GRAND PARADE

INVESTMENTS LIMITED

SUMMARISED AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

GRAND PARADE
INVESTMENTS LIMITED

SALIENT FEATURES

↑ 19%
increase in revenue to R1 145 million

↑ 125%
increase in profit from operations (including equity accounted earnings) to R79 million

↓ 144%
decrease in headline earnings per share

↓ 366%
decrease in basic earnings per share

OPERATIONAL HIGHLIGHTS

- Opened 19 Burger King outlets increasing to a total of 80 corporate owned outlets as at 30 June 2018
- Met the target of 80 Burger King stores by 30 June 2018
- Rolled out 5 stores for Dunkin' Donuts and 1 store for Baskin-Robbins, bringing total stores to 11 and 5 respectively
- Reduced central costs' headline loss before taxation contribution by 51% to R32.9 million for the period under review

LETTER TO SHAREHOLDERS

Dear Shareholder,

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

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

I am furthermore, pleased to notify you that he annual general meeting of the shareholders of the Company will be held on 12 December 2018 in the Market Hall at GrandWest Casino, 1 Jakes Gerwel Drive, Goodwood, commencing at 18h30.

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

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

Sincerely,

Hassen Adams
Executive Chairman

28 September 2018

INTRODUCTION

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

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

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

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

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

INVESTMENT ACTIVITIES

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

FOOD

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

GAMING AND LEISURE

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

NON-CORE INVESTMENTS

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

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

GROUP FINANCIAL REVIEW

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

The decline in headline earnings is largely due to Dunkin' Donuts, including the Bakery and Baskin-Robbins which collectively contributed a R62.9 million headline loss before taxation for the period and was offset by Burger King, which decreased its loss contribution by R11.5 million to R29.7 million. SunWest and Sun Slots contributed positively to headline earnings with a collective increase of 14% or R14.1 million offset by a decline in Worcester Casino of 23% or R0.7 million.

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

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

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

DIVIDENDS

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

CAPITAL STRUCTURE

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

Over the past 36 months the Group decreased its gearing levels from 35.5% to 30.5% as a result of part disposals in its gaming and leisure investments over this period. The proceeds received from its part disposal of SunWest were utilised to repay the full Standard Bank revolving credit facility of R225.0 million. This was however offset by the raising of a new Standard Bank preference share facility in December 2017 of R251.7 million at an embedded dividend rate of 85% of prime over a 5 year term. The Group's targeted debt equity range is set between 20.0% and 35.0%. At 30 June 2018, the debt equity ratio increased by 13.7% from 16.8% last year to 30.5%, which is within the targeted range.

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

REVIEW OF INVESTMENT OPERATIONS

FOOD

BURGER KING

The total number of Burger King restaurants at 30 June 2018 closed at 87 stores of which 80 is corporate owned. The net restaurant movement included the opening of 19 new restaurants and no closures during the year. The average monthly restaurant revenues (ARS) increased by 5.3% from R0.865 million last year to R0.911 million this year, largely as a result of positive restaurant comparative sales of 3.45% (2017: 1.82%) and a proportional increase in revenue from Drive Thru sites opened towards the end of the 2017 financial year. Burger King's total revenue for the year increased by 22.19% from R623.5 million in the prior year to R756.2 million in the current year.

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

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

DUNKIN' DONUTS

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

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

The Restaurant EBITDA loss for the period was R5.3 million, however after head office and marketing costs, a Company EBITDA loss of R24.9 million was reported for the period compared to a R24.4 million loss for the prior period.

BASKIN-ROBBINS

Baskin-Robbins opened 1 new store during the period. Total revenue for the 6 stores amounted to R12.4 million with a gross profit of R4.9 million. The gross profit percentage of 39% is below target due mainly to high inventory holding costs in respect of the minimum required flavours for each store.

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

SPUR

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

GRAND FOODS MEAT PLANT

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

MAC BROTHERS CATERING EQUIPMENT

Amidst tough trading conditions experienced in the manufacturing sector, Mac Brothers revenue increased by 7% to R224.2 million (2017: R209.4 million) mainly as a result of an 87.2% increase in internal sales to Burger King and Dunkin' Brands which collectively contributed R52.3 million (2017: R27.9 million). The operating costs for the year amounted to R69.7 million which is 17% higher than the operating costs of R59.6 million incurred in the prior year. The increase is mainly due to increased rental paid during the year from the new lease agreement signed for the rental of office and warehouse space.

The EBITDA for the year of R0.3 million is 83.5% lower than the R1.4 million EBITDA in the prior year. Depreciation for the year of R4.1 million which decreased slightly by R0.2 million and the interest costs of R4 million decreased by R0.8 million when compared to the prior year.

