TWENTY 20

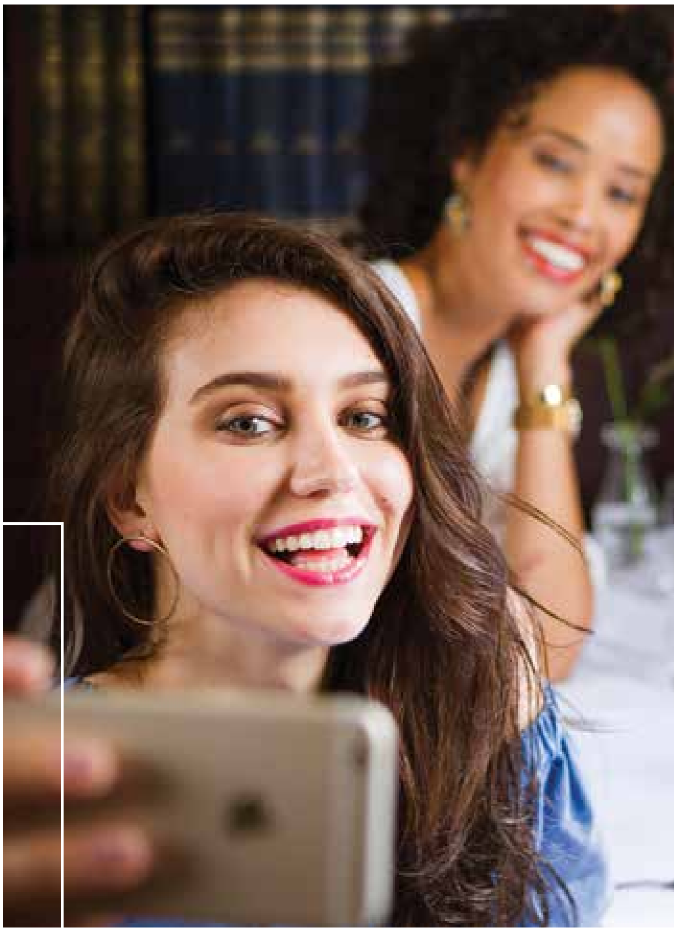
SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

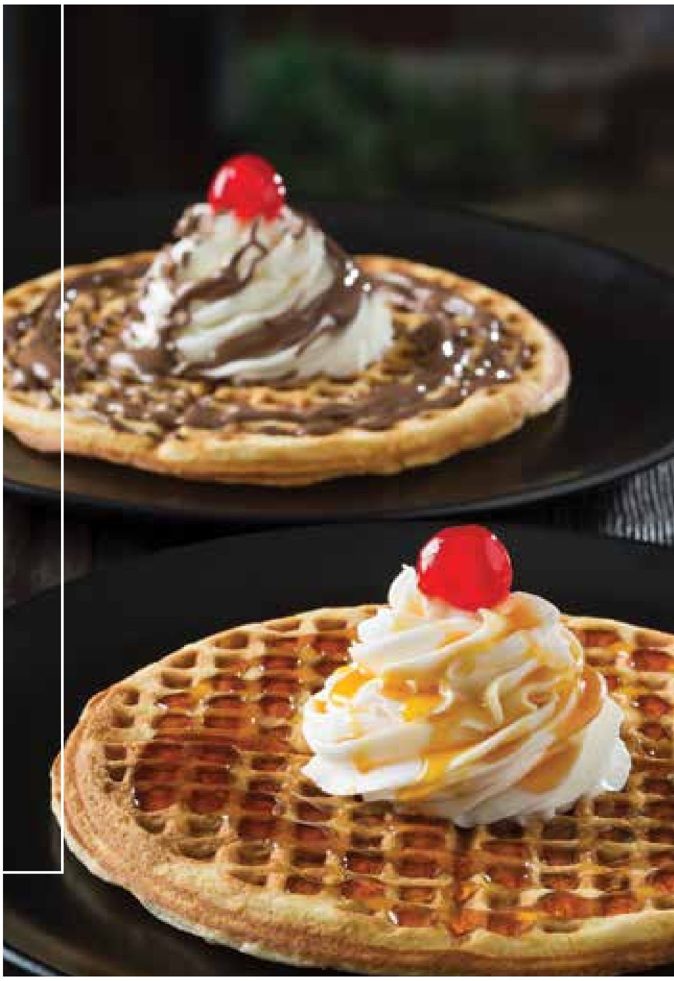
ANNUAL FINANCIAL STATEMENTS

SPUR CORPORATION LTD
(Registration number: 1998/000828/06)

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS



The consolidated and separate financial statements on pages 16 to 128 of this report have been audited in accordance with the requirements of section 30 of the Companies Act of South Africa (Act No. 71 of 2008, as amended) and have been prepared under the supervision of the group chief financial officer, Phillip Matthee.



AUDIT COMMITTEE REPORT

The audit committee is pleased to present its report for the financial year ended 30 June 2020.

The audit committee is constituted in terms of section 94 of the Companies Act (Act No. 71 of 2008, as amended) ("the Companies Act") to provide oversight of the company's system of internal controls, compliance with laws and regulations, the financial reporting process and the audit process. The committee's activities are guided by its terms of reference set out in its charter approved by the board, which is informed by the Companies Act, JSE Ltd Listing Requirements ("Listings Requirements") and the King IV Report on Corporate Governance for South Africa, 2016 ("King IV™").

The committee has discharged the functions delegated to it in terms of its charter.

COMPOSITION AND FUNCTIONING OF THE COMMITTEE

All members of the committee are independent non-executive directors.

The members of the committee and their attendance at committee meetings during the financial year are included on page 41 of the group's integrated report for the year ended 30 June 2020, published on the company's website (www.spurcorporation.com/investors/results-centre) on 20 November 2020 ("the integrated report").

Committee members, Mr Mntungwa Morojele and Ms Dineo Molefe (chair), resigned as directors with effect from 1 September 2020 and 3 September 2020 respectively and vacated their positions on the committee on those dates. On 15 October 2020, newly appointed independent non-executive directors, Ms Jesmane Boggenpoel and Messrs André Parker and Sandile Phillip, were elected to the committee and existing member, Ms Cora Fernandez, was nominated as committee chair. The appointments on 15 October 2020 will be tabled for approval by shareholders at the annual general meeting on 23 December 2020.

At the date of this report, the committee therefore comprises of four independent non-executive directors.

Brief biographies of the committee members are included on pages 22 and 23 of the integrated report.

The committee discharges all audit committee responsibilities of all local subsidiaries within the group.

Two formal bi-annual meetings and two *ad hoc* meetings were held during the financial year at which the committee discharged its responsibilities including, in addition to items listed in the remainder of this report:

- reviewing the group's interim and annual results (including the annual financial statements) prior to publication;
- reviewing the company's sustainability information included in the integrated report to assess its consistency and accuracy with representations and reports submitted by management to the committee and other board subcommittees;
- reviewing the committee charter;
- reviewing the risk committee's assessment of information technology ("IT") risks insofar as these had an impact on financial reporting and ensuring that these had been mitigated;
- confirming that an appropriate anonymous ethics hotline was in place and considering any matters reported by this platform;
- reviewing the report from the chairman of the risk committee to assess the impact of any findings of the risk committee on financial reporting and other matters within the committee's purview; and
- considering matters referred to it by the board for review and recommendations.

The two additional committee meetings held during the financial year were to address the potential impacts of COVID-19 on the group's liquidity, solvency and operations, as well as the nature and extent of internal and external audit services in relation to the group's foreign subsidiaries.

In addition to formal committee meetings, the committee held intermittent meetings with management to review its progress on key issues relating to *inter alia* financial controls, risks, compliance, and regulatory issues.

The committee met with internal and external auditors to evaluate, and consider possible changes to, the internal audit plan and the external audit plan, for approval and recommendation to the board. The external and internal auditors have unrestricted access to the committee.

Committee members reviewed all potentially price sensitive information published by the company, prior to release.

All findings and recommendations of the committee were reported to the board at the following board meeting.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The audit committee has satisfied itself that the external auditor, KPMG Inc., is independent of the company, as set out in section 94(8) of the Companies Act, which included considering previous appointments of the auditor, the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence and conflicts of interest as prescribed by the Independent Regulatory Board for Auditors ("IRBA").

The committee has reviewed the reports from KPMG Inc. that demonstrate the internal governance processes within the audit firm that provide assurance to the representations on the independence of the audit firm. The committee also reviewed reports submitted to KPMG by IRBA in respect of its internal governance and related processes.

The committee has satisfied itself that the audit firm, KPMG Inc., and designated auditor, Mr Ivan Engels, are accredited on the JSE's list of auditors.

The committee has reviewed the information provided by KPMG Inc. pursuant to section 22(15)(h) of the Listings Requirements, made appropriate enquiries of the audit team and discussed the performance of the auditor with management. Based on these procedures, the committee is satisfied as to the quality and effectiveness of the external audit.

A formal policy is in place which deals with non-audit services provided by the external auditor. In accordance with this policy, any non-audit services provided by KPMG Inc. must be pre-approved by the committee. During the year, the group engaged the services of KPMG Inc. as reporting accountant for the circular issued to shareholders on 27 August 2019 relating to, *inter alia*, the proposed repurchase of the company's shares from Grand Parade Investments Ltd. The fees for this engagement were R115 000. No other significant non-audit services were provided by KPMG Inc. for the year under review.

The committee approved the external auditor's fees and terms of engagement for the financial year ended 30 June 2020.

The committee is satisfied that, based on the outcomes of the matters raised above, KPMG Inc. is independent of the company and the group. The committee has recommended the reappointments of KPMG Inc. as the company's external auditor, and Mr Ivan Engels as the designated auditor.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The committee has reviewed the accounting policies as well as the consolidated and separate financial statements of the company, and is satisfied that they are appropriate and comply with International Financial Reporting Standards ("IFRS").

The committee has considered the practice notes issued by the JSE Ltd in relation to financial reporting.

The committee has considered representations from management in order to support the going concern assertion as a basis of preparation for the interim and annual financial statements.

The committee has reviewed and considered significant areas of judgement in the preparation of the financial statements and the committee is satisfied that the appropriate care and skill were exercised in those judgements.

The committee notes that no internal or external complaints had been received relating to the group's accounting practices, internal audit, external audit, internal financial controls and related matters.

INTERNAL FINANCIAL CONTROLS

In evaluating the integrity of the company's financial information and the effectiveness of internal financial controls, the committee relied on the work performed by internal audit, representations by management and the external auditor's management report. The committee acknowledges that it is not the external auditor's responsibility to identify control deficiencies, but considers the content of the report to be a key indicator of the effectiveness of the financial control environment holistically.

The committee considered the risk management and compliance processes in assessing the internal control effectiveness.

Based on these interactions and assessments, the committee confirms that it has no reason to believe that there were any material breakdowns in the internal financial controls during the period under review.

INTERNAL AUDIT

The committee is responsible for overseeing the internal audit function.

The board has outsourced the internal audit function to Moore Risk Services Western Cape (Pty) Ltd ("Moore"). Moore is an independent service provider that has been contracted to assist the committee and the board to discharge its responsibilities.

The internal audit charter governs the authority, responsibilities and scope of activities of the internal audit function. The engagement partner of Moore has been appointed as the chief audit executive in terms of the internal audit charter and reports directly to the audit committee.

The committee reviews the internal audit charter and internal audit plan at least annually.

The committee has approved a three-year risk-based audit programme in terms of which the internal auditors will address those risks and controls identified by the committee that are key to financial reporting, operational sustainability and stakeholder reporting. The internal auditors provided detailed reports in accordance with the internal audit plan to the audit committee throughout the year.

The committee has evaluated the independence and resource capabilities of Moore.

The committee has not commissioned an independent assessment of the internal audit function; this decision will be re-evaluated during the year ahead. The committee has conducted an internal assessment of the performance and effectiveness of the internal audit function and the chief audit executive, and is satisfied that the internal audit function is effective in fulfilling its mandate as per the internal audit charter.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION

The committee has concluded that Phillip Matthee, the group chief financial officer and financial director, possesses the appropriate expertise and experience to meet his responsibilities in that position.

The committee is satisfied as to the expertise, resources and experience of the company's finance function.

CONCLUSIONS BY THE COMMITTEE

The committee is satisfied that the separate and consolidated financial statements of the company for the year ended 30 June 2020 comply with the provisions of the Companies Act and IFRS and fairly present, in all material respects, the financial position, financial performance and cash flows of the company and group.

The committee is of the opinion that it has met its objectives and recommends the separate and consolidated financial statements and the Integrated Report for the year ended 30 June 2020 for approval to the board.

No material weaknesses in financial controls that resulted in material financial loss, fraud or errors were identified during the year under review.

Cora Fernandez
Audit committee chair

DIRECTORS' RESPONSIBILITY AND APPROVAL

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Spur Corporation Ltd, comprising the consolidated and separate statements of financial position at 30 June 2020, the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

With the assistance of the internal audit function, the board has reviewed the effectiveness of internal financial controls. In addition, the board has considered information and explanations given by management, as well as conducting discussions with the external auditor, to assess the control environment. The board concludes that the company's system of internal controls and risk management form a sound basis for the preparation of reliable financial statements. The board's opinion is supported by the audit committee.

The directors have made an assessment of the ability of the company and group to continue as going concerns, and have concluded that the businesses will be going concerns in the year ahead. The rationale for this conclusion is detailed in note 2 to the consolidated financial statements.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

The board of directors furthermore acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its mind to the integrated report in its entirety and, in the opinion of the board, the integrated report addresses all material issues, and presents fairly the integrated performance of the group and its impacts.

APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate financial statements of Spur Corporation Ltd, as identified in the first paragraph, as well as the integrated report in its entirety, were approved by the board of directors on Friday, 20 November 2020 and are signed by

Mike Bosman
Chairman
(Authorised director)

Pierre van Tonder
Group chief executive officer
(Authorised director)

DECLARATION BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act (Act No. 71 of 2008, as amended), I certify that the company has lodged with the Commissioner all such returns and notices as required by the Companies Act and that all such returns and notices appear to be true, correct and up to date.

Kilgetty Statutory Services (South Africa) (Pty) Ltd
Company Secretary
Per C Wilson (FCIS)
(Authorised on behalf of the Company Secretary)
20 November 2020

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR TWENTY-FIRST ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

NATURE OF THE BUSINESS

Spur Corporation Ltd (company registration number: 1998/000828/06), which is domiciled and incorporated in the Republic of South Africa and listed on the JSE Ltd, the recognised securities exchange in South Africa, is an investment holding company. Through various subsidiaries, the group carries on the business of franchisor in predominantly the family sit-down and quick service restaurant markets. Through other subsidiaries, the group provides marketing and promotional services to franchisees. A subsidiary of the company, Spur Group Properties (Pty) Ltd, owns certain properties which are owner-occupied from a group perspective. A subsidiary, Share Buy-back (Pty) Ltd, holds treasury shares as authorised by shareholders by way of special resolution on an annual basis. The company also has indirect interests in five local entities that operate four The Hussar Grills and one RocoMamas outlet in South Africa.

The group operates as franchisor for the Spur Steak Ranches (including Spur Grill & Go), Panarottis Pizza Pasta, John Dory's Fish Grill Sushi, The Hussar Grill, RocoMamas (including RocoGo), Casa Bella and Nikos brands. It trades predominantly in South Africa, but has a presence in Australia, Mauritius, the Middle East, and certain African countries including Namibia, Nigeria, Zambia and Kenya.

FINANCIAL REVIEW

Trading performance

The global COVID-19 pandemic and the resultant national lockdown and trading restrictions in South Africa and all countries of operation have had a material impact on Spur Corporation's business operations and financial performance.

Total franchised restaurant sales declined by 21.7% to R6.0 billion for the year to 30 June 2020, as the pandemic adversely impacted trading in the last four months of the financial year.

Sales from franchised restaurants in South Africa decreased by 22.3%, with sales from international restaurants decreasing by 16.7% in rand terms. As local restaurant sales comprise 88.5% of the group's total restaurant sales, the lockdown restrictions in South Africa had the most significant impact on the group's trading performance.

After restaurant sales having increased by 6.0% in South Africa and 4.0% in the international operations in the eight months to February 2020, sales declined dramatically in the weeks leading up to the lockdown in South Africa and decreased by 46.7% for March 2020.

All restaurants in South Africa were closed from the start of the national lockdown on 27 March 2020 until 1 May 2020 and the group did not earn any material income during this period.

Trading restrictions were gradually eased and restaurants were permitted to provide delivery-only service to customers from 1 May 2020. Sales for the month of May 2020 reduced by 87.2% in South Africa relative to the prior year. Takeaway services were permitted from the beginning of June 2020 and sales for the month declined by 83.6% in South Africa relative to the prior year.

Online ordering systems and the ongoing partnerships with third-party delivery services Mr D Food and Uber Eats helped drive customer support during this time.

Restaurants were allowed to resume a full sit-down service from 29 June 2020, subject to strict social distancing protocols, restrictions on the number of customers and a ban on the sale of alcohol. Trading in these conditions proved particularly challenging as the national curfew limited trading hours and customers chose to avoid social contact by staying at home, while the lockdown resulted in financial hardship for many South Africans.

Management committed to supporting franchisees throughout the lockdown, including discounting franchise and marketing fees and granting extended payment terms on certain debts. After waiving fees from mid-March ahead of the start of the lockdown until end-April 2020, the Spur Steak Ranches franchise fee was discounted from 5% to 3% of restaurant turnover and the marketing fee from 4% to 1% from May 2020. The group allowed franchisees to re-open restaurants at their discretion under the various levels of trading restrictions, empowering franchisees to make decisions that were in their personal financial interests. By the end of June 2020, 68% of the restaurants in South Africa had resumed trading, offering either a sit-down, takeaway or delivery service. In international operations, 95% of restaurants had re-opened.

Franchised restaurant sales for the year ended 30 June 2020

	12 months to June 2020 (% change)	8 months to February 2020 (% change)
Spur Steak Ranches	**(22.5)**	6.1
Pizza and Pasta (Panarottis & Casa Bella)	**(24.7)**	3.1
John Dory's Fish Grill Sushi	**(24.5)**	5.9
The Hussar Grill	**(19.6)**	11.9
RocoMamas	**(17.6)**	6.8
Nikos Coalgrill Greek*	**(19.1)**	11.0
Total South African operations	**(22.3)**	**6.0**
Total international operations	**(16.7)**	4.0
Total group	**(21.7)**	**5.8**

* *Nikos Coalgrill Greek was acquired on 1 August 2018.*

Expanding restaurant footprint

During the year, 21 restaurants were opened in South Africa, mostly prior to the start of lockdown, and 17 were closed.

Eighteen international outlets were opened and 11 closed as the group continued to focus its international expansion strategy mainly on territories where the business has an established presence, in order to ultimately reach critical mass. Restaurant openings included Zambia (five), Mauritius (six), Nigeria (two), Kenya (two) and Saudi Arabia (two).

At year-end, the group's restaurant base comprised 631 (June 2019: 620) outlets, including 84 (June 2019: 77) outside of South Africa:

Franchise brand	South Africa	International	Total
Spur Steak Ranches	298	34	332
Pizza and Pasta	91	31	122
John Dory's Fish Grill Sushi	52	3	55
The Hussar Grill	22	2	24
RocoMamas	75	14	89
Nikos Coalgrill Greek	9	-	9
Total	**547**	**84**	**631**

Financial performance

The main financial priorities during lockdown were cash preservation and tight cost management. The group entered lockdown with adequate cash resources and an ungeared balance sheet and did not need to access external funding during lockdown while the business generated limited revenue. As previously advised, the interim dividend for 2020 was deferred to preserve cash. Management introduced a reduced workweek and commensurate 20% salary reduction for all employees from 1 June. Fees for non-executive directors were also reduced by 20%.

Group revenue declined by 19.4% to R761.6 million. Revenue from the South African operations, which accounted for 95.7% of total group revenue, decreased by 19.3% while international revenue declined by 20.9% mainly due to the weak performance from the Australasian operations.

Franchise revenue in Spur declined by 25.9%, Pizza and Pasta by 27.8%, John Dory's by 28.3%, The Hussar Grill by 21.3% and RocoMamas by 22.5%.

Local retail revenue, representing the group's interests in four The Hussar Grill restaurants and one RocoMamas outlet, was 23.0% lower. In addition to the impact of the lockdown restrictions, The Hussar Grill in Camps Bay was closed for six weeks for refurbishment. The Hussar Grill was the brand most impacted by the restriction on the sale of alcohol and the ban on foreign travel into South Africa.

Revenue in the manufacturing and distribution division declined by 8.2%.

Profit before income tax in the South African operations declined by 50.8%, and by 41.0% excluding the impact of the marketing funds. Profit in the manufacturing and distribution segment declined by 20.2%, the Spur brand by 30.1% and RocoMamas by 27.6%.

In the international division, revenue in the operations in Africa, Mauritius and the Middle East declined by 11.3%. Revenue in Australasia declined by 58.2% as the extremely challenging trading conditions continued, compounded by stringent lockdown conditions in Australia and the permanent closure of an additional restaurant in March 2020.

Profit before income tax declined by 50.3%. This includes restaurant asset impairments of R7.1 million owing to the weaker outlook due to COVID-19, an impairment recovery of R10.8 million (2019: impairment loss of R6.7 million) related to the Grand Parade Investments Ltd black economic empowerment transaction, impairment allowances for expected credit losses (which increased as a result of COVID-19) of R13.2 million (2019: R10.0 million), an IFRS 16-related charge of R2.9 million for interest and depreciation of right-of-use assets and R1.8 million for the refurbishment of the sauce manufacturing facility. The prior year includes R2.4 million relating to the settlement of a legal dispute with a former franchisee in Zambia and R1.4 million in severance payments following a restructure in the group's décor manufacturing business.

Comparable profit before income tax, excluding exceptional and one-off items and the impact of marketing funds, declined by 40.9%.

Headline earnings decreased by 56.1% to R72.5 million, with diluted headline earnings per share 52.1% lower at 82.96 cents.

No final dividend has been declared. Shareholders are referred to the announcement on SENS on 3 September 2020 regarding the deferment of the payment of the dividend for the six months to December 2019 until the publication of the group's interim results for the period ending 31 December 2020, which are expected to be released in March 2021.

Trading update for the period July to October 2020

Trading for the first four months of the 2021 financial year, covering the period since lockdown restrictions were eased to allow sit-down restaurant service, is showing a steadily improving monthly growth trend ahead of management's expectations.

The South African restaurants traded at 92.8% of the prior year's turnover for the month of October, improving from 36.5% for July, 56.7% for August and 73.8% for September. The strongest performing brands were Spur and RocoMamas.

Spur Steak Ranches achieved restaurant turnover of 93.9% of the prior year for October.

International restaurants traded at 97.5% of the prior year in October, with the restaurants in Mauritius, Zambia and the Middle East showing a strong recovery following the lifting of restrictions.

Restaurant turnover as a percentage of prior year:

Brand	July	Aug	Sept	Oct
Spur Steak Ranches	34.6	56.2	72.1	93.9
Pizza and Pasta	31.7	49.6	63.2	89.3
John Dory's	24.8	45.1	66.5	78.9
The Hussar Grill	22.6	45.6	93.7	80.4
RocoMamas	66.5	78.6	86.5	103.7
Nikos Coalgrill Greek	41.7	61.3	85.3	82.2
Total South Africa	36.5	56.7	73.8	92.8
International	76.0	69.0	83.9	97.5
Total group	40.9	58.2	74.8	93.3

The number of restaurants trading has grown consistently since June and by the end of October 2020, 612 of the group's 631 restaurants had re-opened.

Number of restaurants trading post lockdown (month-end):

Brand	June	July	Aug	Sept	Oct	Total restaurants*
Spur Steak Ranches	210	263	277	288	291	298
Pizza and Pasta	56	74	79	80	83	91
John Dory's	36	44	46	47	47	52
The Hussar Grill	5	17	19	20	21	22
RocoMamas	61	69	74	75	75	75
Nikos Coalgrill Greek	6	7	7	7	7	9
Total South Africa	374	474	502	517	524	547
International	80	81	81	83	88	84
Total restaurants trading	454	555	583	600	612	631

* *Active franchise agreements at 30 June 2020.*

Outlook

The restaurant industry faces a protracted period of recovery following the devastating financial and social impact of the COVID-19 lockdown on consumers and restaurant owners. The current weak trading environment is expected to continue in the medium term and could be further impacted by expected widespread job losses as well as a second wave of infections similar to what is being experienced in several other countries.

In this tight consumer environment, the group will continue to capitalise on the strength and appeal of its brands and customer loyalty, and remains committed to offering value and a safe and entertaining family restaurant experience.

The group's priority is to ensure the financial sustainability of franchisees. Strategies have been implemented to restore franchisee profitability by driving turnover through promotions and value campaigns.

As franchisees are starting to report stronger turnover levels post the hard lockdown, franchise and marketing fees are being increased but remain at discounted levels. Gradual increases in the fee rates are anticipated as restaurant turnovers continue to recover.

Management continues to focus on the tight cost management disciplines applied from the start of the COVID-19 lockdown and is also reviewing the cost structure of the international operations.

The group is also engaged in securing more competitively priced third-party delivery services and developing technology to support online ordering, payment and customer loyalty.

Shortly before year-end, the group introduced its first virtual brands to capitalise on the growing global trend to home consumption, which has been accelerated by COVID-19. These brands increase appeal to a wider target market audience, attract different generations and lifestyles and enable the business to enter new product categories. The virtual, online, delivery-only brands operate from existing brick and mortar host restaurants and require limited additional investment by franchisees while offering the opportunity to generate incremental turnover.

The first four virtual brands, The Goodie Box, Pizza Pug, Reel Sushi and Bento, were trialled in June. Additional virtual brands which have been trial launched since the year-end include RibShack Rocofellas, Brooklyn Pizza Kitchen, Char Grill Chicken and Mexi Go-Go, while further brands are being explored.

The group will also be introducing home meal kits and investigating further plant-based protein products in response to these growing trends.

In the year ahead, 21 restaurants are planned to open in South Africa, mainly under the Spur, Panarottis and RocoMamas brands. Eight new international restaurants are planned across Zambia (three), Eswatini (two), Ghana, Zimbabwe and Saudi Arabia.

Further details of the impact of COVID-19 on the group are included in note 2 of the consolidated financial statements.

SHARE CAPITAL

The number of authorised shares has remained at 201 000 000 ordinary shares of 0.001 cents each, for the year ended 30 June 2020.

At a meeting of shareholders on 25 September 2019, shareholders approved the repurchase and cancellation of 10 848 093 shares in the company ("the GPI Shares") previously issued to a subsidiary of Grand Parade Investments Ltd in October 2014 as part of a broad-based black economic empowerment transaction, as well as the repurchase (by the company) and cancellation of 6 635 901 treasury shares ("the Buy-back Shares") previously acquired by a wholly-owned subsidiary of the company. The transactions were implemented with effect from 15 October 2019. Consequently, the total number of shares in issue were reduced from 108 480 926 to 90 996 932 in October 2019.

Subsequent to these transactions, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 110 000 (2019: 853 000) Spur Corporation Ltd shares at an average cost of R26.87 (2019: R22.99) per share, totalling R2.956 million (2019: R19.609 million). In addition, a wholly-owned subsidiary of the company, Spur Group (Pty) Ltd, acquired 231 787 (2019: 209 800) shares from The Spur Management Share Trust (a consolidated structured entity) to be held in escrow on behalf of participants of the Spur Group Forfeitable Share Plan ("FSP"). 137 000 (2019: 133 000) shares were issued to participants of the FSP in April 2020 (2019: April 2019) as the second (2019: first) tranche of shares, granted in April 2017 (2019: April 2016), vested during the year.

At the reporting date, the group owned 595 587 (2019: 7 026 701) treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd. In addition 5 933 111 (2019: 6 164 898) shares are held by The Spur Management Share Trust and 500 000 (2019: 500 000) by The Spur Foundation Trust. The Spur Management Share Trust and The Spur Foundation Trust are special purpose entities that are required to be consolidated by the group for financial reporting purposes only. Consequently, the net number of shares in issue at 30 June 2020 was 83 968 234 (2019: 94 789 327).

EMPLOYEE SHARE-LINKED INCENTIVE SCHEMES

Details of employee share-linked incentive schemes are detailed in note 26.4 of the consolidated financial statements.

INTEREST IN SUBSIDIARY COMPANIES

Details of the share capital and the company's interests in the subsidiary companies are included in note 5 of the consolidated financial statements.

CASH DIVIDEND

A final cash dividend in respect of the 2019 financial year of R79.191 million (73.0 cents per share) was paid to shareholders on 7 October 2019. An interim cash dividend in respect of the 2020 financial year of R70.978 million (78.0 cents per share) was declared on 26 February 2020. Shareholders were advised on 30 March 2020, following the implementation of a lockdown in response to the COVID-19 pandemic in South Africa, that payment of the dividend would be deferred until 5 October 2020. Shareholders were further advised on 3 September 2020 that payment of the dividend had been further deferred as the board was not able to conclude that, in the event the dividend was to be paid on 5 October 2020, the company would meet the liquidity and solvency requirements of the Companies Act under all reasonably foreseeable future conditions for a period of 12 months following the payment date of the dividend. The board will accordingly re-assess the liquidity and solvency tests prescribed by the Companies Act prior to the publication of the group's interim results for the six months ending 31 December 2020, which is expected to be published in March 2021.

SPECIAL RESOLUTIONS

On 25 September 2019, at a general meeting of shareholders, special resolutions were passed to grant the directors the specific authority to re-acquire the GPI Shares and Buy-back Shares as referred to above.

On 6 December 2019, at the company's annual general meeting, a special resolution was passed in terms of which the directors were granted the authority to contract the company, or one of its wholly-owned subsidiaries, to acquire shares in the company issued by it, should the company comply with the relevant statutes and authorities applicable thereto. At the same meeting, special resolutions were passed in terms of which the directors were granted the authority to cause the company to provide financial assistance to any entity which is related or interrelated to the company, and to remunerate non-executive directors for their services as directors.

Full details of the special resolutions passed will be made available to shareholders on request.

DIRECTORS AND SECRETARY

Details of the directors as at the date of this report, together with the name, business and postal address of the company secretary, are set out on the inside back cover of this report.

At the annual general meeting of 6 December 2019, shareholders approved the appointments of Ms Cora Fernandez and Prof Shirley Zinn to the board with effect from 17 June 2019.

Messrs Mntungwa Morojele and Muzi Kuzwayo retired by rotation from the board on 6 December 2019. Mr Morojele, being eligible, offered himself for re-election and was re-elected, while Mr Kuzwayo advised the board that, as a result of his long tenure, he would not stand for re-election.

On 20 July 2020, shareholders were advised that chief executive officer ("CEO") and executive director, Mr Pierre van Tonder, would be retiring with effect from 31 December 2020.

On 31 August 2020, shareholders were advised that group chief operating officer and executive director, Mr Mark Farrelly, had resigned with effect from 31 August 2020.

On 3 September 2020, shareholders were advised that Mr Mntungwa Morojele and Ms Dineo Molefe had resigned as non-executive directors with effect from 1 September 2020 and 3 September 2020 respectively.

On 1 October 2020, shareholders were advised of the appointments of Ms Jesmane Boggenpoel, Ms Lerato Molebatsi, Mr André Parker and Mr Sandile Phillip as independent non-executive directors with effect from 15 October 2020. Messrs Kevin Robertson (group chief operations officer), Sacha du Plessis (group chief marketing officer) and Graeme Kiewitz (group human resources executive) were appointed as executive directors to the board with effect from 15 October 2020. It was further announced that Ms Val Nichas would succeed Mr Van Tonder as CEO, and be appointed as an executive director, with effect from 1 January 2021. It was also announced that group chief financial officer ("CFO"), Phillip Matthee, would resign as CFO and a director of the company on 31 January 2021 and that Ms Cristina Teixeira would succeed him as CFO, and be appointed as an executive director, with effect from 1 February 2021.

Ms Cora Fernandez was appointed as lead independent director from 2 November 2020.

Service agreements with the directors of Spur Corporation Ltd at the date hereof do not impose any abnormal notice periods on the company or the directors in question.

The company secretary is Kilgetty Statutory Services (South Africa) (Pty) Ltd ("Kilgetty"). Kilgetty was appointed as interim company secretary with effect from 1 August 2019 following the resignation of the previous company secretary with effect from 31 July 2019. The board has considered, and is satisfied, that Kilgetty has the necessary competence, qualifications and experience to adequately fulfil the role of company secretary and accordingly, on 4 March 2020, appointed Kilgetty as the company secretary on a permanent basis.

DIRECTORS' INTERESTS

No contracts in which the directors or officers of the company or group had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries, were entered into during the year, save as disclosed in note 44 of the consolidated financial statements. Details of transactions between the company's subsidiaries and directors are detailed in note 44 of the consolidated financial statements.

Shares

Details of directors' interests in the ordinary shares are as follows:

	2020			2019		
	Direct beneficial	**Indirect beneficial**	**Held by associates**	Direct beneficial	Indirect beneficial	Held by associates
Pierre van Tonder	**30 000**	–	–	15 000	–	–
Mark Farrelly#	**20 000**	–	–	10 000	–	–
Phillip Matthee	**10 000**	–	–	5 000	–	–
Total	**60 000**	–	–	30 000	–	–
% interest*	**0.1**	–	–	0.0	–	–

* *These percentages are based on shares in issue less shares repurchased by subsidiary companies, Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd.*

Resigned with effect from 31 August 2020.

The above shares have been issued to the individuals in terms of the group's long-term Forfeitable Share Plan (as detailed in note 26.4 of the consolidated financial statements). While the shares have vested and are beneficially owned by the participants, they are still subject to a holding period of two years following the vesting date, during which the participants may not freely trade in the shares.

There have been no changes in directors' interests in share capital from 30 June 2020 to the date of issue of this integrated report.

SHAREHOLDERS' INTEREST IN SHARES

Major shareholders

The following are shareholders (excluding directors) holding 3% or more of the company's issued share capital at 30 June 2020:

	No. of shares	%*
Coronation Fund Managers	13 216 618	14.6
Allan Gray	8 684 309	9.6
Grand Parade Investments Ltd	8 447 731	9.3
Foord Asset Management	6 885 891	7.6
Aylett & Co	3 539 270	3.9
Government Employees Pension Fund	2 749 017	3.0

* *These percentages are based on shares in issue less shares repurchased by subsidiary companies, Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd.*

Public/non-public shareholders

An analysis of public and non-public shareholders is presented below:

	No. of shareholders	No. of shares	%
Non-public shareholders			
Directors and associates	3	60 000	0.1
Subsidiaries holding treasury shares	2	595 587	0.7
The Spur Management Share Trust	1	5 933 111	6.5
The Spur Foundation Trust	1	500 000	0.5
Major shareholder	1	13 216 618	14.5
Public shareholders	3 777	70 691 616	77.7
Total	**3 785**	**90 996 932**	**100.0**

Analysis of shareholding

An analysis of the spread of shareholding is presented below:

Shareholder spread	No. of shareholders	%	No. of shares	%
1 – 10 000 shares	3 388	89.5	2 920 076	3.2
10 001 – 25 000 shares	151	4.0	2 450 021	2.7
25 001 – 50 000 shares	81	2.1	2 922 531	3.2
50 001 – 100 000 shares	52	1.4	3 673 326	4.0
100 001 – 500 000 shares	76	2.0	16 904 876	18.6
500 001 – 1 000 000 shares	19	0.5	12 851 198	14.1
1 000 001 shares and over	18	0.5	49 274 904	54.2
Total	**3 785**	**100.0**	**90 996 932**	**100.0**

Distribution of shareholders	No. of shareholders	%	No. of shares	%
Banks/brokers	31	0.8	2 805 568	3.1
Endowment Funds	22	0.6	451 769	0.5
Individuals	3 181	84.0	4 612 683	5.1
Insurance companies	26	0.7	2 813 103	3.1
Medical funds	7	0.2	212 409	0.2
Mutual funds	117	3.1	48 884 699	53.7
Pension and retirement funds	146	3.9	12 260 300	13.5
Own holdings	2	0.1	595 587	0.7
Spur Management Share Trust	1	0.0	500 000	0.5
The Spur Foundation Trust	1	0.0	5 933 111	6.5
Other corporate bodies	251	6.6	11 927 703	13.1
Total	**3 785**	**100.0**	**90 996 932**	**100.0**

BORROWINGS

In terms of the Memorandum of Incorporation of the company and its main local operating entity, Spur Group (Pty) Ltd, the borrowing powers of the directors of these companies are unlimited. The group has no formal borrowings as at 30 June 2020.

COMPLIANCE WITH APPLICABLE LAWS

The board confirms that the company has complied with the provisions of the Companies Act relating to the company's incorporation and that the company is operating in conformity with its Memorandum of Incorporation.

GOING CONCERN

The financial statements have been prepared on the going concern basis.

The board has performed a review of the company and group's ability to continue trading as going concerns in the foreseeable future and, based on this review, considers that the presentation of the financial statements on this basis is appropriate. Further details are included in note 2 of the consolidated financial statements.

There are no pending or threatened legal or arbitration proceedings which have had or may have a material effect on the financial position of the company or group, save for those disclosed in note 46 of the consolidated financial statements.

SUBSEQUENT EVENTS

Details of material events occurring subsequent to 30 June 2020 but prior to the date of issue of this report are detailed in note 45 of the consolidated financial statements. Further details regarding the impact of COVID-19 on the company's performance are included in note 2 of the consolidated financial statements. Save for these matters, there have been no material changes in the financial or trading position of the company or group after 30 June 2020 to the date of this report.

