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# GRAND PARADE INVESTMENTS LIMITED SUMMARISED AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2019**

## SALIENT FEATURES

**R23** million

INCREASE IN OPERATING PROFIT FROM CONTINUING OPERATIONS VERSUS PRIOR YEAR

**R86.0** million

INCREASE IN HEADLINE EARNINGS

**20.1** cents

INCREASE IN HEADLINE EARNINGS PER SHARE

**32%**

DECREASE IN DEBT/EBITDA FROM CONTINUING OPERATIONS

## OPERATIONAL HIGHLIGHTS

**86**

CORPORATE OWNED BURGER KING RESTAURANTS AS AT 30 JUNE 2019

REDUCED CENTRAL COSTS' HEADLINE LOSS CONTRIBUTION

by **22%**

TO R43.8 MILLION FOR THE PERIOD UNDER REVIEW

BURGER KING ACHIEVED ANNUAL REVENUE IN EXCESS OF

**R1** billion

LEADING TO A POSITIVE CONTRIBUTION TO HEADLINE EARNINGS

**FEBRUARY 2019**

LIQUIDATED THE UNPROFITABLE DUNKIN' BRANDS

STAFF COMPLEMENT INCREASED FROM 2 910

to **3 317**

STAFF MEMBERS ACROSS THE GROUP

# CONTENTS

# GRAND PARADE INVESTMENTS LIMITED
# LETTER TO SHAREHOLDERS

Dear Shareholder,

I am pleased to notify you that the annual financial statements of Grand Parade Investments Limited ("the Company") and the Group, for the financial year ended 30 June 2019, have been finalised and are available, without charge, upon request to the company secretary at info@grandparade.co.za during normal business hours.

You will find a copy of the summarised audited financial statements of the Company and the Group, for the financial year ended 30 June 2019 in this booklet and a copy thereof is also available on the Company's website as indicated in the paragraph above.

I am furthermore, pleased to notify you that the annual general meeting of the shareholders of the Company will be held on 10 December 2019 in the Market Hall at GrandWest Casino, 1 Jakes Gerwel Drive, Goodwood, commencing at 18:30.

The full notice of the Annual General Meeting and the Form of Proxy will be posted to you in due course.

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

Sincerely,

**Hassen Adams**
*Chairman*

20 September 2019

# GRAND PARADE INVESTMENTS LIMITED SUMMARISED AUDITED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

## INTRODUCTION

Economic conditions in South Africa continued to deteriorate over the last financial year. The South African economy contracted by 3.2% in the first quarter of 2019 following a marginal 1.4% increase in the last quarter of 2018. These tough macroeconomic conditions affected consumer spending which in turn had devastating effects on the retail and the food and beverage sector in South Africa.

Despite these challenging economic conditions GPI has managed to grow its leading foods brand, Burger King, significantly during the period to June 2019. The growth in Burger King was driven by higher revenues from new restaurants opened and a significant improvement in same store sales of 10.3%.

GPI has reported a considerable increase of 180% in its headline earnings per share, improving from a loss of 11.18 cents in the prior year, to a profit 8.91 cents for the 2019 financial year. The improvement can be attributed to an improvement in the headline earnings contribution of all operational businesses and the closure of the Dunkin' Brands businesses which had a major impact in mitigating losses associated with these brands.

Operating profit from continuing operations improved by 104% for the year from a profit of R21.6 million in the previous year to a current year profit of R44.2 million.

Although the impairments of the Dunkin' Brands businesses had a negative impact on the basic earnings per share, the subsequent savings made after closure had a positive impact on headline earnings. All impairments have been finalised during the last quarter of the financial year and no further adjustments are anticipated.

## GROUP FINANCIAL REVIEW

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

GPI reported a significant increase in headline earnings of 179%. Headline earnings improved from a loss of R48.0 million in the prior year to a profit of R38.0 million at the end of June 2019.

The main contributors to the improvement in headline earnings are:

- Burger King has reported a significant R38.8 million improvement in headline earnings with a positive (profit) contribution of R11.7 million compared to a loss R27.1 million in the prior period. The profitability of the business has been long awaited by the investment community and is a major milestone in the life of the business. This was driven by strong top line growth due to new restaurant sales and a substantial increase in same store sales of 10.3% compared to prior year. Gross margin gains during the second half of the financial year and an improvement in labour margins, further assisted the improvement in the headline earnings contribution.
- The improvement in headline loss contributions of Grand Foods Meat Plant and Mac Brothers of 54% and 97% respectively.
- Sun Slots contributed R55.2 million for the period compared to R36.7 million in the prior year, a 50% improvement.
- The decision to liquidate the Dunkin' Brands businesses and the savings associated with the closure of the businesses led to an improvement in the loss contribution of Dunkin' and Baskin-Robbins of R26.1 million.
- Corporate costs before net central finance income for the period decreased by 22% to R43.9 million compared to R56.3 million in the prior year. This is largely as a result of reduced tax due to a centralisation process in the holding company and a R9.5 million receivable from Leratadima impaired in the prior period, which was offset by once-off retrenchment costs and two special shareholder meetings held during the financial year.

The table below reflects the contribution each investment made to Group headline earnings:

| | 30 June 2019 R'000 | 30 June 2018 R'000 | Movement R'000 | Movement % |
|---|---|---|---|---|
| **Food** | **10 454** | **(36 288)** | **46 742** | **129%** |
| Burger King | **11 749** | (27 082) | 38 831 | 143% |
| Mac Brothers | **(212)** | (6 324) | 6 112 | 97% |
| Spur | **512** | 608 | (96) | (16%) |
| Grand Foods Meat Plant | **(1 595)** | (3 490) | 1 895 | 54% |
| **Gaming** | **132 136** | **117 076** | **15 060** | **13%** |
| SunWest | **74 855** | 77 739 | (2 884) | (4%) |
| Sun Slots | **55 121** | 36 786 | 18 335 | 50% |
| Worcester Casino | **2 160** | 2 551 | (391) | (15%) |
| **Central costs** | **(61 039)** | **(59 148)** | **(1 891)** | **(3%)** |
| Corporate costs (excluding net finance income) | **(43 878)** | (56 265) | 12 387 | 22% |
| Net corporate finance income | **(16 932)** | (7 786) | (9 146) | (117%) |
| GPI Properties | **(229)** | 4 903 | (5 132) | (105%) |
| **CONTINUING OPERATIONS** | **81 551** | **21 640** | **59 911** | **277%** |
| **DISCONTINUED OPERATIONS** | **(43 564)** | (69 659) | 26 095 | 37% |
| Dunkin' Donuts | **(25 147)** | (36 624) | 11 477 | 31% |
| Baskin-Robbins | **(11 466)** | (24 863) | 13 397 | 54% |
| Bakery | **(6 951)** | (8 172) | 1 221 | 15% |
| **HEADLINE EARNINGS/(LOSS)** | **37 987** | (48 019) | 86 006 | 179% |

## DIVIDENDS

No dividends were declared and paid during the financial year.

