THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis,* to this cover page.

ACTION REQUIRED BY SHAREHOLDERS

1. This entire Circular is important and should be read with particular attention to the section entitled "*Action required by Shareholders*", which commences on page 3.
2. If you are in any doubt as to what action to take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.
3. If you have disposed of all your Shares in GPI, please forward this Circular to the purchaser of such Shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected.

GPI does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any Shareholder to notify such Shareholder of the General Meeting, notice of which is contained in and forms part of this Circular.

GRAND PARADE

INVESTMENTS LIMITED

GRAND PARADE INVESTMENTS LIMITED

Incorporated in the Republic of South Africa
(Registration number: 1997/003548/06)
Share code: GPL ISIN: ZAE000119814
("**GPI**" or "**the Company**")

CIRCULAR TO GPI SHAREHOLDERS

Relating to the approval of the Disposal, which constitutes a category 1 transaction for GPI in terms of the JSE Listings Requirements, and incorporating:

- a Notice of General Meeting of Shareholders;
- an electronic participation meeting guide;
- an Electronic Participation Form; and
- a Form of Proxy (*grey*) (for use by Certificated Shareholders and Dematerialised Shareholders who have selected Own-Name Registration only).

Corporate Advisor and Sponsor

PSG CAPITAL

Independent Auditor and Independent Reporting Accountant

EY
Building a better working world

South African Legal Advisor

CDH
CLIFFE DEKKER HOFMEYR

US Legal Advisor

DLA PIPER

Date of issue: Friday, 12 March 2021

Copies of this Circular are available in English only and may, from the date of posting of this Circular until the date of the General Meeting (both days inclusive), be obtained from the registered office of GPI or from PSG Capital, at the addresses set out in the "*Corporate Information*" section of this Circular. A copy of this Circular will also be available on GPI's website at https://www.grandparade.co.za/investor-centre/results-reports-notices.

FORWARD-LOOKING STATEMENT DISCLAIMER

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis,* to this forward-looking statement disclaimer.

This Circular contains statements about GPI and/or the GPI Group that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "**believe**", "**aim**", "**expect**", "**anticipate**", "**intend**", "**foresee**", "**forecast**", "**likely**", "**should**", "**planned**", "**may**", "**estimated**", "**potential**" or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. GPI cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which GPI operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by GPI, as communicated in publicly available documents by GPI, all of which estimates and assumptions, although GPI believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to GPI or not currently considered material by GPI.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of GPI not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. GPI has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law. Any forward-looking statement has not been reviewed nor reported on by the Independent Auditor or Independent Reporting Accountant.

CORPORATE INFORMATION

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis,* to this "*Corporate Information*" section.

Directors

Alexander Abercrombie* (*Non-Executive Chairman*)
Mohsin Tajbhai (*Chief Executive Officer*)
Jayson October (*Chief Financial Officer*)
Walter Geach*#
Mark Bowman*#
Ronel van Dijk*#
Monde Nkosi*
Rozanna Kader*

* Non-executive
# Independent

Company Secretary

Statucor Proprietary Limited
(Amber Hensberg)
6th Floor, 123 Hertzog Boulevard, Foreshore
Cape Town, 8001
South Africa

Registered Address of GPI

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

Date of incorporation of GPI

12 March 1997

Place of incorporation of GPI

Pretoria, South Africa

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(Private Bag X9000, Saxonwold, 2132)

Sponsor

PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch 7599)

and

2nd Floor, Building 3, 11 Alice Lane
Sandhurst
Sandton, 2196
(PO Box 650957, Benmore 2010)

Independent Reporting Accountant and Independent Auditor of the GPI Group

Ernst & Young Incorporated
(Practice number: 918288)
3 Dock Road
Waterway House, V&A Waterfront,
Cape Town Western, Cape, 8001, South Africa

South African Legal Advisor

Cliffe Dekker Hofmeyr Incorporated
(Registration number 2008/018923/21)
11 Buitengracht Street
Cape Town, 8001
(PO Box 695, Cape Town 8000)

US Legal Advisor

DLA Piper LLP (US)
1251 Avenue of the Americas
New York, New York 10020-1104
T212.335.4523

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ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 7 of this Circular apply, unless the context clearly indicates otherwise, to this section on the action required by Shareholders.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other advisor. If you have disposed of any of your Shares, this Circular should be handed to the purchaser to whom, or the Broker, CSDP or other agent through whom, the disposal was effected.

GENERAL MEETING

As a result of the impact of the COVID pandemic and the restrictions placed on public gatherings, the General Meeting will be held in electronic format only.

Shareholders are invited to attend the General Meeting, convened in terms of the Notice of General Meeting, which will only be accessible through electronic participation, as permitted by the JSE Listings Requirements, the provisions of the Companies Act and GPI's MOI, at 18:00 on Thursday, 15 April 2021 to consider and, if deemed fit, to pass the resolutions required to approve the Disposal. A notice convening such General Meeting is attached to, and forms part of, this Circular.

Shareholders are to connect to the General Meeting utilising the details set out in the "*Electronic attendance and participation*" section below.

1. **ELECTRONIC ATTENDANCE AND PARTICIPATION**

1.1 **Connecting to the General Meeting electronically**

1.1.1 The General Meeting will be held at 18:00 on Thursday, 15 April 2021. GPI has retained the services of Computershare to host the General Meeting on an interactive electronic platform, in order to facilitate electronic participation and voting by Shareholders.

1.1.2 In order to attend the General Meeting and participate electronically thereat Shareholders must pre-register with the Transfer Secretaries by either:

1.1.2.1 registering online using the online registration portal at https://www.smartagm.co.za, by no later than 18:00 on Tuesday, 13 April 2021, for administrative reasons, in order for the Transfer Secretaries to arrange the participation of the Shareholder at the General Meeting and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the General Meeting by means of electronic participation. Shareholders may still register online to participate in and/or vote electronically at the General Meeting after this date, provided, however, that for those Shareholders to participate in and/or vote electronically at the General Meeting those Shareholders must be verified and registered (as required in terms of section 63(1) of the Companies Act by uploading their relevant verification documentation) before the commencement of the General Meeting; or

1.1.2.2 making a written application (on the Electronic Participation Form) to so participate, by completing and delivering the Electronic Participation Form to the Transfer Secretaries at First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the Shareholder), or sending it by email to proxy@computershare.co.za, so as to be received by the Transfer Secretaries by no later than 18:00 on Tuesday, 13 April 2021, for administrative reasons, in order for the Transfer Secretaries to arrange such participation for the Shareholder and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the General Meeting by means of electronic participation. Shareholders may still register/apply to participate in and/or vote electronically at the General Meeting after this date, provided, however, that for those Shareholders to participate in and/or vote electronically at the General Meeting those Shareholders must be verified and registered (as required in terms of section 63(1) of the Companies Act) before the commencement of the General Meeting.

1.1.3 Shareholders will thereafter be required to connect to the General Meeting through https://www.web.lumiagm.com or by downloading the Lumi AGM app from the Apple App Store or Google Playstore and following the relevant prompts. The General Meeting ID is 180-836-533. Shareholders are referred to the "Electronic Participation Meeting Guide" attached to the Notice of General Meeting for further instructions for electronic participation.

1.1.4 The Transfer Secretaries will by no later than 18:00 on Wednesday, 14 April 2021 notify eligible Shareholders of the username and password through which eligible Shareholders can participate electronically in and/or vote at the General Meeting.

1.1.5 In person registration of General Meeting participants will not be permitted.

1.1.6 Shareholders will be liable for their own network charges in relation to electronic participation in and/or voting at the General Meeting. Any such charges will not be for the account of GPI and/or Computershare. Neither GPI and/or Computershare can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any such Shareholder from participating in and/or voting at the General Meeting.

1.2 **Electronic voting at the General Meeting**

1.2.1 Shareholders connecting to the General Meeting electronically will be able to participate in the General Meeting. Voting will be conducted by poll and Shareholders will be able to cast their vote electronically at the General Meeting.

1.2.2 Shareholders are also encouraged to submit any questions to GPI's Company Secretary prior to the General Meeting, by no later than 18:00, Tuesday, 13 April 2021, at Amber@statucor.co.za. These questions will be addressed at the General Meeting.

1.2.3 All eligible Shareholders will be entitled to participate in the General Meeting and to vote (or abstain from voting) on the resolutions set out in the Notice of General Meeting.

2. DEMATERIALISED SHAREHOLDERS WHO ARE NOT OWN-NAME DEMATERIALISED SHAREHOLDERS

2.1 **Voting at the General Meeting**

2.1.1 Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the General Meeting and should thereafter cast your vote in accordance with your instructions.

2.1.2 If your Broker or CSDP has not contacted you, it is advisable for you to contact your Broker or CSDP and furnish them with your voting instructions.

2.1.3 If your Broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your Broker or CSDP.

2.1.4 **You must <u>not</u> complete the attached Form of Proxy (*grey*)**.

2.2 **Attendance and representation at the General Meeting**

2.2.1 In accordance with the custody agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:

2.2.1.1 participate electronically, speak and vote at the General Meeting; or

2.2.1.2 send a proxy to represent you at the General Meeting.

2.2.2 If you wish to electronically attend the General Meeting in person, your CSDP or Broker should then issue the necessary letter of representation to you for you or your proxy to participate electronically, speak and vote at the General Meeting. In order to attend the General Meeting electronically you must pre-register with the Transfer Secretaries by following the procedure set out in paragraph 1 above and submit the letter of representation to the Transfer Secretaries, as follows:

2.2.2.1 participants pre-registering to participate in the General Meeting using the online registration method, by uploading the letter of representation via the online registration portal; or

2.2.2.2 participants pre-registering to participate in the General Meeting by submitting the written application (the form of which is attached to the Notice of General Meeting), by submitting the letter of representation by post or by e-mail, as the case may be.

You must also connect to the General Meeting electronically, as explained in paragraph 1.1 above.

3. **CERTIFICATED SHAREHOLDERS AND OWN-NAME DEMATERIALISED SHAREHOLDERS**

3.1 **Voting and attendance at the General Meeting**

3.1.1 You may electronically attend the General Meeting (as explained in paragraph 1) and may vote (or abstain from voting) at the General Meeting. If you wish to be classified as attending the meeting electronically in person, you must pre-register with the Transfer Secretaries by following the procedure set out in paragraph 1 above. You must also connect to the General Meeting electronically, as explained in paragraph 1 above.

3.1.2 Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy (*grey*) in accordance with the instructions contained therein and lodging it, posting it or sending it via e-mail to the Transfer Secretaries to be received by them preferably by no later than 18:00 on Tuesday, 13 April 2021, provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be emailed to the Transfer Secretaries (who will provide same to the chairman of the General Meeting) at any time before the appointed proxy exercises any Shareholder rights at the General Meeting. The details of the Transfer Secretaries are as set out below:

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(Private Bag X9000, Saxonworld, 2132)
Email: proxy@computershare.co.za

4. **IDENTIFICATION**

4.1 In terms of section 63(1) of the Companies Act, all General Meeting participants will be required to provide identification reasonably satisfactory to the Transfer Secretaries, as follows:

4.1.1 participants pre-registering to participate in the General Meeting using the online registration method, by uploading the relevant documentation via the online registration portal; or

4.1.2 participants pre-registering to participate in the General Meeting by submitting the written application (the form of which is attached to the Notice of General Meeting), by submitting the relevant documentation by post or by e-mail, as the case may be.

4.2 The Transfer Secretaries must be reasonably satisfied that the right of that person to attend, participate in and vote at the General Meeting as a Shareholder or a proxy or representative of a Shareholder, has been reasonably verified. Acceptable forms of identification include valid and original South African drivers' licences, green barcoded identity documents or barcoded identification smart cards issued by the South African Department of Home Affairs and passports.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis,* to these salient dates and times.

	2021
Record date in order to be eligible to receive this Circular, including the Notice of General Meeting	Friday, 5 March
Circular distributed to Shareholders on	Friday, 12 March
Announcement giving salient dates and times, advising of the distribution of this Circular and giving the date and place of the General Meeting released on SENS on	Friday, 12 March
Above announcement published in the press on	Monday, 15 April
Last day to trade in Shares in order to be eligible to attend, participate in and vote at the General Meeting	Tuesday, 6 April
General Meeting record date in order to be eligible to attend, participate in and vote at the General Meeting	Friday, 9 April
For administrative purposes, last day for receipt of Forms of Proxy in respect of the General Meeting by 18:00 on	Tuesday, 13 April
Forms of Proxy not lodged with the Transfer Secretaries to be handed to the chairperson of the General Meeting, at any time before the proxy exercises any rights of the Shareholders at the General Meeting	Thursday, 15 April
General Meeting of Shareholders to be held at 18:00 on	Thursday, 15 April
Results of General Meeting released on SENS on	Friday, 16 April
Results of General Meeting published in the press on	Monday, 19 April
Disposal expected to be implemented on or about	Wednesday, 30 June

Notes

1. All of the above dates and times are subject to change. Any changes made will be notified to Shareholders on SENS.
2. Shareholders should note that, as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days in Johannesburg (South Africa) after such trade. Therefore, persons who acquire Shares after the last day to trade in order to be eligible to vote at the General Meeting, namely, Tuesday, 6 April 2021, will not be able to vote thereat.
3. If the General Meeting is adjourned or postponed, Forms of Proxy submitted for the initial General Meeting will remain valid in respect of any such adjournment or postponement.
4. All times given in this Circular are local times in South Africa.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates otherwise, reference to the singular shall include the plural and *vice versa*, words denoting one gender include the other, words and expressions denoting natural persons include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite to them in the second column.

"**Board**" or "**Directors**"	the board of directors of GPI;
"**Broker**"	a "stockbroker" as defined in the Financial Markets Act, or its nominee;
"**BKSA**"	Burger King South Africa (RF) Proprietary Limited, registration number 2011/143896/07, a limited liability private company duly incorporated in South Africa with its registered office at 33 Heerengracht, Foreshore, Cape Town, 8001 and a Subsidiary of GPI, held, as at the Last Practicable Date, 91.07% by GPI (via its wholly-owned Subsidiary, Grand Foods Investments 1) and 8.93% by Burger King Europe GmbH;
"**BKSA Adjustment Date**"	the fifth Business Day following the date on which the BKSA Completion Accounts and the BKSA Consideration Statement are agreed or determined in accordance with the Disposal Agreement;
"**BKSA Closing Nedbank Average Daily Net Debt**"	the arithmetic mean of the BKSA Nedbank Daily Net Debt over the Business Days in Johannesburg (South Africa) which occur during the period starting on (and including) the same date as the Closing Date in the calendar month prior to the Closing Date and ending on (but not including) the Closing Date, as set out in the BKSA Consideration Statement;
"**BKSA Completion Accounts**"	the consolidated statement of financial position of BKSA and the BKSA Subsidiaries as at the Effective Time (including the notes thereon), as prepared and agreed or determined, as the case may be, in accordance with the Disposal Agreement, as contemplated in paragraph 2.6.3;
"**BKSA Consideration**"	the amount payable for the BKSA Sale Shares under the Disposal, as set out in paragraph 2.6.1;
"**BKSA Consideration Statement**"	the statement setting out the amount of the BKSA Debt and Debt-like Items as shown in, or derived from, the BKSA Completion Accounts, and the BKSA Closing Nedbank Average Daily Net Debt and Store Capex Amount, together with the resulting calculation of the BKSA Consideration, and as prepared and agreed or determined, as the case may be, in accordance with the Disposal Agreement, as contemplated in paragraph 2.6.3;
"**BKSA Debt and Debt-like Items**"	in relation to BKSA and the BKSA Subsidiaries, the aggregate amount of their respective borrowings and other financial indebtedness in the nature of borrowings (save to the extent included within BKSA's Nedbank current overdraft debt balance), as set out in the Disposal Agreement, in each case as at the Effective Time and shown in the BKSA Completion Accounts, calculated on a consolidated basis in accordance with the relevant accounting principles, policies, standards, practices, evaluation rules and estimation techniques specified in the Disposal Agreement;
"**BKSA Disposal**"	the disposal by the Company (via its wholly-owned Subsidiary, the BKSA Seller) of the BKSA Sale Shares for the BKSA Consideration, as contemplated in the Disposal Agreement, which includes as a pre-transaction step, the implementation of the BKSA Intra-Group Loan Capitalisation;
"**BKSA Group**"	BKSA and its Subsidiaries from time to time;

"**BKSA Intra-Group Loan Capitalisation**"	the capitalisation of all intra-group loans between GPI and its subsidiaries (including the BKSA Seller) and BKSA by the issue of ordinary shares in the capital of BKSA to the BKSA Seller in full and final repayment of such intra-group loan indebtedness;
"**BKSA Nedbank Daily Net Debt**"	in respect of each relevant Business Day in Johannesburg (South Africa), the sum BKSA's Nedbank current cash balance minus the BKSA's Nedbank overdraft debt balance (for the avoidance of doubt, expressed as a positive number such that it is subtracted from the BKSA Nedbank current cash balance) at the end of such Business Day in Johannesburg (South Africa);
"**BKSA Sale Shares**"	all of the shares held by the BKSA Seller in BKSA comprising, as at the Last Practicable Date, 91.07% and which will comprise, following the BKSA Intra-Group Loan Capitalisation, 95.78% of the issued share capital of BKSA;
"**BKSA Seller**"	Grand Foods Investments 1;
"**BKSA Share Pledge**"	a first priority share pledge *in securitatem debiti* by ECP in favour of the BKSA Seller in respect of such number of shares constituting 10% of the BKSA Sale Shares to be acquired under the BKSA Disposal;
"**BKSA Tranche 2 Payment**"	has the meaning given thereto in paragraph 2.6.1.2.3.1 of this Circular;
"**BKSA Tranche 3 Payment**"	has the meaning given thereto in paragraph 2.6.1.2.3.2 of this Circular;
"**Business Day**"	any day, other than a Saturday, Sunday or any other day on which commercial banks located in Johannesburg (South Africa), Port Louis (Republic of Mauritius) and Washington D.C. (United States of America) are authorised or required by applicable law to be closed for business;
"**Certificated Shareholders**"	holders of Certificated Shares;
"**Certificated Shares**"	Shares being "certificated securities" as defined in the Financial Markets Act and having accordingly not been Dematerialised, title to which are evidenced by Documents of Title;
"**Circular**"	this circular to Shareholders, dated Friday, 12 March 2021, including all annexures hereto;
"**Closing Conditions**"	the various conditions to consummate the Disposal, as set out in paragraph 2.5 of this Circular;
"**Closing Date**"	the date being 15 (fifteen) Business Days following the date on which the last of the Closing Conditions have been satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date);
"**Companies Act**"	Companies Act, No. 71 of 2008, as amended;
"**Company Secretary**"	Statucor Proprietary Limited, further particulars of which appear in the "*Corporate Information*" sector of this Circular;
"**Companies Group**"	BKSA, its Subsidiaries and GFMP;
"**Comparative Footfall**"	the consolidated monthly footfall at BKSA stores that have been trading for a full 24 months when compared to the same month two years earlier;
"**Competition Act**"	the South African Competition Act, No. 89 of 1998;
"**Competition Authorities**"	the commission, tribunal or appeal court established pursuant to the Competition Act, as the case may be;
"**COVID**"	the novel coronavirus (COVID-19 virus) and any evolutions or mutations thereof or related or associated epidemics, pandemic or disease outbreaks;

"**CSDP**"	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, with whom a Shareholder holds a Dematerialised share account;
"**Custody Agreement**"	a custody mandate agreement between a Shareholder and a CSDP or Broker, regulating their relationship in respect of Dematerialised Shares held on GPI's uncertificated securities register administered by a CSDP or Broker on behalf of that person;
"**Dematerialise**" or "**Dematerialisation**"	the process by which Certificated Shares are converted into an electronic format as Dematerialised Shares and recorded in GPI's uncertificated securities register administered by a CSDP;
"**Dematerialised Shareholders**"	Shareholders who hold Dematerialised Shares;
"**Dematerialised Shares**"	Shares which have been Dematerialised and incorporated into the Strate system and which are no longer evidenced by certificates or other physical Documents of Title;
"**Disposal**"	collectively, the BKSA Disposal and the GFMP Disposal;
"**Disposal Agreement**"	the sale of shares agreement concluded between the BKSA Seller, the GFMP Seller and ECP on 19 February 2021, in respect of the Disposal;
"**Disposal Consideration**"	the aggregate of the BKSA Consideration and the GFMP Consideration;
"**Documents of Title**"	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Shares in question, acceptable to the Board or as provided for in the Disposal Agreement;
"**ECP**" or "**Purchaser**"	ECP Power and Water Holding LLC, a private company limited by shares incorporated in the Republic of Mauritius (registration number 150231) Africa Fund IV LLC, with its registered address at IFS Court, Twenty-eight, Cybercity, Ebene, Mauritius;
"**Effective Time**"	close of business on the Business Day before the Closing Date;
"**Electronic Participation Form**"	the electronic participation form annexed to the Notice of General Meeting;
"**Financial Markets Act**"	the Financial Markets Act, No. 19 of 2012, as amended;
"**Form of Proxy**"	for purposes of the General Meeting, the form of proxy (*grey*) for use only by Certificated Shareholders and Own-Name Dematerialised Shareholders;
"**General Meeting**"	the general meeting of Shareholders to be held in electronic format only on Thursday, 15 April 2021 at 18:00, convened in terms of the Notice of General Meeting enclosed and forming part of this Circular;
"**GFMP**"	Grand Foods Meat Plant Proprietary Limited, registration number 2013/095317/07, a limited liability private company duly incorporated in South Africa with its registered office at 33 Heerengracht, Foreshore, Cape Town, 8001 and a wholly-owned Subsidiary of Grand Foods, which in turn is a wholly-owned Subsidiary of GPI;
"**GFMP Adjustment Date**"	the fifth Business Day following the date on which the GFMP Completion Accounts and the GFMP Consideration Statement are agreed or determined in accordance with the Disposal Agreement;
"**GFMP Completion Accounts**"	the consolidated statement of financial position of GFMP as at the Effective Time (including the notes thereon), as prepared and agreed or determined, as the case may be, in accordance with the Disposal Agreements, as contemplated in clause 2.6.3;
"**GFMP Consideration**"	the amount payable for the GFMP Sale Shares under the Disposal, as set out in paragraph 2.6.2 of the Circular;

"**GFMP Consideration Statement**"	the statement setting out the amount of GFMP Debt and Debt-like Items as shown in, or derived from, the GFMP Completion Accounts, and the GFMP Nedbank/Standard Bank Closing Average Daily Net Debt, together with the resulting calculation of the GFMP Consideration, and as prepared and agreed or determined, as the case may be, in accordance with the Disposal Agreement, as contemplated in paragraph 2.6.3;
"**GFMP Debt and Debt-like Items**"	in relation to GFMP, the aggregate amount of its respective borrowings and other financial indebtedness in the nature of borrowings (save to the extent included within GFMP's Standard Bank overdraft debt balance), as set out in the Disposal Agreement, in each case as at the Effective Time and shown in the GFMP Completion Accounts, calculated on a consolidated basis in accordance with the relevant accounting principles, policies, standards, practices, evaluation rules and estimation techniques specified in the Disposal Agreement;
"**GFMP Disposal**"	the disposal by the Company (via its wholly-owned Subsidiary, Grand Foods) of the GFMP Sale Shares for the GFMP Consideration, as contemplated in the Disposal Agreement, which includes as a pre-transaction step, the implementation of the GFMP Intra-Group Loan Capitalisation;
"**GFMP Intra-Group Loan Capitalisation**"	the capitalisation of all intra-group loans between the GFMP Seller and GFMP by the issue of ordinary shares in the capital of GFMP to the GFMP Seller in full and final repayment of such intra-group loan indebtedness;
"**GFMP Nedbank/Standard Bank Daily Net Debt**"	in respect of each relevant Business Day in Johannesburg (South Africa), the sum of the GFMP's Nedbank current cash balance minus GFMP's Standard Bank current overdraft debt balance (for the avoidance of doubt, expressed as a positive number such that it is subtracted from the GFMP Nedbank current cash balance) at the end of such Business Day in Johannesburg (South Africa);
"**GFMP Nedbank/Standard Bank Closing Average Daily Net Debt**"	the arithmetic mean of the GFMP Nedbank/Standard Bank Daily Net Debt over the Business Days in Johannesburg (South Africa) which occur during the period starting on (and including) the same date as the Closing Date in the calendar month prior to the Closing Date and ending on (but not including) the Closing Date, as set out in the GFMP Consideration Statement;
"**GFMP Sale Shares**"	all of the shares held by Grand Foods in GFMP, comprising 100% of the issued share capital of GFMP;
"**GFMP Seller**"	Grand Foods;
"**GFMP Share Pledge**"	a first priority share pledge *in securitatem debiti* by ECP in favour of the GFMP Seller in respect of such number of shares constituting 10% of the GFMP Sale Shares to be acquired under the GFMP Disposal;
"**GFMP Tranche 2 Payment**"	has the meaning given thereto in paragraph 2.6.2.2.3.1 of this Circular;
"**GFMP Tranche 3 Payment**"	has the meaning given thereto in paragraph 2.6.2.2.3.2 of this Circular;
"**GPI**" or "**the Company**"	Grand Parade Investments Limited, registration number 1997/003548/06, a limited liability public company duly incorporated in South Africa and listed on the JSE;
"**GPI Investments 1**"	GPI Investments 1 (RF) Proprietary Limited, registration number 2014/094498/07, a limited liability private company duly incorporated in South Africa and a wholly-owned Subsidiary of GPI;
"**GPI Properties**"	GPI Properties Proprietary Limited, registration number 2011/148809/07, a limited liability private company duly incorporated in South Africa and a wholly-owned Subsidiary of GPI;

"Grand Casino Investments"	Grand Casino Investments Proprietary Limited, registration number 2000/029598/07, a limited liability private company duly incorporated in South Africa and a wholly-owned Subsidiary of GPI;
"**Grand Foods**"	Grand Foods Proprietary Limited, registration number 2012/165169/07, a limited liability private company duly incorporated in South Africa and a wholly-owned Subsidiary of GPI;
"**Grand Foods Investments 1**"	Grand Foods Investments 1 Proprietary Limited, registration number 2008/015271/07, a limited liability private company duly incorporated in South Africa and a wholly-owned Subsidiary of Grand Foods, which in turn is a wholly-owned Subsidiary of GPI;
"**Group**" or "**GPI Group**"	GPI and its Subsidiaries from time to time;
"**Heerengracht Disposal**"	the disposal by GPI's wholly-owned subsidiary, GPI Properties of the property situated at 33 Heerengracht Street, being erf 110 Cape Town, to Aragon Property Development Proprietary Limited;
"**Heerengracht Disposal Agreement**"	the sale agreement entered into between GPI Properties and Aragon Property Development Proprietary Limited on 26 June 2020 in respect of the Heerengracht Disposal;
"**IFRS**"	International Financial Reporting Standards as issued by the Board of the International Accounting Standards Committee from time to time;
"**Independent Reporting Accountant**" or "**Independent Auditor**"	Ernst & Young Incorporated, with practice number: 918288, the independent reporting accountant and auditor of the GPI Group;
"**Intra-Group Loan Capitalisations**"	the BKSA Intra-Group Loan Capitalisation and the GFMP Intra-Group Loan Capitalisation;
"**JSE**"	the exchange, licenced under the Financial Markets Act, operated by the JSE Limited, registration number 2005/022939/06, a limited liability public company duly incorporated in South Africa;
"**JSE Listings Requirements**"	the Listings Requirements of the JSE in force as at the Last Practicable Date;
"**Last Practicable Date**"	the last practicable date before finalisation of this Circular, which date was Friday, 26 February 2021;
"**Mac Brothers**"	Mac Brothers Catering Equipment Proprietary Limited, registration number 2002/005422/07, a limited liability private company duly incorporated in South Africa and a wholly-owned Subsidiary of Grand Foods;
"**Major Subsidiaries**"	those Subsidiaries of GPI which represent 25% or more of the total assets or revenue of the consolidated GPI Group based on the latest published results, being Grand Foods, Grand Casino Investments and GPI Investments 1;
"**Material Adverse Effect**"	any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, with or without the lapse of time, materially adverse to (a) the business, results of operations, condition (financial or otherwise), or assets of the Companies Group, taken as a whole (provided that, without limiting the foregoing, any event, occurrence, fact, condition or change which results in, or could reasonably be expected to result in: (i) an aggregate decline of 20% or more in the Comparative Footfall; or (ii) the cessation of operations by GFMP for seven or more calendar day, will constitute a Material Adverse Effect); or (b) the ability of either BKSA Seller or GFMP Seller to consummate the transactions contemplated hereby on a timely basis;

"**Meat Plant Property**"	the property on which GFMP's burger production facility is situated, being Erf number 33996, Goodwood in respect of 4 Epping Circle, Jan van Riebeek Drive, Elsies River Industrial, Goodwood, Cape Town, South Africa;
"**MOI**"	the memorandum of incorporation of GPI;
"**Nedbank**"	Nedbank Limited, acting through its Business Banking Division;
"**Nedbank Approval**"	the irrevocable and unconditional written: (i) approval of Nedbank of the transactions contemplated by the Disposal Agreement; and (ii) confirmation that the Nedbank overdraft facility, forward exchange facility, a revolving credit line facility, a letter of guarantee, a NedFleet facility and a Nedbank business credit collection facility shall continue to be available to BKSA as at the Closing Date with no security or other *lien* being required to be provided other than various written pledges and cessions of call accounts granted by BKSA in favour of Nedbank and a general notarial bond from BKSA for no more than ZAR75 000 000 in form and substance satisfactory to ECP;
"**Notice of General Meeting**"	the notice of the General Meeting enclosed and forming part of this Circular;
"**Own-Name Registration**" or "**Own-Name Dematerialised Shareholders**"	Shareholders who hold Shares that have been Dematerialised and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Shareholder;
"**PSG Capital**" or "**Sponsor**"	PSG Capital Proprietary Limited, registration number 2006/015817/07, a limited liability private company duly incorporated in South Africa, further particulars of which appear in the "*Corporate Information*" sector of this Circular;
"**Rand**" or "**R**"	South African Rand;
"**Register**"	the register of Shareholders;
"**Sale Shares**"	means the shares proposed to be sold under the Disposal, being, collectively, the BKSA Sale Shares and the GFMP Sale Shares;
"**Sellers**"	collectively, the GFMP Seller (in respect of the GFMP Disposal) and the BKSA Seller (in respect of the BKSA Disposal); and "Seller" shall mean either one of them, as the context may indicate;
"**Seller Parent Guarantee Agreement**"	the seller parent guarantee agreement entered into between GPI and ECP on 19 February 2021 pursuant to which GPI provides the Seller Parent Guarantee in favour of ECP;
"**Seller Parent Guarantee**"	the irrevocable and unconditional guarantees provided by GPI in favour of ECP for the due and punctual payment, performance and discharge by the Sellers of their obligations under the Disposal Agreement and ancillary documentation to be entered into pursuant to or in connection with the Disposal Agreement;
"**SENS**"	the Stock Exchange News Service of the JSE;
"**Shareholders**" or "**GPI Shareholders**"	registered holders of Shares;
"**Shares**" or "**GPI Shares**"	ordinary no par value shares in the share capital of GPI and which shares are listed on the JSE;
"**Share Pledges**"	the GFMP Share Pledge and the BKSA Share Pledge;
"**South Africa**"	the Republic of South Africa;
"**SIL**"	Sun International Limited, registration number 1967/007528/07, a limited liability public company duly incorporated in South Africa and listed on the JSE;

"**Spur Agreement**"	the share buyback agreement entered into between GPI's wholly-owned Subsidiary, GPI Investments 1, Spur Group Proprietary Limited and Spur Corporation on or about 26 June 2019 in respect of the Spur Disposal;
"**Spur Corporation**" or "**Spur**"	Spur Corporation Limited, registration number 1998/000828/06, a limited liability public company duly incorporated in South Africa and 9.3% of which company's issued shares are, as at the Last Practicable Date, owned by GPI, as beneficial owner and registered holder;
"**Spur Disposal**"	the disposal by GPI's wholly-owned Subsidiary, GPI Investments 1, of a 10% interest in Spur Corporation to Spur Corporation as contemplated in the Spur Agreement, the details of which was announced on SENS on 27 June 2019;
"**Strate**"	Strate Proprietary Limited, registration number 1998/022242/07, a limited liability private company duly incorporated in South Africa, a central securities depository licenced in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
"**Store Capex Amount**"	in respect of capital expenditure incurred by the BKSA Seller in respect of certain new stores to be opened by BKSA, an amount of R15 000 000. However, if there are any new stores in respect of which Sellers have not provided ECP (to its reasonable satisfaction) evidence that 100% of the target capital expenditure as set out in the Disposal Agreement has been fully spent and paid for, (each such new store a "**Relevant New Store**") then the Store Capex Amount shall be reduced (on a rand for rand basis) by the aggregate shortfall for all such Relevant New Stores;
"**Subsidiary**"	a subsidiary as defined in the Companies Act;
"**SunSlots**"	Sun Slots (RF) Proprietary Limited, registration number 2003/005175/07, a limited liability private company duly incorporated in South Africa and 30% of which company's issued shares are, as at the Last Practicable Date, owned by Grand Casino Investments, a wholly-owned subsidiary of GPI;
"**SunSlots Disposal**"	the sale by Grand Casino Investments of all of the ordinary shares held by Grand Casino Investments in SunSlots, comprising 30% of SunSlots's entire issued ordinary share capital to SunSlots, as contemplated in the SunSlots Disposal Agreement;
"**SunSlots Disposal Agreement**"	the share repurchase agreement entered into between Grand Casino Investments and SunSlots on or about 30 August 2019 in respect of the SunSlots Disposal, but which agreement has lapsed;
"**SunWest**"	SunWest Proprietary Limited, registration number 1994/003869/07, a limited liability private company duly incorporated in South Africa, and 15.1% of which company's issued shares are, as at the Last Practicable Date, owned by GPI;
"**Tranche 2 Payments**"	both the BKSA Tranche 2 Payment and the GFMP Tranche 2 Payment;
"**Tranche 3 Payments**"	both the BKSA Tranche 3 Payment and the GFMP Tranche 3 Payment;
"**Transfer Secretaries**" or "**Computershare**"	Computershare Investor Services Proprietary Limited, registration number 2004/003647/07, a limited liability private company duly incorporated in South Africa, further particulars of which appear in the "*Corporate Information*" sector of this Circular; and
"**Worcester Casino**"	Worcester Casino Proprietary Limited, registration number 1998/016221/07, a limited liability private company duly incorporated in South Africa, and 15.1% of which company's issued shares are, as at the Last Practicable Date, owned by GPI.

GRAND PARADE

INVESTMENTS LIMITED

GRAND PARADE INVESTMENTS LIMITED

Incorporated in the Republic of South Africa
(Registration number: 1997/003548/06)
Share code: GPL ISIN: ZAE000119814
("**GPI**" or "**the Company**")

Directors

Alexander Abercrombie* (*Non-Executive Chairman*)
Mohsin Tajbhai (*Chief Executive Officer*)
Jayson October (*Chief Financial Officer*)
Walter Geach*#
Mark Bowman*#
Ronel van Dijk*#
Monde Nkosi*
Rozanna Kader*

* Non-executive
# Independent

CIRCULAR TO GPI SHAREHOLDERS

1. **INTRODUCTION AND PURPOSE OF THIS CIRCULAR**

1.1 Shareholders are referred to the Company's announcement on SENS on 22 February 2021 advising that the Sellers had concluded the Disposal Agreement and that a circular would be distributed to Shareholders containing further details of the Disposal.

1.2 In terms of the Disposal, it is proposed that GPI (via its wholly-owned Subsidiaries, Grand Foods and Grand Foods Investments 1) disposes of its entire shareholding in BKSA and in GFMP to ECP.

1.3 The purpose of this Circular is to:

1.3.1 provide Shareholders with the requisite information in accordance with the JSE Listings Requirements regarding the Disposal so as to enable Shareholders to make an informed decision on how they will vote on the resolutions set out in the Notice of the General Meeting enclosed with this Circular; and

1.3.2 convene the General Meeting of Shareholders in order to pass such resolutions as are necessary to authorise and implement the Disposal.

2. **DETAILS OF THE DISPOSAL**

2.1 **Overview**

2.1.1 As mentioned above, in terms of the Disposal, GPI will dispose of the Sale Shares, being (i) its entire shareholding in BKSA, which will comprise 95.78% of the issued share capital of BKSA following the BKSA Intra-Group Loan Capitalisation and (ii) its entire shareholding in GFMP, comprising 100% of the issued share capital of GFMP, to ECP for the Disposal Consideration.

2.1.2 All intra-group loans that GPI and its subsidiaries (including the BKSA Seller) may have against BKSA will be capitalised and converted to equity pursuant to the BKSA Intra-Group Loan Capitalisation as an inter-conditional preliminary transaction step before the Closing Date and, accordingly, ECP will not be acquiring any shareholder loan claims. The aggregate amount outstanding in respect of such intra-group loans for purposes of the BKSA Intra-Group Loan Capitalisation is R635 049 600 ("**BKSA Outstanding Amount**") and the number of ordinary shares in the capital of BKSA to be issued to the BKSA Seller will be 1 872 shares (thereby increasing the BKSA Seller's shareholding in BKSA to an aggregate of 95.78% of BKSA's share capital following the BKSA Intra-Group Loan Capitalisation), in full and final repayment of the BKSA Outstanding Amount. The shares to be issued pursuant to the BKSA Intra-Group Loan Capitalisation are calculated using the fair value of BKSA based on the BKSA Consideration.

2.1.3 All intra-group loans that the GFMP Seller may have against GFMP will be capitalised and converted to equity pursuant to the GFMP Intra-Group Loan Capitalisation as an inter-conditional preliminary transaction step before the Closing Date and, accordingly, ECP will not be acquiring any shareholder loan claims. The aggregate amount outstanding in respect of such intra-group loans for purposes of the GFMP Intra-Group Loan Capitalisation is R9 989 331 ("**GFMP Outstanding Amount**") and the number of ordinary shares in the capital of GFMP to be issued to the GFMP Seller will be 102 shares, in full and final repayment of the GFMP Outstanding Amount. The shares to be issued pursuant to the GFMP Intra-Group Loan Capitalisation are calculated using the fair value of GFMP based on the GFMP Consideration.

2.1.4 The BKSA Intra-Group Loan Capitalisation and the GFMP Intra-Group Loan Capitalisation will be fully implemented prior to the Closing Date.