COMPANY INFORMATION

The company's registration number and registered address are presented on the inside back cover of this report. Shareholders and members of the public are advised that the register of the interests of directors, executives, senior management and other shareholders in the shares of the company is available upon request from the company secretary.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SPUR CORPORATION LTD

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Spur Corporation Ltd (the group and company) set out on pages 16 to 128, which comprise the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Spur Corporation Ltd as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter below relates to our audit of the consolidated financial statements, no key audit matters have been identified in relation to our audit of the separate financial statements.

Impairment of intangible assets and goodwill

Refer to note 16 as well as significant accounting policies 47.1.5, 47.5 and 47.7.1 to the consolidated financial statements.

Key audit matter

Intangible assets and goodwill comprise a significant portion (46%) of the total assets of the group in the consolidated statement of financial position.

As required by *IAS 36 – Impairment of Assets* (IAS 36), the directors conduct annual impairment assessments to test the recoverability of the carrying amounts of the intangible assets and goodwill. The impairment assessments are performed for each cash generating unit (CGU) to determine the recoverable amount of each CGU based on their value-in-use.

A discounted cash flow valuation methodology is applied in the determination of recoverable amounts of the CGUs. Note 16.3 to the consolidated financial statements discloses a number of key assumptions applied in determining the value-in-use of each CGU. These assumptions are inputs into the discounted cash flow model and include:

– Revenue forecasts;
– Forecast cash outflows including operating expenditure;
– Perpetuity growth rates; and
– The discount rates applied to the projected future cash flows.

Due to the magnitude of the aggregate carrying amounts of goodwill and other intangible assets, the significant judgements required by the directors in determining the value-in-use of each CGU to which these assets are allocated, the increased complexities in making these assumptions as a result of the COVID-19 pandemic and the significant audit effort required which included the involvement of our own experts, impairment of goodwill and other intangible assets was considered a key audit matter in the audit of the consolidated financial statements.

How the matter was addressed in our audit

Our audit procedures included:

– We critically evaluated the discounted cash flow models used by the directors to calculate the value-in-use of the individual cash-generating units to evaluate the relevance, reliability and appropriateness of these cash flow models.
– We evaluated the valuation methodology for compliance with the requirements of IAS 36.
– We engaged our corporate finance experts to test and challenge the impairment assessments performed by the directors, particularly focusing on the assumptions made, by performing the following procedures:
  - evaluating the appropriateness of the discount rates used for each CGU and the perpetuity growth rates used in relation to external market data.
  - assessing the reasonableness of key assumptions used relating to revenue and cash flow growth, for each CGU, in relation to our knowledge of the group, the industry in which it operates and the current macro-economic environment including the effects of COVID-19, and through performing the procedures on the projected cash flows as described below.
    - comparing the projected cash flows, including the key assumptions relating to revenue forecasts, cash outflows including operating expenditure, growth and perpetuity growth rates, against historical performance, adjusted for conditions based on the potential impact of COVID-19 on future cash flows, to assess the accuracy and reliability of the directors' projections.
  - we assessed the appropriateness of the disclosures in the consolidated financial statements against the requirements of IAS 36.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Spur Corp. Annual Financial Statements and the Spur Corp. Integrated Report, but does not include the consolidated and separate financial statements and our opinion thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Spur Corporation Ltd for 21 years.

KPMG Inc.
Registered Auditor

Per I Engels
Chartered Accountant (SA)
Registered Auditor
Director
20 November 2020

The Halyard
4 Christiaan Barnard Street
Cape Town City Centre
8000

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Note	2020 R'000	2019 R'000
Revenue	7	**761 620**	944 779
Cost of sales		**(198 132)**	(207 878)
Gross profit		**563 488**	736 901
Other income	8	**7 449**	1 918
Administration expenses		**(143 463)**	(157 430)
Impairment losses – financial instruments and lease receivable	9	**(2 805)**	(20 375)
Marketing expenses		**(173 962)**	(195 030)
Operations expenses		**(98 994)**	(105 861)
Other non-trading losses	9	**(7 076)**	(1 555)
Retail operating expenses		**(30 434)**	(32 555)
Operating profit before finance income	9	**114 203**	226 013
Net finance income	10	**14 034**	32 409
Interest income	10	**19 336**	32 445
Interest expense	10	**(5 302)**	(36)
Share of loss of equity-accounted investee (net of income tax)	11	**(463)**	(1 345)
Profit before income tax		**127 774**	257 077
Income tax expense	12	**(57 117)**	(84 659)
Profit		**70 657**	172 418
Other comprehensive income#		**(1 357)**	687
Foreign currency translation differences for foreign operations		**(1 575)**	771
Foreign exchange loss on net investments in foreign operations		**(30)**	(84)
Reclassification of foreign currency loss from other comprehensive income to profit or loss, on abandonment of foreign operations		**248**	–
Total comprehensive income		**69 300**	173 105
Profit attributable to:			
Owners of the company		**66 924**	165 118
Non-controlling interests	27	**3 733**	7 300
Profit		**70 657**	172 418
Total comprehensive income attributable to:			
Owners of the company		**65 567**	165 805
Non-controlling interests	27	**3 733**	7 300
Total comprehensive income		**69 300**	173 105
Earnings per share (cents)			
Basic earnings	13	**76.87**	173.69
Diluted earnings	13	**76.62**	173.22

All items included in other comprehensive income are items that are, or may be, reclassified to profit or loss.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

	Note	2020 R'000	2019 R'000
ASSETS			
Non-current assets		**518 466**	481 344
Property, plant and equipment	14	**102 182**	100 390
Right-of-use assets	15	**41 921**	–
Intangible assets and goodwill	16	**365 253**	369 092
Loans receivable	17	**2 929**	5 391
Deferred tax	19	**6 181**	3 085
Leasing rights	20	**–**	3 386
Current assets		**276 437**	557 494
Inventories	21	**16 148**	10 299
Tax receivable	22	**28 073**	36 939
Trade and other receivables	23	**55 619**	106 011
Loans receivable	17	**4 022**	105 961
Contingent consideration receivable	24	**4 555**	–
Restricted cash	25	**731**	14 305
Cash and cash equivalents	25	**167 289**	283 979
TOTAL ASSETS		**794 903**	1 038 838
EQUITY			
Total equity		**535 615**	876 295
Ordinary share capital	26.1	**1**	1
Share premium		**34 309**	294 663
Shares repurchased by subsidiaries	26.2	**(15 118)**	(126 811)
Foreign currency translation reserve	26.3	**29 012**	30 369
Share-based payments reserve	26.4	**3 473**	4 400
Retained earnings		**475 501**	663 093
Total equity attributable to owners of the company		**527 178**	865 715
Non-controlling interests	27	**8 437**	10 580
LIABILITIES			
Non-current liabilities		**127 883**	89 596
Contingent consideration liability	24	**1 589**	1 011
Contract liabilities	28	**29 342**	29 045
Operating lease liability	29	**–**	3 110
Lease liabilities	30	**39 740**	–
Deferred tax	19	**57 212**	56 430
Current liabilities		**131 405**	72 947
Tax payable		**2 229**	1 396
Trade and other payables	31	**43 707**	66 611
Loans payable	32	**196**	–
Contract liabilities	28	**5 808**	4 226
Lease liabilities	30	**13 208**	–
Shareholders for dividend	33	**66 257**	714
TOTAL EQUITY AND LIABILITIES		**794 903**	1 038 838

CONSOLIDATED
FINANCIAL STATEMENTS
(continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

		Attributable to owners of the company									
R'000	Note	Number of shares (net of treasury shares) '000	Ordinary share capital	Share premium	Shares repurchased by subsidiaries	Foreign currency translation reserve	Share-based payments reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 July 2018		**95 509**	**1**	**294 663**	**(107 202)**	**29 682**	**3 731**	**621 806**	**842 681**	**9 424**	**852 105**
IFRS 9 adjustment on initial application		–	–	–	**–**	**–**	**–**	**(8 855)**	**(8 855)**	**(21)**	**(8 876)**
Restated balance at 1 July 2018		**95 509**	**1**	**294 663**	**(107 202)**	**29 682**	**3 731**	**612 951**	**833 826**	**9 403**	**843 229**
Total comprehensive income											
Profit		**–**	**–**	**–**	**–**	**–**	**–**	**165 118**	**165 118**	**7 300**	**172 418**
Other comprehensive income		**–**	**–**	**–**	**–**	**687**	**–**	**–**	**687**	**–**	**687**
Foreign currency translation differences for foreign operations		–	–	–	–	771	–	–	771	–	771
Foreign exchange loss on net investments in foreign operations		–	–	–	–	(84)	–	–	(84)	–	(84)
Total comprehensive income		**–**	**–**	**–**	**–**	**687**	**–**	**165 118**	**165 805**	**7 300**	**173 105**
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners		**(720)**	**–**	**–**	**(19 609)**	**–**	**669**	**(114 976)**	**(133 916)**	**(6 840)**	**(140 756)**
Equity-settled share-based payment	12.4 & 26.4	–	–	–	–	–	3 272	100	3 372	–	3 372
Indirect costs arising on intragroup sale of shares related to equity-settled share-based payment	26.4	–	–	–	–	–	–	(610)	(610)	–	(610)
Issue of shares on vesting of FSP awards	26.4	133	–	–	–	–	(2 603)	2 603	–	–	–
Purchase of treasury shares	26.2	(853)	–	–	(19 609)	–	–	–	(19 609)	–	(19 609)
Dividends	33	–	–	–	–	–	–	(117 069)	(117 069)	(6 840)	(123 909)
Changes in ownership interests in subsidiaries											
Acquisition of controlling shareholding in subsidiary	40	–	–	–	–	–	–	–	–	717	717
Total transactions with owners		**(720)**	**–**	**–**	**(19 609)**	**–**	**669**	**(114 976)**	**(133 916)**	**(6 123)**	**(140 039)**
Balance at 30 June 2019		**94 789**	**1**	**294 663**	**(126 811)**	**30 369**	**4 400**	**663 093**	**865 715**	**10 580**	**876 295**
IFRS 16 adjustment on initial application	4.1	–	–	–	–	–	–	(5 078)	(5 078)	326	(4 752)
Restated balance at 1 July 2019		**94 789**	**1**	**294 663**	**(126 811)**	**30 369**	**4 400**	**658 015**	**860 637**	**10 906**	**871 543**
Total comprehensive income											
Profit		**–**	**–**	**–**	**–**	**–**	**–**	**66 924**	**66 924**	**3 733**	**70 657**
Other comprehensive income ("OCI")		**–**	**–**	**–**	**–**	**(1 357)**	**–**	**–**	**(1 357)**	**–**	**(1 357)**
Foreign currency translation differences for foreign operations		**–**	**–**	**–**	**–**	**(1 575)**	**–**	**–**	**(1 575)**	**–**	**(1 575)**
Foreign exchange loss on net investments in foreign operations		**–**	**–**	**–**	**–**	**(30)**	**–**	**–**	**(30)**	**–**	**(30)**
Reclassification of foreign currency loss from OCI to profit or loss, on abandonment of foreign operations		**–**	**–**	**–**	**–**	**248**	**–**	**–**	**248**	**–**	**248**
Total comprehensive income		**–**	**–**	**–**	**–**	**(1 357)**	**–**	**66 924**	**65 567**	**3 733**	**69 300**
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners		**(10 821)**	**–**	**(260 354)**	**111 693**	**–**	**(927)**	**(249 438)**	**(399 026)**	**(6 202)**	**(405 228)**
Equity-settled share-based payment	12.4 & 26.4	**–**	**–**	**–**	**–**	**–**	**2 228**	**347**	**2 575**	**–**	**2 575**
Indirect costs arising on intragroup sale of shares related to equity-settled share-based payment	26.4	**–**	**–**	**–**	**–**	**–**	**–**	**(898)**	**(898)**	**–**	**(898)**
Issue of shares on vesting of FSP awards	26.4	**137**	**–**	**–**	**–**	**–**	**(3 155)**	**3 155**	**–**	**–**	**–**
Repurchase and cancellation of shares	26.2	**(10 848)**	**–**	**(260 354)**	**114 649**	**–**	**–**	**(114 649)**	**(260 354)**	**–**	**(260 354)**
Costs relating to repurchase and cancellation of shares	26.2	**–**	**–**	**–**	**–**	**–**	**–**	**(2 702)**	**(2 702)**	**–**	**(2 702)**
Purchase of treasury shares	26.2	**(110)**	**–**	**–**	**(2 956)**	**–**	**–**	**–**	**(2 956)**	**–**	**(2 956)**
Dividends	33	**–**	**–**	**–**	**–**	**–**	**–**	**(134 691)**	**(134 691)**	**(6 202)**	**(140 893)**
Total transactions with owners		**(10 821)**	**–**	**(260 354)**	**111 693**	**–**	**(927)**	**(249 438)**	**(399 026)**	**(6 202)**	**(405 228)**
Balance at 30 June 2020		**83 968**	**1**	**34 309**	**(15 118)**	**29 012**	**3 473**	**475 501**	**527 178**	**8 437**	**535 615**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	Notes	2020 R'000	2019 R'000
Cash flow from operating activities			
Operating profit before working capital changes	34	**147 804**	260 804
Working capital changes	35	**29 945**	(15 885)
Cash generated from operations		**177 749**	244 919
Interest income received	36	**56 638**	22 014
Interest expense paid	37	**(4 721)**	(36)
Tax paid	38	**(53 410)**	(81 408)
Dividends paid	39	**(75 350)**	(123 826)
Net cash flow from operating activities		**100 906**	61 663
Cash flow from investing activities			
Acquisition of business	40	**–**	(5 012)
Additions of intangible assets	16	**(2 817)**	(1 513)
Additions of property, plant and equipment	14	**(14 565)**	(9 320)
Increase in investment in associate	11	**(899)**	(1 241)
Loans receivable advanced	17	**(3 879)**	(3 648)
Proceeds from disposal of property, plant and equipment	41	**592**	66
Proceeds from settlement of GPI receivable	17.5	**72 328**	–
Repayment of loans receivable	17	**5 737**	9 490
Net cash flow from investing activities		**56 497**	(11 178)
Cash flow from financing activities			
Acquisition of treasury shares	26.2	**(2 956)**	(19 609)
Loans received from non-controlling shareholders	32	**196**	–
Payment of lease liabilities	30	**(8 335)**	–
Repurchase of shares (including transaction costs)	26.2	**(263 056)**	–
Net cash flow from financing activities		**(274 151)**	(19 609)
Net movement in cash and cash equivalents		**(116 748)**	30 876
Effect of foreign exchange fluctuations		**58**	4
Net cash and cash equivalents at beginning of year		**283 979**	253 099
Net cash and cash equivalents at end of year	25	**167 289**	283 979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE

1. ABOUT THESE FINANCIAL STATEMENTS

1.1 REPORTING ENTITY

Spur Corporation Ltd ("the company") is a company domiciled in South Africa. The consolidated financial statements of the company as at and for the year ended 30 June 2020 comprise the company, its subsidiaries, consolidated structured entities and the group's interests in equity-accounted investees, together referred to as "the group".

Where reference is made to "the group" in the accounting policies, it should be interpreted as referring to the company where the context requires, unless otherwise stated.

1.2 BASIS OF ACCOUNTING

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa (Act No. 71 of 2008, as amended).

Details of the group's accounting policies are set out in note 47 and have been applied consistently, in all material respects, to all years presented in these consolidated and separate financial statements, save for the adoption of *IFRS 16 – Leases* effective for the financial year commencing 1 July 2019, as detailed in note 4.

The financial statements were prepared under the supervision of the group chief financial officer, Phillip Matthee CA(SA), and authorised for issue by the directors on Friday, 20 November 2020. The financial statements were published on Friday, 20 November 2020.

The financial statements are presented in South African rands, which is the company's functional currency and the group's presentation currency, rounded to the nearest thousand, unless otherwise stated. They are prepared on the going concern basis (refer note 2).

The financial statements have been prepared on the historical cost basis except in the case of the contingent consideration receivable/liability measured at fair value (refer note 24).

2 IMPACT OF COVID-19 AND GOING CONCERN

The first positive case of the COVID-19 virus in South Africa was reported on 5 March 2020. Following the example of governments in other countries, the South African government responded quickly and decisively to curb the spread of the virus. On 23 March 2020, President Cyril Ramaphosa announced a complete ("hard") national lockdown in South Africa commencing on 27 March 2020. Subsequent to the hard lockdown, various levels of trading restrictions were imposed.

The immediate impact of the hard lockdown was a sudden and severe reduction in economic activity. This has resulted in lower formal employment, lower discretionary income and a severe drop in consumer confidence, which has impacted on the ability of the group's target market to frequent restaurants.

The impact of the COVID-19 pandemic and the resulting trading restrictions imposed in South Africa and globally have had a material impact on the group's independently owned franchises and, as a consequence, the group's business and financial performance. In addition to general trading restrictions and the economic impact of the lockdown on consumers, the hospitality industry, including restaurants, has been particularly hard hit by the impact of travel restrictions and customer concerns regarding safety.

A timeline of trading restrictions imposed on the restaurant industry in South Africa is listed below:

27 March 2020 to 30 April 2020	– Complete prohibition on trading
1 May 2020 to 31 May 2020	– Trading for delivery business only
1 June 2020 to 28 June 2020	– Trading for delivery and collection business only
29 June 2020 onwards	– Sit-down trade recommenced, subject to strict social distancing protocols (including capacity limitations)
18 August 2020 onwards	– Resumption of alcohol sales in restaurants permitted
20 September 2020 onwards	– Lockdown level reduced to level 1; restaurants still subject to social distancing protocols

Various levels of trading restrictions have similarly been imposed in most of the international markets in which the group trades.

The sustainability of the group is highly dependent on the sustainability of its independently owned and operated franchised business units.

2 IMPACT OF COVID-19 AND GOING CONCERN continued

2.1 The impact on our franchisees

The restaurant franchise business operates on a relatively low cash flow margin, which is very much dependent on sales to customers. While cost of sales and franchise and marketing fees are direct variable costs, much of the remaining cost base is either fixed (including costs of occupancy) or semi-variable (including employment costs, utilities and various administration costs).

The sudden and significant loss of sales therefore resulted in most franchisees incurring significant cash flow losses during the initial hard lockdown, with continuing cash flow losses (although to a lesser extent) being incurred until the resumption of sit-down trade.

The group's brands are predominantly targeted at sit-down customers – the impact of not being able to serve the sit-down market was therefore pronounced. The exception was the RocoMamas brand, where the brand's product is more conducive to delivery and takeaway, which was the least impacted by trading restrictions.

Most franchisees were able to take advantage of the South African government's Temporary Employer/Employee Relief Scheme ("TERS") which partially funded reduced employee wages during the lockdown period.

In most cases, the single biggest overhead cost for franchisees is property rentals. Most franchisees approached their landlords for temporary relief. Various formal and informal arrangements have been concluded between certain franchisees and landlords, but this is not the case in all instances. The negotiation of repayment plans and restructuring of rentals between franchisees and landlords is ongoing.

The group temporarily discounted its franchise and marketing fund contribution fee structures during the pandemic in an effort to assist franchisees' cash flow. In addition, extended payment terms have been granted to franchisees: upon application, payment of franchise and marketing fund contribution fees for March 2020 have been deferred until October 2020; upon application, payment holidays of six months have been extended on certain franchisees' historic debts and loans (to recommence in October 2020).

2.2 The impact on the group

The combined impact of lower restaurant sales and discounted franchise and marketing fund contribution fees has resulted in a material reduction in revenue (franchise and marketing fund contribution fee revenue) from April 2020 to June 2020 (and beyond), although with declining severity as trading restrictions are relaxed.

Most of the group's revenue is either directly or indirectly linked to restaurant sales. The group has therefore seen commensurate reductions in revenue earned on the sales of sauces and peripheral supplies through its manufacturing division, as well as commission revenue earned on the sales of restaurant supplies through the group's outsourced distributor.

As a franchise business, most of the group's franchise-related overhead costs are employment-related costs. These are therefore not directly variable in the short term. As part of the group's austerity measures, the group reduced the standard workweek of all employees to four days (or 30 hours) and reduced salaries commensurately across the board by 20%* with effect from 1 June 2020 to 30 September 2020. A number of voluntary retrenchments were approved subsequent to the reporting date.

Marketing expenses are typically funded by marketing fund contributions from franchisees. The reduction in marketing fund contribution revenue necessitated an immediate and substantial reduction in marketing expenditure which was implemented in April 2020. A number of suppliers of marketing-related services are subject to contractual terms for defined periods. The group engaged with all suppliers subject to more than a one-month contract period or notice period to negotiate more favourable terms with mixed success. To the extent that marketing funds are in a cumulative deficit position, this deficit has been funded by the group and will be recovered from future marketing fund contribution revenue by planned underspending in the respective marketing funds in future years.

All other discretionary costs were reduced to the extent possible.

On 26 February 2020, the board declared an interim dividend in respect of the 2020 financial year of R70.978 million, payable on 6 April 2020. Following the outbreak of COVID-19 and the potential impact of long-term trading restrictions on the group's cash reserves, the board advised shareholders on 30 March 2020 that payment of the dividend would be deferred until 5 October 2020. On 3 September 2020, the board further advised shareholders that payment of the dividend would be deferred, with a decision on the payment date expected to be announced in March 2021. The board's decision to further defer the dividend was in response to reports of second waves of infections in a number of European, Asian, South American and Australian territories and the possibility of a similar second wave of infections in South Africa. The nature and extent of the South African government's response to a second wave of infections is a significant uncertainty. In complying with the requirements of the South African Companies Act, as well as the directors' fiduciary responsibilities, the directors determined it appropriate to defer the payment of the dividend until future cash flows can be predicted with a greater confidence level.

* *Applicable to employees earning more than R25 000 per month for June 2020 to August 2020, and to those earning more than R15 000 per month for September 2020.*

2 IMPACT OF COVID-19 AND GOING CONCERN continued

2.2 The impact on the group continued

The tables below provide details on trading performance and fees during the lockdown period (note that April 2020 is excluded as the group's local restaurants did not trade for the month):

No. of restaurants trading per month	Active agreements at 30 June 2020	March 2020	May 2020	June 2020	July 2020	Aug 2020	Sept 2020	Oct 2020
Spur Steak Ranches	298	302	142	210	263	277	288	291
Pizza and Pasta	91	94	42	56	74	79	80	83
John Dory's	52	52	23	36	44	46	47	47
The Hussar Grill	22	22	1	5	17	19	20	21
RocoMamas	75	77	57	61	69	74	75	75
Nikos Coalgrill Greek	9	9	3	6	7	7	7	7
Total South Africa	547	556	268	374	474	502	517	524
International	84	84	64	80	81	81	83	88
Total group	631	640	332	454	555	583	600	612

Turnover as percentage of prior year per month	Year to date Feb 2020	March 2020	May 2020	June 2020	July 2020	Aug 2020	Sept 2020	Oct 2020
Spur Steak Ranches	106.1	54.8	8.8	12.8	34.6	56.2	72.1	93.9
Pizza and Pasta	103.1	51.0	11.1	17.2	31.7	49.6	63.2	89.3
John Dory's	105.9	46.3	4.3	11.0	24.8	45.1	66.5	78.9
The Hussar Grill	111.9	62.1	0.2	2.5	22.6	45.6	93.7	80.4
RocoMamas	106.8	47.9	47.1	46.8	66.5	78.6	86.5	103.7
Nikos Coalgrill Greek	111.0	51.8	15.2	26.9	41.7	61.3	85.3	82.2
Total South Africa	106.0	53.3	12.8	16.4	36.5	56.7	73.8	92.8
International	104.0	62.5	26.8	60.6	76.0	69.0	83.9	97.5
Total group	105.8	54.2	14.3	21.0	40.9	58.2	74.8	93.3

Turnover as percentage of prior year (like-on-like) per month	March 2020	May 2020	June 2020	July 2020	Aug 2020	Sept 2020	Oct 2020
Spur Steak Ranches	54.3	19.3	18.6	40.1	60.6	74.5	96.0
Pizza and Pasta	53.2	22.9	27.5	39.2	55.8	68.7	95.6
John Dory's	46.3	10.0	13.5	28.3	49.1	71.0	84.6
The Hussar Grill	57.7	–	14.4	27.3	48.6	87.3	75.4
RocoMamas	44.9	58.8	51.9	68.8	76.8	82.2	101.3
Nikos Coalgrill Greek	48.5	37.3	34.3	51.2	76.0	82.4	105.9
Total South Africa	52.7	26.6	23.6	41.7	60.9	75.4	95.1

2 IMPACT OF COVID-19 AND GOING CONCERN continued

2.2 The impact on the group continued

Base franchise/ marketing fees (percentage of restaurant turnover) charged per month	Feb 2020 (standard)	March 2020*	May 2020	June 2020	July 2020	Aug 2020	Sept 2020	Oct 2020
Spur Steak Ranches	5/4	4/3	3/1	3/1	3/1	3/1	4/2	4/3
Pizza and Pasta	5/4	4/3	3/1	3/1	3/1	3/1	3.5/1.5	4/2
John Dory's	5/4	4/3	3/1	3/1	3/1	3/1	3.5/1.5	3.5/2
The Hussar Grill	5/2	4/2	3/1	3/1	3/1	3/1	3.5/1.5	4.5/1.5
RocoMamas	5/2	4/2	3/1	3/1	3/1	3.5/1.5	4.5/1.5	4.5/1.5
Nikos Coalgrill Greek	5/2	4/2	3/1	3/1	3/1	3/1	3.5/2	3.5/2

* *Effective until 15 March 2020, thereafter 0/0.*

The recovery trajectory has been positive and appears to continue to be improving towards pre-COVID-19 levels. The benefit of improved turnover levels and increasing franchise and marketing fee rates has an exponential impact on profitability and cash flows. The group anticipates being able to return to full franchise and marketing fees once turnovers are at least 90% of what they were before COVID-19.

2.3 Impact on specific elements of the consolidated financial statements

Item	Impact	Reference
Property, plant and equipment	Lower future prospects in relation to company-owned retail restaurants have resulted in certain impairments of property, plant and equipment – specifically, The Hussar Grill in Morningside.	14
Goodwill, trademarks and intellectual property	The immediate short-term impact on profitability and the extent of a protracted recovery in the longer term have resulted in impairments of goodwill, and trademarks and related intellectual property – specifically, in relation to Nikos Coalgrill Greek.	16
	Historically, there have generally been significant excesses of recoverable amounts relative to carrying amounts of cash-generating units, but these excesses have reduced in light of a more cautious outlook.	14 and 16
Expected credit losses – loan and trade receivables and lease receivable	The Australian business, which was already under strain prior to COVID-19, has been particularly hard hit by the hard lockdowns imposed in Australia. This has had a severe impact on those franchisees in particular. Generally, this has resulted in a considerable increase in the probability of default on loans granted to Australian franchisees as well as the Australian lease receivable. Given that the primary collateral for the Australian franchisee loans is the shares in the franchised restaurant businesses, the value of which has also been negatively impacted by poor trade, the extent of anticipated losses in the event of default have also increased. Accordingly, significantly higher allowances for expected credit losses have been raised against the Australian receivables.	17, 18 and 42.3.1
	The impact of COVID-19 on individual franchisees can vary significantly; as a consequence, for the current year, each debtor (local and international) was assessed separately in terms of probability of default. The disruption to business has therefore generally resulted in a greater probability of default, resulting in allowances for expected credit losses generally being higher than in previous years.	
Tax receivable	Various levels of trading restrictions have been imposed on restaurants trading in the foreign jurisdictions in which the group trades. The immediate short-term impact on the international business's profitability, together with the increased uncertainty regarding a future recovery, has resulted in the group reassessing the probability of the group being able to benefit from withholding tax credits deducted from franchise fee collections in foreign jurisdictions which would ordinarily be deductible from future tax payable. As a consequence, the tax receivable relating to these withholding tax credits had to be impaired.	22
Leave pay and incentives	In addition to reduced salaries, given the performance of the group, the accruals for short-term incentives and bonuses have been reduced to nil and fewer share incentive awards are anticipated to vest than in previous years. Those employees who were unable to work during the lockdown period in April and May 2020 were required to take 50% of the time off as leave – this has resulted in a substantial reduction in the accrual for leave pay and in some cases, where employees have gone into negative leave, a receivable for leave pay has been recognised.	23, 26.4 and 31

2 IMPACT OF COVID-19 AND GOING CONCERN continued

2.4 The ability of the group to continue to meet current obligations for the 12 months following the date of this report

As highlighted above, the impact of COVID-19 has had a significant impact on the group's ability to generate cash. The group's franchise and related business units have historically been highly cash generative. The combined impact of reduced revenues, and franchise-related overheads not being directly variable in the short term, has resulted in reduced available cash reserves.

As a result of exchange control restrictions, the ability of the group to provide funding to international business units is a cumbersome process. The group anticipates that it may be necessary to capitalise the international business by up to R10 million over the next 12 months and this has been taken into account in the cash flow information that follows. Cash generated by the international business has historically not been material. For these reasons, the information that follows is presented in relation to the South African business only.

The group's cash consumption since the start of the pandemic is listed below:

R'000	South African cash balances	Movement
28 February 2020	219 090	
31 March 2020	226 848	7 758
30 April 2020	220 457	(6 391)
31 May 2020	177 305	(43 152)
30 June 2020	163 639	(13 666)
31 July 2020	161 157	(2 482)
31 August 2020	161 219	62
30 September 2020	154 898	(6 321)
31 October 2020	166 823	11 925
		(52 267)

Net cash outflow for the period from April to September 2020 amounted to R72.0 million.

The board has considered its most likely base case cash flow projections at the time of drafting this report in order to assess the ability of the group to be able to settle all financial obligations in the ordinary course of business for a period of at least 12 months from the date of this report. Given the significant uncertainty regarding future consequences of the pandemic, in order to stress test the sensitivity of this base case, the board has considered a number of possible alternative scenarios as detailed below. The board has also considered the relative probabilities of these alternative scenarios materialising in reaching its conclusion on the going concern assertion.

Scenario	Assumptions	Result
Base case: Gradual recovery from September 2020	– Those restaurants trading in September 2020 continue to trade; all existing franchised restaurants trading by January 2021, with the exception of 18 restaurants which are not expected to re-open. – The percentage of restaurant sales on a like-for-like basis relative to the prior year is expected to gradually increase each month such that pre-COVID-19 turnovers are anticipated to be achieved during the 2022 financial year for most brands. – Franchise and marketing fund contribution fee rates charged for October 2020 are expected to continue to increase gradually in line with restaurant turnovers; full standard fees are expected to be charged by March 2021. – Cost base consistent with July to August 2020 continues to apply for the forecast period, adjusted only for inflation, except that full salaries are paid from October 2020. – No dividend payment.	Cash balances continue to increase.

2 IMPACT OF COVID-19 AND GOING CONCERN continued

2.4 The ability of the group to continue to meet current obligations for the 12 months following the date of this report continued

Scenario	Assumptions	Result
Alternative scenario 1: No growth on September 2020	– Same number of restaurants trading as in September 2020 continue to trade for the forecast period. – Same like-for-like restaurant sales as a percentage of pre-COVID-19 levels as achieved in September 2020 applied for the forecast period. – Same franchise and marketing fund contribution fee rates as charged in October 2020 continue to apply for the forecast period. – Cost base as for base case. – No dividend payment.	Cash balances are expected to bottom out at no less than R110 million by December 2020, but grow thereafter.
Alternative Scenario 2: Variable reduction in revenue (solve for nil cash after 12 months)	– Same number of restaurants trading as in September 2020 continue to trade for the forecast period. – Cost base as for base case. – No dividend payment – Set a fixed percentage reduction in revenue forecasts (franchise and marketing fund contribution fees, sauce sales and distribution commissions) for the period December 2020 to November 2021 using alternative scenario 1 as a base.	In the event that revenue declines by around 45% relative to that forecast in accordance with alternative scenario 1 (which already estimates a like-for-like decline of 25% on pre-COVID-19 turnovers), cash will be exhausted in November 2021.
Alternative Scenario 3: Lockdown of April to September 2020 ("Initial Lockdown") repeated within the next 12 months	– Same levels of restaurant turnovers achieved as for Initial Lockdown (33.2% of prior year) applied to December 2020 to May 2021 ("Reinstated Lockdown"). – Similar recovery trajectory anticipated after Reinstated Lockdown as for base case. – Cost base as for Initial Lockdown applied to Reinstated Lockdown. – No dividend payment.	Extent of cash consumed in Initial Lockdown expected to be repeated in Reinstated Lockdown. Sufficient cash available to cover Reinstated Lockdown and cash balances then expected to grow as for base case. During hard lockdown (complete shutdown of trading), cash burn is approximately R25 million per month.

Note: The above analysis was based on the group's September 2020 trading and financial performance as a starting point. At the time of drafting this report, full financial information was not available for October 2020, but restaurant sales achieved for October 2020 had exceeded those projected in the base case. The board is therefore satisfied that the base case presented above continues to be a reasonable projection of expected future cash flows.

Commentary

The board notes that at current levels of trading, the group's existing cash reserves will sustain the business for the forecast period. It is the board's expectation that restaurant turnovers should continue to gradually recover to pre-COVID-19 levels by the 2022 financial year and that full franchise and marketing fee rates should be charged by March 2021.

However, the likelihood of a second wave of infections cannot be underestimated. While government's exact response cannot be accurately anticipated, it is considered unlikely that a hard lockdown will be re-implemented for a period of longer than a month or two, as the impact of such a lockdown on the economy and population is devastating. As noted above, based on the estimated cash burn rate during hard lockdown of R25 million per month, the group could sustain up to five months of hard lockdown at current cost levels. The board considers the possibility of a further hard lockdown for longer than a month to be extremely low, but would be able to implement the alternative plans detailed below in the event that such a hard lockdown was extended beyond a month.

A more likely response to a second wave is the re-introduction of a prohibition on sit-down trade for a few months. As noted above, the group would be able to sustain a 45% reduction in revenue currently projected (based on turnovers achieved in September 2020 relative to pre-COVID-19 levels). The board is of the view that this provides for a relatively comfortable margin of error.

2 IMPACT OF COVID-19 AND GOING CONCERN continued

2.4 The ability of the group to continue to meet current obligations for the 12 months following the date of this report continued

Alternative plans

The board will continue to defer payment of the interim 2020 dividend until such time as it is clear that the group is generating sustainable cash flows sufficient to settle all current and future financial obligations within the foreseeable future taking into account all reasonably possible scenarios.

The decision to reduce salaries was a difficult decision for the board and management, given the significant impact that this has on employees. Should it be necessary to ensure the sustainability of the group, a reduced workweek could be re-introduced with a commensurate reduction in salaries. The group's local salary bill is approximately R14 million a month.

While cutting marketing expenditure may have a long-term negative impact on the business, it remains a variable that can be used to manage cash flows. The group is obligated to spend any marketing contributions received from franchisees on marketing; where the funds are in a net overspent (or deficit) position, the group is under no obligation to provide funding to the marketing funds. While the group is currently funding the shortfall in an effort to maintain and grow market share in the current environment, this financial support could be reduced, or withdrawn entirely.

The group's balance sheet is ungeared, with no formal borrowings. During the past few months, management has engaged with various financial institutions, and it would appear that there is appetite for banks to provide funding of up to R50 million.

The group has several buildings which are unencumbered. A reasonable market value of the buildings was estimated at R90 million prior to COVID-19 (at 30 June 2019). While the group is unlikely to realise full value on the disposal of these buildings in the current circumstances, the board is of the view that a sale could be facilitated for at least 50% of this value, as a last resort.

While the board has not yet engaged with shareholders on a potential equity raise, the board is of the view that shareholders would support the company should it be necessary to raise additional capital.

Conclusion

In the event that current sales trends continue into the future, the board is satisfied that the group will generate sustainable cash flows indefinitely. In the event that sales reduce for whatever reason, the board is confident that there are sufficient options available to the group – either in terms of reducing expenditure, or in terms of raising additional funding – to ensure the sustainability of the group under most circumstances. Based on the above analysis, the board has concluded that it is satisfied that the group will continue to trade as a going concern for at least a period of 12 months from the date of this report, and the financial statements have therefore been prepared on this basis.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated and separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements, assumptions and estimates made in applying the group's accounting policies that potentially have a significant effect on the amounts recognised in the financial statements are as follows:

3.1 Judgements

3.1.1 Accounting for marketing funds (note 7)

The franchise agreements concluded between the group and its franchisees provide for the payment by franchisees to the group of an ongoing franchise fee and a marketing fund contribution. Both the franchise fee and the marketing fund contribution are determined as a percentage of the franchised restaurants' sales. The franchise fee is paid by the franchisee to the group for the franchise support services provided by the group in terms of the franchise agreement, and for the ongoing access to intellectual property required by the franchisee to operate the franchised restaurant.
The marketing fund contributions paid by the franchisee to the group are required, in terms of the franchise agreements, to be accounted for by the group separately to its own funds, and must be used on marketing related costs for the benefit of the respective bodies of franchisees contributing to the respective marketing funds, save to the extent that the group may retain, for its own benefit, that amount of the marketing fund contributions required to defray the costs of administering the respective marketing funds on behalf of the respective bodies of franchisees. The group has accordingly established, and administers, a number of marketing funds, in accordance with the franchise agreements, to discharge its obligations to its franchisees in this regard.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

3.1 Judgements continued

3.1.1 Accounting for marketing funds (note 7) continued

The group's separate legal obligations to provide franchise support services to franchisees and administer the marketing fund contributions received from franchisees on their behalf, cannot be considered separate and distinct performance obligations in accordance with *IFRS 15 – Revenue from Contracts with Customers*, as the two legal obligations are integrally linked: a franchisee may not separately benefit from the marketing funds' activities without being a franchisee of the group and being entitled to the support services provided by the group to all its franchisees in terms of the franchise agreements. The services provided by the respective marketing funds are for the benefit of the respective brands and bodies of franchisees as a whole, and not specific individual franchisees or locations. The two legal obligations are accordingly highly interrelated and interdependent on each other, and considered a single performance obligation as contemplated by IFRS 15.

