SPUR CORP.
PASSIONATE PEOPLE BUILDING GREAT BRANDS
INTEGRATED REPORT
2019

WELCOME TO OUR 2019 REPORT

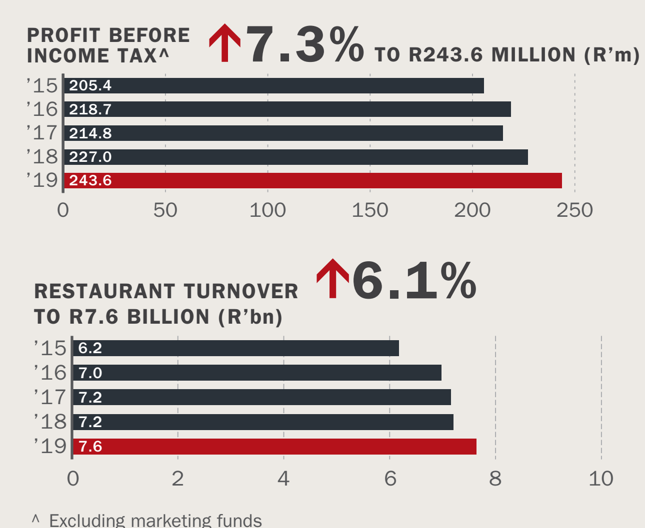
PERFORMANCE OVERVIEW

Spur Corporation Ltd ("Spur Corporation" or "the group") is a diversified holding company and multi-brand restaurant franchisor, with eight restaurant brands operating in South Africa and internationally. The group is listed in the travel and leisure sector of the JSE Ltd ("JSE").

REVENUE GROWTH WAS SUPPORTED BY:

- the opening of 59 additional franchised outlets;
- the continuing investment by franchisees in refurbishments of restaurants;
- the continued steady growth of Spur Steak Ranches, owing to the expansion of the range of "home-made" products manufactured in Spur restaurants and its loyal customer base of over 1.2 million active adult Spur Family Card members;
- the measured continuing rollout of the RocoMamas brand; and
- the continued resilience of customers in the upper income market in which The Hussar Grill operates.

The trajectory of the local Spur Steak Ranches brand, which comprises 67% of the South African business and approximately 60% of the group's worldwide business, has been positive.



COMPARABLE OPERATING PROFIT BEFORE INCOME TAX

↑15.9%

Growth in comparable profit is largely attributable to the increase in the standard procurement fee charged on outsourced distribution sales to franchisees, improved operating margins in most of the local trading divisions and the containment of shared services costs, despite the greater trading losses in Australia.

25 OUTLETS REFURBISHED
(**2018:** 10)

DIVIDEND PER SHARE

↑10.6% TO 136 CENTS

RETURN ON INVESTMENT PRE-TAX (CAPITAL AND DIVIDENDS)

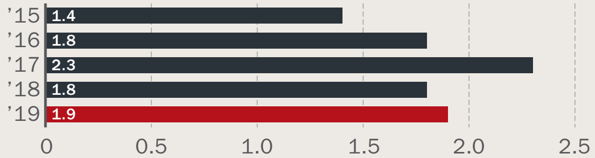
(9.4%)

COMPARABLE DILUTED HEADLINE EARNINGS PER SHARE ("HEPS")

↑ 17.2%

TOTAL INVESTMENT IN EMPLOYEE TRAINING (R'm)

↑6.0% TO R1.9 MILLION



TOTAL CORPORATE SOCIAL INVESTMENT ("CSI")

R2.1 million

↓ 19.2%

(**2018:** R2.6 million)

34

COMMUNITY EVENTS HOSTED

(**2018:** 64)

92%

WASTE DIVERTED FROM LANDFILL AT CAPE TOWN HEAD OFFICE

(**2018:** 96%)

ENERGY CONSUMPTION*

983 MWh

↓ 6.6%

(**2018:** 1 063 MWh)

WATER USAGE*

7 029 kℓ

↓ 3.7%

(**2018:** 7 300 kℓ)

* Corporate sites

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ABOUT THIS REPORT

This integrated report was prepared by Spur Corporation Ltd to provide stakeholders with insight regarding the group's business model, strategy, key business drivers, performance and prospects.

The report covers the financial year 1 July 2018 to 30 June 2019. It was prepared for the benefit of the group's stakeholders, with a focus on aspects relevant to providers of financial capital.

It covers the activities of the group and includes information relating to the South African and international franchise, retail and ancillary operations. Environmental information relates only to the South African head office, corporate offices and manufacturing facilities, and excludes international operations and restaurants.

OUR REPORTING SUITE

This integrated report is part of a suite of publications the group produces to best meet the needs of various stakeholders. The publications are available at https://www.spurcorporation.com/investors/results-centre/.

- Integrated report, including the consolidated and separate financial statements
- Annual general meeting ("AGM") notice and proxy form
- Online sustainability supplement
- Online governance supplement

CONTENT DEVELOPMENT

The content of this report is broadly comparable with the 2018 report. The only material events that may impact comparability are:

- The acquisition of a 51% stake in franchise restaurant group, Nikos Coalgrill Greek, effective 1 August 2018.
- The group adopted *IFRS 15 – Revenue from Contracts with Customers* fully retrospectively and restated comparative figures. This impacted on the group's accounting for marketing funds and initial franchise fees.
- The group adopted *IFRS 9 – Financial Instruments* on a modified retrospective basis. The impact of the transition to the standard as at 1 July 2018 was adjusted against opening retained earnings and comparative figures have accordingly not been restated. The basis for determining impairments of financial assets in accordance with IFRS 9 requires consideration of future potential losses and therefore generally results in greater impairment losses than those determined in accordance with the previous standard.

To improve communication to providers of financial capital, the 2019 integrated report includes the following improvements:

- Executive management assessed the material matters disclosed in previous reports. The focus remains on materiality, but the matters were reduced, streamlined and defined as "key business drivers". This clearly demonstrates the fundamental factors that drive Spur's long-term sustainability. Spur Corporation's key business drivers are discussed from page 22.
- The Vision 2023 strategy process is entering the implementation phase. How key activities were identified in response to the group's greatest challenges, external environment and key business drivers are discussed on page 18. The strategy was workshopped with all restaurant brand teams and operational divisions to develop adaptive business models for each.

The group considers, uses and applies a range of content guidance documents in the preparation of the reporting elements:

- International Integrated Reporting Council's ("IIRC") Integrated Reporting <IR> Framework
- South African Companies Act (No. 71 of 2008) as amended ("Companies Act")
- Companies Regulations, 2011 ("Regulations")
- JSE Listings Requirements ("Listings Requirements")
- King IV Report on Corporate Governance™ for South Africa 2016 ("King IV™")[1]
- International Financial Reporting Standards ("IFRS")

[1] Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

ASSURANCE

Spur Corporation uses a combined assurance model to ensure the integrity and validity of the information in this report. The model includes, but is not limited to, the group's outsourced internal audit function, risk management and compliance functions, the external auditors and regulatory inspectors, and other external assurance providers, as appropriate or necessary from time to time.

Consolidated and separate financial statements

The financial statements were audited by KPMG Inc., who expressed an unmodified audit opinion thereon.

B-BBEE

The group has re-assessed its transformation strategy and restructured the team responsible for transformation. Following the implementation of the revised Broad-based Black Economic Empowerment Codes of Good Practice ("BEE Codes") issued by the Department of Trade and Industry ("dti") in 2017, the group scores below the minimum threshold for procurement recognition in accordance with the BEE Codes. Therefore, the group elected to obtain a nil scorecard from its verification agency for the current year and will seek a comprehensive scorecard for the year ahead, following the implementation of the revised transformation strategy.

Non-financial information

The audit committee reviewed this integrated report to provide assurance over material non-financial elements of the report, including the online sustainability and governance supplements. The committee also considered the sustainability information disclosed in the integrated report and assessed its reliability against operational information, and for consistency with the financial statements.

APPROVAL

The board acknowledges its responsibility to ensure the integrity and completeness of this report.

The directors confirm that they have collectively assessed the report's contents, preparation and presentation, including the appropriateness of the reporting frameworks used. The board believes this report addresses the material challenges and opportunities the group faces and is an accurate representation of the group's strategy and performance for the financial year.

The board consequently approved the 2019 integrated report for publication on Tuesday, 22 October 2019.

SPUR CORPORATION AT A GLANCE

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The group provides shareholders with a sustainable return on investment through a rigorous focus on capital efficiency and strategy execution that takes a long-term view.

WHO WE ARE

Spur Corporation is a diversified holding company, grounded in restaurant brands and related investment opportunities.

The group is headquartered in Cape Town, with franchisees trading through 620 outlets across South Africa, the rest of Africa (including Mauritius), Australasia and the Middle East. The group directly owns and runs five restaurants in South Africa ("retail" restaurants). Spur Corporation operates a sauce manufacturing facility and facilitates central procurement for South African franchise outlets.

OUR VISION

Passionate people growing great brands.

To achieve this, we will continue to build a sustainable business with great brands which makes a positive and lasting difference in the lives of our customers, employees, franchisees, communities and the environment.

OUR PROMISE

Food is our passion and welcoming you our pleasure.

When you meet at your "home away from home", you are treated like family. Our greatest reward is presenting our delicious meals to our families and friends. We never hold back on our generosity, our deliciously prepared food, our laughter or our welcome. We go big on quantity, aroma and especially on taste. Nothing satisfies us more than pleasing our customer.

This is our simple philosophy – bringing our customers together over great food to create outstanding memories.

OUR MISSION STATEMENTS

Bringing people together over great food.

- Our business exists to provide fun, memorable experiences over great food for young and old.
- Our restaurants provide a warm, family-friendly environment with a social atmosphere that allows customers of all ages to relax and enjoy our generous, value-for-money portions of great-tasting food, all served with a smile.
- We are committed to providing our customers with outstanding products (food) and excellent service in exciting, vibrant surroundings.
- We promise a consistently excellent experience no matter which outlet our customers visit.

OUR VALUES

Brand family – Being a part of our family means showing your commitment to the Spur Corporation family and its brands. We are caring and respectful towards our colleagues, customers and business partners.

Spirit of generosity – Selfless sharing of our knowledge and experiences while being of service to our brands, customers and colleagues.

Daily excellence – Consistent, excellent delivery and eagerness to learn to complete our job with unwavering attention to detail.

Fired up – People with a taste for life!
A passionate contribution to the development and growth of our brands – having an engaging, enthusiastic and energetic attitude in our area of expertise.

WHY INVEST IN SPUR CORPORATION

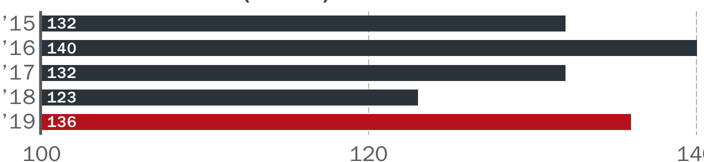
OUR CONSISTENT, LONG-TERM APPROACH TO GROWTH

The group provides shareholders with a sustainable return on investment through a rigorous focus on capital efficiency and strategy execution that takes a long-term view.