## CAPITAL STRUCTURE

The Group reduced its debt by R39.0 million net of interest capitalised during the year due to a repayment of R32.0 million on its preference debt and R7.5 million on its term loan. Furthermore, the group subsidiaries reduced their finance lease liabilities in line with their repayment terms.

| | | 30 June 2019 R'000 | 30 June 2018 R'000 | Movement R'000 | % |
|---|---|---|---|---|---|
| **Holding company facilities** | | **490 551** | **507 118** | **(16 567)** | **(3%)** |
| SunWest | Preference shares | **230 267** | 251 673 | (21 406) | (9%) |
| Spur | Preference shares | **260 284** | 255 445 | 4 839 | 2% |
| **Subsidiary facilities** | | **69 800** | 92 249 | (22 449) | (24%) |
| GPI Properties | Term loans (Mortgage) | **59 776** | 67 229 | (7 453) | (11%) |
| Mac Brothers | Finance leases | **4 267** | 8 704 | (4 437) | (51%) |
| GF Meat Plant | Finance leases | **5 093** | 14 645 | (9 552) | (65%) |
| Burger King | Finance leases | **628** | 1 324 | (696) | (53%) |
| Baskin-Robbins | Finance leases | **–** | 124 | (124) | (100%) |
| Dunkin' Donuts | Finance leases | **–** | 153 | (153) | (100%) |
| GPIMS | Finance leases | **36** | 70 | (34) | (49%) |
| **Total debt** | | **560 351** | 599 367 | (39 016) | (7%) |
| **Debt/EBITDA** | | **3.37** | 4.99 | (1.62) | (32%) |
| **Debt/Equity** | | **30.3%** | 30.5% | 0.2% | 0.66% |

## REVIEW OF INVESTMENT OPERATIONS

### *FOOD*

#### *Burger King*

The total number of Burger King restaurants as at 30 June 2019 was 92 of which 86 are corporate owned. The net restaurant movement for the year totalled 6, which included the opening of 10 new restaurants and the closure of 4 unprofitable restaurants. The average monthly restaurant revenues (ARS) increased by 14.3% from R0.911 million last year to R1.042 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. This translated to an increase in the Restaurant EBITDA margin from 6.6% in the prior year to 8.6% in the current year. Of significant importance is the improvement of Company EBITDA (excluding impairments) from a profit of R22.9 million to a profit of R53.7 million in the current financial year.

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

### *Dunkin' Brands*

In February 2019, Dunkin' Donuts and Baskin-Robbins was placed in provisional liquidation after management explored all other possible options to exit the businesses.

Dunkin' Donuts headline loss contribution reduced to R25.1 million, down from R36.6 million reported for the prior year.

Baskin-Robbins headline loss contribution reduced to R11.5 million, down from R24.9 million reported for the prior year.

### *Spur*

A total dividend of R23.7 million (2018: R23.7 million) was received during the period with a related finance charge of R23.2 million (2018: R23.1 million) resulting in a R0.5 million (2018: R0.6 million) reported net profit contribution for the period.

### *Grand Foods Meat Plant*

Grand Foods Meat Plant is exposed to Burger King indirectly through their agreement with Burger King's main supplier, Digistics. As a result of Burger King's 34.2% increase in revenue, Grand Foods Meat Plant's revenue increased by 23% from R124 million last year to R153 million this year. Cost of sales in the current year increased by 21% from R111.4 million to R134.3 million. Gross margin for the year increased by 2% points from 10% to 12% due to lower beef prices in the second half of the year caused by the shutdown of beef exports. Grand Foods Meat Plant's earnings for the year resulted in a R1.6 million loss after tax, which was 54% higher than the R3.5 million net loss after tax incurred last year.

### *Mac Brothers Catering Equipment*

The difficult trading conditions in the manufacturing sector continued to hamper Mac Brothers sales and margin growth. Sales decreased marginally by 0.2% to R223.6 million (2018: R224.2 million), whilst company EBITDA increased from R0.04 million to R7.0 million, mainly as a result of the continued reduction in overheads, reduced stockholdings and improved product costing. The operating costs for the year amounted to R57.4 million which is 10% lower than the operating costs of R63.7 million incurred in the prior year due to the factors mentioned above.

Mac Brothers recorded a reduction the headline earnings loss contribution of 97% from a loss of R6.3 million in the prior year to a loss of R0.2 million in the current year.

## *OTHER*

### *Central Costs*

The Group's net central costs excluding funding for the year amounted to R43.9 million, which is 22% lower than the central costs of R56.3 million last year. This is as a result of a centralisation process in the holding company leading to a reduced tax charge and a R9.5 million receivable from Leratadima impaired in the prior period, which was offset by once-off termination cost and special general meetings held during the year.

### *Share Capital*

No new shares were issued or bought back during the period.

***Treasury Shares***

At 30 June 2019, a total of 43.8 million GPI shares were held as treasury shares by the Grand Parade Share Incentive Trust, GPI Management Services and the GPI Women's B-BBEE Empowerment Trust. These entities are controlled by the Group, with the Grand Parade Share Incentive Trust holding 4.98 million treasury shares, GPI Management Services holding 24 million shares and the GPI Women's B-BBEE Empowerment Trust holding 14.82 million treasury shares.

***Preference Shares***

During the current year, the Group redeemed 1 063 redeemable preference shares (SunWest) to Standard Bank at an issue price of R25 400 per share, totalling R27.0 million, and 5 000 redeemable preference shares (Spur Class "A") to Standard Bank at an issue price of R1 000 per share, totalling R5.0 million.

***Directors***

Colin Priem was appointed as Financial Director with effect from 1 July 2018. Colin Priem was previously a Non-Executive Director and stepped down from all the Board Sub-committees. Prabashinee Moodley was appointed as Chief Executive Officer of the Group on 1 August 2018 and she resigned as Chief Executive Officer and Director of the Company with effect from 7 December 2018. Mohsin Tajbhai was appointed as an Executive Director of the Company on 28 November 2018, and promoted to the position of Chief Executive Officer of the Group on 1 July 2019.

On 5 December 2018, Nombeko Mlambo and Rasheed Hargey were removed as Non-Executive Directors of the Company and on the same date Ronel van Dijk and Mark Bowman were appointed as Non-Executive Directors of the Company. Norman Maharaj resigned as Director on 30 April 2019 and Keshan Pillay was appointed as a Non-Executive Director on 11 July 2019.