IFRS 15 requires that the revenue attributable to a performance obligation is recognised to depict the transfer of control of the promised goods or services. As there is only one performance obligation in terms of IFRS 15, the separate legal obligations cannot be accounted for separately. Accordingly, the marketing fund contributions are recognised as revenue on the same basis as franchise fee revenue. Both franchise fee revenue and marketing fund contributions are considered to be sales-based royalties as contemplated by IFRS 15, and are therefore recognised in the period in which the related franchisee sales are recognised. The disbursement of marketing fund contributions on marketing services are accordingly recognised as an expense (disclosed as *marketing expenses* in the statement of profit or loss and other comprehensive income) as incurred. In addition, the respective marketing funds sell specific products to franchisees: these are recognised as *revenue* as the goods are sold, with the corresponding cost of goods sold recognised in *cost of sales* in the consolidated statement of profit or loss and other comprehensive income. The resulting surplus or deficit in any period is recognised in profit or loss, although any such cumulative profit/surplus is not for the benefit of the owners of the company, and will not, in the ordinary course of business, be distributable to shareholders. Any surplus funds are identified as "restricted" cash balances as the group can only use these funds for future marketing purposes.

3.1.2 Accounting for initial franchise fees (note 7)

Franchisees are charged an initial fixed value franchise fee by the group, as franchisor, upon signature of the franchise agreements concluded with franchisees. The initial franchise fee is non-refundable. The franchise agreements oblige the group to undertake activities for the duration of the franchise agreement to, *inter alia*, support the franchisee's brand, where such activities significantly affect the intellectual property to which the franchisee has rights, without resulting in a transfer of control of specific goods or services. Accordingly, the group's performance obligation in relation to the initial franchise fee is satisfied over time, and IFRS 15 therefore requires that the revenue be recognised on a straight-line basis over the term of the franchise agreement.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

3.1 Judgements continued

3.1.3 Assessment of control and significant influence (notes 5 and 11)

The group has considered whether it controls certain entities, despite not owning a majority of shareholder rights, in accordance with the requirements of *IFRS 10 – Consolidated Financial Statements*. The board has determined that the group controls the entities below:

- The Spur Foundation Trust is a benevolent foundation established by the group on Mandela Day 2012. The purpose of the trust is to consolidate and implement the group's corporate social investment projects which have reputational benefits for the group. The reputational benefits are considered to be a key return to the group from its involvement with the trust. The trust deed defines who the beneficiaries of the trust are and these beneficiaries exclude any group entity. While there is no direct economic benefit to the group from the trust, in light of the fact that the trustees of the trust are appointed by the group and are currently all employees of the group, the group is able to control the key activities of the trust which affect the intangible returns for the group arising from the trust's activities.
- The Spur Management Share Trust was established in 2004. It initially served as a finance vehicle for the purchase of shares for the group's 2004 – 2009 management share incentive scheme. Upon winding up of that scheme, the trust acquired shares in the company which continue to be used in the group's share incentive schemes. The trustees of the trust serve at the behest of the company. The company is the only capital beneficiary of the trust. The main objective of the trust is to maintain a motivated and aligned work force through monetary and share incentives in order to improve future profitability of the group. On this basis, the group has concluded that it is able to exercise control over the relevant activities of the trust in order to influence the intangible returns for the group arising from the trust's activities.

The group has considered whether it previously controlled RocoMamas Restaurants Australia Pty Ltd, an entity in which the group held a 45% equity interest which was disposed of with effect from 1 October 2019 (refer note 11), in accordance with the requirements of IFRS 10. In considering control, the following factors were taken into consideration:

- The group had the right to appoint two of the maximum of four directors to the board of the entity in terms of the shareholders agreement, and had appointed two of the four serving directors prior to disposal.
- The group had the right to exercise 45% of the voting rights attaching to the ordinary shares in issue.
- The shareholders agreement required the approval of shareholders representing at least 50% of the ordinary shares in issue to implement any decisions and/or transactions that would materially affect the entity.
- While the group's management consulted with the entity's management on strategic and operational matters, the group was not responsible for the running of the day-to-day activities of the entity, and had no legal rights to do so.

Consequently, the group concluded that it had significant influence, but not control, over the relevant activities of the entity that affect the variable returns from its investment in the entity and accordingly, accounted for the entity as an associate.

3.1.4 Distribution income (note 47.11)

The group has appointed an outsourced distribution company to procure, warehouse, supply and distribute certain restaurant supplies to its franchised restaurants. In accordance with IFRS 15, the group has considered whether it acts as principal or agent with regards to these supplies. The outsourced distributor procures products from suppliers, warehouses the products and sells and delivers the products to the group's franchisees. The margin earned on the sales by the distributor is determined in consultation between the distributor and the group, such that the margin is sufficient to provide the distributor with its required profit margin, and the remaining margin is then paid by the distributor to the group as a commission.

In assessing whether the group acts as agent or principal, for the purposes of IFRS 15, in this commercial relationship, the following factors have been taken into account:

- The group's internal procurement department is responsible for approving suppliers and products supplied to the distributor, to ensure that these comply with the group's strict food safety and ethical sourcing policies and to ensure that the reputations of the group's brands are protected in this regard.
- The group's procurement department negotiates with these suppliers on behalf of franchisees to secure competitive pricing on goods supplied to the distributor.
- The distributor has a direct relationship with the suppliers of the goods in question and is responsible for placing orders, confirming receipt, processing invoices and making payment in respect of the goods procured.
- The group has no obligations to the suppliers in question and the suppliers have no recourse to the group for whatever reason.
- The distributor takes physical possession of the goods delivered by the suppliers.
- The distributor has legal title of the goods from the date of delivery by the supplier until the goods are delivered to franchisees and carries substantially all of the risk of inventory loss.
- While the contract between the group and the distributor makes provision for penalties payable by the group on excess or slow-moving inventories, these have occurred infrequently in the past and have not been significant, and are therefore considered incidental to the commercial relationship.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

3.1 Judgements continued

3.1.4 Distribution income (note 47.11) continued

- The distributor is primarily responsible for providing the goods to franchisees and the franchisees interact directly with the distributor.
- The distributor is responsible for invoicing franchisees, maintaining delivery records and collecting the sales proceeds from franchisees.
- The distributor carries the full risk of credit losses arising from the sale of the goods to franchisees.
- While the group has influence in determining the selling price of the goods charged by the distributor to franchisees, the most significant factor in determining the selling price (other than the cost price of the goods to the distributor) is the distributor's required distribution margin, which is determined at the discretion of the distributor.

Based on the above factors, the directors have concluded that the outsourced distributor obtains control, more than momentarily, of the goods before they are transferred to franchisees. The group merely facilitates the transactions between franchisees and the distributor by giving the distributor access to both the approved suppliers and franchisees. Accordingly, the distributor's role, as contemplated by IFRS 15, in the commercial transaction is more that of principal than agent, and the group's role is therefore more that of agent than principal.

3.1.5 Intangible assets (note 16)

The directors reassess at each reporting date the appropriateness of the indefinite useful life assumption with regard to certain of the group's intangible assets, with particular reference to trademarks and related intellectual property. In this regard, the board considers its strategy relating to the intangible assets in question and the group's ability to execute that strategy, whether there is any technical, technological, commercial or other type of obsolescence applicable to the assets, expected usage and lifecycle of the assets, future costs required to continue to obtain benefits from the assets and the period over which the group is legally able to control the assets. The directors confirm their assessment that the group's trademarks and related intellectual property have indefinite useful lives.

3.1.6 Leases (notes 15 and 30)

Accounting for leases in accordance with IFRS 16 requires an assessment of the term of the lease.

In considering the term of a lease, the board has had to consider the likelihood of the group exercising any option of renewal. In this regard, the board considers each lease on a case-by-case basis. Where the underlying right-of-use asset is considered essential to the ongoing operations of the business, and there is no known reasonable alternative, the board is likely to conclude that any renewal option will be exercised.

3.2 Assumptions and estimates

3.2.1 Contingent consideration receivable/liability (note 24)

In assessing the possible aggregate purchase consideration due in terms of the contingent consideration arrangement for the acquisition of the Nikos Coalgrill Greek business, the directors need to estimate the business's profit to July 2021. The directors need to extrapolate a restaurant development plan and quantify the associated costs and revenues. A number of scenarios are considered and a probability applied to each scenario to determine a probability-weighted likely outcome. The other variables in determining the carrying amount of the asset/liability at the reporting date as well as the sensitivities thereto are detailed in notes 24 and 42.2 respectively.

3.2.2 Fair values

A number of the group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

Fair value measurements and adjustments are made under the supervision of the group's chief financial officer. To the extent practicable, fair values are derived by external experts and, as far as possible, utilising market observable data. Any significant valuation issues are reported to the group's audit committee.

Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Financial instruments including contingent consideration asset/liability (refer note 24)
- Grant-date fair values of equity-settled share-based payments (refer note 26.4)

3. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

3.2 Assumptions and estimates continued

3.2.3 Financial assets

At each reporting date, the group records an allowance for expected credit losses ("ECLs") for all financial assets not held at fair value through profit or loss. This requires an assessment of the probability of default as well as the potential loss in the event of default for each financial asset or group of assets. Further information is disclosed in note 42.3.1.

3.2.4 Impairment of non-financial assets (notes 14 and 16)

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually. Intangible assets which do not have indefinite useful lives and property, plant and equipment are considered for impairment when an indication of possible impairment exists.

Determining if non-financial assets are impaired requires an estimation of the values-in-use of the cash-generating units to which goodwill, intangible assets and property, plant and equipment have been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that is reflective of the cash-generating unit's risk profile in order to calculate the present value. The variables applied in determining the above have been disclosed in the relevant notes to the financial statements with specific reference to notes 14 and 16.

3.2.5 Leases (notes 15 and 30)

Accounting for leases in accordance with IFRS 16 requires an assessment of an appropriate discount rate.

In most cases, the interest rate implicit in a lease which is legally structured as an operating lease is not readily determinable. The board has therefore needed to consider the group's incremental borrowing rate to serve as a proxy for an appropriate discount rate in accordance with IFRS 16. The group currently has no formal external debt and an incremental borrowing rate is consequently also not readily determinable. The board has therefore considered the nature of the assets that are the subject of the leases and concluded that the prime overdraft rate of interest is a reasonable proxy for an appropriate discount rate.

3.2.6 Property, plant and equipment (note 14)

Items of property, plant and equipment are depreciated over the assets' remaining useful lives, taking into consideration their estimated residual values. The remaining useful lives and residual values of these assets are reviewed and considered at each reporting date, taking into account the nature and condition of the assets.

3.2.7 Share-based payments (note 26.4)

Accounting for equity-settled share-based payments, specifically relating to the group's Forfeitable Share Plan ("FSP") and Share Appreciation Rights ("SAR") long-term incentive schemes, requires a determination of the grant-date fair values of the rights/shares awarded. These are subject to a number of variables. In addition, the group is required to estimate the proportion of shares/rights that are likely to vest based on: employees meeting the required service conditions; and the extent to which the group is expected to achieve certain non-market performance conditions. The detailed inputs into the determination of grant-date fair values, as well as the estimates made with regards to vesting conditions, are detailed in note 26.4.

3.2.8 Withholding tax credits (refer note 22)

The group has considered projections of future taxable income for wholly-owned subsidiary, Steak Ranches International BV, in order to assess the recoverability of the asset recognised in respect of withholding tax credits available to the entity, as detailed in note 22. The negative impact of COVID-19 could potentially reduce the extent to which the withholding tax credits may be utilised in the short term. Consideration therefore needs to be given to the probability of recovering the carrying amount of the asset.

4. NEW ACCOUNTING STANDARD ADOPTED BY THE GROUP

4.1 IFRS 16 – Leases

IFRS 16 – Leases replaces the previous leases standard, *IAS 17 – Leases*, for annual periods beginning on or after 1 January 2019. IFRS 16 was accordingly applied in the preparation of the financial statements from 1 July 2019. IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities on the statement of financial position for all leases, except short-term and low-value-asset leases.

The group leases commercial property for certain of its corporate offices, retail property for its retail restaurants, vehicles for use by its operations teams and machinery for use in its sauce manufacturing business.

The group recognises a right-of-use asset and a lease liability at the lease commencement date of the lease term. The group determines the lease term as the non-cancellable lease period together with any renewal period, where such an option exists in the contract, based on an assessment of the likelihood of whether or not the group is likely to exercise such option. The group has accordingly applied judgement in determining the lease term for some lease contracts with renewal options.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the corresponding lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. Each right-of-use asset is subsequently depreciated on a straight-line basis over the lesser of the lease term and the useful life of the underlying asset. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of future lease payments discounted at the rate implicit in the lease or, where that rate cannot be readily determined, the group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost. The lease liability is reduced over the lease term by the rental payments, net of implied interest charges. Both the lease liability and right-of-use asset are re-measured for changes to future lease payments which are linked to an index.

The group subleases one property to a franchisee in Australia and has classified this lease as a finance lease. A lease receivable equal to the lease liability has been recognised. The lease receivable is reduced over the lease term by rental payments made by the sublessee net of implied interest charges. The group applies the derecognition and impairment requirements of *IFRS 9 – Financial Instruments* to the lease receivable.

The group has applied IFRS 16 using the modified retrospective approach, by recognising the cumulative effect of the adoption of the new standard as at 30 June 2019 as an adjustment to retained earnings at 1 July 2019. Comparative information has therefore not been restated. The group has elected to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

At the date of initial application, the group elected to apply the practical expedient provided in IFRS 16 which allows the group to apply the standard to only those leases previously identified as a lease under IAS 17. In addition, the group elected to apply the following recognition exemptions (resulting in IFRS 16 not being applied to):

– leases for which the underlying asset is of low value at commencement date; and
– leases with a lease term of less than 12 months and no purchase option as at the transition date.

When measuring lease liabilities on transition to IFRS 16, the group discounted its lease payments using its weighted average incremental borrowing rate at 1 July 2019 of 9.6%.

4 NEW ACCOUNTING STANDARD ADOPTED BY THE GROUP continued

4.1 IFRS 16 – Leases continued

The effect of the IFRS 16 transitional adjustment at 1 July 2019 is as follows:

Statement of financial position

R'000	30 June 2019	IFRS 16 transitional adjustment	1 July 2019
ASSETS			
Non-current assets			
Right-of-use assets	–	38 286	38 286
Lease receivable (net of IFRS 9 ECL)	–	3 480*	3 480
Deferred tax	3 085	(208)	2 877
Leasing rights	3 386	(3 386)	–
		38 172	
Current assets			
Lease receivable (net of IFRS 9 ECL)	–	664*	664
EQUITY			
Retained earnings	663 093	(5 078)	658 015
Non-controlling interests	10 580	326	10 906
		(4 752)	
LIABILITIES			
Non-current liabilities			
Deferred tax	56 430	710	57 140
Operating lease liability	3 110	(3 110)	–
Lease liability	–	37 469	37 469
		35 069	
Current liabilities			
Lease liability	–	8 519	8 519

* *The lease receivable recognised comprises a gross receivable of R8.288 million as at the transition date, net of an allowance for expected credit losses of R4.144 million.*

Lease commitments disclosed at 30 June 2019 as previously reported are reconciled to the lease liabilities accounted for in accordance with IFRS 16 as at the implementation date as follows:

	R'000
Operating lease commitments at 30 June 2019	30 773
Exclude short-term leases	(1 526)
VAT that may not be claimed by the group included in operating lease commitments, but excluded from lease payments for IFRS 16 purposes	(974)
Rental payments for renewal periods assumed to be exercised taken into account for IFRS 16 but not included in operating lease commitment	32 963
Lease commitments relating to head lease that is sublet previously excluded from operating lease commitments	9 877
Gross future lease payments	71 113
Effect of discounting	(25 125)
Balance as at 1 July 2019	**45 988**

4 NEW ACCOUNTING STANDARD ADOPTED BY THE GROUP continued

4.1 IFRS 16 – Leases continued

Impact on profit or loss for the year

	2020 R'000
Depreciation on right-of-use assets	(12 293)
Interest expense on lease liabilities	(5 245)
Impairment of lease receivable	(2 997)
Interest income on lease receivable	581
Rent concession income	757
Impact of IFRS 16 on profit before income tax	**(19 197)**
Operating lease expense if IAS 17 had applied	(13 252)
Net impact of the adoption of IFRS 16 on profit before income tax	**(5 945)**

The net impact of the adoption of IFRS 16 on profit before income tax per segment is as follows:

South Africa	2020 R'000
Manufacturing and distribution	(28)
Franchise – Spur	(101)
Franchise – Pizza and Pasta	(47)
Franchise – John Dory's	(42)
Retail	(2 050)
Other segments	(43)
Unallocated	(623)
Total South Africa	**(2 934)**
International	
Australasia	(2 997)*
Unallocated	(14)
Total International	**(3 011)**
Total	**(5 945)**

* *Includes impairment of lease receivable.*

Amendments to IFRS 16: COVID-19 related rent concessions

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- The change in lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to the other terms and conditions of the lease.

Rent concessions which satisfy the above criteria may be accounted for by applying the practical expedient whereby the lessee does not need to assess whether the rent concession meets the definition of a lease modification. The rent concession is instead accounted for according to the other requirements in IFRS 16.

The group has elected to apply the practical expedient for all rent concessions that meet the above criteria, specifically in respect of the property leases of the group's retail restaurants. By applying the practical expedient, the effect of the change in lease payments is recognised in profit or loss in the period in which the rent concession was granted (refer note 8).

5. GROUP ENTITIES

5.1 Group structure

Details of the share capital and the company's interests in the subsidiary companies are as follows:

	Country of incorporation and place of business	Issued capital R'000	Loan from subsidiary R'000	Effective interest in company
Trading				
Direct				
– Share Buy-back (Pty) Ltd	South Africa	0.1		100.0
– Spur Group (Pty) Ltd	South Africa	0.1	23 315	100.0
– Spur Group Properties (Pty) Ltd	South Africa	0.1		100.0
Indirect				
– Green Point Burger Joint (Pty) Ltd trading as RocoMamas Green Point	South Africa	0.1		90.0
– John Dory's Advertising (Pty) Ltd	South Africa	0.1		100.0
– Nikos Franchise (Pty) Ltd	South Africa	11 052.3		51.0
– Nickilor (Pty) Ltd trading as The Hussar Grill Rondebosch	South Africa	0.1		100.0
– Opilor (Pty) Ltd trading as The Hussar Grill Mouille Point	South Africa	17 500.1		68.0
– Opiset (Pty) Ltd trading as The Hussar Grill Camps Bay	South Africa	0.1		100.0
– Panarottis Advertising (Pty) Ltd	South Africa	0.2		100.0
– RocoMamas Advertising (Pty) Ltd	South Africa	0.1		70.0
– RocoMamas Franchise Co (Pty) Ltd	South Africa	0.1		70.0
– Spur Advertising (Pty) Ltd	South Africa	0.1		100.0
– Nikos Advertising (Pty) Ltd	South Africa	0.1		100.0
– The Hussar Grill Advertising (Pty) Ltd	South Africa	0.1		100.0
– The Morningside Grill (Pty) Ltd trading as The Hussar Grill Morningside	South Africa	0.1		100.0
– Spur International Ltd	British Virgin Islands	95 055.6		100.0
– Steak Ranches International BV	The Netherlands	231 631.7		100.0
– Spur Advertising Namibia (Pty) Ltd	Namibia	0.1		100.0
– Spur Services Namibia (Pty) Ltd	Namibia	0.1		100.0
– Panarottis Advertising Australia Pty Ltd (in the process of deregistration)	Australia	0.6		100.0
– Spur Advertising Australia Pty Ltd (in the process of deregistration)	Australia	0.6		100.0
– Spur Corporation Australia Pty Ltd	Australia	16 129.1		100.0
Dormant#		0.7		100.0
			23 315	

A schedule of these companies is available upon request.

The interest of the company in the aggregate after tax profits and losses of subsidiaries is as follows:

	2020 R'000	2019 R'000
Profits	**105 009**	182 415
Losses	**(36 610)**	(19 491)

5. GROUP ENTITIES continued

5.1 Group structure continued

In addition to those entities in which the group holds a majority shareholder interest, the group has concluded that it controls The Spur Management Share Trust and The Spur Foundation Trust (refer note 3.1.3). These entities are consequently consolidated.

The only change to the group structure during the year related to the disposal of the investment held in RocoMamas Restaurants Australia Pty Ltd as detailed in note 11.

Details of material non-controlling interests are included in note 27.

There are no significant restrictions on the ability of the group to realise assets or settle liabilities of any of its subsidiaries.

5.2 Consolidated structured entities

With regard consolidated structured entities, The Spur Management Share Trust and The Spur Foundation Trust:

- There are no contractual obligations on the company or any of its subsidiaries to provide financial support; and
- Wholly-owned subsidiaries donated R0.280 million (2019: R0.280 million) and nil (2019: 100 000) treasury shares to The Spur Foundation Trust during the year to assist in funding the trust's benevolent activities.

6. OPERATING SEGMENTS

Operating segments are identified based on financial information regularly reviewed by the Spur Corporation Ltd executive directors (identified as the Chief Operating Decision Maker ("CODM") of the group for *IFRS 8 – Operating Segments* reporting purposes) for performance assessments and resource allocations. In accordance with IFRS 8, no segment assets or liabilities have been disclosed as such information is not regularly provided to the CODM. As the group operates predominantly as a franchise business, there are limited tangible assets directly attributable to individual segments. The key driver for making decisions regarding resource allocation is primarily profitability. Working capital is managed at a group level.

The group identified the following reportable segments, with no individual customer accounting for more than 10% of revenue:

- South Africa Manufacturing and distribution
- South Africa Franchise – Spur
- South Africa Franchise – Pizza and Pasta
- South Africa Franchise – John Dory's
- South Africa Franchise – The Hussar Grill
- South Africa Franchise – RocoMamas
- South Africa Franchise – Nikos
- South Africa Retail
- Marketing
- Australasia

The group's South African business comprises:

- the franchise businesses of its trading brands, Spur Steak Ranches (traditional Spur Steak Ranches and Spur Grill & Go), Pizza and Pasta (Panarottis Pizza Pasta and Casa Bella), John Dory's Fish Grill Sushi, The Hussar Grill, RocoMamas and Nikos;
- its South African retail division comprising four company-owned The Hussar Grill restaurants, operating in Camps Bay, Rondebosch and Mouille Point in the Western Cape and Morningside in Gauteng, as well as the RocoMamas outlet in Green Point in the Western Cape;
- its sauce manufacturing, warehousing and product distribution business;
- its marketing funds comprising the aggregate of each of the marketing funds administered by the group on behalf of the respective bodies of local franchisees; and
- smaller operating segments include the group's training division, export business, décor manufacturing business, call centre and radio station which are each individually not material.

The group's International business comprises:

- its franchise business in Australia and New Zealand;
- its franchise operations in other territories including Africa (including Mauritius but excluding South Africa), Cyprus, India and the Middle East which have been aggregated – while Africa (including Mauritius but excluding South Africa) comprises the majority of the other international segments, the Cyprus, India and Middle East components are not individually material, operate on the same basis as the Africa region and are exposed to similar risks; and
- its marketing funds comprising the aggregate of each of the marketing funds administered by the group on behalf of the respective bodies of international franchisees.

The CODM reviews the performance of each of the franchise brands, the retail business, marketing funds and other business units independently of each other to assess the risks and contribution of each business unit, and, where appropriate, the possibility and financial feasibility of expanding, ceasing or outsourcing operations.

Intersegment transactions are accounted for on the same basis as equivalent transactions with parties external to the group.

6. OPERATING SEGMENTS continued

R'000	Note	2020 Total revenues	2020 Less: Inter-segment revenues	2020 External revenues	2019 Total revenues	2019 Less: Inter-segment revenues	2019 External revenues
South Africa							
Manufacturing and distribution	a	**185 756**	**288**	**185 468**	202 087	153	201 934
Franchise – Spur		**172 225**	**1 332**	**170 893**	231 458	936	230 522
Franchise – Pizza and Pasta		**27 441**	**315**	**27 126**	37 985	397	37 588
Franchise – John Dory's		**15 681**	**416**	**15 265**	21 829	542	21 287
Franchise – The Hussar Grill		**7 446**	**2 029**	**5 417**	9 505	2 626	6 879
Franchise – RocoMamas		**27 914**	**1 801**	**26 113**	36 484	2 799	33 685
Franchise – Nikos		**2 405**	**28**	**2 377**	2 767	107	2 660
Retail	c	**53 694**	**–**	**53 694**	69 753	–	69 753
Marketing		**187 135**	**2 847**	**184 288**	246 988	1 876	245 112
Other segments		**69 571**	**12 368**	**57 203**	61 343	9 536	51 807
Total segments		**749 268**	**21 424**	**727 844**	920 199	18 972	901 227
Unallocated		**35 925**	**34 750**	**1 175**	44 275	41 956	2 319
Total South Africa		**785 193**	**56 174**	**729 019**	964 474	60 928	903 546
International							
Australasia		**1 817**	**–**	**1 817**	4 522	173	4 349
Marketing		**4 514**	**–**	**4 514**	7 266	–	7 266
Other segments		**26 613**	**343**	**26 270**	29 853	235	29 618
Total segments		**32 944**	**343**	**32 601**	41 641	408	41 233
Unallocated		**460**	**460**	**–**	572	572	–
Total International		**33 404**	**803**	**32 601**	42 213	980	41 233
Total		**816 183**	**54 563**	**761 620**	1 006 687	61 908	944 779

Refer to page 40 for notes.

6. OPERATING SEGMENTS continued

R'000	Note	2020 Profit/(loss) before income tax and share of loss of equity-accounted investee	2020 Capital expenditure	2019 Profit/(loss) before income tax and share of loss of equity-accounted investee	2019 Capital expenditure
South Africa					
Manufacturing and distribution	a	**58 564**	**8 216**	73 360	3 878
Franchise – Spur		**134 461**	**–**	192 361	–
Franchise – Pizza and Pasta		**13 202**	**–**	23 453	–
Franchise – John Dory's		**5 053**	**–**	9 880	–
Franchise – The Hussar Grill		**4 025**	**–**	5 664	–
Franchise – RocoMamas		**17 645**	**–**	24 380	–
Franchise – Nikos	b	**(5 465)**	**–**	779	–
Retail	c	**(3 761)**	**6 267**	8 576	1 003
Marketing		**(19 115)**	**82**	12 555	668
Other segments	d	**(2 122)**	**–**	(6 208)	–
Total segments		**202 487**	**14 565**	344 800	5 549
Unallocated	e	**(69 199)**	**–**	(74 143)	3 771
Total South Africa		**133 288**	**14 565**	270 657	9 320
International					
Australasia	f	**(9 822)**	**–**	(16 992)	–
Marketing		**(1 094)**	**–**	917	–
Other segments		**12 509**	**–**	12 663	–
Total segments		**1 593**	**–**	(3 412)	–
Unallocated	g	**(6 644)**	**–**	(8 823)	–
Total International		**(5 051)**	**–**	(12 235)	–
Total		**128 237**	**14 565**	258 422	9 320
Share of loss of equity-accounted investee (net of income tax)		**(463)**		(1 345)	
Profit before income tax		**127 774**		257 077	

Refer to page 40 for notes.

6. OPERATING SEGMENTS continued

Included in profit/loss before income tax and share of loss of equity-accounted investee are depreciation and amortisation, interest expense and interest income allocated to the following segments:

R'000	Depreciation and amortisation	Interest expense	Interest income
2020			
South Africa			
Manufacturing and distribution	**(2 277)**	**(74)**	**–**
Franchise – Spur	**(1 470)**	**(291)**	**–**
Franchise – Pizza and Pasta	**(607)**	**(118)**	**–**
Franchise – John Dory's	**(498)**	**(103)**	**–**
Franchise – The Hussar Grill	**(57)**	**(4)**	**–**
Retail	**(7 144)**	**(2 818)**	**–**
Marketing	**(378)**	**–**	**377**
Other segments	**(799)**	**(108)**	**–**
Unallocated	**(10 907)**	**(1 111)**	**17 998**
Total South Africa	**(24 137)**	**(4 627)**	**18 375**
International			
Australasia	**–**	**(619)**	**940**
Other segments	**(65)**	**(39)**	**–**
Unallocated	**(111)**	**(17)**	**21**
Total International	**(176)**	**(675)**	**961**
Total	**(24 313)**	**(5 302)**	**19 336**
2019			
South Africa			
Manufacturing and distribution	(997)	–	–
Retail	(1 972)	–	–
Marketing	(282)	–	(982)
Other segments	(18)	–	–
Unallocated	(7 552)	(20)	32 809
Total South Africa	(10 821)	(20)	31 827
International			
Australasia	(22)	(16)	614
Unallocated	(10)	–	4
Total International	(32)	(16)	618
Total	(10 853)	(36)	32 445

Geographical allocation of non-current assets

The group's non-current assets are allocated to the following geographic regions:

	2020 R'000	2019 R'000
South Africa	**508 900**	472 860
Other countries	**456**	8
Total non-current assets	**509 356**	472 868

For the purposes of the above analysis, non-current assets exclude deferred tax assets and loans receivable.

6. OPERATING SEGMENTS continued

Notes

Refer note 4 for an analysis of the impact of the implementation of IFRS 16 on each segment.

a) South Africa Manufacturing and distribution
Revenue and profit for the year benefitted from an increase in distribution commission from 3% to 4% of sales to franchisees through the group's outsourced distributor which was effective from 1 January 2019. The group's sauce manufacturing facility undertook a revamp during the year at a cost of R8.529 million (2019: R3.514 million), of which R1.770 million could not be capitalised and is included in the profit for the year.

b) South Africa Franchise – Nikos
Profit for the year includes impairments of goodwill (R3.722 million) and trademarks and related intellectual property (R2.032 million) (refer note 16).

c) South Africa Retail
The group undertook a major refurbishment of The Hussar Grill in Camps Bay during the year. The total cost of the refurbishment was R4.5 million, of which R0.169 million could not be capitalised and was included in profit for the year. In addition, the restaurant was unable to trade for six weeks during the refurbishment.

The profit for the current year includes an impairment of property, plant and equipment relating to The Hussar Grill Morningside of R1.322 million (refer note 14).

d) South Africa Other
Profit for the prior year includes retrenchment costs of R1.410 million attributable to the group's décor manufacturing business.

e) South Africa Unallocated

The segment loss includes:	**2020 R'000**	2019 R'000
Marketing fund administration cost recoveries (intersegment)	**16 245**	22 503
Net finance income (excluding IFRS 16)	**17 977**	32 789
Impairment reversal/(loss) – GPI receivable (refer note 17.5)	**10 812**	(6 688)
Impairment loss – net expected credit losses on other financial instruments (refer note 42.3.1)	**(5 367)**	(1 443)
Equity-settled share-based payment charge (refer note 26.4)	**(2 228)**	(3 272)
Contingent consideration fair value adjustment (net of allowance for expected credit losses) (refer note 24)	**3 977**	(1 555)
(Loss)/profit (before net finance income) of The Spur Foundation Trust, all of which is attributable to non-controlling interests	**(135)**	408

The group recovers certain of the costs of administering the marketing funds on behalf of franchisees from the marketing funds. The administration cost recovery is determined as a percentage of the marketing fund contribution revenue earned by the marketing funds. The reduction in the cost recovery is as a result of lower marketing fund contribution revenue following the implementation of COVID-19 lockdown restrictions in March 2020.

Net finance income declined as a result of the conclusion of the GPI share repurchase during the year as detailed in note 17.5.

f) Australasia

The segment loss includes:	**2020 R'000**	2019 R'000
Impairment loss – expected credit losses on financial instruments (refer note 42.3.1)	**(3 639)**	(8 686)
Impairment loss – expected credit losses on lease receivable (refer note 18)	**(2 997)**	–
Impairment of investment in equity-accounted investee (refer note 11)	**(436)**	(3 357)
Retrenchment costs	**(308)**	–
Foreign exchange profit/(loss)	**19**	(10)
g) International Unallocated		
The segment loss includes:		
Impairment (loss)/reversal – expected credit losses on financial instruments (refer note 42.3.1)	**(734)**	53
Foreign exchange loss	**(126)**	(592)
Litigation and settlement costs relating to a resolved legal dispute in Zambia	**–**	(2 350)

7. REVENUE

	2020 R'000	2019 R'000
Sales-based royalties	**436 528**	588 999
Ongoing franchise fee income	**266 081**	354 494
Marketing fund contributions	**170 447**	234 505
Recognised at a point in time	**300 573**	326 037
Sales of purchased and manufactured sauces	**137 863**	150 853
Retail restaurants' sales	**53 694**	69 753
Distribution income	**43 653**	46 517
Sales of franchisee supplies	**50 975**	45 188
Sales of marketing materials	**9 809**	9 162
Rebate income	**4 579**	4 564
Recognised over time	**24 519**	29 743
Initial franchise fee income	**6 432**	10 392
Services rendered	**8 349**	10 640
Marketing supplier contributions	**9 738**	8 711
Total revenue	**761 620**	944 779

Revenue is disaggregated based on method of recognition by segment as follows:

R'000	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
2020				
Manufacturing and distribution	–	185 468	–	185 468
Franchise – Spur	168 625	–	2 268	170 893
Franchise – Pizza and Pasta	25 815	529	782	27 126
Franchise – John Dory's	14 722	102	441	15 265
Franchise – The Hussar Grill	5 290	–	127	5 417
Franchise – RocoMamas	24 769	–	1 344	26 113
Franchise – Nikos	2 047	–	330	2 377
Retail	–	53 694	–	53 694
Marketing	165 933	9 809	8 546	184 288
Other South Africa	–	49 107	8 096	57 203
Total South African segments	407 201	298 709	21 934	727 844
Unallocated – South Africa	–	1 175	–	1 175
Total South Africa	407 201	299 884	21 934	729 019
Australasia	1 632	62	123	1 817
Marketing	4 514	–	–	4 514
Other International	23 181	627	2 462	26 270
Total International	29 327	689	2 585	32 601
Total external revenue	436 528	300 573	24 519	761 620

7. REVENUE continued

R'000	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
2019				
Manufacturing and distribution	–	201 934	–	201 934
Franchise – Spur	225 322	890	4 310	230 522
Franchise – Pizza and Pasta	35 942	562	1 084	37 588
Franchise – John Dory's	20 563	128	596	21 287
Franchise – The Hussar Grill	6 711	–	168	6 879
Franchise – RocoMamas	31 996	18	1 671	33 685
Franchise – Nikos	2 567	–	93	2 660
Retail	–	69 753	–	69 753
Marketing	227 239	9 162	8 711	245 112
Other South Africa	–	41 167	10 640	51 807
Total South African segments	550 340	323 614	27 273	901 227
Unallocated – South Africa	–	2 319	–	2 319
Total South Africa	550 340	325 933	27 273	903 546
Australasia	4 097	133	119	4 349
Marketing	7 266	–	–	7 266
Other International	27 296	(29)	2 351	29 618
Total International	38 659	104	2 470	41 233
Total external revenue	588 999	326 037	29 743	944 779

8. OTHER INCOME

	2020 R'000	2019 R'000
Bad debts recovered	**61**	–
Fair value gain on contingent consideration liability (refer note 24)	**4 283**	–
Profit on disposal of property, plant and equipment	**259**	11
Rental concession income (refer note 30)	**757**	–
Spur Foundation donation income	**1 865**	1 654
Other	**224**	253
Total other income	**7 449**	1 918

Spur Foundation donation income relates to donations received by The Spur Foundation Trust, a consolidated structured entity, from parties external to the group. The income may be used exclusively for the benefit of the beneficiaries of the trust in accordance with the trust deed (which exclude any group entities). Related expenditure is included in *Administration expenses* in the statement of profit or loss and comprehensive income.