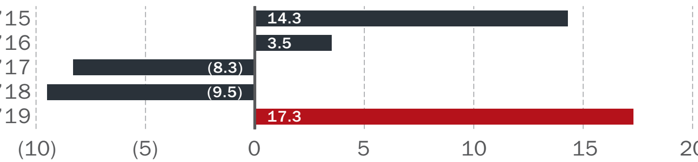
Considering the volatility of the local economy and the food and retail sectors, the board remains risk averse. Long-term growth opportunities are assessed in a planned, considered and balanced way, avoiding short-term thinking that might weaken the business over the longer term.

Spur Corporation's Dividend Payment Policy remains unchanged, and the group has consistently paid dividends over the past five years.

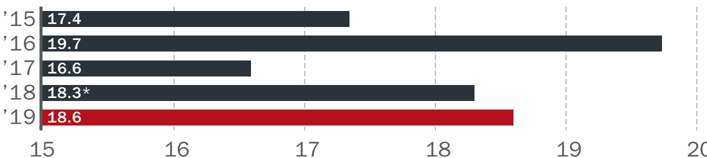
DIVIDEND PER SHARE (CENTS)



GROWTH IN COMPARABLE HEPS# (%)



RETURN ON EQUITY# (%)



* Restated.
# Excluding marketing funds.

The group focuses on operational excellence, marketing exposure, brand recognition and value proposition to grow market share. Despite difficult trading conditions and increased competition across the group's brands, the group has maintained market share over the past five years.

OUR BRANDS AND AWARDS

Spur Corporation owns eight well-established and diverse brands, including some of South Africa's most recognised restaurant brands. Spur Corporation's restaurants serve a full range of customers and offer consistent value at multiple price points.

Awards in 2019

Spur Steak Ranches won:

- The "Coolest Place to Eat Out" in the *Sunday Times* Generation Next Survey 2019, for the 7th year in a row
- Best sit-down restaurant in the *Sunday Times* Top Brand Awards 2019
- Best kids, sticky ribs and party spot in the Best of Joburg 2018
- Best kids entertainment and party spot in the Best of Ekurhuleni 2018

RocoMamas won:

- The bronze IAB Bookmarks Award for Social Community 2019
- The bronze IAB Bookmarks Award for Craft Social Media Community Management 2019
- The Best of Joburg Gourmet to Go category 2018
- Second best burger in South Africa 2019, on Big7 Travel

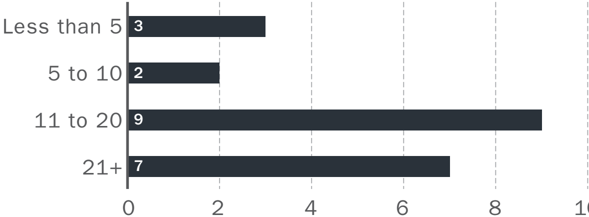
The Hussar Grill and **Casa Bella** both achieved platinum status at the Diners Club Wine List Awards 2018.

Casa Bella Mall of Africa won the Rosetta Restaurant South Africa: Bistro of the year award.

STRONG, COMMITTED AND FORWARD LOOKING LEADERSHIP

Spur Corporation's executive directors and key management collectively hold 354 years of restaurant industry experience. Many started their careers working at the group's restaurants.

TENURE OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT (YEARS)



Our refreshed board

The group appointed a new independent non-executive chairman, Mike Bosman, and two new independent non-executive directors, Cora Fernandez and Professor Shirley Zinn. The board will benefit from greater diversity of skills and experience, age, culture, race and gender.

See the message from the chairman on page 31 and the corporate governance report on page 61.

Vision 2023 strategy

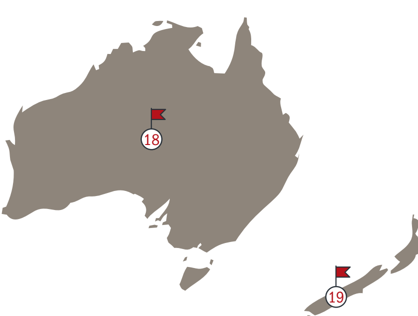
Vision 2023 lays the foundation for wide-ranging change and growth.

It was developed through introspection and stakeholder engagement and aims to bed down business fundamentals and processes to enable rapid scale and growth.

Read more in the strategy section from page 28.

OUR MARKETS

Spur Corporation has geographically diverse market exposure through its range of brands. The group implements appropriate strategies to ensure local appeal in the international territories in which it trades. Spur Corporation's restaurants cater to a range of appetites, in terms of menu options and value for money.



	Country and number of outlets	
1	South Africa	543
2	Lesotho	1
3	eSwatini	3
4	Namibia	13
5	Botswana	3
6	Zimbabwe	1
7	Zambia	13
8	Malawi	1
9	Tanzania	1
10	Kenya	7
11	Ethiopia	1
12	Nigeria	5
13	Saudi Arabia	3
14	Oman	1
15	Cyprus	1
16	Mauritius	13
17	India	1
18	Australia	8
19	New Zealand	1

OUR BRANDS

FAMILY SIT-DOWN

84%

CONTRIBUTION TO RESTAURANT TURNOVER

Spur, Panarottis and John Dory's

- Focus on family in restaurant design, marketing communication and product
- Structured to provide value to the middle class

Spur	South Africa	Africa (incl Mauritius)	Australasia
	291	30	5

Panarottis	South Africa	Africa (incl Mauritius)	Australasia
	84	19	3

John Dory's	South Africa	Africa (incl Mauritius)
	52	3

QUICK-SERVICE TAKEAWAYS

1%

CONTRIBUTION TO RESTAURANT TURNOVER

Spur Grill & Go

- Ribs, burgers and wings in high-traffic locations
- Structured to provide value to the middle class

Spur Grill & Go	South Africa	Africa (incl Mauritius)
	8	2

RocoGo

- Gourmet burgers and wings in smaller, on-the-go sites

RocoGo	South Africa
	2

Number of restaurants by location.

UPMARKET RESTAURANTS

5%

CONTRIBUTION TO RESTAURANT TURNOVER

The Hussar Grill

Upmarket steakhouse with a focus on quality, premium offering.

South Africa	Africa (incl Mauritius)	Middle East
20	1	1

Casa Bella

Sophisticated, friendly dining experience, with an artisanal-style Italian cuisine offering.

South Africa
7

Nikos Coalgrill Greek

Marries contemporary dining with traditional homestyle, coal grilled Greek cooking.

South Africa
9

GOURMET BURGERS, RIBS AND WINGS

10%

CONTRIBUTION TO RESTAURANT TURNOVER

RocoMamas

- Trendy, fast and personalised concept with an artisanal-style offering
- Well positioned in the fast-growing gourmet burger market

South Africa	Africa (incl Mauritius) and Europe	India and Middle East	Australasia
70	8	4	1

OUR BUSINESS MODEL

Spur Corporation's business model is founded on the group's values. It builds on the core relationships between Spur Corporation and franchisees, suppliers, service providers and customers.

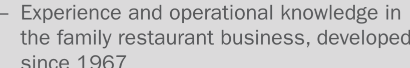
OUR CAPITAL INPUTS

The <IR> Framework describes the six capitals, which are stocks of value that increase, decrease or are transformed through the activities and output of an organisation. Spur Corporation's business model aims to leverage the capitals available to the group to achieve its strategic objectives of growing revenue and maintaining a sustainable business.

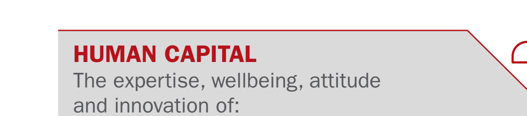
FINANCIAL CAPITAL
- Equity raised
- Retained earnings
- Access to debt funding

MANUFACTURED CAPITAL
- The land and buildings the group operates from, including corporate office buildings and group-owned and franchised restaurants
- Outsourced logistics fleet and distribution network
- Vehicles
- Equipment in the sauce manufacturing facility and décor manufacturing plant
- IT infrastructure

INTELLECTUAL CAPITAL



- Experience and operational knowledge in the family restaurant business, developed since 1967
- A sustainable local franchise model
- Brand equity
- The research and development involved in restaurant design and menu engineering



HUMAN CAPITAL

The expertise, wellbeing, attitude and innovation of:
- 305 group employees*
- 175 retail restaurant employees

* At corporate offices.

SOCIAL AND RELATIONSHIP CAPITAL
- Relationships developed and maintained with customers, franchisees and suppliers
- Customer loyalty programmes
- Partnerships with financial services providers
- Community relationships established through the activities of The Spur Foundation and by franchisees in their local communities

NATURAL CAPITAL
- Environmental resources the group depends on, the depletion of which would threaten the business model, such as oceans, clean water and agricultural produce
- The group, and particularly John Dory's, depend on securing a reliable supply of seafood from sustainable sources

OUR BUSINESS ACTIVITIES

Spur Corporation – The enabler

Group services

Centralised corporate services support the business in achieving its objectives and provide franchisees with the resources to deliver a consistently high-quality product in line with each brand promise.

Human resources	Contact centre	Legal and governance	Information technology	Procurement ↓	Research and development	Finance	Marketing	Strategy

Spur Corporation maintains its supply chain relationships with an outsourced logistics service provider, suppliers and franchisees. The procurement function ensures food safety, quality and a stable supply for centrally procured items. It earns a procurement fee based on the value of goods transported by the outsourced distribution network.

Our brands

Local restaurants

The franchised restaurants across the group's brand portfolio are operated by independent, entrepreneurial franchisees who are responsible for the day-to-day operations of the restaurants.

Franchisees receive support from the group through brand- and region-specific operations teams. Spur Corporation offers operational support to franchised restaurants through regular visits to assess food safety and product and service standards against group and regulatory requirements.

Spur Corporation also offers restaurant development through the management of new franchises, relocations and refurbishments. This includes site selection, project management and restaurant openings.

Spur Steak Ranches	**Panarottis**	**John Dory's**	**RocoMamas** **RocoGo**
Hussar Grill	**Casa Bella**	**Spur Grill & Go**	**Nikos Coalgrill Greek**

International operations

The group has an international head office in the Netherlands and regional offices in Australia and Namibia. These provide operational and restaurant development support to the group's international restaurants.

Africa (including Mauritius), Europe, India and the Middle East	**Australasia**

Our investments

Company-owned restaurants

Spur Corporation owns one RocoMamas and four The Hussar Grill restaurants in South Africa and is directly involved in their daily operations.

Operational divisions

The group operates a sauce manufacturing facility which supplies franchisees with certain of the group's sauces. Selected products, including sauces, ribs and burgers, are externally manufactured under licence, and are sold directly to consumers in major South African retailers.

The group identified and is exploring more operational opportunities which seek to enhance financial agility and secure tenure for the group's brands and businesses.

Sauce manufacturing facility	**Décor manufacturing facility**	**Learning academy**
Property	**Financial services**	

OUR BUSINESS MODEL

OUR OUTPUTS

Spur Corporation's outputs include its products and waste.

The group served 48.3 million meals across its brands in South Africa and produced 4.5 million litres of sauce. Spur Corporation's products include décor and food manufactured for preparation and sale.

92% of the waste generated at the group's Cape Town head office was diverted from landfill and 72% and 20% was diverted from landfill from the corporate offices and the sauce manufacturing facility respectively.