Hassen Adams stepped down as Executive Chairman of the Group on 30 June 2019 and subsequently assumed the role of Non-Executive Chairman of the Group with effect from 1 July 2019. Walter Geach, who was an existing Independent Non-Executive Director of the Group, was appointed as Lead Independent Non-Executive Director on 9 September 2019.

***SUBSEQUENT EVENTS***

***Sun Slots***

In May 2019, through an unsolicited bid, Sun International offered to purchase the remaining 30% of GPI's equity at a total purchase consideration of R504 million. Following approval from the investment committee, management have concluded a share repurchase agreement with Sun Slots for the above mentioned consideration. The deal is a category 1 transaction and is thus subject to an ordinary resolution by shareholders of GPI. Approximately R220 million of the proceeds will be used to pay down preference share debt secured by the asset. It is also management's intention to propose a special dividend and or share buy-back with a portion of the remaining cash.

***Spur***

In June 2019, GPI entered into an agreement with Spur to sell back its B-BBEE portion of equity in Spur, 10.8 million shares for R24 per share and a total purchase consideration of R260 million. The entire purchase consideration will be used to pay down debt which was used to fund the initial transaction.

***Related parties***

The Group, in the ordinary course of business, entered into various transactions with related parties consistent with those as reported at 30 June 2018.

## PROSPECTS

Over the last 21 years GPI has successfully navigated economic downturns and challenging business conditions by staying true to its vision of being the leading empowering investment company listed on the JSE.

In the last year the economic conditions in South Africa continued to deteriorate. The global recession exacerbated by low GDP growth and high unemployment rates continued to weigh down on the South African economy evidenced by a 3.2% decline in GDP recorded in the first quarter of 2019 following a marginal 1.4% increase in the last quarter of 2018. In the second quarter of 2019 GDP has subsequently reversed with growth of 3.5% which is an indicator of a possible recovery.

During these challenging conditions and the uncertain economic outlook, it is critical to take a cautious approach hence GPI's drive to restructure its balance sheet by reducing debt. The conclusion of the Spur and Sun Slots deals will reduce debt significantly and bolster GPI's balance sheet. In addition, the Group continues to look at improving efficiencies in the business by reducing head office costs.

GPI has a distinct value proposition which is a balance between highly cash generative assets and high growth potential assets. Burger King has performed well over the last financial year despite the tough trading conditions. The business has finally achieved both scale and profitability and is well positioned for growth over the medium term. The value in GPI lies in capitalising on the growth potential in Burger King and unlocking value for all stakeholders.

# GRAND PARADE INVESTMENTS LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2019

| | Note | 2019 R'000 | Restated* 2018 R'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 6 | **1 409 418** | 1 101 707 |
| Cost of sales | | **(739 077)** | (569 856) |
| **Gross profit** | | **670 341** | 531 851 |
| Operating costs | | **(626 129)** | (510 210) |
| **Profit from operations** | | **44 212** | 21 641 |
| Profit from equity-accounted investments | | **132 021** | 109 360 |
| Expected credit losses | | **2 400** | (10 647) |
| Impairment of assets | | **(8 933)** | – |
| Depreciation | | **(55 044)** | (54 285) |
| Amortisation | | **(3 790)** | (4 406) |
| **Profit before finance costs and taxation** | | **110 866** | 61 663 |
| Finance income | | **6 535** | 8 105 |
| Finance costs | | **(59 430)** | (48 749) |
| **Profit before taxation** | | **59 971** | 21 019 |
| Taxation | | **14 885** | (3 145) |
| **Profit for the period from continuing operations** | | **72 856** | 17 874 |
| **Discontinued operations** | | | |
| Loss for the period from discontinued operations | 8.1 | **(109 436)** | (67 741) |
| **Loss for the period** | | **(36 580)** | (49 867) |
| **Other comprehensive (loss)/income** | | | |
| **Items that will be reclassified subsequently to profit or loss** | | | |
| Unrealised fair value adjustments on available-for-sale investments | | **–** | (35 303) |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Unrealised fair value adjustments on investments held at fair value through OCI | | **(75 882)** | – |
| **Total comprehensive (loss)/income for the period** | | **(112 462)** | (85 170) |
| Profit/(loss) for the period from continuing operations attributable to: | | | |
| – Ordinary shareholders | | **73 299** | 17 677 |
| – Non-controlling interest | | **(443)** | 197 |
| Profit/(loss) for the period from discontinued operations attributable to: | | | |
| – Ordinary shareholders | | **(109 436)** | (67 741) |
| – Non-controlling interest | | **–** | – |
| | | **(36 580)** | (49 867) |
| Total comprehensive (loss)/income from continuing operations attributable to: | | | |
| – Ordinary shareholders | | **(2 583)** | (17 626) |
| – Non-controlling interest | | **(443)** | 197 |
| Total comprehensive (loss)/income discontinued operations attributable to: | | | |
| – Ordinary shareholders | | **(109 436)** | (67 741) |
| – Non-controlling interest | | **–** | – |
| | | **(112 462)** | (85 170) |
| | | **Cents** | **Cents** |
| Basic loss per share | 4.5 | **(8.48)** | (11.66) |
| Continuing operations | 4.5 | **17.20** | 4.12 |
| Discontinued operations | 4.5 | **(25.68)** | (15.78) |
| Diluted loss per share | 4.5 | **(8.45)** | (11.66) |
| Continuing operations | 4.5 | **17.14** | 4.12 |
| Discontinued operations | 4.5 | **(25.59)** | (15.78) |
| Headline earnings/(loss) per share | 4.5 | **8.91** | (11.18) |
| Continuing operations | 4.5 | **19.13** | 4.59 |
| Discontinued operations | 4.5 | **(10.22)** | (15.77) |
| Diluted headline earnings/(loss) per share | 4.5 | **8.88** | (11.18) |
| Continuing operations | 4.5 | **19.07** | 4.59 |
| Discontinued operations | 4.5 | **(10.19)** | (15.77) |
| Ordinary dividend per share | | **–** | 11.50 |

* *The restatement of the comparative figures relates to the separate disclosure of discontinued operations from the other line items on the face of the Consolidated Statement of Comprehensive income. Refer to note 8 for details regarding discontinued operations.*