2.1.5 Details of the above intra-group loans are disclosed in **Annexure 5**.

2.2 **The Purchaser**

2.2.1 ECP is a leading private equity firm focused on Africa. During the 20 years since ECP was established, the firm has raised over $3 billion for private equity investment in Africa, has made over 60 investments across the continent and has fully exited 45 of these investments returning over $1.3 billion to investors to date. ECP has over two dozen professionals that operate from offices across Africa, including Johannesburg, Nairobi, Abidjan and in Washington DC. ECP has had a long history in South Africa with Nelson Mandela sitting on ECP's first fund's advisory committee. ECP's most recent fund, ECP Africa Fund IV and related entities, which achieved final close in September 2018, has over $640 million in commitments. ECP is not a related party to GPI and no director of GPI is a shareholder or director of ECP.

2.2.2 ECP has substantial experience investing in the African consumer sector. The consumer sector has been one of ECP's largest sectors by number of investments with ECP having completed 12 transactions in the sector. ECP is a highly experienced private equity investor in the African restaurant sector. The ECP senior team that led the Java House investment and sat on the board of Java House for five years, and more recently led the Artcaffe investment and sit on its board, is the same team that would be actively engaged on BKSA. The team members sit on the boards of several South African companies, as well as numerous other fast-growing African companies.

2.3 **Rationale for the Disposal and use of proceeds**

2.3.1 GPI is an investment holding company with minority interests in the gaming industry and controlling interests in the food and manufacturing industry. GPI has historically traded at a significant discount to its intrinsic net asset value ("**iNAV**"), with a large portion of the discount attributed to its food and manufacturing investments. Over the last two years management has undergone a process of restructuring the business with the main aim of reducing the discount to iNAV. This process involved discontinuing loss making businesses (such as the voluntary liquidation of Dunkin Donuts and Baskin Robbins) and improving the profitability of its operational food and manufacturing businesses. The restructure resulted in a vast improvement in profitability, which assisted in reducing the discount.

2.3.2 The next phase of the journey to reduce the discount and unlock value for shareholders is the controlled and selected sale of GPI's attractive portfolio of assets. The sale of GPI's interest in BKSA and GFMP represents a significant milestone in this value unlock strategy for GPI shareholders.

2.3.3 GPI played a pivotal role in bringing Burger King to South Africa. Through the Disposal, GPI has attracted much-needed foreign investment that will support the growth of BKSA going forward. This should have a positive impact on BKSA and job creation.

2.4 **Application of the Disposal Consideration**

The proceeds of the Disposal will be used to partially settle debt and the remaining proceeds will be returned to Shareholders subject to solvency and liquidity requirements and other relevant provisions of the Companies Act and Board determination in due course. This forms part of GPI's strategy to unlock value for Shareholders through a controlled sale of its underlying assets.

2.5 **Closing Conditions**

2.5.1 The obligations of each party to consummate the transactions contemplated by the Disposal Agreement is subject to the fulfilment, at or prior to 19 June 2021, of each of the following conditions:

2.5.1.1 ECP shall have received the approval for the Disposal from the Competition Authorities in terms of the Competition Act on conditions acceptable to ECP and provided such approval to the Sellers, and such approval shall not have been revoked;

2.5.1.2 GPI shall have received the approval by GPI's Shareholders for the Disposal in accordance with provisions of the JSE Listings Requirements, and provided evidence of such Shareholder approval to ECP, and such Shareholder approval shall not have been revoked;

2.5.1.3 no governmental authority shall have enacted, issued, promulgated, enforced or entered any injunction or restraining order which is in effect and has the effect of making the Disposal illegal, otherwise prohibiting consummation of such transaction or causing any of the transactions contemplated in the Disposal Agreement to be rescinded following completion thereof;

2.5.1.4 no claim, action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, or subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity shall have been commenced against ECP, either Seller or any member of the Companies Group which would make the transactions contemplated by the Disposal Agreement illegal, otherwise prohibit consummation of such transactions or cause any of the transactions contemplated thereunder to be rescinded following completion thereof;

2.5.1.5 the procurement of relevant approvals and waivers by Burger King Europe GmbH or any affiliate party (to the extent applicable) to the Disposal and amendments to the relevant agreements between Burger King Europe GmbH and BKSA;

2.5.1.6 a new shareholders agreement in respect of BKSA and the termination of the existing BKSA shareholders' agreement, shall have been duly executed by the parties thereto;

2.5.1.7 no judgement, injunction or restraining order shall have been issued by any governmental authority, and be in effect, which restrains or prohibits any material transaction contemplated in the Disposal Agreement;

2.5.1.8 the procurement of consents and approvals from the bankers of BKSA, in relation to the release of existing security provided by GPI;

2.5.1.9 ECP shall have received the new duly executed written services agreement in relation to the provision of IT services by relevant service providers.

2.5.2 The obligations of ECP to consummate the transactions contemplated by the Disposal Agreement shall be subject to the fulfilment or ECP's waiver, at or prior to 19 June 2021, of each of the following conditions:

2.5.2.1 the representations and warranties of the Sellers contained in the Disposal Agreement and ancillary documentation to be entered into pursuant to or in connection with the Disposal Agreement shall be true and correct in all material respects on and as of the date of the Disposal Agreement and on and as of the Closing Date, provided, however, that the foregoing materiality qualifier shall not apply to certain fundamental warranties and any such representation and warranties which are already qualified by materiality;

2.5.2.2 the Sellers and their affiliates (including each member of the Companies Group) shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by the Disposal Agreement and ancillary documentation entered into pursuant to or in connection with the Disposal Agreement to be performed or complied with by it prior to or on the Closing Date;

2.5.2.3 all required approvals, consents and waivers from counterparties of certain contracts, permits, documents or agreements that are listed in the disclosure schedules to the Disposal Agreement shall have been received (and not be conditioned save for the occurrence of closing on the Closing Date), and executed counterparts thereof shall have been delivered to ECP;

2.5.2.4 there shall not have occurred any Material Adverse Effect since the date of the Disposal Agreement;

2.5.2.5 all the steps to implement the Intra-Group Loan Capitalisations shall have been completed to the reasonable satisfaction of ECP and the Sellers shall have delivered the relevant agreements and documents in respect thereof to ECP (in each case duly executed by the parties thereto) and the Sellers shall have delivered certified copies of the statutory books of BKSA and GFMP and duly written up to reflect completion of the Intra-Group Loan Capitalisations;

2.5.2.6 the Sellers shall have delivered to ECP a legal opinion from the Sellers' counsel addressed to BKSA and ECP in relation to, *inter alia*, the Sellers' capacity and authority to enter into and perform all obligations under the Disposal and the legal effect of the Disposal;

2.5.2.7 ECP shall have received the Nedbank Approval, and such Nedbank Approval shall not have been revoked;

2.5.2.8 the Sellers shall have delivered to ECP the lease agreement pursuant to which GFMP is granted a lease of the Meat Plant Property, on terms and conditions (including as to rent) which are at least as favourable to GFMP as the current Meat Plant Property lease agreement, for a period of five years (and pursuant to which GFMP shall have the option to renew such lease on the same terms for a further period of five years) (the "**Meat Plant Property New Lease**"). The Meat Plant Property New Lease shall be in form and substance reasonably satisfactory to both GPI and ECP;

2.5.2.9 Sellers shall have delivered to ECP a new written master supply and services agreement in relation to the provision of manufacturing, production, supply and/or maintenance services in respect of restaurant equipment of BKSA, in form and substance satisfactory to ECP and Sellers;

2.5.2.10 Sellers shall have delivered to ECP evidence (to the reasonable satisfaction of ECP) that BKSA and GFMP are covered by the terms of the insurance policies currently in place in respect of BKSA and GFMP (except for the directors and officers policy and the commercial crimes policy) until at least October 31, 2021 and that the interest of ECP has been properly noted on such insurance policies;

2.5.2.11 Sellers shall have delivered to ECP confirmation of the total amount of accruals in respect the BKSA group staff bonuses and the GFMP staff bonuses as at the Closing Date and the total aggregate accruals in respect of such bonuses as at the Closing Date, in a form acceptable to ECP;

2.5.2.12 ECP shall have received a certificate, dated the Closing Date and signed by a duly authorised officer of each of the Sellers, confirming that each of the conditions set forth in paragraphs 2.5.2.1, 2.5.2.2 and 2.5.2.4 have been satisfied; and

2.5.2.13 the Sellers shall have delivered to ECP such other documents or instruments as ECP reasonably requests and are reasonably necessary to consummate the transactions contemplated by the Disposal Agreement.

2.5.3 The obligations of the Sellers to consummate the transactions contemplated by the Disposal Agreement shall be subject to the fulfilment or the Sellers' waiver, at or prior to 19 June 2021, of each of the following conditions:

2.5.3.1 the representations and warranties of ECP contained in the Disposal Agreement and ancillary documents to be entered into pursuant to or in connection with the Disposal Agreement shall shall be true and correct in all respects on and as of the date of the Disposal Agreement and on and as of the Closing Date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date);

2.5.3.2 ECP shall have duly performed and complied in all respects with all agreements, covenants and conditions required by the Disposal Agreement and ancillary documentation entered into pursuant to or in connection with the Disposal Agreement to be to be performed or complied with by it prior to or on the Closing Date;

2.5.3.3 the Share Pledges shall have been duly executed by ECP and the BKSA Seller and the GFMP Seller (as applicable);

2.5.3.4 the Sellers shall have received a certificate, dated the Closing Date and signed by a duly authorised officer of ECP, that each of the conditions set forth in paragraphs 2.5.3.1 and 2.5.3.2 have been satisfied; and

2.5.3.5 ECP shall have delivered to the Sellers such other documents or instruments as the Sellers reasonably requests and are reasonably necessary to consummate the Disposal.

2.6 **The Disposal Consideration and Payment**

2.6.1 <u>BKSA Consideration</u>

2.6.1.1 The BKSA Consideration shall be an amount equal to the sum of the following:

2.6.1.1.1 95.78% of R570 000 000;

2.6.1.1.2 *plus* 95.78% of the Store Capex Amount;

2.6.1.1.3 *minus* an amount equal to 95.78% of the BKSA Debt and Debt-like Items; and

2.6.1.1.4 *minus* an amount equal to 95.78% of the BKSA Closing Nedbank Average Daily Net Debt.

2.6.1.2 ECP shall settle the BKSA Consideration as follows:

2.6.1.2.1 on the Closing Date, ECP shall pay to the BKSA Seller an amount ("**BKSA Tranche 1 Payment**") equal to 90% of the BKSA Seller's good faith estimate of the BKSA Consideration ("**BKSA Estimated Consideration**"). The BKSA Estimated Consideration will be calculated by the BKSA Seller based on the estimated consolidated statements of financial position of BKSA and its subsidiaries as at the Effective Time and shall be delivered in a statement ("**BKSA Estimate Statement**") at least 10 Business Days before the Closing Date. To the extent that BKSA fails to deliver the BKSA Estimate Statement or ECP notifies the BKSA Seller that it disagrees with such amount set out in the BKSA Estimate Statement, then for the purposes of determining the BKSA Estimated Consideration, the BKSA Debt and Debt-like Items shall be deemed to be R19 351 022 and the BKSA Closing Nedbank Average Daily Net Debt shall be deemed to be R38 852 676.

2.6.1.2.2 Notwithstanding the aforementioned, if the actual BKSA Consideration set out in the BKSA Consideration Statement is:

2.6.1.2.2.1 less than the BKSA Estimated Consideration, the BKSA Seller shall pay to ECP the amount by which the BKSA Tranche 1 Payment exceeded the amount equal to 90% of the actual BKSA Consideration on or before the BKSA Adjustment Date; or

2.6.1.2.2.2 more than the BKSA Estimated Consideration, ECP shall pay to the BKSA Seller the amount by which the BKSA Tranche 1 Payment is less than the amount equal to 90% of the actual BKSA Consideration on or before the BKSA Adjustment Date.

2.6.1.2.3 subject to set off, withholding and deferment pursuant to and in accordance with paragraph 2.6.4:

2.6.1.2.3.1 6 months after the Closing Date, ECP shall pay to the BKSA Seller 5% of the BKSA Consideration in cash by electronic funds transfer to bank account/s designated by the BKSA Seller ("**BKSA Tranche 2 Payment**"); and

2.6.1.2.3.2 24 months after the Closing Date, ECP shall pay to the BKSA Seller the remaining 5% of the BKSA Consideration in cash by electronic funds transfer to bank account/s designated by the BKSA Seller ("**BKSA Tranche 3 Payment**").

2.6.2 <u>GFMP Consideration</u>

2.6.2.1 The GFMP Consideration shall be an amount equal to the sum of the following:

2.6.2.1.1 R23 000 000;

2.6.2.1.2 *minus* an amount equal to the GFMP Debt and Debt-like Items; and

2.6.2.1.3 *minus* an amount equal to the GFMP Closing Nedbank/Standard Bank Average Daily Net Debt.

2.6.2.2 ECP shall settle the GFMP Consideration as follows:

2.6.2.2.1 on the Closing Date, ECP shall pay to the GFMP Seller an amount ("**GFMP Tranche 1 Payment**") equal to 90% of the GFMP Seller's good faith estimate of the GFMP Consideration ("**GFMP Estimated Consideration**"). The GFMP Estimated Consideration will be calculated by the GFMP Seller based on the estimated statements of financial position of GFMP as at the Effective Time and shall be delivered in a statement ("**GFMP Estimate Statement**") at least 10 Business Days before the Closing Date. To the extent that GFMP fails to deliver the GFMP Estimate Statement or ECP notifies the GFMP Seller that it disagrees with such amount set out in the GFMP Estimate Statement, then for the purposes of determining the GFMP Estimated Consideration, the GFMP Debt and Debt-like Items shall be deemed to be R5 615 176 and the GFMP Closing Nedbank/Standard Bank Average Daily Net Debt shall be deemed to be R984 413.

2.6.2.2.2 Notwithstanding the aforementioned, if the actual GFMP Consideration set out in the GFMP Consideration Statement is:

2.6.2.2.2.1 less than the GFMP Estimated Consideration, the GFMP Seller shall pay to ECP the amount by which the GFMP Tranche 1 Payment exceeded the amount equal to 90% of the actual GFMP Consideration on or before the GFMP Adjustment Date; or

2.6.2.2.2.2 more than the GFMP Estimated Consideration, ECP shall pay to the GFMP Seller the amount by which the GFMP Tranche 1 Payment is less than the amount equal to 90% of the actual GFMP Consideration on or before the GFMP Adjustment Date.

2.6.2.2.3 subject to set off, withholding and deferment pursuant to and in accordance with paragraph 2.6.4:

2.6.2.2.3.1 6 months after the Closing Date, ECP shall pay to the GFMP Seller 5% of the GFMP Consideration in cash by electronic funds transfer to bank account/s designated by the GFMP Seller ("**GFMP Tranche 2 Payment**"); and

2.6.2.2.3.2 24 months after the Closing Date, ECP shall pay to the GFMP Seller the remaining 5% of the GFMP Consideration in cash by electronic funds transfer to bank account/s designated by the GFMP Seller ("**GFMP Tranche 3 Payment**").

2.6.3 As soon as practicable, and in any event no later than 90 Business Days after the Closing Date, ECP shall prepare and deliver to the Sellers for review drafts of: (a) in respect of the BKSA Seller, the BKSA Completion Accounts and the BKSA Consideration Statement (together the "**BKSA Documents**"); and (b) in respect of the GFMP Seller, the GFMP Completion Accounts and the GFMP Consideration Statement (together the "**GFMP Documents**"). The Sellers shall have a period of 15 Business Days to review the BKSA Documents and the GFMP Documents. If the Parties cannot reach agreement, then the unresolved matters shall be referred to an independent expert for determination in accordance with the Disposal Agreement.

2.6.4 Any amount due by the Sellers to ECP in terms of the Disposal Agreement, including in respect of any resolved warranty and indemnity claims by ECP, may be set-off against the Tranche 2 Payments and/or the Tranche 3 Payments. Further, in respect of any notified but unresolved warranty and indemnity claims by ECP, ECP shall be entitled to withhold from such Tranche 2 Payments and/or the Tranche 3 Payments an amount equal to a good faith and *bona fide* estimate of the amount of the relevant Sellers' liability if such outstanding claim were to be resolved in ECP's favour, subject to the determination of liability and quantum of such claim.

2.6.5 ECP shall be entitled to deduct and withhold from the Disposal Consideration all such taxes that ECP and the Companies Group may be required to deduct or withhold under any provision of any tax law.

2.7 **The effective date of the Disposal**

The effective date of the Disposal will be the Closing Date.

2.8 **Other significant terms of the Disposal Agreement**

2.8.1 As security for ECP's obligations in respect of the BKSA Tranche 2 Payment and the BKSA Tranche 3 Payment, ECP shall provide the BKSA Share Pledge.

2.8.2 As security for ECP's obligations in respect of the GFMP Tranche 2 Payment and the GFMP Tranche 3 Payment, ECP shall provide the GFMP Share Pledge.

2.8.3 As security for the Sellers' obligations under the Disposal Agreement, GPI shall provide ECP with the Seller Parent Guarantee.

2.8.4 The Disposal Agreement further contains representations, warranties and indemnities by the parties in favour of each other which are standard for a transaction of this nature.

2.8.5 The Disposal Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction).

2.8.6 All disputes arising out of or in connection with the Disposal Agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce ("**ICC**") by one or more arbitrators appointed in accordance with said rules. The arbitration shall take place in the Borough of Manhattan in New York, New York, and be administered by the ICC.

2.9 **Irrevocable Undertakings**

GPI Shareholders, as set out in **Annexure 6**, collectively holding 40.67% (forty point six seven percent) of the aggregate issued GPI Shares, have provided irrevocable undertakings to vote in favour of the resolutions proposed at the General Meeting in respect of such number of GPI Shares held by them as set out in **Annexure 6**.

2.10 **Categorisation of the Disposal**

2.10.1 In terms of the JSE Listings Requirements, the disposal of the BKSA Sale Shares and the GFMP Sale Shares should be aggregated. As the aggregated value of the Disposal exceeds 30% of the Company's market capitalisation as at the date of the signature of the Disposal Agreement, it meets the definition of a category 1 transaction as contemplated in section 9 of the JSE Listings Requirements. For the avoidance of doubt, the value of the GFMP Disposal, when viewed in isolation, is not categorisable (representing approximately 1.95% of the Company's market capitalisation).

2.10.2 As a result, the General Meeting will be convened and an ordinary resolution in respect of the Disposal will be required to be approved by Shareholders at the General Meeting.

2.10.3 The Disposal is not made to a related party and there are accordingly no related party transaction implications in terms of the JSE Listings Requirements.

3. THE BUSINESS OF THE GPI GROUP (INCLUDING BKSA AND GFMP)

3.1 GPI is an empowered investment holding company that actively manages investments in its current focus areas in the South African hospitality, gaming and food-related industries. The Company was founded in 1997 for the express purpose of partnering with SIL as its primary black economic empowerment partner in the Western Cape. In 2013, GPI entered the food industry with the acquisition of the Burger King master franchise while maintaining its interest in the hospitality and gaming industries. From 2013 to 2019, GPI grew the foods business with several acquisitions including: GFMP, Mac Brothers and a minority interest in the Spur Group. In February 2020, the GPI Group made a strategic shift to unlock value through a controlled sale of assets. This shift was driven by the deep discount to which the Group trades to its intrinsic net asset value. The sale of BKSA and GFMP marks the first step in the process.

3.2 The current business of GPI can be summarised as follows:

3.2.1 gaming and leisure investments comprising non-controlling interests in SunWest, Worcester Casino and SunSlots;

SUNWEST	WORCESTER CASINO	SUN SLOTS
INVESTMENT & EFFECTIVE HOLDING	***INVESTMENT & EFFECTIVE HOLDING***	***INVESTMENT & EFFECTIVE HOLDING***
15.1%	***15.1%***	***30%***

3.2.2 food-related investments comprising a minority interest in Spur Corporation and controlling interests in BKSA, GFMP and Mac Brothers; and

SPUR CORPORATION	BURGER KING SOUTH AFRICA	GRAND FOODS MEAT PLANT	MAC BROTHERS CATERING EQUIPMENT
INVESTMENT & EFFECTIVE HOLDING	*INVESTMENT & EFFECTIVE HOLDING*	*INVESTMENT & EFFECTIVE HOLDING*	*INVESTMENT & EFFECTIVE HOLDING*
9.3%	***91.1%***	***100%***	***100%***

3.2.3 other investments comprising early-stage gaming-related (machine and equipment manufacture and assembly) opportunities and various commercial and industrial properties.

GPI
PROPERTIES

INVESTMENT & EFFECTIVE HOLDING
100%

3.3 **Gaming and leisure investments**

3.3.1 **SunWest**

3.3.1.1 GPI holds 15.1% of SunWest. SunWest holds 100% of Grand West Casino and Entertainment World, 100% of the Table Bay Hotel and 8.2% of the Cape Town International Convention Centre ("**CTICC**").

3.3.1.2 GrandWest Casino is situated in Goodwood, Cape Town and provides a diverse entertainment offering. Operations include gambling (casino tables and slot machines), together with a host of entertainment facilities, from restaurants to bars, fast food outlets, cinemas, a theatre, and retail shops. Visitors have a choice of the 4-star Grand Hotel or the City Lodge for accommodation. GrandWest also offers full conference and banqueting facilities and has played host to a variety of events, exhibitions and gala dinners. Its multi-purpose arena with seating for more than 5 000 people, has hosted world-class shows and concerts.

3.3.1.3 The Table Bay Hotel is situated in the historic Victoria & Alfred Waterfront in Cape Town. This luxury 5-star hotel has 329 rooms, three restaurants, a pool, gymnasium, health spa, conference facilities, chauffeur service and underground parking.

3.3.1.4 The CTICC is situated on the Cape Town Foreshore and is a city-based initiative that formed part of the original licence bid by SunWest for the Cape Town metro casino licence in 1999. SunWest has an 8.2% interest in Convenco (the holding company of the CTICC) while the balance is held by the Western Cape Provincial Government and the City of Cape Town. The CTICC is recognised as a world-class convention centre that, since its completion in 2003, has seen hundreds of thousands of visitors attending consumer exhibitions, conferences and trade shows. The CTICC is recognised internationally for its meticulous design and the use of modern amenities and technology throughout the building, and is currently undergoing expansion that will double the centre's existing exhibition capacity by adding 10 000 m^2 of flexible space.

3.3.2 **Worcester Casino**

GPI holds 15.1% of Worcester Casino. Worcester Casino holds 100% of the Golden Valley Casino and Golden Valley Lodge, comprising a casino, hotel, conference centre and other leisure facilities in Worcester in the Western Cape. The casino was the fifth and final casino to be opened in the Western Cape, and has both slot machines and tables in operation, as well as a conference centre, restaurant and other entertainment facilities. Golden Valley Lodge is a 98 room, 3-star hotel located adjacent to the casino and conference centre.

3.4 **Food-related investments**

3.4.1 **BKSA**

3.4.1.1 BKSA acquired the rights to the master franchise for the BURGER KING® brand in South Africa, which has exclusive rights to develop and expand the BURGER KING® brand in the country's quick-service restaurant market.

3.4.1.2 BKSA opened the first BURGER KING® restaurant in Cape Town at 33 on Heerengracht in May 2013 and has established a meaningful presence in the quick-service restaurant market during its first seven years of operations. As at the Last Practicable Date, 97 restaurants have been opened at locations throughout South Africa.

3.4.2 **Mac Brothers**

3.4.2.1 GPI holds 100% of Mac Brothers. Mac Brothers was established in 2002 and is today, one of the largest catering equipment manufacturers in South Africa and one of the leading suppliers of catering equipment and related services to the food service industry in Africa.

3.4.2.2 Mac Brothers manufactures and supplies its own extensive range of stainless-steel catering and refrigeration equipment and has well established agency agreements in place to import, supply and service some of the top international brands of food service equipment. Its footprint extends across a well-established and varied client-base supplying BKSA Group, local coffee shops, bakeries and restaurants through to franchise groups, hotel groups, golf and wine estates, staff canteen feeding organisations, prisons, hospitals, mines as well as a large number of South Africa's finest and world-renowned restaurants. Mac Brothers is also a patron sponsor of the South African Chefs Association and is part of their program to inspire, train and promote up-and-coming chefs to the industry.

3.4.3 **GFMP**

GPI holds 100% of GFMP. GFMP operates a state-of-the-art burger production facility built to EU standards. The plant, situated at Elsies River Industrial, Goodwood, Cape Town, is the sole supplier of beef patties to Burger King. The plant also supplies Spur with beef patties as well as other smaller quick-service restaurant businesses.

3.4.4 **Spur Corporation**

GPI holds a minority interest of 9.3% of Spur Corporation. Spur Corporation operates Spur Steak Ranches, Panarottis Pizza Pasta, John Dory's Fish Grill Sushi, Captain DoRegos, The Hussar Grill and RocoMamas restaurant franchises. The group also operates its own central kitchen facility which manufactures certain of the group's unique sauces and has a recently acquired minority interest in a rib processing plant.

3.5 **Other investments**

3.5.1 The initial investment by GPI in Atlas Gaming Holdings Proprietary Limited has recently been converted into a 26% equity holding in DR Gaming Technology ("**DRGT**") Africa. DRGT is fast growing independent global supplier of integrated, scalable casino management and jackpot system solutions.

3.5.2 GPI Properties operated as a property holding and management company. The properties are leased to Subsidiaries of GPI.

4. HISTORICAL FINANCIAL INFORMATION OF THE BKSA GROUP

4.1 The historical financial information of the BKSA Group for the financial years ended 30 June 2020, 30 June 2019 and 30 June 2018, is annexed hereto as **Annexure 1** and the reports of the Independent Reporting Accountant in respect of such BKSA Group historical financial information appear in **Annexure 2** to this Circular.

4.2 Copies of the aforementioned historical financial information of the BKSA Group will also be available for inspection by Shareholders during normal business hours at the registered office of GPI and at the offices of the Sponsor from Friday, 12 March 2021 until the date of the General Meeting (both days inclusive).

4.3 The GFMP Disposal by itself would not have been categorised (representing approximately 1.95% of GPI's market capitalisation) and the JSE accordingly granted dispensation to GPI to include the historical financial information of GFMP in the circular. The audited financial statements of GFMP for the financial year ending 30 June 2020 will, however, be open for inspection as indicated in paragraph 15.3.

5. *PRO FORMA* FINANCIAL INFORMATION OF GPI

5.1 The *pro forma* financial information of the Disposal, as set out in **Annexure 3**, is the responsibility of the Directors. The *pro forma* financial information is presented in a manner consistent with the basis on which the historical financial information of the GPI Group has been prepared and in terms of GPI's accounting policies. The *pro forma* financial information has been presented for illustrative purposes only and, because of its nature, may not fairly present GPI Group's financial position, changes in equity, results of operations or cash flows post the implementation of the Disposal.

5.2 The *pro forma* financial information of the GPI Group has been prepared based on the assumption that the Disposal took place with effect from 1 July 2019 for purposes of the *pro forma* consolidated statement of comprehensive income and on 30 June 2020 for purposes of the *pro forma* consolidated statement of financial position.

5.3 The report of the Independent Reporting Accountant in respect of the *pro forma* financial information referred to in paragraph 5.2 above, appears in **Annexure 4** to this Circular.

6. INFORMATION RELATING TO THE GPI GROUP

6.1 Share capital

The authorised and issued share capital of GPI as at the Last Practicable Date, before and after the Disposal, is set out below:

Before and After	Number of Shares	Stated Capital R'000
Authorised		
Ordinary Shares of no par value	2 000 000 000	–
Issued		
Ordinary shares of no par value	470 022 701	798 586
Treasury shares held by the Grand Parade Share Incentive Trust, the GPI Women's Empowerment Trust and the GPI Management Services Proprietary Limited[2]	43 800 055	(166 286)
		632 300

6.2 Major Shareholders and interests

As far as GPI is aware, as at the Last Practicable Date the following persons, other than Directors, are beneficially interested, directly or indirectly, in 5% or more of the Shares in issue (including treasury shares):

Name of Shareholder	Total number of Shares	Percentage of Shares in issue
Value Capital Partners	98 300 753	20.91
Arakot Proprietary Limited[1]	47 268 792	10.06
Hassen Adams	47 022 304	10.00
Kagiso Asset Management	38 679 348	8.23
GPI Management Services Proprietary Limited[2]	24 000 000	5.11
Total	**255 271 197**	**54.31**

Note 1: Arakot Proprietary Limited is a private company with no relation to GPI or its directors. No Director of GPI is a director or shareholder of Arakot Proprietary Limited.

Note 2: These are held as treasury shares.

6.3 Material changes

There have been no material changes in the financial or trading position of the GPI Group, BKSA Group or GFMP since the publication of the audited financial results for the year ended 30 June 2020, until the Last Practicable Date.

6.4 Prospects

6.4.1 In February 2020, GPI changed strategic focus to unlock value through a controlled sale of assets. The strategy is underpinned by its intrinsic net asset value which is estimated at over R4 (four Rand) (as reported in the Company's audited annual financial statements for the year ended June 2020) and the significant discount at which the GPI Group trades to this. The sale of BKSA is the first step in the process of unlocking value and represents over R1 (one Rand) in value which will be returned to Shareholders. The successful implementation of the strategy may unlock in excess of 50% (fifty percent) on the current trading price which represents an attractive return for shareholders.

6.4.2 BKSA and GFMP have performed well following the hard lockdown in April 2020. BKSA resumed trading in May 2020 through home delivery and with all service modes in June 2020. The businesses have been resilient despite the uncertain trading conditions and have recovered to prior year levels. During the six months leading to December 2020, BKSA added seven new restaurants and closed two restaurants. Based on the current performance, BKSA is well positioned to be one of the leading quick-service restaurant brands in South Africa.

6.5 **Material Borrowings**

6.5.1 The proceeds of the Disposal will be used to partially settle debt in an amount to be determined by the Board in due course.

6.5.2 Details of the material borrowings of BKSA Group and GFMP are disclosed in **Annexure 5**.

6.6 **Material contracts**

6.6.1 In addition to the Disposal Agreement, GPI entered into the Spur Agreement, the SunSlots Disposal Agreement, the Heerengracht Disposal Agreement and the Seller Parent Guarantee Agreement. The details of the Spur Disposal (a category 2 transaction) were announced on SENS on 27 June 2019. The details of the SunSlots Disposal (a category 1 transaction) were announced on SENS on 30 August 2019. The SunSlots Disposal has lapsed and the Company is considering its options in this regard and will advise shareholders in due course. The details of the Heerengracht Disposal (a category 2 transaction) were announced on 29 June 2020. In terms of the Seller Parent Guarantee Agreement, GPI absolutely, irrevocably and unconditionally guarantees, as a primary obligation and not as surety, in favour of ECP the due and punctual payment, performance and discharge by the Sellers of their obligations under the Disposal Agreement and ancillary documents to be entered into pursuant to or in connection with the Disposal Agreement.

6.6.2 Save for the Disposal Agreement, the Spur Agreement, the SunSlots Disposal Agreement, the Heerengracht Agreement and the Seller Parent Guarantee Agreement, there have been no material contracts entered into either verbally or in writing by GPI or its Subsidiaries or SunSlots being restrictive funding arrangements and/or a contract entered into otherwise than in the ordinary course of the business carried on or proposed to be carried on by GPI and/or its Subsidiaries (including BKSA and GFMP) within the two years preceding the date of this Circular, or concluded at any time, and which contain an obligation or settlement that is material to GPI and/or its Subsidiaries (including BKSA and GFMP) at the date of this Circular.

6.7 **Acquisition of material assets**

No material assets have been acquired by BKSA Group or GFMP during the last three years preceding the date of this Circular.

7. INFORMATION RELATING TO DIRECTORS

7.1 **Directors' interests in the issued Shares of GPI**

The table below sets out the direct and indirect beneficial interests of the Directors (and their associates), including any directors who may have resigned during the last 18 months, in GPI's issued share capital as at the Last Practicable Date:

Director	Direct beneficial	Indirect beneficial	Total	% held
Hassen Adams[1]	6 506 066	40 516 238	47 022 304	10.00
Mohsin Tajbhai	41 536	–	41 536	0.01
Alex Abercrombie	5 200	7 000 000	7 005 200	1.49
Mark Bowman	12 600	175 520	188 120	0.04
Total	**6 565 402**	**47 691 758**	**54 257 160**	**11.54**

Notes:

1. Dr Hassen Adams resigned as the non-executive chairman with effect from 31 January 2020.

7.2 **Directors' remuneration**

The remuneration of the Directors will not be varied as a result of the Disposal.

7.3 **Directors' interests in the Disposal**

7.3.1 Save for being a Shareholder of GPI, no Director (including any person who may have resigned as a director within the last 18 months) has any material beneficial interest, directly or indirectly in the Disposal or in any transactions that were:

7.3.1.1 effected by GPI during the current or immediately preceding financial year; or

7.3.1.2 during an earlier financial year and remain in any respect outstanding or unperformed.

7.4 **Service contracts of executive Directors**

7.4.1 Each of the executive Directors have concluded service contracts with terms and conditions that are standard for such appointments, which are available for inspection in terms of paragraph 15 below.

7.4.2 No restraints of trade have been imposed by GPI on any Directors in respect of the business conducted by GPI and the contracts of all executive Directors are terminable on three months' notice.

7.4.3 The duration of each executive Director's appointment is determined by the service contracts referred to in paragraph 7.4.1 above, whilst the duration of the appointment of non-executive Directors is determined by the MOI which is also available for inspection in terms of paragraph 15 below.

8. WORKING CAPITAL STATEMENT

The Directors are of the opinion that the working capital available to the GPI Group is sufficient for the GPI Group's present working capital requirements and will, post-implementation of the Disposal be adequate for at least 12 months from the date of issue of this Circular.

9. LITIGATION STATEMENT

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the Company is aware, which may have or have over the previous 12 months had a material effect on the financial position of the GPI Group, BKSA Group or GFMP.

10. EXPENSES

The estimated costs of preparing and distributing this Circular, holding the General Meeting and implementing the Disposal, including the fees payable to professional advisors, are approximately R19 million, including Value Added Tax (where applicable), and include the following:

		R
Corporate advisor and Sponsor	PSG Capital	500 000
JSE documentation fees	JSE	150 000
Independent Reporting Accountant	Ernst & Young	900 000
South African Legal Advisor	Cliffe Dekker Hofmeyr	5 123 387
US Legal Advisor	DLA Piper	6 093 890
Tax Advisor	PricewaterhouseCoopers	80 000
Trademarks	Adams&Adams	10 322
Restructure (Loan Capitalisation)	LHC	346 500
Printing, publication, distribution and advertising expenses	Ince	136 168
Warranty and indemnity insurance[1]	Third party provider	5 000 000
Contingency		659 733
Total[2]		**R19 000 000**

Notes:

1. Warranty and indemnity insurance has been taken out against any potential warranty or indemnity claims that may arise under the Disposal Agreement.
2. Other than as set out above, GPI has incurred no preliminary expenses in relation to the Disposal during the three years preceding this Circular.

11. **GENERAL MEETING AND VOTING**

11.1 A General Meeting of Shareholders will be held entirely by electronic communication on Thursday, 15 April 2021 at 18:00, to consider and, if deemed fit, to pass, with or without modification, the requisite resolutions required to give effect to the Disposal.

11.2 A notice convening the General Meeting is attached hereto and forms part of this Circular and contains the resolutions to be considered at the General Meeting. Full details of the action required by Shareholders are set out in the "*Action required by Shareholders*" section of this Circular.

11.3 The ordinary resolutions relating to the Disposal set out in the Notice of General Meeting is subject to more than 50% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting, being cast in favour thereof.

12. **OPINIONS AND BOARD'S RECOMMENDATION**

The Board has considered the terms and conditions of the Disposal and the resolutions and is of the opinion that they are in the interests of Shareholders.

13. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors, whose names are given in the "*Corporate Information*" section of this Circular collectively and individually accept full responsibility for the accuracy of the information furnished relating to the GPI Group 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 Circular contains all information required by law and the JSE Listings Requirements.

14. **ADVISORS' CONSENTS**

Each of the advisors, whose names appear on the "*Corporate Information*" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, to the inclusion of their reports in this Circular in the form and context in which they appear and have not withdrawn their consents prior to the publication of this Circular.

15. **DOCUMENTS AVAILABLE FOR INSPECTION**

15.1 The following documents, or copies thereof, will be available for inspection by Shareholders during normal business hours at the registered office of GPI and at the offices of the Sponsor from the date of posting of this Circular, until the date of the General Meeting (both days inclusive)

15.2 the MOI and the memoranda of incorporation of the Major Subsidiaries;

15.3 Historical financial information of the BKSA Group for the financial years ended 30 June 2020, 30 June 2019 and 30 June 2018 as set out in **Annexure 1;**

15.4 the audited financial statements of GFMP for the financial year ending 30 June 2020;

15.5 Independent Reporting Accountant's assurance reports on the historical financial information of the BKSA Group for the financial years ended 30 June 2020, 30 June 2019 and 30 June 2018 as set out in **Annexure 2;**

15.6 *Pro forma* financial information of the GPI Group as set out in **Annexure 3;**

15.7 Independent Reporting Accountant's assurance report on the *pro forma* financial information of the GPI Group as set out in **Annexure 4**;

15.8 the Disposal Agreement and other material contracts referred to in paragraph 6.6;

15.9 the written consents from each of the advisors referred to in paragraph 14;

15.10 the executive Directors' service contracts entered into in the three years preceding the Last Practicable Date; and

15.11 a copy of this Circular and all annexures hereto.

SIGNED AT CAPE TOWN ON FRIDAY, 12 MARCH 2021 BY MOHSIN TAJBHAI ON BEHALF OF ALL THE DIRECTORS OF GRAND PARADE INVESTMENTS LIMITED, IN TERMS OF POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS

Mohsin Tajbhai

Alexander Abercrombie (*Non-Executive Chairman*)
Mohsin Tajbhai (*Chief Executive Officer*)
Jayson October (*Chief Financial Officer*)
Walter Geach
Mark Bowman
Ronel van Dijk
Monde Nkosi
Rozanna Kader

HISTORICAL FINANCIAL INFORMATION OF THE BKSA GROUP FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020, 30 JUNE 2019 AND 30 JUNE 2018

INTRODUCTION

The definitions commencing on page 7 of the Circular apply, *mutatis mutandis,* to this **Annexure 1**.

BASIS OF PREPARATION

The Consolidated Statements of Comprehensive Income, Consolidated Statements of Cash Flows and the Consolidated Statements of Changes In Equity for the three years ended 30 June 2020, 30 June 2019 and 30 June 2018, the Consolidated Statements of Financial Position as at 30 June 2020, 30 June 2019 and 30 June 2018, the accounting policies and the notes thereto (the "**Historical Financial Information of the BKSA Group**") set out below has been extracted from the audited annual financial statements of BKSA Group for the years ended 30 June 2020, 30 June 2019 and 30 June 2018.