9. OPERATING PROFIT BEFORE FINANCE INCOME

The following items have been taken into account in determining operating profit before finance income (other than those items disclosed in other income (refer note 8)):

	2020 R'000	2019 R'000
Auditor's remuneration[#]	**2 158**	2 064
Amortisation – intangible assets (refer note 16)	**902**	884
Depreciation (refer note 14)	**11 118**	9 969
Depreciation – Right-of-use assets (refer note 15)	**12 293**	–
Employment costs	**186 716**	202 292
Salaries and wages (excluding executive directors and prescribed officer)	**151 531**	163 942
Executive directors' and prescribed officer's emoluments (refer note 43)[&]	**15 437**	17 627
Provident fund expense-defined contribution plan*	**17 520**	17 451
Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 26.4)	**2 228**	3 272
Foreign exchange loss	**340**	602
Impairment losses – financial instruments and lease receivable	**2 805**	20 375
Trade receivables	**6 348**	400
Bad debts – trade receivables	**444**	254
Impairment allowance – trade receivables (refer note 23)	**5 904**	146
Loans receivable (refer note 17)	**(7 282)**	16 618
Impairment allowance – loan receivables	**5 058**	16 670
Reversal of impairment allowance	**(12 340)**	(52)
Impairment allowance reversed against actual write off of loans receivable	**(5 286)**	(2 916)
Write off of loans receivable	**5 286**	2 916
Impairment of loan advanced to equity-accounted investee (refer note 11)	**436**	3 357
Impairment of contingent consideration receivable (refer note 24)	**306**	–
Impairment of lease receivable (refer note 18)	**2 997**	–
Loss on derecognition of lease	**35**	–
Derecognition of lease liabilities (refer note 30)	**(393)**	–
Derecognition of right-of-use assets (refer note 15)	**428**	–
Operating lease charges (refer note 4.1)	**–**	14 414
Lease charges paid in cash	**–**	14 673
Amortisation of leasing rights (refer note 20)	**–**	550
Straight-line lease charge (refer note 29)	**–**	(809)
Other non-trading losses	**7 076**	1 555
Fair value loss on contingent consideration liability (refer note 24)	**–**	1 555
Impairment of trademarks and intellectual property (refer note 16)	**2 032**	–
Impairment of goodwill (refer note 16)	**3 722**	–
Impairment of plant, property and equipment (refer note 14)	**1 322**	–

[#] *Remuneration of the company's auditor for services to the company and its subsidiaries.*

[&] *Includes short-term performance bonuses but excludes provident fund contributions and equity compensation benefits disclosed separately within employment costs.*

* *The group has its own defined contribution provident fund in South Africa with 294 members at 30 June 2020 (2019: 295 members). The fund is administered by Liberty Group Ltd.*

10. NET FINANCE INCOME

Finance income and expense recognised in profit before income tax	2020 R'000	2019 R'000
Interest income on bank deposits	**14 427**	18 958
Interest income on financial assets measured at amortised cost	**4 328**	13 487
Interest income on lease receivable (refer note 18)	**581**	–
Interest income	**19 336**	32 445
Interest expense on financial liabilities measured at amortised cost	**(57)**	(36)
Interest expense on lease liabilities (refer note 30)	**(5 245)**	–
Interest expense	**(5 302)**	(36)
Net interest income recognised in profit before income tax	**14 034**	32 409

11. INTEREST IN EQUITY-ACCOUNTED INVESTEE

	2020 R'000	2019 R'000
Balance at beginning of year	**–**	3 461
Loan advanced to investee	**899**	1 241
Share of loss of equity-accounted investee (net of income tax)	**(463)**	(1 345)
Impairment of loan recognised in terms of IFRS 9	**(436)**	(3 357)
Balance at end of year	**–**	–

11.1 RocoMamas Australia

The group had previously acquired 45% of the issued share capital in RocoMamas Restaurants Australia Pty Ltd ("RRA"), a newly incorporated company incorporated and domiciled in Australia, for a nominal consideration. The group had previously advanced R6.515 million to RRA on loan account for the purposes of capitalising the entity and funding working capital. Settlement of the loan was neither planned nor expected to be likely in the medium term. The purpose of the investment was to establish a partnership with entrepreneurs having industry expertise in Australia to launch the RocoMamas brand in that country. The group granted RRA a master franchise agreement, in terms of which RRA was granted rights to exploit the RocoMamas trademarks and related intellectual property in Australasia. RRA built the first RocoMamas restaurant in Australia, trading in Melbourne, which commenced trading in June 2018.

Persistent losses incurred by RRA resulted in the loan being impaired in full at 30 June 2019. The group advanced additional funds during the year to fund continuing trading losses, before selling its equity interest in RRA to the remaining shareholders for an amount of AU$1, with effect from 1 October 2019. The additional loan advanced was impaired in full immediately prior to the disposal of the shares, and the loan was subsequently forgiven upon disposal of the shares.

12. INCOME TAX

12.1 Income tax expense

		2020 R'000	2019 R'000
South African corporate income tax		**42 661**	79 850
Current	– current year	**43 415**	75 966
	– prior year under provision	**189**	111
Deferred	– current year	**1 092**	3 884
	– prior year over provision	**(2 035)**	(111)
South African dividend withholding tax		**1 826**	1 551
Namibian corporate income tax			
Current	– current year	**49**	133
Namibian withholding tax		**–**	3
Dutch corporate income tax		**20**	–
Deferred	– current year	**(316)**	–
	– prior year under provision	**336**	–
Dutch withholding tax		**13 701**	2 620
	– current year	**1 955**	2 620
	– impairment (refer note 22)	**11 746**	–
Australian corporate tax		**(1 140)**	502
Current	– prior year over provision	**–**	52
Deferred	– current year	**(1 126)**	–
	– prior year (over)/under provision	**(14)**	450
Income tax expense		**57 117**	84 659
Total current corporate income tax		**43 653**	76 262
Total deferred corporate tax (refer note 19)		**(2 063)**	4 223
Total withholding taxes		**15 527**	4 174
Income tax expense		**57 117**	84 659

Also refer contingent liability note 46.1.

12. INCOME TAX continued

	2020 %	2019 %
12.2 Reconciliation of tax rate		
South African corporate income tax rate	**28.0**	28.0
Non-deductible intangible asset impairments	**0.8**	–
Non-deductible listings related costs	**1.5**	0.6
Non-deductible loan impairments	**0.9**	1.3
Non-deductible marketing expenditure	**41.6**	–
Non-deductible other expenditure (capital items and items not in production of income)	**1.6**	0.9
Non-taxable income – marketing fund surplus	**–**	(0.1)
Non-taxable interest income	**(0.6)**	(1.0)
(Non-taxable)/non-deductible fair value (gain)/loss on contingent consideration liability	**(0.9)**	0.2
Non-taxable marketing income	**(36.7)**	–
Non-taxable other income	**(0.2)**	–
Non-taxable reversal of impairment allowance for expected credit losses	**(2.2)**	–
Prior year (over)/under provision	**(1.2)**	0.2
Share of loss of equity-accounted investee	**0.1**	0.2
Tax losses on which deferred tax asset not recognised	**1.1**	1.5
Tax losses utilised on which deferred tax not previously recognised	**(1.3)**	(0.5)
Tax on foreign attributed income not included in profit	**0.1**	–
Tax at rates other than corporate income tax rate	**(0.1)**	–
Withholding taxes	**3.0**	1.6
Withholding tax impairment	**9.2**	–
Effective tax rate	**44.7**	32.9

The statutory rates of tax applicable to group entities in the Netherlands, Australia and Namibia are 25%, 27.5% and 32% respectively. The tax rate in the Netherlands operates on a sliding scale.

	2020 R'000	2019 R'000
12.3 Tax losses		
Estimated group tax losses available for set-off against future taxable income	**19 866**	31 198

No deferred tax asset has been recognised in respect of these tax losses. The losses were incurred predominantly by foreign subsidiaries who continue to incur tax losses and management are not able to confirm with any degree of certainty that future taxable income will be earned against which these losses may be offset, prior to their expiration.

R16.719 million of these tax losses are subject to restrictions on the period for which the losses can be carried forward of five years, while the balance has no such restriction.

	2020 R'000	2019 R'000
12.4 Tax charged/(credited) directly to equity		
Current tax on intercompany transfer of treasury shares (refer note 26.4)	**823**	553
Deferred tax on equity-settled share-based payment	**(347)**	(100)
Deferred tax on transition to IFRS 9 in the prior year	**–**	(805)
Deferred tax on transition to IFRS 16 (refer note 4.1)	**918**	–
Total tax charged/(credited) directly to equity	**1 394**	(352)

The deferred tax credited to equity in respect of the equity-settled share-based payment is the amount of the deferred tax credit relating to the group's long-term share incentive schemes (refer note 26.4) that exceeds 28% of the share-based payment expense included in profit before income tax.

13. EARNINGS PER SHARE

	2020 cents	2019 cents
13.1 Statistics		
Basic earnings per share	**76.87**	173.69
Diluted earnings per share	**76.62**	173.22
Headline earnings per share	**83.23**	173.68
Diluted headline earnings per share	**82.96**	173.21

The earnings used for diluted earnings per share are the same as the earnings used for basic earnings per share, which equates to profit attributable to the owners of the company of R66.924 million (2019: R165.118 million) for the group.

	2020 '000	2019 '000
13.2 Reconciliation of shares in issue to weighted average and dilutive weighted average number of ordinary shares		
Shares in issue at beginning of year	**108 481**	108 481
Shares repurchased at beginning of year (refer note 26.2)	**(13 692)**	(12 972)
Shares repurchased during the year weighted for period held by the group (refer note 26.2)	**(63)**	(477)
Specific share repurchase and cancellation weighted for period held by the group (refer note 26.2)	**(7 698)**	–
Shares issued during the year weighted for period in issue (refer note 26.4)	**33**	33
Weighted average number of ordinary shares in issue for the year	**87 061**	95 065
Dilutive potential ordinary shares weighted for period outstanding (refer note 26.4)	**282**	257
Dilutive weighted average number of shares in issue for the year	**87 343**	95 322

	2020 R'000	2019 R'000
13.3 Reconciliation of headline earnings		
Profit attributable to owners of the company	**66 924**	165 118
Impairment of intangible assets	**4 468**	–
Impairment of property, plant and equipment	**951**	–
Profit on disposal of property, plant and equipment	**(128)**	(8)
Reclassification of foreign currency loss from other comprehensive income to profit, on abandonment of foreign operations	**248**	–
Headline earnings	**72 463**	165 110

R'000	Gross	Income tax	Non-controlling interests	Attributable to owners of the company
2020				
Impairment of intangible assets (refer note 16)	**5 754**	**(569)**	**(717)**	**4 468**
Impairment of property, plant and equipment (refer note 14)	**1 322**	**(371)**	**–**	**951**
Profit on disposal of property, plant and equipment	**(259)**	**132**	**(1)**	**(128)**
Reclassification of foreign currency loss from other comprehensive income to profit, on abandonment of foreign operations	**248**	**–**	**–**	**248**
	7 065	**(808)**	**(718)**	**5 539**
2019				
Profit on disposal of property, plant and equipment	(11)	3	–	(8)
	(11)	3	–	(8)

14. PROPERTY, PLANT AND EQUIPMENT

R'000	Land and buildings	Leasehold improve-ments	Furniture and fittings	Plant, equipment and vehicles	Computer equipment	Total
2020						
COST						
Balance at 1 July 2019	**77 911**	**10 242**	**15 145**	**28 132**	**24 469**	**155 899**
Additions	**–**	**5 873**	**2 038**	**5 188**	**1 466**	**14 565**
Disposals	**–**	**(174)**	**(178)**	**(521)**	**(426)**	**(1 299)**
Effect of foreign exchange fluctuations	**–**	**–**	**–**	**–**	**49**	**49**
Balance at 30 June 2020	**77 911**	**15 941**	**17 005**	**32 799**	**25 558**	**169 214**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2019	**(4 665)**	**(4 394)**	**(9 656)**	**(18 960)**	**(17 834)**	**(55 509)**
Disposals	**–**	**23**	**90**	**437**	**416**	**966**
Depreciation	**(667)**	**(1 694)**	**(1 748)**	**(3 267)**	**(3 742)**	**(11 118)**
Impairment (refer note 14.1)	**–**	**(1 023)**	**(130)**	**(164)**	**(5)**	**(1 322)**
Effect of foreign exchange fluctuations	**–**	**–**	**–**	**–**	**(49)**	**(49)**
Balance at 30 June 2020	**(5 332)**	**(7 088)**	**(11 444)**	**(21 954)**	**(21 214)**	**(67 032)**
CARRYING AMOUNT						
Balance at 1 July 2019	**73 246**	**5 848**	**5 489**	**9 172**	**6 635**	**100 390**
Additions	**–**	**5 873**	**2 038**	**5 188**	**1 466**	**14 565**
Disposals	**–**	**(151)**	**(88)**	**(84)**	**(10)**	**(333)**
Depreciation	**(667)**	**(1 694)**	**(1 748)**	**(3 267)**	**(3 742)**	**(11 118)**
Impairment (refer note 14.1)	**–**	**(1 023)**	**(130)**	**(164)**	**(5)**	**(1 322)**
Effect of foreign exchange fluctuations	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2020	**72 579**	**8 853**	**5 561**	**10 845**	**4 344**	**102 182**
2019						
COST						
Balance at 1 July 2018	77 911	9 498	14 666	23 254	21 572	146 901
Additions	–	749	484	4 893	3 194	9 320
Disposals	–	–	(2)	(15)	(290)	(307)
Effect of foreign exchange fluctuations	–	(5)	(3)	–	(7)	(15)
Balance at 30 June 2019	77 911	10 242	15 145	28 132	24 469	155 899
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2018	(3 998)	(3 005)	(7 989)	(16 579)	(14 236)	(45 807)
Disposals	–	–	–	12	240	252
Depreciation	(667)	(1 394)	(1 670)	(2 393)	(3 845)	(9 969)
Effect of foreign exchange fluctuations	–	5	3	–	7	15
Balance at 30 June 2019	(4 665)	(4 394)	(9 656)	(18 960)	(17 834)	(55 509)
CARRYING AMOUNT						
Balance at 1 July 2018	73 913	6 493	6 677	6 675	7 336	101 094
Additions	–	749	484	4 893	3 194	9 320
Disposals	–	–	(2)	(3)	(50)	(55)
Depreciation	(667)	(1 394)	(1 670)	(2 393)	(3 845)	(9 969)
Effect of foreign exchange fluctuations	–	–	–	–	–	–
Balance at 30 June 2019	73 246	5 848	5 489	9 172	6 635	100 390

14. PROPERTY, PLANT AND EQUIPMENT continued

14.1 Impairments

The impact of COVID-19, and the resultant lockdown and subsequent trading restrictions, have had a significantly negative impact on the performance of the group's retail restaurants. This is an indication that the restaurants, as cash-generating units, may be impaired. The group has accordingly assessed the recoverable amounts of these cash-generating units, based on their values-in-use. Given the nature of the restaurant industry and prevailing economic circumstances, the directors assert that the cash-generating units' fair values less costs to sell (on a going concern basis) are unlikely to be significantly different to their underlying assets' values-in-use. The recoverable amounts of the cash-generating units of The Hussar Grills in Rondebosch, Mouille Point and Camps Bay are assessed in note 16.3.

RocoMamas Green Point

In determining the value-in-use of the cash-generating unit, the directors applied the following key assumptions which are based largely on historic performance and the performance of similar restaurants:

- Cash inflows, comprising restaurant sales are estimated to gradually recover to pre-COVID-19 levels by June 2022, and thereafter to increase by 5% per annum which is slightly higher than the mid-point of the targeted South African inflation rate range of between 3% and 6%.
- Cash outflows for the 2021 financial year were estimated as detailed below.
- Variable costs were projected based on the percentages of revenue that have historically been achieved in the business.
- Semi-variable costs were adjusted in part for anticipated inflation and in part by the change in anticipated turnover.
- Fixed costs were estimated to increase at 5% per annum, being slightly higher than the mid-point of the targeted South African inflation rate range of between 3% and 6%.
- Rental costs were forecast in accordance with the lease agreement.
- Growth in perpetuity of cash flows beyond the five-year forecast horizon was estimated at 3%, being the lowest point in the targeted inflation range.
- After-tax cash flows were discounted at an after-tax discount rate of 15.0%, being the weighted average cost of capital of the company adjusted for risk factors specific to the cash-generating unit. In particular, an additional risk premium of 2% was added to the discount rate in discounting cash flows for the 2021 and 2022 financial years due to the significant uncertainty, and related increase in forecasting risk, caused by the COVID-19 pandemic. The equivalent pre-tax discount rate applied to pre-tax cash flows was 19.2%.

	2020 R'000
Carrying amount of cash-generating unit	**594**
Property, plant and equipment	1 699
Other net liabilities	(1 105)
Recoverable amount based on value-in-use	4 199
Excess of recoverable amount relative to carrying amount of cash-generating unit	**3 605**

No impairment is therefore required.

The Hussar Grill Morningside

In addition to the impact of COVID-19, the lease in respect of this restaurant terminates in January 2021 and management has yet to confirm whether the lease will be renewed. Consequently, the business is not anticipated to generate any significant cash during the period until the end of the lease. The recoverable amount of the cash-generating unit based on its value-in-use is accordingly estimated to be negligible. On this basis, the full carrying amount of property, plant and equipment as at the reporting date, amounting to R1.322 million has been impaired.

	2020 R'000
Carrying amount of cash-generating unit	**1 552**
Property, plant and equipment	1 322
Other net assets	230
Recoverable amount based on value-in-use	230
Impairment	**1 322**
Impairment applied to: Property, plant and equipment	1 322

15. RIGHT-OF-USE ASSETS

R'000	Property	Vehicles	Plant and equipment	Total
2020				
Balance at 1 July 2019	–	–	–	–
IFRS 16 adjustment on initial application (refer note 4)	35 940	2 346	–	38 286
Additions (refer note 30)	–	16 403	829	17 232
Depreciation	(7 820)	(4 197)	(276)	(12 293)
Re-measurement of right-of-use assets (refer note 30)	–	(965)	–	(965)
Derecognition on early termination of leases	(428)	–	–	(428)
Effect of foreign exchange fluctuations	89	–	–	89
Balance at 30 June 2020	**27 781**	**13 587**	**553**	**41 921**
Cost	35 512	17 784	829	54 125
Accumulated depreciation	(7 731)	(4 197)	(276)	(12 204)

All leased assets are situated in South Africa, with the exception of two property leases, one each in Namibia and The Netherlands. The early termination related to the termination of the Namibian office lease prior to its planned expiration.

The additions to vehicles followed the expiration of the leases of most of the group's fleet during the year. The addition to plant and equipment related to a bottling plant used in the group's sauce manufacturing facility.

16. INTANGIBLE ASSETS AND GOODWILL

R'000	Trademarks and intellectual property	Goodwill	Software licences	Total
2020				
COST				
Balance at 1 July 2019	290 915	81 357	7 351	379 623
Additions	–	–	2 817	2 817
Balance at 30 June 2020	**290 915**	**81 357**	**10 168**	**382 440**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2019	–	(6 512)	(4 019)	(10 531)
Amortisation	–	–	(902)	(902)
Impairment (refer note 16.3)	(2 032)	(3 722)	–	(5 754)
Balance at 30 June 2020	**(2 032)**	**(10 234)**	**(4 921)**	**(17 187)**
CARRYING AMOUNT				
Balance at 1 July 2019	290 915	74 845	3 332	369 092
Additions	–	–	2 817	2 817
Amortisation	–	–	(902)	(902)
Impairment (refer note 16.3)	(2 032)	(3 722)	–	(5 754)
Balance at 30 June 2020	**288 883**	**71 123**	**5 247**	**365 253**

16. INTANGIBLE ASSETS AND GOODWILL continued

R'000	Trademarks and intellectual property	Goodwill	Software licences	Total
2019				
COST				
Balance at 1 July 2018	288 883	77 635	5 838	372 356
Additions	–	–	1 513	1 513
Arising on business combination (refer note 40)	2 032	3 722	–	5 254
Balance at 30 June 2019	290 915	81 357	7 351	379 623
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2018	–	(6 512)	(3 135)	(9 647)
Amortisation	–	–	(884)	(884)
Balance at 30 June 2019	–	(6 512)	(4 019)	(10 531)
CARRYING AMOUNT				
Balance at 1 July 2018	288 883	71 123	2 703	362 709
Additions	–	–	1 513	1 513
Arising on business combination (refer note 40)	2 032	3 722	–	5 754
Amortisation	–	–	(884)	(884)
Balance at 30 June 2019	290 915	74 845	3 332	369 092

None of the above intangible assets are internally generated.

16.1 Trademarks and intellectual property

	2020 R'000	2019 R'000
The carrying amounts of the trademarks and intellectual property intangible assets with indefinite useful lives are allocated to the following cash-generating units:		
Spur Franchise operations	**230 475**	230 475
Panarottis Franchise operations	**32 925**	32 925
John Dory's Franchise operations	**8 465**	8 465
The Hussar Grill Franchise operations	**9 904**	9 904
RocoMamas Franchise operations	**7 114**	7 114
Nikos Franchise operations	**–**	2 032
Carrying amount before impairment	**2 032**	2 032
Impairment	**(2 032)**	–
Total carrying amount	**288 883**	290 915

16. INTANGIBLE ASSETS AND GOODWILL continued

16.2 Goodwill

For the purposes of impairment testing, goodwill is allocated to the following cash-generating units:

	2020 R'000	2019 R'000
John Dory's Franchise operations	**178**	178
The Hussar Grill Franchise operations	**13 870**	13 870
RocoMamas Franchise operations	**43 102**	43 102
Nikos Franchise operations	**–**	3 722
Carrying amount before impairment	**3 722**	3 722
Impairment	**(3 722)**	–
Hussar Grill retail operations*	**13 973**	13 973
Total carrying amount	**71 123**	74 845

* *This comprises three cash-generating units, namely The Hussar Grills in Camps Bay, Rondebosch and Mouille Point, all in the Western Cape.*

16.3 Impairments of trademarks and intellectual property and goodwill

In accordance with the group's accounting policies, impairment tests on intangible assets with indefinite useful lives and goodwill have been performed. In this regard, the directors determined the recoverable amounts of the cash-generating units to which the trademarks and intellectual property and goodwill are allocated, based on their values-in-use. Given the nature of the franchise and retail restaurant business, the directors consider that the fair values less costs to sell of the cash-generating units are unlikely to differ significantly from their values-in-use.

In determining the values-in-use of the cash-generating units, the directors applied the following key assumptions which are based largely on historic performance adjusted for the impact of trading restrictions imposed in response to COVID-19:

Franchise operations

– Cash inflows, comprising mainly franchise-related fee income determined as a percentage of franchised restaurant sales, are estimated to gradually recover to pre-COVID-19 levels over the periods below, and thereafter to increase by 5% per annum which is slightly higher than the mid-point of the targeted South African inflation rate range of between 3% and 6%. In response to COVID-19, and in an effort to ensure the sustainability of franchised restaurants, the group discounted its franchise fee rates from March 2020. Revenue is expected to increase in line with the recovery in restaurant sales and benefit from reduced franchise fee discounts; franchise fee discounts are expected to reduce gradually to nil by March 2021 as restaurant turnovers recover.
  - Spur Franchise operations' revenue is expected to recover to pre-COVID-19 levels by the 2022 financial year, given the maturity of the brand and its historic resilience to depressed economic cycles.
  - Panarottis, John Dory's and Nikos Franchise operations' revenue is expected to recover to pre-COVID-19 levels by the 2023 financial year: the expected recovery for the smaller trading brands is anticipated to take longer as restaurant trading margins are typically more sensitive to turnovers and it is anticipated that a higher number of outlets may fail (or take longer to recover) than the more established brands.
  - The Hussar Grill Franchise operations' revenue is expected to recover to pre-COVID-19 levels by the 2022 financial year: The Hussar Grill's higher-income consumer target market is anticipated to be more resilient to the slowdown in the local economy and the expected recovery period is therefore likely to be shorter.
  - The RocoMamas Franchise operations' revenue is expected to recover to pre-COVID-19 levels by the 2022 financial year: the RocoMamas brand has been the least impacted of the group's brands given that its product is conducive to delivery and takeaway business which has been relatively robust during the lockdown; the expected recovery is therefore anticipated to happen fairly quickly.

– Cash outflows for the 2021 financial year are estimated based on actual costs incurred for the 2019 and 2020 financial years, adjusted for known changes, increased by inflation. Operating costs comprise predominantly employment-related costs, which have been estimated to increase at 6% per annum, being the top end of the South African Reserve Bank's targeted inflation range of 3% to 6%. Other overheads have similarly been estimated to increase by 6% per annum.

– Growth in perpetuity of cash flows beyond the five-year forecast horizon are estimated at 3%, being the lowest point in the targeted inflation range.

16. INTANGIBLE ASSETS AND GOODWILL continued

16.3 Impairments of trademarks and intellectual property and goodwill continued

– After-tax cash flows are discounted at an after-tax discount rate of 15.0%, being the weighted average cost of capital of the company adjusted for risk factors specific to the cash-generating units. In particular, an additional risk premium of 2% is added to the discount rate in discounting cash flows for the 2021 and 2022 financial years due to the significant uncertainty, and related increase in forecasting risk, caused by the COVID-19 pandemic. In the case of Nikos Franchise operations, a further premium of 3% is added to the discount rate given the small size of the business and the high variability in cash flows from relatively small changes in assumptions. The equivalent pre-tax discount rates equate to:

• Spur Franchise operations	19.4%
• Panarottis Franchise operations	19.3%
• John Dory's Franchise operations	19.2%
• The Hussar Grill Franchise operations	19.4%
• RocoMamas Franchise operations	19.5%
• Nikos Franchise operations	20.4%

Retail operations

– Cash inflows, comprising restaurant sales are estimated to gradually recover to pre-COVID-19 levels by June 2022, and thereafter to increase by 5% per annum which is slightly higher than the mid-point of the targeted South African inflation rate range of between 3% and 6%.
– Cash outflows for the 2021 financial year are estimated as detailed below.
– Variable costs are projected based on the percentages of revenue that have historically been achieved in the respective businesses.
– Semi-variable costs are adjusted in part for anticipated inflation and in part by the change in anticipated turnover.
– Fixed costs are estimated to increase at 5% per annum, being slightly higher than the mid-point of the targeted South African inflation rate range of between 3% and 6%.
– Rental costs are forecast in accordance with the lease agreement.
– Growth in perpetuity of cash flows beyond the five-year forecast horizon are estimated at 3%, being the lowest point in the targeted inflation range.
– After-tax cash flows are discounted at an after-tax discount rate of 15.0%, being the weighted average cost of capital of the company adjusted for risk factors specific to the cash-generating units. In particular, an additional risk premium of 2% is added to the discount rate in discounting cash flows for the 2021 and 2022 financial years due to the significant uncertainty, and related increase in forecasting risk, caused by the COVID-19 pandemic. The equivalent pre-tax discount rates equate to:

• The Hussar Grill Camps Bay	18.8%
• The Hussar Grill Mouille Point	19.5%
• The Hussar Grill Rondebosch	19.4%

16. INTANGIBLE ASSETS AND GOODWILL continued

16.3 Impairments of trademarks and intellectual property and goodwill continued

The results of the impairment tests are tabulated below:

R'000	Franchise operations Spur	Panarottis	John Dory's
Carrying amount of cash-generating unit	262 170	38 127	11 632
Trademarks and intellectual property and goodwill	230 475	32 925	8 643
Corporate assets	31 695	5 202	2 989
Recoverable amount based on value-in-use	907 425	77 533	28 529
Impairment	–	–	–

R'000	The Hussar Grill	RocoMamas	Nikos
Carrying amount of cash-generating unit	25 076	57 508	5 971
Trademarks and intellectual property and goodwill	23 774	50 216	5 754
Corporate assets	1 302	4 996	413
Other net assets/(liabilities)	–	2 296	(196)
Recoverable amount based on value-in-use	27 435	120 908	217
Impairment	–	–	5 754
Impairment applied to trademarks and intellectual property	–	–	2 032
Impairment applied to goodwill	–	–	3 722

R'000	Retail operations THG Camps Bay	THG Mouille Point	THG Rondebosch
Carrying amount of cash-generating unit	8 580	9 101	4 743
Trademarks and intellectual property and goodwill	4 992	4 990	3 991
Property, plant and equipment	4 921	1 620	1 063
Other net assets/(liabilities)	(1 333)	2 491	(311)
Recoverable amount based on value-in-use	31 561	26 207	9 198
Impairment	–	–	–

16. INTANGIBLE ASSETS AND GOODWILL continued

16.4 Sensitivity analysis

Two key assumptions, being the discount rate and growth in restaurant turnovers, could cause the recoverable amounts of the cash-generating units to reduce to below their carrying amounts. The following table shows the amount by which the key assumptions would need to change individually for the estimated recoverable amount of the cash-generating unit to reduce to its carrying amount:

	Franchise operations		
	Spur	**Panarottis**	**John Dory's**
Increase in after-tax discount rate (basis points)	**2 612**	**1 099**	**1 443**
Decline in restaurant turnover (%)	**45.0**	**18.4**	**13.7**

	The Hussar Grill	**RocoMamas**
Increase in after-tax discount rate (basis points)	**107**	**1 247**
Decline in restaurant turnover (%)	**3.8**	**28.4**

	Retail operations		
	THG Camps Bay	**THG Mouille Point**	**THG Rondebosch**
Increase in after-tax discount rate (basis points)	**3 044**	**2 091**	**1 062**
Decline in restaurant turnover (%)	**36.4**	**29.6**	**17.9**

17. LOANS RECEIVABLE

	2020 R'000	2019 R'000
Total gross carrying amount of loans at end of year	**24 066**	138 500
Impairment allowance	**(17 115)**	(27 148)
Opening impairment allowance	**(27 148)**	(6 753)
Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**–**	(6 806)
Current year impairment allowance	**(5 058)**	(16 670)
Reversal of impairment allowance	**12 340**	52
Effect of foreign exchange fluctuations	**(2 535)**	113
Impairment allowance reversed against actual write-off	**5 286**	2 916
Current portion included in current assets	**(4 022)**	(105 961)
Total non-current loans receivable	**2 929**	5 391

Further details regarding the calculation of the impairment allowances for expected credit losses are included in note 42.3.1.

17. LOANS RECEIVABLE continued

17.1 Avecor Investments Pty Ltd trading as Panarottis Tuggerah

	2020 R'000	2019 R'000
Gross carrying amount	**4 165**	3 847
Impairment allowance	**(4 165)**	(646)
Opening impairment allowance	**(646)**	–
Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**–**	(430)
Current year impairment allowance	**(2 972)**	(216)
Effect of foreign exchange fluctuations	**(547)**	–
Current portion included in current assets	**–**	(890)
Non-current portion	**–**	2 311

The loan is denominated in Australian dollars with a gross carrying amount of AU$348 242 (2019: AU$387 563) at the reporting date. The loan is subject to interest at a fixed rate of 4.5% and is repayable in 60 equal monthly instalments which commenced in March 2018. The loan is secured by a pledge of the shares in the borrower and personal suretyship of the borrower's shareholder.

The entity has been unable to honour its commitments in terms of the loan as a result of deteriorating trading conditions in Australia, exacerbated by COVID-19. As a result of the entity's poor financial performance, the shares serving as security are considered by the directors to have negligible value. The prospects of recovering any significant amount of the loan are accordingly considered low and the remaining carrying amount of the loan has been impaired in full in the current year.

17.2 Franchisees (other Australia)

	2020 R'000	2019 R'000
Gross carrying amount	**4 154**	3 696
Impairment allowance	**(4 154)**	(2 532)
Opening impairment allowance	**(2 532)**	(2 916)
Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**–**	(313)
Current year impairment allowance	**(966)**	(2 219)
Impairment allowance reversed against actual write-off	**–**	2 916
Effect of foreign exchange fluctuations	**(656)**	–
Current portion included in current assets	**–**	(1 164)
Non-current portion	**–**	–

The balance comprises loans to the franchisees of the Panarottis in Wanneroo and Apache Spur in Willetton and are denominated in Australian dollars.

The loan to the franchisee of Panarottis Wanneroo amounts to AU$115 760 (2019: AU$140 892) at the reporting date, and is subject to interest at a fixed rate of 6% per annum. The loan is due to be repaid in monthly instalments until June 2022. The franchisee has been significantly impacted by COVID-19 and is unable to honour its current commitments. The directors believe that there is a high likelihood that the loan will not be recoverable and have accordingly impaired the receivable in full during the year.

The loan to the franchisee of Apache Spur amounts to AU$231 484 (2019: AU$ 231 484) at the reporting date. The loan was fully impaired in the prior year and no repayments have been made during the year. The franchisee continued to trade up to the reporting date, but given the poor trading environment and financial difficulties experienced, the directors consider the prospects of recovery of any significant amount of the loan to be negligible. Subsequent to the reporting date, the franchisee commenced with voluntary liquidation proceedings. Refer also note 18 regarding a lease receivable with the entity.

17. LOANS RECEIVABLE continued

		2020 R'000	2019 R'000
17.3	**Franchisees (other foreign)**		
	Gross carrying amount	**–**	242
	Impairment allowance	**–**	(102)
	Opening impairment allowance	**(102)**	–
	Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**–**	(154)
	Reversal of impairment allowance	**124**	52
	Effect of foreign exchange fluctuations	**(22)**	–
	Current portion included in current assets	**–**	(140)
	Non-current portion	**–**	–

These loans amount to €0 (2019: €15 069) as at the reporting date and have been repaid in the current year.

		2020 R'000	2019 R'000
17.4	**Franchisees (local)**		
	Gross carrying amount	**4 338**	5 363
	Impairment allowance	**(670)**	(894)
	Opening impairment allowance	**(894)**	–
	Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**–**	(631)
	Current year impairment allowance	**–**	(263)
	Reversal of impairment allowance	**224**	–
	Current portion included in current assets	**(2 070)**	(2 695)
	Non-current portion	**1 598**	1 774

The loans to franchisees bear interest at between the prime overdraft rate of interest and 3% above the prime overdraft rate of interest. Repayment terms are between one and five years. The loans are secured by way of, *inter alia*, personal suretyships from the owners of the respective franchises.

		2020 R'000	2019 R'000
17.5	**GPI Investments 1 (RF) (Pty) Ltd**		
	Gross carrying amount	**–**	110 225
	Impairment allowance	**–**	(10 812)
	Opening impairment allowance	**(10 812)**	–
	Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**–**	(4 124)
	Current year impairment allowance	**–**	(6 688)
	Reversal of impairment allowance	**10 812**	–
	Current portion included in current assets	**–**	(99 413)
	Non-current portion	**–**	–

17. LOANS RECEIVABLE continued

17.5 GPI Investments 1 (RF) (Pty) Ltd continued

The receivable from GPI Investments 1 (RF) (Pty) Ltd ("GPIRF") was previously advanced in October 2014 to partially fund the acquisition by that entity of 10 848 093 shares in Spur Corporation Ltd ("the GPIRF Shares") as part of a broad-based black economic empowerment transaction. The receivable was secured by a reversionary interest in the GPIRF Shares, but ranked behind the debt owing by GPIRF to an external finance company. Based on the Spur Corporation Ltd share price at 30 June 2019, the value of the GPIRF Shares would have been insufficient to settle the group's receivable, in the event of default, after GPIRF had settled its external debt. Accordingly, the receivable was partially impaired during the prior year.

With effect from 15 October 2019, the group re-acquired the GPIRF Shares from GPIRF at a cost of R260.354 million (refer note 26.2). The receivable, with a gross value of R113.160 million at the date of the transaction, was settled by GPIRF in cash on the same date. Accordingly, the full cumulative impairment allowance as at 30 June 2019 of R10.812 million was reversed to profit in the current period.

The gross inflow on settlement of the loan is allocated in the statement of cash flows as follows:

	2020 R'000	2019 R'000
Capital repayment included in cash flows from investing activities	**72 328**	–
Cumulative interest repayment included in cash flows from operating activities	**40 832**	–
Total cash inflow	**113 160**	–

17.6 Hunga Busters Pty Ltd*

	2020 R'000	2019 R'000
Gross carrying amount	**5 167**	5 032
Impairment allowance	**(5 167)**	(5 032)
Opening impairment allowance	**(5 032)**	–
Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**–**	(528)
Current year impairment allowance	**–**	(4 504)
Reversal of impairment allowance	**464**	–
Impairment allowance reversed against actual write-off	**324**	–
Effect of foreign exchange fluctuations	**(923)**	–
Current portion included in current assets	**–**	–
Non-current portion	**–**	–

This loan arose on the disposal of two former company-owned restaurants in Australia by the group to the borrower during the 2015 financial year. Subsequent to the transaction, certain amounts of franchise and marketing fees owing by the borrowing entity have been added to the loan. The loan is denominated in Australian dollars with a gross carrying amount of AU$431 983 (2019: AU$507 029), bears interest at 1.5% above the Reserve Bank of Australia's cash rate of interest and is repayable in 60 equal monthly instalments which commenced in October 2015. The loan is secured by a personal suretyship of the shareholder of the borrower and a pledge of the shares in the borrowing entity.

The entity has been late in meeting its commitments on the loan on several occasions during the current and prior years. In addition, the entity has significant outstanding liabilities and is not generating sufficient cash to settle its other obligations. As a result, the security is considered to have a negligible value and the directors consider the prospects of recovery of any significant amount of the loan to be low. The loan was fully impaired in the prior year. A portion of the loan was repaid during the year, resulting in a partial reversal of the prior year impairment allowance. An amount of R0.324 million in respect of marketing fees receivable was written off during the year upon the dissolution of the Australian marketing funds.

* *Related party. Refer note 44.*

17. LOANS RECEIVABLE continued

		2020 **R'000**	2019 R'000
17.7	**KG Holdings Family Trust**		
	Gross carrying amount	**2 955**	3 292
	Impairment allowance	**(2 364)**	(1 383)
	Opening impairment allowance	**(1 383)**	–
	Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**–**	(348)
	Current year impairment allowance	**(981)**	(1 035)
	Current portion included in current assets	**(313)**	(603)
	Non-current portion	**278**	1 306

The receivable arose from the disposal of the Captain DoRegos business by the group to the borrower in the 2018 financial year. The receivable is payable in equal monthly instalments over 48 months commencing from 1 June 2018 and bears interest at the prime overdraft rate of interest. The receivable is secured by a personal guarantee from the purchaser and a trust which holds immovable property.

The borrower was in arrears with the instalments due on the loan prior to COVID-19 and has not been able to make any payments since lockdown restrictions were imposed. Given the deteriorating financial state of the borrower, the directors have reduced their estimate of the amount that is likely to be recovered in the event of default and a further impairment allowance has accordingly been recognised in the current year.

		2020 **R'000**	2019 R'000
17.8	**Panawest Pty Ltd trading as Panarottis MacArthur**		
	Gross carrying amount	**–**	4 691
	Impairment allowance	**–**	(4 691)
	Opening impairment allowance	**(4 691)**	(3 837)
	Current year impairment allowance	**–**	(967)
	Impairment allowance reversed against actual write-off	**4 962**	–
	Effect of foreign exchange fluctuations	**(271)**	113
	Current portion included in current assets	**–**	–
	Non-current portion	**–**	–

The loan was denominated in Australian dollars with a gross carrying amount of AU$472 688 at 30 June 2019. The loan was secured by a pledge of shares in the borrower and personal suretyship of the borrower's shareholder.

The restaurant in question ceased trading during the prior year and commenced with liquidation proceedings in the current year. The directors consider the prospects of recovery of any significant amount of the loan to be remote. The loan, amounting to R4.962 million, has accordingly been written off during the year.