# GRAND PARADE INVESTMENTS LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2019

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **2 070 370** | 2 428 528 |
| Investments in jointly controlled entities | **634 198** | 625 882 |
| Investments in associates | **382 092** | 376 762 |
| Investments held at fair value through OCI | **189 523** | 494 273 |
| Goodwill | **93 702** | 92 508 |
| Investment properties | **7 599** | 7 014 |
| Property, plant and equipment | **578 947** | 633 617 |
| Intangible assets | **29 215** | 48 584 |
| Deferred tax assets | **155 094** | 149 888 |
| Assets classified as held for sale | **36 193** | – |
| **Current assets** | **577 462** | 355 223 |
| Inventory | **76 034** | 85 804 |
| Related party loans | **21 467** | 21 467 |
| Trade and other receivables | **109 186** | 101 706 |
| Investments held at fair value through OCI | **228 868** | – |
| Income tax receivable | **7 920** | 9 959 |
| Cash and cash equivalents | **133 987** | 136 287 |
| **Total assets** | **2 684 025** | 2 783 751 |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | | |
| **Total equity** | **1 881 937** | 1 995 855 |
| Ordinary share capital | **798 586** | 798 586 |
| Treasury shares | **(166 286)** | (166 286) |
| Accumulated profit | **1 401 781** | 1 431 892 |
| Investments held at fair value reserve | **(154 229)** | (78 347) |
| Share-based payment reserve | **2 085** | 10 010 |
| Non-controlling-interest | **(30 000)** | (29 557) |
| **Total shareholders equity** | **1 851 937** | 1 966 298 |
| **Non-current liabilities** | **284 644** | 560 430 |
| Preference shares | **225 190** | 501 939 |
| Interest-bearing borrowings | **52 276** | 29 931 |
| Finance lease liabilities | **1 301** | 10 578 |
| Provisions | **634** | 631 |
| Deferred tax liabilities | **5 243** | 17 351 |
| **Current liabilities** | **547 444** | 257 023 |
| Preference shares | **265 361** | 5 179 |
| Interest-bearing borrowings | **7 500** | 37 298 |
| Finance lease liabilities | **8 723** | 14 442 |
| Provisions | **13 659** | 13 193 |
| Trade and other payables | **179 773** | 148 936 |
| Dividends payable | **10 405** | 10 416 |
| Income tax payable | **494** | 1 956 |
| Bank overdraft | **61 529** | 25 603 |
| **Total equity and liabilities** | **2 684 025** | 2 783 751 |

# GRAND PARADE INVESTMENTS LIMITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2019

| | Ordinary share capital R'000 | Treasury shares R'000 | Accumu-lated profits R'000 | Financial asset fair value reserve R'000 | Share-based payment reserve R'000 | Non-controlling interest R'000 | Total equity R'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 30 June 2017** | 806 707 | (166 286) | 1 532 361 | (43 044) | 11 409 | (29 754) | 2 111 393 |
| Total comprehensive income/(loss) for the year | – | – | (50 064) | (35 303) | – | 197 | (85 170) |
| – Profit/(loss) for the year from continuing operations | – | – | 17 677 | – | – | 197 | 17 874 |
| – Profit/(loss) for the year from discontinued operations | – | – | (67 741) | – | – | – | (67 741) |
| – Other comprehensive loss | – | – | – | (35 303) | – | – | (35 303) |
| Dividends declared | – | – | (50 405) | – | – | – | (50 405) |
| Shares cancelled [1] | (8 121) | – | – | – | – | – | (8 121) |
| Share-based payment reserve expense | – | – | – | – | (1 399) | – | (1 399) |
| **Balance at 30 June 2018** | 798 586 | (166 286) | 1 431 892 | (78 347) | 10 010 | (29 557) | 1 966 298 |
| IFRS 9 transition adjustment | **–** | **–** | **(864)** | **–** | **–** | **–** | **(864)** |
| Total comprehensive income/(loss) for the year | **–** | **–** | **(36 137)** | **(75 882)** | **–** | **(443)** | **(112 462)** |
| – (Loss)/profit for the year from continuing operations | **–** | **–** | **73 299** | **–** | **–** | **(443)** | **72 856** |
| – Profit/(loss) for the year from discontinued operations | **–** | **–** | **(109 436)** | **–** | **–** | **–** | **(109 436)** |
| – Other comprehensive loss | **–** | **–** | **–** | **(75 882)** | **–** | **–** | **(75 882)** |
| Share-based payment reserve expense | **–** | **–** | **–** | **–** | **489** | **–** | **489** |
| Share options lapsed | **–** | **–** | **6 890** | **–** | **(8 414)** | **–** | **(1 524)** |
| **Balance at 30 June 2019** | **798 586** | **(166 286)** | **1 401 781** | **(154 229)** | **2 085** | **(30 000)** | **1 851 937** |

**Notes**

[1] *Shares bought back are deducted from share capital at cost.*

# GRAND PARADE INVESTMENTS LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2019

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net cash generated from/(utilised in) operations | **22 167** | (64 231) |
| Income tax paid | **(1 425)** | (3 090) |
| Finance income | **6 635** | 8 387 |
| Net cash inflow/(outflow) from operating activities | **27 377** | (58 934) |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment (excluding land and buildings) | **(98 268)** | (109 029) |
| Acquisition of land and buildings | **–** | (27 523) |
| Acquisition of investment properties | **(585)** | (193) |
| Acquisition of intangibles | **(4 881)** | (10 210) |
| Proceeds from disposal of property, plant and equipment and intangible assets | **4 020** | 71 080 |
| Loan repayment received | **–** | 13 816 |
| Investments made | **(7 164)** | (9 141) |
| Dividends received | **140 585** | 104 962 |
| **Net cash inflow from investing activities** | **33 707** | 33 762 |
| **Cash flows from financing activities** | | |
| Dividends paid | **(11)** | (49 733) |
| Shares bought back for cancellation | **–** | (8 121) |
| Preference share issue | **–** | 251 673 |
| Preference share redemption | **(32 000)** | – |
| Repayment of loans | **(7 365)** | (21 730) |
| Repayment of finance leases | **(14 996)** | – |
| Finance costs | **(44 938)** | (33 670) |
| **Net cash (outflow)/inflow from financing activities** | **(99 310)** | 138 419 |
| **Net (decrease)/increase in cash and cash equivalents** | **(38 226)** | 113 247 |
| Cash and cash equivalents at the beginning of the year | **110 684** | (2 563) |
| Total cash and cash equivalents at the end of the year | **72 458** | 110 684 |
| **Total cash and cash equivalents at year-end comprises:** | **72 458** | 110 684 |
| Cash and cash equivalents | **133 987** | 136 287 |
| Overdraft | **(61 529)** | (25 603) |

## 1. ACCOUNTING POLICIES

### *1.1 Basis of preparation of financial results*

The abridged audited Group financial statements for the period ended 30 June 2019 are prepared in accordance with the requirements of the JSE Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summarised financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting.