The annual financial statements were audited by Ernst & Young Inc. who expressed an unmodified audit opinion on the annual financial statements for the years ended 30 June 2020, 30 June 2019 and 30 June 2018. Ernst and Young Inc. is the Independent Reporting Accountant to GPI and BKSA and has issued the reporting accountant's assurance reports on the Historical Financial Information of the BKSA Group which is included as **Annexure 2** to this Circular.

The audited consolidated annual financial statements of BKSA Group were prepared in accordance with the International Financial Reporting Standards ("**IFRS**"), interpretations adopted by the International Accounting Standards Board ("**IASB**"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Procurements as issued by Financial Reporting Standards Council.

The Historical Financial Information of the BKSA Group was prepared in accordance with IFRS and the JSE Listings Requirements, for the purpose of providing financial information to satisfy the requirements of section 8 of the JSE Listings Requirements.

The additional disclosure required in terms of paragraph 8.12 of the JSE Listings Requirements has been included in the Historical Financial Information of the BKSA Group.

The Historical Financial Information of the BKSA Group should be read together with the Independent Reporting Accountant's assurance reports thereon included as **Annexure 2**.

The Historical Financial Information of the BKSA Group is the responsibility of the directors of BKSA.

The Historical Financial Information of the BKSA Group is presented as follows:

- **Part A**: The historical financial information of the BKSA Group for the financial year ended 30 June 2020; and
- **Part B**: The historical financial information of the BSKA Group for the financial years ended 30 June 2019 and 30 June 2018.

PART A: The Historical Financial Information of the BSKA Group for the financial year ended 30 June 2020 (the "Historical Financial Information of the BKSA Group"))

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis,* to this **Annexure 1** Part A.

1. **DIRECTORS' COMMENTARY**

Burger King's revenue generated from food sales for the year remained flat at R1.010 billion compared to R1.015 billion in the prior year despite being closed during the month of April and only drive thru sales during May and opening all modes of trading for June 2020.

Average monthly restaurant revenues (ARS) decreased by 6.4% from R1.036 million last year to R0.969 million this year, largely as a result of the limited trade during the period March to June with the implementation of the national lockdown. For the first time since 2017, Burger King is reporting negative comparative sales of 12.85% (2019: positive 10.32%).

Drive Thru's and Home Delivery as service modes remained resilient throughout the period that the business was allowed to operate and increased during the month of June 2020 compared to the prior year by 34.4% and 59.2% respectively. Sales for Dine-In (-100%) and Take Away (-18.4%) services modes have been under severe pressure due to the uncertainty created by the COVID-19 pandemic which resulted in a trend away from sit down to contact-less service modes.

The total number of Burger King restaurants as at 30 June was 97 of which 90 are corporately owned. The net restaurant movement for the year totaled five, which included the opening of eight new restaurants and the closure of three unprofitable restaurants.

Consolidated Statement of Financial Position as at 30 June 2020

		BKSA Group	
Figures in Rand	**Note(s)**	**2020**	**2019**
Assets			
Non-current assets			
Property, plant and equipment	4	460 944 509	439 520 517
Right-of-use assets	5	276 862 952	–
Goodwill	6	1 193 901	1 193 901
Intangible assets	7	27 909 129	19 764 922
Investments in subsidiaries	8	–	–
Deferred tax	10	151 916 385	124 483 448
Deposits		19 599 421	7 901 408
		938 426 297	**592 864 196**
Current assets			
Inventories	12	17 676 224	17 728 969
Loans to group companies	9	9 990 058	9 990 058
Trade and other receivables	13	119 354 115	213 170 263
Prepayments	11	2 013 256	6 076 737
Cash and cash equivalents	14	41 172 233	24 159 799
		190 205 886	271 125 826
Total assets		**1 128 632 183**	**863 990 022**
Equity and liabilities			
Equity			
Equity attributable to equity holders of parent			
Share capital	15	180 000 000	180 000 000
Contribution from parent		–	1 954 028
Accumulated losses		(386 963 344)	(293 822 044)
		(206 963 344)	(111 868 016)
Non-controlling interest	8	4 992 772	(711 335)
		(201 970 572)	**(112 579 351)**
Liabilities			
Non-current liabilities			
Lease liabilities	5	342 082 853	356 820
Deferred tax	10	–	196 842
Provisions	18	7 069 297	359 196
		349 152 150	**912 858**
Current liabilities			
Trade and other payables	19	213 197 200	297 821 720
Loans from group companies	17	645 039 659	602 839 658
Lease liabilities	5	36 001 609	271 085
Current tax payable		984 886	486 704
Provisions	18	5 772 234	6 788 478
Bank overdraft	14	80 455 017	67 448 870
		981 450 605	**975 656 515**
Total liabilities		**1 330 602 755**	**976 569 373**
Total equity and liabilities		**1 128 632 183**	**863 990 022**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		BKSA Group	
Figures in Rand	**Note(s)**	**2020**	**2019**
Revenue	20	1 017 893 669	1 023 740 041
Cost of sales	21	(463 136 000)	(468 686 801)
Gross profit		**554 757 669**	**555 053 240**
Other operating income	22	16 550 961	18 242 630
Other operating gains/(losses)	23	991 010	–
Operating expenses		(575 676 157)	(583 227 674)
Operating (loss)/profit	**24**	**(3 376 517)**	**(9 931 804)**
Finance income	25	1 027 948	1 298 561
Finance costs	26	(44 652 984)	(5 049 206)
Loss before taxation		**(47 001 553)**	**(13 682 449)**
Taxation	27	13 658 789	14 059 528
(Loss)/profit after taxation for the year		**(33 342 764)**	**377 079**
(Loss)/profit attributable to:			
Owners of the parent		(39 046 871)	(4 301 990)
Non-controlling interest		5 704 107	4 679 069
		(33 342 764)	**377 079**
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(39 046 871)	(4 301 990)
Non-controlling interest		5 704 107	4 679 069
		(33 342 764)	**377 079**

Consolidated Statement of Changes In Equity

Figures in Rand	Share capital	Contribution from parent	Accumulated losses	Tota attributable to equity holders of the BKSA Group	Non-controlling interest	Total equity
Balance at 1 July 2018	**180 000 000**	**1 905 928**	**(289 520 054)**	**(107 614 126)**	**(5 390 404)**	**(113 004 530)**
(Loss)/profit for the year	–	–	(4 301 990)	(4 301 990)	4 679 069	377 079
Share-based payment expense	–	48 100	–	48 100	–	48 100
Opening balance as previously reported Adjustments	180 000 000	1 954 028	(293 822 044)	(111 868 016)	(711 335)	(112 579 351)
IFRS 16 transition adjustment*	–	–	(54 094 429)	(54 094 429)	–	(54 094 429)
Balance at 1 July 2019 as restated	**180 000 000**	**1 954 028**	**(347 916 473)**	**(165 962 445)**	**(711 335)**	**(166 673 780)**
(Loss)/profit for the year	–	–	(39 046 871)	(39 046 871)	5 704 107	(33 342 764)
Transfer between reserves	–	(1 954 028)	–	(1 954 028)	–	(1 954 028)
Balance at 30 June 2020	**180 000 000**	**–**	**(386 963 344)**	**(206 963 344)**	**4 992 772**	**(201 970 572)**
Note(s)	15	16				

* Refer to note 2 change in accounting policy.

Consolidated Statement of Cash Flows

		BKSA Group	
Figures in Rand	**Note(s)**	**2020**	**2019**
Cash flows from operating activities			
Cash receipts from customers		1 115 073 115	1 173 858 046
Cash paid to suppliers and employees		(1 003 409 093)	(1 079 137 689)
Cash generated from operations	28	111 664 022	94 720 357
Interest income		1 027 948	1 298 561
Finance costs		(39 151 244)	(5 049 206)
Tax (paid)/received	29	42 577	6 610
Net cash from operating activities		**73 583 303**	**90 976 322**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(71 519 740)	(103 034 805)
Sale of property, plant and equipment	33	3 083 396	38 000
Purchase of intangible assets	7	(14 190 212)	(4 445 723)
Sale of intangible assets	7	217 132	–
Acquisition of Disa Road	6	–	(7 154 251)
Deposits paid		(12 055 854)	(1 509 354)
Loans to group companies	32	–	(1 000 000)
Net cash used in investing activities		**(94 465 278)**	**(117 106 133)**
Cash flows from financing activities			
Loans advanced from group companies	32	42 200 000	–
Payment of lease liabilities	32	(17 311 738)	(679 228)
Net cash from/(used in) financing activities		**24 888 262**	**(679 228)**
Total cash movement for the year		**4 006 287**	**(26 809 039)**
Cash at the beginning of the year		(43 289 071)	(16 480 032)
Total cash at end of the year	**14**	**(39 282 784)**	**(43 289 071)**

Corporate information

The BKSA Group of companies are incorporated and domiciled in the Republic of South Africa.

1. **SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of this Historical Financial Information of the BKSA Group is set out below.

1.1 **Basis of preparation**

The Historical Financial Information of the BKSA Group has been prepared on the historical cost basis, except where otherwise stated or disclosed, and as a going concern. The Historical Financial Information is presented in South African Rands, which is also the functional currency of the BKSA Group.

These accounting policies are consistent with the previous period, except where otherwise indicated.

1.2 **Statement of compliance**

This Historical Financial Information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), Interpretations issued by the International Accounting Standards Board, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, 71 of 2008 of South Africa.

1.3 **Consolidation**

Basis of consolidation

The Historical Financial Information comprise the financial information of the BKSA Group and its subsidiaries as at 30 June 2020 and the year then ended.

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

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

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

Business combinations and goodwill

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

1.3 **Consolidation (continued)**

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

If a business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

A contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, that is a financial instrument, is measured at fair value with changes in fair value being recognised in profit or loss. If the contingent consideration is classified as equity, it is not re-measured until it is finally settled in equity.

Goodwill

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

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

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

1.4 **Significant judgements and sources of estimation uncertainty**

The preparation of Historical Financial Information in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Loans from/to Group Companies

Management is considering various financing options in near future to settle the loans to/from Group Companies, the timing of repayment therefore remains uncertain.

A valuation committee was established in order to determine the appropriate valuation techniques and inputs for each valuation. The committee reports to the CFO. Significant valuation issues are reported to the audit committee.

Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Depreciation and amortisation rates and residual values

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

The amortisation rate provided to write down the intangible assets reflects the pattern in which economic benefits attributable to the intangible asset flow to the entity. The entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the economic conditions that will exist over the useful life of the asset.

The estimation of the useful life and residual value of an asset is a matter of judgement based on the past experience of the BKSA Group with similar assets and the intention of management (refer to note 1.5).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax is provided for unused tax losses of the BKSA Group based on forecasts made by management that provide convincing evidence that the utilisation thereof is probable. Management has prepared a forecast for each statutory entity in an assessed loss position, based on the up-to-date market assumptions as well as using the experience gained in the prior years.

The most significant factors in achieving forecast profits, and therefore the utilisation of the deferred tax assets reflected in the Historical Financial Information are:

- continued revenue growth per Burger King store in line with the most recent store openings;
- maintaining the expected rate of store openings of between 10 and 15 stores per annum;
- improved cost control, achieved through the benefit of economies of scale from the larger group as well as efficiencies gained from experience;
- taxable profit per store in line with the most recent stores opened;
- the closure of stores that are loss making and not expected to become profitable within a reasonable period of time; and
- the requisite allocation of profit-generating stores per statutory entity so as to utilise assessed losses within the relevant statutory entities within a reasonable period of time.

Any significant changes in these factors over the coming years could result in a potential material impact to the recoverability of the asset.

Share-based payments

The BKSA Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value of share-based awards requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 17.

1.5 Property, plant and equipment

An item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the BKSA Group,
- and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs to get the asset into the condition and location for management's intended use. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

1.5 **Property, plant and equipment (continued)**

Subsequent expenditure is only recognised as an asset if the above asset definition is met.

Property, plant and equipment is depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Cash registers	Straight line	7 years
Display equipment	Straight line	7 years
Furniture and fixtures	Straight line	7 years
IT equipment	Straight line	7 years
Kitchen equipment	Straight line	15 years
Neon signs and advertising boards	Straight line	12 years
Shop fit-out	Straight line	15 years
Text books and library	Straight line	3 years
Plant and equipment	Straight line	7 years
Motor vehicles	Straight line	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss.

Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 **Intangible assets**

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Master Franchise licence	Straight line	20 years
Franchise licences	Straight line	5-10 years
Computer software	Straight line	3 years

The amortisation charge for each year is recognised in profit or loss.

Any gain or loss arising from the derecognition of an item of intangible asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.7 Financial instruments – financial assets

Financial instruments held by the BKSA Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

i) Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the BKSA Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the BKSA Group has applied the practical expedient, the BKSA Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the BKSA Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to accounting policies 1.17, Revenue recognition.

The BKSA Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

ii) Subsequent measurement of financial assets

Financial assets are classified into three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (previously categorised as loans and receivable)

The BKSA Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The BKSA Group's financial assets at amortised cost includes:

- cash and cash equivalents,
- trade and other receivables, and
- loans receivable

iii) Derecognition of financial assets

A financial asset or portion of a financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the BKSA Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without any material delay to a third party under a pass through arrangement; or
- the BKSA Group has transferred its rights to receive cash flows from the asset and has either:
  - (i) transferred substantially all rights and rewards of the asset or
  - (ii) has neither transferred nor retained substantially all the rights and rewards of the asset but has transferred control of the asset.

1.7 **Financial instruments – financial assets (continued)**

iii) Derecognition of financial assets (continued)

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

iv) Impairment of financial assets

Impairment of financial assets carried at amortised cost

The BKSA Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due and all the cash flows that the BKSA Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements.

The BKSA Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the BKSA Group. The gross carrying amount of financial assets is written off when the BKSA Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. Failure to make payments and failure to engage with the BKSA Group on alternative payment arrangements amongst other is considered indicators of no reasonable expectation of recovery.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the BKSA Group applies a simplified approach in calculating ECLs. Therefore, the BKSA Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The BKSA Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

1.8 **Financial instruments - financial liabilities**

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The BKSA Group's financial liabilities include trade and other payables and loans.

Subsequent measurement

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

Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or has expired.

1.8 **Financial instruments (continued)**

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

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.9 **Tax**

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly to equity.

1.9 **Tax (continued)**

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

1.10 **Leases**

This accounting policy relates specifically to IAS 17 Leases which was applicable in the prior year and disclosed in the current year for comparative purposes.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the Consolidated Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/liability. The asset/liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.11 **Inventories**

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as a cost of sale in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories due to wastage is recognised in cost of sales in the period the write-down or loss occurs.

1.12 **Impairment of non-financial assets**

The BKSA Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the BKSA Group estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

1.12 **Impairment of non-financial assets (continued)**

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.13 **Share capital and equity**

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the BKSA Group in which they are declared.

1.14 **Share-based payments**

Employees (including senior executives) of the BKSA Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the BKSA Group's best estimate of the number of equity instruments that will ultimately vest. The Consolidated Statement of Profit or Loss and Other Comprehensive Income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (notes 17 and 25).

When these services are rendered in an associate or jointly controlled venture the fair value of these costs are capitalised to the carrying value of the investment.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified reward. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Wages and salaries and annual leave

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

Long-service leave provision

The liability for long-service leave is recognised in provisions. Consideration is given to the current wage and salary levels and the number of employees expected to qualify for the award. Movements in the provision are taken to profit or loss.

Retirement benefit obligations

The BKSA Group has a defined contribution plan which is governed by the Pension Fund Act, No.24 of 1956. The defined contribution plan received fixed contributions from the BKSA Group and its legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution fund are recognised as an expense as they become payable.

Short-term incentive plan

The BKSA Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation, the amount can be measured reliably and the directors of BKSA are of the opinion that it is probable that such bonuses will be paid.

Termination benefits

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

- the BKSA Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

1.17 **Revenue**

Revenue is recognised when the BKSA Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the BKSA Group expects to be entitled to in exchange for these goods or services.

The BKSA Group's revenue is disaggregated into Revenue from contracts with customers (i.e. royalties and marketing fund contributions, vendor income and training fees). Revenue is recognised at a point in time, unless stated otherwise.

Food sales

Food sales are recognised on the date on which the sale is made at the fair value of the consideration received, net of VAT.

Royalties and marketing fund

Royalties and marketing fund contributions are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Vendor income

Contributions received from food product vendors to contribute to the BK Marketing Fund marketing spend. The amounts are calculated by reference to a Rand rate per unit of consumption of the vendor's underlying products.

Training fees

A fixed fee charged to each new store for recruitment and training services provided to the store prior to commencing trading. Fees are charged in full on commencement of the store opening.

Finance income

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

Service fees

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

1.18 **Cost of sales**

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

1.19 **Translation of foreign currencies**

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Historical Financial Information are recognised in profit or loss in the period in which they arise.

1.19 **Translation of foreign currencies (continued)**

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.20 **Investments in subsidiaries**

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

1.21 **Leases**

The BKSA Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the BKSA Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgements and sources of estimation uncertainty section of these accounting policies.

BKSA Group as a lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the BKSA Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the BKSA Group recognises the lease payments as an operating expense (note 24) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative standalone prices of the lease components and the aggregate standalone price of the non-lease components (where non-lease components exist).

Details of leasing arrangements where the BKSA Group is a lessee are presented in note 5 Leases (BKSA Group as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the BKSA Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the BKSA Group under residual value guarantees.
- The exercise price of purchase options, if the BKSA Group is reasonably certain to exercise the option.

1.21 **Leases (continued)**

- Lease payments in an optional renewal period if the BKSA Group is reasonably certain to exercise an extension option.
- Penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 5).

The lease liability is presented as a separate line item on the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 26).

The BKSA Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the BKSA Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of- use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Consolidated Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- The initial amount of the corresponding lease liability.
- Any lease payments made at or before the commencement date.
- Any initial direct costs incurred.
- Any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the BKSA Group incurs an obligation to do so, unless these costs are incurred to produce inventories.
- Less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the BKSA Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.22 **Borrowing costs**

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

2. **Changes in accounting policy**

The Historical Financial Information have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

In the current year, the BKSA Group has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 1 July 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of- use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the BKSA Group's Historical Financial Information is described below.

The BKSA Group has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 July 2019.

Leases where BKSA Group is lessee

Leases previously classified as operating leases

The BKSA Group undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- Recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the BKSA Group's incremental borrowing rate at the date of initial application.
- Recognised right-of-use assets measured on a lease-by-lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The BKSA Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease-by-lease basis:

- When a portfolio of leases contained reasonably similar characteristics, the BKSA Group applied a single discount rate to that portfolio;
- Leases which were expiring within 12 months of 1 July 2019 were treated as short-term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed.
- Initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- Hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

2. **Changes in accounting policy (continued)**

Leases previously classified as finance leases

For leases that were classified as finance leases applying IAS 17, the BKSA Group measured the carrying amount of the right-of-use asset and the lease liability at the date of initial application as the carrying amount of the leased asset and lease liability immediately before that date measured applying IAS 17. For those leases, the BKSA Group accounts for the right-of-use asset and the lease liability applying IFRS 16 from the date of initial application.

Impact on historical financial information

On transition to IFRS 16, the BKSA Group recognised an additional R273 581 502 of right-of-use assets and R348 775 499 of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, BKSA Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 9.50%.

Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16

	BKSA Group	
	2020	**2019**
Operating lease commitment at 30 June 2019 as previously disclosed		403 214 939
Discounted using the incremental borrowing rate at 1 July 2019		281 769 874
Add finance lease liabilities recognised as at 30 June 2019		627 904
Less effect of prepayments made under IFRS 16		(2 525 803)
Less non-lease components not included in valuation of IFRS 16		3 648 423
Add renewal periods and beneficial occupation dates included in IFRS 16 valuation		32 693 767
Add leases which fall under IFRS 16 but was not part of prior year commitments		18 181 075
Commitments relating to short-term leases		(765 613)
Stores opened in this financial year, where inclusion in IFRS 16 was applicable at 30 June 2019		22 442 718
Lease liabilities recognised at 1 July 2019		**348 775 499**

The aggregate effect of the changes in accounting policy on the Historical Financial Information of the BKSA Group for the year ended 30 June 2019 is as follows:

	BKSA Group	
	2020	**2019**
Consolidated Statement of Financial Position		
Right-of-use assets		
Adjustment	273 581 502	
Deferred tax		
Previously stated	124 286 606	
Adjustment	(11 825 582)	
	112 461 024	
Prepayments		
Previously stated	5 905 501	
Adjustment	(2 344 518)	
	3 560 983	
Accumulated losses		
Previously stated	292 102 547	
Adjustment	54 094 429	
	346 196 976	

	BKSA Group	
	2020	**2019**
Lease liability		
Adjustment	(348 775 499)	
Trade and other payables		
Previously stated	(213 091 236)	
Adjustment	(853 433)	
	(213 944 669)	
Lease smoothing		
Previously stated	(28 425 456)	
Adjustment	28 485 468	
	60 012	
Tenant installation allowance		
Previously stated	(8 571 608)	
Adjustment	7 010 029	
	(1 561 579)	
Finance lease liability		
Previously stated	(627 604)	
Adjustment	627 604	
	–	

3. New Standards and interpretations

3.1 Standards and interpretations not yet effective

The BKSA Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the BKSA Group's accounting periods beginning on or after 1 July 2020 or later periods:

Financial Instruments Annual Improvements to IFRS Standards 2018–2020 IAS 9

The amendment clarifies which fees an entity includes when it applies the '10 percent' test in assessing whether to derecognise a financial liability.

The effective date of the amendment is for years beginning on or after 1 January 2022.

It is unlikely that the amendment will have a material impact on the BKSA Group's Historical Financial Information.

Property, Plant and Equipment: Proceeds before Intended Use IAS 16

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The effective date of the standard is for years beginning on or after 1 January 2022.

It is unlikely that the standard will have a material impact on the BKSA Group's Historical Financial Information.

3. **Standards and interpretations not yet effective (continued)**

3.1 **Standards and interpretations not yet effective (continued)**

Classification of Liabilities as Current or non-current – Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least 12 months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within 12 months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 1 January 2022.

It is unlikely that the amendment will have a material impact on the BKSA Group's Historical Financial Information.

Provisions, Contingent Liabilities and Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract IAS 37

The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making. The effective date of the amendment is for years beginning on or after 1 January 2022.

It is unlikely that the amendment will have a material impact on the BKSA Group's Historical Financial Information.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.

The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of use full financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform.

In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The effective date of the amendment is for years beginning on or after 1 January 2020.

It is unlikely that the amendment will have a material impact on the BKSA Group's Historical Financial Information.

Definition of a business – Amendments to IFRS 3

The amendment:

- confirmed that a business must include inputs and a processes, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

3. **Standards and interpretations not yet effective (continued)**

3.1 **Standards and interpretations not yet effective (continued)**

The effective date of the amendment is for years beginning on or after 1 January 2020.

It is unlikely that the amendment will have a material impact on the BKSA Group's Historical Financial Information.

Reference to the Conceptual Framework – IFRS 3 Business Combinations

The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

The effective date of the amendment is for years beginning on or after 1 January 2022.

It is unlikely that the amendment will have a material impact on the BKSA Group's Historical Financial Information.

Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative IAS 1

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

It is unlikely that the amendment will have a material impact on the BKSA Group's Historical Financial Information.

4. **Property, plant and equipment**

	2020			2019		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Textbooks and library	12 687	(12 687)	–	13 216	(12 687)	529
Signs and advertising boards	30 048 289	(8 692 489)	21 355 800	28 344 730	(7 819 959)	20 524 771
Furniture and fixtures	32 309 158	(20 195 312)	12 113 846	29 554 801	(18 936 959)	10 617 842
Motor vehicles	–	–	–	3 011 225	(2 367 761)	643 464
Display equipment	9 748 541	(6 434 016)	3 314 525	10 016 312	(6 546 523)	3 469 789
IT equipment	34 402 362	(22 652 965)	11 749 397	28 909 797	(18 192 762)	10 717 035
Plant and equipment	10 968 743	(6 743 334)	4 225 409	9 329 948	(5 520 572)	3 809 376
Shop fit-out	309 942 999	(99 696 100)	210 246 899	287 000 302	(86 375 521)	200 624 781
Cash registers	23 547 439	(15 534 124)	8 013 315	21 757 991	(14 109 759)	7 648 232
Kitchen equipment	271 585 757	(81 660 439)	189 925 318	249 626 759	(68 162 061)	181 464 698
Total	**722 565 975**	**(261 621 466)**	**460 944 509**	**667 565 081**	**(228 044 564)**	**439 520 517**

4. **Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment 2020

	Opening balance	Additions	Disposals	Transfers*	Depre-ciation	Impairment loss	Total
Textbooks and library	529	–	(529)	–	–	–	–
Signs and advertising boards	20 524 771	3 236 794	(254 420)	–	(1 716 679)	(434 666)	21 355 800
Furniture and fixtures	10 617 842	3 070 060	–	–	(1 574 056)	–	12 113 846
Motor vehicles	643 464	–	–	(643 464)	–	–	–
Display equipment	3 469 789	547 372	(62 327)	–	(562 663)	(77 646)	3 314 525
IT equipment	10 717 035	5 618 343	(61 871)	–	(4 524 110)	–	11 749 397
Plant and equipment	3 809 376	2 154 933	–	–	(1 636 351)	(102 549)	4 225 409
Shop fit-out	200 624 781	32 627 015	(1 333 719)	–	(18 752 320)	(2 918 858)	210 246 899
Cash registers	7 648 232	1 855 886	(92 044)	–	(1 398 759)	–	8 013 315
Kitchen equipment	181 464 698	22 406 356	(287 476)	–	(13 658 260)	–	189 925 318
	439 520 517	**71 516 759**	**(2 092 386)**	**(643 464)**	**(43 823 198)**	**(3 533 719)**	**460 944 509**

Reconciliation of property, plant and equipment 2019

	Opening balance	Additions	Disposals	Depre-ciation	Impairment loss	Total
Textbooks and library	529	–	–	–	–	529
Signs and advertising boards	16 145 828	7 258 789	–	(2 406 732)	(473 114)	20 524 771
Furniture and fixtures	10 586 862	4 432 277	–	(4 336 864)	(64 433)	10 617 842
Motor vehicles	1 144 855	–	(167 143)	(334 248)	–	643 464
Display equipment	4 840 970	235 562	–	(1 479 672)	(127 071)	3 469 789
IT equipment	6 149 530	6 161 905	–	(1 594 400)	–	10 717 035
Plant and equipment	4 882 913	323 242	–	(1 375 591)	(21 188)	3 809 376
Shop fit-out	184 846 071	39 029 269	–	(15 084 608)	(8 165 951)	200 624 781
Cash registers	10 335 177	2 689	–	(2 689 634)	–	7 648 232
Kitchen equipment	150 764 295	45 591 072	–	(14 846 818)	(43 851)	181 464 698
	389 697 030	**103 034 805**	**(167 143)**	**(44 148 567)**	**(8 895 608)**	**439 520 517**

The BKSA Group closed certain underperforming Burger King restaurants during the year and performed an assessment as to the recoverability of the related assets. All assets deemed to be unrecoverable were scrapped and impaired fully.

*Transfers relates to the adoption of IFRS 16 refer to note 5 for the right-of-use assets.

A register containing the information required by Regulation 25(3) of the Companies Regulations is available for inspection at the registered office of the BKSA Group.

The impairment relates to unsaleable assets that were written off to zero net book value following the closure of 2 stores during the 2020 financial year (4 stores during the 2019 financial year).

5. **Leases (BKSA Group as lessee)**

The BKSA Group leases stores which they operate as quick service restaurants. 54 of the 90 open stores have contingent rent clauses. The average percentage contingent rental is approximately 5% of store turnover. The turnover rental amount is calculated by multiplying the percentage rate by the relevant stores turnover net of discounts. In the following financial year for the preceding financial year, if the turnover rental exceeds the base rent charged for the year, then the landlord will oncharge this difference to Burger King. Refer to note 25 where variable lease payments and short-term lease expenses are disclosed.

The lease periods are generally long term (averaging 10 years). There are some instances where Burger King is entitled to terminate the lease if the landlord is in material breach of the terms and the landlord has failed to rectify the breach after being notified in writing by Burger King. There are no residual guarantees on these leases.

Burger King BKSA Group has 8-10 stores opening in the 2021 financial year, with Ravenswood & Plumstead being on the cusp, if the projects run ahead of schedule they may open in June 2021.

Richmond & Arbour are the only two stores where it has been agreed to pay rent prior to opening.

There are general restriction provisions in some of the leases. For example, i) restriction against the transfer or cession of the lease to a third party without the landlords' consent; ii) restriction against the transfer or sale of majority of the shares/controlling interest in a Burger King BKSA Group without the landlord's consent; or iii) limitation of liability, etc.

Right-of-use assets reconciliation	**Properties**	**Motor vehicles**	**Total**
Transition application of IFRS 16	273 581 502	–	273 581 502
Additions	37 174 382	2 981	37 177 363
Depreciation	(41 291 490)	(306 723)	(41 598 213)
Remeasurement	10 961 653	–	10 961 653
Impairment	(3 902 817)	–	(3 902 817)
Transfer	–	643 464	643 464
	276 523 230	**339 722**	**276 862 952**

*Transfers relate to the adoption of IFRS 16. These are assets that were previously held under finance leases and were transferred from property, plant and equipment to right-of-use assets.

5. **Leases (BKSA Group as lessee) (continued)**

Lease liabilities

		BKSA Group	
Figures in Rand		**2020**	**2019**
Transition accounting		348 775 499	–
New leases		38 142 975	–
Interest accrued		38 702 684	–
Lease payments – Principal		(17 311 738)	–
Lease payments – Interest		(33 934 885)	–
Remeasurements		15 415 797	–
Rental concessions		(6 258 512)	–
Terminations		(5 447 358)	–
		378 084 462	**–**

The maturity analysis of lease liabilities is as follows:

Within one year	65 903 646	318 493	12 491 666
Two to five years	266 806 323	384 182	59 213 580
More than five years	211 106 342	–	54 345 182
	543 816 311	702 675	126 050 428
Less finance charges component	(165 731 849)	(74 770)	(40 186 067)
	378 084 462	**627 905**	**85 864 361**
Non-current liabilities	342 082 853	356 820	80 803 684
Current liabilities	36 001 609	271 085	5 060 677
	378 084 462	**627 905**	**85 864 361**

COVID-19 related rent concessions

The BKSA Group has elected to apply the practical expedient made available by the amendment to IFRS 16 in May 2020, to all rent concessions that meet the conditions in paragraph 46B. The BKSA Group has accordingly elected not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. As a result, all changes in lease payments have been accounted for in the same way as other changes which are not lease modifications. Concessions were accounted as a negative variable lease payment whereby the lease liability is remeasured at the initial discount rate and the corresponding adjustment recognised as a gain in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Amounts recognised in profit or loss to reflect changes in lease payments arising from rent concessions applying the expedient.	(6 258 512)	–	(1 393 141)

6. Goodwill

	2020			2019		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	1 193 901	–	1 193 901	1 193 901	–	1 193 901

Reconciliation of goodwill 2020

	Opening balance	Total
Goodwill	1 193 901	1 193 901

Burger King purchased Disa Road store from a franchisee on 1 February 2019. The store was purchased for a total cash consideration of R7.1 million, with identifiable assets of R6.0 million resulting in a Goodwill of R1.2 million.

Goodwill impairment testing

An annual impairment test is performed to assess whether goodwill has been impaired. No significant changes were noted since the preceding period's recoverable amount assessment and no impairment was recorded in the current year.

Reconciliation of goodwill 2019

	Opening balance	Additions through business combinations	Total
Goodwill	–	1 193 901	1 193 901

7. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Master and franchise licences	28 213 630	(12 806 162)	15 407 468	26 136 875	(10 160 181)	15 976 694
Computer software	21 097 557	(8 595 896)	12 501 661	9 290 082	(5 501 854)	3 788 228
Total	**49 311 187**	**(21 402 058)**	**27 909 129**	**35 426 957**	**(15 662 035)**	**19 764 922**

Reconciliation of intangible assets – 2020

	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Master and franchise licences	15 976 694	2 251 569	(217 132)	(2 603 663)	–	15 407 468
Computer software	3 788 228	11 938 643	–	(3 224 286)	(924)	12 501 661
	19 764 922	**14 190 212**	**(217 132)**	**(5 827 949)**	**(924)**	**27 909 129**

7. **Intangible assets (continued)**

Reconciliation of intangible assets 2019

	Opening balance	Additions	Amortisation	Total
Master and franchise licences	18 245 665	2 160 826	(4 429 797)	15 976 694
Computer software	2 645 434	2 284 897	(1 142 103)	3 788 228
	20 891 099	**4 445 723**	**(5 571 900)**	**19 764 922**
Individually material intangible assets (carrying amounts)				
Master Franchise Licence		15 407 468	15 976 694	–

Licence fee paid to BURGER KING® Europe for the rights to the Master Franchise for Southern Africa for a period of 20 years from 1 April 2013.

Licence fees paid to BURGER KING® Europe during the 2020 financial year in South Africa for periods of between five to 10 years for an approximate cost of R292 000 per licence.

8. **Investments in subsidiaries**

The following table lists the entities which are controlled by the BKSA Group, either directly or indirectly through subsidiaries.

Name of company	Held by	% voting power 2020	% holding 2020
BK 33 on Heerengracht Proprietary Limited	*	100.00	100.00
BK Centre Proprietary Limited	*	100.00	100.00
BK Grand Proprietary Limited	*	100.00	100.00
BK Marketing Fund Proprietary Limited	*	100.00	100.00
BK West Coast Proprietary Limited	*	100.00	100.00
K2013002814 Proprietary Limited	*	100.00	100.00
K2013104553 (South Africa) Proprietary Limited	*	100.00	100.00
K2013104566 (South Africa) Proprietary Limited	*	100.00	100.00
K2013142133 Proprietary Limited	*	100.00	100.00
K2013142134 Proprietary Limited	*	100.00	100.00
K2013142135 Proprietary Limited	*	100.00	100.00
K2013142140 Proprietary Limited	*	100.00	100.00
K2013155256 Proprietary Limited	*	100.00	100.00
K2013155282 (South Africa) Proprietary Limited	*	100.00	100.00
K2013197652 Proprietary Limited	*	100.00	100.00
K2013155270 Proprietary Limited	*	100.00	100.00
K2013155911 Proprietary Limited	*	100.00	100.00
K2014143181 Proprietary Limited	*	100.00	100.00
K2013197654 Proprietary Limited	*	100.00	100.00
K2013197655 Proprietary Limited	*	100.00	100.00
K2013197681 Proprietary Limited	*	100.00	100.00
Burger King Restaurants Proprietary Limited	*	100.00	100.00
K2014079643 Proprietary Limited	*	100.00	100.00
K2014143185 Proprietary Limited	*	100.00	100.00
K2014119486 Proprietary Limited	*	100.00	100.00
K2014143177 Proprietary Limited	*	100.00	100.00
K2014143184 Proprietary Limited	*	100.00	100.00
K2014119496 Proprietary Limited	*	100.00	100.00

* All the investments are held by BKSA.

8. **Investments in subsidiaries (continued)**

The carrying amounts of the subsidiaries are shown net of impairment losses as there were none. All the companies were formed by means of new incorporations and hence have no acquisition cost. The value of the investments held is zero due to the shares being held at no par value.

All subsidiaries are incorporated in the Republic of South Africa.

Burger K North Subsidiaries

The following information is provided for subsidiaries with non-controlling interests which are material to the BKSA Group.

Subsidiary	Country of incorporation	% ownership interest held by non-controlling interest 2020
Burger K North Proprietary Limited	RSA	67
K2014119389 Proprietary Limited	RSA	67
K2013104578 (South Africa) Proprietary Limited	RSA	67
K2013155298 (South Africa) Proprietary Limited	RSA	67

The country of incorporation and the principal place of business are the same in all cases.

The percentage voting rights were 51% (2019: 51%)

The 67% reflected above is held by Grand Foods Investments 1 Proprietary Limited.

8. **Investments in subsidiaries (continued)**

2020

Summarised Consolidated Statement of Financial Position	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Carrying amount of non-controlling interest
Burger K North Proprietary Limited	15 361 522	11 081 527	26 443 049	7 642 822	17 202 079	24 844 901	1 065 325
K2014119389 Proprietary Limited	23 845 865	2 459 691	26 305 556	12 384 384	5 035 757	17 420 141	5 923 018
K2013104578 (South Africa) Proprietary Limited	76 027 238	9 736 906	85 764 144	38 693 275	48 545 572	87 238 847	(983 037)
K2013155298 (South Africa) Proprietary Limited	5 459 000	931 820	6 390 820	778 727	7 131 046	7 909 773	(1 012 534)
Total	**120 693 625**	**24 209 944**	**144 903 569**	**59 499 208**	**77 914 454**	**137 413 662**	**4 992 772**

Summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income	Revenue	Profit/(Loss) before tax	Tax (expense) /credit	Profit/(Loss)	Profit/(Loss) allocated to non-controlling interest
Burger K North Proprietary Limited	23 494 412	(950 828)	3 789 267	2 838 439	1 892 103
K2014119389 Proprietary Limited	44 020 655	1 536 709	(766 005)	770 704	513 751
K2013104578 (South Africa) Proprietary Limited	91 041 467	5 468 934	(526 730)	4 942 204	3 294 473
K2013155298 (South Africa) Proprietary Limited	9 611 816	(212 813)	218 483	5 670	3 780
Total	**168 168 350**	**5 842 002**	**2 715 015**	**8 557 017**	**5 704 107**

8. **Investments in subsidiaries (continued)**

2019

Summarised Consolidated Statement of Financial Position	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Carrying amount of non-controlling interest
Burger K North Proprietary Limited	7 995 298	45 639 494	53 634 792	31 041 898	23 833 185	54 875 083	(826 778)
K2014119389 Proprietary Limited	13 852 125	19 154 045	33 006 170	–	24 891 459	24 891 459	5 409 266
K2013104578 (South Africa) Proprietary Limited	32 796 942	14 986 027	47 782 969	–	54 199 87	54 199 876	(4 277 510)
K2013155298 (South Africa) Proprietary Limited	4 014 330	1 523 481	5 537 811	–	7 062 43	7 062 434	(1 016 313)
Total	**58 658 695**	**81 303 047**	**139 961 742**	**31 041 898**	**109 986 954**	**141 028 852**	**(711 335)**

Summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income	Revenue	Profit/(Loss) before tax	Tax (expense) /credit	Profit/(Loss)	Profit/(Loss) allocated to non-controlling interest
Burger K North Proprietary Limited	26 665 278	198 656	(55 624)	143 032	95 345
K2014119389 Proprietary Limited	49 459 386	3 892 789	(1 089 991)	2 802 798	1 868 345
K2013104578 (South Africa) Proprietary Limited	97 138 419	5 687 984	(1 592 636)	4 095 348	2 729 959
K2013155298 (South Africa) Proprietary Limited	12 102 629	(30 380)	8 507	(21 873)	(14 580)
Total	**185 365 712**	**9 749 049**	**(2 729 744)**	**7 019 305**	**4 679 069**

	BKSA Group	
Figures in Rand	**2020**	**2019**

9. **Loans to group companies**

Grand Foods Meat Plant Proprietary Limited	9 990 058	9 990 058

Loan receivables inherently expose the entity to credit risk, being the risk that the entity will incur financial loss if the entity fails to make payments when payments are due. The entity's historical credit loss experience does not show any default on payments from the entity as well as no loans have been written off in the past and based on the entity's financial position should the loan become due or payable it is expected that the entity will settle the balance. As at 30 June 2020 no amounts were past due or considered to be impaired and as such there is no allowance for impairment as at 30 June 2020.