OUR CAPITAL OUTCOMES

The results of Spur Corporation's inputs, business activities and outputs in relation to the six capitals:

FINANCIAL CAPITAL

- R7.6 billion in total restaurant sales
- R165.1 million headline earnings generated
- Dividend of 136 cents per share declared
- Local economies supported through the payment of R81.4 million in taxes

MANUFACTURED CAPITAL

- R9.3 million capital expenditure

INTELLECTUAL CAPITAL

- 14 844 restaurant employees trained
- Eleven awards across the brand portfolio
- Regulatory compliance, including food safety

HUMAN CAPITAL

- R202.3 million paid to employees in salaries

SOCIAL AND RELATIONSHIP CAPITAL

- 620 franchisees
- R2.1 million allocated to CSI
- Ongoing commitment to excellent customer service and great brands
- Three loyalty programmes, with 1.9 million members

NATURAL CAPITAL

- 7 029 kℓ water used to support operations
- 992 MWh of electricity consumed

Spur Corporation's restaurants serve a full range of customers and offer consistent value at multiple price points.

OUR STAKEHOLDERS

Spur Corporation's stakeholders are those individuals or groups that can affect or be affected by the group's actions, objectives and policies.

OUR MATERIAL STAKEHOLDERS

Employees

305 GROUP EMPLOYEES*

47% MALE*

53% FEMALE*

176 RETAIL RESTAURANT EMPLOYEES

* Corporate offices

Engagement

- Chief executive officer ("CEO") and human resources ("HR") road shows
- Intranet
- Monthly meetings
- Open-door policy

Key concerns and expectations in 2019

- Alignment with group values, vision and mission
- Functional role clarity, career opportunities, skills development and employee wellness
- Fair remuneration and benefits
- Transformation

Spur Corporation's response

- The group's process to align its values, vision and mission with those of employees is discussed in the strategy section on page 28.
- HR policies ensure employees are equitably remunerated and appropriately incentivised to develop and progress in their careers. The group appointed a new HR executive, who will establish a talent management framework and identify a suitable, more rigorous and metric-based performance review process. The remuneration report starts on page 76.
- The group is committed to the principles of broad-based black economic empowerment ("B-BBEE"). The group identified an internal strategic transformation manager who will formulate an integrated transformation strategy and plan, with implementation and measurement goals.
- The group invests in skills development to ensure it supports and harnesses the highest potential from employees. More information is available in the online sustainability supplement.

Future areas of focus

- To improve engagement, Spur Corporation will optimise group-wide internal business communication systems.
- Establish a formal talent management framework and more rigorous, objective, metric-based performance review process
- Reassess all roles in the group to improve remuneration. benchmarking.
- Formulate a transformation strategy and plan, with measurement criteria.

More detail on these initiatives is in the strategic enablers on page 28.

Shareholders

2 459 SHAREHOLDERS

Engagement

- Analysts' presentations
- Interim results reports
- Annual reporting suite, including the integrated report
- AGM and one-on-one meetings
- SENS announcements
- Corporate website

Key concerns and expectations in 2019

- Prudent capital allocation
- Return on investment and the perception that Spur Corporation delivers muted growth
- Evidence of good corporate citizenship
- Executive remuneration

Spur Corporation's response

- The management team has extensive experience in the restaurant industry and a conservative approach to international expansion. Read more about the group's capital allocation approach in the chief executive and chief financial officers' report on page 34.
- 74.9% of votes cast at the AGM in December 2018 were against the group's Remuneration Policy. The group held an engagement session with shareholders, members of the remuneration committee and executive management in January 2019. One outcome is that the group's incentive programmes are being reviewed to ensure that they align the interests of management and shareholders. Refer to the chairman's report on page 31 and the remuneration report on page 76.

Future areas of focus

- Implementation of the Vision 2023 strategy to address the group's specific challenges to growth. The strategy will be communicated to shareholders. Refer to the strategy section from page 28.
- Potential implementation of revised incentive schemes.

HOW THE GROUP MANAGES AND GOVERNS STAKEHOLDER RELATIONSHIPS

The group regularly engages with key stakeholders to ensure it understands their legitimate needs, concerns and expectations. Regular engagement ensures that important matters are addressed and, where relevant, these are considered in strategic discussions.

The board determines the direction of stakeholder relationships and delegates the responsibility for implementation and execution to management. The social, ethics and environmental sustainability committee assists the board to monitor stakeholder management and to set the approach to stakeholder relationships.

Franchisees

620 FRANCHISEES

14 844 RESTAURANT EMPLOYEES TRAINED

Engagement

– Advisory committees
– Franchisee extranet
– Restaurant visits
– Road shows
– Conversation cafés

Key concerns and expectations in 2019

– Ongoing support
– Return on investment
– Transformation

Spur Corporation's response

– Operations management teams offer continuous support to ensure franchisees run successful businesses.
– The group provides training to franchisee employees and management on all aspects of running and managing a profitable restaurant.
– The outsourced distribution model enhances procurement efficiencies, provides a cost benefit to franchisees and maintains food safety standards and consistent product quality.
– Spur Corporation partnered with financial services providers to offer tailored financial assistance to franchisees at their election.

More detail on these initiatives is in the key business drivers section on page 22.

Future areas of focus

The group will communicate Spur Corporation's Vision 2023 strategy to franchisees by brand.

Suppliers

Engagement

– Day-to-day interaction to ensure a shared understanding of suppliers' concerns and group policies
– Assessments
– Meetings
– Supplier audits

Key concerns and expectations in 2019

– Certainty of supply
– Fair treatment and payment terms
– Loyalty and collaboration
– Transformation

Spur Corporation's response

– The group engaged with suppliers on the governance of supplier relationships and intends to conduct a value chain analysis.
– Suppliers operate according to normal contractual terms.
– Franchised restaurants purchase significant quantities of raw materials and the group ensures suppliers share Spur Corporation's commitment to sustainable practices.

More detail on these initiatives is in product responsibility on page 26.

Future areas of focus

Based on engagement during 2019, the group will establish development plans, with measurement indicators and tracking and feedback processes.

OUR STAKEHOLDERS

Customers and future customers

Engagement

CUSTOMER INTERACTIONS

↑ **15.5%**

CUSTOMER COMPLIMENTS

↓ **3.8%**

CUSTOMER COMPLAINTS

↓ **6.7%**

R973 MILLION LOYALTY SPEND

- Customer care centre
- Personalised loyalty programme promotions, such as birthday meals
- Mobile applications (John's Club app and Spur Family app)
- Social media
- Spur Secret Tribe
- Gift vouchers

Key concerns and expectations in 2019

- A welcoming family experience
- Excellent food and great service
- Food safety
- More personalised marketing based on consumer data insights

Spur Corporation's response

- Operations managers conduct restaurant inspections to monitor food quality, customer service and restaurant management.
- The group's revamp programme ensures restaurant design and specifications are kept up to date and in line with group quality standards.
- Stringent food safety standards are applied to franchisees, suppliers, the logistics service provider and manufacturing facilities.
- The group has robust and formalised complaints handling procedures.
- The in-house customer service centre is a touchpoint and base for monitoring customer relations. It supports franchisees and provides customer feedback to ensure any required operational improvements are addressed.
- The group's social media team monitors and responds to queries, compliments and complaints posted to sites such as TripAdvisor, GoReview, Facebook and Twitter.

Future areas of focus

The strategy section on page 28 explains how the group will use its rich supply of data to enhance and personalise customer experiences.

Communities and potential customers

Engagement

CSI SPEND

↓ **19.2% TO R2.1 MILLION**

R1.0 MILLION RAISED FOR THE FULL TUMMY FUND

- CSI engagements
- Outdoor events

Key concerns and expectations in 2019

Community support and reinvestment

Spur Corporation's response

- Spur Corporation is active in communities through various CSI initiatives. These are facilitated by The Spur Foundation and provide support for underprivileged youth. The group sponsors a multitude of outdoor events, which encourage a healthy and fun lifestyle.
- Franchisees are encouraged to actively engage their local communities, with the implementation of specific plans being monitored by operations management.

Future areas of focus

Continue to support communities as set out in the online sustainability supplement.

CASE STUDY

ANOTHER CLEAN SWEEP FOR OCEAN VIEW

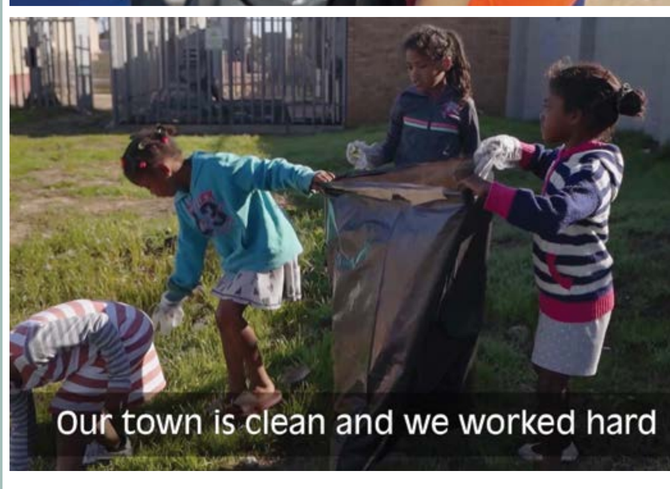
The Ocean View community celebrated World Environment Day by cleaning up their environment and having fun on the soccer field. Now in its fifth year, this Spur Corporation sustainability initiative is aimed at inspiring young volunteers to care for their environment.

The initiative has grown from strength to strength. This year, 200 children joined the clean-up, which started at the Ocean View Football Club and extended into the neighbouring community.

The cold morning kicked off with breakfast, a briefing and the distribution of cleaning kits. The children were assigned to clean up sections within Ocean View and got to task with bags and gloves. After a few hours of hard work, they returned to the football club, where they enjoyed Spur hot dogs, played soccer matches and received treats and rewards.

"Cleaning up helps the children take pride, ownership and responsibility for the area they live in. It is about giving back to the community and about children empowering themselves to grow up to be better adults."

Earle Cloete, Spur Corporation customer relationship manager and eco team member



WHAT DRIVES OUR BUSINESS

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Spur Corporation enables the group's businesses to achieve their potential by harnessing the founder DNA, investing financial capital, and providing strategic direction and services.

In October 2017, Spur Corporation celebrated its 50th birthday. The group took this opportunity to review and celebrate its achievements over 50 years, and to assess what is required to remain successful and relevant in the future. This led to a strategy process, started in 2018, to engage key stakeholders and:

- define the group's operating environment and predict what it will look like in 2023, five years from the start of the strategic period;
- identify the driving forces specific to the group's industry and business, with their associated challenges and opportunities; and
- in response, define a group strategy that can be adapted to each of Spur Corporation's brands and operational divisions.

OPERATING ENVIRONMENT

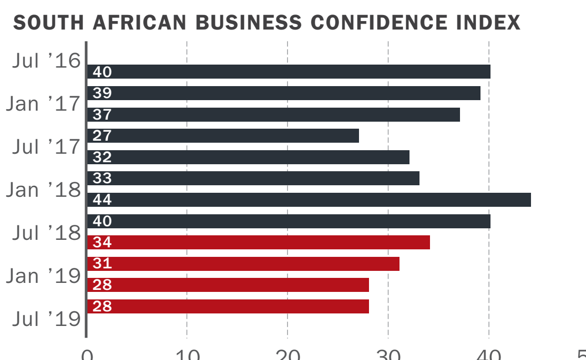
Although the group's trading environment is not an easy one to navigate, the group is confident that its depth of experience will assist it to unlock long-term opportunities in the markets in which it operates.