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

GAMING

SUNWEST

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

SUN SLOTS

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

OTHER

CENTRAL COSTS

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

SHARE CAPITAL

The Company bought back 3.7 million shares during the year at an average price of R2.16. These shares were subsequently cancelled. No new shares were issued during the year.

REVIEW OF INVESTMENT OPERATIONS
(continued)

TREASURY SHARES

At 30 June 2018 a total of 43.8 million GPI shares were held as treasury shares by the Grand Parade Share Incentive Trust, GPI Management Services and the GPI Women's BBBEE Empowerment Trust. These entities are controlled by the Group, with the Grand Parade Share Incentive Trust holding 4.98 million treasury shares, GPI Management Services holding 24 million shares and the GPI Women's BBBEE Empowerment Trust holding 14.82 million treasury shares.

PREFERENCE SHARES

During the current year, the Group issued 10 000 redeemable preference shares to Standard Bank at an issue price of R25 400 per share. The total preference share funding raised from this issue amounted to R251.6 million after capital raising fees.

DIRECTORS AND COMPANY SECRETARY

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

SUBSEQUENT EVENTS

Disposal of Atlas Gaming Africa

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

RELATED PARTIES

The Group, in the ordinary course of business, entered into various transactions with related parties consistent with those as reported at 30 June 2017.

PROSPECTS

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED **30 JUNE 2018**

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

	Cents	Cents
Basic and diluted basic (loss)/earnings per share	**(11.66)**	4.39
Headline and diluted headline loss per share	**(11.18)**	(4.59)
Ordinary dividend per share	**11.50**	25.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT **30 JUNE 2018**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED **30 JUNE 2018**

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

Notes

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED **30 JUNE 2018**

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

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial results

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

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

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

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

	2018 R'000s	2017 R'000s
2. ASSETS HELD FOR SALE		
The assets and liabilities included in assets classified as held-for-sale are as follows:		
Assets		
Non-current assets		
Investment property (1 Heerengracht)	–	40 175
Assets classified as held-for-sale	**–**	**40 175**
Non-current liabilities		
Liabilities associated with assets held-for-sale	**–**	**–**
Net assets	**–**	**40 175**

2. ASSETS HELD FOR SALE (continued)

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

	2018 R'000s	2017 R'000s
3. PROFIT/(LOSS) ON DISPOSAL OF INVESTMENTS		
Profit on disposal of Sun Slots	–	90 588
Loss on disposal of Grand Linkstate	–	(7 900)
Profit on disposal of Grand Sport	–	9 241
	–	91 929

4. BASIC AND DILUTED EARNINGS PER SHARE

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

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

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

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

	2018 R'000s	2017 R'000s
4.1. Reconciliation of the (loss)/profit for the year		
Basic and diluted (loss)/earnings per share reconciliation		
(Loss)/profit for the year	**(49 867)**	10 953
Non-controlling interest	**(197)**	8 328
(Loss)/profit for the year attributable to ordinary shareholders	**(50 064)**	19 281

4. BASIC AND DILUTED EARNINGS PER SHARE (continued)

	2018 R'000s	2017 R'000s
4.2. Reconciliation of headline (loss)/earnings for the year		
(Loss)/profit for the year attributable to ordinary shareholders	**(50 064)**	19 281
(Loss)/profit on sale of investments	**–**	(59 819)
Impairment of investments	**–**	4 490
(Profit)/loss on disposal of property, plant, equipment and intangibles	**(5 671)**	12 910
Adjustments by jointly-controlled entities	**7 716**	3 012
– Impairment of investment	**7 551**	2 889
– Loss on disposal of plant and equipment	**165**	123
Headline (loss)	**(48 019)**	**(20 126)**

	000s	000s
4.3. Reconciliation of WANOS – net of treasury shares		
Shares in issue at beginning of the year	**429 989**	461 732
Shares repurchased during year weighted for period held by Group	**–**	(17 020)
Shares repurchased and cancelled during the year weighted for period held by Group	**(569)**	(7 148)
Shares issued during the year weighted for period in issue	**–**	1 271
	429 420	438 835

	000s	000s
4.4. Reconciliation of diluted WANOS – net of treasury shares		
WANOS in issue – net of treasury shares	**429 420**	**438 835**
Effects of dilution from:		
– Share options	**–**	–
Diluted WANOS in issue – net of treasury shares	**429 420**	**438 835**

	Cents	Cents
4.5. Statistics		
Basic and diluted (loss)/earnings per share	**(11.66)**	4.39
Headline and diluted headline loss per share	**(11.18)**	(4.59)

5. SEGMENT ANALYSIS

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

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

[1] *Transactions between segments are concluded at arms length.*

[2] *Certain costs are presented pre elimination of intergroup charges and therefore net profit are after these eliminations.*