At 30 June 2020, no amounts were past due or impaired and as such there is no provision for impairment as at 30 June 2020.

10. **Deferred tax**

Deferred tax assets and liabilities have been netted off to the extent that a legally enforceable right exists to set off current assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on either (i) the same taxable entity; or (ii) different taxable entities that intend to settle on a net basis or realise assets and settle liabilities simultaneously. Deferred tax assets and deferred tax liabilities arising from separate statutory entities have not been netted off.

	BKSA Group	
Figures in Rand	**2020**	**2019**
Deferred tax liability	–	(196 842)
Deferred tax asset	151 916 385	124 483 448
Total net deferred tax asset	**151 916 385**	**124 286 606**
The deferred tax balance is made up as follows:		
Operating leases and other liabilities*	4 247 016	8 097 669
Assessed losses	141 202 780	132 139 652
Prepayments	(1 842 949)	(1 673 137)
Provisions and accruals	3 628 662	6 064 871
Property, plant and equipment	(21 026 598)	(20 342 449)
Right of use assets	(80 056 501)	–
Lease liabilities	105 763 975	–
	151 916 385	**124 286 606**
Reconciliation of deferred tax asset/(liability)		
At beginning of year	124 286 606	107 814 404
Operating leases and other liabilities*	(3 850 653)	1 885 618
Assessed losses	9 063 128	19 564 729
Prepayments	(169 812)	(246 685)
Provisions and accruals	(2 436 209)	1 873 543
Property, plant and equipment	(684 149)	(6 605 003)
Right of use assets	(80 056 501)	–
Lease liabilities	105 763 975	–
	151 916 385	**124 286 606**

Recognition of deferred tax asset

Deferred tax assets relating to unused tax losses of R101 million for BKSA Group have not been recognised. These losses don't expire.

* Other liabilities include the dismantling liability and tenant installations.

11. **Prepayments**

Prepaid expenses relate to rental paid in advance to landlords for the lease of restaurant premises

Prepaid expenses	1 675 672	5 905 501	1 765 997	1 801 059
Prepaid software	337 584	171 236	337 584	171 236
	2 013 256	**6 076 737**	**2 103 581**	**1 972 295**

	BKSA Group		
Figures in Rand	**2020**	**2019**	

12. Inventories

Stock of food and packaging	16 941 080	11 786 725	–
Shop fit-out materials	735 144	5 942 244	–
	17 676 224	**17 728 969**	**–**

No indication was present which suggested the net realisable value was below cost. As such, no allowance for stock write downs is required. Stock of food is replenished from the distributor every second or third day based on a nominated delivery day schedule, dependent on the volumes experienced at the stores.

The shop fit-out materials relate to building and shop fit-out materials that have been acquired in bulk for future stores and will be capitalised to the cost of the building once completed.

13. Trade and other receivables

	BKSA Group	
Figures in Rand	**2020**	**2019**
Financial instruments:		
Trade and other receivables	120 554 933	208 769 458
Allowance for impairment	(1 200 818)	(850 750)
Trade receivables at amortised cost	119 354 115	207 918 708
Non-financial instruments:		
VAT	–	5 251 555
Total trade and other receivables	**119 354 115**	**213 170 263**
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	119 354 115	207 918 708
Non-financial instruments	–	5 251 555
	119 354 115	213 170 263

Exposure to credit risk

Trade receivables inherently expose the BKSA Group to credit risk, being the risk that the BKSA Group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the BKSA Group only deals with reputable customers with consistent payment histories. As the BKSA Group operates Quick Service Restaurants, transactions are on a cash basis and the only expected losses are cash shortages at the Point of Sale.

The BKSA Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2020	2020	2019	2019
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**
Not past due: 0.996% (2019: 0.41%)	120 554 933	1 200 818	208 769 458	850 750

13. **Trade and other receivables (continued)**

Reconciliation of allowance for impairment

	BKSA Group	
Figures in Rand	**2020**	**2019**
Opening balance	850 750	455 592
Accrued	1 200 818	850 750
Written-off	(850 750)	(455 592)
Closing balance	**1 200 818**	**850 750**

14. **Cash and cash equivalents**

Cash and cash equivalents consist of:		
Cash on hand	2 047 440	1 225 611
Bank balances	37 064 973	21 185 728
Short-term deposits	2 059 820	1 748 460
Bank overdraft	(80 455 017)	(67 448 870)
	(39 282 784)	**(43 289 071)**
Current assets	41 172 233	24 159 799
Current liabilities	(80 455 017)	(67 448 870)
	(39 282 784)	(43 289 071)

The short-term deposits represent funds which are immediately available. The total overdraft facility from Nedbank Limited amounts to R100 million at an interest rate of 0.75% below prime. Pledge and cession of call account number 03 7881 101954 0011 of R2 million, has been provided as security. Other products are the revolving credit line R2 million, forward exchange contract R1 million, letter of guarantee R2 million and Nedfleet facility of R0.5 million

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to the external credit rating of Nedbank Limited.

15. **Share capital**

	BKSA Group	
Figures in Rand	**2020**	**2019**
Authorised share capital		
150 class B shares of no-par value	150	150
10 000 ordinary shares of no-par value	10 000	10 000
	10 150	**10 150**
Reconciliation of number of shares issued:		
Shares purchases by subsidiaries	1 680	1 680
Issued		
Ordinary shares fully paid for at no par value	180 000 000	180 000 000

16. Share-based payments

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

2020	Number of unvested share options 30 June 2019 000's	Granted during the year 000's	Exercised during the year 000's	Forfeited during the year R	Vesting price per share R	Number of unvested share options 30 June 2020 000's
H Adams*	5 641	–	(3 263)	(2 378)	–	–
M Tajbhai**	1 504	911	–	–	2.46	2 415
C Priem***	1 471	804	–	–	2.31	2 275
	8 616	**1 715**	**(3 263)**	**(2 378)**		**4 690**

2019	Number of unvested share options 30 June 2018 000's	Granted during the year 000's	Exercised during the year 000's	Forfeited during the year R	Vesting price per share R	Number of unvested share options 30 June 2019 000's
H Adams*	3 504	3 263	–	(1 126)	2.18	5 641
M Tajbhai**	–	1 504	–	–	2.26	1 504
C Priem***	–	1 471	–	–	2.04	1 471
	3 504	**6 238**	**–**	**(1 126)**		**8 616**

* H Adams resigned as executive director on 30 June 2019. In terms of the mutual separation agreement, he retained his share options which were to be exercised by 30 June 2020. H Adams exercised his share options in April 2020.

** M Tajbhai was appointed as executive director on 28 November 2018.

*** C Priem resigned as executive and financial director on 31 March 2020. In terms of the mutual separation agreement, he retained his share options which are to be exercised by 31 March 2021.

16.2 Share options per strike price held at 30 June

2020: Date granted	Strike price R	M Tajbhai 000's	C Priem 000's	Total 000's
09 September 2019	2,80	911	804	1 715
02 July 2018	2,04	–	1 471	1 471
01 November 2018	2,26	1 504	–	1 504
		2 415	**2 275**	**4 690**

2019: Date granted	Strike price R	H Adams 000's	M Tajbhai 000's	C Priem 000's	Total 000's
26 September 2017	2.61	2 378	–	–	2 378
2 July 2018	2.04	–	–	1 471	1 471
27 August 2018	1.86	3 263	–	–	3 263
1 November 2018	2.26	–	1 504	–	1 504
		5 641	**1 504**	**1 471**	**8 616**

16. **Share-based payments (continued)**

16.3 **IFRS 2 Share-based payment reserve**

The IFRS 2 share-based payment reserve has been recognised in line with the Group share-based payment accounting policy detailed in note 1.4 of the consolidated historical financial information.

The Group established a share option incentive scheme in which options to acquire GPI shares have been granted to key employees of the Group. All options have been granted with an exercise price equal to the 30-day Volume Weighted Average Price of the shares on the date of the grant and are conditional on the participant remaining in service with the Group. The maximum aggregate number of shares in terms of the Group Share Options Scheme that may be utilised for the purposes of the scheme shall not exceed R46.9 million. The following are the salient features of the share options granted:

1) Five-year vesting period commencing on the grant date and vests in 4 equal tranches.
2) The first tranche vests on the second anniversary of the Option Grant Date and annually thereafter for three years in equal tranches.
3) Share options exercised are settled on a net settlement share basis.
4) No dividend rights will be attached to the share options until such time as the shares are registered in the recipient's name.
5) In the event of death, retirement or retrenchment any exercisable options will only be capable of conversion for a 12-month period.
6) Upon resignation or termination of employment all unexercised options will immediately lapse.

16.3.1 ***Share options outstanding at the end of the year have the following vesting dates and exercise prices:***

2020	**Number 000's**	**Weighted exercise R**	**Total Value 000's**
Outstanding at beginning of the year	8 850	2.33	20 654
Granted during the year	1 715	2.80	4 802
Exercised during the year	(3 263)	1.86	(6 069)
Lapsed during the year	(2 612)	2.98	(7 784)
Outstanding at end of the year	**4 690**		**11 603**

Outstanding options	**Exercise date within one year 000's**	**Exercise date from two to five years 000's**	**Exercise date after five years 000's**	**Total 000's**
Options with exercise price from R2.04	1 471	–	–	1 471
Options with exercise price from R2.26	376	1 128	–	1 504
Options with exercise price from R2.80	804	911	–	1 715
	2 651	**2 039**	**–**	**4 690**

16. **Share-based payments (continued)**

16.3 **IFRS 2 Share-based payment reserve (continued)**

16.3.1 ***Share options outstanding at the end of the year have the following vesting dates and exercise prices: (continued)***

2019	**Number 000's**	**Weighted exercise price R**	**Total value R'000s**
Outstanding at beginning of the year	5 084	4.09	20 810
Granted during the year	6 238	2.00	12 476
Forfeited during the year	(2 472)	5.11	(12 632)
Outstanding at end of the year	**8 850**		**20 654**

Outstanding options	**Exercise within one year '000s**	**Exercise date from two to five years '000s**	**Exercise date after five years '000s**	**Total '000s**
Options with exercise price from R6.33	114	–	–	114
Options with exercise price from R7.21	120	–	–	120
Options with exercise price from R2.61	594	1 784	–	2 378
Options with exercise price from R2.04	–	1 471	–	1 471
Options with exercise price from R1.86	–	3 263	–	3 263
Options with exercise price from R2.26	–	1 504	–	1 504
	828	**8 022**	**–**	**8 850**

16.3.2 ***Information on options granted during the year***

During the prior year, the Group granted 1.71 million options to key employees of the Group. These options were granted on the 9 September 2019. The tables below provide details of the options granted during the year.

Fair value was determined by the Black-Scholes-Merton model.

The following inputs were used for the share options granted 9 September 2019:

	31 March 2020	**9 September 2021**	**9 September 2022**	**9 September 2023**	**9 September 2024**
Weighted fair value per option granted (cents)	54	52	60	69	74
Weighted average share price per GPI share (cents)	285	285	285	285	285
Exercise price (cents)	280	280	280	280	280
Expected volatility	31.33%	29.98%	28.91%	30.08%	29.32%
Dividend yield	4.00%	4.00%	4.00%	4.00%	4.00%
Risk free interest rate	6.69%	6.48%	6.56%	6.67%	6.80%

16. **Share-based payments (continued)**

16.3 **IFRS 2 share-based payment reserve (continued)**

16.3.2 ***Information on options granted during the year (continued)***

The historic volatility was measured at the standard deviation of price changes over an identified historic period. Expected volatility generally cannot be taken from a single objective source and therefore it is subjective to estimate this model input. The following factors were considered in assessing the volatility.

1) Implied volatility from traded share options on the entities shares.
2) Historical volatility of the GPI and peers share price over the most recent period that is commensurate with the expected term of the option.
3) The length of time the entity's shares has been publicly traded.
4) The tendency of volatility to revert to its mean.
5) Appropriate and regular intervals for price observations.

Total expense of R nil (2019: R48 100), relating to equity-settled share-based payments was recognised during the year by the BKSA Group. No share options were awarded to BKSA employees in the current or prior year. All share options that were issued have fully vested and where not exercised, have lapsed. Therefore, there are no share options outstanding for employees in the BKSA Group at the end of the reporting period. The above disclosures are in respect of the directors of BKSA who are also directors of the BKSA's parent company, GPI. The options were granted by GPI in their capacity as directors of GPI.

17. **Loans from group companies**

	BKSA Group		
Figures in Rand	**2020**	**2019**	
Grand Foods Management Services Proprietary Limited	727	727	–
The loan is secured, interest-free and has no fixed terms of repayment. Grand Parade Investments Limited	597 838 932	572 838 931	–
The loan is secured, interest-free and has no fixed terms of repayment. The loan has been subordinated in favour of Nedbank Limited for the duration of the agreement to the extent of the equity covenant of R400 000 000.			
Grand Foods Investments 1 Proprietary Limited	47 200 000	30 000 000	–
The loan is secured, interest-free and has no fixed terms of repayment.	**645 039 659**	**602 839 658**	–

18. **Provisions**

Reconciliation of provisions 2020

	Opening balance	Additions	Utilised during the year	Total
Long service leave	359 196	458 741	(396 801)	421 136
Employee bonuses	6 788 478	9 655 523	(10 671 767)	5 772 234
Dismantling provision	–	6 648 161	–	6 648 161
	7 147 674	**16 762 425**	**(11 068 568)**	**12 841 531**

Reconciliation of provisions 2019

	Opening balance	Additions	Utilised during the year	Total
Long service leave	213 134	194 536	(48 474)	359 196
Employee bonuses	3 792 699	8 203 053	(5 207 274)	6 788 478
	4 005 833	**8 397 589**	**(5 255 748)**	**7 147 674**

Reconciliation of provisions 2020

	Opening balance	Additions	Utilised during the year	Total
Long service leave	359 196	458 741	(396 801)	421 136
Employee bonuses	3 724 735	1 144 228	(1 254 948)	3 614 015
Dismantling provision	–	1 673 079	–	1 673 079
	4 083 931	**3 276 048**	**(1 651 749)**	**5 708 230**

Reconciliation of provisions 2019

	Opening balance	Additions	Utilised during the year	Total
Long service leave	213 134	194 536	(48 474)	359 196
Employee bonuses	2 400 469	2 083 391	(759 125)	3 724 735
	2 613 603	**2 277 927**	**(807 599)**	**4 083 931**

	BKSA Group	
Figures in Rand	**2020**	**2019**
Non-current provisions	7 069 297	359 196
Current provisions	5 772 234	6 788 478
	12 841 531	**7 147 674**

Employee provisions relate to employee bonuses which are provided for the period July 2019 – June 2020.

The bonus is paid out on an annual basis in December (managers and corporate staff), January (crew) and August (corporate executive).

Should an employee resign prior to bonus payout their provision is reversed.

19. Trade and other payables

	BKSA Group	
Figures in Rand	**2020**	**2019**
Financial instruments:		
Trade payables	173 661 747	213 091 236
Tenant installation allowances	151 653	8 571 608
Lease smoothing accrual	–	28 425 456
Sundry accruals	26 274 818	25 137 524
Audit fee accrual	3 921 374	5 400 345
Interest accrued	111 991	79 671
Non-financial instruments:		
Leave pay accrual	1 716 673	5 572 806
Medical aid and payroll accrual	6 778 552	8 034 006
VAT	580 392	2 916 861
Provident fund accrual	–	592 207
	213 197 200	**297 821 720**
Financial and non-financial instrument components of trade and other payables		
Financial liabilities at amortised cost	204 121 583	280 705 840
Non-financial liabilities	9 075 617	17 115 880
	213 197 200	**297 821 720**

Financial liabilities are measured at amortised cost and the carrying value equates to the fair value.

20. Revenue

Revenue from contracts with customers		
Food sales	1 010 456 991	1 015 356 081
Licence and training fees	825 463	488 412
Royalty Income	2 529 546	3 223 814
Vendor Income	1 447 299	1 447 920
Marketing fund income	2 634 370	3 223 814
	1 017 893 669	**1 023 740 041**

21. Cost of sales

Sale of goods	463 136 000	468 686 801

22. Other income

Office rental income	–	119 359
SDL refund income	–	28 000
CATH SETA income	252 540	2 106 590
Foodbev SETA income	2 926 503	3 806 961
Miscellaneous revenue – third party	305 274	32 539
Insurance recovery income	180 818	9 613
Youth employment tax incentive credit	12 210 652	11 390 929
Shortening recovery	665 861	786 449
Sundry income	9 313	(37 810)
	16 550 961	**18 242 630**

23. **Operating loss**

Gains/(losses) on disposals, scrapings and settlements

	BKSA Group	
Figures in Rand	**2020**	**2019**
Property, plant and equipment During the 2020 financial year, a store (BK Ermelo) was sold to a third party.	4	991 010

24. **Operating loss**

Profit before finance and taxation cost is stated after:

Auditor's remuneration – external		
Current year	4 058 750	2 848 260
Prior year under/(over) provision	34 242	608 512
	4 092 992	**3 456 772**
Auditor's remuneration – internal	**44 023**	**–**
Employee costs		
Salaries, wages, bonuses and other benefits	153 280 385	156 107 731
Subsistence allowance	107 790	78 134
Travel allowance	–	33 490
Sales discount	6 820 613	7 684 280
Staff transport	11 661 997	8 387 544
Provident fund	5 235 150	4 908 930
Long service leave entitlement	(40 294)	146 062
Employee termination costs	–	21 175
Share-based compensation expense	–	48 100
Total employee costs	**177 065 641**	**177 415 446**
Leases		
Operating lease charges		
Premises	(7 798 566)	58 776 374
Motor vehicles	6 141	11 519
Equipment	90 492	68 376
Tenant installation allowance	–	(1 351 070)
	(7 701 933)	**57 505 199**
Contingent rentals on operating leases		
Premises	3 545 589	4 606 083
Total operating lease charges	**(4 156 344)**	**62 111 282**

The BKSA Group recorded the following as expenses in the current year: Concessions (R6 258 512) and short-term lease payments of R1 943 543.

24. Operating loss (continued)

Depreciation and amortisation

	BKSA Group	
Figures in Rand	**2020**	**2019**
Depreciation of property, plant and equipment	43 823 198	44 148 567
Depreciation of right-of-use assets	41 598 213	–
Amortisation of intangible assets	5 827 949	5 571 899
Total depreciation and amortisation	**91 249 360**	**49 720 466**
Impairment losses		
Property, plant and equipment	3 533 719	8 895 608
Right-of-use assets	3 902 817	–
Intangible assets	924	–
Expected credit loss	357 841	397 880
	7 795 301	**9 293 488**

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Changes in inventories of finished goods and work in progress	463 136 000	468 686 801
Employee costs	177 065 641	177 415 446
Lease expenses	(4 156 344)	62 111 282
Depreciation, amortisation and impairment	99 044 661	59 013 954
Other expenses	114 288 779	94 750 240
Royalty paid	46 180 579	45 834 559
SLA paid	6 267 915	12 619 158
Repairs and maintenance and refurbishment	11 522 020	11 047 753
Marketing	74 458 644	73 497 485
Utilities	51 004 262	46 937 797
	1 038 812 157	**1 051 914 475**

25. Finance income

Interest income

Interest on bank accounts	1 027 948	1 298 561

26. Finance costs

Lease liability interest	38 657 460	97 396
Bank overdraft	4 903 540	3 979 088
Interest paid – third parties	296 374	972 722
Dismantling provision interest	795 610	–
Total finance costs	**44 652 984**	**5 049 206**

27. **Taxation**

	BKSA Group	
Figures in Rand	**2020**	**2019**
Major components of the tax income		
Current		
Local income tax – current period	455 605	2 412 674
Deferred		
Benefit of temporary difference used to reduce deferred tax expense	(14 114 394)	(16 472 202)
	(13 658 789)	**(14 059 528)**
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28.00%	28.00%
Exempt income	1.75%	27.82%
Assessed losses recognised/rerecognised	(0.28)%	49.96%
Non-deductible expenses	(0.41)%	(3.02)%
	29.06%	**102.76%**

28. **Cash generated from/(used in) operations**

Loss before taxation	(47 001 553)	(13 682 449)
Adjustments for:		
Depreciation and amortisation	91 249 360	49 720 466
Gain on disposal of property, plant and equipment	(991 010)	–
Finance income	(1 027 948)	(1 298 561)
Finance costs	44 652 984	5 049 206
Net impairments on property, plant and equipment	3 534 643	9 293 488
Movements in provisions	5 693 857	3 141 841
Share-based payment expense	–	(48 100)
Expected credit loss	357 841	–
Loss on disposal of property, plant and equipment	–	37 810
Recoveries from insurance	–	91 333
Rental concessions	(6 258 512)	–
Impairment of right-of-use-asset	3 902 817	–
Non-cash element of Disa Road store purchase	–	5 960 350
Changes in working capital:		
Inventories	52 745	1 565 944
Trade and other receivables	93 816 148	20 111 894
Prepayments	4 063 481	(982 265)
Trade and other payables	(80 380 831)	15 759 400
	111 664 022	**94 720 357**

29. **Tax (paid)/received**

Balance at beginning of the year	(486 704)	1 932 288
Current tax for the year recognised in profit or loss	(455 605)	(2 470 414)
Adjustment for movement in deferred tax	–	58 032
Balance at end of the year	984 886	486 704
	42 577	**6 610**

30. Changes in liabilities arising from financing activities

	BKSA Group	
Figures in Rand	**2020**	**2019**
Loans advanced from group companies		
Opening balance	(602 839 659)	(602 839 659)
Interest accrued	–	–
Closing balance	645 039 659	602 839 659
	42 200 000	**–**
Loans advanced to group companies		
Opening balance	9 990 058	8 990 058
Closing balance	(9 990 058)	(9 990 058)
	–	**(1 000 000)**
Payment on finance leases 2019		
Opening balance	–	(1 307 134)
Settlement of finance lease by RBS	–	91 333
Closing balance	–	627 906
	–	**(587 895)**
Lease liabilities		
Transition	(348 775 499)	8 990 058
Cash movement	17 311 738	–
New leases	(38 142 975)	–
Interest incurred	(38 702 684)	–
Interest paid	33 934 885	–
Closing balance	(3 709 927)	(9 990 058)
	(378 084 462)	**(1 000 000)**

31. Disposal of property, plant and equipment

Carrying value of assets as at disposal date	2 092 386	167 143
Settlement of finance lease by RBS	–	(91 333)
Accounting profit/(loss) on disposal	991 010	(37 810)
Cash receipt of sale to third party	(3 083 396)	(38 000)
	–	**–**

32. Commitments

Authorised capital expenditure

The following stores, with an average capital budget of R7.5 million, are planned for opening during the period 1 July 2020 and 30 June 2021 with a total amount of capital expenditure authorised of R67.5 million:

Richmond Park Retail Atterbury
Arbour Road
Kingfisher Corner
Risidale 2 Barry Rd
Glen Marais
Castle Gate
Birchleigh North SC
Stonehill Crossing
Queenswood

32. **Commitments (continued)**

The BKSA Group has various lease contracts that have not yet commenced as at 30 June 2020. The annual lease payments for these non-cancellable lease contracts are R4 563 960.

	BKSA Group	
Figures in Rand	**2020**	**2019**
Operating leases – as lessee		
Minimum lease payments due		
– within one year	–	54 162 943
– in second to fifth year inclusive	–	202 280 680
– later than five years	–	146 771 316
	–	**403 214 939**

Operating lease payments represent rentals payable by the BKSA Group for its head office leases and for direct owned restaurant premises. Commercial leases are negotiated for terms of between five and 20 years and rentals escalate annually. Certain site leases are subject to monthly contingent rental calculations as negotiated based on turnover.

33. **Related parties**

Relationships	
Ultimate holding company	Grand Parade Investments Limited
Holding company	Grand Foods Investments 1 Proprietary Limited
Subsidiaries	Refer to note 8
Shareholder with significant influence	Burger King South Africa Holdings Proprietary Limited
	Burger King Europe GmbH
Director of Burger King South Africa (RF) Proprietary Limited is also a director of:	Nadesons Projects Proprietary Limited
	Afriserv Proprietary Limited
	Triserv Proprietary Limited
	RBS Katz Breskal
	Nadesons Consulting Proprietary Limited
Fellow subsidiaries	GPI Management Services Proprietary Limited
	Mac Brothers Catering Equipment Proprietary Limited
	Grand Coffee House Proprietary Limited
	Mac Oven Proprietary Limited
	Grand Casino Investments KZN Proprietary Limited
	Grand Casino Investments Proprietary Limited Grand Capital Investment Holdings Proprietary Limited
	Grand Ice Cream Proprietary Limited
	Grand Foods Management Services Proprietary Limited
	Grand Foods Meat Plant Proprietary Limited
	GPI Properties Proprietary Limited
	Impala Lily Property Investments Proprietary Limited
	Sabenza Proprietary Limited
	Grand Foods Bakery Proprietary Limited
Members of key management	Juan Klopper
	Mohsin Tajbai
	Jayson October
	Hassen Adams
	David Chan Shear
	Ezelna Jones
	Ronel Van Dijk
	Chryzanthia de Waal

	BKSA Group	
Figures in Rand	2020	2019
33. **Related parties (continued)**		
Related party balances		
Loan accounts – Owing (to) by related parties		
Grand Foods Meat Plant Proprietary Limited	9 990 058	9 990 058
GPI Limited	(597 838 932)	(572 838 931)
Grand Foods Investments 1 Proprietary Limited	(47 200 000)	(30 000 000)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Afriserv Proprietary Limited	–	(17 742)
BK 33 On Heerengracht Proprietary Limited	837 392	5 974 797
BK Centre Proprietary Limited	3 873 369	1 916 268
BK Grand Proprietary Limited	697 501	3 775 632
BK Marketing Fund Proprietary Limited	(29 016 322)	(46 027 698)
BK West Coast Proprietary Limited	876 610	1 535 912
Burger K North Proprietary Limited	3 272 607	6 036 604
Burger King Europe GmbH	(6 124 793)	(1 244 174)
Burger King Restaurants Proprietary Limited	2 053 777	5 741 996
Burger King South Africa (RF) Proprietary Limited	(49 897 049)	(68 604 295)
GPI Management Services Proprietary Limited	–	(181 811)
GPI Properties Proprietary Limited	2 122 772	1 815 580
Grand Coffee House Proprietary Limited	446 846	825 255
Grand Foods Proprietary Limited	272 937	1 703 627
Grand Foods Bakery Proprietary Limited	10 094	10 094
Grand Foods Management Services Proprietary Limited	1 131 921	1 680 852
Grand Foods Meat Plant Proprietary Limited	55 246	2 094
Grand Ice Cream Proprietary Limited	–	188 753
Grand Parade Investments Limited	(21 309 655)	(13 588 183)
K2013002814 Proprietary Limited	1 856 482	1 749 613
K2013104553 (South Africa) Proprietary Limited	2 191 957	2 024 486
K2013104566 (South Africa) Proprietary Limited	5 765 052	3 764 395
K2013104578 (South Africa) Proprietary Limited	1 191 313	18 451 571
K2013142134 Proprietary Limited	950 624	1 524 613
K2013142135 Proprietary Limited	849 496	3 973 282
K2013142140 Proprietary Limited	3 582 194	2 428 786
K2013155256 Proprietary Limited	4 379 077	1 655 501
K2013155270 Proprietary Limited	1 586 682	2 585 532
K2013155282 (South Africa) Proprietary Limited	684 647	2 355 753
K2013155298 (South Africa) Proprietary Limited	1 320 400	2 564 843
K2013155911 Proprietary Limited	2 227 553	1 506 962
K2013197652 Proprietary Limited	2 882 464	2 214 753
K2013197654 Proprietary Limited	3 863 331	2 235 742
K2013197655 Proprietary Limited	4 695 755	1 575 294
K2013197681 Proprietary Limited	5 015 668	2 875 013
K2014079643 Proprietary Limited	(78 778)	3 116 322
K2014119389 Proprietary Limited	9 290 880	12 499 200
K2014119486 Proprietary Limited	3 029 178	2 992 599
K2014119496 Proprietary Limited	1 949 587	7 103 292
K2014143177 Proprietary Limited	1 265 977	3 389 673
K2014143181 Proprietary Limited	699 304	3 372 931
K2014143184 Proprietary Limited	897 925	2 607 035
K2014143185 Proprietary Limited	1 205 311	3 187 062
Mac Brothers Catering Equipment Proprietary Limited	601 644	(4 294 838)
RBS Katz Breskal Proprietary Limited	–	(46 421)

	BKSA Group	
Figures in Rand	**2020**	**2019**
33. **Related parties (continued)**		
Related party transactions		
Service fees paid to/(received from) related parties		
BK Grand Proprietary Limited	252 666	333 533
BK Centre Proprietary Limited	1 480 048	1 653 899
BK 33 On Heerengracht Proprietary Limited	895 009	708 085
K2013002814 Proprietary Limited	337 269	170 341
BK West Coast Proprietary Limited	1 134 277	842 499
K2013104553 (South Africa) Proprietary Limited	1 873 466	1 498 017
K2013104566 (South Africa) Proprietary Limited	2 378 787	1 418 631
K2013104578 (South Africa) Proprietary Limited	2 855 305	3 029 438
K2013142134 Proprietary Limited	1 688 230	1 601 638
K2013142135 Proprietary Limited	687 509	769 145
K2013142140 Proprietary Limited	956 644	1 088 015
K2013155256 Proprietary Limited	1 165 755	752 562
K2013155270 Proprietary Limited	1 505 050	1 192 065
K2013155282 (South Africa) Proprietary Limited	460 155	288 892
K2013155298 (South Africa) Proprietary Limited	290 380	363 525
K2013155911 Proprietary Limited	1 015 168	1 080 000
K2013197652 Proprietary Limited	1 235 914	1 123 792
K2013197654 Proprietary Limited	486 734	258 640
K2013197655 Proprietary Limited	1 024 257	573 204
K2013197681 Proprietary Limited	1 665 934	1 080 537
Burger K North Proprietary Limited	708 204	813 550
Burger King Restaurants Proprietary Limited	1 894 754	2 149 814
K2014079643 Proprietary Limited	–	1 213 165
K2014119389 Proprietary Limited	1 353 976	1 456 522
K2014119486 Proprietary Limited	1 686 366	1 120 414
K2014119496 Proprietary Limited	–	847 945
K2014143177 Proprietary Limited	641 833	866 770
K2014143181 Proprietary Limited	–	563 645
K2014143184 Proprietary Limited	354 408	335 595
K2014143185 Proprietary Limited	495 000	540 000
Burger King South Africa Proprietary Limited	(37 502 039)	(29 733 878)
Grand Foods Management Services Proprietary Limited	13 195 685	12 619 158
	6 216 744	**12 619 158**
Marketing fund contributions paid to/(received from) related parties		
BK Grand Proprietary Limited	431 051	488 041
BK Centre Proprietary Limited	2 307 239	2 740 694
BK 33 On Heerengracht Proprietary Limited	864 535	1 028 820
K2013002814 Proprietary Limited	453 421	252 047
BK West Coast Proprietary Limited	1 686 556	1 278 534
K2013104553 (South Africa) Proprietary Limited	2 317 488	1 683 734
K2013104566 (South Africa) Proprietary Limited	2 843 631	1 641 075
K2013104578 (South Africa) Proprietary Limited	4 531 478	4 760 811
K2013142134 Proprietary Limited	1 812 541	1 780 010
K2013142135 Proprietary Limited	1 095 185	1 267 245
K2013142140 Proprietary Limited	1 525 385	1 857 963
K2013155256 Proprietary Limited	1 312 744	970 111
K2013155270 Proprietary Limited	2 024 358	1 806 056
K2013155282 (South Africa) Proprietary Limited	388 787	481 641
K2013155298 (South Africa) Proprietary Limited	486 482	609 813
K2013155911 Proprietary Limited	1 285 055	1 354 964

Figures in Rand	BKSA Group 2020	2019
33. **Related parties (continued)**		
K2013197652 Proprietary Limited	1 576 731	1 797 037
K2013197654 Proprietary Limited	807 245	426 245
K2013197655 Proprietary Limited	1 205 330	872 905
K2013197681 Proprietary Limited	1 791 688	1 262 703
Burger K North Proprietary Limited	1 185 461	1 342 515
Burger King Restaurants Proprietary Limited	2 831 431	3 233 153
K2014079643 Proprietary Limited	–	2 022 923
K2014119389 Proprietary Limited	2 211 971	2 489 545
K2014119486 Proprietary Limited	2 129 373	1 327 191
K2014119496 Proprietary Limited	–	1 441 611
K2014143177 Proprietary Limited	982 800	1 021 267
K2014143181 Proprietary Limited	–	923 111
K2014143184 Proprietary Limited	563 805	574 672
K2014143185 Proprietary Limited	493 194	537 254
Burger King South Africa Proprietary Limited	10 280 415	7 695 880
BK Marketing Fund Proprietary Limited	(51 425 380)	(50 969 571)
	–	**–**
Royalties paid to/(received from) related parties		
BK Grand Proprietary Limited	390 125	488 041
BK Centre Proprietary Limited	2 342 626	2 740 694
BK 33 On Heerengracht Proprietary Limited	864 535	1 028 820
K2013002814 Proprietary Limited	453 421	252 047
BK West Coast Proprietary Limited	1 736 979	1 278 534
K2013104553 (South Africa) Proprietary Limited	2 317 488	1 683 734
K2013104566 (South Africa) Proprietary Limited	2 843 631	1 641 075
K2013104578 (South Africa) Proprietary Limited	4 531 488	4 760 811
K2013142134 Proprietary Limited	1 812 541	1 780 010
K2013142135 Proprietary Limited	1 095 185	1 267 245
K2013142140 Proprietary Limited	1 525 385	1 857 963
K2013155256 Proprietary Limited	1 255 022	970 111
K2013155270 Proprietary Limited	1 983 612	1 806 056
K2013155282 (South Africa) Proprietary Limited	388 787	481 641
K2013155298 (South Africa) Proprietary Limited	486 482	609 813
K2013155911 Proprietary Limited	1 285 055	1 354 964
K2013197652 Proprietary Limited	1 576 731	1 797 037
K2013197654 Proprietary Limited	807 245	426 245
K2013197655 Proprietary Limited	1 205 330	872 905
K2013197681 Proprietary Limited	1 791 688	1 262 703
Burger K North Proprietary Limited	1 185 461	1 342 515
Burger King Restaurants Proprietary Limited	2 831 431	3 233 153
K2014079643 Proprietary Limited	–	2 022 923
K2014119389 Proprietary Limited	2 211 971	2 489 545
K2014119486 Proprietary Limited	2 129 373	1 327 191
K2014119496 Proprietary Limited	–	1 441 611
K2014143177 Proprietary Limited	947 121	1 021 267
K2014143181 Proprietary Limited	–	923 111
K2014143184 Proprietary Limited	563 805	574 672
K2014143185 Proprietary Limited	493 194	537 254
Burger King South Africa Proprietary Limited	(53 864 917)	(46 325 477)
Burger King Europe GmbH	47 681 956	47 865 425
	34 872 751	**44 813 639**

Figures in Rand	BKSA Group 2020	BKSA Group 2019
33. **Related parties (continued)**		
Purchases from/(sales) to related parties		
Afriserv Proprietary Limited	910 113	847 303
GPI Properties Proprietary Limited	9 006 608	8 609 291
Grand Foods Management Services Proprietary Limited	14 432 647	26 485 081
Grand Foods Meat Plant Proprietary Limited	2 742 629	40 138
GPI Limited	13 924 332	8 738 450
Mac Brothers Catering Equipment Proprietary Limited	45 909 826	38 624 522
GPI Management Services Proprietary Limited	2 470	–
Burger King Europe GmbH	2 063 182	2 451 672
Rent paid to/(received from) related parties		
GPI Properties Proprietary Limited	–	5 924 690

34. Directors' emoluments

Executive
2020

	Emoluments/ salaries	Short term benefits	Bonuses	Severance Pay	Long-term benefits	Total Remuneration
Juan Klopper*	1 356 064	35 255	797 823	–	–	2 189 142
Mohsin Tajbhai**	1 711 402	–	1 700 000	–	212 132	3 623 534
Colin Priem**	1 141 448	–	1 500 000	732 568	146 087	3 520 103
Jayson October**	304 826	–	–	–	14 016	318 842
Key management personnel***	1 659 810	49 840	480 929	–	207 133	2 397 712
	6 173 550	**85 095**	**4 478 752**	**732 568**	**579 368**	**12 049 333**

2019

	Emoluments/ salaries	Other benefits*	Bonuses	Share-based payment expense	Severance pay	Long-term benefits	Total remuneration
Juan Klopper*	1 256 087	247 873	405 000	–	–	–	1 908 960
Hassen Adams**	4 417 813	1 436 226	3 034 170	366 000	5 954 815	–	15 209 024
Key management personnel***	1 395 000	20 400	213 750	–	–	420 812	2 049 962
	7 068 900	**1 704 499**	**3 652 920**	**366 000**	**5 954 815**	**420 812**	19 167 946

* Directors' emoluments paid by BKSA.
** Directors' emoluments paid by GPI Proprietary Limited.
*** Chryzanthia de Waal and Ezelna Jones are paid by BKSA.

D Chan Shear (a non-resident director) does not receive any remuneration in his capacity as a director of BKSA and does not receive any remuneration from BKSA.

35. **Financial instruments and risk management**

Capital risk management

The BKSA Group's objectives when managing capital are to safeguard the BKSA Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The BKSA Group relies on its fixed assets to safeguard the BKSA Group's ability to continue as a going concern. The BKSA Group assesses the useful lives of assets on an annual basis to ensure that assets are not reflected at an amount above fair value.