Low consumer and business confidence impact Spur Corporation's customers and financial performance. This also puts pressure on franchisee profitability and affects employees.

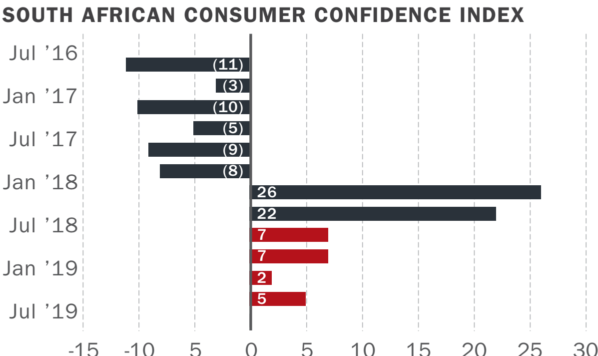
South Africa's real gross domestic product ("GDP") grew at 1.0% over the 2019 financial year. South Africans continued to suffer high levels of unemployment, a weak currency, an unstable power supply and above-inflation increases in basic living expenses. Expendable income in the average household is shrinking because of sharp increases in the cost of water, electricity, rates and tariffs, the soaring price of fuel and the value added tax ("VAT") hike from 14% to 15% in 2018.

Scepticism in the state of the economy is reflected in a Bureau for Economic Research report, which confirms that South African consumer confidence declined during the first quarter of calendar 2019.

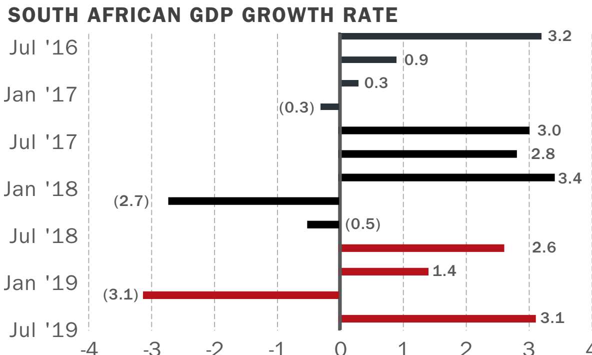
SOUTH AFRICAN BUSINESS CONFIDENCE INDEX



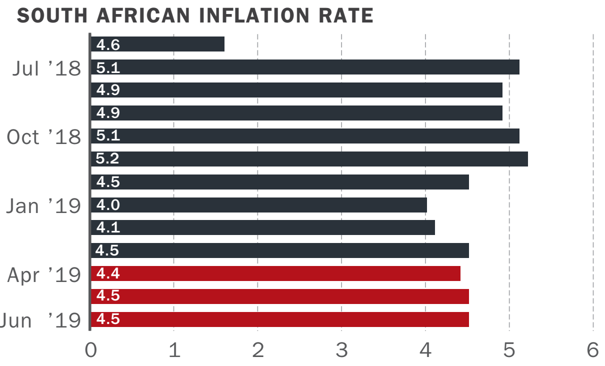
SOUTH AFRICAN CONSUMER CONFIDENCE INDEX



SOUTH AFRICAN GDP GROWTH RATE



SOUTH AFRICAN INFLATION RATE



Source: tradingeconomics.com

The International Monetary Fund ("IMF") forecasts 3.3% global growth for 2019. However, consumers have reason to be cautiously optimistic. The United States of America ("USA") has paused rate hikes; Europe, Japan and the United Kingdom ("UK") have adopted more accommodative stances; and China is stimulating its economy to offset the negative effect of tariffs. The IMF expects a modest pickup in growth heading into 2020.

The 2019 African Economic Outlook from the African Development Bank shows that the continent's general economic performance continues to improve. The growth of the middle class, higher population density as individuals move from rural areas into cities, and infrastructure improvement due to local and foreign investment will lead to growth opportunities for businesses.

In South Africa, the Reserve Bank's decision to cut the repo rate by 0.25% in July 2019, means a reduction in the prime lending rate from 10.25% to 10%, which will assist cash-strapped consumers going forward.

OPERATING ENVIRONMENT

GLOBAL TRENDS THAT WILL DEFINE OUR FUTURE OPERATING ENVIRONMENT

In response to a challenging and evolving environment, it is necessary that Spur Corporation maintains exceptional operational discipline, backed by innovative marketing to attract customers and prospective franchisees.

ENVIRONMENTAL SUSTAINABILITY

- The global food shortage is a recognised challenge, due to a shortage of water and land for sustainable farming.
- There will be a rise in renewable energy sources as global warming forces the world to become more environmentally conscious.
- There will be a focus on ethical sourcing and the responsible use of resources.
- Food production will become more specialised, with improved logistics and planning. There will be greater automation in the farm-to-plate food production and distribution chain.
- As a counter trend, this will lead to a rise in the urban farming industry.

CONSUMER NEEDS

- Food quality is non-negotiable. Consumers have become more health conscious, more informed, more aware and more vocal than in the past.
- Consumers want transparency in sourcing. They value their health and want to know what goes into their food. This is shown in the rise in vegetarianism and veganism.
- Consumers want improved responsibility by companies in terms of environmental and social impact.
- In this space, over-regulation can become a challenge.
- Consumers are becoming more demanding. They want speed and convenience and go to restaurants for the experience.

INNOVATION AND TECHNOLOGY

- The trend towards online purchasing may contribute to the demise of shopping malls.
- There will be increased automation in how orders are placed and in payment technologies.
- The rise of loyalty data and marketing technology mean that consumers expect mass customisation. This means the group needs to be flexible and focused on what it offers.
- Restaurants need to adopt simpler business models as consumers desire more niche dining experiences.
- Social media means that all brands are under constant scrutiny. Consumers expect accountability and honesty. Consumers question the information available online, as it is perceived to be one dimensional.

OUR WORLD OF WORK

- Effective transformation at all levels remains key to a thriving South African market.
- There continues to be a shortage of critical skills in the food services industry. Skills need to become more specialised and cross-skilling is important.
- Work environments are becoming more flexible. Employees want more of a work/life balance and the ability to work remotely if feasible.
- New food service models, like order-in, pop-ups and self-service, will have an impact on restaurant employees.

CASE STUDY

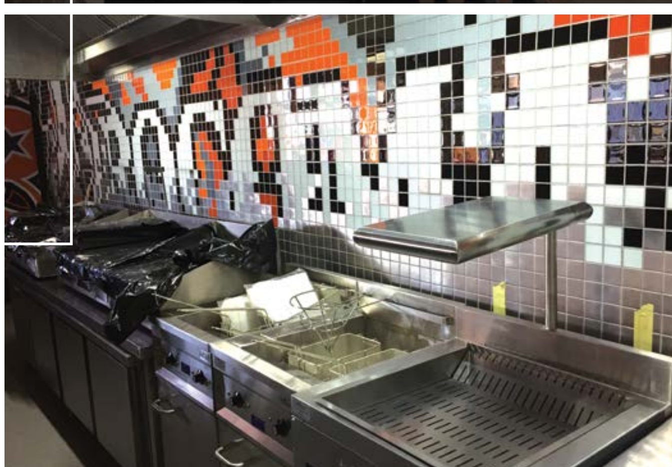
ROCOMAMAS TABLE VIEW: A GREEN RESTAURANT

Alan Ranson and Derek McMahon of Ranmac Restaurant Group were encouraged by the shift towards sustainability within the Spur Corporation. During the past few years, these franchisees committed to a responsible approach in fitting out the new RocoMamas Table View, which opened in December 2018. The aim was to become significantly more energy and water efficient and reduce the environmental impact of waste generated by the restaurant. This will also reduce the restaurant's carbon footprint through mindful product choices and operations.

RocoMamas Table View trialled various green building technologies and processes that had not previously been used in the brand's restaurants. The interventions to improve sustainability included structural changes to the building and interior finishes. These include passive design elements such as skylights, efficient technology such as smarter equipment and systems that allow for better control, and materials and finishes that improve indoor environmental quality.

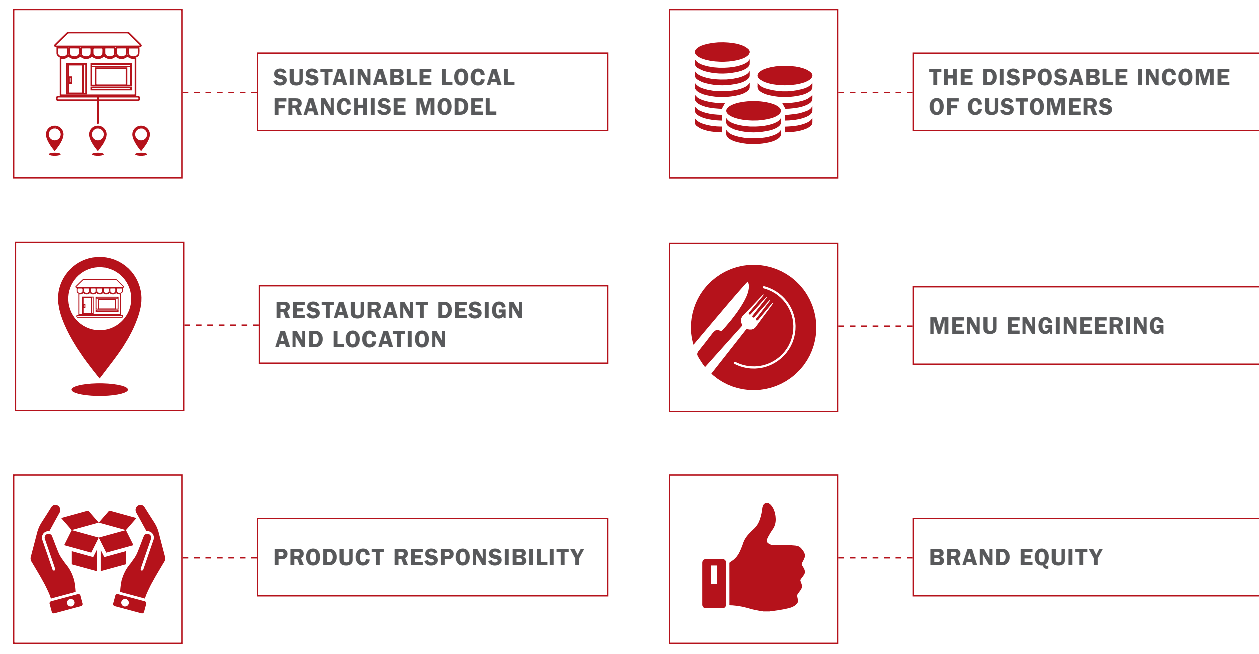
The benefits are wide ranging:
- Cost reduction of operations and maintenance
- Return on investment by using efficient technology
- Reduction in transport costs and growth in the local economy
- Reduction in carbon footprint and negative environmental impact
- Reduction in resources used – electricity, water and waste generated
- Increased productivity – better working environment for employees

This trial project tracked and reported on the successes achieved and challenges encountered, and provides the brand with a valuable learning opportunity. RocoMamas updated the eco training it provides to employees to ensure the restaurant achieved optimal performance in terms of its sustainability goals. The benefits of the greening efforts are also shared with customers, who experience the improved interior space and better way of doing business.