The abridged Group financial statements do not include all the information required by IFRS for full financial statements and should be read in conjunction with the 2019 audited Group annual financial statements. The accounting policies applied in the preparation of the audited Group annual financial statements, from which the abridged Group financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of previous audited Group financial statements. During the period, various new and revised accounting standards became effective, however, their implementation had no impact on the results of either the current or prior year.

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

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

## 2. CHANGES IN ACCOUNTING POLICIES

The Group has adopted all the new, revised and amended accounting standards which were effective for the Group from 1 July 2018. The adoption of significant new standards' impact on the Group's financial results or position are presented below:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers

### *2.1 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.

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 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.

## 2. CHANGES IN ACCOUNTING POLICIES (continued)

### *2.1 IFRS 9: Financial instruments (continued)*

The assessment of the 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 Group's classification of financial assets which fall within the scope of IFRS 9. The Group has elected to continue measuring its available-for-sale investments at fair value through OCI under IAS 39 as at fair value through OCI in accordance with IFRS 9. The only difference between IAS 39 and IFRS 9 on financial assets at fair value through OCI is that under IFRS 9 the unrealised fair value adjustments on these investments are never recycled to profit and loss. The 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 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 a collective basis. The ECL rates are based on historical credit losses, adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the counterparty to settle the receivable.

The group applied IFRS 9 with an initial application date of 1 July 2018. The group applied the standard retrospectively but has elected not to restate comparative information, which continues to be reported under IAS 39.

Differences arising from the adoption of IFRS 9 have been made to the opening balances at the date of initial application. An additional credit loss allowance of R0.9 million, net of tax, as at 1 July 2018 has been recognised against retained earnings.

| | **Trade and other receivables** |
|---|---|
| Loss allowance as at 30 June 2018 under IAS 39 | (12 959) |
| Amount restated through retained earnings | (1 200) |
| Opening loss allowance at 1 July 2018 under IFRS 9 | (14 159) |

The additional loss allowance recognised upon the initial application of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to trade and other receivables.

The transition to IFRS 9 has had no change on the classification or measurement of the Group's financial liabilities, the group still elects to classify and measure its liabilities at amortised cost as was done under IAS 39.

### 2.2 *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

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 Group principally generates revenue from the sale of goods, such as food through the quick-service restaurants, meat through the meat plant and hospitality equipment through the manufacturing and installation company.

**Recognition**
Revenue is recognised when the Group satisfies performance obligations and transfers control of goods or services to its customers, this is in line with the Group's recognition of revenue under IAS 18, therefore the transition to IFRS 15 has had no significant impact on the recognition of the Group's revenue.

**Measurement**
Due to the nature of the goods being sold and the pricing thereof the consideration to which the Group expects to be entitled remains the quoted price less VAT for food and meat sales. Equipment sales' consideration that the company expects to be entitled to is the consideration per the quote and the amount agreed to in the JBCC Minor Works Agreement less VAT. This is in line with the measurement used under the previous accounting policy, therefore there has been no significant change in measurement of the Group's revenue, with no impact expected on the measurement of the Group's revenue in the future.

The transition to IFRS 15 has had no significant impact on the Group's recognition or measurement of revenue.

## 3. SEGMENT ANALYSIS

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

| | External revenue | | Inter-segment revenue [1] | | Cost of sales | | Operating costs [2] | | Equity accounted earnings | | EBITDA [3] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **Food** | 1 431 708 | 1 137 969 | 28 304 | 52 275 | (758 230) | (596 361) | (626 244) | (552 326) | – | – | 49 638 | (10 718) |
| Burger King | 1 034 179 | 775 006 | 119 | – | (467 901) | (344 702) | (512 233) | (407 421) | – | – | 53 674 | 22 883 |
| Mac Brothers | 198 059 | 171 895 | 26 933 | 52 275 | (136 833) | (113 730) | (59 969) | (63 229) | – | – | 4 029 | (5 063) |
| Spur | 23 734 | 23 726 | – | – | – | – | (295) | (140) | – | – | 23 439 | 23 586 |
| Grand Food Meat Plant | 153 049 | 124 411 | – | – | (134 343) | (111 424) | (15 328) | (14 049) | – | – | 3 377 | (1 063) |
| Dunkin' Donuts | 15 849 | 30 523 | – | – | (11 947) | (18 260) | (23 975) | (36 427) | – | – | (20 072) | (24 857) |
| Baskin-Robbins | 6 838 | 12 408 | – | – | (7 205) | (7 554) | (8 055) | (23 436) | – | – | (8 421) | (18 582) |
| Bakery | – | – | 1 251 | – | – | (692) | (6 389) | (7 624) | – | – | (6 388) | (7 622) |
| **Gaming and leisure** | – | – | – | – | – | – | – | – | 132 021 | 109 360 | 132 021 | 109 360 |
| SunWest | – | – | – | – | – | – | – | – | 74 750 | 70 188 | 74 750 | 70 188 |
| Sun Slots | – | – | – | – | – | – | – | – | 55 159 | 36 621 | 55 159 | 36 621 |
| Worcester Casino | – | – | – | – | – | – | – | – | 2 112 | 2 551 | 2 112 | 2 551 |
| **Group costs** | 397 | 6 669 | 92 765 | 96 130 | – | – | (38 216) | (26 504) | – | – | (37 819) | (29 336) |
| GPI Properties | 306 | 6 297 | 22 081 | 21 359 | – | – | 6 171 | 13 224 | – | – | 6 477 | 19 521 |
| Central costs [4] | 91 | 372 | 70 684 | 74 771 | – | – | (44 387) | (39 728) | – | – | (44 296) | (48 857) |
| | 1 432 105 | 1 144 638 | 121 069 | 148 405 | (758 230) | (596 361) | (664 460) | (578 830) | 132 021 | 109 360 | 143 840 | 69 306 |