In order to maintain or adjust the capital structure, the BKSA Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

		BKSA Group	
Figures in Rand	**Notes**	**2020**	**2019**
Total lease liabilities		378 084 462	627 905
Trade and other payables	19	213 197 200	297 821 720
Total interest-bearing liabilities		**591 281 662**	**298 449 625**
Cash and cash equivalents	14	39 282 784	43 289 071
Net borrowings		**630 564 446**	**341 738 696**
Equity		(201 970 571)	(112 579 351)
Gearing ratio		(312%)	(304%)

Financial risk management

Overview

The BKSA Group has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Interest rate risk.

This note presents information about the BKSA Group exposure to each of the above risks, the BKSA Group's objectives, policies and processes for measuring these risks, and the BKSA Group management of Capital. Further quantitative disclosures are included throughout these Historical Financial Information. The BKSA Group objective is to effectively manage each of the above risks associated with its financial instruments, in order to limit the BKSA Group's exposure as far as possible to any financial loss associated with these risks.

Credit risk

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

The BKSA Group maximum exposure to credit risk in terms of cash and cash equivalents, loans and receivables equals the carrying amounts of these instruments as disclosed below.

Cash and cash equivalents

The BKSA Group only deposits cash surpluses with major banks of high quality and credit standing. The cash and cash equivalents are deposited with three financial institutions.

35. **Financial instruments and risk management (continued)**

Trade receivables, other receivables and related party loans

At year-end, the BKSA Group did not consider there to be any significant concentration of credit risk and all assets that have been identified as impaired, after taking the BKSA Group's credit policy into account, have been appropriately provided for. Related party credit risk is managed by each business unit in terms of the BKSA Group's policy. Outstanding receivables are regularly monitored and an impairment analysis is performed at each reporting date based on payment history and the financial position of the counterparty.

The following table presents the maturity analysis of related party loans and trade and other receivables.

2020	**On Demand R**	**Current R**	**30 to 60 days R**	**60 to 90 days R**	**Over 90 days R**	**Total R**
Loan to group companies	9 990 058	–	–	–		9 990 058
Trade and other receivables	–	119 354 115	–	–	–	119 354 115
Cash and cash equivalents	–	41 172 233	–	–	–	41 172 233
	9 990 058	**160 526 348**	–	–	**–**	**170 516 406**

2019	**On Demand R**	**Current R**	**30 to 60 days R**	**60 to 90 days R**	**Over 90 days R**	**Total R**
Loan to group companies	9 990 058	–	–	–	–	9 990 058
Trade and other receivables	–	207 918 708	–	–	–	207 918 708
Cash and cash equivalents	–	24 159 799	–	–	–	24 159 799
	9 990 058	**232 078 507**	–	–	**–**	242 068 565

Liquidity risk

Liquidity risk is the risk that the BKSA Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The BKSA Group monitors its risk of a shortage of funds based on future cash flow commitments. The BKSA Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The BKSA Group manages the liquidity risk by considering all future cash flows associated with financial liabilities in the cash flow projections and ensures that adequate funds are held to meet their commitments. In addition the short-term risks are managed by ensuring that adequate banking facilities are in place.

35. **Financial instruments and risk management (continued)**

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

2020

	Notes	On demand	Less than 1 year	Total	Carrying amount
Current liabilities					
Trade and other payables	19	–	204 121 583	204 121 583	204 121 583
Loans from group companies	17	645 039 659	–	645 039 659	645 039 659
Bank overdraft	14	80 455 017	–	80 455 017	80 455 017

2019

	Notes	On demand	Less than 1 year	Total	Carrying amount
Current liabilities					
Trade and other payables	21	–	280 705 840	280 705 840	280 705 840
Loans from group companies	17	602 839 658	–	602 839 658	602 839 658
Bank overdraft	14	67 448 870	–	67 448 870	67 448 870

Interest rate risk

The BKSA Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the BKSA Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

At 30 June 2020, interest rate on the overdraft was 6.50%.If the interest rate fluctuated an additional +/-1% during the period under review, the resultant interest difference recognised in comprehensive income would have fluctuated as follows:

+1% (R804 550)

-1% R804 550

At 30 June 2020, interest rate on the finance leases was 9 to 10%. If the interest rate fluctuated an additional +/-1% during the period under review, the resultant interest difference recognised in comprehensive income would have fluctuated as follows:

+1% (R3 780 845)

-1% R3 780 845

At 30 June 2019, interest rate on the overdraft was 9.25%.If the interest rate fluctuated an additional +/-1% during the period under review, the resultant interest difference recognised in comprehensive income would have fluctuated as follows:

+1% R674 489

-1% (R674 489)

At 30 June 2019, interest rate on the finance leases was 9 to 10%. If the interest rate fluctuated an additional +/-1% during the period under review, the resultant interest difference recognised in comprehensive income would have fluctuated as follows:

+1% R7 026

-1% (R7 026)

36. **Going concern**

The BKSA Group has incurred a net loss of R33 342 764 in the current year (2019: R377 079 net profit). The current liabilities exceed current assets by R791 244 719 (2019: R704 530 689).

In assessing the going-concern assumption the directors have considered their plans in relation to assuring the long-term growth of the business in terms of the Master Franchise Agreement continues. Equally there is focus on ensuring that stores become profitable and that the risk of stores that remain open are focused on and addressed such that stores become profitable and self-sustainable. In this regards the directors have committed to focusing on the opening of drive throughs which have proven to be profitable. In addition, management continue to assess and close stores which are not profitable or alternatively to reduce their impact on profitability where the store may need to remain open for some time. Management believe that the strategy will improve profitability of the BKSA Group.

In addition to committing to a plan which focuses on increasing store numbers whilst correcting store mix the directors have considered whether there are sufficient resources to execute these strategies. Whilst the entity and BKSA Group continues to make losses the directors have assessed the cash flows and have concluded that despite the negative net equity position, the BKSA Group will have adequate resources to continue operations for the foreseeable future and accordingly the going-concern basis of accounting is appropriate for the preparation of the BKSA Group historical financial information.

During the national lockdown announced on 23 March 2020, Burger King restaurants were unable to trade under level 5 restrictions as it was not seen as an essential service. During Level 4 which commenced on 1 May 2020, Burger King stores trade was limited to Home Delivery only. During Level 3 which commenced on 1 June 2020 Burger King stores were able trade with Delivery, Drive-Through's and Take Away service modes. Full trade commenced again on 1 July 2020.

The directors have reviewed the budget and cash flow forecasts for 2021 and beyond and are satisfied there will be sufficient cash flow to meet obligations as they fall due in the foreseeable future.

The Historical Financial Information have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that current cash being generated by the underlying investments and operations will continue into the future and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. Although stores were closed during the lockdown period the BKSA Group has available liquidity in its credit facilities to cope with additional cash requirements and expects that it will be able to meet its financial obligations and therefore continues to adopt a going-concern assumption as the basis for preparing its Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION OF THE BKSA GROUP FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020, 30 JUNE 2019 AND 30 JUNE 2018

PART B: The consolidated historical financial information of the BSKA Group for the financial years ended 30 June 2019 and 30 June 2018 (the "Historical Financial Information of the BKSA Group").

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis*, to this **Annexure 1** Part B.

1. DIRECTORS' COMMENTARY

The total number of Burger King restaurants as at 30 June 2019 was 92 (2018: 87) of which 86 (2018: 18) are corporate owned. The net restaurant movement for the year totaled 6 (2018: 9), which included the opening of 10 (2018:9) new restaurants and the closure of 4 (2018: 0) unprofitable restaurants. The average monthly restaurant revenues (ARS) increased by 14.3% (2018: 5.3%) from R0.911 million (2018: R0.865 million) last year to R1.042 million (2018:R0.911 million) this year, largely as a result of positive restaurant comparative sales of 10.32% (2018: 3.45%).

Burger King's sales for the year increased by 34.2% from R756.2 million in the prior year to R1.015 billion 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.

The medium-term inflationary increases which commenced from around July 2017 to May 2018 included an approximate 29% increase in beef prices, a 27% increase in Sugary Carbonated Drinks, the VAT increase absorbing 0.4% of gross margin as a % of revenue and a 17% increase in the base labour wage rate. These increases were somewhat contained through effective negotiation with manufacturers, distributors, landlords and the further unlocking of labour efficiencies.

A total of 18.6 million customers were served compared to 15.6 million in the prior year.

Consolidated Statement of Financial Position as at 30 June 2019

		BKSA Group	
Figures in Rand	**Note(s)**	**2019**	**2018**
Assets			
Non-current assets			
Property, plant and equipment	3	439 520 517	389 697 030
Goodwill	4	1 193 901	–
Intangible assets	5	19 764 922	20 891 099
Investments in subsidiaries	6	–	–
Deferred tax	8	124 483 448	107 814 404
Rental deposits		7 901 408	6 789 934
		592 864 196	**525 192 467**
Current assets			
Inventories	10	17 728 969	19 294 913
Loans to related parties	7	9 990 058	8 990 058
Trade and other receivables	11	213 170 263	233 282 157
Prepayments	9	6 076 737	5 094 472
Current tax receivable		–	1 932 288
Cash and cash equivalents	12	24 159 799	19 361 479
		271 125 826	**287 955 367**
Total assets		**863 990 022**	**813 147 834**
Equity and Liabilities			
Equity			
Equity Attributable to equity holders of parent			
Stated capital	13	180 000 000	180 000 000
Share-based payment reserve		1 954 028	1 905 928
Accumulated losses		(293 822 044)	(289 520 053)
		(111 868 016)	(107 614 125)
Non-controlling interest		(711 335)	(5 390 404)
		(112 579 351)	**(113 004 529)**
Liabilities			
Non-current liabilities			
Finance lease liabilities	16	356 820	747 133
Deferred tax	8	196 842	–
Provisions	17	359 196	213 134
		912 858	**960 267**
Current liabilities			
Trade and other payables	18	297 821 720	282 158 227
Loans from group companies	15	602 839 658	602 839 659
Finance lease liabilities	16	271 085	560 000
Current tax payable		486 704	–
Provisions	17	6 788 478	3 792 699
Bank overdraft	12	67 448 870	35 841 511
		975 656 515	**925 192 096**
Total liabilities		**976 569 373**	**926 152 363**
Total equity and liabilities		**863 990 022**	**813 147 834**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		BKSA Group	
Figures in Rand	**Note(s)**	**2019**	**2018**
Revenue	19	1 023 740 041	765 867 113
Cost of sales	20	(468 686 801)	(345 296 188)
Gross profit		**555 053 240**	**420 570 925**
Other income	21	18 242 630	17 923 709
Operating expenses		(583 227 674)	(473 432 187)
Operating loss	22	**(9 931 804)**	**(34 937 553)**
Finance income	23	1 298 561	1 249 215
Finance costs	24	(5 049 206)	(4 179 662)
Profit on sale of investment	25	–	37 337 548
Loss before taxation		**(13 682 449)**	**(530 452)**
Taxation	26	14 059 528	750 568
Profit/(loss) for the year		**377 079**	**220 116**
Profit/(loss) attributable to:			
Owners of the parent		(4 301 990)	(1 621 327)
Non-controlling interest		4 679 069	1 841 443
		377 079	**220 116**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(4 301 990)	(1 621 327)
Non-controlling interest		4 679 069	1 841 443
		377 079	**220 116**

Consolidated Statement of Changes In Equity

Figures in Rand	Share capital	Contribution from parent	Accumulated losses	Total attributable to equity holders of the BKSA Group	Non-controlling interest	Total equity
Balance at 1 July 2017	**180 000 000**	**1 617 325**	**(287 898 726)**	**(106 281 401)**	**(7 231 847)**	**(113 513 248)**
(Loss)/Profit for the year	–	–	(1 621 327)	(1 621 327)	1 841 443	220 116
Contribution from parent	–	288 603	–	288 603	–	288 603
Balance at 1 July 2018	**180 000 000**	**1 905 928**	**(289 520 054)**	**(107 614 126)**	**(5 390 404)**	**(113 004 530)**
(Loss)/Profit for the year	–	–	(4 301 990)	(4 301 990)	4 679 069	377 079
Share-based payment expense	–	48 100	–	48 100	–	48 100
Balance at 30 June 2019	**180 000 000**	**1 954 028**	**(293 822 044)**	**(111 868 016)**	**(711 335)**	**(112 579 351)**
Note(s)	13	14				

Consolidated Statement of Cash Flows

Figures in Rand	Note(s)	BKSA Group 2019	2018
Cash flows from operating activities			
Cash receipts from customers		1 173 858 046	591 957 592
Cash paid to suppliers and employees		(1 079 535 569)	(567 271 500)
Cash generated from/(used in) operations	27	94 322 477	24 686 092
Interest income		1 298 561	1 249 215
Finance costs		(5 049 206)	(4 179 662)
Tax received	28	6 610	(871 775)
Net cash from/(used in) operating activities		**90 578 442**	**20 883 870**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(103 034 805)	(86 202 419)
Sale of property, plant and equipment	31	38 000	27 522
Purchase of intangible assets	5	(4 445 723)	(6 126 462)
Acquisition of Disa Road	4	(7 154 251)	–
Rental deposits paid		(1 111 474)	(1 293 910)
Net cash used in investing activities		**(115 708 253)**	**(93 595 269)**
Cash flows from financing activities			
Loans advanced from group companies	30	(1 000 000)	75 283 236
Payment on finance lease liabilities	30	(679 228)	(286 374)
Net cash (used in)/from financing activities		**(1 679 228)**	**74 996 862**
Total cash movement for the year		**(26 809 039)**	2 285 463
Cash at the beginning of the year		(16 480 032)	(18 765 495)
Total cash at end of the year	12	**(43 289 071)**	**(16 480 032)**

Corporate information

The BKSA Group of companies are incorporated and domiciled in the Republic of South Africa.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this Historical Financial Information are set out below.

1.1 Basis of preparation

The Historical Financial Information has been prepared on the historical cost basis, except where otherwise stated or disclosed, and as a going concern. The Historical Financial Information are presented in South African Rands, which is also the functional currency of the BKSA Group.

These accounting policies are consistent with the previous period, except where otherwise indicated.

1.2 Statement of compliance

These BKSA Group Historical financial information have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), Interpretations issued by the International Accounting Standards Board, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act, 71 of 2008 of South Africa.

1.3 Consolidation

Basis of consolidation

The Historical Financial Information comprise the historical financial information of the BKSA Group and its subsidiaries as at 30 June 2019 and the year then ended.

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

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

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

Business combinations and goodwill

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

1.3 **Consolidation (continued)**

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

If a business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

A contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, that is a financial instrument, is measured at fair value with changes in fair value being recognised in profit or loss. If the contingent consideration is classified as equity, it is not re-measured until it is finally settled in equity.

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

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

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

1.4 **Significant judgements and sources of estimation uncertainty**

The preparation of Historical Financial Information in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Loans from/to Group Companies

Management is considering various financing options in near future to settle the loans to/from Group Companies, the timing of repayment therefore remains uncertain.

A valuation committee was established in order to determine the appropriate valuation techniques and inputs for each valuation. The committee reports to the CFO. Significant valuation issues are reported to the audit committee.

Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Depreciation rates and residual values

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

The estimation of the useful life and residual value of an asset is a matter of judgement based on the past experience of the BKSA Group with similar assets and the intention of management (refer to note 3).

1.4 **Significant judgements and sources of estimation uncertainty (continued)**

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax is provided for on unutilised assessed losses of the BKSA Group based on forecasts made by management that provide convincing evidence that the utilisation thereof is probable. Management has prepared a forecast for each statutory entity in an assessed loss position, based on the up-to-date market assumptions as well as using the experience gained in the prior years.

The most significant factors in achieving forecast profits, and therefore the utilisation of the deferred tax assets reflected in the Historical Financial Information are:

- continued revenue growth per Burger King store in line with the most recent store openings;
- maintaining the expected rate of store openings of between 10 and 15 stores;
- improved cost control, achieved through the benefit of economies of scale from the larger group as well as efficiencies gained from experience;
- taxable profit per store in line with the most recent stores opened;
- the closure of stores that are loss making and not expected to become profitable within a reasonable period of time; and
- the requisite allocation of profit-generating stores per statutory entity so as to utilise assessed losses within the relevant statutory entities within a reasonable period of time.

Any significant changes in these factors over the coming years could result in a potential material impact to the recoverability of the asset.

Share-based payments

The BKSA Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value of share-based awards requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 15.

1.5 **Property, plant and equipment**

An item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the BKSA Group,
- and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs to get the asset into the condition and location for management's intended use. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent expenditure is only recognised as an asset if the above asset definition is met.

Property, plant and equipment is depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

1.5 **Property, plant and equipment (continued)**

Item	Depreciation method	Average useful life
Cash registers	Straight line	7 years
Display equipment	Straight line	7 years
Furniture and fixtures	Straight line	7 years
IT equipment	Straight line	7 years
Kitchen equipment	Straight line	15 years
Neon signs and advertising boards	Straight line	12 years
Shop fit-out	Straight line	15 years
Text books and library	Straight line	3 years
Plant and equipment	Straight line	7 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

In 2018, the useful lives of assets were extended by two to six years and the impact has been disclosed in note 3. The depreciation charge for each year is recognised in profit or loss.

Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 **Intangible assets**

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Master Franchise licence	Straight line	20 years
Franchise licences	Straight line	5-10 years
Computer software	Straight line	3 years

The amortisation charge for each year is recognised in profit or loss.

Any gain or loss arising from the derecognition of an item of intangible asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.7 **Financial instruments – financial assets**

Financial instruments held by the BKSA Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Accounting policy – 1 July 2018 – 30 June 2019

i) Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the BKSA Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the BKSA Group has applied the practical expedient, the BKSA Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the BKSA Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to accounting policy 1.17, Revenue recognition.

The BKSA Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

ii) Subsequent measurement of financial assets

Financial assets are classified into three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (previously categorised as loans and receivable)

The BKSA Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The BKSA Group's financial assets at amortised cost includes:

- cash and cash equivalents;
- trade and other receivables; and
- loans receivable.

iii) Derecognition of financial assets

A financial asset or portion of a financial asset is derecognised when:

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

1.7 **Financial instruments – financial assets (continued)**

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

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

iv) Impairment of financial assets

Impairment of financial assets carried at amortised cost

The BKSA Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due and all the cash flows that the BKSA Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements.

The BKSA Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the BKSA Group. The gross carrying amount of financial assets is written off when the BKSA Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. Failure to make payments and failure to engage with the BKSA Group on alternative payment arrangements amongst other is considered indicators of no reasonable expectation of recovery.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the BKSA Group applies a simplified approach in calculating ECLs. Therefore, the BKSA Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The BKSA Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Accounting policy – 1 July 2017 – 30 June 2018

i) Initial recognition and measurement of financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables. The BKSA Group determines the classification on initial recognition.

All financial assets are recognised initially at fair value plus directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market-place (regular way trade) are recognised on the trade date, i.e. the date that the BKSA Group commits to purchase or sell the asset. The BKSA Group's financial assets includes cash and short-term deposits, trade and other receivables, loans and receivables, listed and unlisted equity instruments (classified as available-for-sale).

ii) Subsequent measurement of financial assets

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

1.7 **Financial instruments – financial assets (continued)**

Loans and receivables

Classification

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

Trade and other receivables

Classification

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity date of three months or less. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

Financial assets

A financial asset or portion of a financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the BKSA Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without any material delay to a third party under a pass through arrangement; or
- the BKSA Group has transferred its rights to receive cash flows from the asset and has either (i) transferred substantially all rights and rewards of the asset or (ii) has neither transferred nor retained substantially all the rights and rewards of the asset but has transferred control of the asset.

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

iv) Impairment of financial assets

The BKSA Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of assets is impaired. Where the carrying value of these instruments exceeds the recoverable amount, the asset is written down to the recoverable amount. Impairment losses are recognised in profit or loss.

Impairment of financial assets carried at amortised cost

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

1.8 Financial instruments – financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The BKSA Group's financial liabilities include trade and other payables and loans.

Subsequent measurement

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

Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or has expired.

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

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.9 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

1.9 **Tax (continued)**

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

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly to equity.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

1.10 **Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the Consolidated Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/liability. The asset/liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as a cost of sale in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories due to wastage is recognised in cost of sales in the period the write-down or loss occurs.

1.12 Impairment of non-financial assets

The BKSA Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the BKSA Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.13 Share capital and equity

Ordinary shares are recognised at par value and classified as ‘share capital’ in equity. Any amounts received from the issue of shares in excess of par value is classified as ‘share premium’ in equity. Dividends are recognised as a liability in the group in which they are declared.

1.14 Share-based payments

Employees (including senior executives) of the BKSA Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

1.14 **Share-based payments (continued)**

That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the BKSA Group's best estimate of the number of equity instruments that will ultimately vest. The Consolidated Statement of Profit or Loss and Other Comprehensive Income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (notes 15 and 23).

When these services are rendered in an associate or jointly controlled venture the fair value of these costs are capitalised to the carrying value of the investment.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified reward. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

1.15 **Employee benefits**

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Wages and salaries, annual leave and sick leave

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

Long-service leave provision

The liability for long-service leave is recognised in provisions and measured using the projected unit credit method calculated by an independent actuary and is based on a minimum service period of five years and accumulates up to a maximum of 35 years continuous service.The liability for long-service leave is recognised in provisions. Consideration is given to the current wage and salary levels and the number of employees expected to qualify for the award. Movements in the provision are taken to profit or loss.

Retirement benefit obligations

The BKSA Group has a defined contribution plan which is governed by the Pension Fund Act, No.24 of 1956. The defined contrbution plan received fixed contributions from the BKSA Group and its legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution fund are recognised as an expense as they become payable.

1.15 **Employee benefits (continued)**

Short-term incentive plan

The BKSA Group recongises a provision where contractually obliged or where there is a past practice that has created a constructive obligation, the amount can be measured reliably and the directors of BKSA are of the opinion that it is probable that such bonuses will be paid.

Termination benefits

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

- terminating the employment of current employees according to a detailed plan without possibility of withdrawal; or
- providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the reporting date are discounted to their present value.

1.16 **Provisions and contingencies**

Provisions are recognised when:

- the BKSA Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

1.17 **Revenue**

Revenue is recognised when the BKSA Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the BKSA Group expects to be entitled to in exchange for these goods or services.

The BKSA Group's revenue is disaggregated into Revenue from contracts with customers (i.e. royalties and marketing fund contributions, vendor income and training fees.)

Food sales

Food sales are recognised on the date on which the sale is made at the fair value of the consideration received, net of VAT.

Royalties and marketing fund

Royalties and marketing fund contributions are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Vendor income

Contributions received from food product vendors to contribute to the BK Marketing Fund marketing spend. The amounts are calculated by reference to a Rand rate per unit of consumption of the vendor's underlying products.

1.17 **Revenue (continued)**

Training fees

A fixed fee charged to each new store for recruitment and training services provided to the store prior to commencing trading. Fees are charged in full on commencement of the store opening.

Finance income

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

Management fees

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

1.18 **Cost of sales**

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

1.19 **Translation of foreign currencies**

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Historical Financial Information are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.20 **Changes in accounting policies**

The BKSA Group has adopted all the new, revised and amended accounting standards which were effective for the BKSA Group from 1 July 2018. The adoption of significant new standards' impact on the BKSA Group's financial results or position are presented below:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers IFRS 9: Financial instruments

The objective of IFRS 9 is to establish principles for the classification and measurement of financial assets and liabilities, hedging and the introduction of the expected credit loss (ECL) model for the measurement of impairment allowances for financial assets.

1.20 **Changes in accounting policies (continued)**

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria:

- the BKSA Group's business model for managing the assets; and
- whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the BKSA Group's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The transition to IFRS 9 has had no significant impact on the BKSA Group's classification of financial assets which fall within the scope of IFRS 9. The BKSA Group continues to measure its financial assets that were previously classified as loans and receivable under IAS 39 at amortised cost in accordance with IFRS 9.

The key impact of IFRS 9 for the BKSA Group relates to the application of the ECL model in the measurement of the impairment allowance of our trade and other receivables (through the application of the simplified approach) and related party loans. Previously in terms of IAS 39, trade and other receivables and related party loans were impaired when there was objective evidence of default. IFRS 9 introduces an expected credit loss model. This entails the recognition of an allowance for expected credit loss looking one year into the future or over the lifetime of the financial asset. The provision must now reflect all possible future losses based on past experience as well as future economic factors.

To measure ECLs, trade receivables and related party loans are assessed on an individual basis. The ECL rates are based on historical credit losses, adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the counter-party to settle the receivable.

The BKSA Group applied IFRS 9 with an initial application date of 1 July 2018. The BKSA Group applied the standard retrospectively, but has elected not to restate comparative information, which continues to be reported under IAS 39.

No adjustment was required due to the adoption of IFRS 9.

The transition to IFRS 9 has had no change on the classification or measurement of the BKSA Group's financial liabilities, the BKSA Group still elects to classify and measure its liabilities at amortised cost as was done under IAS 39.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

1.20 **Changes in accounting policies (continued)**

IFRS 15 is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive.

The BKSA Group principally generates revenue from the sale of goods, such as food through the quick-service restaurants.

Recognition

Revenue is recognised when the BKSA Group satisfies performance obligations and transfers control of goods or services to its customers, this is in line with the BKSA Group's recognition of revenue under IAS 18, therefore the transition to IFRS 15 has had no significant impact on the recognition of the BKSA Group's revenue.

Measurement

Due to the nature of the goods being sold and the pricing thereof the consideration to which the BKSA Group expects to be entitled remains the quoted price less VAT for food. This is in line with the measurement used under the previous accounting policy, therefor there has been no significant change in measurement of the BKSA Group's revenue, with no impact expected on the measurement of the BKSA Group's revenue in the future.

The transition to IFRS 15 has had no significant impact on the BKSA Group's recognition or measurement of Revenue.

1.21 **Investments in subsidiaries**

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

1.22 **Borrowing costs**

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

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

The accounting policies adopted by the BKSA Group are consistent with the previous financial year. The BKSA Group adopted all standards and amendments that became effective in the current period of which IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts with customer) are the most significant.

For more information regarding the adoption and implementation of these standards refer to note 1.2.

2.2 Standards and interpretations not yet effective

The BKSA Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the BKSA Group's accounting periods beginning on or after 1 July 2019 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2019	Unlikely there will be a material impact
• Definition of a business – Amendments to IFRS 3	1 January 2020	Unlikely there will be a material impact
• Presentation of Historical financial information: Disclosure initiative	1 January 2020	Unlikely there will be a material impact
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	Unlikely there will be a material impact
• Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	1 January 2019	Unlikely there will be a material impact
• Long-term Interests in Joint Ventures and Associates – Amendments to IAS 28	1 January 2019	Unlikely there will be a material impact
• Prepayment Features with Negative Compensation – Amendment to IFRS 9	1 January 2019	Unlikely there will be a material impact
• Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 – 2017 cycle	1 January 2019	Unlikely there will be a material impact
• Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 – 2017 cycle	1 January 2019	Unlikely there will be a material impact
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 – 2017 cycle	1 January 2019	Unlikely there will be a material impact
• Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 – 2017 cycle	1 January 2019	Unlikely there will be a material impact
• Uncertainty over Income Tax Treatments	1 January 2019	Unlikely there will be a material impact
• Amendments to IAS 1 and IAS 8	1 January 2020	Unlikely there will be a material impact
• The Conceptual Framework for Financial Reporting	1 January 2020	Unlikely there will be a material impact
• * IFRS 16 Leases	1 January 2019	Impact is currently being assessed

2.2 **New Standards and Interpretations (continued)**

- IFRS 16 was published in January 2016 and supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases—Incentives; and SIC-27 Evaluating the Substance of transactions involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the Consolidated Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The BKSA Group will adopt IFRS 16 from 1 July 2019, the beginning of its 2020 financial year.

The BKSA Group's extensive lease portfolio will mostly be capitalised on the Consolidated Statement of Financial Position – with underlying leases recognised as right-of-use assets, with a corresponding lease liability in respect of future rental obligations.

The application of IFRS 16 will have a material impact on the BKSA Group's Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss and Other Comprehensive Income and classifications in the Consolidated Statement of Cash Flows. Key balance-sheet metrics such as gearing ratios and return on capital employed, and income statement metrics, such as earnings before interest, tax, depreciation and amortisation (EBITDA), will be impacted. IFRS 16 will have no impact on the cash generation of the BKSA Group.

Changes to the Consolidated Statement of Profit or Loss and Other Comprehensive Income will result in the current operating lease payments being replaced by the amortisation of the right-of-use assets and the associated finance costs of the lease liability. The amortisation of the right-of-use assets is recorded on a straight-line basis over the lease term while the associated finance costs of the lease liability is frontloaded. IFRS 16 will therefore result in a higher upfront net charge (amortisation plus finance costs) for new and young leases when compared to the related operating lease expense recorded under IAS 17. The inverse would be true for more mature leases. This will have no impact on the cash flow of the BKSA Group, although some classifications in the Consolidated Statement of Cash Flow line items will be affected. The BKSA Group has an extensive portfolio of leases of various maturities. The BKSA Group's lease terms range between 5 and 10 years.

The BKSA Group intends to make use of the modified retrospective approach in terms of the transition provisions of IFRS 16.

3. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Projects under development	529	–	529	529	–	529
Textbooks and library	12 687	(12 687)	–	12 687	(12 687)	–
Signs and advertising boards	28 344 730	(7 819 959)	20 524 771	21 531 054	(5 385 226)	16 145 828
Furniture and fixtures	29 554 801	(18 936 959)	10 617 842	25 122 524	(14 535 662)	10 586 862
Motor vehicles	3 011 225	(2 367 761)	643 464	3 198 939	(2 054 084)	1 144 855
Display equipment	10 016 312	(6 546 523)	3 469 789	10 014 082	(5 173 112)	4 840 970
IT equipment	28 909 797	(18 192 762)	10 717 035	23 448 203	(17 298 673)	6 149 530
Plant and equipment	9 329 948	(5 520 572)	3 809 376	9 305 553	(4 422 640)	4 882 913
Shop fit-out	287 000 302	(86 375 521)	200 624 781	259 065 302	(74 219 231)	184 846 071
Cash registers	21 757 991	(14 109 759)	7 648 232	21 592 186	(11 257 009)	10 335 177
Kitchen equipment	249 626 759	(68 162 061)	181 464 698	204 041 108	(53 276 813)	150 764 295
Total	**667 565 081**	**(228 044 564)**	**439 520 517**	**577 332 167**	**(187 635 137)**	**389 697 030**

Reconciliation of property, plant and equipment 2019

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Projects under development	529	–	–	–	–	529
Signs and advertising boards	16 145 828	7 258 789	–	(2 406 732)	(473 114)	20 524 771
Furniture and fixtures	10 586 862	4 432 277	–	(4 336 864)	(64 433)	10 617 842
Motor vehicles	1 144 855	–	(167 143)	(334 248)	–	643 464
Display equipment	4 840 970	235 562	–	(1 479 672)	(127 071)	3 469 789
IT equipment	6 149 530	6 161 905	–	(1 594 400)	–	10 717 035
Plant and equipment	4 882 913	323 242	–	(1 375 591)	(21 188)	3 809 376
Shop fit-out	184 846 071	39 029 269	–	(15 084 608)	(8 165 951)	200 624 781
Cash registers	10 335 177	2 689	–	(2 689 634)	–	7 648 232
Kitchen equipment	150 764 295	45 591 072	–	(14 846 818)	(43 851)	181 464 698
	389 697 030	**103 034 805**	**(167 143)**	**(44 148 567)**	**(8 895 608)**	**439 520 517**

Reconciliation of property, plant and equipment 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Projects under development	233 582	–	–	(233 053)	–	529
Signs and advertising boards	16 856 620	770 192	–	–	(1 480 984)	16 145 828
Furniture and fixtures	13 847 159	316 301	–	–	(3 576 598)	10 586 862
Motor vehicles	1 576 546	378 074	(70 057)	–	(739 708)	1 144 855
Display equipment	5 713 313	537 307	–	–	(1 409 650)	4 840 970
IT equipment	6 944 788	4 075 766	–	–	(4 871 024)	6 149 530
Plant and equipment	5 434 534	807 529	–	–	(1 359 150)	4 882 913
Shop fit-out	162 575 050	40 899 298	–	233 053	(18 861 330)	184 846 071
Cash registers	9 557 434	3 132 210	–	–	(2 354 467)	10 335 177
Kitchen equipment	130 832 085	35 285 742	–	–	(15 353 532)	150 764 295
	353 571 111	**86 202 419**	**(70 057)**	**–**	**(50 006 443)**	**389 697 030**

3. **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Property, plant and equipment encumbered as security

	BKSA Group	
Figures in Rand	**2019**	**2018**
Carrying value of assets pledged as security:		
Motor vehicles		
The vehicles finance lease terms are five years, and the interest rates are linked to the prime rate of interest. (note 17)	643 464	1 144 855

The BKSA Group closed certain underperforming Burger King restaurants during the year and performed an assessment as to the recoverability of the related assets. All assets deemed to be unrecoverable were scrapped and impaired to nil.

A register containing the information required by Regulation 25(3) of the Companies Regulations is available for inspection at the registered office of the BKSA Group.

Change in estimate

The useful life of certain plant and equipment has been revised in the current year. The effect of this revision has decreased the depreciation charges for the current and future periods by R12 012 504 (2018: R10 519 245) for the BKSA Group

4. **GOODWILL**

		2019			2018	
	Cost	**Accumulated impairment**	**Carrying value**	**Cost**	**Accumulated impairment**	**Carrying value**
Goodwill	1 193 901	–	1 193 901	–	–	–

Reconciliation of goodwill 2019

	Opening balance	**Additions through business combinations**	**Total**
Goodwill	–	1 193 901	1 193 901

Burger King purchased Disa Road store from a franchisee on 1 February 2019. The store was purchased for a total cash consideration of R7.164 million, with identifiable assets of R6.0 million, cash and cash equivalents of R9 828 resulting in a Goodwill of R1.1 million and R7.154 cash outflow for the acquisition.

An annual impairment test is performed to assess whether goodwill has been impaired. No significant changes were noted in the recoverable amount since the business combination date from which the goodwill arose and no impairment was recorded in the current year.

5. INTANGIBLE ASSETS

	2019 Cost	2019 Accumulated amortisation	2019 Carrying value	2018 Cost	2018 Accumulated amortisation	2018 Carrying value
Master and franchise licences	26 136 875	(10 160 181)	15 976 694	23 976 020	(5 730 355)	18 245 665
Computer software	9 290 082	(5 501 854)	3 788 228	7 167 812	(4 522 378)	2 645 434
Total	**35 426 957**	**(15 662 035)**	**19 764 922**	**31 143 832**	**(10 252 733)**	**20 891 099**

Reconciliation of intangible assets 2019

	Opening balance	Additions	Amortisation	Total
Master and franchise licences	18 245 665	2 160 826	(4 429 797)	15 976 694
Computer software	2 645 434	2 284 897	(1 142 103)	3 788 228
	20 891 099	**4 445 723**	**(5 571 900)**	**19 764 922**

Reconciliation of intangible assets 2018

	Opening balance	Additions	Amortisation	Total
Master and franchise licences	15 034 465	4 866 039	(1 654 839)	18 245 665
Computer software	2 840 086	1 260 423	(1 455 075)	2 645 434
	17 874 551	**6 126 462**	**(3 109 914)**	**20 891 099**

Individually material intangible assets

Figures in Rand	BKSA Group 2019	2018	
Master Franchise Licence	15 976 694	18 245 665	–

Licence fee paid to BURGER KING® Europe for the rights to the Master Franchise for Southern Africa for a period of 20 years from 1 April 2013.

Licence fees paid to BURGER KING® Europe during the 2019 financial year in South Africa for periods of between five and 10 years for an approximate cost of R292 000 per licence.

6. **INVESTMENTS IN SUBSIDIARIES**

The following table lists the entities which are controlled by the BKSA Group, either directly or indirectly through subsidiaries.

Name of company	Held by	% voting power 2019	% holding 2019
BK 33 on Heerengracht Proprietary Limited	*	100.00	100.00
BK Centre Proprietary Limited	*	100.00	100.00
BK Grand Proprietary Limited	*	100.00	100.00
BK Marketing Fund Proprietary Limited	*	100.00	100.00
BK West Coast Proprietary Limited	*	100.00	100.00
K2013002814 Proprietary Limited	*	100.00	100.00
K2013104553 (South Africa) Proprietary Limited	*	100.00	100.00
K2013104566 (South Africa) Proprietary Limited	*	100.00	100.00
K2013142133 Proprietary Limited	*	100.00	100.00
K2013142134 Proprietary Limited	*	100.00	100.00
K2013142135 Proprietary Limited	*	100.00	100.00
K2013142140 Proprietary Limited	*	100.00	100.00
K2013155256 Proprietary Limited	*	100.00	100.00
K2013155282 (South Africa) Proprietary Limited	*	100.00	100.00
K2013197652 Proprietary Limited	*	100.00	100.00
K2013155270 Proprietary Limited	*	100.00	100.00
K2013155911 Proprietary Limited	*	100.00	100.00
K2014143181 Proprietary Limited	*	100.00	100.00
K2013197654 Proprietary Limited	*	100.00	100.00
K2013197655 Proprietary Limited	*	100.00	100.00
K2013197681 Proprietary Limited	*	100.00	100.00
Burger King Restaurants Proprietary Limited	*	100.00	100.00
K2014079643 Proprietary Limited	*	100.00	100.00
K2014143185 Proprietary Limited	*	100.00	100.00
K2014119486 Proprietary Limited	*	100.00	100.00
K2014143177 Proprietary Limited	*	100.00	100.00
K2014143184 Proprietary Limited	*	100.00	100.00
K2014119496 Proprietary Limited	*	100.00	100.00

*All the investments are held by Burger King South Africa (RF) Proprietary Limited.

The carrying amounts of the subsidiaries are shown net of impairment losses as there were none. All the companies were formed by means of new incorporations and hence have no acquisition cost. The value of the investments held is zero due to the shares being held at no par value.

All subsidiaries are incorporated in the Republic of South Africa.

6. **INVESTMENTS IN SUBSIDIARIES** (CONTINUED)

Burger K North Subsidiaries

The following information is provided for subsidiaries with non-controlling interests which are material to the BKSA Group.

Subsidiary	Country of incorporation	% Ownership interest held by non-controlling interest 2019
Burger K North Proprietary Limited	RSA	67
K2014119389 Proprietary Limited	RSA	67
K2013104578 (South Africa) Proprietary Limited	RSA	67
K2013155298 (South Africa) Proprietary Limited	RSA	67

The country of incorporation and the principal place of business are the same in all cases.

The percentage voting rights were 51% (2018: 51%)

The 67% reflected above is held by Grand Foods Investments 1 Proprietary Limited.