OUR KEY BUSINESS DRIVERS

The following key drivers impact Spur Corporation's performance and sustainability. They can significantly influence the group's ability to create sustainable value and meet strategic objectives.



SUSTAINABLE LOCAL FRANCHISE MODEL

Spur Corporation's business model is critically dependent on the financial success of its franchisees.

The group's business is predicated on franchise fees and procurement-related income. Franchise fees comprise 38% of group revenue; supporting the collective revenue growth of franchisees thus supports group revenue growth.

Keeping the franchise model agile and responsive to changing market conditions supports franchisee profitability. This ensures the sustainability of their businesses and keeps the group's brands attractive to potential franchisees.

The success of franchise restaurants depends on various factors, including set-up costs, location, restaurant design, brand equity and, in the long run, the skill of the franchisee. Spur Corporation supports its franchisees to establish successful businesses in several ways, as set out below.

Our development teams support prospective franchisees by:	Our operations management teams provide support to franchisees by:	The group supports franchisee profitability by:
– Identifying and securing sites that align with the brands' target markets – given that occupancy cost is a significant expense and above-inflation increases erode profitability, it is imperative that sites attract enough foot traffic to support feasible restaurants – Refining restaurant designs to reduce set-up costs, improve kitchen efficiencies, make effective use of space, and introduce sustainable technologies – Providing project management expertise to ensure that set-up cost budgets are achieved, and that development complies with the group's specifications	– Helping them manage their businesses efficiently and sustainably – Identifying training needs and coordinating training with the group's training department – Identifying marketing opportunities and aiding the development and implementation of bespoke marketing plans for each restaurant – Upholding brand and product standards through regular inspections and assessments against group operational standards – Assisting in identifying and implementing bespoke CSI initiatives in the communities in which they trade	– Frequently reviewing and adapting the franchise model to support franchisee profitability – Raising brand awareness and drawing customers to restaurants through innovative marketing initiatives across a variety of channels, including social media – Strengthening customer engagement through loyalty programmes – Providing training to franchisee employees to ensure high standards of food quality and service – Supporting consistent food supply, excellent quality and competitive prices through the group's centralised procurement strategy

Improving franchisee profitability by reducing discounting

After extensive franchisee engagement, the group discontinued its reliance on discounting to drive restaurant sales at the expense of franchisee margin. This strategy was implemented in Spur Steak Ranches over a period spanning 2017 to 2018 and started being implemented in Panarottis in 2018. It initially tempered sales growth, as expected, but has improved franchisees' profitability. Margins improved steadily, and franchisees can reinvest in their businesses. This leads to a more sustainable franchise business for the group. Based on the success of this strategy in these two brands, the group is considering a similar strategy in other brands.

Risks and opportunities

- Online ordering is a growing trend and there is a perception that most of Spur Corporation's brands are behind the curve on this trend. However, marketing and technology plans and strategies are in place to improve online and mobile ordering. The group partners with Uber Eats and Mr D Food on activations where appropriate.
- In future, franchisees' ability to secure new leases and operating licences, like liquor licences, may be linked to their B-BBEE compliance. Non-compliant franchisees increase the group's risk of not achieving its strategy in terms of restaurant openings and revenue growth. The group conducts workshops with franchisees to highlight this risk, explain the need to prepare a B-BBEE scorecard and provide practical guidance on measures to improve B-BBEE ratings. The group encourages franchisees to include black equity operating partners.

OUR KEY BUSINESS DRIVERS

THE DISPOSABLE INCOME OF CUSTOMERS

Spur Corporation's customers are the reason the group exists. Their ability to afford the group's offerings has a direct impact on franchisee profitability and the group's growth and sustainability.

In an environment of increasing financial pressure, customers' disposable income is eroded by increasing taxes, and the rising costs of healthcare, education, transport, utilities, property and food. Customers are more discerning about where they spend their money. The group focuses on product quality, value, customer experience and innovation to retain and grow the customer base and ensure the franchise model is sustainable.

Risks and opportunities

- Most of the group's profits are generated from South Africa, and a sustained decline in the local economy could have a detrimental impact on the group. The group needs to ensure operational efficiency and optimise local marketing campaigns to mitigate against subdued consumer activity. Cautious growth plans for diversification into new target markets also mitigate single-country risk.
- Increased competition in Spur Corporation's sit-down and takeaway restaurant markets can erode the group's market share.

RESTAURANT DESIGN AND LOCATION

Intelligent restaurant design reduces set-up, running and labour costs. It improves efficiency and reduces restaurants' environmental impact.

Standardisation of restaurant design and specifications ensures consistent operations in terms of buildings, kitchens, service, food offerings and customer experience. It enables franchisees to maintain the group's high standards. Operational inspections include an assessment of restaurant facilities to ensure that these continue to meet the required standards.

Updated restaurant designs and equipment specifications support franchisees' profitability by improving food preparation efficiency and reducing energy and labour costs. Kids' play areas in Spur Steak Ranches, Panarottis and John Dory's provide customers with a family entertainment destination.

Regular refurbishments keep restaurants fresh and appealing to customers and have a direct impact on franchisee turnover. Franchisees invested R69.5 million on revamps and relocations during 2019.

Environmental sustainability

Resource efficiency promotes cost savings. The significant increase in the cost of water and electricity has sensitised franchisees to the financial benefits of sustainable environmental initiatives. The group encourages franchisees to install energy and water saving devices like LED lighting, motion sensors, timers and energy monitoring systems, self-closing taps, aerators and water-efficient dishwashers.

The green operations assessment measures franchisees' environmental performance and, together with the eco-checklist, use environmental key performance indicators ("KPIs") to monitor and improve the group's overall impact. Modules covering environmental responsibility and awareness are included in Spur Corporation eco training provided to franchisee management and employees.

The Spur Corporation's Green Feather Rewards recognise franchisees for improvement in energy consumption, water conservation, waste management and eco procurement of non-centralised produce. The winners and runners-up receive financial support to further encourage their sustainability journey.

More detail on initiatives are in the sustainability supplement online.

Risks and opportunities

- Traditionally, most restaurants occupy large spaces in shopping malls. However, as consumers increasingly shop online, malls suffer the consequences. This leads to higher operating expense ratios due to increased rent, landlord operating costs, and rates and utilities – which potentially place the franchise business model under pressure.
- The group's experience and clear understanding of what the franchise business model should look like, means the group carefully considers the size of all new restaurants, with a focus on maximising trading densities. To ensure that the group's brands remain in the best possible location, it reviews its leases in terms of the tenancy rate of shopping malls and the mortality rate of other tenants.
- Increasingly, group restaurant designs include smaller formats that reduce set-up and operating costs and are better suited to smaller urban areas. Smaller format restaurants increase the range of potential locations available. These include smaller format Spur and Panarottis outlets and the Spur Grill & Go and RocoGo formats, which are suited to high foot-traffic sites.

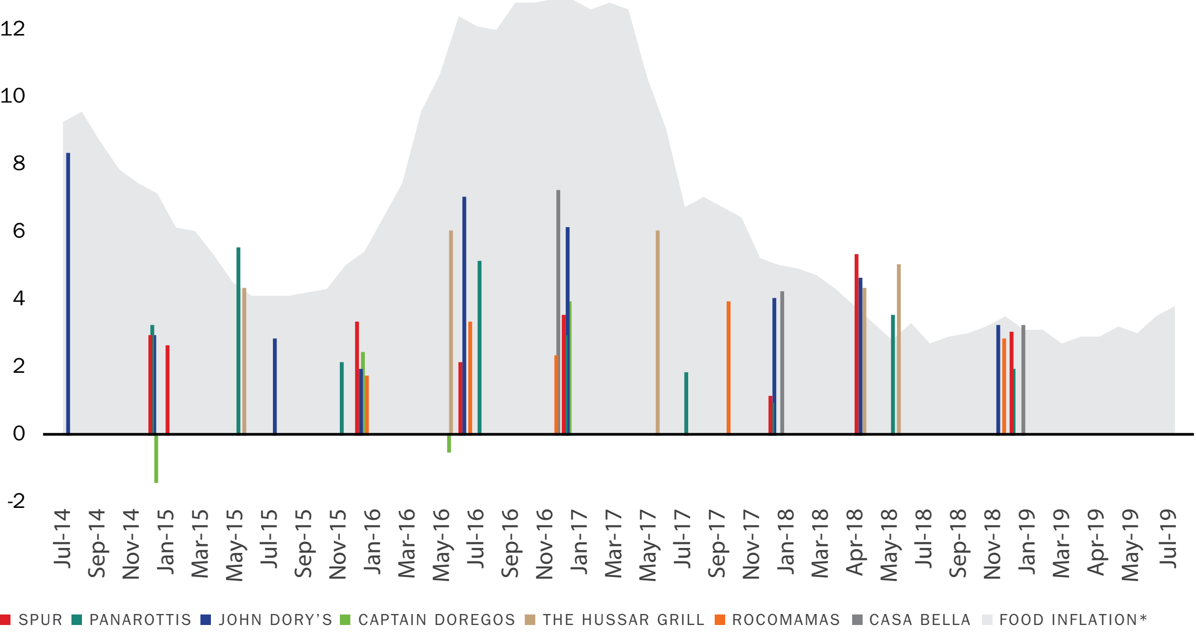
MENU ENGINEERING

Ongoing menu engineering meets customer needs and enhances franchisee profitability by optimising a restaurant's sales mix and product range, and reducing waste.

The group assesses and refines its brands' menus to ensure they offer the best quality food at the most affordable prices. The group analyses customer demand, ingredient costs and percentage sales contributions to ensure menus support franchisee profit margins. This includes optimising efficiency in kitchens to reduce waste and consolidating menus by removing under-performing items.

Menu engineering informs marketing and shows which menu items should be promoted. Promotions are priced competitively to appeal to customers and are balanced against profitability.

LOCAL MENU PRICE INFLATION AND FOOD INFLATION (%)



* Source: Statistics South Africa

Menus should enhance the appeal of brands to their target markets by addressing customers' taste profiles and balancing customer favourites with the latest food trends.

Good presentation underscores the quality of food that is offered. Millennial and GenZ customers want food that is delicious and attractive to photograph. Restaurants consider presentation in terms of the crockery and cutlery they use and the mix of ingredients on the plate.

The group is committed to the undertakings made by the industry to the Department of Health regarding marketing of food items deemed to be unhealthy, and the "Better for You" meals feature on the children's and adult menus of Spur Steak Ranches, Panarottis and John Dory's.

Veganism and vegetarianism are not trends, but a way of life for many consumers. It is likely that some members of the families who visit the group's restaurants will be vegan or vegetarian. Therefore, although we have some options on menus across the brand portfolio currently, the group's offering will be expanded to accommodate these consumers going forward.

Risks and opportunities

The group has the opportunity across the brand portfolio to address customers' needs for healthier options and transparent sourcing. The rich supply of customer data sourced from the group's current and future investment in business intelligence infrastructure will enable the group to customise restaurant offerings to meet customers' individual needs and preferences.