| | Impairments of assets | | Depreciation and amortisation | | Finance income | | Finance costs | | Net profit/(loss) after tax | | Total assets | | Total liabilities | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 | 2019 R'000 | 2018 R'000 |
| **Food** | (74 806) | – | (66 546) | (63 966) | 1 518 | 1 798 | (31 518) | (29 558) | (107 652) | (106 203) | 1 289 002 | 1 339 427 | (563 420) | (556 629) |
| Burger King | (8 933) | – | (52 282) | (48 661) | 988 | 1 331 | (5 158) | (4 217) | 3 720 | (26 573) | 690 707 | 608 019 | (213 453) | (210 585) |
| Mac Brothers | – | – | (2 490) | (3 973) | – | – | (1 656) | (1 664) | (1 494) | (7 849) | 111 243 | 90 612 | (62 543) | (42 807) |
| Spur | – | – | – | – | 64 | – | (22 974) | (22 978) | 512 | 608 | 413 051 | 499 510 | (260 384) | (255 559) |
| Grand Food Meat Plant | – | – | (3 659) | (3 411) | 366 | 136 | (1 680) | (699) | (1 595) | (3 490) | 57 160 | 57 953 | (25 374) | (32 318) |
| Dunkin' Donuts | (39 389) | | (4 780) | (4 632) | 49 | 115 | (49) | – | (64 263) | (36 244) | 6 635 | 53 109 | (110) | (7 957) |
| Baskin-Robbins | (15 551) | | (2 770) | (2 711) | 48 | 143 | (1) | – | (26 650) | (24 483) | 2 072 | 19 804 | (507) | (3 889) |
| Bakery | (10 932) | | (565) | (578) | 3 | 73 | – | – | (17 882) | (8 172) | 8 134 | 10 420 | (1 049) | (3 514) |
| **Gaming and leisure** | – | – | – | – | – | – | – | – | 132 021 | 109 360 | 1 016 290 | 1 002 644 | – | – |
| SunWest | – | – | – | – | – | – | – | – | 74 750 | 70 188 | 634 198 | 625 882 | – | – |
| Sun Slots | – | – | – | – | – | – | – | – | 55 159 | 36 621 | 353 839 | 348 205 | – | – |
| Worcester Casino | – | – | – | – | – | – | – | – | 2 112 | 2 551 | 28 253 | 28 557 | – | – |
| **Group costs** | – | – | (1 198) | (1 488) | 5 117 | 6 636 | (27 961) | (19 192) | (60 949) | (53 024) | 378 733 | 441 680 | (268 668) | (260 824) |
| GPI Properties | – | – | (1 171) | (1 238) | 65 | 19 | (6 516) | (7 298) | (229) | 10 774 | 178 111 | 187 628 | (75 468) | (73 208) |
| Central costs [4] | – | – | (27) | (250) | 5 052 | 6 618 | (21 445) | (11 893) | (60 720) | (63 798) | 200 622 | 254 052 | (193 200) | (187 616) |
| | (74 806) | – | (67 744) | (65 454) | 6 635 | 8 435 | (59 479) | (48 749) | (36 581) | (49 867) | 2 684 025 | 2 783 751 | (832 088) | (817 453) |

[1] *Transactions between segments are concluded at arm's length.*
[2] *Certain costs are presented pre-elimination of intergroup charges and therefore net profit is after these eliminations.*
[3] *EBITDA excludes impairments.*
[4] *Included in Central costs is a R9.5 million impairment of the Leratadima receivable.*

## 4. BASIC AND DILUTED EARNINGS PER SHARE

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

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

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

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

| | | 2019 R'000 Gross | 2019 R'000 Net | 2018 R'000 Gross | 2018 R'000 Net |
|---|---|---|---|---|---|
| *4.1* | ***Reconciliation of the loss for the year attributable to ordinary shareholders*** | | | | |
| | **Basic and diluted (loss)/earnings per share reconciliation** | | | | |
| | (Loss)/profit for the year | | **(36 580)** | | (49 867) |
| | – Continuing operations | | **72 856** | | 17 874 |
| | – Discontinued operations | | **(109 436)** | | (67 741) |
| | Non-controlling interest | | **443** | | (197) |
| | (Loss)/profit for the year attributable to ordinary shareholders | | **(36 137)** | | (50 064) |

No adjustments have been made to basic earnings in calculation of diluted earnings.

| | | 2019 R'000 Gross | 2019 R'000 Net | 2018 R'000 Gross | 2018 R'000 Net |
|---|---|---|---|---|---|
| *4.2* | ***Reconciliation of headline (loss)/earnings for the year*** | | | | |
| | Loss for the year attributable to ordinary shareholders | | **(36 137)** | | (50 064) |
| | Continuing operations: | | | | |
| | Impairment of property, plant and equipment | **8 933** | **8 138** | – | – |
| | Profit on disposal of property, plant, equipment and intangibles | **–** | **–** | (7 876) | (5 671) |
| | Adjustments by jointly-controlled entities | **158** | **114** | 10 717 | 7 716 |
| | Impairment of investment | **–** | **–** | 10 488 | 7 551 |
| | (Profit)/Loss on disposal of plant and equipment | **158** | **114** | 229 | 165 |
| | Discontinued operations: | | | | |
| | Impairment of property, plant, equipment and intangibles | **65 872** | **65 872** | – | – |
| | **Total headline profit/(loss)** | | **37 987** | | (48 019) |
| | **Total headline profit/(loss)** | | | | |
| | – Continuing operations | | **81 551** | | 19 722 |
| | – Discontinued operations | | **(43 564)** | | (67 741) |
| | | | **37 987** | | (48 019) |

| | | 2019 R'000 | 2018 R'000 |
|---|---|---|---|
| **4.3** | ***Reconciliation of WANOS – net of treasury shares*** | | |
| | Shares in issue at beginning of the year | **426 223** | 429 989 |
| | Shares repurchased and cancelled during the year weighted for period held by Group | **–** | (569) |
| | | **426 223** | 429 420 |
| **4.4** | ***Reconciliation of diluted WANOS – net of treasury shares*** | | |
| | **WANOS in issue – net of treasury shares** | **426 223** | 429 420 |
| | Effects of dilution from: | | |
| | Share options | **1 435** | – |
| | **Diluted WANOS in issue – net of treasury shares** | **427 658** | 429 420 |

| | | Cents | Cents |
|---|---|---|---|
| **4.5** | ***Statistics*** | | |
| | Basic and diluted basic (loss)/earnings per share | **(8.48)** | (11.66) |
| | – Continuing operations | **17.20** | 4.12 |
| | – Discontinued operations | **(25.68)** | (15.78) |
| | Diluted (loss)/earnings per share | **(8.45)** | (11.66) |
| | – Continuing operations | **17.14** | 4.12 |
| | – Discontinued operations | **(25.59)** | (15.78) |
| | Headline and diluted headline profit/(loss) per share | **8.91** | (11.18) |
| | – Continuing operations | **19.13** | 4.59 |
| | – Discontinued operations | **(10.22)** | (15.77) |
| | Diluted headline loss per share | **8.88** | (11.18) |
| | – Continuing operations | **19.07** | 4.59 |
| | – Discontinued operations | **(10.19)** | (15.77) |