2019

Summarised Consolidated Statement of Financial Position	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Carrying amount of non-controlling interest
Burger K North Proprietary Limited	7 995 298	45 639 494	53 634 792	31 041 898	23 833 185	54 875 083	(826 778)
K2014119389 Proprietary Limited	13 852 125	19 154 045	33 006 170	–	24 891 459	24 891 459	5 409 266
K2013104578 (South Africa) Proprietary Limited	32 796 942	14 986 027	47 782 969	–	54 199 876	54 199 876	(4 277 510)
K2013155298 (South Africa) Proprietary Limited	4 014 330	1 523 481	5 537 811	–	7 062 434	7 062 434	(1 016 314)
Total	**58 658 695**	**81 303 047**	**139 961 742**	**31 041 898**	**109 986 954**	**141 028 852**	**(711 336)**

Summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income	Revenue	Profit/(Loss) before tax	Tax (expense)/ income	Profit/(Loss)	Profit/(Loss) allocated to non-controlling interest
Burger K North Proprietary Limited	26 665 278	198 656	(55 624)	143 032	95 345
K2014119389 Proprietary Limited	49 459 386	3 892 789	(1 089 991)	2 802 798	1 868 345
K2013104578 (South Africa) Proprietary Limited	97 138 419	5 687 984	(1 592 636)	4 095 348	2 729 959
K2013155298 (South Africa) Proprietary Limited	12 102 629	(30 380)	8 507	(21 873)	(14 580)
Total	**185 365 712**	**9 749 049**	**(2 729 744)**	**7 019 305**	**4 679 069**

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

2018

Summarised Consolidated Statement of Financial Position	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Carrying amount of non-controlling interest
Burger K North Proprietary Limited	9 337 530	53 350 337	62 687 867	31 041 898	33 029 292	64 071 190	(922 123)
K2014119389 Proprietary Limited	15 216 238	6 631 228	21 847 466	–	16 535 533	16 535 533	3 540 921
K2013104578 (South Africa) Proprietary Limited	38 478 227	14 710 290	53 188 517	–	63 700 772	63 700 772	(7 007 469)
K2013155298 (South Africa) Proprietary Limited	4 543 354	1 439 981	5 983 335	–	7 486 085	7 486 085	(1 001 733)
Total	**67 575 349**	**76 131 836**	**143 707 185**	**31 041 898**	**120 751 682**	**151 793 580**	**(5 390 404)**

Summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income	Revenue	Profit before tax	Tax expense	Profit	Profit allocated to non-controlling interest
Burger K North Proprietary Limited	23 648 671	(81 536)	22 830	(58 706)	(39 133)
K2014119389 Proprietary Limited	46 002 737	3 145 537	(864 505)	2 281 032	1 520 536
K2013104578 (South Africa) Proprietary Limited	72 709 611	548 989	(153 887)	395 102	263 375
K2013155298 (South Africa) Proprietary Limited	12 737 573	237 293	(92 280)	145 013	96 666
Total	**155 098 592**	**3 850 283**	**(1 087 842)**	**2 762 441**	**1 841 444**

7. LOAN TO RELATED PARTY

	BKSA Group	
Figures in Rand	**2019**	**2018**
Grand Foods Meat Plant Proprietary Limited	9 990 058	8 990 058

Loan receivables inherently expose the entity to credit risk, being the risk that the entity will incur financial loss if the entity fails to make payments when payments are due. The entity's historical credit loss experience does not show any default on payments from the entity as well as no loans have been written off in the past and based on the entity's financial position should the loan become due or payable it is expected that the entity will settle the balance. As at 30 June 2019, no amounts were past due or considered to be impaired and as such there is no allowance for impairment as at 30 June 2019.

At 30 June 2019, no amounts were past due or impaired and as such there is no provision for impairment as at 30 June 2019.

8. DEFERRED TAX

Figures in Rand	BKSA Group 2019	2018
Deferred tax liability		
Deferred tax liability – property, plant and equipment	(196 842)	–
Deferred tax asset		
Tax losses available for set-off against future taxable income	124 483 448	107 814 404
Deferred tax liability	(196 842)	–
Deferred tax asset	124 483 448	107 814 404
Total net deferred tax asset	**124 286 606**	**107 814 404**
The deferred tax balance is made up as follows:		
Operating lease	8 097 669	6 212 051
Assessed losses	127 437 193	118 049 719
Audit fee accruals	1 522 470	662 760
Prepayments	(1 673 137)	(1 426 452)
Doubtful debts	187 992	96 029
Licence fee income	(5 396 622)	(5 527 467)
Other accruals	669 721	669 721
Payroll accruals	3 684 688	2 762 818
Shop fit-out and kitchen equipment	(20 342 449)	(13 737 446)
Assessed losses rerecognised	10 046 410	–
Pre-trade expenditure	52 671	52 671
	124 286 606	**107 814 404**
Reconciliation of deferred tax asset/(liability)		
At beginning of year	107 814 404	105 650 557
Operating lease	1 885 618	1 696 902
Assessed losses	9 387 474	1 430 059
Audit fee accruals	859 710	115 920
Prepayments	(246 685)	(403 708)
Doubtful debts	91 963	99 545
Licence fee income	130 845	(501 747)
Payroll accruals	921 870	459 445
Shop fit-out and kitchen equipment	(6 605 003)	(732 569)
Assessed losses rerecognised	10 046 410	–
	124 286 606	**107 814 404**

Recognition of deferred tax asset

All deferred tax assets have been recognised on the Consolidated Statement of Financial Position.

9. PREPAYMENTS

Prepaid expenses relate to rental paid in advance to landlords for the lease of restaurant premises.

Prepaid expenses	5 905 501	4 368 527
Prepaid software	171 236	725 945
	6 076 737	**5 094 472**

10. INVENTORIES

Figures in Rand	BKSA Group 2019	2018
Stock of food and packaging	11 786 725	13 448 913
Shop fit-out materials	5 942 244	5 676 792
Lugs and crates	–	162 751
Office stationery	–	6 457
	17 728 969	**19 294 913**

An allowance for stock to write stock down to the lower of cost or net realisable value has not been required. Stock of food is replenished from the distributor every second or third day based on a nominated delivery day schedule, dependent on the volumes experienced at the stores.

The shop fit-out materials relate to building and shop fit-out materials that have been acquired in bulk for future stores and will be capitalised to the cost of the building once completed.

Lugs and crates are the containers utilised by the supplier to deliver the hamburger rolls and vegetables.

11. TRADE AND OTHER RECEIVABLES

Figures in Rand	BKSA Group 2019	2018
Financial instruments:		
Trade and other receivables	208 769 458	227 487 489
Allowance for impairment	(850 750)	(455 592)
Trade receivables at amortised cost	207 918 708	227 031 897
Non-financial instruments:		
VAT	5 251 555	6 250 260
Total trade and other receivables	**213 170 263**	**233 282 157**
Financial instrument and non-financial instrument components of trade and other receivables		
Financial assets at amortised cost	207 918 708	227 031 897
Non-financial assets	5 251 555	6 250 260
	213 170 263	**233 282 157**

Exposure to credit risk

Trade receivables inherently expose the BKSA Group to credit risk, being the risk that the BKSA Group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the BKSA Group only deals with reputable customers with consistent payment histories. As the BKSA Group operates Quick Service Restaurants, transactions are on a cash basis and the only expected losses are cash shortages at the Point of Sale. The ECL is therefore based on these shortages.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The BKSA Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Expected credit loss rate:	2019 Estimated gross carrying amount at default	2019 Loss allowance (Lifetime expected credit loss)	2018 Estimated gross carrying amount at default	2018 Loss allowance (Lifetime expected credit loss)
Not past due: 0,41% (2018: 0,20%)	208 769 458	850 750	227 487 489	455 592
Reconciliation of allowance for impairment				
Opening balance		455 592	303 259	
Accrued		850 750	455 592	
Written off		(455 592)	(303 259)	
Closing balance		**850 750**	**455 592**	

12. CASH AND CASH EQUIVALENTS

Figures in Rand	BKSA Group 2019	2018
Cash and cash equivalents consist of:		
Cash on hand	1 225 611	1 048 503
Bank balances	21 185 728	17 477 795
Short-term deposits	1 748 460	821 703
Bank overdraft	(67 448 870)	(35 828 033)
	(43 289 071)	**(16 480 032)**
Current assets	24 159 799	19 361 479
Current liabilities	(67 448 870)	(35 841 511)
	(43 289 071)	**(16 480 032)**

The short-term deposits represent funds which are immediately available. The total overdraft facility from Nedbank Limited amounts to R75 million at an interest rate of 0.75% below prime. Pledge and cession of call account number 03 7881 101954 0011 has been provided as security.

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to the external credit rating of Nedbank Limited.

13. STATED CAPITAL

Authorised share capital		
150 class B shares of no par value	150	150
10 000 ordinary shares of no par value	10 000	10 000
	10 150	**10 150**
Reconciliation of number of shares issued:		
Ordinary shares	1 680	1 680
Issued		
Ordinary shares fully paid for at no par value	180 000 000	180 000 000

14. SHARE-BASED PAYMENTS

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

2019	Number of unvested share options 30 June 000's	Granted during the year 000's	Exercised during the year 000's	Forfeited during the year R	Vesting price per share R	Number of unvested share options 30 June 2019 000's
H Adams*	3 504	3 263	–	(1 126)	2.18	5 641
M Tajbhai**	–	1 504	–	–	2.26	1 504
C Priem***	–	1 471	–	–	2.04	1 471
	3 504	**6 238**	**–**	**(1 126)**		**8 616**

2018	Number of unvested share options 30 June 000's	Granted during the year 000's	Exercised during the year 000's	Forfeited during the year R	Vesting price per share R	Number of unvested share options 30 June 2018 000's
H Adams*	2 251	2 378	–	(1 125)	3.61	3 504
T Karriem****	1 188	921	–	(2 109)	2.61	–
D Pienaar*****	1 286	1 027	–	(2 313)	2.61	–
S Barends******	174	–	–	(174)	4.72	–
	4 899	**4 326**	**–**	**(5 721)**		**3 504**

* H Adams options had an average market price of R2.29 in 2019 and R2.70 in 2018.

** M Tajbhai was appointed as executive director on 28 November 2018.

*** C Priem was appointed as chief financial officer on 1 July 2018.

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

***** D Pienaar resigned as executive director on 7 November 2017. All unvested share options are forfeited on an employee's resignation date.

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

14. **SHARE-BASED PAYMENTS** (CONTINUED)

14.2 **Share options per strike price held at 30 June**

2019: Date granted	**Strike price R**	**H Adams 000's**	**M Tajbhai 000's**	**C Priem 000's**	**Total 000's**
26 September 2017	2.61	2 378	–	–	2 378
2 July 2018	2.04	–	–	1 471	1 471
27 August 2018	1.86	3 263	–	–	3 263
1 November 2018	2.26	–	1 504	–	1 504
		5 641	**1 504**	**1 471**	**8 616**

2018: Date granted	**Strike price R**	**H Adams 000's**	**Total 000's**
30 August 2013	3.61	1 126	1 126
26 September 2017	2.61	2 378	2 378
		3 504	**3 504**

14.3 **IFRS 2 Share-based payment reserve**

The IFRS 2 share-based payment reserve has been recognised in line with the Group share-based payment accounting policy detailed in note 7.1 of the Historical Financial Information.

The Group established a share option incentive scheme in which options to acquire GPI shares have been granted to key employees of the Group. All options have been granted with an exercise price equal to the 30-day Volume Weighted Average Price of the shares on the date of the grant and are conditional on the participant remaining in service with the Group. The maximum aggregate number of shares in terms of the Group Share Options Scheme that may be utilised for the purposes of the scheme shall not exceed 46.9 million. The following are the salient features of the share options granted:

1) Five-year vesting period commencing on the grant date and vests in four equal tranches.
2) The first tranche vests on the second anniversary of the Option Grant Date and annually thereafter for three years in equal tranches.
3) Share options exercised are settled on a net settlement share basis.
4) No dividend rights will be attached to the share options until such time as the shares are registered in the recipient's name.
5) In the event of death, retirement or retrenchment any exercisable options will only be capable of conversion for a 12-month period.
6) Upon resignation or termination of employment all unexercised options will immediately lapse.

14. **SHARE-BASED PAYMENTS** (CONTINUED)

14.3 **IFRS 2 Share-based payment reserve** (continued)

14.3.1 ***Share options outstanding at the end of the year have the following vesting dates and exercise prices:***

2019	Number 000's	Weighted exercise R	Total value 000's
Outstanding at beginning of the year	5 084	4.09	20 810
Granted during the year	6 238	2.00	12 476
Exercised during the year	–		–
Forfeited during the year	(2 472)	5.11	(12 632)
Outstanding at end of the year	**8 850**		**20 654**

Outstanding options	Exercise date within one year 000's	Exercise date from two to five years 000's	Exercise date after five years 000's	Total 000's
Options with exercise price from R6.33	114	–	–	114
Options with exercise price from R7.21	120	–	–	120
Options with exercise price from R2.61	594	1 784	–	2 378
Options with exercise price from R2.04	–	1 471	–	1 471
Options with exercise price from R1.86	–	3 263	–	3 263
Options with exercise price from R2.26	–	1 504	–	1 504
	828	**8 022**	**–**	**8 850**

2018	Number 000's	Weighted exercise price R	Total value R'000s
Outstanding at beginning of the year	7 517	4.56	34 284
Granted during the year	4 326	2.61	11 291
Exercised during the year	(6 759)	3.66	(24 765)
Outstanding at end of the year	**5 084**		**20 810**

At the end of the 2019 year 8 850 shares are outstanding with a weighted exercise price of R2.03.

At the end of the 2018 year 5 084 shares are outstanding with a weighted exercise price of R4.09.

At the end of the 2018 year 766 shares are exercisable with a weighted exercise price of R5.63.

14. **SHARE-BASED PAYMENTS** (CONTINUED)

14.3 **IFRS 2 Share-based payment reserve** (continued)

14.3.1 ***Share options outstanding at the end of the year have the following vesting dates and exercise prices:*** (continued)

Outstanding options	**Exercise within one year ‘000s**	**Exercise date from two to five years ‘000s**	**Exercise date after five years ‘000s**	**Total ‘000s**
Options with exercise price from R3.61	1 240	–	–	1 240
Options with exercise price from R6.33	505	–	–	505
Options with exercise price from R7.21	481	481	–	962
Options with exercise price from R2.61	–	2 377	–	2 377
	2 226	**2 858**	**–**	**5 084**

14.3.2 ***Information on options granted during the year***

During the year, the Group granted 6.24 million options to key employees of the Group. These options were granted on three different dates, 2 July 2018 (1.47 million), 27 August 2018 (3.26 million) and 1 November 2018 (1.50 million). The tables below provide details of the options granted during the year.

Fair value was determined by the Black-Scholes-Merton model.

The following inputs were used for the share options granted 2 July 2018:

	2 July 2020	**2 July 2021**	**2 July 2022**	**2 July 2023**
Weighted fair value per option granted (cents)	39	47	54	57
Weighted average share price per GPI share (cents)	205	205	205	205
Exercise price (cents)	204	204	204	204
Expected volatility	31.59%	31.59%	31.59%	31.59%
Dividend yield	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate	7.34%	7.52%	7.68%	7.83%

The following inputs were used for the share options granted 27 August 2018:

	27 August 2020	**27 August 2021**	**27 August 2022**	**27 August 2023**
Weighted fair value per option granted (cents)	46	53	59	62
Weighted average share price per GPI share (cents)	201	201	201	201
Exercise price (cents)	185	185	185	185
Expected volatility	32.11%	32.11%	32.11%	30.48%
Dividend yield	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate	7.47%	7.64%	7.77%	7.90%

14. **SHARE-BASED PAYMENTS** (CONTINUED)

14.3 **IFRS 2 Share-based payment reserve** (continued)

14.3.2 ***Information on options granted during the year*** (continued)

The following inputs were used for the share options granted 1 November 2018:

	1 November 2020	**1 November 2021**	**1 November 2022**	**1 November 2023**
Weighted fair value per option granted (cents)	55	65	72	75
Weighted average share price per GPI share (cents)	240	240	240	240
Exercise price (cents)	227	227	227	227
Expected volatility	34.89%	34.89%	34.89%	32.92%
Dividend yield	4.00%	4.00%	4.00%	4.00%
Risk-free interest rate	7.61%	7.81%	7.95%	8.09%

14.3.3 ***Method and the assumptions to incorporate the effects of expected early exercise:***

The historic volatility was measured at the standard deviation of price changes over an identified historic period. Expected volatility generally cannot be taken from a single objective source and therefore it is subjective to estimate this model input. The following factors were considered in assessing the volatility.

1) Implied volatility from traded share options on the entities shares.
2) Historical volatility of the GPI share price over the most recent period that is commensurate with the expected term of the option.
3) The length of time the entity's shares have been publicly traded.
4) The tendency of volatility to revert to its mean.
5) Appropriate and regular intervals for price observations.

Total expense of R48 100 (2018: R288 602), relating to equity-settled share-based payments transactions were recognised during the year.

15. **LOAN FROM GROUP COMPANIES**

Figures in Rand	**BKSA Group 2019**	**2018**
Grand Foods Management Services Proprietary Limited	727	727
The loan is unsecured, interest-free and has no fixed terms of repayment.		
Grand Parade Investments Limited	572 838 931	572 838 931
The loan is unsecured, interest-free and has no fixed terms of repayment. The loan has been subordinated in favour of Nedbank Limited for the duration of the agreement to the extent of the equity covenant of R300 000 000.		
Grand Foods Investments 1 Proprietary Limited	30 000 000	30 000 000
The loan is unsecured, interest-free and has no fixed terms of repayment.	**602 839 658**	**602 839 658**

16. FINANCE LEASE LIABILITIES

Figures in Rand	**BKSA Group 2019**	**2018**
Minimum lease payments due		
– within one year	318 493	660 134
– in second to fifth year inclusive	384 182	848 602
	702 675	1 508 736
less: future finance charges	(74 770)	(201 603)
Present value of minimum lease payments	**627 905**	**1 307 133**
Non-current liabilities	356 820	747 133
Current liabilities	271 085	560 000
	627 905	**1 307 133**

It is BKSA Group policy to lease certain motor vehicles under finance leases.

The average lease term is five years, and the average effective borrowing rate was 9.81% (2018: 8.88%). Interest rates are linked to prime.

The BKSA Group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

17. PROVISIONS

Reconciliation of provisions 2019	**Opening balance**	**Additions**	**Utilised during the year**	**Total**
Long service leave	213 134	194 536	(48 474)	359 196
Employee bonuses	3 792 699	8 203 053	(5 207 274)	6 788 478
	4 005 833	**8 397 589**	**(5 255 748)**	**7 147 674**

Reconciliation of provisions 2018	Opening balance	Additions	Utilised during the year	Total
Long service leave	149 009	101 000	(36 875)	213 134
Employee bonuses	4 670 057	85 649 000	(86 526 358)	3 792 699
	4 819 066	**85 750 000**	**(86 563 233)**	**4 005 833**

Figures in Rand	2019	2018
Non-current provisions	359 196	213 134
Current provisions	6 788 478	3 792 699
	7 147 674	**4 005 833**

Employee provisions relate to employee bonuses which are provided for the period July 2018 – June 2019.

The bonus is paid out on an annual basis in December (managers and corporate staff), January (crew) and August (corporate executive).

Should an employee resign prior to bonus payout their provision is reversed.

18. TRADE AND OTHER PAYABLES

Financial instruments:

Figures in Rand	BKSA Group 2019	2018
Trade payables	213 091 236	205 088 568
Tenant installation allowances	8 571 608	12 379 886
Lease smoothing accrual	28 425 456	22 118 247
Sundry accruals	25 137 524	26 800 588
Audit fee accrual	5 400 345	2 604 000
Interest accrued	79 671	(119 721)
Non-financial instruments:		
Leave pay accrual	5 572 806	4 397 950
Medical aid and payroll accrual	8 034 006	8 369 148
VAT	2 916 861	–
PAYE accruals	–	491 871
Provident fund accrual	592 207	27 690
	297 821 720	**282 158 227**
Financial and non-financial instrument components of trade and other payables		
Financial liabilities at amortised cost	280 705 840	268 871 568
Non-financial liabilities	17 115 880	13 286 659
	297 821 720	**282 158 227**

Financial liabilities at amortised cost carrying value equates to the fair value.

19. REVENUE

Revenue from contracts with customers		
Food sales	1 015 356 081	756 206 476
Licence and training fees	488 412	563 937
Royalty income	3 223 814	3 550 982
Vendor income	1 447 920	2 088 896
Marketing fund income	3 223 814	3 285 230
Service fee income	–	171 592
	1 023 740 041	**765 867 113**

20. COST OF SALES

Cost of food products and packaging materials	468 686 801	345 296 188
	468 686 801	**345 296 188**

21. OTHER INCOME

Office rental income	119 359	103 444
SDL refund income	28 000	235 976
CATH SETA income	2 106 590	1 589 488
Foodbev SETA income	3 806 961	3 870 316
Miscellaneous revenue – third party	32 539	1 142 332
Insurance recovery income	9 613	345 024
Youth employment tax incentive credit	11 390 929	10 081 008
Guest care wicode	–	(10 972)
Shortening recovery	786 449	557 235
(Loss)/Gain on disposal of property, plant and equipment	(37 810)	9 858
	18 242 630	**17 923 709**

22. OPERATING LOSS

Profit before finance and taxation cost is stated after:

Figures in Rand	BKSA Group 2019	2018
Audit fees		
Current year	2 848 260	2 612 561
Prior year under/(over) provision	608 512	79 791
	3 456 772	**2 692 352**
Employee costs		
Salaries, wages, bonuses and other benefits	156 107 731	126 600 502
Subsistence allowance	78 134	150 264
Travel allowance	33 490	–
Sales discount	7 684 280	6 731 662
Staff transport	8 387 544	8 880 107
Provident fund	4 908 930	3 211 525
Long service leave entitlement	146 062	64 124
Employee termination costs	21 175	28 112
Share-based compensation expense	48 100	288 602
Total employee costs	**177 415 446**	145 954 898
Leases		
Operating lease charges		
Premises	58 776 374	47 991 656
Motor vehicles	11 519	57 127
Equipment	68 376	52 625
Tenant installation allowance	(1 351 070)	(1 601 065)
	57 505 199	**46 500 343**
Contingent rentals on operating leases		
Premises	4 606 083	2 469 081
Total operating lease charges	**62 111 282**	**48 969 424**
Depreciation and amortisation		
Depreciation of property, plant and equipment	44 148 567	50 006 443
Amortisation of intangible assets	5 571 899	3 109 914
Total depreciation and amortisation	**49 720 466**	**53 116 357**

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Changes in inventories of finished goods and work in progress	468 686 801	345 296 188
Employee costs	177 415 446	145 954 898
Lease expenses	62 111 282	48 969 424
Depreciation, amortisation and impairment	58 616 074	53 116 357
Other expenses	94 979 653	71 958 753
Royalty paid	45 834 559	39 394 538
SLA paid	12 619 158	18 011 868
Repairs and maintenance and refurbishment	11 047 753	6 797 813
Marketing	73 497 485	53 364 919
Utilities	46 937 797	35 863 617
	1 051 746 008	**818 728 375**

23. FINANCE INCOME

Figures in Rand	BKSA Group 2019	2018
Interest income		
Interest on bank accounts	1 298 561	1 249 215

24. FINANCE COSTS

Bank overdraft	3 979 088	3 909 470
Interest paid – third parties	972 722	131 618
Interest – finance leases	97 396	138 574
Total finance costs	**5 049 206**	**4 179 662**

25. PROFIT ON SALE OF INVESTMENT

Gains/(losses) on disposals, scrapings or settlements		
Investment in Excellent Meat Burger Plant (Pty) Ltd	–	35
Equity method liability	–	(4 484 058)
Net investment	**–**	**(4 484 023)**
Valuation of Grand Foods Meat Plant (Pty) Ltd and proceeds	–	32 853 490
	–	–
Profit/(loss)	**–**	**37 337 513**
Total other non-operating gains (losses)	**–**	**32 853 490**

During the 2018 financial year, K2013142133 Proprietary Limited sold its non-controlling stake of 35% in Grand Foods Meat Plant Proprietary Limited.

26. TAXATION

Major components of the tax income		
Current		
Local income tax – current period	2 412 674	(146 000)
Deferred		
Benefit of temporary difference used to reduce deferred tax expense	(16 472 202)	(604 568)
	(14 059 528)	**(750 568)**
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28.00 %	(28.00%)
Exempt income	27.82 %	(108.08%)
Non-deductible expenses	(3.02%)	(5.09%)
Assessed losses rerecognised	49.96%	– %
	102.76 %	**(141.17)**

Non-deductible expenses pertain to the Master Franchise Agreement as well as the licence fees paid to BK Europe.

No provision has been made for 2019 tax as the BKSA Group has no taxable income. The estimated tax loss available for set off against future taxable income is R491 012 868 (2018: R421 606 139).

27. CASH GENERATED FROM/(USED IN) OPERATIONS

Figures in Rand	BKSA Group 2019	2018
Loss before taxation	(13 682 449)	(530 452)
Adjustments for:		
Depreciation and amortisation	49 720 466	53 116 357
Gain on disposal of investment	–	(37 337 548)
Finance income	(1 298 561)	(1 249 215)
Finance costs	5 049 206	4 179 662
Net impairments on property, plant and equipment	8 895 608	–
Movements in provisions	3 141 841	(813 233)
Share-based payments expense	48 100	288 603
Loss on disposal of property, plant and equipment	37 810	(9 858)
Recoveries from insurance	91 333	61 781
Non-cash element of Disa Road store purchase	5 960 350	–
Changes in working capital:		
Inventories	1 565 944	(8 189 170)
Trade and other receivables	20 111 894	(167 268 153)
Prepayments	(982 265)	(1 441 816)
Trade and other payables	15 663 200	183 879 134
	94 322 477	**24 686 092**

28. TAX RECEIVED/(PAID)

Balance at beginning of the year	1 932 288	(2 473 800)
Current tax for the year recognised in profit or loss	(2 412 674)	(330 263)
Adjustment for movement in deferred tax	292	–
Balance at end of the year	486 704	1 932 288
	6 610	**(871 775)**

29. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Loans advanced from group companies		
Opening balance	(602 839 659)	(563 704 640)
Interest accrued	–	–
Profit on sale of investment	–	37 337 310
Closing balance	602 839 659	602 839 659
	–	**76 472 329**
Loans advanced to related party		
Opening balance	8 990 058	7 800 965
Interest accrued	–	–
Closing balance	(9 990 058)	(8 990 058)
	(1 000 000)	**(1 189 093)**
Payment on finance lease		
Opening balance	(1 307 134)	(1 593 508)
Settlement of finance lease by RBS	91 333	–
Closing balance	627 906	1 307 134
	(587 895)	**(286 374)**

30. DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	BKSA Group	
Figures in Rand	**2019**	**2018**
Carrying value of motor vehicle as at disposal date	167 143	70 057
Settlement of finance lease by RBS	(91 333)	(61 781)
Accounting loss on disposal	(37 810)	19 246
Cash receipt of sale to 3rd party	(38 000)	(27 522)
	–	**–**

31. COMMITMENTS

Authorised capital expenditure

This authorised expenditure relates to projects under development and will be financed by available bank facilities, existing cash resources, funds internally generated.

The following stores, with an average capital budget of R7 million, are planned for opening during the period 1 July 2019 and 30 June 2020:

Sasolburg Wilgeheuwel Centre Sanridge Square
Witbank River Crescent Mall Karaglen
Woodlands Boulevard Rondebosch
Northgate Shopping Centre Byl's Bridge
Arbour Road Ottery Centre Newcastle
Corner Nana Sita Rd
Richmond Park Retail Atterbury Grimm St Polokwane
66 Jorrisen

Operating leases – as lessee		
Minimum lease payments due		
– within one year	54 162 943	47 245 408
– in second to fifth year inclusive	202 280 680	199 410 329
– later than five years	146 771 316	101 568 595
	403 214 939	**348 224 332**

Operating lease payments represent rentals payable by the BKSA Group for its head office leases and for direct owned restaurant premises. Commercial leases are negotiated for terms of between five and 20 years and rentals escalate annually. Certain site leases are subject to monthly contingent rental calculations as negotiated based on turnover.

32. **RELATED PARTIES**

Relationships

Ultimate holding company	Grand Parade Investments Limited
Holding company	Grand Foods Investments 1 Proprietary Limited
Subsidiaries	Refer to note 6
Shareholder with significant influence	Burger King South Africa Holdings Proprietary Limited Burger King Europe GmbH
Director of Burger King South Africa (RF) Proprietary Limited is also a director of:	Nadesons Projects Proprietary Limited
	Afriserv Proprietary Limited
	Triserv Proprietary Limited RBS Katz Breskal
	Nadesons Consulting Proprietary Limited
Fellow subsidiaries	GPI Management Services Proprietary Limited
	Mac Brothers Catering Equipment Proprietary Limited
	Grand Coffee House Proprietary Limited
	Grand Ice Cream Proprietary Limited
	Grand Foods Management Services Proprietary Limited
	Grand Foods Meat Plant Proprietary Limited GPI Properties Proprietary Limited
Members of key management	Juan Klopper
	Ezelna Jones Chryzanthia de Waal

	BKSA Group	
Figures in Rand	**2019**	**2018**
Related party balances		
Loan accounts – Owing (to) by related parties		
Grand Foods Meat Plant Proprietary Limited	9 990 058	8 990 058
GPI Limited	(605 692 421)	(605 692 422)
Grand Foods Investments 1 Proprietary Limited	(30 000 000)	(30 000 000)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Afriserv Proprietary Limited	(17 742)	201 393
BK 33 On Heerengracht Proprietary Limited	5 974 797	2 569 998
BK Centre Proprietary Limited	1 916 268	4 548 296
BK Grand Proprietary Limited	3 775 632	1 188 113
BK Marketing Fund Proprietary Limited	(46 027 698)	(9 060 136)
BK West Coast Proprietary Limited	1 535 912	2 524 499
Burger K North Proprietary Limited	6 036 604	3 052 921
Burger King Europe GmbH	(1 244 174)	(4 063 597)
Burger King Restaurants Proprietary Limited	5 741 996	8 224 684
Burger King South Africa (RF) Proprietary Limited	(68 604 295)	(67 772 977)
GPI Management Services Proprietary Limited	(181 811)	(181 811)
GPI Properties Proprietary Limited	1 815 580	1 396 214
Grand Coffee House Proprietary Limited	825 255	670 610
Grand Foods Proprietary Limited	1 703 627	–
Grand Foods Bakery Proprietary Limited	10 094	3 000
Grand Foods Management Services Proprietary Limited	1 680 852	1 160 643
Grand Foods Meat Plant Proprietary Limited	2 094	6 184
Grand Ice Cream Proprietary Limited	188 753	187 841
Grand Parade Investments Limited	(13 588 183)	(8 893 873)
K2013002814 Proprietary Limited	1 749 613	1 404 043
K2013104553 (South Africa) Proprietary Limited	2 024 486	3 264 812
K2013104566 (South Africa) Proprietary Limited	3 764 395	1 858 752
K2013104578 (South Africa) Proprietary Limited	18 451 571	6 081 938

Figures in Rand	BKSA Group 2019	2018
32. **RELATED PARTIES (CONTINUED)**		
K2013142134 Proprietary Limited	1 524 613	769 790
K2013142135 Proprietary Limited	3 973 282	2 635 475
K2013142140 Proprietary Limited	2 428 786	2 609 447
K2013155256 Proprietary Limited	1 655 501	2 130 775
K2013155270 Proprietary Limited	2 585 532	1 932 857
K2013155282 (South Africa) Proprietary Limited	2 355 753	874 201
K2013155298 (South Africa) Proprietary Limited	2 564 843	1 234 652
K2013155911 Proprietary Limited	1 506 962	3 306 168
K2013197652 Proprietary Limited	2 214 753	2 993 798
K2013197654 Proprietary Limited	2 235 742	939 209
K2013197655 Proprietary Limited	1 575 294	1 694 676
K2013197681 Proprietary Limited	2 875 013	414 502
K2014079643 Proprietary Limited	3 116 322	2 335 130
K2014119389 Proprietary Limited	12 499 200	4 984 999
K2014119486 Proprietary Limited	2 992 599	4 372 758
K2014119496 Proprietary Limited	7 103 292	2 776 255
K2014143177 Proprietary Limited	3 389 673	308 495
K2014143181 Proprietary Limited	3 372 931	1 634 374
K2014143184 Proprietary Limited	2 607 035	1 108 084
K2014143185 Proprietary Limited	3 187 062	1 305 043
Mac Brothers Catering Equipment Proprietary Limited	(4 294 838)	13 960 401
RBS Katz Breskal Proprietary Limited	(46 421)	(46 421)
Related party transactions		
Service fees paid to/(received from) related parties		
BK Grand Proprietary Limited	333 533	299 170
BK Centre Proprietary Limited	1 653 899	1 483 992
BK 33 On Heerengracht Proprietary Limited	708 085	654 867
K2013002814 Proprietary Limited	170 341	267 466
BK West Coast Proprietary Limited	842 499	999 461
K2013104553 (South Africa) Proprietary Limited	1 498 017	1 369 466
K2013104566 (South Africa) Proprietary Limited	1 418 631	978 098
K2013104578 (South Africa) Proprietary Limited	3 029 438	2 194 517
K2013142134 Proprietary Limited	1 601 638	1 247 014
K2013142135 Proprietary Limited	769 145	659 983
K2013142140 Proprietary Limited	1 088 015	1 035 046
K2013155256 Proprietary Limited	752 562	572 008
K2013155270 Proprietary Limited	1 192 065	602 030
K2013155282 (South Africa) Proprietary Limited	288 892	260 724
K2013155298 (South Africa) Proprietary Limited	363 525	373 620
K2013155911 Proprietary Limited	1 080 000	1 080 000
K2013197652 Proprietary Limited	1 123 792	1 062 686
K2013197654 Proprietary Limited	258 640	273 468
K2013197655 Proprietary Limited	573 204	309 460
K2013197681 Proprietary Limited	1 080 537	780 000
Burger K North Proprietary Limited	813 550	696 711
Burger King Restaurants Proprietary Limited	2 149 814	2 115 407
K2014079643 Proprietary Limited	1 213 165	1 087 526
K2014119389 Proprietary Limited	1 456 522	1 367 523
K2014119486 Proprietary Limited	1 120 414	1 080 000
K2014119496 Proprietary Limited	847 945	749 107
K2014143177 Proprietary Limited	866 770	835 776

Figures in Rand	BKSA Group 2019	2018
32. RELATED PARTIES (CONTINUED)		
K2014143181 Proprietary Limited	563 645	540 000
K2014143184 Proprietary Limited	335 595	304 142
K2014143185 Proprietary Limited	540 000	540 000
Burger King Marketing Fund Proprietary Limited	–	2 625 108
Burger King South Africa Proprietary Limited	(29 733 878)	(28 444 376)
Grand Foods Management Services Proprietary Limited	12 619 158	18 011 868
	12 619 158	**18 011 868**
Marketing fund contributions paid to/(received from) related parties		
BK Grand Proprietary Limited	488 041	496 472
BK Centre Proprietary Limited	2 740 694	2 403 191
BK 33 On Heerengracht Proprietary Limited	1 028 820	950 043
K2013002814 Proprietary Limited	252 047	435 681
BK West Coast Proprietary Limited	1 278 534	1 106 907
K2013104553 (South Africa) Proprietary Limited	1 683 734	1 456 448
K2013104566 (South Africa) Proprietary Limited	1 641 075	981 523
K2013104578 (South Africa) Proprietary Limited	4 760 811	3 512 033
K2013142134 Proprietary Limited	1 780 010	954 862
K2013142135 Proprietary Limited	1 267 245	1 031 788
K2013142140 Proprietary Limited	1 857 963	1 727 516
K2013155256 Proprietary Limited	970 111	759 826
K2013155270 Proprietary Limited	1 806 056	880 192
K2013155282 (South Africa) Proprietary Limited	481 641	420 223
K2013155298 (South Africa) Proprietary Limited	609 813	630 037
K2013155911 Proprietary Limited	1 354 964	1 246 236
K2013197652 Proprietary Limited	1 797 037	1 633 211
K2013197654 Proprietary Limited	426 245	373 793
K2013197655 Proprietary Limited	872 905	342 946
K2013197681 Proprietary Limited	1 262 703	642 901
Burger K North Proprietary Limited	1 342 515	1 178 720
Burger King Restaurants Proprietary Limited	3 233 153	2 938 843
K2014079643 Proprietary Limited	2 022 923	1 718 386
K2014119389 Proprietary Limited	2 489 545	2 307 113
K2014119486 Proprietary Limited	1 327 191	1 174 067
K2014119496 Proprietary Limited	1 441 611	1 248 511
K2014143177 Proprietary Limited	1 021 267	928 170
K2014143181 Proprietary Limited	923 111	737 546
K2014143184 Proprietary Limited	574 672	505 730
K2014143185 Proprietary Limited	537 254	444 792
Burger King South Africa Proprietary Limited	7 695 880	2 502 605
BK Marketing Fund Proprietary Limited	(50 969 571)	(37 670 312)
	–	**–**
Royalties paid to/(received from) related parties		
BK Grand Proprietary Limited	488 041	496 472
BK Centre Proprietary Limited	2 740 694	2 403 191
BK 33 On Heerengracht Proprietary Limited	1 028 820	950 043
K2013002814 Proprietary Limited	252 047	435 681
BK West Coast Proprietary Limited	1 278 534	1 106 907

Figures in Rand	BKSA Group 2019	2018
32. **RELATED PARTIES (CONTINUED)**		
K2013104553 (South Africa) Proprietary Limited	1 683 734	1 456 448
K2013104566 (South Africa) Proprietary Limited	1 641 075	981 523
K2013104578 (South Africa) Proprietary Limited	4 760 811	3 512 033
K2013142134 Proprietary Limited	1 780 010	954 862
K2013142135 Proprietary Limited	1 267 245	1 031 788
K2013142140 Proprietary Limited	1 857 963	1 727 516
K2013155256 Proprietary Limited	970 111	759 826
K2013155270 Proprietary Limited	1 806 056	880 192
K2013155282 (South Africa) Proprietary Limited	481 641	420 223
K2013155298 (South Africa) Proprietary Limited	609 813	630 037
K2013155911 Proprietary Limited	1 354 964	1 246 236
K2013197652 Proprietary Limited	1 797 037	1 633 211
K2013197654 Proprietary Limited	426 245	373 793
K2013197655 Proprietary Limited	872 905	342 946
K2013197681 Proprietary Limited	1 262 703	642 901
Burger K North Proprietary Limited	1 342 515	1 178 720
Burger King Restaurants Proprietary Limited	3 233 153	2 938 843
K2014079643 Proprietary Limited	2 022 923	1 718 386
K2014119389 Proprietary Limited	2 489 545	2 307 113
K2014119486 Proprietary Limited	1 327 191	1 174 067
K2014119496 Proprietary Limited	1 441 611	1 248 511
K2014143177 Proprietary Limited	1 021 267	928 170
K2014143181 Proprietary Limited	923 111	737 546
K2014143184 Proprietary Limited	574 672	505 730
K2014143185 Proprietary Limited	537 254	444 792
Burger King South Africa Proprietary Limited	(46 325 477)	(41 281 099)
Burger King Europe GmbH	47 865 425	35 827 639
	44 813 639	**29 714 247**
Purchases from/(sales) to related parties		
Afriserv Proprietary Limited	847 303	29 537
GPI Properties Proprietary Limited	8 609 291	(283 973)
Grand Foods Management Services Proprietary Limited	26 485 081	51 688 613
Grand Foods Meat Plant Proprietary Limited	40 138	4 000
GPI Limited	8 738 450	11 196 466
Mac Brothers Catering Equipment Proprietary Limited	38 624 522	50 210 405
GPI Management Services Proprietary Limited	–	155 859
RBS Katz Breskal	–	833
Burger King Europe GmbH	2 451 672	4 063 597
Grand Ice Cream Proprietary Limited	–	20 417
Rent paid to/(received from) related parties		
GPI Properties Proprietary Limited	5 924 690	6 363 183

33. DIRECTORS' EMOLUMENTS

Executive

2019

	Salary R	Short-term benefits R	Bonuses R	Share-based payment expense R	Severance pay R	Total remuneration R
Juan Klopper*	1 256 087	247 873	405 000	–	–	1 908 960
Hassen Adams**	4 417 813	1 436 226	3 034 170	366 000	5 954 815	15 209 024
	5 673 900	**1 684 099**	**3 439 170**	**366 000**	**5 954 815**	**17 117 984**

2018

	Salary	Short-term benefits R	Long-term benefits R	Bonuses R	Share-based payment expense R	Total Remuneration R
Juan Klopper*	–	1 190 089	167 935	255 000	–	1 613 024
Hassen Adams**	3 825 184	1 473 131	124 453	4 862 426	486 000	10 771 194
Tasneem Karriem**	1 620 239	84 000	243 036	2 015 000	–	3 962 275
	5 445 423	**2 747 220**	**535 424**	**7 132 426**	**486 000**	**16 346 493**

* Directors emoluments paid by Burger King South Africa (RF) Proprietary Limited.
** Directors emoluments paid by GPI Proprietary Limited.