OUR KEY BUSINESS DRIVERS

PRODUCT RESPONSIBILITY

The group's value proposition is to provide the highest quality meals at the most affordable prices. This depends on the produce the group can source. The group's commitment to responsible and sustainable practices means it only accepts the highest quality and uses the same produce across its brands. The group sources products from suppliers that share its aspirations.

Franchisee employees receive extensive training in food preparation and food safety. Kitchen and front-of-house employees are trained in the "clean as you go" principle. Every day, before restaurants open, the prescribed opening checklist covers food safety and hygiene. Kitchens have trained quality coordinators, who check meals before delivery to customers. Managers in each restaurant conduct food quality and hygiene checks several times a day.

At least every two months, corporate operations managers conduct detailed food, hygiene and safety audits on-site at restaurants. Regular service and standards audits are also conducted. CCTV cameras are in place in many restaurants to monitor front-of-house and back-of-house kitchen adherence to strict hygiene standards.

All major hubs servicing Spur Corporation brands at the outsourced logistics partner are ISO 22000 certified, and environmental management programmes align with the ISO 14001 standard. Four of the hubs are accredited under OHSAS 18001, the health and safety standard.

Spur Corporation sources seafood through responsible suppliers that comply with South African Sustainable Seafood Initiative ("SASSI") and Marine Stewardship Council guidelines where possible.

Risks and opportunities

- Non-compliance with food safety standards at franchised restaurants and the group's manufacturing plants could harm the public, which would expose the group to financial liability and reputational harm. A range of initiatives aim to ensure high standards in the group's supply chain and sauce manufacturing facilities, including:
  - Suppliers are independently reviewed through specialised food safety audits.
  - All suppliers undergo a capability assessment process that includes a Hazard Analysis and Critical Control Points ("HACCP") and/or ISO 22000 (Food Safety Management System) review component.
  - Major suppliers are regularly audited against HACCP and/or ISO 22000 standards, and all suppliers are encouraged to achieve compliance.
  - Environmental sustainability assessments are conducted at certain suppliers.
  - Three qualified food technologists monitor quality control in the sauce manufacturing facility.
- The impact of climate change on natural resources could have severe consequences for the group's long-term sustainability. Unavailability of natural and other resources will adversely impact short-term franchisee profitability. The group is confident that for the foreseeable future it has food security. However, this is a potential risk of which the group is cognisant and it engages with other industry players on mitigating actions.

BRAND EQUITY

Increased competition and limited disposable income mean that brand equity is central to customers' purchasing decision-making processes. Loss of brand equity could cause significant financial harm to franchisees and the group.

While brand equity is intangible, its advantages are not. The value that strong brands bring to the group translates to real business benefits. Spur Corporation's brands are its most important assets. The group invests in marketing initiatives that include strategies to build a strong positive brand equity. Good corporate citizenship, a visible commitment to sustainability and CSI initiatives and sponsorships also give credibility to the group's brands and encourage customer loyalty.

Risks and opportunities

- Inadequate restaurant management skills at middle management could damage the reputation and public perception of the group's brands. A lack of core literacy and numeracy skills at emerging restaurant management level could lead to mismanagement and underperformance, jeopardising the future integrity of the group's brands. Therefore, the group invests in training franchisee employees and makes training more accessible to, and less costly for, franchisees.
- The proliferation of social media and the speed and reach of potentially damaging content could damage the group's brands. Spur Corporation employs dedicated, competent people to monitor all online references to the group's brands. They provide timely, well-considered responses to potentially viral comments, after consultation with brand chief operating officers. The group has strict policies and processes to limit restaurant-managed social media accounts and manages interactions between the group and media.

CASE STUDY

SPUR CORPORATION HELPS BRIDGE THE EDUCATION GAP FOR SPECIAL NEEDS CHILDREN

Most schools do not have the capabilities to adequately serve the full spectrum of special educational needs, and the alternative is usually a special needs school. However, there is a gap for children who are high-functioning but require a personal and customised approach to education.

Soar on Wings Like Eagles ("Sowle") Centre, a non-profit organisation ("NPO"), was founded in 2011 to cater for children with Down syndrome. Over the past eight years, Sowle Centre has grown to accommodate children with special educational needs. To better serve this unique category of learners, the centre partnered with local businesses to offer the individualised education these learners need.

The Steyn Group has played an integral role in the growth of the centre. The group owns several restaurants under the Spur Corporation umbrella, including Santa Rio Spur Benoni, Thunder Eagle Spur Carnival City, RocoMamas Mall@Carnival, RocoMamas Carnival City, John Dory's Mall@Carnival and Panarottis Carnival City.

Over the past few years, the Steyn Group has provided vouchers and food and assisted with fundraising for the centre. The Full Tummy Fund, administered by The Spur Foundation Trust, Spur Corporation's CSI vehicle, supports franchisees to make a meaningful difference in the communities they serve. The Fund bolstered the Steyn Group's support of the Sowle Centre by donating occupational and educational equipment.

"We want the children to leave with the skills necessary to find employment, live independently as much as possible, follow their dreams, and soar on wings like eagles wherever they will find themselves in life."

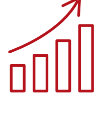
Jacqui Coetzer, Sowle Centre

VISION 2023 STRATEGY

Based on engagement with stakeholders, operating environment research and key business drivers, the group identified the main challenges the strategy needs to address to meet the strategic objectives of growing revenues and maintaining a sustainable business. For each challenge, the group has mitigation activities.

Superior growth

Main challenges



Spur Corporation is perceived to deliver below average growth. The group is highly reliant on Spur Steak Ranches and does not effectively leverage all its assets.

Key activities

Vision 2023 maps a path, per operational division and brand, for sustainable growth.

The group held workshops to develop Vision 2023-aligned strategies with each brand and operational division. The group identified potential new ways to use some existing resources as revenue streams, which require further research and analysis. Examples include additional investments in company-owned restaurants and the expansion of the training academy.

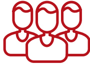
The CEO roadshow communicated the strategy to corporate employees.

The group is entering the implementation phase, and has set targets per brand and operational division, with ongoing measurement and reporting guidelines.

Once implemented across the group, the group will review Vision 2023, assess progress, and make the necessary adjustments as required due to changes in the operating environment.

People

Main challenges



Although the group's values, mission and vision are meaningful, employees struggle to actualise them. The group must effectively drive B-BBEE and transformation.

Key activities

The group's employees are central to Vision 2023. Superior customer experiences in restaurants can only be achieved with a happy and engaged workforce. Spur Corporation's goal is to be an employer of choice at group and brand level. Each brand and operational division's strategy is underpinned by the commitment to "empower teams and individuals to deliver and grow".

The group received qualitative and quantitative feedback from employees on Spur Corporation's mission, vision and values. As a result, the group created a culture team. This team continues to engage with corporate and franchise employees to refine the mission, vision and values in a way that resonates with employees.

Once the workshops are complete, the group will test and communicate the amended versions with employees at group and franchise level.

Processes

Main challenges

Some processes are overly time and resource intensive, making them inefficient. The group is perceived to lag when it comes to innovation and technology.

Key activities

Vision 2023 will set a course for rapid growth. However, inefficient processes, if unattended, could unnecessarily increase costs. The group needs to address these inefficiencies to save time and money and allow for the improved deployment of resources.

As technology evolves, the workplace must follow suit. Workplace solutions have instant messaging, presence awareness, web and video conferencing, screen sharing, data sharing solutions, among others. The group identified a collaboration solution, which is being tested with select teams. Once the group is satisfied that the solution is appropriate, it will be rolled out to operational teams.

In terms of operational efficiencies, the group is developing an organic, ever-evolving ideology of what the "restaurant of the future" looks like, by brand.

The group's customer base is increasingly digitally native, and brands need to remain relevant in the digitised and online world. Traditional marketing channels are under pressure as digital channels deliver hyper-local content to consumers with metrics that can show real conversion.

Spur Corporation is developing ways to use its rich customer data to engage with customers appropriately, create unique experiences and play an active role in understanding and meeting their needs.

Our ultimate strategic objectives

Growing revenues

This includes increased restaurant sales and new restaurants in existing markets, expansion into new geographic markets, strategic acquisitions, and vertical integration opportunities.

KPIs	2017 actual	2018* actual	2019 actual	2019 target	2020 target
Total worldwide restaurant turnover (R'm)	7 157	7 197	**7 637**	7 547	8 040
Operating profit margin[1] (%)	27.9	21.4	**30.5**	31.5	34.0
Return on equity[2] (%)	16.6	18.3	**18.6**	18.9	20.2
Total local restaurants	528	513	**543**	532	544
Number of international restaurants	63	62	**77**	70	84
Percentage of international revenue to total group revenue (excluding marketing funds)	4.9	4.5	**4.9**	4.6	4.2
Percentage of international profits to total group profit before income tax (excluding marketing funds)	3.5	(3.1)	**(5.4)**	1.2	1.4

1 Includes share of profit/loss of equity-accounted investee (net of income tax) but excludes marketing funds.
2 Profit for the year adjusted for headline earnings adjustments and foreign exchange gain/loss, divided by equity (excluding marketing funds).
* Restated.

Maintaining a sustainable business

This includes maintaining a responsive and agile franchise model to ensure franchisee return on investment. It is underpinned by ethical business practices, good corporate governance and social and environmental responsibility.

KPIs	2017 actual	2018 actual	2019 actual	2019 target	2020 target
Employee training costs (R'000)	2 248	1 794	**1 901**	2 933	1 642
Community support (R'000)	2 930	2 602	**2 100**	3 041	2 400
Electricity consumption (MWh)	1 178	1 063	**983**	1 100	1 100

LEADERSHIP REPORTS

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Customers know if they spend their hard-earned money at a Spur Corporation restaurant, they will receive excellent value for money and a fun, friendly, family-focused experience.

CHAIRMAN'S REPORT

Mike Bosman
Independent non-executive chairman

Our changing socio-economic landscape creates many opportunities and challenges. The Spur Corporation board and management team recognise the need to evolve the business and strategy accordingly. In this regard, 2019 was a busy year for the group, and we achieved a great deal.

The group posted a resilient performance in a constrained spending environment. Total franchised restaurant sales across the local and international operations increased by 7.2%* to R7.6 billion, and the total number of restaurants increased from 575 in the prior year to 620. Customers responded to our continued focus on excellent product quality and value offering.

GOVERNANCE AND THE ROLE OF THE BOARD

Spur Corporation views good governance as a critical component to success. The board's responsibility is to act in the interest of all stakeholders and govern effectively and efficiently. Our short-term priorities are threefold:

- Strengthen the board and significantly improve governance procedures
- Work closely with management on strategies for growth
- Further establish how the group can play an increasingly important and meaningful role in society

STRENGTHENING THE BOARD AND GOVERNANCE PROCEDURES

Changes to the board

The Group appointed me as a director on 15 November 2018. My election as non-executive chairman of the board followed the retirement of a highly-respected veteran of the South African restaurant industry, Mr Allen Ambor, on 28 February 2019, after more than 51 years' of service at the group. He founded Spur Steak Ranches in 1967 and was instrumental, with his management team, in growing the group into what it is today.