# GRAND PARADE INVESTMENTS LIMITED NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2019**

## 5. DIRECTORS' EMOLUMENTS

| | Salary R'000 | Short-term benefits[1] R'000 | Long-term benefits[2] R'000 | Bonuses R'000 | Severance pay R'000 | Directors fees R'000 | Audit and risk committee R'000 | Remuneration and nomination committee R'000 | Investment committee R'000 | Social and ethics committee R'000 | Total remuneration R'000 | Loans advanced R'000 | Share-based payment expense R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | | | | | |
| **Executive directors** | | | | | | | | | | | | | |
| H Adams[10] | 4 418 | 1 365 | – | 3 034 | 5 955 | – | – | – | – | – | 14 772 | – | 366 |
| P Moodley[3] | 1 282 | – | 190 | – | – | – | – | – | – | – | 1 472 | – | – |
| M Tajbhai[4] | 961 | – | 123 | – | – | – | – | – | – | – | 1 084 | – | 59 |
| C Priem[5] | 1 319 | – | 196 | – | – | – | – | – | – | – | 1 515 | – | 64 |
| **Sub-total** | 7 980 | 1 365 | 509 | 3 034 | 5 955 | – | – | – | – | – | 18 843 | – | 489 |
| **Non-executive directors** | | | | | | | | | | | | | |
| A Abercrombie | – | – | – | – | – | 256 | – | 64 | 10 | 80 | 410 | – | – |
| W Geach[11] | – | – | – | – | – | 246 | 147 | – | – | 20 | 413 | – | – |
| R Hargey[6] | – | – | – | – | – | 123 | 41 | 30 | – | – | 194 | – | – |
| N Maharaj[7] | – | – | – | – | – | 253 | 63 | 73 | – | 36 | 425 | – | – |
| N Mlambo[8] | – | – | – | – | – | 123 | – | 30 | – | – | 153 | – | – |
| M Bowman[9] | – | – | – | – | – | 115 | – | 29 | – | – | 144 | – | – |
| R van Dijk[9] | | | | | | 123 | 41 | – | – | – | 164 | – | – |
| **Sub-total** | – | – | – | – | – | 1 239 | 292 | 226 | 10 | 136 | 1 903 | – | – |
| **Total** | 7 980 | 1 365 | 509 | 3 034 | 5 955 | 1 239 | 292 | 226 | 10 | 136 | 20 746 | – | 489 |

[1] *Short-term benefits include medical aid contributions, allowances and fringe benefit tax on interest-free loans.*
[2] *Long-term benefits relate to defined retirement contributions.*
[3] *P Moodley was appointed 1 August 2018 and resigned as chief executive officer and executive director on 7 December 2018.*
[4] *M Tajbhai was appointed as executive director on 28 November 2018 and CEO on 1 July 2019.*
[5] *C Priem was appointed as chief financial officer at 1 July 2018.*
[6] *R Hargey was removed as non-executive director on 5 December 2018.*
[7] *N Maharaj resigned as non-executive director on 30 April 2019.*
[8] *N Mlambo was removed as non-executive director on 5 December 2018.*
[9] *M Bowman and R van Dijk were appointed as non-executive directors on 5 December 2018.*
[10] *Non-executive chairman from 1 July 2019.*
[11] *Lead independent from 9 September 2019.*

## 5. DIRECTORS' EMOLUMENTS (continued)

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

*[1] Short-term benefits include medical aid contributions, allowances and fringe benefit tax on interest-free loans.*
*[2] T Karriem resigned as executive director on 2 April 2018. Amounts disclosed above include remuneration for 11 months.*
*[3] D Pienaar resigned as executive director on 7 November 2017. Amounts disclosed above include remuneration for five months.*
*[4] S Barends resigned as executive director on 30 June 2018. Amounts disclosed above include remuneration for 12 months.*

## 5. DIRECTORS' EMOLUMENTS (continued)

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

| | Number of unvested share options 30 June R'000 | Granted during the year R'000 | Exercised during the year R'000 | Forfeited during the year R'000 | Average market price per share on vesting date R | Vesting price per share R | Number of unvested share options 30 June 2019 R'000 |
|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | |
| **Executive directors** | | | | | | | |
| H Adams | 3 504 | 3 263 | – | (1 126) | 2.29 | 2.18 | 5 641 |
| M Tajbhai[(1)] | – | 1 504 | – | – | – | 2.26 | 1 504 |
| C Priem[(2)] | – | 1 471 | – | – | – | 2.04 | 1 471 |
| **Sub-total** | 3 504 | 6 238 | – | (1 126) | | | 8 616 |

| | Number of unvested share options 30 June R'000 | Granted during the year R'000 | Exercised during the year R'000 | Forfeited during the year R'000 | Average market price per share on vesting date R | Vesting price per share R | Number of unvested share options 30 June 2018 R'000 |
|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | |
| **Executive directors** | | | | | | | |
| H Adams | 2 251 | 2 378 | – | (1 125) | 2.70 | 3.61 | 3 504 |
| T Karriem[(3)] | 1 188 | 921 | – | (2 109) | – | 2.61 | – |
| D Pienaar[(4)] | 1 286 | 1 027 | – | (2 313) | – | 2.61 | – |
| S Barends[(5)] | 174 | – | – | (174) | – | 4.72 | – |
| **Sub-total** | 4 899 | 4 326 | – | (5 721) | | | 3 504 |

*(1) M Tajbhai was appointed as executive director on 28 November 2018.*
*(2) C Priem was appointed as chief financial officer at 1 July 2018.*
*(3) T Karriem resigned as executive director on 2 April 2018. All unvested share options are forfeited on an employee's resignation date.*
*(4) D Pienaar resigned as executive director on 7 November 2017. All unvested share options are forfeited on an employee's resignation date.*
*(5) S Barends resigned as executive director on 30 June 2018. All unvested share options are forfeited on an employee's resignation date.*

## 6. REVENUE

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Disaggregation of revenue** | | |
| **Revenue from transactions with customers** | | |
| Food sales | **1 015 356** | 756 236 |
| Meat sales | **152 791** | 126 321 |
| Equipment sales | **196 633** | 171 895 |
| | **1 364 780** | 1 054 452 |
| **Other revenue** | | |
| Dividends received | **23 734** | 23 726 |
| Other income* | **20 819** | 21 172 |
| Rental income | **85** | 2 356 |
| | **44 638** | 47 254 |
| **Total revenue** | | |
| Revenue from contracts with customers | **1 364 780** | 1 054 452 |
| Other revenue | **44 638** | 47 255 |
| | **1 409 418** | 1 101 707 |