D Chan Shear (a non-resident director) does not receive any remuneration in his capacity as a director of Burger King South Africa and does not receive any remuneration from Burger King South Africa.

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CAPITAL RISK MANAGEMENT

The BKSA Group's objectives when managing capital are to safeguard the BKSA Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The BKSA Group relies on its fixed assets to safeguard the BKSA Group's ability to continue as a going concern. The BKSA Group assesses the useful lives of assets on an annual basis to ensure that assets are reflected at a fair value.

In order to maintain or adjust the capital structure, the BKSA Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Figures in Rand	BKSA Group 2019	2018
Finance lease liabilities	627 905	1 307 133
Trade and other payables	297 821 720	282 158 227
Total borrowings	**298 449 625**	**283 465 360**
Bank overdraft	43 289 071	16 480 032
Net borrowings	**341 738 696**	**299 945 392**
Equity	(112 579 351)	(113 004 529)
Gearing ratio	(304%)	(265%)

Financial instruments and risk management (continued) Financial risk management

34. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CAPITAL RISK MANAGEMENT (CONTINUED)**

Overview

The BKSA Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Interest rate risk.

This note presents information about the BKSA Group's exposure to each of the above risks, the BKSA Group's objectives, policies and processes for measuring these risks, and the BKSA Group's management of Capital. Further quantitative disclosures are included throughout these Historical Financial Information. The BKSA Group's objective is to effectively manage each of the above risks associated with its financial instruments, in order to limit the BKSA Group's exposure as far as possible to any financial loss associated with these risks.

Credit risk

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

The BKSA Group's maximum exposure to credit risk in terms of cash and cash equivalents, loans and receivables equals the carrying amounts of these instruments are as disclosed below.

Cash and cash equivalents

The BKSA Group's only deposits cash surpluses with major banks of high quality and credit standing. The cash and cash equivalents are deposited with three financial institutions.

Trade receivables, other receivables and related party loans

At year-end, the BKSA Group did not consider there to be any significant concentration of credit risk and all assets that have been identified as impaired, after taking the BKSA Groups credit policy into account, have been appropriately provided for. Related party credit risk is managed by each business unit in terms of the BKSA Group's policy. Outstanding receivables are regularly monitored and an impairment analysis is performed at each reporting date based on payment history and the financial position of the counterparty.

The following table presents the maturity analysis of related party loans and trade and other receivables.

2019	On demand R	Current R	30 to 60 days R	60 to 90 days R	Over 90 days R	Total R
Loan to related party	9 990 058	–	–	–	–	9 990 058
Trade and other receivables	–	207 918 708	–	–	–	207 918 708
Cash and cash equivalents	–	24 259 301	–	–	–	24 259 301
	9 990 058	**232 078 507**	–	–	**–**	**242 168 067**

2018	On demand R	Current R	30 to 60 days R	60 to 90 days R	Over 90 days R	Total R
Loan to related party	8 990 058	–	–	–	–	8 990 058
Trade and other receivables	–	227 031 897	–	–	–	227 031 897
Cash and cash equivalents	–	19 361 479	–	–	–	19 361 479
	8 990 058	**246 393 376**	–	–	**–**	255 383 434

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CAPITAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the BKSA Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The BKSA Group monitors its risk of a shortage of funds based on future cash flow commitments. The BKSA Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The BKSA Group manages the liquidity risk by considering all future cashflows associated with financial liabilities in the cash flow projections and ensures that adequate funds are held to meet their commitments. In addition the short-term risks are managed by ensuring that adequate banking facilities are in place.

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

2019

Non-current liabilities		On demand	Less than 1 year	Between 1 and 2 years	More than 2 year	Total	Carrying amount
Finance lease liabilities	16	–	–	268 586	115 596	384 182	356 820
Current liabilities							
Trade and other payables	18	–	280 705 840	–	–	280 705 840	280 705 840
Loans from group companies	15	602 839 658	–	–	–	602 839 658	602 839 658
Finance lease liabilities	16	–	318 493	–	–	318 493	271 085
Bank overdraft	12	67 448 870	–	–	–	67 448 870	67 448 870
		670 288 528	**281 024 333**	**268 586**	**115 596**	**951 697 043**	**951 622 273**

2018

Non-current liabilities		On demand	Less than 1 year	Between 1 and 2 years	More than 2 years	Total	Carrying amount
Finance lease liabilities	16	–	–	393 000	503 737	896 737	747 133
Current liabilities							
Trade and other payables	19	–	268 871 568	–	–	268 871 568	268 871 568
Loans from group companies	15	602 839 658	–	–	–	602 839 658	602 839 658
Finance lease liabilities	16	–	612 000	–	–	612 000	560 000
Bank overdraft	12	35 841 511	–	–	–	35 841 511	35 841 511
		638 681 169	**269 483 568**	**393 000**	**503 737**	**909 061 474**	**908 859 870**

34. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CAPITAL RISK MANAGEMENT (CONTINUED)**

Interest rate risk

The BKSA Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the BKSA Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

At 30 June 2019 interest rate on the overdraft was 9.25%. If the interest rate fluctuated an additional +/-1% during the period under review, the resultant interest difference recognised in comprehensive income would have fluctuated as follows:

+1% R674 489

-1% (R674 489)

At 30 June 2019 interest rate on the finance leases was 9 to 10%. If the interest rate fluctuated an additional +/-1% during the period under review, the resultant interest difference recognised in comprehensive income would have fluctuated as follows:

+1% R7 026

-1% (R7 026)

At 30 June 2018 interest rate on the overdraft was 9.25%. If the interest rate fluctuated an additional +/-1% during the period under review, the resultant interest difference recognised in comprehensive income would have fluctuated as follows:

+1% R358 415

-1% (R358 411)

At 30 June 2018 interest rate on the finance leases was 9 to 10%. If the interest rate fluctuated an additional +/-1% during the period under review, the resultant interest difference recognised in comprehensive income would have fluctuated as follows:

+1% R13 070

-1% (R13 070)

35. **GOING CONCERN**

The BKSA Group has incurred a net profit of R377 079 in the current year (2018: R220 116 Profit). The current liabilities exceed current assets by R704 530 689 (2018: Current liabilities exceed current assets by R637 196 729).

In assessing the going-concern assumption the directors have considered their plans in relation to assuring the long-term growth of the business in terms of Master Franchise Agreement continues. Equally there is focus on ensuring that stores become profitable and that the risk of stores that remain open are focused on stores which are profitable and self-sustainable. In this regards the directors have committed to focusing on the opening of drive throughs which have proven to be profitable. In addition, management continue to assess and close stores which are not profitable or alternatively to reduce their impact on profitability where the store may need to remain open for some time. Management believe the strategy will improve profitability of the BKSA Group.

In addition to committing to a plan which focuses on increasing store numbers whilst correcting store mix the directors have considered whether there are sufficient resources to execute these strategies. Whilst the entity continue to make losses the directors have assessed the operating profit and cash flows and have concluded that despite the negative net equity position, the BKSA Group will have adequate resources to continue operations for the foreseeable future and accordingly the going-concern basis of accounting is appropriate for the preparation of the historical financial information.

The directors have reviewed the budget and cash flow forecasts for 2020 and beyond and are satisfied there will be sufficient cash flow to meet obligations in the foreseeable future.

The historical financial information have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that current cash being generated by the underlying investments will continue into the future and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

36. **EVENTS AFTER THE REPORTING PERIOD**

Per a resolution passed on 20 June 2019, approval was provided for the capitalisation of the loans between Burger King South Africa (RF) Proprietary Limited and its subsidiaries. The capitalisation will take place in the 2021 financial year. The total value of loans to be capitalised is estimated to be R452 815 418.

Protea Mall closed on 30 September 2019.

The following entities merged into Burger King South Africa (RF) Proprietary Limited effective 1 October 2019:

- K2014079643 Proprietary Limited
- K2014119496 Proprietary Limited
- K2014143181 Proprietary Limited

BK Ermelo has been sold on 31 October 2019 to Calicom Trading Proprietary Limited.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORTS ON THE HISTORICAL FINANCIAL INFORMATION OF THE BKSA GROUP FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020, 30 JUNE 2019 AND 30 JUNE 2018

PART A: Independent Reporting Accountant's Assurance Report on the consolidated Historical Financial Information of the BKSA Group for the year ended 30 June 2020

To the Directors of Grand Parade Investments Limited

At your request, we present our Independent Reporting Accountant's Assurance Report on the consolidated historical financial information of Burger King South Africa (RF) (Pty) Limited (the "(Company"), and its subsidiaries (collectively, the "**Group**"), for the year ended 30 June 2020 (the "**Historical Financial Information**") for inclusion in **Annexure 1** on pages 29 to 134 of the circular to be dated on or about 12 March 2021 ("**Circular**") by the directors of Burger King South Africa (RF) (Pty) Limited.

This report is required for the purposes of complying with section 8.48 of the Listings Requirements of the JSE Limited (the "**JSE**") (the "**JSE Listings Requirements**") and is given for the purpose of complying with those requirements and for no other purpose. We are the Independent Reporting Accountant and the Independent Auditor of Burger King South Africa (RF) (Pty) Limited.

To the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the JSE Listings Requirements and consenting to its inclusion in the Circular.

Independent Reporting Accountant's Assurance Report on the Historical Financial Information

Opinion

We have audited the Historical Financial Information of the Group, which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, as presented in **Annexure 1** on pages 29 to 134 of the Circular.

In our opinion, the Historical Financial Information, as presented in **Annexure 1** on pages 29 to 134 of the Circular, presents fairly, in all material respects, for the purpose of the Circular, the consolidated financial position of the Group as at 30 June 2020 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Independent Reporting Accountant's Responsibilities for the Historical Financial Information* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the Group and Company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors of Grand Parade Investments Limited are responsible for the other information contained in this Circular. The other information comprises the information included in the document titled "**CIRCULAR TO GPI SHAREHOLDERS**". The other information does not include the Historical Financial Information and our Independent Reporting Accountant's report thereon.

Our opinion on the Historical Financial Information does not cover the other information contained in this Circular and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Historical Financial Information, our responsibility is to read the other information contained in this Circular and, in doing so, consider whether the other information is materially inconsistent with the Historical Financial Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Historical Financial Information

The directors of Grand Parade Investments Limited are responsible for the compilation, contents and preparation of the Circular in accordance with the JSE Listings Requirements. The directors of Grand Parade Investments Limited and the directors of Burger King South Africa (RF) (Pty) Limited are also responsible for the preparation and fair presentation of the Historical Financial Information in accordance with the IFRS and the requirements of the Companies Act of South Africa and the JSE Listings Requirements and for such internal control as the directors of Burger King South Africa (RF) (Pty) Limited determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

In preparing the Historical Financial Information, the directors of Burger King South Africa (RF) (Pty) Limited are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless the directors of Burger King South Africa (RF) (Pty) Limited either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Reporting Accountant's Responsibilities for the Historical Financial Information

Our objectives are to obtain reasonable assurance about whether the Historical Financial Information as a whole is free from material misstatement, whether due to fraud or error, and to issue an Independent Reporting Accountant's Assurance report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Historical Financial Information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Historical Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of Burger King South Africa (RF) (Pty) Limited.
- Conclude on the appropriateness of the directors of Burger King South Africa (RF) (Pty) Limited use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Independent Reporting Accountants' Assurance report to the related disclosures in the Historical Financial Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Reporting Accountants' Assurance report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Historical Financial Information, including the disclosures, and whether the Historical Financial Information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of Burger King South Africa (RF) (Pty) Limited regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of Burger King South Africa (RF) (Pty) Limited with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Inc.
Director: David Frank Christian CA(SA)
Registered Auditor
Cape Town

5 March 2021

PART B: Independent Reporting Accountant's Assurance Report on the consolidated Historical Financial Information of the BKSA Group for the two years ended 30 June 2019 and 30 June 2018

To the Directors of Grand Parade Investments Limited

At your request, we present our Independent Reporting Accountant's Assurance Report on the consolidated historical financial information of Burger King South Africa (RF) (Pty) Limited (the "Company"), and its subsidiaries (collectively, the "**Group**"), for the two years ended 30 June 2019 and 30 June 2018 (the "**Historical Financial Information**") for inclusion in **Annexure 1** on pages 29 to 134 of the circular to be dated on or about 12 March 2021 ("**Circular**") by the directors of Burger King South Africa (RF) (Pty) Limited.

This report is required for the purposes of complying with section 8.48 of the Listings Requirements of the JSE Limited (the "**JSE**") (the "**JSE Listings Requirements**") and is given for the purpose of complying with those requirements and for no other purpose. We are the Independent Reporting Accountant and the Independent Auditor of Burger King South Africa (RF) (Pty) Limited.

To the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the JSE Listings Requirements and consenting to its inclusion in the Circular.

Independent Reporting Accountant's Assurance Report on the Historical Financial Information

Opinion

We have audited the Historical Financial Information, which comprises of the consolidated statement of financial position as at 30 June 2019 and 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, as presented in **Annexure 1** on pages 29 to 134 of the Circular.

In our opinion, the Historical Financial Information, as presented in **Annexure 1** on pages 29 to 134 of the Circular, presents fairly, in all material respects, for the purpose of the Circular, the consolidated financial position of the Group as at 30 June 2019 and 30 June 2018 and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the *Independent Reporting Accountants' Responsibilities for the Historical Financial Information* section of our report. We are independent of the Group and Company in accordance with the section 290 and 291 of the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together, "**the IRBA Codes**") and other independence requirements applicable to performing audits of financial statements of the Group and Company and in South Africa. We have fulfilled our other ethical requirements, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("**IESBA code**") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors of Grand Parade Investments Limited are responsible for the other information contained in this Circular. The other information comprises the information included in the document titled "**CIRCULAR TO GPI SHAREHOLDERS**". The other information does not include the Historical Financial Information and our Independent Reporting Accountant's report thereon.

Our opinion on the Historical Financial Information does not cover the other information contained in this Circular and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Historical Financial Information, our responsibility is to read the other information contained in this Circular and, in doing so, consider whether the other information is materially inconsistent with the Historical Financial Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Historical Financial Information

The directors of Grand Parade Investments Limited are responsible for the compilation, contents and preparation of the Circular in accordance with the JSE Listings Requirements. The directors of Grand Parade Investments Limited and the directors of Burger King South Africa (RF) (Pty) Limited are also responsible for the preparation and fair presentation of the Historical Financial Information in accordance with the IFRS and the requirements of the Companies Act of South Africa and the JSE Listings Requirements, and for such internal control as the directors of Burger King South Africa (RF) (Pty) Limited determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

In preparing the Historical Financial Information, the directors of Burger King South Africa (RF) (Pty) Limited are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless the directors of Burger King South Africa (RF) (Pty) Limited either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Reporting Accountant's Responsibilities for the Historical Financial Information

Our objectives are to obtain reasonable assurance about whether the Historical Financial Information as a whole is free from material misstatement, whether due to fraud or error, and to issue an Independent Reporting Accountant's Assurance report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Historical Financial Information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Historical Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of Burger King South Africa (RF) (Pty) Limited.
- Conclude on the appropriateness of the directors of Burger King South Africa (RF) (Pty) Limited's use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Independent Reporting Accountants' Assurance report to the related disclosures in the Historical Financial Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Reporting Accountants' Assurance report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Historical Financial Information, including the disclosures, and whether the Historical Financial Information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of Burger King South Africa (RF) (Pty) Limited regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of Burger King South Africa (RF) (Pty) Limited with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Inc.
Director: Pierre Gustav du Plessis CA(SA)
Registered Auditor
Cape Town

5 March 2021

PRO FORMA FINANCIAL INFORMATION OF THE GPI GROUP

ANNEXURE 3

***PRO FORMA* FINANCIAL INFORMATION OF THE GPI GROUP**

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis,* to this **Annexure 3**.

The *pro forma* financial information for the GPI Group is set out below. The *pro forma* Consolidated Statement of Financial Position and the *pro forma* Consolidated Statement of Comprehensive Income of the GPI Group has been prepared for illustrative purposes only, to show the financial effects of the Disposal. Due to their nature, the *pro forma* financial information may not fairly present the GPI Group's financial position, changes in equity, results of operations or cash flows after the Disposal.

The *pro forma* financial information as at 30 June 2020 is presented in a manner that is consistent with the accounting policies of the GPI Group, IFRS and the basis on which the group annual financial statements of the GPI Group has been prepared. The *pro forma* financial information has been prepared in accordance with the JSE Listings Requirements and in compliance with the revised SAICA Guide on *Pro forma* Financial Information.

The *pro forma* financial information as set out below should be read in conjunction with the independent reporting accountant's assurance report thereon, which is included as **Annexure 4** to this Circular.

The directors of GPI are responsible for the preparation of the *pro forma* financial information.

It has been assumed for the purposes of the *pro forma* financial information that the Disposal took place with effect from 1 July 2019 for purposes of the *pro forma* Consolidated Statement of Comprehensive Income and on 30 June 2020 for purposes of the *pro forma* Consolidated Statement of Financial Position.

***PRO FORMA* CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE 2020**	**Unadjusted and audited results for the year ended 30 June 2020 R'000**	**1**	**Increase in BKSA investment R'000**	**2**	**Adjustments for the BKSA Disposal R'000**	**3**	**Adjustments for the GFMP Disposal R'000**	**4**	***PRO FORMA* results for the year ended 30 June 2020 R'000**	**5**
Revenue	1,312,326		–		(1,016,178)	7.8	(140,117)	12,13	156,031	
Cost of sales	(709,005)		–		475,844	7	129,083	12	(104,078)	
Gross profit/(loss)	**603,321**		**–**		**(540,335)**		**(11,034)**		**51,953**	
Operating costs	(561,601)		–		415,004	7.9	11,737	12,14	(134,859)	
Profit/(loss) from operations	**41,720**		**–**		**(125,330)**		**704**		**(82,907)**	
Profit from equity-accounted investments	69,395		–		–		–		69,395	
Loss on sale of investment	(9,050)		–		1,572	7.10	(62,439)	12,15	(69,917)	
Estimated credit losses	(2,906)		–		529	7	–		(2,377)	
Impairment of assets	(10,799)		–		7,383	7	–		(3,416)	
Impairment of goodwill	(38,598)		–		–		–		(38,598)	
Depreciation	(95,016)		–		82,590	7	3,191	12	(9,235)	
Amortisation	(6,814)		–		5,828	7	1	12	(986)	
Loss before finance costs and taxation	**(52,068)**		**–**		**(27,427)**		**(58,544)**		**(138,039)**	
Finance income	5,343		–		2,082	7.11	35	12,16	7,459	
Finance costs	(76,988)		–		40,695	7	443	12	(35,850)	
(Loss)/profit before taxation	**(123,713)**		**–**		**15,349**		**(58,066)**		**(166,430)**	
Taxation	11,903		–		(8,403)	7	(1,254)	12	2,246	
(Loss)/profit for the period from continuing operations	**(111,810)**		**–**		**6,946**		**(59,319)**		**(164,183)**	
Discontinued operations										
Loss for the period from discontinued operations	(14,697)		–		–		–		(14,697)	
(Loss)/profit for the period	**(126,507)**		**–**		**6,949**		**(59,319)**		**(178,880)**	

***PRO FORMA* CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE 2020**	**Unadjusted and audited results for the year ended 30 June 2020 R'000**	**1**	**Increase in BKSA investment R'000**	**2**	**Adjustments for the BKSA Disposal R'000**	**3**	**Adjustments for the GFMP Disposal R'000**	**4**	***PRO FORMA* results for the year ended 30 June 2020 R'000**	**5**
Other comprehensive income										
Unrealised fair value adjustments on investment held at fair value through OCI	(13,686)		–		–		–		(13,686)	
Total comprehensive (loss)/income for the period	**(140,193)**		**–**		**6,946**		**(59,319)**		**(192,566)**	
Profit for the period attributable to:										
Continuing operations										
– Ordinary shareholders	(108,830)		(1,572)	6	5,538		(59,319)		(164,183)	
– Non-controlling interest	(2,980)		1,572	6	1,408	7	–		–	
Discontinued operations										
– Ordinary shareholders	(14,697)		–		–		–		(14,697)	
– Non-controlling interest	–		–		–		–		–	
	(126,507)		**–**		**6,946**		**(59,319)**		**(178,880)**	
Total comprehensive income attributable to:										
Continuing operations										
– Ordinary shareholders	(122,516)		(1,572)		5,538		(59,185)		(177,869)	
– Non-controlling interest	(2,980)		1,572		1,408		–		–	
Discontinued operations										
– Ordinary shareholders	(14,697)		–		–		–		(14,697)	
– Non-controlling interest	–		–		–		–		–	
	(140,193)		**–**		**6,946**		**(59,319)**		**(192,566)**	

***PRO FORMA* CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE 2020**	**Unadjusted and audited results for the year ended 30 June 2020 R'000** [1]	**Increase in BKSA investment R'000** [2]	**Adjustments for the BKSA Disposal R'000** [3]	**Adjustments for the GFMP Disposal R'000** [4]	***PRO FORMA* results for the year ended 30 June 2020 R'000** [5]
Headline earnings reconciliation					
(Loss)/profit for the period attributable to ordinary shareholders from continuing operations	(111,810)	–	6,946	59,319	164,183
(Loss)/profit for the period attributable to ordinary shareholders from discontinued operations	(14,697)	–	–	–	(14,697)
Non-controlling interest	2,980	(1,572)	(1,408)	–	–
(Loss)/profit for the period	**(123,527)**	**(1,572)**	**5,538**	**(59,319)**	**(178,880)**
Impairment of goodwill	38,598	–	–	–	38,598
Impairment of right-of-use assets	5,870	–	(2,560)	–	3,310
Impairment of intangible assets	76	–	–	–	76
Impairment of property, plant and equipment	2,283	–	(2,283)	–	–
Loss on disposal of investment	9,050	–	(1,572)	62,439	69,917
Profit on disposal of property, plant and equipment	(1,305)	–	–	–	(1,305)
Adjustments by jointly-controlled entities:	–	–	–	–	–
– Profit on sale of property, plant and equipment	(440)	–	–	–	(440)
Impairment of property, plant and equipment discontinued operations	7,734	–	–	–	7,734
Tax on profit from disposal of investment	–	–	–	–	–
Headline and diluted headline (loss)/ earnings	**(61,661)**	**(1,572)**	**(877)**	**3,119**	**(60,991)**

***PRO FORMA* CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE 2020**	**Unadjusted and audited results for the year ended 30 June 2020 R'000**	**1**	**Increase in BKSA investment R'000**	**2**	**Adjustments for the BKSA Disposal R'000**	**3**	**Adjustments for the GFMP Disposal R'000**	**4**	***PRO FORMA* results for the year ended 30 June 2020 R'000**	**5**
Number of shares:	**000s**		**000s**		**000s**		**000s**		**000s**	
Shares in issue (net of treasury shares)	429,486		429,486		429,486		429,486		429,486	
Weighted average number of shares in issue	426,920		426,920		426,920		426,920		426,920	
Diluted weighted average number of shares in issue	427,074		427,074		427,074		427,074		427,074	
	Cents		**Cents**		**Cents**		**Cents**		**Cents**	
Basic earnings per share	(28.93)		(0.37)		1.30		(13.89)		(41.89)	
Continuing operations	(25.49)		(0.37)		1.30		(13.89)		(38.45)	
Discontinued operations	(3.44)		–		–		–		(3.44)	
Diluted basic earnings per share	(28.92)		(0.37)		1.30		(13.89)		(41.88)	
Continuing operations	(25.48)		(0.37)		1.30		(13.89)		(38.44)	
Discontinued operations	(3.44)		–		–		–		(3.44)	
Headline earnings per share	(14.44)		(0.37)		(0.21)		0.73		(14.29)	
Continuing operations	(12.81)		(0.37)		(0.21)		0.73		(12.66)	
Discontinued operations	(1.63)		–		–		–		(1.63)	
Diluted headline earnings per share	(14.44)		(0.37)		(0.21)		0.73		(14.29)	
Continuing operations	(12.81)		(0.37)		(0.21)		0.73		(12.66)	
Discontinued operations	(1.63)		–		–		–		(1.63)	
Ordinary dividend per share	–		–		–		–		–	

ASSUMPTIONS:

a) Where applicable the tax rate has been assumed at 28.00% for income tax purposes and 22.40% for capital gains tax purposes.

b) All adjustments, except for the one-off transaction costs and loss on sale of investment, are expected to have a continuing effect on the Consolidated Statement of Comprehensive Income.

c) ECP will continue to lease the Meat Plant Property from the Group for a period of five years at an annual rental of R2.1 million, escalating at 7% per annum, equal to the current lease agreement between GFMP and GPI Properties (Proprietary) Ltd, a 100%-held subsidiary in the GPI Group.

d) The following reconciles the consideration quoted in section 2.6 of the Circular to the accounting consideration for the purposes of the *pro forma* financial information:

	BKSA Group	GFMP	Total
Equity value	570,000,000	23,000,000	593,000,000
deduct average net debt	(66,595,598)	–	(66,595,598)
add back CAPEX	15,000,000	–	15,000,000
deduct debt and debt like items	(13,687,174)	(9,585,820)	(23,272,995)
	504,717,227	13,414,180	518,131,407
GPI Group shareholding	95.78%	100.00%	
Transaction proceeds	483,418,160	13,414,180	496,832,340
Imputed interest	(5,297,340)	(146,994)	(5,444,334)
Accounting consideration	478,120,820	13,267,186	491,388,006

*Debt is as at 1 July 2019.

NOTES TO THE *PRO FORMA* CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME:

1) The "Unadjusted and audited results for the year ended 30 June 2020" column has been extracted, without adjustment from the Audited Annual Financial Statements of the GPI Group for the year ended 30 June 2020.
2) The "Increase in BKSA investment" column has been calculated based on information extracted from the Audited Annual Financial Statements of the GPI Group for the year ended 30 June 2020. Refer to Note 6 for further information on the calculation.
3) The "Adjustments for the BKSA Disposal", including the source of the information, is detailed in note 7.
4) The "Adjustments for the GFMP Disposal", including the source of the information, is detailed in note 12.
5) The "*Pro forma* results for the year ended 30 June 2020" column represents the *pro forma* Consolidated Statement of Comprehensive Income for the year ending 30 June 2020 subsequent to the Disposal.
6) The BKSA Intra-Group Loan Capitalisation of additional share capital issued to the GPI Group by BKSA, in settlement of loans owing by the BKSA Group, results in an increase in shareholding in BKSA from 91.07% to 95.78%. Please refer to section 2.1.2 of the Circular for more information. The R1.6 million adjustment between ordinary shareholders and non-controlling interests ("**NCI**") represents the 4.71% reduction in NCI for the period ending 30 June 2020.

	Before BKSA Intra-Group Loan Capitalisation (A)		After BKSA Intra-Group Loan Capitalisation (B)	Movement (C = B-A)	Reduction in NCI (D = C/A)
GPI % holdings in BKSA Group	91.07%		95.78%	4.71%	
NCI in BKSA Group	8.93%		4.22%	(4.71%)	(52.74%)
NCI share of profits for the year ending at 30 June 2020 per Audited Annual Financial Statements of the GPI Group for the year ended 30 June 2020	(2 980)	(E)			
Reduction in NCI (E x D)	1 572				

7) The "Adjustments for the BKSA Disposal", as referred to in note 3 above, is calculated as follows:

	BKSA HFI R000's (a)	Consolidation R000's (b)	Rental R000's (c)	Transaction costs R000's (d)	Loss on disposal R000's (e)	Interest R000's (f)	Total R000's (g)
Revenue	(1,017,894)	(3,576)	5,291 8	–	–	–	(1,016,178)
Cost of Sales	463,136	12,708	–	–	–	–	475,844
Gross Profit	**(554,758)**	**9,132**	**5,291**	**–**	**–**	**–**	**(540,335)**
Operating Costs	575,676	(142,409)	–	(18,263) 9	–	–	415,004
Profit/(loss) from operations	**20,918**	**(133,277)**	**5,291**	**(18,263)**	**–**	**–**	**(125,330)**
Other operating income	(16,551)	16,551	–	–	–	–	–
Other operating gains (losses)	(991)	991	–	–	–	–	–
Loss on sale of investment	–	–	–	–	1,572 10	–	1,572
Estimated credit losses	–	529	–	–	–	–	529
Impairment of assets	–	7,383	–	–	–	–	7,383
Depreciation	–	82,590	–	–	–	–	82,590
Amortisation	–	5,828	–	–	–	–	5,828
Loss before finance costs and taxation	**3,376**	**19,404**	**5,291**	**(18,263)**	**1,572**	**–**	**(27,427)**
Finance income	(1,028)	–	–	–	–	3,110 11	2,082
Finance costs	44,653	(3,958)	–	–	–	–	40,695
(Loss)/profit before taxation	**47,001**	**(23,363)**	**5,291**	**(18,263)**	**1,572**	**3,110**	**15,349**
Taxation	(13,659)	5,256	–	–	–	–	(8,403)
Loss/(profit) for the period from continuing operations	**33,342**	**(18,107)**	**5,291**	**(18,263)**	**1,572**	**3,110**	6,946

(a) "**BKSA HFI**" is extracted, without adjustment, from the Historical Financial Information of the BKSA Group for the financial year ended 30 June 2020, as set out in **Annexure 1** Part A to the Circular, on which the Independent Reporting Accountant has issued an assurance report as included in **Annexure 2** Part A to the Circular.

(b) "**Consolidation**" is the reversal of entries that consolidated the results of BKSA Group into the GPI Group for the year ended 30 June 2020, which has been extracted, without adjustment, from the group consolidation journals used to prepare the Audited Annual Financial Statements of the GPI Group for the year ended 30 June 2020.

(c) **"Rental"** is rental proceeds from lease agreements between BKSA Group and GPI Group that no longer eliminate after the Disposal, which has been extracted, without adjustment, from the group consolidation journals used to prepare the Audited Annual Financial Statements of the GPI Group for the year ended 30 June 2020. Refer to note 8 below for further information.

(d) "**Transaction costs**" represents the costs directly attributable to the BKSA Disposal. Refer to Note 9 below for further information.

(e) **"Profit on disposal"** is the difference between the BKSA Consideration and the carrying value of the BKSA Group. Refer to note 10 below for further information.

(f) "**Interest**" represents the imputed interest on the Disposal Proceeds for the period of 1 July 2019 to 30 June 2020. Refer to note 11 below for further information.

(g) **"Adjustments for the BKSA Disposal"** is the *pro forma* effect of the BKSA Disposal as included in column 3 of the *pro forma* Consolidated Statement of Comprehensive Income for the year ending 30 June 2020.

As part of the BKSA Disposal, the remaining R1.4 million loss attributable to non-controlling interest after the loan capitalisations is also derecognised.

8) Rental proceeds of R5.3 million from the lease agreements between BKSA Group and the GPI Group which are no longer eliminated on consolidation as BKSA Group is accounted for as a third party subsequent to the Disposal.

9) Transaction costs of R18.3 million are attributable to the sale and are being expensed. The transaction costs are not deductible for income tax purposes as they are capital in nature.

10) An accounting profit of R 1.6 million on the BKSA Disposal is recognised, calculated as the difference between the BKSA Consideration of R478.1 million and the carrying value of the BKSA Group of R476.5 million as at 1 July 2019. A capital gains loss is incurred on the disposal and therefore no taxation will be paid.

11) Finance income of R3.1 million is earned as a result of the unwinding of the deferred proceeds at a rate of 9.53%, being the discount rate used to determine the present value of the deferred proceeds.

12) The "Adjustments for the GFMP Disposal" column, as referred to in note 4 above, is calculated as follows:

	GFMP R000's (a)	Consolidation R000's (b)	Rental R000's (c)	Transaction costs R000's (d)	Loss on disposal R000's (e)	Interest R000's (f)	Total R000's (g)
Revenue	(141,945)	(296)	2,123 **13**	–	–	–	(140,117)
Cost of Sales	128,660	423	–	–	–	–	129,083
Gross Profit	**(13,285)**	**127**	**2,123**	**–**	**–**	**–**	**(11,034)**
Operating Costs	15,326	(2,852)	–	(737) **14**	–	–	11,737
Operating income	(296)	296	–	–	–	–	–
Profit/(loss) from operations	**1,746**	**(2,429)**	**2,123**	**(737)**	**–**	**–**	**704**
Loss on sale of investment	–	–	–	–	(62,439) **15**	–	(62,439)
Estimated credit losses	–	–	–	–	–	–	–
Impairment of assets	–	–	–	–	–	–	–
Depreciation	–	**3,191**	–	–	–	–	3,191
Amortisation	–	**1**	–	–	–	–	1
Loss before finance costs and taxation	**1,746**	**763**	**2,123**	**(737)**	**(62,439)**	**–**	**(58,544)**
Finance income	(52)	–	–	–	–	86 **16**	35
Finance costs	1,639	(1,196)	–	–	–	–	443
(Loss)/profit before taxation	**3,333**	**(433)**	**2,123**	**(737)**	**(62,439)**	**86**	**(58,066)**
Taxation	(1,429)	175	–	–	–	–	(1,254)
Loss/(profit) for the period from continuing operations	**1,904**	**(258)**	**2,123**	**(737)**	**(62,439)**	**86**	**(59,319)**

(a) "**GFMP**" is extracted, without adjustment, from the GFMP Annual Financial Statements for the financial year ended 30 June 2020.

(b) "**Consolidation**" is the reversal of entries that consolidated the results of GFMP into the GPI Group for the year ended 30 June 2020, which has been extracted, without adjustment, from the group consolidation journals used to prepare the Audited Annual Financial Statements of the GPI Group for the year ended 30 June 2020.

(c) **"Rental"** is rental proceeds from lease agreements between GFMP and GPI Group that no longer eliminate after the Disposal, which has been extracted, without adjustment, from the Audited group consolidation journals used to prepare the Annual Financial Statements of the GPI Group for the year ended 30 June 2020. Refer to note 13 below for further information.

(d) "**Transaction costs**" represents the costs directly attributable to the GFMP Disposal. Refer to note 14 below for further information.

(e) **"Loss on disposal"** is the difference between the GFMP Consideration and the carrying value of the GFMP. Refer to note 15 below for further information.

(f) "**Interest**" represents the imputed interest on the Disposal Proceeds for the period of 1 July 2019 to 30 June 2020. Refer to note 16 below for further information.

(g) **"Adjustments for the GFMP Disposal"** is the *pro forma* effect of the GFMP Disposal as included in column 4 of the *pro forma* Consolidated Statement of Comprehensive Income for the year ending 30 June 2020.

13) R2.1 million is rental proceeds from the lease agreements between GFMP and the GPI Group which is no longer eliminated on consolidation as GFMP is now accounted for as a third party.

14) Transaction costs of R0.7 million are attributable to the sale and are being expensed. The transaction costs are not deductible for income tax purposes as they are capital in nature.

15) A R 62.4 million loss on the GFMP Disposal is recognised, calculated as the difference between the GFMP Consideration of R13.3 million and the carrying value of the GFMP of R75.7 million as at 1 July 2019. A capital gains loss is incurred on the disposal and therefore no taxation will be paid.

16) Finance income of R0.1 million is earned as a result of the unwinding of the deferred proceeds at a rate of 9.53%, being the discount rate used to determine the present value of the deferred proceeds.