17. LOANS RECEIVABLE continued

	2020 R'000	2019 R'000
17.9 Pierre van Tonder*		
Gross carrying amount	**2 200**	–
Impairment allowance	**(139)**	–
Current year impairment allowance	**(139)**	–
Current portion included in current assets	**(1 008)**	–
Non-current portion	**1 053**	–

The loan was advanced in tranches from January 2020 to June 2020. The loan bears interest at the prime overdraft rate of interest and is secured over Mr Van Tonder's provident fund and group life cover. The loan was repayable in equal monthly instalments of R100 000 from July 2020, until the debt is extinguished.

Subsequent to the reporting date, and following the request by Mr Van Tonder to retire at 31 December 2020, the group concluded a mutual separation agreement with the group CEO (refer note 45.1). In terms of this agreement, a lump sum of 18 months' salary is payable to Mr Van Tonder in 18 monthly instalments from July 2021. The mutual separation agreement has also, subsequent to the reporting date, modified the terms of the loan agreement, such that the full amount of the loan of R2.2 million at 30 June 2021 will be deducted from the aforementioned lump sum due to Mr Van Tonder. In the intervening period, interest on the loan will continue to be serviced monthly by way of salary deduction.

	2020 R'000	2019 R'000
17.10 White Cloud Restaurant Pty Ltd*		
Gross carrying amount	**1 087**	2 112
Impairment allowance	**(456)**	(1 056)
Opening impairment allowance	**(1 056)**	–
Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**–**	(278)
Current year impairment allowance	**–**	(778)
Reversal of impairment allowance	**716**	–
Effect of foreign exchange fluctuations	**(116)**	–
Current portion included in current assets	**(631)**	(1 056)
Non-current portion	**–**	–

The loan to White Cloud Restaurant Pty Ltd is denominated in Australian dollars with a gross carrying amount of AU$90 885 (2019: AU$212 787) at the reporting date. The entity operates a Spur restaurant in New Zealand. The loan was advanced in the 2017 financial year to assist the franchisee in funding the fit-out costs of the group's first franchised restaurant in New Zealand. The loan is subject to interest at a fixed rate of 4.5% and was repayable by 30 June 2019. While the restaurant was trading profitably prior to COVID-19, the entity is undercapitalised and has had liquidity constraints since it commenced operations. The onset of COVID-19 has negatively impacted on the liquidity of the entity further. The security provided (in the form of a personal suretyship of the shareholder of the franchisee) is restricted to the jurisdiction of New Zealand and is therefore considered to be insufficient to mitigate the risk of expected credit losses in the event of default. Payments were made against the loan during the year, which resulted in a partial reversal of the impairment allowance previously recognised. The board continues to engage the borrower to agree a resolution to the current breach of the loan agreement by the borrower. Subsequent to the reporting date, further payments of AU$35 797 have been received.

* *Related party. Refer note 44.*

18. LEASE RECEIVABLE

	2020 R'000	2019 R'000
Balance at beginning of year	–	–
IFRS 16 adjustment on 1 July 2019 (refer note 4.1)	8 288	–
Impairment allowance recognised on initial application of IFRS 16 (refer note 4.1)	(4 144)	–
Interest income for the year (refer note 10)	581	–
Lease payments made by sublessee directly to lessor during the year	(1 996)	–
Effect of foreign exchange fluctuations	268	–
Current year impairment allowance	(2 997)	–
Balance at end of year	–	–
Comprising:		
Gross carrying amount	7 141	–
Impairment allowance	(7 141)	–
Total lease receivable	–	–

The group has leased the premises of a restaurant in Australia (Apache Spur – refer note 17.2) which it in turn subleases to the franchisee of the restaurant in question. The lease between the group and the franchisee is classified as a finance lease. The group has recognised a lease liability in respect of the lease with the landlord (refer note 30) and a corresponding lease receivable from the franchisee.

The tenant franchisee has breached the terms of the sublease on several occasions during the year. In addition, the group has been made aware of significant financial difficulties being experienced by the franchisee in question. The group has accordingly assessed the probability of default at 100% and the loss in the event of default as 100% of the receivable. An allowance for expected credit losses has therefore been recognised for the full gross carrying amount of the lease receivable as at the reporting date. Subsequent to the reporting date, the subtenant commenced liquidation proceedings.

Maturity analysis

The undiscounted lease payments to be received after the reporting date are shown below:

	2020 R'000
Less than one year	2 164
One to three years	4 524
More than three years	1 760
Total undiscounted lease receivable	8 448
Unearned finance income	(1 039)
Effect of foreign exchange fluctuations	(268)
Carrying amount of lease receivable before impairment	7 141
Impairment allowance	(7 141)
Net carrying amount of lease receivable at end of year	–

19. DEFERRED TAX

R'000	Balance at beginning of year	Recognised in profit or loss	Recognised in other comprehensive Income*	Recognised directly in equity (retained earnings)	Recognised in goodwill^	Balance at end of year
2020						
Accruals	**152**	**12**	**–**	**–**	**–**	**164**
Contract liabilities	**9 317**	**(477)**	**627**	**–**	**–**	**9 467**
Lease receivable	**–**	**899**	**126**	**–**	**–**	**1 025**
Income received in advance	**348**	**853**	**–**	**–**	**–**	**1 201**
Intangible assets	**(68 198)**	**569**	**–**	**–**	**–**	**(67 629)**
Lease liabilities	**–**	**10 950**	**–**	**10 720#**	**–**	**21 670**
Leave pay accrual	**1 910**	**(587)**	**6**	**–**	**–**	**1 329**
Leave pay receivable	**–**	**(240)**	**–**	**–**	**–**	**(240)**
Long-term employee benefits	**1 228**	**(573)**	**–**	**347@**	**–**	**1 002**
Marketing fund surplus	**(2 035)**	**2 035**	**–**	**–**	**–**	**–**
Operating lease liability	**754**	**–**	**–**	**(754)#**	**–**	**–**
Prepayments	**(975)**	**(186)**	**–**	**–**	**–**	**(1 161)**
Property, plant and equipment	**(199)**	**366**	**–**	**–**	**–**	**167**
Right-of-use assets	**–**	**(9 924)**	**–**	**(10 884)#**	**–**	**(20 808)**
Short-term employee incentives	**3 506**	**(3 264)**	**–**	**–**	**–**	**242**
Trade receivables	**847**	**1 630**	**63**	**–**	**–**	**2 540**
Total net deferred tax liability	**(53 345)**	**2 063**	**822**	**(571)**	**–**	**(51 031)**
2019						
Accruals	597	(445)	–	–	–	152
Contract liabilities	9 057	243	17	–	–	9 317
Income received in advance	177	171	–	–	–	348
Intangible assets	(67 629)	–	–	–	(569)	(68 198)
Leave pay accrual	2 152	(241)	(1)	–	–	1 910
Long-term employee benefits	1 570	(442)	–	100	–	1 228
Marketing fund deficit/ (surplus)	1 481	(3 516)	–	–	–	(2 035)
Operating lease liability	858	(104)	–	–	–	754
Prepayments	(708)	(267)	–	–	–	(975)
Property, plant and equipment	(196)	(3)	–	–	–	(199)
Short-term employee incentives	3 167	339	–	–	–	3 506
Trade receivables	–	42	–	805	–	847
Total net deferred tax liability	(49 474)	(4 223)	16	905	(569)	(53 345)

* *Relates to foreign currency translation differences for foreign operations.*

\# *Refer note 4.1.*

@ *Refer note 12.4.*

^ *Refer note 40.*

19. DEFERRED TAX continued

R'000	Deferred tax asset 2020	Deferred tax asset 2019	Deferred tax liability 2020	Deferred tax liability 2019
The deferred tax asset/(liability) comprises deductible/(taxable) temporary differences relating to:				
Accruals	–	–	164	152
Contract liabilities	3 428	–	6 039	9 316
Lease receivable	1 025	–	–	–
Income received in advance	–	–	1 201	348
Intangible assets	–	–	(67 629)	(68 198)
Lease liabilities	8 629	–	13 041	–
Leave pay accrual	198	323	1 131	1 587
Leave pay receivable	–	–	(240)	–
Long-term employee benefits	–	–	1 002	1 228
Marketing fund deficit/(surplus)	–	1 870	–	(3 905)
Operating lease liability	–	547	–	207
Prepayments	(81)	(161)	(1 080)	(814)
Property, plant and equipment	370	–	(203)	(197)
Right-of-use assets	(8 341)	–	(12 467)	–
Short-term employee incentives	242	506	–	3 000
Trade receivables	711	–	1 829	846
	6 181	3 085	(57 212)	(56 430)

20. LEASING RIGHTS

	2020 R'000	2019 R'000
Balance at beginning of year	3 386	3 936
IFRS 16 adjustment on initial application (refer note 4.1)	(3 386)	–
Amortisation recognised in profit before income tax	–	(550)
Balance at end of year	–	3 386

The leasing rights related to the premises occupied by The Hussar Grill in Mouille Point, Cape Town. The leasing rights were previously amortised on a straight-line basis over the lease term in accordance with IAS 17. The leasing rights have been included in the determination of the right-of-use asset for the lease of the property in accordance with IFRS 16, following the adoption of IFRS 16 (refer to note 4).

21. INVENTORIES

	2020	2019
Raw materials	2 955	2 997
Packaging	879	410
Finished goods	12 314	6 892
Total inventories	16 148	10 299

Finished goods includes manufactured décor and sauces for sale to franchisees, food items for resale in retail outlets and goods purchased for resale to foreign franchisees by the group's export division.

22. TAX RECEIVABLE

	2020 R'000	2019 R'000
Withholding tax credits	**5 783**	14 422
Prepayment of income tax relating to tax query 2004 – 2009 Share incentive scheme query (refer note 46.1)	**22 034**	22 034
Provisional tax payments in respect of current year exceeding actual estimated tax payable for the year	**256**	483
Total tax receivable at end of year	**28 073**	36 939

The withholding tax credits accrue to wholly-owned subsidiary, Steak Ranches International BV ("SRIBV"), the group's franchisor for restaurants outside of South Africa, and relate largely to taxes withheld in jurisdictions in Africa (outside of South Africa). The withholding tax credits may be utilised by SRIBV to reduce future corporate tax payable in The Netherlands on franchise-related taxable income in future years.

During the current year, as a result of the negative impact of COVID-19 on the financial performance of the group's operations in Africa (outside of South Africa), the group reassessed the period over which SRIBV is likely to realise the benefits of the withholding tax credits to reduce future tax payable. The risk of a protracted recovery has resulted in the group restricting the recognition of the asset relating to withholding tax credits to those which are reasonably likely to be realised within five years from the reporting date, notwithstanding that there is currently no time restriction on the period during which these credits can be utilised. Of the asset previously recognised, an amount of R11.746 million has therefore been charged to the income tax expense in the current year.

Total withholding tax credits available to SRIBV at the reporting date amounted to R31.550 million, in respect of which an asset of R5.783 million has been recognised and no asset has been recognised for the remaining balance of R25.737 million.

23. TRADE AND OTHER RECEIVABLES

	2020 R'000	2019 R'000
Gross trade receivables	**52 052**	102 625
Impairment allowance	**(9 614)**	(3 821)
Opening impairment allowance	**(3 821)**	(3 675)
Current year impairment allowance	**(5 904)**	(146)
Effect of foreign exchange fluctuations	**111**	–
Net trade receivables	**42 438**	98 804
Prepayments	**6 685**	4 907
Deposits	**2 083**	1 053
Employee loans (net of impairment allowance)	**81**	214
VAT and other indirect taxes receivable	**2 937**	647
Leave pay receivable	**901**	–
Other	**494**	386
Total trade and other receivables	**55 619**	106 011

Trade receivables include receivables from related parties of R1.123 million (2019: R5.580 million) that arise in the ordinary course of business in respect of the transactions recorded in note 44. No individual receivable is significant and the terms of the receivables are the same as those for receivables with parties who are not related.

The impairment allowance is determined using the expected credit loss ("ECL") approach. The group has applied the simplified approach and determined the ECLs based on lifetime ECLs. Refer note 42.3.1 for more details on accounting for ECLs.

The leave pay receivable arises from negative leave balances of employees, which resulted from employees being required to take a portion of the COVID-19 lockdown period as leave if they were unable to work from home.

24. CONTINGENT CONSIDERATION RECEIVABLE/(LIABILITY)

	2020 R'000	2019 R'000
The movement in the receivable/(liability) during the year was as follows:		
Balance at beginning of year	**(1 011)**	–
Arising from acquisition (refer note 40)	**–**	544
Fair value adjustment recognised in profit before income tax	**4 283**	(1 555)
Impairment allowance	**(306)**	–
Balance at end of year	**2 966**	(1 011)
Current portion included in current assets	**4 555**	–
Gross receivable	**4 861**	–
Impairment allowance	**(306)**	–
Non-current portion included in non-current liabilities	**(1 589)**	(1 011)

Maturity analysis

The undiscounted cash flows after the reporting date relating to the contingent consideration are shown below:

	2020 R'000	2019 R'000
Less than one year	**4 933**	–
More than one year	**(1 952)**	(1 710)
Total undiscounted cash flows at end of year	**2 981**	(1 710)

24.1 Nikos Coalgrill Greek

The purchase consideration for 51% of the business of Nikos Coalgrill Greek ("Nikos"), acquired on 1 August 2018, is determined as five times Nikos' profit before interest, tax, depreciation and amortisation ("EBITDA") of the third year following the date of acquisition. Following an initial payment of R5.012 million on the effective date, annual payments (or refunds as the case may be) are due on the first, second and third anniversaries of the acquisition date, calculated as five times the EBITDA of the year immediately preceding the anniversary date, less any aggregate payments already made. The total purchase consideration over the three-year period was estimated at R6.112 million as at the acquisition date, the present value of which was R4.468 million as at the acquisition date. A contingent consideration receivable was accordingly recognised at fair value at the acquisition date of R0.544 million (refer note 40).

Subsequent to the acquisition date, the parties agreed to deem the partial refund of the purchase consideration due to the group on the first anniversary of the effective date (31 July 2019) to be Rnil.

As at the reporting date, the total expected purchase consideration had decreased to R2.020 million, largely as a result of the negative impact of COVID-19 on the performance of the business in the current year and anticipated remaining period to 31 July 2021. In addition, the increase in the number of restaurants anticipated as at the date of acquisition has not materialised and is not expected to materialise in the short term as a result of prevailing trading conditions. As referred to above, the group was entitled to a refund of R4.933 million on the second anniversary of the transaction, being 31 July 2020. A receivable for the present value of this refund has accordingly been recognised, net of an impairment allowance for ECLs. A financial liability, estimated at a gross amount of R1.952 million, for the expected payment on 31 July 2021, measured at the present value of the payment, has been recognised at the reporting date. The current year fair value adjustment arises as a result of the reduced gross contingent consideration and an adjustment for the time value of money.

Subsequent to the reporting date, the group concluded an addendum to the sale agreement in terms of which the receivable due on 31 July 2020 is deemed to be Rnil. Given this amendment, no amount will be received from the sellers as at 31 July 2020, but it is anticipated that a gross amount of R2.981 million will be refunded at 31 July 2021.

24. CONTINGENT CONSIDERATION RECEIVABLE/(LIABILITY) continued

24.1 Nikos Coalgrill Greek continued

Fair value measurement

The fair value is based on the expected aggregate purchase consideration payments, discounted to present value using a risk-adjusted discount rate of 21.05% (2019: 22.03%), being the weighted average cost of capital of the subsidiary.

The expected purchase consideration payments were determined by considering various possible scenarios, and the probability of each scenario, taking into consideration:

- the expected restaurant rollout plan, the average turnover of new outlets, and the anticipated growth in restaurant turnover of existing outlets;
- the expected human resources requirement to support the restaurant base; and
- inflationary increases in anticipated costs.

The liability is designated as a level 3 financial instrument in terms of the fair value hierarchy (refer note 3.2.2) as inputs into the valuation model are not based on observable market data.

Refer note 42.2 for more information regarding fair value sensitivity.

25. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2020 R'000	2019 R'000
Cash and cash equivalents		
Current, call and short-term deposit accounts	**167 289**	283 979
Restricted cash	**731**	14 305

Restricted cash relates to surplus funds in the marketing funds. These funds are identified as "restricted" cash balances as the funds are not available for general use by the group but are only available to fund future marketing costs in accordance with franchise agreements concluded between the group and its franchisees (refer note 3.1.1).

26. CAPITAL AND RESERVES

	Number of shares			
	2020 ’000	2019 ’000	**2020 R’000**	2019 R’000
26.1 Ordinary share capital				
Authorised				
Ordinary shares of 0.001 cents each	**201 000**	201 000	**2**	2
Issued and fully paid				
In issue at beginning of year	**108 481**	108 481	**1**	1
Repurchase and cancellation of shares by the company	**(10 848)**	–	**–**	–
Cumulative shares repurchased by subsidiaries	**(7 232)***	(7 027)	**–**	–
Cumulative shares held by The Spur Management Share Trust (consolidated structured entity)	**(5 933)**	(6 165)	**–**	–
Cumulative shares held by The Spur Foundation Trust (consolidated structured entity)	**(500)**	(500)	**–**	–
In issue at end of year	**83 968**	94 789	**1**	1

* *Includes 6 635 901 shares previously repurchased by a subsidiary and cancelled during the year.*

The ordinary shares have equal rights to dividends declared by the company.

In terms of the company’s Memorandum of Incorporation, the unissued shares of the company may be issued by the directors of the company only with the approval of the shareholders by way of an ordinary resolution passed at a general meeting. No such authority has been granted.

The company does not have any unlisted shares.

26.2 Shares repurchased

Shares repurchased by the company

At a meeting of shareholders on 25 September 2019, shareholders approved the repurchase and cancellation of 10 848 093 shares in the company (“the GPI Shares”) previously issued to a subsidiary of Grand Parade Investments Ltd in October 2014 as part of a broad-based black economic empowerment transaction, as well as the repurchase and cancellation of 6 635 901 treasury shares (“the Buy-back Shares”) previously acquired by the group. The transactions were implemented with effect from 15 October 2019. The purchase consideration of the GPI Shares was R260.354 million.

The total legal and advisory costs, regulatory fees, and securities transfer tax relating to the transactions amounted to R2.806 million. Of this amount, R2.702 million has been charged directly against equity (retained earnings) as it relates to the transaction for the company to re-acquire its own shares, and R0.104 million has been charged to profit or loss.

26. CAPITAL AND RESERVES continued

26.2 Shares repurchased continued

Shares repurchased by subsidiaries

A wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 110 000 (2019: 853 000) Spur Corporation Ltd shares at an average cost of R26.87 (2019: R22.99) per share, totalling R2.956 million (2019: R19.609 million), following the sale of the 6 635 901 shares to the company referred to above, and their subsequent cancellation.

In the prior year, a further 100 000 shares were transferred from Share Buy-back (Pty) Ltd to The Spur Foundation Trust, in accordance with an earlier shareholders' resolution to donate 500 000 of the company's shares (100 000 per annum over a period of five years, of which the final tranche was donated during the prior year).

In addition, a wholly-owned subsidiary of the company, Spur Group (Pty) Ltd, acquired 231 787 (2019: 209 800) shares to be held in escrow on behalf of participants of the Spur Group Forfeitable Share Plan (refer note 26.4), at a cost of R6.218 million (2019: R4.763 million) from The Spur Management Share Trust, while, in terms of the same plan, 137 000 (2019: 133 000) shares were vested with participants (refer note 26.4).

At the reporting date, following the cancellation of the 6 635 901 shares previously held as treasury shares referred to above, the group owned 595 587 (2019: 7 026 701) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd.

The balance per the statement of financial position comprises the cost of the Spur Corporation Ltd shares that have been repurchased by subsidiaries, Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, those held by The Spur Management Share Trust, a consolidated structured entity, for the purposes of the group's share incentive schemes (refer note 26.4) and those held by The Spur Foundation Trust, a consolidated structured entity. At the reporting date, the entities in question held 7 028 698 (2019: 13 691 599) of the company's shares in aggregate.

26.3 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as foreign exchange gains/losses relating to loans that are considered part of the net investments in foreign operations.

26.4 Share-based payments reserve

The share-based payments reserve relates to the two equity-settled share incentive schemes for managers and directors, approved by shareholders at the annual general meeting of 4 December 2015: the Spur Group Forfeitable Share Plan ("FSP") and Spur Group Share Appreciation Rights ("SAR") Scheme. Shareholders authorised the use of the company's shares held by The Spur Management Share Trust (consolidated structured entity) for the purposes of the schemes.

Cumulative share-based payments expense	2020 R'000	2019 R'000
Balance at beginning of year	4 400	3 731
Share-based payments expense for the year	2 228	3 272
FSP – tranche 1	–	650
FSP – tranche 2	798	1 014
SAR – tranche 2	–	(435)
FSP – tranche 3	990	614
SAR – tranche 3	(1 429)	1 429
FSP – tranche 4	823	–
SAR – tranche 4	1 046	–
Transfer to retained earnings on vesting of shares/rights	(3 155)	(2 603)
Balance at end of year	3 473	4 400
Comprising:		
FSP – tranche 2	–	2 357
FSP – tranche 3	1 604	614
SAR – tranche 3	–	1 429
FSP – tranche 4	823	–
SAR – tranche 4	1 046	–

26. CAPITAL AND RESERVES continued

26.4 Share-based payments reserve continued

Number of shares/rights in issue	2020 FSP shares	2020 SAR rights	2019 FSP shares	2019 SAR rights
Balance at beginning of year	**338 800**	**5 382 302**	274 000	3 868 045
Granted during the year	**231 787**	**2 899 115**	209 800	3 189 176
Forfeited during the year	**(11 240)**	**(2 231 193)**	(12 000)	(1 674 919)
Vested during the year	**(137 000)**	**–**	(133 000)	–
Balance at end of year	**422 347**	**6 050 224**	338 800	5 382 302
Comprising:				
Tranche 2	**–**	**–**	137 000	2 231 193
Tranche 3	**196 200**	**3 151 109**	201 800	3 151 109
Tranche 4	**226 147**	**2 899 115**	–	–

The terms of each tranche are as follows:

FSP	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Date of grant	1 April 2016	3 April 2017	26 November 2018	26 November 2019
Number of shares awarded	155 000	159 000	209 800	231 787
Initial vesting date	1 April 2019	2 April 2020	25 November 2021	25 November 2022
Date from which shares may be traded	31 March 2021	1 April 2022	24 November 2023	22 November 2024
Service condition	3 years from grant date	3 years from grant date	3 years from grant date	3 years from grant date
Performance conditions	None	None	Personal performance	Personal performance
Grant-date fair value per share (R)	19.57	23.03	15.35	18.29
Proportion of shares expected to vest as assessed at reporting date (based on number of employees expected to meet service condition)	N/A	N/A	93.5	97.6
Number of shares that vested	133 000	137 000	N/A	N/A

The forfeitable shares awarded are held in escrow by Spur Group (Pty) Ltd until such time as the participants are free to trade in the shares. During the initial vesting period, participants have none of the rights ordinarily associated with shares (including voting rights, or the right to dividends). The shares held in escrow are accordingly not recognised as shares in issue, but instead as shares held in treasury, for the duration of the initial vesting period. During the period from the initial vesting date to when the shares may be traded by the participants, the participants are entitled to exercise voting rights that attach to the shares and are entitled to receive dividends on the shares.

The shares awarded during the current year were existing treasury shares held by a consolidated structured entity, The Spur Management Share Trust. Costs and capital gains tax associated with the transfer amounted to:

	2020 R'000	2019 R'000
Costs on intercompany transfer of treasury shares	**75**	57
Current tax on intercompany transfer of treasury shares	**823**	553
Total costs charged to equity	**898**	610

26. CAPITAL AND RESERVES continued

26.4 Share-based payments reserve continued

SAR	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Date of grant	1 April 2016	3 April 2017	26 November 2018	26 November 2019
Number of rights awarded	1 971 663	2 619 226	3 189 176	2 899 115
Strike price per right (R)	29.40	33.15	23.13	27.01
Initial vesting date	1 April 2019	2 April 2020	25 November 2021	25 November 2022
Date from which shares may be traded	31 March 2021	1 April 2022	24 November 2023	22 November 2024
Service conditions	3 years from grant date	3 years from grant date	3 years from grant date	3 years from grant date
Performance conditions	Return on equity and growth in adjusted headline earnings per share	Return on equity and growth in adjusted headline earnings per share	Return on equity, growth in comparable headline earnings per share and personal performance	Return on equity, growth in comparable headline earnings per share and personal performance
Grant-date fair value per right (R)	6.40	5.36	4.91	5.96
Proportion of rights expected to vest as assessed at reporting date (based on number of employees expected to meet service condition) (%)	N/A	N/A	98.8	100.0
Proportion of rights expected to vest based on meeting of non-market performance conditions (%)	N/A	N/A	–	30.4
Number of rights that vested	–	–	N/A	N/A

The value of each share appreciation right, determined as the difference between the 10-day volume-weighted average share price of the company's shares at the initial vesting date and the strike price, is to be settled by the issue of an equivalent number of full value shares at the initial vesting date. The shares will be held in escrow until the participants are free to trade in the shares. The participants are entitled to exercise the voting rights that attach to the shares and receive dividends accruing on the shares, from the initial vesting date.

	Tranche 3		Tranche 4	
Performance conditions applicable to SARs:	Criteria	Vesting	Criteria	Vesting
Return on equity	**12.75% to 17.25%**	**0% to 100%**	**14.45% to 19.55%**	**0% to 100%**
Adjusted headline earnings per shares growth at compounded annual growth rate	**CPI to CPI+6%**	**33% to 100%**	**CPI to CPI+6%**	**33% to 100%**

Fair value measurement

The grant-date fair values of the FSP shares and SARs were determined at the grant date by an independent external professional financial instruments specialist using the Black-Scholes European Call Option pricing model, based on the following assumptions:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Risk-free rate (based on R186 South African Government bond)	**7.6%**	**7.5%**	**7.5%**	**7.4%**
Expected dividend yield (based on historic dividend yield over historic period equivalent to vesting period)	**4.8%**	**4.8%**	**5.5%**	**5.1%**
Expected volatility (based on historic volatility over historic period equivalent to vesting period)	**32.4%**	**32.4%**	**39.0%**	**38.7%**
Liquidity discount due to trade restriction (five years in the case of FSP)	**9.6%**	**13.7%**	**19.6%**	**19.6%**
Liquidity discount due to trade restriction (two years in the case of SAR)	**7.0%**	**7.0%**	**7.0%**	**7.0%**

Dilution

The FSP forfeitable shares granted resulted in 282 191 (2019: 256 568) dilutive potential ordinary shares for the year (refer note 13.2). As the performance conditions of the SAR Scheme rights, as assessed at the reporting date, had not been met to result in any vesting of the rights, no adjustment has been made to the dilutive weighted average number of shares in issue in respect of these contingently issuable shares.

27. NON-CONTROLLING INTERESTS

The following subsidiaries have non-controlling interests ("NCI"):

Name	Principal place of business/ Country of incorporation	Operating segment	Ownership interests held by NCI 2020	Ownership interests held by NCI 2019
RocoMamas Franchise Co (Pty) Ltd	South Africa	South Africa Franchise – RocoMamas	**30%**	30%
Opilor (Pty) Ltd	South Africa	South Africa Retail	**32%**	32%
Green Point Burger Joint (Pty) Ltd	South Africa	South Africa Retail	**10%**	10%
The Spur Foundation Trust	South Africa	South Africa Unallocated	**100%**	100%
Nikos Franchise (Pty) Ltd	South Africa	South Africa Franchise – Nikos	**49%**	49%

The following table summarises financial information for material subsidiaries with NCI, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the group's accounting policies, as well as other individually immaterial subsidiaries. The information is before intercompany eliminations with other companies in the group.

R'000	2020 RocoMamas Franchise Co (Pty) Ltd	Opilor (Pty) Ltd	Green Point Burger Joint (Pty) Ltd	Nikos Franchise (Pty) Ltd	Other individually immaterial subsidiaries	Total
Revenue	**33 000**	**15 488**	**8 440**	**2 507**		
Profit/(loss) and total comprehensive income	**14 976**	**234**	**(1 136)**	**(1 511)**		
Profit/(loss) and total comprehensive income attributable to NCI	**4 493**	**(532)**	**(114)**	**(819)**	**705**	**3 733**
IFRS 16 adjustment on initial application taken to retained earnings (refer note 4.1)	**–**	**304**	**22**	**–**	**–**	**326**
Current assets	**8 640**	**895**	**630**	**978**		
Non-current assets	**7 631**	**15 679**	**12 415**	**133**		
Current liabilities	**(1 745)**	**(1 315)**	**(4 155)**	**(615)**		
Non-current liabilities	**(4 829)**	**(6 658)**	**(8 962)**	**(355)**		
Net assets/(liabilities)	**9 697**	**8 601**	**(72)**	**141**		
Carrying amount of NCI	**2 910**	**2 753**	**(8)**	**69**	**2 713**	**8 437**
Cash flows from operating activities	**(2 758)**	**174**	**977**	**(390)**		
Cash flows from investing activities	**(805)**	**(539)**	**(581)**	**(208)**		
Cash flows from financing activities	**(216)**	**(563)**	**(959)**	**326**		
Net decrease in cash and cash equivalents	**(3 779)**	**(928)**	**(563)**	**(272)**		
Dividends paid to NCI during the year	**5 640**	**562**	**–**	**–**	**–**	**6 202**

27. NON-CONTROLLING INTERESTS continued

R'000	RocoMamas Franchise Co (Pty) Ltd	Opilor (Pty) Ltd	Green Point Burger Joint (Pty) Ltd	Other individually immaterial subsidiaries	Total
	2019				
Revenue	33 685	18 548	11 626		
Profit and total comprehensive income	19 637	1 762	218		
Profit and total comprehensive income attributable to NCI	6 032	564	26	678	7 300
Current assets	12 728	1 869	1 259		
Non-current assets	1 548	10 090	4 192		
Current liabilities	(2 062)	(889)	(4 388)		
Net assets	12 214	11 070	1 063		
Carrying amount of NCI	4 057	3 543	84	2 896	10 580
Cash flows from operating activities	(2 521)	628	506		
Cash flows from investing activities	(135)	(283)	(80)		
Cash flows from financing activities	67	–	(13)		
Net (decrease)/increase in cash and cash equivalents	(2 589)	345	413		
Dividends paid to NCI during the year	6 300	540	–	–	6 840

28. CONTRACT LIABILITIES

	2020 R'000	2019 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	**33 271**	32 345
New contracts concluded	**5 776**	11 254
Total recognised in profit or loss as revenue during the year	**(6 287)**	(10 392)
Revenue recognised over time	**(4 559)**	(9 564)
Revenue recognised due to accelerated recognition on early termination of contract	**(1 728)**	(828)
Effect of foreign exchange fluctuations	**2 390**	64
Balance at end of year	**35 150**	33 271
Current portion included in current liabilities	**5 808**	4 226
Non-current portion included in non-current liabilities	**29 342**	29 045

These amounts relate to the initial non-refundable franchise fees which have not yet been recognised as revenue. As the group's performance obligation in relation to the initial franchise fee is satisfied over time, the revenue is recognised on a straight-line basis over the term of the franchise agreement. Where a franchise agreement is terminated prior to its expected expiration date, the balance of the contract liability, representing the value of the initial non-refundable franchise fee not already recognised in profit or loss, is recognised in profit or loss immediately.

29. OPERATING LEASE LIABILITY

	2020 R'000	2019 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	**3 110**	3 919
IFRS 16 adjustment on initial application (refer note 4.1)	**(3 110)**	–
Recognised in profit before income tax	**–**	(809)
Balance at end of year	**–**	3 110

Certain rental agreements concluded by the group allow for an initial rent-free period, tenant installation allowances paid by the landlord, and fixed-rate rental escalations over the lease terms. In accordance with IAS 17, the total rental costs in terms of these leases, net of any tenant installation allowances, were previously expensed on a straight-line basis over the terms of the respective leases including the rent-free periods in each case. A liability was recognised to the extent that the rental expense recognised in profit or loss exceeded actual rental paid.

Upon the initial application of IFRS 16, the operating lease liability previously recognised in accordance with IAS 17 has been de-recognised and taken into account in determining the value of the right-of-use assets recognised in accordance with IFRS 16 (refer note 4.1).

30. LEASE LIABILITIES

	2020 R'000	2019 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	**–**	–
IFRS 16 adjustment on initial application (refer note 4)	**45 988**	–
New leases concluded during the year (refer note 15)	**17 232**	–
Amounts recognised in profit or loss	**4 095**	–
Interest expense (refer note 10)	**5 245**	–
Derecognition on early termination of leases	**(393)**	–
Reduction in lease liabilities relating to COVID-19 rent concessions	**(757)**	–
Lease payments during the year	**(12 996)**	–
Lease payments made by sublessee directly to lessor during the year (refer note 18)	**(1 996)**	–
Re-measurement of lease liability	**(965)**	–
Effect of foreign exchange fluctuations	**1 590**	–
Balance at end of year	**52 948**	–
Current portion included in current liabilities	**13 208**	–
Non-current portion included in non-current liabilities	**39 740**	–

These leases include commercial properties for certain of the group's corporate offices, retail property leases for its retail restaurants, vehicles for use by its operations teams and machinery for use in its sauce manufacturing business.

The property leases range from five to 10 years, subject to renewal periods of a further five years in certain cases. These renewal periods have been included in the determination of the lease periods, and therefore in determining the lease liabilities, as the group is reasonably certain to exercise the options to extend the leases. All property leases have fixed annual escalations.

The group is unlikely to exercise the termination options available in any of the leases and has therefore not included these in the determination of the lease liability.

The vehicle leases prescribe variable lease payments which are linked to the South African prime overdraft rate of interest.

The group has concluded a lease for a retail property for Apache Spur in Australia, which it subleases to a franchisee in Australia. A lease liability and corresponding lease receivable are therefore recognised in respect of the head lease and sublease respectively. In terms of the sublease, the franchisee settles the lease payments directly to the landlord. Any reduction in the lease receivable is recognised as a reduction in the corresponding lease liability. Refer note 18 for details of the lease receivable relating to the sublease.

Lease payments in foreign currencies have been translated into rands at the exchange rates prevailing at the reporting date.

30. LEASE LIABILITIES continued

The group received rent concessions for certain of its retail restaurants during the year due to COVID-19. The group has elected to apply the practical expedient permitted by IFRS 16 which allows the group to account for the change in lease payments in profit or loss, and not as a modification of the lease contract.

The recognition exemption permitted by IFRS 16 for short-term leases and for leases where the underlying asset is of low value has been applied.

	2020 R'000
The following amounts have been recognised in profit or loss as incurred:	
Low-value leases	**66**
Short-term leases	**119**
	185
The following amounts are recognised in the statement of cash flows relating to the lease liabilities:	
Capital amounts included in cash flows from financing activities	**(8 335)**
Interest expense paid included in cash flows from operating activities	**(4 661)**
	(12 996)
Maturity analysis	
The undiscounted lease payments to be made after the reporting date are shown below:	
Payments due within one year	**15 539**
Payments due within one to three years	**24 747**
Payments due after three years	**28 154**
Total undiscounted lease liabilities at end of year	**68 440**

31. TRADE AND OTHER PAYABLES

	2020 R'000	2019 R'000
Trade payables	**23 801**	33 899
Income received in advance	**7 761**	916
Employee benefits	**6 587**	20 793
Short-term profit share incentive scheme	**–**	7 302
Leave pay and other short-term employee benefits	**6 587**	13 491
VAT and other indirect taxes payable	**2 980**	8 403
Unredeemed gift vouchers	**1 937**	2 121
Other sundry payables	**641**	479
Total	**43 707**	66 611

Income received in advance relates largely to upfront payments in respect of export sales orders.

31. TRADE AND OTHER PAYABLES continued

	2020 R'000	2019 R'000
31.1 Short-term profit share incentive scheme		
Balance at beginning of year	**7 302**	5 822
Payment in respect of prior year incentive	**(7 082)**	(5 713)
Recognised in profit before income tax	**(220)**	7 193
Balance at end of year	**–**	7 302

The accrual for the short-term profit share incentive scheme is determined in accordance with the rules of scheme approved by the group's remuneration committee. Each participant's incentive is determined with reference to their guaranteed remuneration, divisional performance, group performance and individual performance, subject to certain limits. No accrual has been raised in respect of the current year as the group's performance, impacted by COVID-19, has resulted in a temporary suspension of the profit share incentive scheme.

32. LOANS PAYABLE

	2020 R'000	2019 R'000
Loans from non-controlling shareholders	**196**	–

The loans were advanced by the minority shareholders of Nikos Franchise (Pty) Ltd. The loans are unsecured and repayable on demand. Provided that the loans are in proportion to the respective shareholders' shareholding in the subsidiary in question, the loans are interest-free.

33. DIVIDENDS

	2020 R'000	2019 R'000
Final 2018 – dividend of 60.0 cents per share	**–**	65 089
Interim 2019 – dividend of 63.0 cents per share	**–**	68 343
Final 2019 – dividend of 73.0 cents per share	**79 191**	–
Interim 2020 – dividend of 78.0 cents per share	**70 978**	–
Total dividends to equity holders	**150 169**	133 432
Dividends external to the group are reconciled as follows:		
Gross dividends declared by the company	**150 169**	133 432
Dividends received on the company's shares held by the group	**(15 478)**	(16 363)
Total dividends declared by the company external to the group	**134 691**	117 069
Dividends declared by subsidiaries to non-controlling shareholders	**6 202**	6 840
Total dividends external to the group	**140 893**	123 909
Shareholders for dividends	**66 257**	714

No final dividend in respect of the 2020 financial year has been declared, as a result of COVID-19.

The total gross dividend declared relating to the financial year was 78 (2019: 136) cents per share equating to R70.978 million (2019: R147.534 million).