** Other income includes SETA income and Youth wage subsidy.*

## 7. THE ASSETS INCLUDED IN NON-CURRENT ASSETS HELD FOR SALE ARE AS FOLLOWS:

| | | |
|---|---|---|
| **Non-current assets** | | |
| Land and buildings (Bakery) [1] | **26 395** | – |
| Property, plant and equipment [2] | **9 798** | – |
| | **36 193** | – |

[1] *Management is currently in negotiations with interested parties to sell the Building that was previously used by Grand Bakery to produce the donuts for Dunkin' Donuts.*

[2] *The property, plant and equipment of Dunkin' Donuts and Baskin-Robbins will be auctioned subsequent to year end as part of the liquidation process, as well as Bakery as these are expected to be sold with the building.*

## 8. DISCONTINUED OPERATIONS

The board decided to liquidate two of the subsidiaries in the Group, Grand Coffee House (operating as Dunkin' Donuts) and Grand Ice Cream (operating as Baskin-Robbins). The liquidation order was filed in February 2019 and all the stores were closed down on 29 February 2019. The liquidator was appointed in March 2019 and the liquidation process is still ongoing.

The bakery has ceased operations in February 2019 and has been classified as a held for sale asset and as such is disclosed as a discontinued operation.

The results of these three discontinued operations are presented below:

| | | 2019 R'000 | 2018 R'000 |
|---|---|---|---|
| 8.1 | ***Results of discontinued operations*** | | |
| | Revenue | **22 687** | 42 931 |
| | Cost of sales | **(19 152)** | (26 506) |
| | **Gross profit** | **3 535** | 16 425 |
| | Operating costs | **(38 331)** | (67 487) |
| | **Loss from operations** | **(34 796)** | (51 062) |
| | Impairment of land and buildings | **(10 500)** | – |
| | Impairment of property, plant, equipment | **(38 771)** | – |
| | Impairment of intangible assets | **(16 601)** | – |
| | Depreciation | **(5 080)** | (5 465) |
| | Amortisation | **(3 830)** | (1 298) |
| | **Loss before finance costs and taxation** | **(109 578)** | (57 825) |
| | Finance income | **100** | 330 |
| | Finance costs | **(49)** | – |
| | **Loss before taxation** | **(109 527)** | (57 495) |
| | Taxation | **91** | (10 246) |
| | **Loss for the period** | **(109 436)** | (67 741) |
| 8.2 | ***Cash flows from/(used in) discontinued operations*** | | |
| | Net cash used in operating activity | **(41 341)** | (37 667) |
| | Net cash generated from/(used in) investing activity | **(946)** | (23 938) |
| | Net cash (used in)/generated from financing activity | **(447)** | (65) |
| | **Net cash flow for the year** | **(42 734)** | (61 670) |
| 8.3 | ***Impairment of assets*** | | |
| | Impairment of land and buildings | **(10 500)** | – |
| | Impairment of property, plant, equipment | **(38 771)** | – |
| | Impairment of intangible assets | **(16 601)** | – |
| | Impairment of inventory | **(4 188)** | – |

The building from where the Bakery operated was impaired before being transferred to assets held for sale.

Due to the submission of the application for liquidation asset classes such as property, plant and equipment, and inventory have been impaired assuming a recovery of between 5c to 10c in the rand during liquidation intangible assets have been fully impaired as the value cannot be recovered through sale.

## 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

**Level 2:** Other techniques for which all inputs which have a significant effect on the recorded fair value and are observable, either directly or indirectly.

**Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

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

| | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **2019** | | | | |
| Investments held at fair value – Spur[1] | **183 736** | **–** | **228 868** | **412 604** |
| Investments held at fair value – Atlas Gaming | **–** | **–** | **5 787** | **5 787** |
| **Total** | **183 736** | **–** | **234 655** | **418 391** |
| **2018** | | | | |
| Investments held at fair value – Spur[1] | 217 529 | – | 270 957 | 488 486 |
| Investments held at fair value – Atlas Gaming | – | – | 5 787 | 5 787 |
| **Total** | 217 529 | – | 276 744 | 494 273 |

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Current asset | **228 868** | – |
| Non-current asset | **189 523** | 494 273 |
| | **418 391** | 494 273 |

[1] *Available-for-sale investment – Spur*

The carrying value of the investment in Spur at 30 June 2019 of R412.6 million (2018: R448.5 million) is made up of the prior years acquisition price of R569.0 million and fair value adjustments of R75.9 million (2018: R35.3 million). The Group's initial investment in Spur is subject to a trading restriction linked to the Group's empowerment credentials. The restriction expires on 29 October 2019, after which the instrument may be traded without restriction. The fair value of the investment has been measured by applying a tradability discount of 3% per year remaining on the restriction against the market price of Spur, as quoted on the JSE. The tradability discount was determined with reference to the agreements which govern the trading restrictions and industry standards applied to empowerment transactions. As the terms of the trading restrictions are unobservable the instrument has been classified under level 3, had the trading restrictions not been in place, the instrument would have been classified under level 1. A change of 1.0% in the discount rate used to determine the fair value at the reporting date would have increased/decreased other comprehensive income after tax by R2.3 million (2018: R2.8 million). There were no additions to level 3 instruments in the current year.

## 10. CAPITAL COMMITMENTS

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Authorised but not contracted** | | |
| Property, plant and equipment | **101 000** | 35 000 |

Capital commitments for the 2020 financial year relate mostly to the opening of new Burger King stores.

# GRAND PARADE INVESTMENTS LIMITED COMPANY INFORMATION

### DIRECTORS
H Adams (Non-executive Chairman)
M Tajbhai (Chief Executive Officer)
C Priem (Group Financial Director)
A Abercrombie, W Geach (Lead Independent),
M Bowman, R van Dijk, K Pillay

### BANKERS
The Standard Bank of South Africa Limited

### NATURE OF BUSINESS
Investment Holding Company

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

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

### REGISTERED OFFICE
10th Floor, 33 on Heerengracht,
Heerengracht Street, Cape Town, 8001

### PUBLIC OFFICER
C Priem

### REGISTRATION NUMBER
1997/003548/06

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

### DOMICILE AND COUNTRY OF INCORPORATION
South Africa

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

### ATTORNEYS
Cliffe Dekker Hofmeyr, PO Box 695,
Cape Town, 8000

### LISTING
JSE Limited
Sector: Financial Services
Grand Parade Investments Limited:
("GPI" or "the company" or "the group")
Registration number: 1997/003548/06
ISIN: ZAE000119814
Share code: GPL

### PREPARER OF THE FINANCIAL STATEMENTS
The audited financial statements were prepared under supervision of Grand Parade Investments (GPI) Group Financial Director, C Priem.