PRO FORMA CONSOLIDATED GROUP STATEMENT OF FINANCIAL POSITION	Unadjusted and audited results for the year ended 30 June 2020 R000's	1	Increase in BKSA investment R000's	2	Adjustments for the BKSA Disposal R000's	3	Adjustments for the GFMP Disposal R000's	4	*PRO FORMA* results for the year ended 30 June 2020 R000's	5
ASSETS										
Non-current assets	**2,278,699**		**–**		**(850,966)**		**(85,236)**		**1,342,497**	
Investment in joint ventures	612,911		–		–		–		612,911	
Investment in associates	375,608		–		–		–		375,608	
Investments held at fair value through OCI	143,527		–		–		–		143,527	
Goodwill	55,104		–		(1,194)	**7**	(53,910)	**10**	–	
Right-of-use asset	318,192		–		(259,627)	**7**	(17,938)	**10**	40,627	
Investment property	7,599		–		–		–		7,599	
Property, plant and equipment	566,263		–		(428,858)	**7**	(5,461)	**10**	131,945	
Intangible assets	21,952		–		(21,880)	**7**	–		72	
Deferred proceeds	–		–		21,549	**7,8**	1,054	**10,11**	22,603	
Deferred tax assets	177,543		–		(160,957)	**7**	(8,982)	**10**	7,605	
Assets classified as held for sale	**43,959**		**–**		**–**		**–**		**43,959**	
Current assets	**329,010**		**–**		**299,509**		**(1,176)**		**627,342**	
Inventories	64,313		–		(14,015)	**7**	(5,044)	**10**	45,254	
Deferred proceeds			–		23,717	**7,8**	1,160	**10,11**	24,877	
Trade and other receivables	122,576		–		(91,519)	**7**	(16,311)	**10**	14,745	
Investments held at fair value through OCI	–		–		–		–		–	
Related party loans	22,975		–		–		–		22,975	
Cash and cash equivalents	117,229		–		381,326	**7**	19,019	**10**	517,574	
Income tax receivable	1,917		–		–		–		1,917	
Total assets	**2,651,668**		**–**		**(551,458)**		**(86,412)**		**2,013,798**	

PRO FORMA CONSOLIDATED GROUP STATEMENT OF FINANCIAL POSITION	Unadjusted and audited results for the year ended 30 June 2020 R000's	1	Increase in BKSA investment R000's	2	Adjustments for the BKSA Disposal R000's	3	Adjustments for the GFMP Disposal R000's	4	*PRO FORMA* results for the year ended 30 June 2020 R000's	5
EQUITY AND LIABILITIES										
Total shareholders' equity	**1,719,347**		**(17,342)**		**7,854**		**(51,025)**		**1,658,834**	
State capital	798,586		–		–		–		798,586	
Treasury shares	(153,962)		–		–		–		(153,962)	
Accumulated profit	1,205,929		(17,342)	**6**	7,854	**7**	(51,025)	**10**	1,145,416	
Investments held at fair value reserve	(132,120)		–		–		–		(132,120)	
Share-based payment reserve	914		–		–		–		914	
Non-controlling interest	(32,980)		17,342	**6**	15,638	**7**	–		–	
Total equity	**1,686,367**				**23,492**		**(51,025)**		**1,658,835**	
Non-current liabilities	**575,165**		**–**		**(328,746)**		**(11)**		**246,409**	
Preference shares	183,696		–		–		–		183,696	
Interest-bearing borrowings	16,703		–		–		–		16,703	
Lease liabilities	364,682		–		(320,543)	**7**	–		44,139	
Provisions	8,377		–		(8,203)	**7**	(11)	**10**	163	
Deferred tax liabilities	1,707		–		–		–		1,707	
Current liabilities	**390,136**		**–**		**(246,205)**		**(35,376)**		**108,555**	
Trade and other payables	178,824		–		(133,993)	**7**	(20,949)	**10**	23,882	
Provisions	7,719		–		(5,772)	**7**	(298)	**10**	1,649	
Bank overdraft	96,286		–		(80,455)	**7**	(4,141)	**10**	11,690	
Dividends payable	10,129		–		–		–		10,129	
Preference shares	19,399		–		–		–		19,399	
Interest-bearing borrowings	36,788		–		–		–		36,788	
Lease liabilities	40,103		–		(34,989)	**7**	–		5,114	
Related party loans	–		–		9,989	**7**	(9,989)	**10**	–	
Income tax payable	888		–		(985)	**7**	–		(97)	
Total equity and liabilities	**2,651,668**		**–**		**(551,458)**		**(86,412)**		**2,013,798**	
Net asset value share (cents)	3.93		0.00		0.06		(0.12)		3.88	
Tangible net asset value per share (cents)	3.75		0.00		0.11		0.01		3.88	

ASSUMPTION:

a) ECP will continue to lease the Meat Plant Property from the Group for a period of five years at an annual rental of R 2.1 million, escalating at 7% per annum, equal to the current lease agreement between GFMP and GPI Properties (Proprietary) Ltd, a 100%-held subsidiary in the GPI Group.

b) The following reconciles the consideration quoted in section 2.6 of the Circular to the accounting consideration for the purposes of the *pro forma* financial information:

	BKSA Group	GFMP	Total
Equity value	570,000,000	23,000,000	593,000,000
deduct average net debt	(61,960,468)	(2,338,708)	(64,299,176)
add back CAPEX	15,000,000	–	15,000,000
deduct debt and debt like items	(11,726,922)	3,291,719	(8,435,203)
	511,312,610	23,953,011	535,265,621
GPI Group shareholding	95.78%	100.00%	
Transaction proceeds	489,735,218	23,953,011	513,688,229
Imputed Interest	(3,708,201)	(181,369)	(3,889,570)
Accounting consideration	486,027,017	23,771,642	509,798,660

*Debt is as at 30 June 2020.

NOTES TO THE *PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

1) The "Unadjusted and audited results for the year ended 30 June 2020" column has been extracted, without adjustment from the Audited Annual Financial Statements of the GPI Group for the year ended 30 June 2020.
2) The "Increase in BKSA Investment" column has been calculated based on information extracted from the Audited Annual Financial Statements of the GPI Group for the year ended 30 June 2020. Refer to note 6 below for further information on the calculation.
3) The "Adjustments for the BKSA Disposal", including the source of the information, is detailed in note 7.
4) The "Adjustments for the GFMP Disposal", including the source of the information, is detailed in note 10.
5) The "*Pro forma* results for the year ended 30 June 2020" represents the *pro forma* Consolidated Statement of Financial Position as at 30 June 2020 subsequent to the Disposal.
6) The BKSA Intra-Group Loan Capitalisation results in an increase of GPI's share in the BKSA Group from 91.07% to 95.78%. The R17.3 million adjustment between accumulated profits and NCI represents the 4.71% reduction in NCI as at 30 June 2020.

	Before BKSA Intra-Group Loan Capitalisation (A)		After BKSA Intra-Group Loan Capitalisation (B)	Movement (C = B-A)	Reduction in NCI (D = C/A)
GPI % holdings in BKSA Group	91.07%		95.78%	4.71%	
NCI in BKSA Group	8.93%		4.22%	(4.71%)	(52.74%)
NCI balance at 30 June 2020 per Audited Annual Financial Statements of the GPI Group for the year ended 30 June 2020	(32 980)	**(E)**			
Reduction in NCI (E x D)	17 342				

7) The "Adjustments for the BKSA Disposal" column, as referred to in note 3 above, is calculated as follows:

	BKSA HFI R000's (a)	Consolidation R000's (b)	BKSA Group Carrying Value R000's (c)	BKSA Consideration R000's (d)	Transaction costs R000's (e)	Note	Adjustments for the BKSA Disposal R000's (f) =(c)+(d)+(e)
ASSETS							
Non-current assets	**(938,426)**	**65,911**	**(872,515)**	**21,549**	**–**		**(850,966)**
Goodwill	(1,194)	–	(1,194)	–	–		(1,194)
Right-of-use asset	(276,863)	17,236	(259,627)	–	–		(259,627)
Property, plant and equipment	(460,945)	32,087	(428,858)	–	–		(428,858)
Intangible assets	(27,909)	6,029	(21,880)	–	–		(21,880)
Deposits	(19,599)	19,599	–	–	–		–
Deferred proceeds	–	–	–	21,549	–		21,549
Deferred tax assets	(151,916)	(9,040)	(160,956)	–	–		(160,957)
Current assets	**(190,205)**	**43,499**	**(146,706)**	**464,479**	**(18,263)**		**299,510**
Inventories	(17,676)	3,661	(14,015)	–	–		(14,015)
Deferred proceeds	–	–	–	23,717	–		23,717
Related party loans	(9,990)	9,990	–	–	–		–
Trade and other receivables	(119,354)	27,835	(91,519)	–	–		(91,519)
Prepayments	(2,013)	2,013	–	–	–		–
Cash and cash equivalents	(41,172)	–	(41,172)	440,762	(18,263)	**9**	381,326
Total assets	**(1,128,631)**	**109,410**	**(1,019,221)**	**486,028**	**(18,263)**		**(551,457)**
EQUITY AND LIABILITIES							
Total shareholders' equity	**(206,963)**	**666,872**	**459,909**	**(486,028)**	**18,263**		**(7,855)**
Share capital	180,000	(180,000)	–	–	–		0
Accumulated profit	(386,963)	846,872	459,909	(486,028)	18,263	**9**	(7,855)
Non-controlling interest	4,993	(20,631)	(15,638)	–	–		(15,638)
Total equity	**(201,970)**	**646,241**	**444,271**	**(486,028)**	**18,263**		**(23,494)**
Non-current liabilities	**349,152**	**(20,406)**	**328,746**	**–**	**–**		**328,746**
Lease liabilities	342,083	(21,540)	320,543	–	–		320,543
Provisions	7,069	1,134	8,203	–	–		8,203

	BKSA HFI R000's (a)	Consolidation R000's (b)	BKSA Group Carrying Value R000's (c)	BKSA Consideration R000's (d)	Transaction costs R000's (e)	Adjustments for the BKSA Disposal R000's (f) =(c)+(d)+(e)
Current liabilities	**981,449**	**(735,245)**	**246,204**	**–**	**–**	**246,205**
Trade and other payables	213,195	(79,203)	133,992	–	–	133,993
Current provisions	5,772	–	5,772	–	–	5,772
Bank overdraft	80,455	–	80,455	–	–	80,455
Current Lease liabilities	36,002	(1,013)	34,989	–	–	34,989
Related party loans	645,040	(655,029)	(9,989)	–	–	(9,989)
Income tax payable	985	–	985	–	–	985
Total equity and liabilities	**1,128,631**	**(109,410)**	**1,019,221**	**(486,028)**	**18,263**	**551,457**

(a) "**BKSA HFI**" is extracted, without adjustment, from the Historical Financial Information of the BKSA Group for the financial year ended 30 June 2020, as set out in **Annexure 1** Part A to the Circular, on which the Independent Reporting Accountant has issued an assurance report as included in **Annexure 2** Part A to the Circular.

(b) "**Consolidation**" is the reversal of entries that consolidated the results of BKSA Group into the GPI Group for the year ended 30 June 2020, which has been extracted, without adjustment, from the group consolidation journals used to prepare the Audited Annual Financial Statements of the GPI Group for the year ended 30 June 2020.

(c) **"BKSA Group Carrying Value"** is the total of columns (a) and (b)

(d) **"BKSA Consideration"** is the consideration received and receivable for the BKSA Disposal. Refer to note 8 below for further information.

(e) "**Transaction costs**" represents the costs directly attributable to the BKSA Disposal. Refer to note 9 below for further information.

(f) **"Adjustments for the BKSA Disposal"** is the *pro forma* effect of the BKSA Disposal as included in column 3 of the *pro forma* Consolidated Statement of Financial Position as at 30 June 2020.

8) The consideration receivable for the BKSA Disposal is R486.0 million of which R440.7 million is assumed to be received on 30 June 2020. The remaining R45.3 million is recorded as deferred proceeds which has been split between the non-current and current asset portions, being R21.6 million and R23.7 million, respectively.

9) Transaction costs of R18.3 million are attributable to the sale and are being expensed. The transaction costs are not deductible for income tax purposes as they are capital in nature.

10) The "Adjustments for the GFMP Disposal", as referred to in note 4 above, is calculated as follows:

	GFMP R000's (a)	Consolidation R000's (b)	GFMP Carrying Value R000's (c)	GFMP Consideration R000's (d)	Transaction costs R000's (e)	Adjustments for the GFMP Disposal R000's (f) =(c)+(d)+(e)
ASSETS						
Non-current assets	**(41,741)**	**(44,549)**	**(86,290)**	**1,054**	**–**	**(85,236)**
Goodwill	–	(53,910)	(53,910)	–	–	(53,910)
Right-of-use asset	(25,991)	8,053	(17,938)	–	–	(17,938)
Property, plant and equipment	(5,461)	–	(5,461)	–	–	(5,461)
Deferred proceeds	–	–	–	1,054	–	1,054
Deferred tax assets	(10,289)	1,307	(8,982)	–	–	(8,982)

	GFMP R000's (a)	Consolidation R000's (b)	GFMP Carrying Value R000's (c)	GFMP Consideration R000's (d)	Transaction costs R000's (e)		Adjustments for the GFMP Disposal R000's (f) =(c)+(d)+(e)
Current assets	**(22,880)**	**(277)**	**(23,157)**	**22,718**	**(737)**		**(1,176)**
Inventories	(4,894)	(149)	(5,043)	–	–		(5,043)
Deferred proceeds	–	–	–	1,160	–		1,160
Trade and other receivables	(16,184)	(127)	(16,311)	–	–		(16,311)
Cash and cash equivalents	(1,802)	–	(1,802)	21,558	(737)	**12**	19,019
Total assets	**(64,621)**	**(44,826)**	**(109,447)**	**23,772**	**(737)**		**(86,411)**
EQUITY AND LIABILITIES							
Total shareholders' equity	**17,434**	**56,626**	**74,060**	**(23,772)**	**737**		**51,025**
Share capital	40,273	(40,273)	–	–	–		–
Accumulated profit	(22,839)	96,899	74,060	(23,772)	737	**12**	51,025
Non-current liabilities	**10,249**	**(10,238)**	**11**	**–**	**–**		**11**
Provisions	–	11	11	–	–		11
Lease liabilities	10,249	(10,249)	–	–	–		–
Current liabilities	**36,938**	**(1,562)**	**35,376**	**–**	**–**		**35,376**
Trade and other payables	17,857	3,092	20,949	–	–		20,949
Deferred income	3,230	(3,230)	–	–	–		–
Current provisions	478	(181)	298	–	–		298
Bank overdraft	4,141	–	4,141	–	–		4,141
Lease liabilities	1,243	(1,243)	–	–	–		–
Related party loans	9,989	–	9,989	–	–		9,989
Current liabilities	**64,621**	**44,826**	**109,447**	**(23,772)**	**737**		**86,411**

(a) "**GFMP**" is extracted, without adjustment, from GFMP Annual Financial Statements for the financial year ended 30 June 2020.

(b) "**Consolidation**" is the reversal of entries that consolidated the results of GFMP into the GPI Group for the year ended 30 June 2020, which has been extracted, without adjustment from the group consolidation journals used to prepare the Audited Annual Financial Statements of the GPI Group for the year ended 30 June 2020.

(c) **"GFMP Carrying Value"** is the total of columns (a) and (b)

(d) **"GFMP Consideration"** is the consideration received and receivable for the BKSA Disposal. Refer to note 11 below for further information.

(e) "**Transaction costs**" represents the costs directly attributable to the GFMP Disposal. Refer to note 12 below for further information.

(f) **"Adjustments for the GFMP Disposal"** is the *pro forma* effect of the GFMP Disposal as included in column 3 of the *pro forma* Consolidated Statement of Financial Position as at 30 June 2020.

11) The total consideration receivable for the GFMP Disposal is R23.8 million of which R21.6 million is assumed to be received on 30 June 2020. The remaining R2.2 million is recorded as deferred proceeds which has been split between the non-current and current assets portions, being R1.1 million and R1.1 million, respectively.

12) Transaction costs of R0.7 million are attributable to the sale and are being expensed. The transaction costs are not deductible for income tax purposes as they are capital in nature.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF THE GPI GROUP

Independent Reporting Accountant's Assurance Report on the Compilation of *Pro Forma* Financial Information Included in a Circular

The Directors of Grand Parade Investments Limited

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Grand Parade Investments Limited ("**Grand Parade Investments**") and its subsidiaries (collectively, the "**Group**"), by the directors.

The *pro forma* financial information, as set out in **Annexure 3** on page 141 of the circular, consists of the *pro forma* consolidated statement of financial position as at 30 June 2020, the *pro forma* consolidated statement of comprehensive income for the year ending 30 June 2020 and related notes (collectively the "***Pro forma* Financial Information**"). The applicable criteria on the basis of which the directors have compiled the *Pro forma* Financial Information are specified in the JSE Limited ("**JSE**") Listings Requirements and described in **Annexure 3** on page 141 of the circular.

The *Pro forma* Financial Information has been compiled by the directors to illustrate the impact of the corporate action or event, described in section 2 on pages 14 – 21 of the circular, on the Group's financial position as at 30 June 2020, and the Group's financial performance for the period then ended, as if the corporate action or event had taken place at 30 June 2020 and for the period then ended. As part of this process, information about the Group's financial position and financial performance has been extracted by the directors from the Group's financial statements for the period ended 30 June 2020, on which an unmodified auditor's report was issued on 22 September 2020.

Directors' Responsibility for the Pro forma Financial Information

The directors are responsible for compiling the *Pro forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 3** on page 141 of the circular.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firm applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the *Pro forma* Financial Information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements and described in **Annexure 3** on page 141 of the circular based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus*, which is applicable to an engagement of this nature, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the *Pro forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro forma* Financial Information.

The purpose of *Pro forma* Financial Information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the Group as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the corporate action or event at 30 June 2020 would have been as presented.

A reasonable assurance engagement to report on whether the *Pro forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the *Pro forma* Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *Pro forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the corporate action or event in respect of which the *Pro forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro forma* Financial Information.

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

Opinion

In our opinion, the *Pro forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 3** on page 141 of the circular.

Ernst & Young Inc.
Director: Pierre Gustav du Plessis CA(SA)
Registered Auditor
Cape Town

5 March 2021

MATERIAL BORROWINGS OF BKSA GROUP AND GFMP

Lender	Borrower	Type of loan	Reason for loan (acquisition of assets or other)	Loan amount	Interest rate	Terms of repayment (i.e. interest only repayments/capital and interest repayments/no repayments) Date upon which loan must be settled	Security furnished	Balance owing on the Last Practicable Date
Grand Foods Investments 1	BKSA	Intra-group loan*	Working capital/new store opening	R635 049 600	Interest-free	No fixed terms of repayment	none	R635 049 600 *
Grand Foods	Grand Foods Meat Plant	Intra-group loan**	Working capital	R9 989 331	Interest-free	No fixed terms of repayment	none	R9 989 331 **
Nedbank Limited	BKSA	Over Draft Facility	Working capital	R100 000 000	Prime less 0.75%	Repayable on demand	• Shareholder funds not less than R400m. • EBITDA not less than R20m at all times • Subordination agreement of GPI loan in Burger King.	R70 000 000
Standard Bank Limited	GFMP	Over Draft Facility	Working capital	R5 000 000	Prime plus 1.00%	Repayable on demand	Suretyship by Burger King South Africa (RF) (Proprietary) Ltd for the R5 000 000	R5 000 000

***** This is the intra-group loan that will be settled pursuant to the BKSA Intra-Group Loan Capitalisation.

****** This is the intra-group loan that will be settled pursuant to the GFMP Intra-Group Loan Capitalisation.

****** Save in respect of the BKSA Intra-Group Loan Capitalisation and the GFMP Intra-Group Loan Capitalisation, none of the loans listed above are convertible into ordinary shares of any company forming part of the Group.

IRREVOCABLE UNDERTAKINGS

GPI Shareholders, as set out below, collectively holding 40.67% (forty point six seven percent) of the aggregate issued GPI Shares, have provided irrevocable undertakings to vote in favour of the resolutions proposed at the General Meeting in respect of such number of GPI Shares as set out below.

Shareholder	Number of GPI Shares	Shares as a % of the aggregate issued Shares (excluding treasury shares)
Value Capital Partners	98,134,218	22.06
Hassen Adams	44,907,363	10.10
The Kistan Family Trust	6,845,164	1.54
Papomile Mphathi Nyewe	2,058,549	0.46
Anthony William Bedford	3,400,000	0.76
Prosperity Through Partnership	2,392,442	0.54
Elaine Cecelia Bedford	300,000	0.07
Anthea Melissa Mikkelsen	60,000	0.01
Henry Cyril Dickson	40,000	0.01
Solomon Louis Paulsen	30,000	0.01
Fumanekile Samuel Gqiba	128,500	0.03
Sidney D Poovan	11,200	0.00
Richard Julian Hoption	228,500	0.05
GPI Women’s B-BBEE Empowerment Trust	14,814,815	3.33
Western Cape Women’s Investment Forum	7,517,435	1.69
Total	**180,868,186**	**40.67%**

GRAND PARADE

INVESTMENTS LIMITED

GRAND PARADE INVESTMENTS LIMITED

Incorporated in the Republic of South Africa
(Registration number: 1997/003548/06)
Share code: GPL ISIN: ZAE000119814
("**GPI**" or "**the Company**")

NOTICE OF GENERAL MEETING

As a result of the impact of the COVID pandemic and restrictions placed on public gatherings, the General Meeting will be held in electronic format only.

NOTICE IS HEREBY GIVEN that a General Meeting of Shareholders will be held and conducted entirely by electronic communication at 18:00 on Thursday, 15 April 2021.

Purpose

The purpose of the General Meeting is to consider and, if deemed fit, to approve, with or without modification, the resolutions set out in this Notice of General Meeting.

Note:

- *The definitions and interpretations commencing on page 7 of the Circular to which this Notice of General Meeting is attached, apply, mutatis mutandis, to this notice and to the resolutions set out below.*
- *For an ordinary resolution to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.*
- *The date on which Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this notice is Friday, 5 March 2021.*

ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE DISPOSAL

"**RESOLVED AS AN ORDINARY RESOLUTION** that the Disposal be and is hereby approved by Shareholders and that the Company be and is hereby authorised to implement and to procure the implementation of the Disposal on the terms and conditions more fully set out in the Disposal Agreement, the detail of which has been summarised in the Circular and copies of which have been made available for inspection by Shareholders."

Reason for and effect of Ordinary Resolution Number 1

In terms of the JSE Listings Requirements, the Disposal is a category 1 transaction and requires the approval of the Shareholders by way of an ordinary resolution.

The effect of Ordinary Resolution Number 1, if passed by Shareholders, will be that the Company will have the necessary authority in terms of the JSE Listings Requirements to implement, and procure the implementation of, the Disposal in accordance with its terms.

ORDINARY RESOLUTION NUMBER 2 – AUTHORITY OF DIRECTORS AND/OR THE COMPANY SECRETARY

"**RESOLVED AS AN ORDINARY RESOLUTION** that any Director of the Company and/or the Company Secretary be and is hereby authorised to do all such things and sign all such documentation as are necessary to give effect to Ordinary Resolution Number 1, hereby ratifying and confirming all such things already done and documentation already signed."

Reason for and effect of Ordinary Resolution Number 2

The reason for Ordinary Resolution Number 2 is for Shareholders to authorise the parties referred to in Ordinary Resolution Number 2 to do all things and sign all documentation as is required to give effect to and implement the approvals granted by the Shareholders at the General Meeting.

The effect of Ordinary Resolution Number 2 if passed by the requisite majority of Shareholders will be that the aforementioned parties will be granted the aforementioned authority to act on behalf of the Company and, to the extent that they may have already acted on behalf of the Company in any manner as contemplated by Ordinary Resolution Number 2, any such actions will be ratified.

VOTING AND PROXIES

The date on which Shareholders must be recorded in the Register for purposes of being entitled to receive this Notice of General Meeting is Friday, 5 March 2021.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting, is Friday, 9 April 2021. The last day to trade in order to be entitled to attend and vote at the General Meeting, is Tuesday, 6 April 2021.

Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification. Accordingly, meeting participants may be required to provide proof of identification to the reasonable satisfaction of the chairman of the General Meeting and must accordingly bring a copy of their identity document, passport or drivers' licence to the 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.

A Shareholder entitled to attend, speak and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a Shareholder of the Company. For the convenience of Certificated Shareholders and Dematerialised Shareholders with Own-Name Registration, a Form of Proxy (*grey*) is attached hereto. Completion of a Form of Proxy will not preclude such Shareholder from attending and voting (in preference to that Shareholder's proxy) at the General Meeting.

Duly completed Forms of Proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries at the address given below preferably, for administrative purposes, by no later than 18:00 on Tuesday, 13 April 2021, provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be handed to the chairman of the General Meeting prior to the commencement of the General Meeting, at any time before the appointed proxy exercises any Shareholder rights at the General Meeting.

Dematerialised Shareholders without Own-Name Registration who wish to attend the General Meeting in person should request their CSDP or Broker to provide them with the necessary letter of representation in terms of their Custody Agreement with their CSDP or Broker. Dematerialised Shareholders without Own-Name Registration who do not wish to attend but wish to be represented at the General Meeting must advise their CSDP or Broker of their voting instructions. Dematerialised Shareholders without Own-Name Registration should contact their CSDP or Broker with regard to the cut-off time for their voting instructions.

ELECTRONIC PARTICIPATION

In order to attend the General Meeting and participate electronically thereat Shareholders must pre-register with the Transfer Secretaries by either:

- registering online using the online registration portal at https://www.smartagm.co.za, prior to the commencement of the General Meeting; or
- making a written application (on the Electronic Participation Form) to so participate, by delivering the Electronic Participation Form to the Transfer Secretaries at First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the Shareholder), or sending it by email to proxy@computershare.co.za, so as to be received by the Transfer Secretaries by no later than 18:00 on Tuesday, 13 April 2021, in order for the Transfer Secretaries to arrange such participation for the Shareholder and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the General Meeting by means of electronic participation. Shareholders may still register/apply to participate in and/or vote electronically at the General Meeting after this date, provided, however, that those Shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the General Meeting.

Shareholders will thereafter be required to connect to the General Meeting through https://www.web.lumiagm.com or by downloading the Lumi AGM app from the Apple App Store or Google Playstore and following the relevant prompts. The General Meeting ID is 180-836-533. Shareholders are referred to the "Electronic Participation Meeting Guide" attached to this Notice of General Meeting for further instructions relating to the electronic participation.

The Transfer Secretaries will by no later than 18:00, Wednesday, 14 April 2021 notify eligible Shareholders of the username and password through which eligible Shareholders can participate electronically in and/or vote at the General Meeting.

In person registration of General Meeting participants will not be permitted.

Shareholders will be liable for their own network charges in relation to electronic participation in and/or voting at the General Meeting. Any such charges will not be for the account of GPI and/or the Transfer Secretaries. None of GPI and/or the Transfer Secretaries can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any such Shareholder from participating in and/or voting at the General Meeting.

Electronic voting at the General Meeting

Shareholders connecting to the General Meeting electronically will be able to participate in the General Meeting. Voting will be conducted by poll and Shareholders will be able to cast their vote electronically at the General Meeting.

Shareholders are also encouraged to submit any questions to GPI's Company Secretary prior to the General Meeting, by no later than 17:00, Tuesday, 13 April 2021, at Amber@statucor.co.za. These questions will be addressed at the General Meeting.

All eligible Shareholders will be entitled to participate electronically in the General Meeting and to vote (or abstain from voting) on the resolutions proposed at the General Meeting.

SIGNED AT CAPE TOWN ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY ON 12 MARCH 2021

By order of the board

Mohsin Tajbhai
Chief Executive Officer

Registered address
33 on Heerengracht
Foreshore
Cape Town, 8001
(PO Box 6563, Roggebaai, 8012)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(Private Bag X9000, Saxonwold 2132)

GRAND PARADE INVESTMENTS LIMITED

VIRTUAL SHAREHOLDERS GUIDE

Meeting ID: **180-836-533**
To login you must have your Username and password which you can request from **proxy@computershare.co.za**

Attending the GM electronically

This year we will be conducting a virtual GM, giving you the opportunity to attend the GM and participate online, using your smartphone, tablet or computer.

If you choose to participate online you will be able to view a live webcast of the meeting, ask the board questions and submit your votes in real time and you will need to:

Visit
https://web.lumiagm.com
on your smartphone, tablet or computer.
You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge and Firefox. Please ensure your browser is compatible.

You will be able to log into the site from
Thursday 15 April 2021 at 17h00

ACCESS

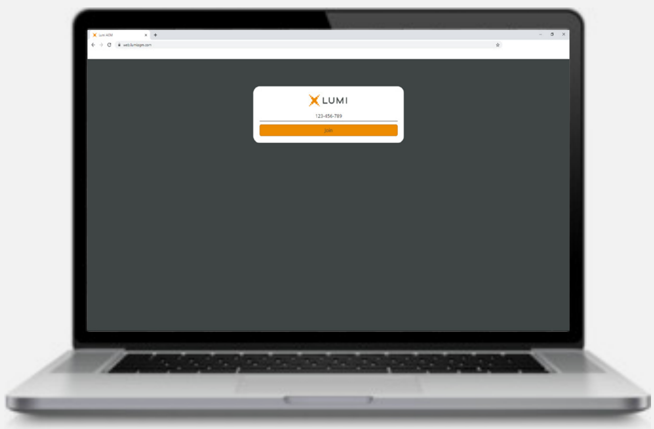
Once you have entered **web.lumiagm.com** into your web browser, you'll be prompted to enter the Meeting ID

You will then be required to enter your:
a) Username; and
b) Password

To register as a shareholder, select '**I have a login**' and enter your username and password.

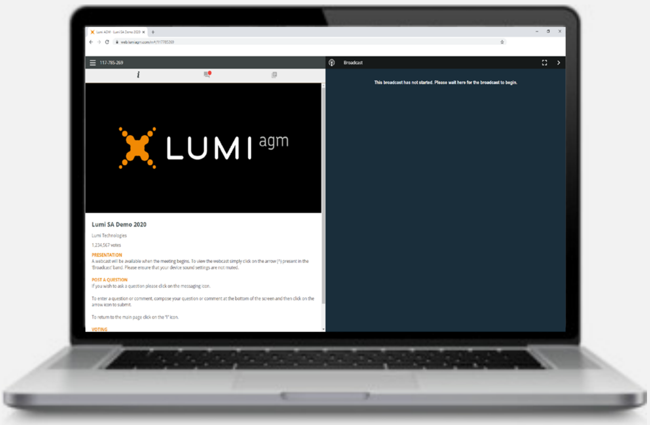
If you are a visitor, select '**I am a guest**'

As a guest, you will be prompted to complete all the relevant fields including; title, first name, last name and email address.



Please note, visitors will not be able to ask questions or vote at the meeting.

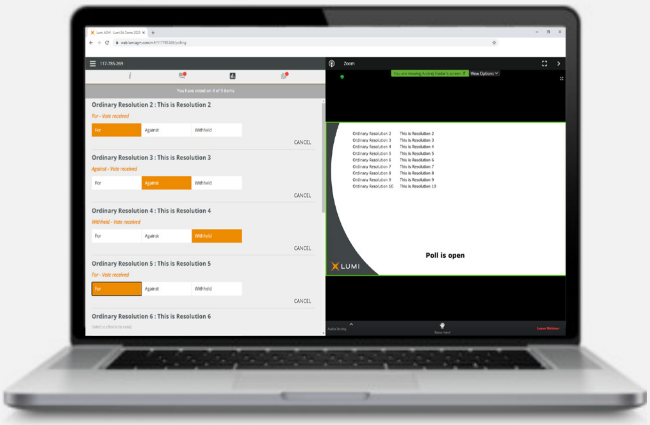
NAVIGATION



- When successfully authenticated, the info screen will be displayed. You can view company information, ask questions and watch the webcast.
- If you would like to watch the webcast press the broadcast icon at the bottom of the screen.
- If viewing on a computer, the webcast will appear at the side automatically once the meeting has started.

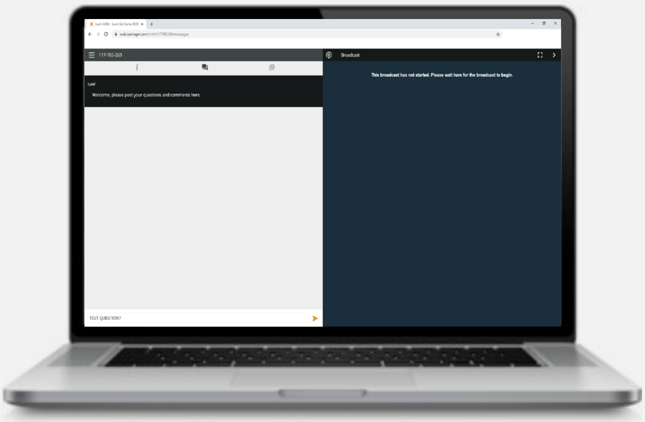
VOTING

- The chairman will open voting on all resolutions at the start of the meeting. Once the voting has opened, the polling icon will appear on the navigation bar at the bottom of the screen. From here, the resolutions and voting choices will be displayed.
- To vote, simply select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received.



- To change your vote, simply select another direction. If you wish to cancel your vote, please press Cancel
- Once the chairman has opened voting, voting can be performed at anytime during the meeting until the chairman closes the voting on the resolutions. At that point your last choice will be submitted.
- You will still be able to send messages and view the webcast whilst the poll is open.

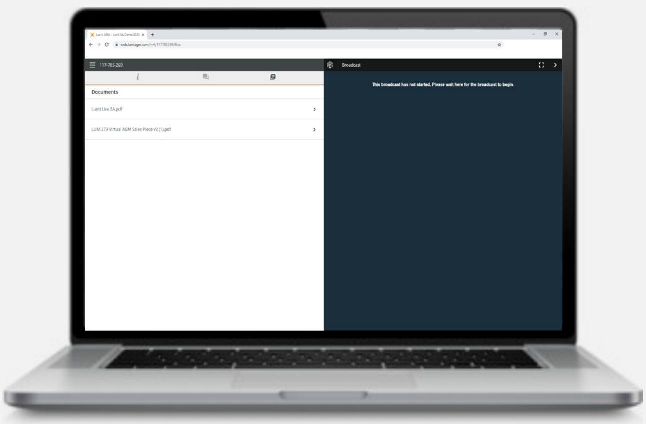
QUESTIONS



- Any shareholder or appointed proxy attending the meeting is eligible to ask questions.
- If you would like to ask a text based question, select the messaging Icon
- Type your message within the chat box at the bottom of the messaging screen and then press send.
- For Verbal questions, click on the raise hand icon in the Zoom Screen.
- Please wait for the Meeting Host to allow you to speak.
- Make sure that you have joined using Computer Audio and have allowed Google Chrome the use of your microphone.

DOCUMENTS

- Documents will be available for you in the documents module, just click on the Documents icon at the top of the screen.



ELECTRONIC PARTICIPATION FORM

Participation in the General Meeting via electronic communication: ***For use by GPI Shareholders who do not register to participate and/or vote at the General Meeting using the online portal.***

Capitalised terms used in this Electronic Participation Form shall bear the meanings ascribed thereto in the Circular to which the Notice of General Meeting is attached.

1. **Shareholders or their duly appointed proxy(ies) that wish to participate in the General Meeting via electronic communication and who do not register using the online portal at https://www.smartagm.co.za ("Participants"), must apply to Computershare, by delivering this duly completed Electronic Participation Form to:**

   1.1 Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag x9000, Saxonwold, 2132 (at the risk of the Participant), or by email to proxy@computershare.co.za so as to be received by Computershare by no later than 18:00 on Tuesday, 13 April 2021, for administrative reasons, in order for the Transfer Secretaries to arrange such participation for the Shareholder and for the Transfer Secretaries to provide the Shareholder with the details as to how to access the General Meeting by means of electronic participation.

   1.2 Shareholders may still register/apply to participate in and/or vote electronically at the General Meeting after the aforementioned date, provided, however, that those Shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the General Meeting.

2. **IMPORTANT NOTICE**

   2.1 The Transfer Secretaries shall, by no later than Wednesday, 14 April 2021, notify Participants that have delivered valid notices in the form of this Electronic Participation Form, by email of the relevant details through which Participants can participate electronically, subject to such Shareholders delivering this Electronic Participation Form by 18:00 on Tuesday, 13 April 2021.

   2.2 The cut-off time to participate in the General Meeting via electronic communication will be 17:45 on Thursday, 15 April 2021 provided that those Shareholders wishing to participate are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the General Meeting. No late registrations will be accommodated.

Electronic Participation Form		
Full name of Participant:		
ID number:		
Email address:		
Cell number:		
Telephone number:	(code):	(number):
Name of CSDP or broker (if GPI Shares are held in dematerialised format):		
Contact number of CSDP/broker:		
Contact person of CSDP/broker:		
Number of share certificate (if applicable):		
Signature:		
Date:		

Terms and conditions for participation in the General Meeting via electronic communication

1. The cost of electronic participation in the General Meeting is for the expense of the Participant and will be billed separately by the Participant's own service provider.
2. The Participant acknowledges that the electronic communication services are provided by a third parties and indemnifies GPI and/or the Transfer Secretaries against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against GPI and/or the Transfer Secretaries, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the Participant via the electronic services to the General Meeting.
3. The application to participate in the General Meeting electronically will only be deemed successful if this Electronic Participation Form has been completed fully and signed by the Participant.

Participant's name

Signature Date

GRAND PARADE
INVESTMENTS LIMITED

GRAND PARADE INVESTMENTS LIMITED

Incorporated in the Republic of South Africa
(Registration number: 1997/003548/06)
Share code: GPL ISIN: ZAE000119814
("**GPI**" or "**the Company**")

FORM OF PROXY

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

For use by Shareholders at the General Meeting of the Company (which will be held and conducted entirely by electronic communication) on Thursday, 15 April 2021 at 18:00, or any adjourned or postponed meeting.

*The definitions and interpretations commencing on page 7 of the Circular to which this Form of Proxy is attached ("**the Circular**") apply, mutatis mutandis, to this Form of Proxy.*

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 (Please PRINT names in full) ______________________________

of (address) ______________________________

____

Telephone number ______________ Cellphone number ______________

Email address ______________________________

____

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

1. ______________________________ or failing him/her,
2. ______________________________ or failing him/her,
3. the chairman of the General Meeting

as my/our proxy to attend, speak and vote for me/us at the 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 Approval of the Disposal			
Ordinary Resolution Number 2 Authority of Directors and/or the Company Secretary			

* 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 2021

Signature

Capacity of signatory (where applicable)

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

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 (i) 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 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 General Meeting as he/she deems fit, in respect of all the Shareholder's votes exercisable at the meeting.
4. Completed Forms of Proxy must be received by the Transfer Secretaries, namely, Computershare Investor Services Proprietary Limited, at any of the addresses below preferably, for administrative purposes, by no later than 18:00 on Tuesday, 13 April 2021, provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be handed to the chairman of the General Meeting prior to the commencement of the General Meeting, at any time before the appointed proxy exercises any Shareholder rights at the General Meeting:
   - By email: proxy@computershare.co.za;
   - By hand: 15 Biermann Avenue, Rosebank, Johannesburg, 2196
   - By post: (Private Bag X9000, Saxonwold, 2132) (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 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 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 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 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 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 General Meeting or any adjournment of the General Meeting.

Registered address

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

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(Private Bag X9000, Saxonwold, 2132)

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