The interim 2020 dividend was declared on 26 February 2020 and was due to be paid on 6 April 2020. Following the outbreak of COVID-19 and the potential impact of long-term trading restrictions on the group's cash reserves, the board advised shareholders on 30 March 2020 that payment of the dividend would be deferred until 5 October 2020. On 3 September 2020, the board further advised shareholders that payment of the dividend would be deferred, with a decision on the payment date expected to be announced in March 2021.

34. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	2020 R'000	2019 R'000
Profit before income tax	**127 774**	257 077
Adjusted for:		
Amortisation – intangible assets (refer note 16)	**902**	884
Amortisation – leasing rights (refer note 20)	**–**	550
Depreciation (refer notes 14 and 15)	**23 411**	9 969
Expenses charged directly to equity (retained income) (refer note 26.4)	**(75)**	(57)
Fair value (gain)/loss on contingent consideration receivable/liability (refer note 24)	**(4 283)**	1 555
Foreign exchange loss (excluding losses/gains on intercompany accounts)	**603**	602
Foreign currency translations not disclosed elsewhere in the statement of cash flows	**3 919**	1 108
Gain on rent concession (refer note 30)	**(757)**	–
Impairment losses – financial instruments and lease receivable (refer note 9)	**2 805**	20 375
Impairment of intangible assets and goodwill (refer note 16)	**5 754**	–
Impairment of property, plant and equipment (refer note 14)	**1 322**	–
Interest expense	**5 302**	36
Interest income	**(19 336)**	(32 445)
Loss on derecognition of lease	**35**	–
Derecognition of lease liabilities (refer note 30)	**(393)**	–
Derecognition of right-of-use assets (refer note 15)	**428**	–
Marketing fund deficit/(surplus) allocated to restricted cash (refer note 25)	**13 574**	(5 857)
Movement in operating lease liability (refer note 29)	**–**	(809)
Movement in bonus and leave pay accruals	**(15 315)**	2 348
Movement in contract liabilities (refer note 28)	**(511)**	862
Profit on disposal of property, plant and equipment	**(259)**	(11)
Reclassification of foreign currency loss from other comprehensive income to profit, on abandonment of foreign operations	**248**	–
Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 26.4)	**2 228**	3 272
Share of loss of equity-accounted investee (net of income tax) (refer note 11)	**463**	1 345
Operating profit before working capital changes	**147 804**	260 804

35. WORKING CAPITAL CHANGES

	2020 R'000	2019 R'000
(Increase)/decrease in inventories	**(5 849)**	5 403
Decrease/(increase) in trade and other receivables	**44 249**	(11 104)
Decrease in trade and other payables	**(8 455)**	(10 184)
Working capital changes	**29 945**	(15 885)

36. INTEREST INCOME RECEIVED

	2020 R'000	2019 R'000
Interest income received is reconciled to the amount recognised in profit before income tax as follows:		
Interest accrued but not received at beginning of year	**37 883**	27 452
Interest income	**19 336**	32 445
Interest income on lease receivable relating to sublease, not received in cash	**(581)**	–
Interest accrued but not received at end of year	**–**	(37 883)
Interest income received	**56 638**	22 014

37. INTEREST EXPENSE PAID

Interest expense paid is reconciled to the amount recognised in profit before income tax as follows:		
Interest expense	**5 302**	36
Interest expense on lease liability relating to sublease, not paid in cash	**(581)**	–
Interest expense paid	**4 721**	36

38. TAX PAID

Tax paid is reconciled to the amount recognised in profit or loss as follows:		
Net amount receivable at beginning of year	**35 543**	35 130
Current and withholding tax charged to profit or loss (refer note 12.1)	**(59 180)**	(80 436)
Current tax charged to equity (refer note 12.4)	**(823)**	(553)
Effect of foreign exchange fluctuations	**(3 106)**	(6)
Net amount receivable at end of year	**(25 844)**	(35 543)
Tax paid	**(53 410)**	(81 408)

39. DIVIDENDS PAID

Dividends paid are reconciled to the amount disclosed as follows:		
Amount payable at beginning of year	**(714)**	(631)
Total dividends external to the group (refer note 33)	**(140 893)**	(123 909)
Amount payable at end of year	**66 257**	714
Dividends paid	**(75 350)**	(123 826)

40. ACQUISITION OF BUSINESS – NIKOS COALGRILL GREEK

During the prior year, with effect from 1 August 2018, the group acquired 51% of the business of Nikos Coalgrill Greek ("Nikos"). At the effective date, Nikos operated six franchised restaurants. The brand offers affordable, quality, artisanal Greek food in a contemporary dining environment, giving the group exposure to a market that its existing brands did not cater for directly.

The fair value of the net assets acquired at the acquisition date amounted to:	2019 R'000
Intangible assets (trademarks and related intellectual property)	2 032
Deferred tax liability	(569)
Total fair value of net assets acquired	1 463
Attributable to non-controlling interest	(717)*
Group's share of net assets acquired	746
Goodwill arising on acquisition	3 722
Total purchase consideration	4 468
In cash	5 012
Contingent consideration	(544)
Net cash flow on acquisition of subsidiary	(5 012)

* *The non-controlling interest is measured as the non-controlling interest's proportionate share in the recognised amounts of identifiable net assets.*

Details of the variable purchase consideration are included in note 24.

Transaction costs, comprising legal and due diligence costs, amounting to R0.301 million were included in profit before income tax for the prior year.

41. PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2020 R'000	2019 R'000
Carrying amount of property, plant and equipment disposed of (refer note 14)	**333**	55
Profit on disposal of property, plant and equipment	**259**	11
Proceeds from disposal of property, plant and equipment	**592**	66

42. FINANCIAL INSTRUMENTS

42.1 Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy (refer note 3.2.2). It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount			Fair value
R'000	Note	Amortised cost	Financial assets/ liabilities at fair value through profit or loss	Total	Level 3
2020					
Financial assets not measured at fair value					
Loans receivable	17	**6 951**	**–**	**6 951**	
Financial assets included in trade and other receivables[&]	23	**45 096**	**–**	**45 096**	
Restricted cash	25	**731**	**–**	**731**	
Cash and cash equivalents	25	**167 289**	**–**	**167 289**	
		220 067	**–**	**220 067**	
Financial asset measured at fair value					
Contingent consideration receivable	24	**–**	**4 555**	**4 555**	**4 555**
Financial liabilities not measured at fair value					
Financial liabilities included in trade and other payables[#]	31	**26 379**	**–**	**26 379**	
Loans payable	32	**196**	**–**	**196**	
Shareholders for dividend	33	**66 257**	**–**	**66 257**	
		92 832	**–**	**92 832**	
Financial liability measured at fair value					
Contingent consideration liability	24	**–**	**1 589**	**1 589**	**1 589**
2019					
Financial assets not measured at fair value					
Loans receivable	17	111 352	–	111 352	
Financial assets included in trade and other receivables[&]	23	100 457	–	100 457	
Restricted cash	25	14 305	–	14 305	
Cash and cash equivalents	25	283 979	–	283 979	
		510 093	–	510 093	
Financial liability measured at fair value					
Contingent consideration liability	24	–	1 011	1 011	1 011
Financial liabilities not measured at fair value					
Financial liabilities included in trade and other payables[#]	31	36 499	–	36 499	
Shareholders for dividend	33	714	–	714	
		37 213	–	37 213	

[&] *Includes trade receivables, employee loans, deposits and other financial assets as defined in terms of IFRS 9 – Financial instruments.*

[#] *Includes trade payables, unredeemed gift voucher liability and other financial liabilities as defined in terms of IFRS 9 – Financial instruments.*

42. FINANCIAL INSTRUMENTS continued

42.1 Accounting classification and fair values continued

The group has not disclosed the fair values of loans receivable, financial assets included in trade and other receivables, cash and cash equivalents, restricted cash, financial liabilities included in trade and other payables, loans payable and shareholders for dividend as their carrying amounts are a reasonable approximation of their fair values.

In the case of loans receivable, the directors consider the terms of the loans (including in particular, the interest rates applicable) to be commensurate with similar financial instruments between unrelated market participants and the carrying amounts are therefore assumed to approximate their fair values.

In the case of financial assets included in trade and other receivables, cash and cash equivalents, restricted cash, financial liabilities included in trade and other payables, loans payable and shareholders for dividend, the durations of the financial instruments are short and it is therefore assumed that the carrying amounts approximate their fair values.

42.2 Measurement of fair values

Financial instruments measured at fair value – level 3: contingent consideration receivable/liability relating to the acquisition of Nikos

The asset/liability for the contingent consideration referred to in note 24 was initially recognised at fair value and is subsequently recognised at fair value at each reporting date. The asset/liability is designated as a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on observable market data.

The fair value is determined based on the expected aggregate purchase consideration payments (which are based on forecast EBITDA), discounted to present value using a risk-adjusted discount rate of 21.05% (2019: 22.03%) at the reporting date, being the weighted average cost of capital specific to the acquired entity. The reduction in the discount rate since the prior year is due to a reduction in the prime overdraft rate of interest during the year. The expected purchase consideration payments were determined by considering the business's projected EBITDA in various possible scenarios, and the probability of each scenario.

The fair value adjustment included in profit before income tax for the year is a credit of R4.283 million, and relates largely to changes in the gross contingent consideration and an adjustment for the time value of money during the financial year (including the impact of the reduced discount rate). The changes to the gross contingent consideration are as a result of changes to the forecast EBITDA (refer to note 24).

The significant unobservable inputs are the forecast EBITDA and the risk-adjusted discount rate. Any reasonably likely change in either the forecast EBITDA or the risk-adjusted discount rate is not expected to have a material impact on the fair value of the contingent consideration receivable/payable.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management

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

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing these risks, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The group's objective is to manage effectively each of the above risks associated with its financial instruments, in order to limit the group's exposure as far as possible to any financial loss associated with these risks.

The board of directors has overall responsibility for the establishment and overseeing of the group's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The audit committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group to the extent that these have an impact on the financial statements.

42.3.1 Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the group's receivables from customers, franchisees, operating partners and associated entities, and financial institutions with which the group holds monetary deposits.

Exposure to credit risk and credit losses

The aggregate of the carrying amounts of financial assets represents the group's maximum credit risk exposure:

	Carrying amount	
	2020 R'000	2019 R'000
Cash and cash equivalents (refer note 25)	**167 289**	283 979
Restricted cash (refer note 25)	**731**	14 305
Financial assets included in trade and other receivables (refer note 23)	**45 096**	100 457
Loans receivable (refer note 17)	**6 951**	111 352
Contingent consideration receivable (refer note 24)	**4 555**	–
Total exposure to credit risk – financial instruments	**224 622**	510 093
Lease receivable (refer note 18)	**–**	–
Total exposure to credit risk	**224 622**	510 093
The loss allowances and actual credit losses recognised in profit or loss were as follows:		
Loss allowance and bad debts on trade and other receivables	**6 348**	400
Loss allowance on loans receivable and loan receivables written off	**5 494**	19 975
Loss allowance on contingent consideration receivable	**306**	–
Reversal of loss allowance on loans receivable	**(12 340)**	–
Total credit losses – financial instruments	**(192)**	20 375
Loss allowance on lease receivable	**2 997**	–
Total credit losses	**2 805**	20 375

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 Credit risk continued

The group has historically calculated the impairment allowance for expected credit losses ("ECLs") on each receivable separately for loan receivables and on an aggregated portfolio basis for trade and other receivables. However, given the significant impact of COVID-19 on the group's business and franchisees, for the current year, an individual assessment has been performed for each debtor based on conditions the group was aware of at the reporting date. The multiplication method is used to determine ECLs which is applied by multiplying the exposure (being the gross carrying amount) by the assigned probability of default ("PD") and loss given default ("LGD") rates depending on the performance of the instruments as per the tables below:

Stage	Description	Criteria	Standard PD	Standard LGD	ECL period
2020					
Stage 1	**Performing**	**Substantial compliance with standard credit terms**	**15%**	**42%**	**12 months for loans receivable Lifetime for trade receivables**
Stage 2	**Significantly increased credit risk^**	**Contractual payments >30 days past due; alternatively, extended credit terms required, but substantial compliance with extended credit terms**	**30% – 50%**	**42%**	**Lifetime**
Stage 3	**In default/credit-impaired**	**Not in compliance with extended credit terms and/ or contractual payments >90 days past due***	**100%**	**42% – 50% but subject to individual assessment**	**Lifetime**
2019					
Stage 1#	Performing	Substantial compliance	7.15%	42%	12 months for loans receivable Lifetime for trade receivables
Stage 2	Significantly increased credit risk^	Contractual payments >30 days past due	20.48%	42%	Lifetime
Stage 3	In default/credit-impaired	Contractual payments >90 days past due*	100%	42% but subject to individual assessment	Lifetime

^ *A significant increase in credit risk occurs when the group considers the risk of default occurring to have increased based on the specific facts and circumstances of debtors, but a default event has not yet occurred.*

* *The group may also consider a financial asset to be credit impaired, even if not in default, when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full, before taking into account any credit enhancements held by the group.*

On initial application of IFRS 9, as the group was unable to determine without undue cost or effort whether there had been a significant increase in credit risk since origination of the financial instruments existing at initial application, the group had recognised an allowance based on the lifetime ECLs, and will continue to do so, for those specific financial instruments until they are derecognised, in accordance with the transitional provisions of IFRS 9.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 Credit risk continued

In determining PDs, in the absence of historic credit risk ratings at origination of a loan or receivable, or information on the changes in credit risk since origination, the PDs associated with international global credit ratings have been used as a starting point, and are adjusted as appropriate for circumstances specific to the financial asset. The negative impact of the COVID-19 pandemic on the company and its debtors (trade and loan receivables), as assessed at the reporting date, is considered to have significantly increased the PD across the portfolio of receivables relative to the prior year.
The determination of PDs is detailed below:

Stage 1: For financial assets classified as stage 1, in the prior year, the standard PD rate has been benchmarked against an external global rating of B- (which is the lowest non-investment grade rating), based on the global corporate average default rates. The PD applied in the current year is estimated to have doubled relative to the prior year due to the impact of the COVID-19 pandemic. Only those franchisees who were actively trading at the reporting date were considered for stage 1. Those franchisees who had not re-commenced trading post the hard lockdown imposed by government in response to COVID-19, were immediately categorised as either stage 2 or stage 3.

Stage 2: For financial assets classified as stage 2, in the prior year, the standard PD rate has been benchmarked against an external global rating of CCC (which falls in the substantial risk category), based on the global corporate average default rates. Although this is a 12-month PD, it is used as a proxy for the lifetime PD as receivables are amortised and there is no information available to indicate that the 12-month PD is not representative of the lifetime PD. The PD rate applied in the current year is based on the prior year rate, but increased relative to the prior year as a result of COVID-19. Franchisees who required extended credit terms to address liquidity concerns resulting from COVID-19 were immediately allocated to stage 2 as the need for extended credit terms indicates a significant increase in credit risk. Provided the approved extended credit terms are complied with, the receivable remains in stage 2.

Stage 3: For financial assets classified as stage 3, the debtor has defaulted on contractual payments (included alternative payment arrangements where applicable) at the reporting date and are therefore assigned a standard PD rate of 100%.

The LGD rate used as a benchmark is based on the Basel Committee guidelines of percentages used by banks and financial institutions in South Africa. For unsecured corporate exposures, banks and financial institutions are generally using a LGD rate of between 40% and 50%, prior to COVID-19. Banks in South Africa have typically applied a LGD rate of between 40% and 45% for unsecured exposures to small and medium sized enterprises, prior to COVID-19. Although the group's loans and receivables are typically secured through personal suretyships and other similar arrangements, practically the group is not able to determine the value of this collateral without undue cost or effort. Therefore, for the purpose of calculating ECLs, the group's receivables have been deemed as unsecured and the base LGD rate of 42% determined at the mid-point of the aforementioned range. As at the reporting date, given the significant impact of COVID-19 on the economy, the LGD rates applied, particular for stage 3, have generally increased relative to the prior year.

Cash and cash equivalents and restricted cash
The group's cash is placed with major South African and international financial institutions (in the respective jurisdictions in which the group trades) of high credit standing. The PD rates benchmarked against the external global rating equivalent to the credit rating of these financial institutions are negligible and ECLs are accordingly not anticipated to be material.

A treasury committee comprising the group CEO, group CFO and other senior members of management reviews cash flow projections, manages liquidity and monitors cash investments on at least a monthly basis. This committee reports to the risk committee from time to time. The group's policy is to place cash balances with multiple financial institutions to mitigate against the risk of loss to the group in the event that any one financial institution was to fail.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 Credit risk continued

Financial assets included in trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each franchisee and customer. There are no significant concentrations of credit risk.

In the main, trade and other receivables comprise amounts owing by franchisees that have been transacting with the group for several years, and significant losses have occurred infrequently. In monitoring customer credit risk, customers are grouped together according to their geographic location, ageing profile and existence of previous financial difficulties. There is furthermore one significant wholesale customer. The risk of counterparties defaulting is controlled by the application of credit approvals, limits and monitoring procedures. In the event that a risk of default is identified for a particular franchisee, management actively engages with the franchisee to identify opportunities to assist the franchisee in an effort to limit the potential loss to the group. Such measures include, but are not limited to, assisting with landlord negotiations, granting extended credit terms and assisting in negotiating with financial institutions to restructure debt.

The group does not require collateral in respect of trade and other receivables although all signatories to a franchise agreement sign a personal suretyship in favour of the group.

The group has applied the simplified approach permitted by IFRS 9 and calculated ECLs based on lifetime ECLs. In the prior year, there were no material trade and other receivables that were not in substantial compliance with contractual terms and, given that the risk profiles of individual trade and other receivables were similar and all short-term in nature, the loss allowance was determined on an aggregated portfolio basis applying stage 1 standard criteria. As a result of the impact of trading restrictions imposed during the current year on franchisees in response to COVID-19, as mentioned above, for the current year each customer was assessed individually.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2020 R'000	2019 R'000
Domestic	**47 423**	98 799
Euro-zone countries	**3 506**	3 020
Australasia	**1 123**	806
Total trade receivables (gross carrying amount)	**52 052**	102 625

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	2020 R'000	2019 R'000
Wholesale customers	**7 272**	16 178
Franchisees (franchise businesses)	**44 780**	86 447
Total trade receivables (gross carrying amount)	**52 052**	102 625

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 Credit risk continued

The movement in the impairment allowance for ECLs in respect of trade receivables during the year was as follows:

	2020 R'000	2019 R'000
Balance at beginning of year	**3 821**	800
Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**–**	2 875
Current year impairment losses recognised	**5 904**	400
Effect of foreign exchange fluctuations	**(111)**	(254)
Balance at end of year	**9 614**	3 821
Current year impairment losses recognised	**5 904**	146
Irrecoverable debts written off	**444**	254
Total credit losses	**6 348**	400

The significant increase in the allowance for ECLs in the current year, notwithstanding that the gross receivables have declined relative to the prior year, arises as a result of the fact that, in the prior year all trade receivables had been allocated as stage 1, while as at the current year reporting date, a number of franchisees had:

- not re-commenced trading following the initial complete lockdown, and were immediately allocated to at least stage 2;
- been granted extended payment terms to manage their liquidity, and were immediately allocated to at least stage 2;
- not complied with agreed payment terms, and were allocated to stage 3.

The gross carrying amounts of trade and other receivables are allocated to each stage as follows:

	2020		2019	
R'000	**Gross carrying amount**	**Impairment allowance**	Gross carrying amount	Impairment allowance
Stage 1	**25 672**	**1 734**	102 625	3 821
Stage 2	**14 525**	**1 942**	–	–
Stage 3	**11 855**	**5 938**	–	–
Total trade receivable	**52 052**	**9 614**	102 625	3 821

Loans receivable

The board acknowledges that loans previously advanced to international franchisees to assist their funding in respect of start-up operations have a higher credit risk associated with them due to the uncertainty of the financial success of the operations in question. The board accepted this risk as the provision of funding was previously a key enabler for the group's strategy of expansion in certain offshore territories. The risk is managed by obtaining security for the funding and close supervision of the franchised operations. The board has changed its strategy on international expansion and will no longer be advancing loans to foreign franchisees to establish businesses.

The loans to local franchisees are advanced only to those franchisees which have an established track record of generating cash sufficient to service the loan.

The group's policy is to obtain collateral in respect of material loans advanced. The extent of collateral held by the group in relation to loans receivable is detailed in note 17.

The group has advanced a number of loans to franchisees in Australia and New Zealand (refer notes 17.1, 17.2, 17.6, 17.8 and 17.10). Persistent difficult trading conditions, exacerbated by COVID-19, have increased the financial pressure on franchisees in those countries, increasing the risk of default on the loans in question. In certain instances, the group has granted payment holidays to these franchisees in order to assist their cash flow.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 Credit risk continued

The maximum exposure to credit risk for loans receivable at the reporting date by geographical region was as follows:

	2020 R'000	2019 R'000
South Africa	9 493	118 880
Australasia	14 573	22 735
Africa	–	242
Total gross carrying amounts of loans receivable	**24 066**	141 857

The following table presents an analysis of the credit quality of loan receivables and related impairment allowances:

	2020		2019	
R'000	**Gross carrying amount**	**Impairment allowance**	Gross carrying amount	Impairment allowance
Stage 1	3 181	200	1 164	35
Stage 2	2 807	376	118 182	11 927
Stage 3	18 078	16 539	22 511	18 543
Total loans receivable	**24 066**	**17 115**	141 857	30 505

The impairment allowances have been determined by categorising the loan receivables in the following way:

		2020			
	Note	**Gross carrying amount R'000**	**Impairment allowance R'000**	**PD %**	**LGD %**
Stage 1					
Pierre van Tonder	17.9	2 200	139	15	42
Franchisees (local)	17.4	981	61	15	42
		3 181	200		
The standard PD and LGD rates have been applied to these loans.					
Stage 2					
Franchisees (local)	17.4	2 807	376	30 – 50	42
These loans comprise certain loans to local franchisees who were granted extended credit terms in response to COVID-19 and who were in compliance with those extended credit terms.					
Stage 3					
Avecor Investments Pty Ltd trading as Panarottis Tuggerah	17.1	4 165	4 165	100	100
Franchisees (other Australia)	17.2	4 154	4 154	100	100
Hunga Busters Pty Ltd	17.6	5 167	5 167	100	100
KG Holdings Family Trust	17.7	2 955	2 364	100	80
White Cloud Restaurant Pty Ltd	17.10	1 087	456	100	42
Franchisees (local)	17.4	550	233	100	42
		18 078	16 539		

All loans to Australian franchisees have been impaired in full given the significant financial difficulties experienced by these franchisees and the security provided (either personal suretyship by the shareholders of the borrowers or pledge of shares of the borrowers) being valued as negligible.

Despite the loans being in default, the LGD in respect of the loans to KG Holdings Family Trust, White Cloud Restaurant Pty Ltd and certain other local franchisees have been assessed as less than 100 due to the security provided in respect of the loans in question and the group's intention to pursue recovering losses against the security as necessary.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 Credit risk continued

The movement in the impairment allowance for loan receivables during the year was as follows:

R'000	12-month ECL	Life-time ECL – not credit-impaired	Life-time ECL – credit-impaired	Total ECL
Balance at beginning of year	35	11 927	18 543	30 505
Transfer to lifetime ECL – credit-impaired	–	(1 476)	1 476	–
Current year impairment allowance – loans receivable	165	737	4 156	5 058
Current year impairment allowance – loan advanced to equity-accounted investee	–	–	436	436
Reversal of impairment allowance – loans receivable	–	(10 812)	(1 528)	(12 340)
Effect of foreign exchange	–	–	2 535	2 535
Impairment allowance reversed against actual write off – loans receivable	–	–	(5 286)	(5 286)
Impairment allowance reversed against actual write off – loan advanced to equity-accounted investee	–	–	(3 793)	(3 793)
Balance at end of year	**200**	**376**	**16 539**	**17 115**

The additional impairment allowances during the year are largely as a result of the deteriorating trading conditions in Australia as described above as well as the general increase in credit risk brought on by COVID-19. The significant reversal of impairment allowance is primarily as a result of the group recovering the full extent of the receivable from GPIRF (refer note 17.5) during the year.

Guarantees

The group's policy is to provide financial guarantees only to subsidiaries domiciled in South Africa. At 30 June 2020 no material guarantees were outstanding from a group perspective (30 June 2019: Rnil).

42.3.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Restricted cash balances of R0.731 million (2019: R14.305 million), as detailed in note 25, are not available for general use and are not considered when assessing assets available to assist with liquidity.

The group's franchise divisions are typically, and have historically been, cash generating. The impact of trading restrictions imposed during the year in response to COVID-19 resulted in a significant, sudden, and sustained reduction in revenue. The majority of the group's cost base is employment related and therefore generally not considered variable in the short term. As a consequence, the group sustained cash flow losses for the months of March to June 2020, which has resulted in a significant reduction in cash reserves during the year. In an effort to reduce costs, a reduced work week and temporary salary reductions were implemented across the board, marketing expenditure was reduced to the absolute minimum and all other discretionary, non-contracted costs were reduced as far as possible. Where practicable, payment holidays or discounted payments were negotiated with suppliers subject to contract. Historically, the group ensured that it had sufficient cash on demand to meet expected operational expenses for a period of at least six months, including the servicing of financial obligations. As a consequence, the group was able to sustain the lockdown period from a cash flow perspective and, taking the post-lockdown recovery trajectory into consideration, the board is confident that current cash balances should be sufficient to sustain operations until the business returns to cash flow profitability. Refer note 2 for further analysis of the impact of COVID-19 on the group and going concern considerations.

In response to the liquidity concerns referred to above, the group has deferred payment of its interim 2020 dividend (refer note 33) until the board has sufficient certainty regarding the group's future cash flows.

In terms of the Memorandum of Incorporation of the group's main local operating subsidiary, Spur Group (Pty) Ltd, that company has no limitations to its borrowing powers.

The group has no formal credit facilities in place with its bankers. This decision was taken following the implementation of legislation in South Africa which requires banks to comply with more stringent capital adequacy requirements and which has resulted in South African banks introducing a commitment fee in respect of unutilised credit facilities. Given that the group has a favourable relationship and credit rating with its principal bankers and an ungeared statement of financial position, the board is of the view that credit could be secured to manage any short-term liquidity risk, if the need arose.

The treasury committee and board continue to review group cash flow forecasts regularly to ensure that liquidity is maintained during the pandemic.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.2 Liquidity risk continued

The following are the contractual maturities of financial liabilities, including interest payments:

R'000	Carrying amount	Contractual cash flows Total	1 – 12 months	1 – 3 years
30 June 2020				
Non-derivative financial liabilities				
Contingent consideration liability	**1 589**	**1 952**	**–**	**1 952**
Financial liabilities included in trade and other payables	**26 379**	**26 379**	**26 379**	**–**
Unsecured loans payable	**196**	**196**	**196**	**–**
Shareholders for dividend	**66 257**	**66 257**	**66 257**	**–**
30 June 2019				
Non-derivative financial liabilities				
Contingent consideration liability	1 011	1 710	–	1 710
Financial liabilities included in trade and other payables	36 499	36 499	36 499	–
Shareholders for dividend	714	714	714	–

Where there are no formal repayment terms, the contractual cash flows are assumed to take place within 12 months and no interest is included.

The contractual cash flows relating to the contingent consideration liability are estimates based on management's projections of Nikos' future EBITDA (refer notes 24 and 42.2).

The contractual cash flows relating to leases are detailed in note 30.

42.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the group's income or the carrying amounts of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

International operations

The group's international operations are structured such that items of revenue, expenses, monetary assets and monetary liabilities attributed to group entities are all denominated in the respective group companies' functional currencies to the extent possible, with the exception of the group's international franchise company, Steak Ranches International BV. That company is exposed to currency risk as revenue and related receivables are denominated in currencies other than that company's functional currency which is the euro. That company is, furthermore, exposed to currency risk in respect of loan receivables denominated in currencies other than the euro. The most significant of these other currencies is the Australian dollar.

Trade receivables and payables, and loan receivables and payables are not hedged as the group's international operations trade in jurisdictions that are considered to have relatively stable currencies.

Exchange gains/losses relating to loans that are considered to be part of the net investment in a foreign operation are included in other comprehensive income.

Local operations

The group's local operations are exposed to currency risk only to the extent that it imports raw materials and certain merchandise for resale from time to time. The number and value of these transactions are not considered significant. The group uses forward exchange contracts to hedge its exposure to currency risk in respect of imports. The group does not use forward exchange contracts or other derivative contracts for speculative purposes.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.3 Market risk continued

Exposure to currency risk

The group's exposure to foreign currency risk (insofar as it relates to financial instruments) was as follows as at 30 June:

	AUD '000	EUR '000
2020		
Assets		
Cash and cash equivalents	**12**	**213**
Trade and other receivables	**109**	**14**
Loans receivable	**53**	**–**
Total assets	**174**	**227**
Liabilities		
Trade and other payables	**(32)**	**(42)**
Total liabilities	**(32)**	**(42)**
Total net exposure	**142**	**185**
2019		
Assets		
Cash and cash equivalents	225	169
Trade and other receivables	203	23
Loans receivable	590	18
Total assets	1 018	210
Liabilities		
Trade and other payables	(35)	(94)
Total liabilities	(35)	(94)
Total net exposure	983	116

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	**2020**	2019
AUD 1 = R	**10.4964**	10.1611	**11.9615**	9.9251
Euro 1 = R	**17.3244**	16.2090	**19.5215**	16.0624

Sensitivity analysis

Any reasonable change in the above currencies against the rand is not expected to have a material impact on profit before income tax or equity.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.3 Market risk continued

Interest rate risk

The group adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis as far as possible. No derivative instruments are used to hedge interest rate risk.

Interest rate risk profile

All material interest-bearing financial instruments are at variable rates.

Cash flow sensitivity analysis for variable rate instruments

An increase of 50 basis points in interest rates at the reporting date would impact profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Increase in profit before income tax R'000	Increase in equity R'000
30 June 2020		
Variable-rate assets	**1 409**	**1 014**
30 June 2019		
Variable-rate assets	1 948	1 403

A decrease of 50 basis points in interest rates at the reporting date would have had the equal but opposite effect to the amounts shown above on the basis that all other variables remain constant.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.4 Capital management

The board's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the demographic spread of shareholders, the level of distributions to ordinary shareholders, as well as the return on capital. Capital consists of total shareholders' equity, excluding non-controlling interests.

From time to time the group purchases its own shares on the market; the timing of these purchases depends on market prices. The group does not have a defined share buy-back plan. However, depending on the availability of cash, prevailing market prices and committed capital expenditure, shares may be repurchased. At the date of this report, given the impact of COVID-19 on the group's cash reserves and the deferral of payment of the 2020 interim dividend, the group does not anticipate that it will re-acquire its own shares for the duration of the 2021 financial year.

The value of the group is attributed largely to its trademarks and related intellectual property. These intangible assets are accounted for in the group's statement of financial position at historic cost. The group's statement of financial position does therefore not provide a true reflection of the value of the group. In addition, the group's equity, as reported in the statement of financial position, is influenced significantly by changes in foreign exchange rates. The group also has no external debt save for trade creditors. Consequently, management does not formally report and track capital management financial ratios.

There were no changes in the group's approach to capital management during the year. The board has however intensified its oversight of cash management protocols during the pandemic.

43. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS

The following emoluments were paid by the company and subsidiary companies:

	Guaranteed remuneration[1]					Variable remuneration			
R'000	Cash remuneration	Travel allowance	Provident fund	Medical aid	Subtotal	Equity compensation benefits[2]	Performance bonus[3]	Leave pay[4]	Total remuneration included in profit or loss
2020									
Executive directors and prescribed officer									
For services, as employees, to subsidiary companies									
Current directors									
Pierre van Tonder	5 066	–	765	265	**6 096**	(18)	502	–	**6 580**
Mark Farrelly	3 310	–	493	117	**3 920**	4	323	60	**4 307**
Phillip Matthee	2 801	–	389	–	**3 190**	(15)	263	–	**3 438**
Total executive directors	**11 177**	**–**	**1 647**	**382**	**13 206**	**(29)**	**1 088**	**60**	**14 325**
Prescribed officer									
Kevin Robertson	2 279	237	320	–	**2 836**	(9)	214	–	**3 041**
Non-executive directors									
For services, as directors, to the company[7]									
Directors serving during the year									
Cora Fernandez	487	–	–	–	**487**	–	–	–	**487**
Dineo Molefe[14]	526	–	–	–	**526**	–	–	–	**526**
Mike Bosman	959	–	–	–	**959**	–	–	–	**959**
Mntungwa Morojele[15]	561	–	–	–	**561**	–	–	–	**561**
Muzi Kuzwayo[5]	213	–	–	–	**213**	–	–	–	**213**
Shirley Zinn	492	–	–	–	**492**	–	–	–	**492**
Total non-executive directors	**3 238**	**–**	**–**	**–**	**3 238**	**–**	**–**	**–**	**3 238**
Total remuneration	**16 694**	**237**	**1 967**	**382**	**19 280**	**(38)**	**1 302**	**60**	**20 604**
Senior managers[13]									
Senior manager 1	2 043	–	306	118	**2 467**	54	320	37	**2 878**
Senior manager 2	2 202	–	–	–	**2 202**	–	–	–	**2 202**
Senior manager 3	1 513	178	303	82	**2 076**	60	323	31	**2 490**

Refer to page 95 for footnotes.

43. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS continued

	Guaranteed remuneration[1]					Variable remuneration			
R'000	Cash remu-neration	Travel allow-ance	Provi-dent fund	Medical aid	Subtotal	Equity compen-sation benefits[2]	Per-formance bonus[3]	Leave pay	**Total remu-neration included in profit or loss**
2019									
Executive directors and prescribed officer									
For services, as employees, to subsidiary companies									
Directors serving during the year									
Allen Ambor[6]	2 353	–	471	80	**2 904**	–	–	–	**2 904**
Pierre van Tonder	5 209	–	608	240	**6 057**	517	446	–	**7 020**
Mark Farrelly	3 276	–	487	108	**3 871**	258	287	–	**4 416**
Phillip Matthee	2 742	–	408	–	**3 150**	226	233	–	**3 609**
Total executive directors	**13 580**	**–**	**1 974**	**428**	**15 982**	**1 001**	**966**	**–**	**17 949**
Prescribed officer									
Kevin Robertson	2 237	226	333	–	**2 796**	211	190	–	**3 197**
Non-executive directors									
For services, as directors, to the company[7]									
Directors serving during the year									
Cora Fernandez[8]	17	–	–	–	**17**	–	–	–	**17**
Dineo Molefe	425	–	–	–	**425**	–	–	–	**425**
Mike Bosman[9]	331	–	–	–	**331**	–	–	–	**331**
Mntungwa Morojele	425	–	–	–	**425**	–	–	–	**425**
Muzi Kuzwayo	425	–	–	–	**425**	–	–	–	**425**
Shirley Zinn[8]	17	–	–	–	**17**	–	–	–	**17**
Dean Hyde[10]	213	–	–	–	**213**	–	–	–	**213**
Keith Getz[10]	213	–	–	–	**213**	–	–	–	**213**
Keith Madders[10]	213	–	–	–	**213**	–	–	–	**213**
	2 279	**–**	**–**	**–**	**2 279**	**–**	**–**	**–**	**2 279**
For services, as directors, to subsidiary companies									
Current directors									
Keith Getz[10, 11]	195	–	–	–	**195**	–	–	–	**195**
Keith Madders[10, 12]	122	–	–	–	**122**	–	–	–	**122**
	317	–	–	–	**317**	–	–	–	**317**
Total non-executive directors	**2 596**	**–**	**–**	**–**	**2 596**	**–**	**–**	**–**	**2 596**
Total remuneration	**18 413**	**226**	**2 307**	**428**	**21 374**	**1 212**	**1 156**	**–**	**23 742**
Senior managers[13]									
Senior manager 1	1 878	–	282	108	**2 268**	128	271	–	**2 667**
Senior manager 2	1 733	–	–	–	**1 733**	–	162	214	**2 109**
Senior manager 3	1 443	169	289	76	**1 977**	87	218	–	**2 282**

The board considers there to be no prescribed officers (as defined in section 1 of the Companies Act) with the exception of Kevin Robertson.

No directors or prescribed officers were paid for services to associates.

Refer to page 95 for footnotes.

43. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS continued

The following share awards allocated to directors, prescribed officers and senior managers in terms of the equity-settled Forfeitable Share Plan ("FSP") vested during the year (refer note 26.4):

Tranche 1 and 2	2020 '000	2019 '000
Pierre van Tonder	**15**	15
Mark Farrelly	**10**	10
Phillip Matthee	**5**	5
Kevin Robertson (prescribed officer)	**10**	10
Senior manager 1	**5**	5
Senior manager 3	**5**	5
	50	50

The cost of these awards (calculated in accordance with IFRS 2) has been expensed to profit or loss over the vesting period of the awards and has similarly been included in the emoluments disclosed for directors in each year of the vesting period. The actual vesting is therefore not reflected as additional remuneration in the current year, but is disclosed for information purposes.

The following share-linked awards have been allocated to directors, prescribed officers and senior managers in terms of the equity-settled FSP and Share Appreciation Rights ("SAR") Scheme and were outstanding as at the reporting date (refer note 26.4):

	FSP shares		SAR rights	
Executive directors and prescribed officer	**2020 '000**	2019 '000	**2020 '000**	2019 '000
Pierre van Tonder – tranche 2	**–**	15	**–**	534
Pierre van Tonder – tranche 3	**–**	–	**964**	964
Pierre van Tonder – tranche 4	**–**	–	**920**	–
Mark Farrelly – tranche 2	**–**	10	**–**	461
Mark Farrelly – tranche 3	**–**	–	**496**	496
Mark Farrelly – tranche 4	**–**	–	**473**	–
Phillip Matthee – tranche 2	**–**	5	**–**	97
Phillip Matthee – tranche 3	**–**	–	**403**	403
Phillip Matthee – tranche 4	**–**	–	**385**	–
Kevin Robertson (prescribed officer) – tranche 2	**–**	10	**–**	315
Kevin Robertson (prescribed officer) – tranche 3	**–**	–	**329**	329
Kevin Robertson (prescribed officer) – tranche 4	**5**	–	**178**	–
	5	40	**4 148**	3 599
Senior managers[13]				
Senior manager 1 – tranche 2	**–**	5	**–**	97
Senior manager 1 – tranche 3	**4**	4	**161**	161
Senior manager 1 – tranche 4	**5**	–	**165**	–
Senior manager 3 – tranche 2	**–**	5	**–**	73
Senior manager 3 – tranche 3	**4**	4	**61**	61
Senior manager 3 – tranche 4	**5**	–	**57**	–
	18	18	**444**	392
Total awards allocated	**23**	58	**4 592**	3 991

Refer to page 95 for footnotes.

43. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS continued

The following share-linked awards have been allocated (as at the reporting date) to directors appointed subsequent to the reporting date in terms of the equity-settled FSP and SAR Scheme and were outstanding as at the reporting date (refer note 26.4):

	FSP shares		SAR rights	
Future directors	**2020 '000**	2019 '000	**2020 '000**	2019 '000
Graeme Kiewitz[16] – tranche 4	**5**	–	**102**	–
Sacha du Plessis[16] – tranche 2	**–**	5	**–**	97
Sacha du Plessis[16] – tranche 3	**4**	4	**161**	161
Sacha du Plessis[16] – tranche 4	**5**	–	**165**	–
Total awards allocated	**14**	9	**428**	258

Refer note 45.1 regarding termination benefits payable to Messrs Van Tonder and Farrelly.

Footnotes

1 *Guaranteed remuneration includes any company/employee contributions to the provident fund and medical aid, as well as any travel allowance where applicable. Any change to provident fund and medical aid contributions will result in a corresponding opposite change to cash remuneration such that the guaranteed remuneration remains unchanged. In response to the impact of COVID-19 on the group's cash reserves, the group reduced its workweek to four days and reduced salaries of all employees (including executive directors) commensurately by 20% from 1 June 2020. Fees payable to non-executive directors were similarly reduced by 20% with effect from 1 June 2020.*

2 *The equity compensation benefit is the pro rata share-based payments expense (in terms of IFRS 2 – Share-based Payments) attributable to each of the directors or employees. Refer note 26.4.*

3 *Includes payments during the financial year (relating to performance criteria in respect of the prior year), but excludes accrual for payments due in the subsequent financial year (relating to performance criteria in respect of the current year). Refer note 31.1.*

4 *The group's HR policies do not typically permit employees to encash leave. However, following the 20% reduction in salaries with effect from 1 June 2020 as part of the group's COVID-19 austerity measures, employees (including executive directors) were permitted to sell up to four days of leave per month back to the company in exchange for cash.*

5 *Retired with effect from 6 December 2019.*

6 *Retired with effect from 28 February 2019.*

7 *Certain of the non-executive directors' fees are subject to VAT. Notwithstanding that the company is not able to claim VAT input credits on these services, as the VAT paid is not for the benefit of the directors in question, the amounts disclosed are net of VAT.*

8 *Appointed with effect from 17 June 2019.*

9 *Appointed as director with effect from 15 November 2018 and as chairman with effect from 1 March 2019.*

10 *Retired with effect from 6 December 2018.*

11 *In addition to the standard non-executive director's fee of R215 500 in 2019 approved by shareholders, Keith Getz's fees for the prior year included payments to a related party of R0.195 million for Mr Getz's attendance at three meetings each of the board of directors of Steak Ranches International BV and Spur International Ltd BVI, all of which he chaired.*

12 *In addition to the standard non-executive director's fee of R215 500 in 2019 approved by shareholders, Keith Madders' fees for the prior year included payments for attendance at three meetings of the Steak Ranches International BV board.*

13 *Senior managers are the top three earning employees, who are not directors or prescribed officers of the company, in the respective financial years. The composition of these senior managers varies from year to year, although comparatives are not adjusted in this regard.*

14 *Resigned with effect from 3 September 2020.*

15 *Resigned with effect from 1 September 2020.*

16 *Appointed with effect from 15 October 2020.*

44. RELATED PARTY DISCLOSURES

44.1 Transactions between group entities

During the year, in the ordinary course of business, certain companies within the group entered into transactions which have been eliminated on consolidation. Note 11 provides detail on a loan to an associate. Also refer to note 14 of the separate financial statements on page 124 for guarantees given to subsidiary companies.

44.2 Identity of related parties

A number of the group's directors, previous directors, prescribed officers and key management personnel (or parties related to them) hold positions in other entities, where they may have significant influence over the financial or operating policies of those entities. To the extent that the group has any relationship or dealings with those entities, they are listed as follows:

Director/former director/prescribed officer	Related party	Cross reference to note 44.3	Relationship with related party
Keith Getz[2]	Bernadt Vukic Potash & Getz		Partner
Kevin Robertson (Spouse)	Brentwood Restaurant (Pty) Ltd (Lone Spur)[1, 12]		0% (2019: 25%) Shareholder
	Clearpan (Pty) Ltd (Panarottis Clear Water Mall)[1]		20 Shareholder
	Limorox (Pty) Ltd (Albuquerque Spur)[1, 12]		0% (2019: 25%) Shareholder
Mark Farrelly[3]	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)[1]		26.5% (2019: 25%) Shareholder
	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)[1]	12	26% (2019: 24%) Shareholder
	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stone Ridge Mall)[1, 11]	13	0% (2019: 22%) Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)[1]	27	20% Shareholder
	White Cloud Restaurant Ltd (White Cloud Spur (New Zealand))[1]	32	95% Shareholder
Mark Farrelly[3] (Brother)	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)[1]		10% Shareholder
Mark Farrelly[3] (Spouse)	Blue Desk Recruitment		Sole proprietor

Refer to page 103 for footnotes.

44. RELATED PARTY DISCLOSURES continued

Key Management[5]	Entity	Cross reference to note 44.3	Relationship with related party
Blaine Freer	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)[1, 4]		36.5% Shareholder
	Calma Investments (Pty) Ltd (John Dory's Middelburg)[1, 14]	5	25% Shareholder
	Calma Investments (Pty) Ltd (RocoMamas Middelburg)[1]	6	25% Shareholder
	Cloud Mountain Steak Ranch (Pty) Ltd (Cloud Mountain Spur)[1]		23% Shareholder
	Evening Star Trading 384 (Pty) Ltd (Maverick Spur)[1, 4]		2% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)[1]	12	26% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stone Ridge Mall)[1]	13	25% Shareholder
	Pizza Mall of the North (Pty) Ltd (Panarottis Mall of the North)[1, 12]		0% (2019: 25%) Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)[1, 4]	27	22% Shareholder
	Vegix (Pty) Ltd (Panarottis Waterfall Mall)[1]	31	25% Shareholder
Brian Altriche	Celapart (Pty) Ltd (Golden Falcon Spur)[1]	7	70% Shareholder
	Celapart (Pty) Ltd (RocoGo Braamfontein)[1]	8	70% Shareholder
	Double Ring Trading 299 (Pty) Ltd (Falcon Arrow Spur)[1]		100% Shareholder
	Little Haiwatha Trading CC (RocoMamas Rivonia)[1]		60% Member
	Pizzade Trading CC (RocoMamas Randburg)[1]	25	70% Member
	Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur)[1]	30	100% Shareholder
Brian Altriche (Brother-in-law)	Almescan (Pty) Ltd (RocoMamas Glen Acres)[1, 12]		0% (2019: 5%) Shareholder
	Celapart (Pty) Ltd (Golden Falcon Spur)[1, 12]	7	0% (2019: 50%) Shareholder
	Little Haiwatha Trading CC (RocoMamas Rivonia)[1]		20% Member
	Naxafin CC (RocoMamas Fourways)[1, 12]		0% (2019: 50%) Member
	Nikos Ballito Bay (Pty) Ltd (Nikos Ballito)[1]		50% Shareholder
Coleen Eva (Spouse)	Centuria 82 CC (Swiss Cool)		100% Member
Derick Koekemoer	Abaya Investments CC (John Dory's The Grove, Windhoek (Namibia))[1]	1	25% Member
	Barleda 293 CC (Cancun Spur)[1]		25% Member
	Frontier Restaurant Co (Pty) Ltd (Wild Falcon Spur)[1, 11]	9	0% (2019: 25%) Shareholder
	Gapecovako Investments CC (Panarottis Windhoek (Namibia))[1]	10	25% Member
	Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia))[1]	14	25% Member
	Little Thunder (Pty) Ltd (Tampico Spur)[1]		21% Shareholder
	Servigyn 25 CC (Thunder Bay Spur)[1]		32% (2019: 29%) Member
	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)[1]	27	15% Shareholder
	Ten Cents Investments 16 CC (Sarasota Spur)[1, 14]	28	50% Member

Refer to page 103 for footnotes.

44. RELATED PARTY DISCLOSURES continued

44.2 Identity of related parties continued

Key Management[5]	Entity	Cross reference to note 44.3	Relationship with related party
Duncan Werner	Rujac (Pty) Ltd (Manitoba Spur)[1, 12]	26	0% (2019: 25%) Shareholder
Duncan Werner (Spouse)	Design Form		Sole proprietor
José Vilar	Hunga Busters Pty Ltd (Silver Spur (Australia))[1, 14]	11	50% Shareholder
	Panpen Pty Ltd (Panarottis Penrith (Australia))[1]	24	50% Shareholder
Justin Fortune	Alicente 144 CC (Golden Bay Spur)[1]	2	25% Member
	Ambicor 195 CC (Cincinnati Spur)[1]	3	25% Member
	Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West)[1]	4	25% Shareholder
	Laadned Trading 333 CC (Cajun Spur)[1]	15	25% Member
Leonard Coetzee	Founad Trading 89 CC (Grand Canyon Spur)[1]		10% (2019: 20%) Member
	JJ Links CC (John Dory's Wilsons Wharf)[1]		10% (2019: 11%) Member
	Monnani (Pty) Ltd (John Dory's Watercrest Mall)[1]	18	12.5% Shareholder
	Nitafin (Pty) Ltd (John Dory's Secunda)[1]	20	10.5% Shareholder
	Nitaprox (Pty) Ltd (Eldorado Spur)[1, 12]	21	10% Shareholder
	Nitaprox (Pty) Ltd (Pine Creek Spur)[1]	22	10% Shareholder
	Torinosun (Pty) Ltd (Navaho Springs Spur)[1]	29	11.7% Shareholder
	Waterstone Trading 51 (Pty) Ltd (Atlanta Spur)[1]		10% (2019: 11%) Shareholder
Sacha du Plessis	Barleda 293 CC (Cancun Spur)[1]		6.25% Member
	Meltrade 286 CC (Casa Bella Grandwest)[1]	16	25% Member
	Meltrade 286 CC (Silver Dollar Spur)[1]	17	25% Member
	Nomivax (Pty) Ltd (The Hussar Grill Grandwest)[1]	23	25% Shareholder
Sacha du Plessis (Parent)	Barleda 293 CC (Cancun Spur)[1]		3.12% Member
	Meltrade 286 CC (Casa Bella Grandwest)[1]	16	12.5% Member
	Meltrade 286 CC (Silver Dollar Spur)[1]	17	12.5% Member
	Nomivax (Pty) Ltd (The Hussar Grill Grandwest)[1]	23	12.5% Shareholder

Refer to page 103 for footnotes.

44. RELATED PARTY DISCLOSURES continued

44.2 Identity of related parties continued

Key Management[5]	Entity	Cross reference to note 44.3	Relationship with related party
Tyrone Herdman-Grant	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)[1]		16% Shareholder
	Calma Investments (Pty) Ltd (John Dory's Middelburg)[1, 14]	5	25% Shareholder
	Calma Investments (Pty) Ltd (RocoMamas Middelburg)[1]	6	25% Shareholder
	Cloud Mountain Steak Ranch (Pty) Ltd (Cloud Mountain Spur)[1]		23% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)[1]	12	26% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stone Ridge Mall)[1]	13	25% Shareholder
	Pizza Mall of the North (Pty) Ltd (Panarottis Mall of the North)[1, 12]		0% (2019: 25%) Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)[1]	27	16.5% Shareholder
	Vegix (Pty) Ltd (Panarottis Waterfall Mall)[1]	31	25% Shareholder
Tyrone Herdman-Grant (Spouse)	Cynergy Social Media Management (Pty) Ltd		100% Shareholder
Vivy Novos (Spouse)	Jonathan Novos		Sole proprietor
Wolbert Kamphuijs[13]	TMF Group		Director

Refer to page 103 for footnotes.

44.3 Transactions with related parties

Balances with related parties

Refer note 23 for details on trade receivables from related parties. No individual trade receivable is material. The trade receivables with related party franchisees are subject to the same credit terms as for independent franchisees. None of the trade receivables are considered overdue. The trade receivables are secured by personal suretyships issued by the signatories to the franchise agreements, as with all other franchise agreements.

Loans to/from related parties are detailed in notes 17 and 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. RELATED PARTY DISCLOSURES continued

44.3 Transactions with related parties continued

Transactions with related parties that are restaurants are detailed in the table below:

In terms of the group's Conflict of Interest Policy, the director, previous director, prescribed officer or member of key management personnel in question is excluded from participating in any decision relating to any transaction with any restaurant in which he/she has an interest. Any temporary concession[6] granted to a restaurant in which a director or prescribed officer has an interest must be approved by a disinterested quorum of the board.

		Temporary concession[6]		Training fees[7]		Marketing assistance[8]		
	R'000	**2020**	2019	**2020**	2019	**2020**	2019	**Other transactions**
1	Abaya Investments CC (John Dory's The Grove, Windhoek (Namibia))	**381**	308	**–**	–	**–**	–	
2	Alicente 144 CC (Golden Bay Spur)	**–**	272	**–**	–	**–**	–	
3	Ambicor 195 CC (Cincinnati Spur)	**139**	295	**–**	–	**–**	–	
4	Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West)	**–**	–	**–**	–	**4**	10	
5	Calma Investments (Pty) Ltd (John Dory's Middelburg)	**133**	238	**–**	–	**–**	–	
6	Calma Investments (Pty) Ltd (RocoMamas Middelburg)	**143**	110	**–**	–	**–**	–	
7	Celapart (Pty) Ltd (Golden Falcon Spur)	**114**	150	**–**	–	**9**	–	
8	Celapart (Pty) Ltd (RocoGo Braamfontein)	**–**	103	**28**	–	**–**	–	
9	Frontier Restaurant Co (Pty) Ltd (Wild Falcon Spur)	**–**	–	**–**	–	**–**	2	
10	Gapecovako Investments Close Corporation (Panarottis Windhoek (Namibia))	**287**	288	**–**	–	**–**	–	
11	Hunga Busters Pty Ltd (Silver Spur, Penrith (Australia))	**1 793**	1 112	**–**	–	**–**	–	**a**
12	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)	**–**	–	**9**	–	**–**	–	
13	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stone Ridge Mall)	**–**	–	**95**	212	**–**	7	**b**
14	Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia))	**225**	321	**–**	–	**–**	–	
15	Laadned Trading 333 CC (Cajun Spur)	**169**	360	**–**	–	**–**	–	
16	Meltrade 286 CC (Casa Bella Grandwest)	**89**	138	**–**	–	**–**	–	**c**
17	Meltrade 286 CC (Silver Dollar Spur)	**183**	259	**–**	–	**–**	–	
18	Monnani (Pty) Ltd (John Dory's Watercrest Mall)	**279**	231	**–**	–	**–**	–	
19	Nikos Ballito Bay (Pty) Ltd (Nikos Ballito)	**–**	–	**–**	–	**4**	–	
20	Nitafin (Pty) Ltd (John Dory's Secunda)	**298**	413	**–**	–	**–**	–	
21	Nitaprox (Pty) Ltd (Eldorado Spur)	**–**	162	**–**	–	**–**	–	**d**
22	Nitaprox (Pty) Ltd (Pine Creek Spur)	**–**	60	**–**	–	**–**	–	
23	Nomivax (Pty) Ltd (The Hussar Grill Grandwest)	**–**	11	**–**	–	**2**	2	
24	Panpen Pty Ltd (Panarottis Penrith (Australia))	**292**	118	**–**	–	**–**	–	
25	Pizzade Trading CC (RocoMamas Randburg)	**–**	–	**–**	–	**5**	15	**e**
26	Rujac (Pty) Ltd (Manitoba Spur)	**–**	387	**–**	10	**–**	–	
27	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)	**–**	–	**–**	68	**–**	–	**f**
28	Ten Cents Investments 16 CC (Sarasota Spur)	**–**	125	**–**	–	**–**	21	
29	Torinosun (Pty) Ltd (Navaho Springs Spur)	**189**	286	**–**	5	**–**	5	
30	Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur)	**–**	154	**–**	–	**–**	–	**g**
31	Vegix (Pty) Ltd (Panarottis Waterfall Mall)	**156**	349	**–**	–	**17**	19	**h**
32	White Cloud Restaurant Ltd (White Cloud Spur (New Zealand))	**634**	757	**–**	–	**–**	–	**i**
	Total	**5 504**	7 007	**132**	295	**41**	81	

Notes

a) Silver Spur (Australia): Refer to note 17.6 for details of a loan advanced to this entity.

b) RocoMamas Stone Ridge Mall: The group paid Rnil (2019: R5 000) to this entity for billboard rental.

c) Casa Bella Grandwest: The group paid this outlet Rnil (2019: R2 493) for catering services provided[10].

d) Eldorado Spur: The group paid this outlet Rnil (2019: R1 020) for catering services provided[10].

e) RocoMamas Randburg: The group paid R37 500 (2019: R15 000) to this entity for billboard rental, R144 450 (2019: R80 157) for product research and development, R115 732 for travel to Australia to assist Australian franchisees and R1 660 (2019: Rnil) for catering services provided[10].

Refer to page 103 for footnotes.

f) 7 Eagles Spur: The group paid sales incentives[9] of Rnil (2019: R22 087) to this entity.

g) Falcon Peak Spur: The group paid this outlet R4 569 (2019: Rnil) for catering services provided[10].

h) Panarottis Waterfall Mall: The group paid R5 304 (2019: Rnil) to this entity for billboard rental, Rnil (2019: R10 000) as sales incentives[9] and subsidised this outlet's rental cost in the amount of Rnil (2019: R89 139).

i) White Cloud Spur (New Zealand): Refer to note 17.10 for details of a loan advanced to this entity.

44. RELATED PARTY DISCLOSURES continued

44.3 Transactions with related parties continued

Transactions with related parties that are not restaurants are detailed below:

Bernadt Vukic Potash & Getz (Keith Getz[2])

Bernadt Vukic Potash & Getz serves as the group's principal legal counsel and has provided legal services (other than services included with directors' emoluments per note 43) on various matters in the ordinary course of business to the value of R1 543 964 (2019: R2 637 750).

Blue Desk recruitment (Mark Farrelly's[3] spouse)

Blue Desk recruitment provided staff recruitment services to the group in the amount of Rnil (2019: R67 200).

Centuria 82 CC T/A Swisscool (Coleen Eva's spouse)

Swisscool supplied refrigeration equipment and related supplies to the group in the amount of R2 066 170 (2019: R1 023 438).

Cynergy Social Media Management (Tyrone Herdman-Grant's spouse)

Cynergy Social Media Management provides marketing services to the group amounting to R184 213 (2019: R112 002).

Design Form (Duncan Werner's spouse)

Karen Werner, trading as Design Form, provided architectural and design services to the group in the amount of R69 457 (2019: R345 684). The services are provided largely to franchisees (with their consent) and any costs so incurred by the group are recovered, for the most part, from franchisees.

Jonathan Novos (Vivy Novos's spouse)

Jonathan Novos provided electrical contractor services to the group in the amount of R88 145 (2019: R136 705).

Pierre van Tonder

Refer note 17.9 for details of a loan advanced to Pierre van Tonder during the year.

TMF Group (Wolbert Kamphuijs)

TMF Group provided consulting services to the group in the amount of R215 082 (2019: R441 731).

44.4 Key management[5]

The key management personnel compensation is as follows:

	2020 R'000	2019 R'000
Ordinary remuneration and benefits	**30 892**	28 198
Leave pay[15]	**166**	–
Equity compensation benefits (refer note 26.4)	**797**	1 095
Total remuneration included in profit before income tax	**31 855**	29 293
53 000 Spur Corporation Ltd shares were issued to key management personnel during the year in terms of the group's equity-settled Forfeitable Share Plan (refer note 26.4).		
In addition to the above, emoluments to directors and prescribed officers amounted to (refer note 43)	**20 604**	23 742

Refer to page 103 for footnotes.

44. RELATED PARTY DISCLOSURES continued

Footnotes

[1] *These entities are franchisees. Franchise fees and marketing fund contribution fees of between 3% and 5% and between 2% and 4% of restaurant turnover (depending on the brand) respectively are collected by the group in terms of the standard franchise agreements, unless otherwise indicated under the related party transactions described above. Due to the COVID-19 pandemic and the resultant lockdowns that were imposed by the respective governments in the territories in which the group's franchised restaurants trade, adjustments were made to the base franchise and marketing fund contribution fee rates applicable to all franchisees between March 2020 and June 2020 as detailed in note 2. These reduced fees are not included in the quantification of the value of temporary concessions[6] included in note 44.3.*

[2] *Keith Getz retired as non-executive director of Spur Corporation Ltd with effect from 6 December 2018, but still serves on the board of Steak Ranches International BV, a subsidiary of Spur Corporation Ltd.*

[3] *Mark Farrelly resigned as a director of Spur Corporation Ltd with effect from 31 August 2020.*

[4] *The interest is held indirectly through a trust. The member of key management in question is a trustee of the trust.*

[5] *Key management comprises 17 (2019: 17) employees (excluding directors and prescribed officers) and includes brand chief operations officers and business unit heads as follows:*

Anton Geldenhuys	*COO: RocoMamas*
Blaine Freer	*Group development executive*
Brian Altriche	*Creative executive: RocoMamas*
Chris Lotter	*Group technology executive*
Cobus Jooste	*National training executive*
Derick Koekemoer	*Franchise executive: Africa*
Duncan Werner	*COO: Spur Grill & Go*
Graeme Kiewitz	*Group HR executive*
José Vilar	*Franchise executive: Australia*
Justin Fortune	*COO: The Hussar Grill*
Leonard Coetzee	*COO: John Dory's*
Nazrana Hawa (resigned 31 July 2019)	*Company secretary/Group legal and compliance executive*
Patrick Lawson	*Group strategy executive*
Robin Charles	*National procurement executive*
Sacha du Plessis	*Chief marketing officer*
Tyrone Herdman-Grant	*COO: Pizza and Pasta*
Vivy Novos	*Group finance executive*

[6] *Temporary concession: A concession is a temporary reduction in the percentage of franchise and/or marketing fund contribution income that would ordinarily be collected by the group in terms of the standard franchise agreements. Franchise and marketing fund contribution fee concessions are granted to franchisees in the ordinary course of business to provide relief from some temporary external influence (outside of the franchisee's control) which has a negative impact on the franchisee's profitability and may threaten the sustainability of the outlet. Examples of such circumstances include increased competitive activity in the proximity of the restaurant, construction or other interference impeding foot traffic and excessive rentals (provided that these are in the process of being renegotiated). The concession is subject to strict authorisation protocols and is conditional upon the franchisee complying with all of the group's operational requirements. The concession may be withdrawn at the group's discretion at any time. Any franchisee (including one which is not a related party) is eligible for a concession should the circumstances so dictate and each case is considered on its own merits after careful scrutiny of franchisee financial records and other supporting documentation.*

[7] *Training fees: Fees to restaurants which serve as training facilities are determined based on the number of delegates trained and the number of days each delegate is trained. The fee charged is the same fee charged by other training restaurants (which are not related parties).*

[8] *Marketing assistance: Marketing assistance is provided to franchisees as the need arises. Typically, this is to compensate a franchisee for piloting a new concept or to assist a franchisee in minimising the negative impact of competing brands in the outlet's proximity. The basis for determining the assistance is the same as for any other franchisee (which is not a related party).*

[9] *Sales incentives: Sales incentives are paid to franchisees based on sales of a particular item which is subject to promotion. The incentives are usually financed by the suppliers whose products are the subject of the promotion. The terms applicable to the incentive payments are the same as for any other franchisee (which is not a related party).*

[10] *Catering services: The group sponsors meals for sporting and charity events on an ad hoc basis and engages the services of franchisees to prepare these meals.*

[11] *These interests were disposed of during the year.*

[12] *These interests were disposed of during the prior year.*

[13] *Wolbert Kamphuijs is a director of wholly-owned subsidiary, Steak Ranches International BV, the group's international franchise company.*

[14] *This restaurant closed during the year under review.*

[15] *The group's HR policies do not typically permit employees to encash leave. However, following the 20% reduction in salaries with effect from 1 June 2020 as part of the group's COVID-19 austerity measures, employees were permitted to sell up to four days of leave per month back to the company in exchange for cash.*

45. SUBSEQUENT EVENTS

Subsequent to the reporting date, but prior to the date of issue of this report, the following significant transactions occurred:

45.1 Termination benefits payable to departing directors

The group concluded a mutual separation agreement with group CEO, Pierre van Tonder, in terms of which Mr Van Tonder retires as the group CEO and executive director of the company with effect from 31 December 2020 after 38 years of service of which 24 have been as group CEO. Mr Van Tonder's employment agreement provides for a six-month notice period and 24-month restraint of trade. The group will accordingly pay Mr Van Tonder his current monthly salary of R516 615 (total guaranteed remuneration) per month for the months of January 2021 to June 2021, amounting to R3.1 million in aggregate. A further lump sum of R9.3 million (the equivalent of 18 months' guaranteed remuneration) will be paid to Mr Van Tonder from 30 July 2021 in 18 equal monthly instalments and is linked to Mr Van Tonder's compliance with his restraint provisions and other material provisions of the mutual separation agreement. Mr Van Tonder currently has a loan payable to the group (refer note 17.9), the outstanding balance of which will be deducted from the aforementioned lump sum due to Mr Van Tonder by the company on 30 June 2021. The aggregate of the payments due in terms of the mutual separation agreement will be accounted for as an expense included in profit before income tax for the 2021 financial year. Mr Van Tonder will be entitled to retain the FSP shares and SARs allocated to him (refer note 43) as at the date the mutual separation agreement was concluded. The restraint of trade period terminates on 31 December 2022.

Group COO, Mark Farrelly, resigned with effect from 31 August 2020. In terms of his employment agreement, Mr Farrelly has a three-month notice period and a 24-month restraint of trade. Mr Farrelly will accordingly be paid his monthly salary of R332 208 (total guaranteed remuneration) for each month from September 2020 to November 2020, amounting to R1.0 million in aggregate, which will be accounted for as an expense included in profit before income tax for the 2021 financial year. Mr Farrelly forfeits any FSP shares and SARs allocated to him with effect from 31 August 2020.

45.2 Amendment to Nikos Coalgrill Greek purchase price settlement arrangement

On 5 October 2020, the group concluded an addendum to the agreement relating to the acquisition by the group of the Nikos Coalgrill Greek business, which resulted in a change to the settlement of the contingent consideration payable. Further details are included in note 24.

46. CONTINGENT LIABILITIES

46.1 Income tax in respect of 2004-2009 share incentive scheme

As previously reported, SARS had previously issued additional assessments to wholly-owned subsidiary, Spur Group (Pty) Ltd ("Spur Group"), in respect of the 2005 to 2012 years of assessment totalling R22.034 million (comprising R13.996 million in additional income tax and R8.038 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. The total of the additional assessments was paid in previous financial years. Following failed alternative dispute resolution proceedings, the matter was heard in the income tax court in February 2018. The tax court found in favour of Spur Group, but SARS appealed the ruling. The appeal was heard by a full bench of the Income Tax Court on 29 July 2019 and judgement was issued on 26 November 2019 in favour of Spur Group to dismiss SARS' appeal and award costs to Spur Group. In December 2019, SARS applied for leave to appeal the matter to the Supreme Court of Appeals, and the leave to appeal was subsequently granted. A date for the appeal to be heard by the Supreme Court of Appeals has yet to be set. The board, in consultation with its tax advisors, remains confident that the probability of SARS' appeal being successful is low. Consequently, no liability has been raised in respect of the assessments issued to date and the payments made to date are accounted for as prepayments of income tax (refer note 22).

46.2 Legal dispute with GPS Foods

On 24 December 2019, companies within the group were served with a summons by GPS Food Group RSA (Pty) Ltd ("GPS"). GPS is a subsidiary of a global business specialising in the management of the procurement, production, logistics and marketing elements of supply chain. The group has engaged with GPS over several years regarding product supply and the prospect of a rib processing joint venture.

GPS alleges that an oral agreement was concluded between GPS and the group on or about 2 February 2017 in terms of which the parties would establish a joint venture to acquire, develop and manage a rib processing facility. No written agreement was ever executed with GPS. GPS further alleges that on or about 28 January 2019, the group repudiated the alleged oral agreement and claims damages of R183.3 million comprising alleged capital expenditure, start-up losses and projected operating losses for a five-year period ending November 2022.

GPS alleges in the alternative that, in the event of it being found that the group did not become bound by the oral joint venture agreement, the group's conduct represented that it regarded itself as bound by the agreement and that this gives rise to a delictual claim in the sum of R60.0 million, comprising GPS's alleged losses to date.

The group denies the allegations. To date, the parties have not sought to address the merits of the case and legal correspondence has focussed on remedying deficiencies in pleas. It is consequently not considered feasible at this early stage of legal proceedings to determine with any reasonable certainty the likelihood of the group successfully defending the matter or the value of a successful claim against the group. Nevertheless, supported by the opinion of its legal advisers, the board considers there to be reasonable prospects of defending the claims successfully. It is likely that it will take several years for a court to finally resolve the matter. As a result of the uncertainty referred to above, no liability has been raised at the reporting date regarding the matter.

46.3 Legal dispute with former franchisee – Tzaneen, South Africa

In January 2018, wholly-owned subsidiary, Spur Group, instituted legal action against Magnacorp 544 CC ("Magnacorp") for outstanding franchise and marketing fees in the amount of R0.078 million. Magnacorp had previously operated a Spur Steak Ranch franchise restaurant in Tzaneen, South Africa, but Spur Group cancelled the franchise agreement after Magnacorp breached the terms of the franchise agreement. Magnacorp has defended the action and alleges that Spur Group repudiated the franchise agreement, in that the cancellation thereof was unlawful. Magnacorp has lodged a counterclaim in the amount of R19.488 million, primarily for loss of profits arising out of the alleged repudiation. Spur Group denies the repudiation of the franchise agreement and maintains that the cancellation was valid. The board is confident that it will be able to defeat Magnacorp's counterclaim and noted an exception to Magnacorp's counterclaim in that, among other things, in terms of the franchise agreement, the franchisor is not liable to the franchisee for any consequential loss, loss of profits or any other form of indirect loss or damages howsoever arising or caused. A court date to hear the matter has yet to be determined. The board, in consultation with its legal advisors, is confident that it will be able to successfully defend this claim and, consequently, no liability has been raised.

47. SIGNIFICANT ACCOUNTING POLICIES

47.1 Basis of consolidation

47.1.1 Investment in subsidiaries

The consolidated financial statements include the financial statements of the company and the entities that it controls. The group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity. The financial statements of subsidiaries are included in the consolidated financial statements of the group from the date that control commences until the date that control ceases.

The company carries its investments in subsidiaries at cost less impairment losses in its separate financial statements.

47.1.2 Functional and presentation currency

All items in the financial statements of the group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("the functional currency"). The group's consolidated financial statements are presented in rands, which is the company's functional currency and the group's presentation currency.

47.1.3 Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to rands at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to rands at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in equity in the foreign currency translation reserve ("FCTR").

47.1.4 Net investment in foreign operations

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, the exchange differences arising from such monetary item are considered to be part of the net investment in foreign operations and are recognised in other comprehensive income and presented in equity in the FCTR. When the investment in foreign operation is disposed of (including deregistration or abandonment of a foreign operation), the relevant amount in the FCTR is reallocated from other comprehensive income to profit or loss.

47.1.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree.

Acquisition costs incurred are recognised as an expense in profit or loss.

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in accordance with *IFRS 9 – Financial Instruments*.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the fair value of the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

47.1.6 Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis, although the group has applied the latter in all cases to date. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' shares of subsequent changes in equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.1 Basis of consolidation continued

47.1.7 Transactions with non-controlling interests

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

47.1.8 Loss of control

When the group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or directly to retained earnings).

47.1.9 Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

47.1.10 Investment in associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost, which includes transaction costs. The consolidated financial statements include the group's share of the profit or loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the group from the date that significant influence commences until the date that significant influence ceases.

Loans advanced to an associate which are considered part of the permanent equity of the investee are treated as part of the cost of the investment in the associate for the purposes of recognising the group's share of losses of the associate, subsequent to initial recognition. Where such a loan is impaired in any financial year, an impairment loss is recognised in accordance with *IFRS 9 – Financial Instruments* prior to recognising the group's share of the associate's profit or loss for that year. When the group's share of losses exceeds its investment in an associate (including any loan receivable considered part of the permanent equity of the associate), the carrying amount of the investment (including any loan receivable considered part of the permanent equity of the associate) is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee.

47.2 Foreign currency transactions

Transactions denominated in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between carrying amount in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and carrying amount in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the respective functional currencies using the exchange rate at the date of the transaction. Foreign exchange differences arising on retranslation are recognised in profit or loss.

47.3 Property, plant and equipment

47.3.1 Recognition and measurement

Items of property, plant and equipment, including owner-occupied buildings, are stated at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.3 Property, plant and equipment continued

47.3.2 Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing a part of such an item when the cost is incurred if it is probable that the economic benefits embodied within the item will flow to the group and the cost of the item can be measured reliably. In such cases, the carrying amount of the replaced part is derecognised. All other costs are recognised in profit or loss in the period they are incurred.

47.3.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date that they are ready for use. Leasehold improvements are depreciated over the shorter of the lease term or estimated useful life of the assets. Land is not depreciated.

Typically, the estimated useful lives for the current and prior periods are as follows:

– buildings	50 years
– plant, equipment and vehicles	3 – 5 years
– furniture and fittings	5 – 6.67 years
– computer equipment	3 years
– leasehold improvements	lesser of lease term and 10 years

Depreciation methods, useful lives and residual values are reassessed annually.

Refer note 47.4.1 for details of depreciation in respect of right-of-use assets.

47.3.4 Derecognition

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised in profit or loss.

47.4 Leases

IFRS 16 – Applicable to 2020

47.4.1 Right-of-use assets

Right-of-use assets are recognised in respect of leases from the commencement date of the lease. Right-of-use assets are initially measured at cost, which comprises the initial amount of the corresponding lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

Each right-of-use asset is subsequently depreciated on a straight-line basis over the lesser of the lease term and the useful life of the underlying asset. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

47.4.2 Lease liability

Lease liabilities are recognised at the lease commencement date and initially measured at the present value of the future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses the group's incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include:

- fixed payments; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The period of the lease takes into consideration any extension or termination option, as applicable, once the group is reasonably certain that it is likely to exercise such an option.

Lease liabilities are subsequently measured at amortised cost using the effective interest rate method, and reduced by future lease payments net of interest charged.

Lease liabilities are re-measured when there is a change in the future lease payments resulting from a change in an index or rate, or if the group changes its assessment of whether it will exercise any extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the cost of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments that do not depend on an index or rate are recognised in profit or loss in the period in which the event or condition which triggers the change in payment occurs.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.4 Leases continued

47.4.3 Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term (i.e. less than one year) leases. In these cases, the group recognises the lease payments as an expense on a straight-line basis over the lease term.

47.4.4 Lease receivable

Where the group acts as a sublessor of fixed property (an intermediate lessor), the lease transfers substantially all of the risks and rewards incidental to ownership of the right-of-use asset. As such, a lease receivable is recognised instead of a right-of-use asset.

The group accounts for the liability for the head lease and the receivable for the sublease separately. The lease receivable is recognised at the commencement date of the sublease. The asset is initially measured at the present value of the future lease payments discounted using the interest rate applied in determining the head lease liability.

The lease receivable is subsequently measured at amortised cost, reduced by payments made by the sublessee to the lessor. The derecognition and impairment requirements of IFRS 9 are applied to the lease receivable.

IAS 17 – Applicable to 2019

47.4.5 Operating leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Lease payments under an operating lease are recognised as an expense included in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

47.4.6 Leasing rights

Lease payments made in order to acquire a lease are initially recognised as a prepayment at cost and subsequently charged to profit or loss on a straight-line basis over the lease term.

47.5 Intangible assets (other than goodwill)

47.5.1 Trademarks and software licences

Intangible assets are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. Intangible assets which have finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each asset from the date they are ready for use. Intangible assets which have indefinite useful lives are not amortised but are tested for impairment annually. No value is attached to internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks and brand names is recognised in profit or loss as incurred.

Typically, the estimated useful lives for the current and prior periods are as follows:

– software licences — five years (where there is no limit to the use of the licence) or, if the licence is valid for a specific period less than five years, such shorter period

Amortisation methods, useful lives and residual values are reassessed annually.

47.5.2 Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

47.5.3 Derecognition

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss when the asset is derecognised.

47.6 Financial instruments

47.6.1 Timing of recognition

The group initially recognises loans and receivables and debt securities issued on the date when they originated. All other financial assets and financial liabilities are initially recognised on the trade date.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.6 Financial instruments continued

47.6.2 Classification and measurement

On initial recognition, a financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

Debt financial instruments are subsequently measured at FVPL, amortised cost, or fair value through other comprehensive income ("FVOCI"). The measurement is driven by the classification which 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 (the "SPPI criterion"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level as this best reflects the way the business is managed and information is provided to management.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that would change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the group's claim to cash flows from specified assets.