[3] *The income tax expense is based on the net profit before tax and pre elimination of intergroup charges.*

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

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

7. DIRECTORS EMOLUMENTS

2018	Salary R'000s	Short-term benefits[1] R'000s	Long-term benefits R'000s	Bonuses R'000s	Directors fees R'000s	Audit and risk committee R'000s	Remuneration and nomination committee R'000s	Investment committee R'000s	Social and ethics committee R'000s	Total remuneration R'000s	Loans advanced R'000s	Share-based payment expense R'000s
Executive directors												
H Adams	**3 825**	**1 473**	**124**	**4 862**	**–**	**–**	**–**	**–**	**–**	**10 284**	**–**	**486**
T Karriem[2]	**1 620**	**84**	**243**	**2 015**	**–**	**–**	**–**	**–**	**–**	**3 962**	**–**	**–**
D Pienaar[3]	**1 489**	**69**	**72**	**2 109**	**–**	**–**	**–**	**–**	**–**	**3 739**	**–**	**–**
S Barends[4]	**1 333**	**70**	**143**	**274**						**1 820**		**–**
Sub-total	**8 267**	**1 696**	**582**	**9 260**	**–**	**–**	**–**	**–**	**–**	**19 805**	**–**	**486**
Non-executive directors												
A Abercrombie	**–**	**–**	**–**	**–**	**195**	**–**	**67**	**10**	**37**	**309**	**–**	**–**
W Geach	**–**	**–**	**–**	**–**	**212**	**93**	**–**	**–**	**–**	**305**	**–**	**–**
R 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 02 April 2018. Amounts disclosed above include remuneration for 11 months.*
(3) *D Pienaar resigned as executive director on 07 November 2017. Amounts disclosed above include remuneration for 5 months.*
(4) *S Barends resigned as executive director on 30 June 2018. Amounts disclosed above include remuneration for 12 months.*

7. DIRECTORS EMOLUMENTS (continued)

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

[1] *Short-term benefits include medical aid contributions, allowances and fringe benefit tax on interest-free loans.*
[2] *A Keet resigned as CEO and executive director of GPI on 03 April 2017.*
[3] *T Karriem was appointed on 9 September 2016 as a executive director. Amounts disclosed above include remuneration for 10 months.*

7. **DIRECTORS EMOLUMENTS** (continued)

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

2018	Number of unvested share options 30 June 2016 000s	Granted during the year 000s	Vested during the year 000s	Forfeited during the year 000s	Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of unvested share options 30 June 2017 000s
Executive directors								
H Adams	**2 251**	**2 378**	**–**	**(1 125)**	**2.70**	**3.61**	**26 September 2017**	**3 504**
T Karriem[(1)]	**1 188**	**921**	**–**	**(2 109)**	**–**	**2.61**	**26 September 2017**	**–**
D Pienaar[(2)]	**1 286**	**1 027**	**–**	**(2 313)**	**–**	**2.61**	**26 September 2017**	**–**
S Barends[(3)]	**174**	**–**	**–**	**(174)**	**–**	**–**		**–**
Sub-total	**4 899**	**4 326**	**–**	**(5 721)**	**–**		**–**	**3 504**

2017	Number of unvested share options 30 June 2015 000s	Granted during the year 000s	Vested during the year 000s	Forfeited during the year 000s	Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of unvested share options 30 June 2016 000s
Executive directors								
H Adams	3 376	–	(1 125)	–	5.50	3.61	01 September 2013	2 251
A Keet[(4)]	2 005	1 161	(669)	(2 497)	5.54	3.61	01 September 2013	–
T Karriem[(5)]	620	568	–	–	5.54	3.61	01 September 2013	1 188
D Pienaar	617	875	(206)	–	5.42	3.61	01 September 2013	1 286
Sub-total	**6 618**	**2 604**	**(2 000)**	**(2 497)**				**4 725**

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

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

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

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

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

NOTES

COMPANY INFORMATION

DIRECTORS
H Adams (Executive Chairman)
P Moodley (Chief Executive Officer) appointed 1 August 2018
C Priem (Group Financial Director) appointed 1 July 2018
A Abercrombie, W Geach, R Hargey, NV Maharaj, N Mlambo

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
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REGISTERED OFFICE
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PUBLIC OFFICER
C Priem

REGISTRATION NUMBER
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TRANSFER SECRETARIES
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PO Box 61051, Marshalltown, 2107

DOMICILE AND COUNTRY OF INCORPORATION
South Africa

AUDITORS
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LISTING
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Sector: Financial Services
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PREPARER OF THE FINANCIAL STATEMENTS
The annual financial statements were prepared under supervision of Grand Parade Investments' (GPI) Group Financial Director, C Priem.

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