* Excluding Captain DoRegos, sold with effect from 1 March 2018.

"It is important for us to do the right thing. It is not always easy and may sometimes require a level of courage."

The board has adopted a zero-tolerance approach to unethical behaviour and sets the ethical tone for the group. Governing ethics at a group such as Spur Corporation, with its network of franchisees, can be challenging. However, we are comfortable that our comprehensive controls, internal and independent audits across the supply chain, and training initiatives at franchise level, support an ethical culture.

The directors are satisfied that we have fulfilled our responsibilities in accordance with the board charter. Although we are confident that Spur Corporation's delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities, we will re-examine it in the year to come and make the necessary improvements.

CHAIRMAN'S REPORT

At the AGM in December 2018, Messrs Dean Hyde, Keith Getz and Keith Madders retired from the board by rotation. They had brought to the board a wealth of industry experience and institutional knowledge over very many years. The board and management thank them for their lengthy service and we wish them well with all of their future endeavours.

A refreshed board nevertheless offers new opportunities and insights. We are very committed to having real diversity at board level to leverage different backgrounds and perspectives. With the appointment of Professor Shirley Zinn and Ms Cora Fernandez in June 2019, the board's balance and independence are reinforced. The board's composition comprehensively reflects an appropriate mix of knowledge, skills, experience, diversity and independence.

Professor Zinn has held top human resources positions in the corporate and public sectors. She has experience across multiple industries and business sectors, and she continues to provide consulting and advisory services relating to transformation, leadership, and education. Ms Fernandez is a Chartered Accountant with significant top executive and board experience. She hails from an extensive investment management and private equity background.

We are excited and grateful that they have agreed to join our board. We consider their depth of experience, particularly for the audit, risk and nominations and remuneration committees, to be highly beneficial.

We listen to stakeholders and adjust where necessary

Shareholders voted against our Remuneration Policy and implementation report at the last AGM. We invited shareholders to attend an engagement session in January 2019. We will be proposing some changes to our short and long-term incentive schemes for the future years, to ensure enhanced alignment between the interests of management and shareholders. Our newly reconstituted nominations and remuneration committee will continue to review and refine these schemes, in response to the concerns noted by shareholders.

We negotiated an amicable separation from our B-BBEE relationship with Grand Parade Investments ("GPI") to allow Spur Corporation to reacquire the 10% of the total shares in the company issued to GPI in 2014. We believe this to be in the best interests of shareholders, as it will enhance earnings and increase dividends per share, while marginally improving return on equity. The group has significant cash reserves, and we believe that the reacquisition of our shares is an effective allocation of this capital. The transaction was approved by shareholders at the general meeting held on 25 September 2019 and implemented on 15 October 2019. The value of the transaction is R260.4 million, equating to R24 per share, and the net cash outflow to the group is R147.2 million on implementation date.

STRATEGIES FOR GROWTH

To generate sustainable returns for providers of financial capital over the long term and support the creation of value for the group's key stakeholders, Spur Corporation needs to grow. To achieve this, we have developed the Vision 2023 strategy collaboratively at group and brand level. The strategy is entering the execution phase.

The board worked with the chief executive officer ("CEO") and senior executives to ensure these strategies are appropriate and facilitate growth. We assessed the business holistically and we will adopt a very strict approach to the allocation of capital. We will be exploring opportunities where change and innovation can make a material difference to the group's performance. We will also continue to look at how the group can use its existing assets to improve and innovate our offering to the benefit of our franchisees.

As a result, we are considering expanding the group's manufacturing, procurement, training and marketing divisions, while innovating the core of the business in terms of our digital transformation strategy, restaurant design, delivery and menu engineering. We will consider acquisitions with caution.

SPUR CORPORATION PLAYS A MEANINGFUL ROLE IN SOCIETY

We are optimistic about the future of South Africa and earnestly consider our obligations to help where we can, and to invest in our country. Our CSI initiatives, managed by The Spur Foundation, continue to uplift and improve the lives of many South African families, especially children. The Foundation supports several food and education programmes for children through the provision of necessities and amenities.

Many of our franchisees are active in their local communities through initiatives to support the people around them and the environments in which they trade. In 2018 The Spur Foundation started a Franchisee Beneficiary Fund that encourages franchisees to nominate a charity in which they are actively involved to garner additional support.

The importance of transformation in any South African company cannot be overstated. Internally, our transformation initiatives support the development of historically disadvantaged individuals at franchises and corporate offices. We also provide in-house development opportunities and mentoring programmes to employees.

OUTLOOK AND APPRECIATION

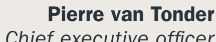
We expect trading conditions to remain very constrained in the short to medium term against the backdrop of low economic growth, the weak labour market, fragile consumer confidence, possible ongoing social unrest and continued pressure on household budgets from rising costs.

One of the group's core strengths is positioning our brands' offerings across the scale of consumer preferences, taste profiles and price points. There is a great deal of trust in Spur Corporation's brands. Customers know if they spend their hard-earned money at a Spur Corporation restaurant, they will receive excellent value for money and a fun, friendly, family-focused experience, whether they are in Upington, or Port Elizabeth or in any one of our restaurants elsewhere in South Africa or around the world.

I would like to thank my colleagues on the board of directors and the members of the group management team for their excellent work during the past year. In tough socio-economic conditions, Spur Corporation is fortunate to have highly experienced and dedicated board members and executives who have been through good and bad times. I would also like to extend a very big thank you to our franchisees and their employees, who are the face of the group, for their trust in us. The board and management also thank our shareholders for their continued support.

Mike Bosman
Independent non-executive chairman

CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICERS' REPORT



Pierre van Tonder
Chief executive officer

Phillip Matthee
Chief financial officer

Spur Corporation retained volumes and market share due to the strength of its brands and loyal customer base. We are confident that the new accelerated growth strategy will enhance the group's long-term prospects.

KEY MESSAGES

- Total franchised restaurant sales grew despite the sombre state of the South African economy.
- The group intends to grow market share in Africa where opportunities exist to scale.
- Spur Corporation is considering how best to restructure the Australasian operations to minimise costs.
- Franchisee profitability remains a priority.

OVERALL PERFORMANCE

The strength of our brands and loyal customer base boosted franchised restaurant sales, which increased by 7.2%* to R7.6 billion. Franchised restaurant sales grew by 6.2%* in South Africa, and sales from international restaurants increased by 16.2%* in rand terms. International restaurant sales increased by 12.3%* on a constant exchange rate basis.

* Excluding the Captain DoRegos chain which was sold in March 2018, but including Nikos Coalgrill Greek, which was acquired in August 2018. Nikos comprised six restaurants at the date of acquisition, and the group opened a further three restaurants during the year. The chain contributed franchised restaurant sales of R65.9 million for the 11 months since acquisition.

RESTAURANT TURNOVER	GROUP REVENUE	GROUP PROFIT BEFORE INCOME TAX	GROUP OPERATING PROFIT BEFORE FINANCE INCOME[1]
R7.6 billion	R944.8 million	R257.1 million	R224.7 million
↑ 6.1%	↑ 5.9%	↑ 13.9%	↑ 14.8%
(2018: R7.2 billion)	**(2018*:** R891.8 million)	**(2018*:** R225.6 million)	**(2018*:** R195.7 million)

COMPARABLE PROFIT BEFORE INCOME TAX[2]	COMPARABLE PROFIT BEFORE FINANCE INCOME[2]	DIVIDEND PER SHARE	COMPARABLE HEADLINE EARNINGS PER SHARE[2]
		136 cents	
↑ 15.9%	↑ 17.4%	↑ 10.6%	↑ 17.3%
(2018: ↓ 8.0%)	**(2018:** ↓ 8.8%)	**(2018:** 123 cents)	**(2018:** ↓ 9.5%)

[1] Includes share of profit/loss of equity-accounted investee (net of income tax).
[2] Adjusted for one-off and exceptional items that affect the comparability of group profit before income tax and headline earnings per share, as reconciled in the tables on pages 38 and 39.
* Restated.

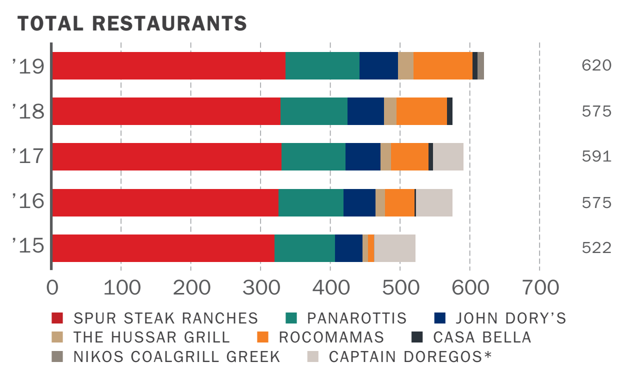
Restaurant turnover*

Brand	2019 R'000	2019 Number of restaurants	2018 R'000	2018 Number of restaurants	% change in restaurant turnover	% change in existing restaurant turnover
Spur Steak Ranches	**4 585 811**	**299**	4 351 067	290	**5.4**	**4.2**
Pizza and Pasta (Panarottis and Casa Bella)	**799 421**	**91**	792 547	92	**0.9**	**(1.4)**
John Dory's	**474 551**	**52**	453 809	49	**4.6**	**(4.0)**
The Hussar Grill	**209 059**	**20**	184 298	17	**13.4**	**7.5**
RocoMamas	**675 193**	**72**	627 951	65	**7.5**	**0.8**
Nikos Coalgrill Greek	**65 882**	**9**	–	–	**–**	**–**
Total South Africa	**6 809 917**	**543**	6 409 672	513	**6.2**	**2.7**
International	**826 827**	**77**	711 505	62	**16.2**	**4.1**
Total group	**7 636 744**	**620**	7 121 177	575	**7.2**	**2.9**

* Excludes Captain DoRegos, sold with effect from 1 March 2018.

The group's restaurant base comprises 620 (2018: 575) outlets, including 77 (2018: 62) operating outside South Africa. In South Africa, 39 restaurants were opened (in addition to the six Nikos restaurants acquired) and 15 closed, and 20 restaurants were opened and five closed internationally. The first restaurants in India and Cyprus, both RocoMamas outlets, were opened.

Refer to the operational reports that follow from page 45 for performance detail by brand.



* Sold with effect from 1 March 2018.

CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICERS' REPORT

SOUTH AFRICA

South African consumers had no respite from economic headwinds and there is no short-term solution to the country's challenges. As a result, the main middle-income customer base remains under financial pressure. This highlights the importance of Spur Corporation's value offering – quality at affordable prices.

The trajectory of the Spur brand, which make up two-thirds of the South African business and approximately 65% of the group's worldwide business, has been positive.

The group shifted its promotional strategy to decrease excessive discounting at franchisees' expense, which placed a burden on franchisees. This shift in strategy commenced in 2017 for Spur Steak Ranches and the latter part of the 2018 financial year for Panarottis. It had the predicted impact of tempering restaurant turnover growth in the short term, with an associated impact on the group's revenue growth. However, this strategic shift enhances the sustainability of the franchise model and bodes well for the longer-term financial feasibility of the franchise business.