Subsequent measurement of each financial instrument is explained in more detail below.

Loans receivable and trade and other receivables
Loans receivable and trade and other receivables (excluding prepayments and VAT and other indirect taxes receivable) are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion, and are therefore classified at amortised cost and subsequently measured at amortised cost less impairment losses as appropriate.

Cash and cash equivalents
Cash and cash equivalents are measured at amortised cost, based on the relevant exchange rates at the reporting date.

Financial liabilities (other than derivative instruments)
Subsequent to initial recognition, financial liabilities are stated at amortised cost using the effective interest method.

47.6.3 Derecognition

Financial assets
A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the group transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

47.7 Impairment

47.7.1 Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows relating to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the price that would be received, at the measurement date, from the sale of an asset or cash-generating unit in an orderly transaction between market participants less the costs of disposal. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.7 Impairment continued

47.7.1 Non-financial assets continued

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment reversals are recognised in profit or loss.

47.7.2 Financial assets and lease receivables

Impairment losses for financial assets and lease receivables are determined in accordance with the expected credit loss ("ECL") approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For debt financial assets (including lease receivables), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. In all cases, the group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. For trade and other receivables, the group has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there are no reasonable prospects for recovery.

47.8 Inventories

Inventories are measured at the lower of cost, determined on the first-in-first-out basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. The cost of inventory includes costs incurred in acquiring the inventory and costs incurred in bringing the inventory to its current location and condition.

Cost of manufactured goods includes direct material costs, direct labour costs and an appropriate share of overheads based on normal operating capacity.

47.9 Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Restricted cash relates to surplus cash in the marketing funds. These funds are identified as restricted as the cash is not available for general use by the group but is only available to fund future marketing costs in accordance with franchise agreements concluded between the group and its franchisees.

47.10 Share capital

47.10.1 Ordinary share capital

Ordinary share capital represents the par value of ordinary shares issued. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of taxes.

47.10.2 Share premium

Share premium represents the excess consideration received by the company over the par value of ordinary shares issued, and is classified as equity.

47.10.3 Repurchase of share capital

When shares of the company are acquired by the group, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity and the number of shares is deducted from the weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation.

Repurchases of share capital are included as a separate category of equity.

When treasury shares are sold or re-issued subsequently, the amount received is recognised as an increase in equity.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.11 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Item of revenue	Nature and timing of satisfaction of performance obligation	Determination of transaction price and significant payment terms	Recognition of revenue
Ongoing franchise fee income Marketing fund contributions	The group provides ongoing franchise support services and access to intellectual property to franchisees in accordance with standard franchise agreements. The group also administers marketing funds on behalf of franchisees, as required by the franchise agreements.	A standard franchise fee percentage and marketing fee percentage, as per each franchise agreement, is applied to the total sales of each franchised restaurant each month. Fees are payable by the 15th of the month following the month to which the franchisees' sales (on which the fees are calculated) relate.	Sales-based royalty recognised in the period in which the sales (on which the fees are calculated) are made by franchisees to their customers.
Sales of purchased and manufactured sauces Sales of franchisee supplies[@] Sales of marketing materials	The group's performance obligation is to procure or manufacture, and deliver[#], certain goods to customers. The performance obligation is satisfied on delivery of the products to customers.	Standalone selling price. Payment terms are 30 days from the end of the month in which the goods are supplied.	Revenue is recognised at a point in time when the goods are delivered to customers.
Export sales of purchased and manufactured sauces, franchisee supplies and marketing materials	There are two separate performance obligations: 1. Delivery of supplies to the freight forwarder. Control will transfer once the supplies have been loaded on the transportation. 2. Transportation to the customer's destination point.	Standalone selling price. Payment terms are 30 days from the end of the month in which the goods are supplied.	Revenue relating to the sale of goods is recognised at a point in time when the goods have been loaded on the transportation. Revenue relating to the transportation fee is recognised at a point in time when the goods reach the customer's destination point.

[@] *Sales of acquired goods for export, sales of manufacturing décor items and sales of other peripheral franchisee supplies.*

[#] *As the group's performance obligation includes the delivery of the goods in question, the costs of delivery are included in cost of sales in the statement of profit or loss and other comprehensive income, and recognised as an expense at the same time that the related revenue on the sale of the goods is recognised.*

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.11 Revenue continued

Item of revenue	Nature and timing of satisfaction of performance obligation	Determination of transaction price and significant payment terms	Recognition of revenue
Retail restaurants' sales	The group's performance obligation is to supply food and related products to customers at its owned restaurants. The performance obligation is satisfied on delivery of the products to customers.	Standalone selling price. Payment is due on delivery.	Revenue is recognised at a point in time when the goods are delivered to customers.
Distribution income	The group acts as agent*, earning a commission on the value of certain products sold by an outsourced distributor to the group's franchisees. The group's performance obligation is to facilitate the provision of specified products by the outsourced distributor to franchisees, which is satisfied on provision of these products to franchisees by the distributor.	The group recognises revenue on a net basis corresponding to the commission. The commission is determined with reference to a range of percentages as per the contract with the outsourced distributor, applied to the value of sales of goods by the distributor to franchisees. Payable within 30 days of the end of the month to which the sales to franchisees relate.	Revenue is recognised at a point in time when the related products (on which the commission is calculated) are delivered by the distributor to franchisees.

* *Refer note 3.1.4 concerning judgements applied in reaching the conclusion that the group acts as agent.*

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.11 Revenue continued

Item of revenue	Nature and timing of satisfaction of performance obligation	Determination of transaction price and significant payment terms	Recognition of revenue
Rebate income	The group acts as agent, earning a commission on the value of certain products sold by certain suppliers directly to the group's franchisees. The group's performance obligation is to facilitate the provision of specified products by these suppliers to franchisees, which is satisfied on provision of the products to franchisees by the suppliers.	The group recognises revenue on a net basis corresponding with the commission determined with reference to a range of percentages as per the contract with each supplier, applied to the value of sales of goods by the respective suppliers to franchisees. Calculated quarterly and typically settled within 60 days from the end of the quarter to which the sales to franchisees relate.	Revenue is recognised at a point in time when the related products (on which the commission is calculated) are delivered by the suppliers to franchisees.
Initial franchise fees	Franchisees are charged an initial franchise fee by the group, as franchisor, upon signature of the franchise agreements concluded with franchisees. The group is obliged to support the franchisee's brand for the duration of the franchise agreement, where such activities significantly affect the intellectual property to which the franchisee has rights, without resulting in a transfer of control of specific goods or services.	Agreed fee as per the franchise agreement – a standard fee per brand is applicable. Payment is due on signature date of the franchise agreement.	Revenue is recognised over time, being on a straight-line basis over the initial term of the franchise agreement (which is typically 10 years).
Services rendered	The group renders training and architectural services to franchisees as well as access to the group's internal radio station (TasteFM). The performance obligation is satisfied as the services are rendered by the group to franchisees.	Standalone service price agreed in advance. Payment is due within 30 days of the month following which the services are provided.	Revenue is recognised over time, on a straight-line basis from the time the services commence until the services are concluded. This period is usually a few days and rarely exceeds one month.
Marketing supplier contributions	The group agrees to co-brand certain promotions and events with suppliers. The performance obligation is satisfied by exposing the suppliers' brands and products to franchisees' customers for the duration of the promotion or events.	Agreed fee as per contract. Payment terms are typically on signature of the contract, but may be up to 30 days from the end of the month in which the contract is concluded.	Revenue is recognised over time, on a straight-line basis from commencement of the promotion or event until the termination thereof. Promotions and events are typically for short durations, not exceeding two months.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.12 Interest income and expense

47.12.1 Interest income

Interest income is recognised on a time apportionment basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

47.12.2 Interest expense

Interest expense comprises interest payable on borrowings calculated using the effective interest method.

47.13 Employee benefits

47.13.1 Short-term employee benefits

The costs of all short-term employee benefits are recognised in profit or loss during the period in which the employee renders the related service.

The accruals for employee entitlements to salaries and leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

Where employees have negative leave balances, and the group is legally permitted to recover the cost of such negative leave from the employee on termination of employment, a receivable is recognised for negative leave. The receivable is calculated at undiscounted amounts based on current salary rates.

47.13.2 Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised in profit or loss in the period during which related services are rendered by employees.

47.13.3 Share-based payment transactions

In respect of equity-settled transactions, the grant-date fair value of share appreciation rights or shares awarded is recognised as an employee expense in profit or loss with a corresponding increase in equity over the vesting period of the rights or shares. The amount recognised as an expense is adjusted to reflect the number of rights or shares for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

47.14 Cost of sales

Cost of sales represents the carrying value of inventory (determined in accordance with note 47.8) sold, and is recognised as an expense at the same time that revenue from the related sale is recognised (as detailed in note 47.11).

47.15 Income (not addressed by another policy)

Income is recognised on the accrual basis, when the right to receive payment has been met.

47.16 Expenditure (not addressed by another policy)

Expenditure is recognised in the year that it is incurred.

47.16.1 Administration expenses

Administration expenses comprise items of expenditure not allocated to any other line item in the consolidated statement of profit or loss and other comprehensive income.

47.16.2 Operations expenses

Operations expenses are those items of expenditure that are directly attributable to the franchise operating and marketing and distribution divisions as identified in the operating segment information disclosed in note 6.

47.16.3 Marketing expenses

Marketing expenses are those items of expenditure that are incurred by the marketing funds administered by the group on behalf of the respective bodies of franchisees, funded by marketing fund contributions, marketing sales and marketing supplier contributions.

47.16.4 Retail operating expenses

Retail operating expenses are those items of expenditure that are directly attributable to the five retail restaurants owned and operated by the group and included in the retail operating segment information disclosed in note 6.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.17 Tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for: taxable temporary differences arising on initial recognition of goodwill not deductible for tax purposes, the initial recognition of assets or liabilities in a transaction that is not part of a business combination that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that the group is able to control the timing of the reversal of the temporary differences and they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Where the company withholds tax on behalf of its shareholders on dividends declared, such amounts are not recognised as part of the company’s tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of income tax expense unless it is reimbursable, in which case it is recognised as an asset.

Withholding taxes deducted from payments by customers in respect of items of revenue are recognised as a prepayment of income tax if such withholding taxes may be credited against tax payable on the group’s income and there is reasonably certainty as to whether future tax may be payable against which to deduct the withholding taxes, or, if not, as an income tax expense.

47.18 Dividends

Dividends are recognised as a liability in the period in which they are declared and approved by the board.

47.19 Earnings per share

The group presents basic and diluted earnings per share (“EPS”) and basic and diluted headline earnings per share (“HEPS”) for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the dilutive effects of all potential ordinary shares granted to employees.

Headline earnings is calculated in accordance with *Circular 1/2019: Headline Earnings* issued by the South African Institute of Chartered Accountants at the request of the JSE. The JSE Listings Requirements require the calculation of headline earnings for all entities listed on the JSE in South Africa. Basic HEPS is calculated by dividing headline earnings by the weighted average number of ordinary shares outstanding during the period. Diluted HEPS is determined by dividing headline earnings by the weighted average number of ordinary shares outstanding during the period adjusted for the dilutive effects of all potential ordinary shares granted to employees.

47.20 Contingent liabilities

A contingent liability is either: a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured reliably. In both cases the existence of the contingent liability is disclosed, but no liability is recognised in the statement of financial position.

48. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

48.1 Accounting standards and interpretations early adopted

48.1.1 Amendments to IFRS 16 – COVID-19 related rent concession

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The group has applied this amendment in preparing these consolidated financial statements (refer note 4.1).

48.2 Accounting standards and interpretations not early adopted

A number of new standards, amendments to standards and interpretations applicable to the group are not yet effective for the year ended 30 June 2020, and have not been applied in preparing these consolidated financial statements.

Those standards and interpretations which are (or may be) applicable to the group in the future are presented below. Those standards and interpretations which have no bearing on the group's existing accounting policies, have no impact on the group's assets and liabilities as at the reporting date or their subsequent measurement and no impact on the accounting treatment of transactions that the group is likely to be party to, are not listed below. All standards and interpretations will be adopted at their effective date.

48.2.1 Amendments to IAS 1 and IAS 8 – definition of "material"

The definition of "material" has been refined to assist preparers of the financial statements to make the financial statements more concise and easier to understand. The concept of materiality is now aligned across all the IFRS standards and the Conceptual Framework. The new definition states that: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendment to the definition of "material" is not expected to have a significant impact on the group's consolidated financial statements.

48.2.2 Amendments to IFRS 3 – definition of a "business"

An amendment has been made to the definition of a "business" in terms of IFRS 3, to assist entities to determine whether an acquired set of activities and assets is a business or not. The amendments narrow and clarify the definition of a business. The amendment also permits a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The amendment to the definition of a "business" is not expected to have a significant impact on the group's consolidated financial statements.

Both the above changes will be applicable to the group's financial statements for the year ending 30 June 2021.

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Note	**2020 R'000**	2019 R'000
Dividend income		**284 990**	122 065
Distribution received from trust	1	**2 900**	5 600
Interest income		**8 353**	12 761
Operating expenses		**(7 029)**	(5 650)
Profit before income tax	2	**289 214**	134 776
Income tax expense	3	**(2 337)**	(3 572)
Profit		**286 877**	131 204
Total comprehensive income		**286 877**	131 204

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

	Note	**2020 R'000**	2019 R'000
ASSETS			
Non-current assets			
Interest in subsidiary companies	4	**11 214**	117 230
Total non-current assets		**11 214**	117 230
Current assets			
Prepaid expenses		**20**	–
Cash and cash equivalents	5	**121 664**	187 497
Total current assets		**121 684**	187 497
TOTAL ASSETS		**132 898**	304 727
EQUITY			
Ordinary share capital	6	**1**	1
Share premium	6	**34 309**	294 663
Retained earnings		**3 134**	9 201
Total equity		**37 444**	303 865
LIABILITIES			
Current liabilities			
Accrued expenses		**74**	71
Shareholders for dividend	7	**71 740**	714
Tax payable		**325**	77
Loan from subsidiary company	8	**23 315**	–
Total current liabilities		**95 454**	862
TOTAL EQUITY AND LIABILITIES		**132 898**	304 727

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

R'000	Ordinary share capital	Share premium	Retained earnings	Total equity
Balance at 1 July 2018	1	294 663	7 276	301 940
Total comprehensive income				
Profit	–	–	131 204	131 204
Transactions with owners recorded directly in equity	–	–	(129 279)	(129 279)
Vesting of income by trust (refer note 1)	–	–	4 706	4 706
Income tax on vesting of income by trust (refer note 3.3)	–	–	(553)	(553)
Dividends (refer note 7)	–	–	(133 432)	(133 432)
Balance at 30 June 2019	**1**	**294 663**	**9 201**	**303 865**
Total comprehensive income				
Profit	**–**	**–**	**286 877**	**286 877**
Transactions with owners recorded directly in equity	**–**	**(260 354)**	**(292 944)**	**(553 298)**
Vesting of income by trust (refer note 1)	**–**	**–**	**4 152**	**4 152**
Income tax on vesting of income by trust (refer note 3.3)	**–**	**–**	**(823)**	**(823)**
Repurchase and cancellation of shares (refer note 6)	**–**	**(260 354)**	**(143 402)**	**(403 756)**
Costs relating to repurchase and cancellation of shares (refer note 6)	**–**	**–**	**(2 702)**	**(2 702)**
Dividends (refer note 7)	**–**	**–**	**(150 169)**	**(150 169)**
Balance at 30 June 2020	**1**	**34 309**	**3 134**	**37 444**

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	Note	2020 R'000	2019 R'000
Cash flow from operating activities			
Operating loss before working capital changes	9	**(7 029)**	(5 650)
Working capital changes	10	**(17)**	32
Cash utilised by operations		**(7 046)**	(5 618)
Interest received		**8 353**	12 761
Tax paid	11	**(2 912)**	(4 024)
Dividends received	12	**203 990**	122 065
Distribution received from trust	1	**2 900**	5 600
Dividends paid	7	**(79 143)**	(133 349)
Income vested by trust	1	**4 152**	4 706
Net cash flow from operating activities		**130 294**	2 141
Cash flow from investing activities			
Repayment of loan to subsidiary company		**106 016**	17 554
Net cash flow from investing activities		**106 016**	17 554
Cash flow from financing activities			
Loans received from subsidiary companies		**281 315**	–
Loans repaid to subsidiary companies		**(177 000)**	–
Repurchase and cancellation of shares (including transaction costs)	6	**(406 458)**	–
Net cash flow from financing activities		**(302 143)**	–
Net movement in cash and cash equivalents		**(65 833)**	19 695
Cash and cash equivalents at beginning of year		**187 497**	167 802
Cash and cash equivalents at end of year	5	**121 664**	187 497

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE

1. SPUR MANAGEMENT SHARE TRUST

During the year, the Spur Management Share Trust ("the Trust") made a discretionary distribution of the Trust's capital of R2.900 million (2019: R5.600 million) to the company, as sole capital beneficiary, which is included in profit before income tax.

In addition, the Trust vested income of R4.152 million (2019: R4.706 million) with the company, as a beneficiary of the Trust. The income arose from the sale of the company's shares and is accordingly not recognised as income, but rather credited directly against equity (retained earnings). The income is subject to income tax of R0.823 million (2019: R0.553 million), which has similarly been charged directly to equity (retained earnings).

2. PROFIT BEFORE INCOME TAX

	2020 R'000	2019 R'000
The following items have been taken into account in determining profit before income tax:		
Consulting fees	**431**	422
Directors emoluments (refer note 13)	**3 238**	2 066
JSE listing fees and other related costs	**577**	532

3. INCOME TAX

3.1 Income tax expense

	2020 R'000	2019 R'000
South African current corporate tax – current year	**2 337**	3 572

3.2 Reconciliation of rate of tax

	2020 %	2019 %
South African normal corporate tax rate	**28.0**	28.0
Non-taxable dividend and distribution income	**(27.9)**	(26.5)
Non-deductible operating expenditure (capital items and items not in production of income)	**0.7**	1.2
Effective tax rate	**0.8**	2.7

3.3 Tax charged directly to equity

	2020 R'000	2019 R'000
Current tax on income vested by trust (refer note 1)	**823**	553

4. INTEREST IN SUBSIDIARY COMPANIES

	2020 R'000	2019 R'000
Shares at cost less impairment losses	**1**	1
Equity-settled share-based payments on behalf of subsidiary	**11 213**	11 213
Loan to subsidiary company	**–**	106 016
	11 214	117 230

In terms of the group's accounting policies, equity-settled share-based payments, determined in accordance with *IFRS 2 – Share-based Payments*, by a subsidiary of the company in previous financial years are treated as a further investment in the subsidiary in question.

The loan to subsidiary company was unsecured, interest-free and had no fixed dates of repayment. The loan was settled during the year.

4. INTEREST IN SUBSIDIARY COMPANIES continued

Details of the share capital and the company's interests in the subsidiary companies are as follows:

	Country of incorporation/ place of business	Issued capital R'000	Loan from subsidiary R'000	interest in company
Trading				
Direct				
– Share Buy-back (Pty) Ltd	South Africa	0.1		100.0
– Spur Group (Pty) Ltd	South Africa	0.1	23 315	100.0
– Spur Group Properties (Pty) Ltd	South Africa	0.1		100.0
Indirect				
– Green Point Burger Joint (Pty) Ltd trading as RocoMamas Green Point	South Africa	0.1		90.0
– John Dory's Advertising (Pty) Ltd	South Africa	0.1		100.0
– Nikos Franchise (Pty) Ltd	South Africa	11 052.3		51.0
– Nickilor (Pty) Ltd trading as The Hussar Grill Rondebosch	South Africa	0.1		100.0
– Opilor (Pty) Ltd trading as The Hussar Grill Mouille Point	South Africa	17 500.1		68.0
– Opiset (Pty) Ltd trading as The Hussar Grill Camps Bay	South Africa	0.1		100.0
– Panarottis Advertising (Pty) Ltd	South Africa	0.2		100.0
– RocoMamas Advertising (Pty) Ltd	South Africa	0.1		70.0
– RocoMamas Franchise Co (Pty) Ltd	South Africa	0.1		70.0
– Spur Advertising (Pty) Ltd	South Africa	0.1		100.0
– Nikos Advertising (Pty) Ltd	South Africa	0.1		100.0
– The Hussar Grill Advertising (Pty) Ltd	South Africa	0.1		100.0
– The Morningside Grill (Pty) Ltd trading as The Hussar Grill Morningside	South Africa	0.1		100.0
– Spur International Ltd	British Virgin Islands	95 055.6		100.0
– Steak Ranches International BV	The Netherlands	231 631.7		100.0
– Spur Advertising Namibia (Pty) Ltd (in the process of deregistration)	Namibia	0.1		100.0
– Spur Services Namibia (Pty) Ltd	Namibia	0.1		100.0
– Panarottis Advertising Australia Pty Ltd (in the process of deregistration)	Australia	0.6		100.0
– Spur Advertising Australia Pty Ltd	Australia	0.6		100.0
– Spur Corporation Australia Pty Ltd	Australia	16 129.1		100.0
Dormant#		0.7		100.0
			23 315	

A schedule of these companies is available upon request.

Investments in subsidiaries are carried at cost less impairment losses in accordance with the company's accounting policy in this regard.

The interest of the company in the aggregate after tax profits and losses of subsidiaries is as follows:

	2020 R'000	2019 R'000
Profits	**105 009**	182 415
Losses	**(36 610)**	(19 491)

5. CASH AND CASH EQUIVALENTS

	2020 R'000	2019 R'000
Cash and cash equivalents comprise:		
Current, call and short-term deposit accounts	**121 664**	187 497

6. ORDINARY SHARE CAPITAL

	2020 R'000	2019 R'000
Authorised		
201 000 000 ordinary shares of 0.001 cents each	**2**	2
Issued and fully paid		
90 636 932 (2019: 108 480 926) ordinary shares of 0.001 cents each	**1**	1

The ordinary shares have equal rights to dividends declared by the company.

In terms of the company's Memorandum of Incorporation, the unissued shares of the company may be issued by the directors of the company only with the approval of the shareholders by way of an ordinary resolution passed at a general meeting. No such authority has been granted.

The company does not have any unlisted shares.

At a meeting of shareholders on 25 September 2019, shareholders approved the repurchase and cancellation of 10 848 093 shares in the company previously issued to a subsidiary of Grand Parade Investments Ltd in October 2014 as part of a broad-based black economic empowerment transaction, as well as the repurchase and cancellation of 6 635 901 treasury shares previously acquired by subsidiary, Share Buy-back (Pty) Ltd. The transactions were implemented with effect from 15 October 2019, for purchase considerations of R260.354 million and R143.402 million respectively, allocated directly to equity to share premium and retained earnings respectively. Transaction costs (including legal, valuations', reporting accountant's, advisory, scrutiny and printing costs) amounted to R2.702 million and are charged directly to equity (retained earnings).

7. DIVIDENDS

	2020 R'000	2019 R'000
Dividends declared are as follows:		
Final 2018 – dividend of 60.0 cents per share	**–**	65 089
Interim 2019 – dividend of 63.0 cents per share	**–**	68 343
Final 2019 – dividend of 73.0 cents per share	**79 191**	–
Interim 2020 – dividend of 78.0 cents per share	**70 978**	–
Total dividends to equity holders	**150 169**	133 432
Shareholders for dividends	**71 740**	714

No final dividend in respect of the 2020 financial year has been declared, as a result of COVID-19.

The total gross dividend declared relating to the financial year was 78 (2019: 136) cents per share equating to R70.978 million (2019: R147.534 million).

The interim 2020 dividend was declared on 26 February 2020 and due to be paid on 6 April 2020. Following the outbreak of COVID-19 and the potential impact of long-term trading restrictions on the company's cash reserves, the board advised shareholders on 30 March 2020 that payment of the dividend would be deferred until 5 October 2020. On 3 September 2020, the board further advised shareholders that payment of the dividend would be deferred, with a decision on the payment date expected to be announced in March 2021.

	2020 R'000	2019 R'000
Dividends paid are reconciled to the amount disclosed above as follows:		
Amount payable at beginning of year	**(714)**	(631)
Dividends declared	**(150 169)**	(133 432)
Amount payable at end of year	**71 740**	714
Dividends paid	**(79 143)**	(133 349)

8. LOAN FROM SUBSIDIARY COMPANY

	2020 R'000	2019 R'000
Spur Group (Pty) Ltd	**23 315**	–

This loan is unsecured and interest-free. The loan is repayable on demand. The loan was reduced by the dividend *in specie* declared by Share Buy-back (Pty) Ltd ("SBB") of R21 million during the year (refer note 12).

In addition, during the year, SBB advanced a loan of R60 million to the company. SBB subsequently declared a dividend *in specie* of the loan to the company (refer note 12), extinguishing the company's obligation to repay the loan.

	2020 R'000	2019 R'000
The movement in the balance is reconciled as follows:		
Balance at beginning of year	**–**	–
Loans received	**281 315**	–
Loans repaid	**(177 000)**	–
Loans extinguished by dividend *in specie*	**(81 000)**	–
Balance at end of year	**23 315**	–

9. OPERATING LOSS BEFORE WORKING CAPITAL CHANGES

	2020 R'000	2019 R'000
Profit before income tax	**289 214**	134 776
Adjusted for		
Dividend income	**(284 990)**	(122 065)
Distribution received from trust	**(2 900)**	(5 600)
Interest income	**(8 353)**	(12 761)
Operating loss before working capital changes	**(7 029)**	(5 650)

10. WORKING CAPITAL CHARGES

	2020 R'000	2019 R'000
Increase in prepaid expenses	**(20)**	–
Increase in accrued expenses	**3**	32
Working capital changes	**(17)**	32

11. TAX PAID

	2020 R'000	2019 R'000
Tax paid is reconciled to the amount disclosed in profit or loss as follows:		
Amount payable at beginning of year	**(77)**	24
Current tax charged to profit or loss	**(2 337)**	(3 572)
Current tax charged directly to equity	**(823)**	(553)
Amount payable at end of year	**325**	77
Tax paid	**(2 912)**	(4 024)

12. DIVIDENDS RECEIVED

	2020 R'000	2019 R'000
Dividend income recognised in profit or loss	**284 990**	122 065
Less: dividend income received *in specie*	**(81 000)**	–
Dividends received in cash	**203 990**	122 065

The *in specie* dividend was received from subsidiary, Share Buy-back (Pty) Ltd, and comprised loans receivable from Spur Corporation Ltd and Spur Group (Pty) Ltd of R60 million and R21 million respectively (refer note 8).

13. DIRECTORS' EMOLUMENTS

	2020 R'000	2019 R'000
The following emoluments were paid by the company:		
For services as directors to the company		
Cora Fernandez[1]	**487**	17
Dean Hyde[2]	**–**	213
Dineo Molefe	**526**	425
Keith Getz[2]	**–**	213
Michael Bosman[3]	**959**	331
Mntungwa Morojele	**561**	425
Muzi Kuzwayo[4]	**213**	425
Shirley Zinn[1]	**492**	17
Total directors' emoluments	**3 238**	2 066

All other emoluments were paid by subsidiaries of the company. Refer note 43 of the consolidated financial statements on page 92 of this report for further details.

Certain of the non-executive directors' fees are subject to VAT. Notwithstanding that the company is not able to claim VAT input credits on these services, as the VAT paid is not for the benefit of the directors in question, the amounts disclosed above are stated exclusive of VAT.

[1] *Appointed as independent non-executive director with effect from 17 June 2019.*
[2] *Retired as non-executive director with effect from 6 December 2018.*
[3] *Appointed as independent non-executive director with effect from 15 November 2018, and as chairman with effect from 1 March 2019.*
[4] *Retired as non-executive director with effect from 6 December 2019.*

14. GUARANTEES

The company has provided unlimited guarantees to financial institutions in respect of debts of certain local subsidiary companies.

15. RELATED PARTY DISCLOSURES

Identity of related parties
Refer note 4 for a detailed list of subsidiaries.

Related party transactions
An amount of Rnil (2019: R16 872) was paid to wholly-owned subsidiary, Spur Advertising (Pty) Ltd, for printing and publishing expenses relating to circulars, interim results and the annual integrated report of the group. This includes a reimbursement of expenses paid to unrelated third party suppliers as well as an hourly rate for desktop publishing services which is the same rate charged by that company to franchisees (who are unrelated parties) for the same services.

Refer notes 4 and 8 for the details of loans to and from subsidiary companies respectively.

Dividend/distribution income was received from the following related parties:

	2020 R'000	2019 R'000
Spur Group (Pty) Ltd	**203 990**	122 065
Share Buy-back (Pty) Ltd	**81 000**	–
Spur Management Share Trust (included in profit or loss) (refer note 1)	**2 900**	5 600
Spur Management Share Trust (included in equity) (refer note 1)	**4 152**	4 706

Details of directors' emoluments are included in note 13.

16. FINANCIAL INSTRUMENTS

16.1 Accounting classification and fair values

The following table shows the carrying amounts of financial assets and liabilities. No financial instruments are required to be subsequently recognised at fair value at the reporting date. Fair value information for financial assets and liabilities not measured at fair value is not disclosed if the carrying amount is a reasonable approximation of fair value.

R'000	Note	Carrying amount Amortised cost	Total
2020			
Cash and cash equivalents	5	**121 664**	**121 664**
Financial assets		**121 664**	**121 664**
Accrued expenses		**74**	**74**
Shareholders for dividend	7	**71 740**	**71 740**
Loan from subsidiary company	8	**23 315**	**23 315**
Financial liabilities		**95 129**	**95 129**
2019			
Loan to subsidiary company	4	106 016	106 016
Cash and cash equivalents	5	187 497	187 497
Financial assets		293 513	293 513
Accrued expenses		71	71
Shareholders for dividend		714	714
Financial liabilities		785	785

The company has not disclosed the fair values of the above financial instruments as their carrying amounts are a reasonable approximation of their fair values, given that all the instruments are short-term in nature.

16.2 Financial risk management

The company is exposed to credit risk, liquidity risk and market risk from its use of financial instruments.

The company's objective is to manage effectively each of the above risks associated with its financial instruments, in order to limit the company's exposure as far as possible to any financial loss associated with these risks.

The board of directors has overall responsibility for the establishment and overseeing of the company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The audit committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company to the extent that these have an impact on these financial statements.

16. FINANCIAL INSTRUMENTS continued

16.2 Financial risk management continued

16.2.1 Credit risk

Credit risk is the risk of financial loss to the company if a counterparty to a financial asset fails to meet its contractual obligations, and arises principally from receivables with subsidiaries and financial institutions with which the company holds monetary deposits.

The aggregate carrying amounts of financial assets represents the maximum credit risk exposure and are detailed below:

	Carrying amount	
	2020 R'000	2019 R'000
Loan to subsidiary company	**–**	106 016
Cash and cash equivalents	**121 664**	187 497
Maximum credit risk exposure	**121 664**	293 513

The company's cash is placed only with major South African financial institutions of high credit standing. The probability of default rates benchmarked against the external global credit rating equivalent to the credit rating of these financial institutions are negligible and expected credit losses within 12 months from the reporting date are therefore not expected to be material.

As detailed in note 14, the company has provided unlimited guarantees to financial institutions in respect of debts of certain local subsidiaries. The directors regularly review this exposure. As at the reporting date, and for the duration of the year, the directors consider the risk of being called upon to act in terms of the guarantee within 12 months from the reporting date as negligible.

16.2.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company's primary source of income is the dividends received from subsidiary companies and interest on short-term investments. The group's subsidiaries are typically, and have historically been, cash generative. The impact of trading restrictions imposed during the year in response to COVID-19 resulted in a significant, sudden, and sustained reduction in the revenue of these subsidiaries. The majority of these subsidiaries' cost base is employment related and therefore generally not considered variable in the short term. As a consequence, the subsidiaries sustained cash flow losses for the months of March to June 2020, which has resulted in a significant reduction in cash reserves during the year. Various cost saving initiatives have been implemented by the subsidiaries, including: a reduced work week and temporary salary reductions; marketing expenditure was reduced to the absolute minimum; all other discretionary, non-contracted costs were reduced as far as possible; and where practicable, payment holidays or discounted payments were negotiated with suppliers subject to contract. In addition, the company has deferred the payment of its interim 2020 dividend until such time as there is sufficient certainty regarding the company's future cash flows.

Historically, the group's subsidiaries ensured that they had sufficient cash on demand to meet expected operational expenses for a period of at least six months, including the servicing of financial obligations. As a consequence, the companies in question were able to sustain the lockdown period from a cash flow perspective and, taking the post-lockdown recovery trajectory into consideration, the board is confident that current cash balances should be sufficient to sustain operations until the business returns to cash flow profitability. Refer note 2 of the consolidated financial statements on page 21 of this report for further analysis of the impact of COVID-19 on the group and going concern considerations. The directors are able to use their influence, as representatives of the sole shareholder of the subsidiaries, to manage the dividend policy of the subsidiaries. In addition, other group subsidiaries have provided unlimited guarantees to the company's bankers in respect of any debts incurred by the company to those bankers.

16. FINANCIAL INSTRUMENTS continued

16.2 Financial risk management continued

16.2.2 Liquidity risk continued

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

R'000	Carrying amount	Contractual cash flows Total	1 – 12 months
2020			
Non-derivative financial liabilities			
Accrued expenses	**74**	**74**	**74**
Shareholders for dividend	**71 740**	**71 740**	**71 740**
Loan from subsidiary company	**23 315**	**23 315**	**23 315**
2019			
Non-derivative financial liabilities			
Accrued expenses	71	71	71
Shareholders for dividend	714	714	714

Where there are no formal repayment terms, the contractual cash flows are assumed to take place within 12 months and no interest is included.

16.2.3 Market risk

The company is not exposed to currency risk as it only transacts in local currency.

The company is not exposed to any price risk.

Interest rate risk

The company's only interest-bearing financial instruments are its cash and cash equivalents. All other financial instruments are non-interest bearing.

In the event that interest rates had increased by 50 basis points for the duration of the year, the table below gives the impact on profit or loss before income tax and equity:

	2020 R'000	2019 R'000
Increase in profit or loss before income tax	**773**	888
Increase in equity	**557**	639

A decrease of 50 basis points in the interest rate would have had an equal, but opposite, impact on profit or loss before income tax and equity to that described above.

16.3 Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the demographic spread of shareholders, the level of distributions to ordinary shareholders, as well as the return on capital. Capital consists of total shareholders' equity.

There were no changes in the company's approach to capital management during the year. The board has however intensified its oversight of cash management protocols during the pandemic.

17. ACCOUNTING POLICIES

The separate financial statements were prepared using the accounting policies disclosed in note 47 of the consolidated financial statements (on page 106 of this report) to the extent relevant.

None of the standards issued, but not yet applicable in the preparation of these financial statements, as detailed in note 48.2 of the consolidated financial statements (on page 117 of this report), are expected to have any material impact on the company's financial statements once they become effective.

18. SUBSEQUENT EVENTS

No significant transactions or events occurred subsequent to the reporting date and up to the date of this report.

19. GOING CONCERN

These financial statements have been prepared on the going concern basis. The board has performed a review of the company's ability to continue trading as a going concern in the foreseeable future and, based on this review, considers that the presentation of the financial statements on this basis is appropriate. Refer note 2 of the consolidated financial statements on page 21 of this report.

CORPORATE INFORMATION

REPORTS 2021

Interim results for six months ended 31 December 2020 to be published March 2021

Preliminary announcement for year ended 30 June 2021 to be published September 2021

Integrated report and financial statements for the year ended 30 June 2021 to be published October 2021

DIRECTORS AT THE DATE OF THIS REPORT

Mr Mike Bosman – independent non-executive chair

Executive directors

Mr Pierre van Tonder – group chief executive officer[1]

Mr Phillip Matthee – group chief financial officer[2]

Mr Kevin Robertson – group chief operations officer[3]

Mr Sacha du Plessis (chief marketing officer)[3]

Mr Graeme Kiewitz (group human resources executive)[3]

Independent non-executive directors

Ms Cora Fernandez

Prof Shirley Zinn

Ms Jesmane Boggenpoel[3]

Ms Lerato Molebatsi[3]

Mr André Parker[3]

Mr Sandile Phillip[3]

Past directors

Ms Dineo Molefe (independent non-executive director)[4]

Mr Mntungwa Morojele (independent non-executive director)[5]

Mr Mark Farrelly (executive director)[6]

Mr Muzi Kuzwayo (independent non-executive director)[7]

[1] *Mr Van Tonder retires on 31 December 2020, and is succeeded by Ms Val Nichas with effect from 1 January 2021.*
[2] *Mr Matthee resigns on 31 January 2021, and is succeeded by Ms Cristina Teixeira with effect from 1 February 2021.*
[3] *Appointed 15 October 2020.*
[4] *Resigned 3 September 2020.*
[5] *Resigned 1 September 2020.*
[6] *Resigned 31 August 2020.*
[7] *Retired 6 December 2019.*

ADMINISTRATION

Registration number: 1998/000828/06

Registered address: 14 Edison Way, Century Gate Business Park, Century City, 7441

Postal address: PO Box 166, Century City, 7446

Telephone: +27 21 555 5100

Fax: +27 21 555 5111

Email: spur@spur.co.za

Internet: http://www.spurcorporation.com

Transfer secretaries
Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132
Telephone: +27 11 370 5000

External auditors: KPMG Inc.

Internal auditors: Moore Risk Services

Attorneys: Bernadt Vukic Potash & Getz

Sponsor: Sasfin Capital (a member of the Sasfin Group)

Company secretary
Kilgetty Statutory Services (South Africa) (Pty) Ltd
c/o 14 Edison Way, Century Gate Business Park, Century City, 7441
c/o PO Box 166, Century City, 7441
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Email: companysecretary@spur.co.za

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