, 12 December 2018 in the Market Hall at GrandWest Casino, 1 Jakes Gerwel Drive, Goodwood, Cape Town, Western Cape, or any adjourned or postponed meeting.

If you are a Dematerialised Shareholder without Own-Name Registration you must not complete this Form of Proxy but must instruct your CSDP or Broker as to how you wish to vote. This must be done in terms of the Custody Agreement between you and your CSDP or Broker.

I/We _____

of (address) _____

being the holder(s) of _____ Certificated Shares or Dematerialised Shares with Own-Name Registration hereby appoint (see notes 1 and 2):

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairman of the Annual General Meeting

as my/our proxy to attend, speak and vote for me/us at the Annual General Meeting (or any adjournment thereof) for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Shares registered in my/our name(s), in accordance with the following instruction (see notes):

	For*	Against*	Abstain*
Ordinary Resolution Number 1 Appointment of Ms P Moodley as director			
Ordinary Resolution Number 2 Re-election of Dr NV Maharaj as director			
Ordinary Resolution Number 3 Re-election of Prof. WD Geach as director			
Ordinary Resolution Number 4 Re-appointment of Dr NV Maharaj as a member of the Audit and Risk Committee			
Ordinary Resolution Number 5 Re-appointment of Prof. WD Geach as a member of the Audit and Risk Committee			
Ordinary Resolution Number 6 Appointment of Mr R Hargey as a member of the Audit and Risk Committee			
Ordinary Resolution Number 7 Re-appointment of EY as independent auditor			
Ordinary Resolution Number 8 Non-binding advisory vote on the Company's remuneration policy			
Ordinary Resolution Number 9 Non-binding advisory vote on the implementation of the Company's remuneration policy			
Special Resolution Number 1 Remuneration of non-executive directors			
Special Resolution Number 2 Inter-company financial assistance			
Special Resolution Number 3 Financial assistance for acquisition of shares in a related or inter-related company			
Special Resolution Number 4 Share buy-back by the Company and its subsidiaries			

* One vote per Share held by Shareholders. Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided.

Signed at _____ on _____ 2018

Signature _____ Capacity of signatory (where applicable)

Note: Authority of signatory to be attached – see notes 8 and 9.

Telephone number _____ Cellphone number _____

Assisted by me(where applicable) _____

Full name _____ Capacity _____ Signature _____

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- A shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a Shareholders' meeting on behalf of such shareholder.
- A Shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy.
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder.
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise.
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company.
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.
- If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
 - the relevant shareholder; or
 - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

Notes:

1. Each Shareholder is entitled to appoint 1 (one) (or more) proxies (none of whom need be a Shareholder of the Company) to attend, speak and vote in place of that Shareholder at the General Meeting.
2. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided with or without deleting "the Chairman of the General Meeting" but the Shareholder must initial any such deletion. The person whose name stands first on the Form of Proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise and direct the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions, or any other proxy to vote or abstain from voting at the Annual General Meeting as he/she deems fit, in respect of all the Shareholder's votes exercisable at the meeting.
4. To be valid, completed Forms of Proxy must be received by the Transfer Secretaries, namely, Computershare Investor Services Proprietary Limited, at any of the addresses below by not later than 18:00 on Monday, 10 December 2018, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the Annual General Meeting prior to the commencement of the Annual General Meeting, at any time before the appointed proxy exercises any shareholder rights at the Annual General Meeting
 - By e-mail: proxy@computershare.co.za;
 - By hand: Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 ,
 - By post: PO Box 61051, Marshalltown, 2107 (Note that postal delivery by the due date is at the risk of the Shareholder).
5. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
6. The chairman of the Annual General Meeting may accept or reject any Form of Proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of the Company.
7. Any alteration or correction made to this Form of Proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this Form of Proxy, unless previously recorded by the Company or the Transfer Secretaries.
9. Where this Form of Proxy is signed under power of attorney, such power of attorney must accompany this Form of Proxy, unless it has been registered by the Company or the Transfer Secretaries or waived by the Chairman of the General Meeting.
10. Where Shares are held jointly, all joint holders are required to sign this Form of Proxy.
11. A minor Shareholder must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company or the Transfer Secretaries.
12. Dematerialised Shareholders without Own Name Registration and who wish to attend the General Meeting, or to vote by way of proxy, must contact their CSDP or Broker who will furnish them with the necessary letter of representation to attend the Annual General Meeting or to be represented thereat by proxy. This must be done in terms of the Custody Agreement between the Shareholder and his/her CSDP or Broker.
13. This Form of Proxy shall be valid at any resumption of an adjourned meeting to which it relates although this Form of Proxy shall not be used at the resumption of an adjourned meeting if it could not have been used at the Annual General Meeting from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This Form of Proxy shall in addition to the authority conferred by the Companies Act except insofar as it provides otherwise, be deemed to confer the power generally to act at the Annual General Meeting in question, subject to any specific direction contained in this Form of Proxy as to the manner of voting.
14. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Transfer Secretaries before the commencement of the meeting or adjourned meeting at which the proxy is used.
15. In terms of section 58 of the Companies Act, unless revoked, an appointment of a proxy pursuant to this Form of Proxy remains valid only until the end of the Annual General Meeting or any adjournment of the General Meeting.

Registered address

33 Heerengracht Street
Foreshore
Cape Town, 8001
(PO Box 6563, Cape Town, 8012)

Transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)