Operating margins generally improved across the trading brands as revenues grew and costs were contained. The Spur margin reduced slightly as a result of appointing additional operations employees to roll out the Spur Grill & Go concept. John Dory's margin declined due to costs associated with new restaurant openings. Unallocated costs were also stringently managed during the year.

Percentage change in restaurant turnovers by quarter – South Africa

Brand	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Spur Steak Ranches	13.8	(0.1)	5.9	3.4
Pizza and Pasta	1.2	(3.8)	3.3	3.6
John Dory's	(2.8)	0.9	9.1	12.1
The Hussar Grill	16.8	11.5	13.8	12.2
RocoMamas	9.5	3.0	7.7	10.5
Total	11.3	1.3	7.5	6.0

INTERNATIONAL

International restaurant sales increased by 12.3%* (2018: ↑2.7%) on a constant exchange rate basis and improved by 16.2%* in rand terms (2018: ↓0.7%), largely driven by Africa (including Mauritius).

* Excluding the Captain DoRegos chain, which was sold in March 2018.

Africa and the Middle East

Africa (including Mauritius) accounts for 71.8% of international restaurant turnover. This region performed well and benefited from new restaurants, which included eight Panarottis restaurants in Zambia, increasing the number of outlets in that country to 13. We intend to grow market share in Africa where opportunities exist to scale.

The costs of servicing African countries are high, as certain operational costs are incurred in US dollars, and revenue is earned in local currencies.

In India and Cyprus, where new restaurants were opened, the group incurred costs for initial opening expenses and associated restaurant development costs.

Overall, the region improved profitability by 22.0%.

The unallocated loss before income tax (which relates to shared service support costs) includes a foreign exchange loss of R0.6 million (2018: R0.4 million), and R2.4 million relating to a legal dispute settlement with a former franchisee in Zambia (disclosed in the prior year as a contingent liability). Excluding these adjustments, the unallocated loss decreased by 3.3% in rand terms and by 8.5% on a comparable exchange rate basis, as costs are tightly controlled.

Australasia

Restaurant trading conditions continued to deteriorate in Australia and New Zealand, and turnover declined by 14.2% following the closure of three restaurants. The high cost of labour in this region affects franchisee profitability. Spur Corporation provided financial assistance to franchisees through loans in previous financial years and temporary franchise fee concessions to ensure the sustainability of the business. However, due to the poor trading environment, impairment losses of R8.7 million were recognised in respect of loans granted to franchisees.

The first RocoMamas outlet in Australia was opened in Melbourne in June 2018. This was a joint venture between Spur Corporation (45%), local Australian entrepreneurs (45%) and RocoMamas founder, Brian Altriche (10%). Unfortunately, the pilot was not successful, and sustained losses by the outlet resulted in a R3.4 million impairment of the group's investment at year-end. The group is considering its options to exit the venture.

In light of the history of losses incurred in the region, we considered a number of options to disengage. As a responsible corporate citizen, the group has an ethical and moral obligation to franchisees in Australia, many of whom have been loyal partners for many years, and most of whom committed significant personal financial resources to our brands based on Spur Corporation's track record as a credible franchisor.

The franchising system is highly regulated in Australia. Its franchising code prescribes significant obligations on the part of franchisors, and provides for the protection of franchisees' rights. Exiting Australia in an irresponsible manner could expose the group to reputational damage and costly litigation in foreign jurisdictions, which will not be in the interests of stakeholders. We are carefully considering ways to minimise costs while complying with legal and ethical obligations. We anticipate retaining the group's presence in Australia in the medium term, but will not actively grow the business, and will try as far as possible to limit costs.

Although ventures in Australasia did not bear the expected shareholder returns, we implemented learnings gained from their operating standards in the South African operations, thus enhancing franchisee profitability. These include labour efficiencies, smaller restaurant formats and reduced, focused menus.

NON-RESTAURANT OPERATIONAL DIVISIONS

Sauce manufacturing facility

Our sauce manufacturing facility in Cape Town manufactures 375 000 litres of sauce per month, including certain of the group's unique sauces. Revenue increased marginally to R88.7 million (2018: R87.4 million) but is under pressure due to the difficult economic climate. Input costs continue to climb and price increases to franchisees have been kept to a minimum over the past four years to support franchisee profitability and sustainability.

The group commenced a R11.5 million renovation and upgrade project during the year, which is expected to reach completion by October 2019. The project was necessary to restore existing infrastructure and it increased capacity. However, it did not alter the production capability of the plant. Investigations into new products are ongoing, in an effort to improve capacity utilisation and profitability of the facility. We continue to assess the economic feasibility of the significant investment required to enhance the capability of the plant.

Procurement and distribution

Procurement of a majority of restaurant supplies is centralised and facilitated for franchisees. This enables the group to negotiate better prices on core items and ensures security and consistent quality of supply. Supply chain logistics are outsourced to a third party distributor. The group increased its standard procurement fee, charged to franchisees on most products sold through the distributor, from 3% to 4% in January 2019. This was due to the continuing improvement in food safety systems demanded by customers and changing regulations.

The procurement department manages the relationship between the outsourced distributor, suppliers and franchisees. It audits suppliers and facilitates third party food safety audits on suppliers and the distributor. Suppliers are monitored and rated, and issues identified during reviews are addressed to improve inventory availability and supplier management.

The centralised procurement basket volume grew by 4% due to improved collaboration with suppliers and strategic bulk purchases.

The group is making continued progress in respect of supply and logistics in Africa, and there is full supply support in eSwatini, Lesotho, Namibia, Zambia and Botswana.

Décor

The décor division's turnover is impacted by smaller new restaurants and fewer bespoke décor items used in the latest restaurant specifications and the division has incurred losses in recent years. In order to reduce costs, we unfortunately retrenched 14 employees at a cost of R1.4 million. We expect to reach break-even going forward.

Learning academy

We are committed to training and developing group and franchisee employees to ensure the long-term sustainability of the group and our brands. Training programmes support the highest standards of food quality and service in our restaurants and contribute to the personal development of franchisee and group employees.

In addition to the 14 844 franchisee employees trained during the year using traditional face-to-face training techniques, 16 338 employees are active on our online learning facility, which continues to gain traction.

FINANCIAL PERFORMANCE

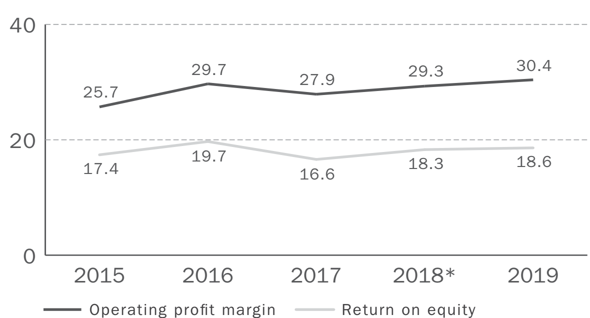
Following the adoption of *IFRS 15 – Revenue from Contracts with Customers* during the year, the marketing fund contributions paid by franchisees are now recognised as revenue on the same basis as franchise fee revenue. The franchise fee and the marketing fund contributions are determined as a percentage of franchised restaurants' sales. Revenue of R252.4 million (2018: R239.7 million), comprising R245.1 million (2018: R231.9 million) in South Africa and R7.3 million (2018: R7.8 million) internationally, has been recognised from marketing fund activities in accordance with the new standard.

The group is contractually obliged to spend any cumulative surplus in the marketing funds on marketing activities for the benefit of franchisees. Therefore, the surplus will not be distributed to shareholders. Where appropriate, in the interests of transparency, the impact of the marketing funds on performance measures have been excluded.

Growth in comparable profit before finance income of 17.4% exceeded the target of 6.6%. This is largely attributable to:

- the increase in the standard procurement fee from 3% to 4% on outsourced distribution sales to franchisees;
- improved margins in most trading divisions; and
- the containment of shared services costs, despite the greater trading losses in Australia.

OPERATING MARGIN AND RETURN ON EQUITY (%) (EXCLUDING MARKETING FUNDS)



* Restated.

CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICERS' REPORT

Operating margin and return on equity are distorted because of one-off and exceptional items. The table below reconciles profit before income tax to comparable profit before finance income, with an explanation for these adjustments. The table shows key items included in the calculation of profit and is not intended to indicate sustainable or maintainable profit.

	2019 R'000	2018* R'000	% change
Profit before income tax	**257 077**	225 613	13.9
Exclude: Marketing funds (A)	**(13 472)**	1 344	
Profit before income tax excluding marketing funds	**243 605**	226 957	7.3
Australia loan impairments and write-offs (B)	**8 686**	7 230	
Braviz (C)	**–**	(17 500)	
Captain DoRegos (D)	**–**	(4 750)	
Foreign exchange loss (E)	**602**	401	
Litigation costs (Zambia and SARS) (F)	**2 436**	1 692	
RocoMamas Australia (G)	**3 357**	2 253	
Nikos/RocoMamas contingent consideration (H)	**1 555**	12 745	
Other *IFRS 9 – Financial Instrument impairments* (I)	**8 078**	–	
Retrenchment costs (J)	**1 410**	–	
Share appreciation rights cost (net of related hedge) (K)	**–**	2 283	
Spur Foundation (L)	**(507)**	907	
Comparable profit before income tax	**269 222**	232 218	15.9
Net finance income (other than marketing funds)	**(33 391)**	(31 288)	
Comparable profit before finance income	**235 831**	200 930	17.4

* Restated.

2019 and 2018
The marketing surplus or deficit in any period recognised in profit or loss is not for the benefit of the group's owners. It will not, in the ordinary course of business, be distributable to shareholders. The surplus in 2019 relates largely to the Spur advertising marketing fund, and is due to the recovery of a significant cumulative overspend in the marketing fund in the 2017 financial year.

2019
Impairment losses on loans granted to franchised outlets in Australasia. Refer to note 14 of the consolidated financial statements (page 142).

2018
Comprises R6.753 million impairment loss on loans granted to two Panarottis franchise outlets in Australia (refer note 14 of the consolidated financial statements (page 142)) and R0.477 million relating to other write-offs in Australia.

2018
Profit on disposal of Braviz shareholder funding on 6 November 2017. Refer to note 9.2 on page 134 of the consolidated financial statements.

2018
Profit on disposal of Captain DoRegos with effect from 1 March 2018. Refer to note 13.1 of the consolidated financial statements (page 140).

2019 and 2018
Comprises realised and unrealised exchange differences related predominately to the group's international operations.

2019
Comprises R2.35 million in legal costs and a legal dispute settlement with a former Zambian franchisee. Refer to note 40.2 of the consolidated financial statements (page 186). Also includes R0.09 million for litigation costs against SARS relating to the group's 2004 to 2009 share incentive scheme. Refer to note 40.1 of the consolidated financial statements (page 186).

2018
Comprises legal costs relating to the share incentive scheme matter heard by the Income Tax Court in February 2018.

2019
An impairment of the carrying value of the investment following sustained trading losses of the entity during the year. Refer to note 9.1 of the consolidated financial statements (page 134).

2018
Costs incurred to establish the entities concerned, refine the intellectual property for the brand in the country and pre-opening costs associated with the new restaurant.

2019 and 2018
The fair value adjustment relating to the contingent consideration liability for the Nikos acquisition in 2019, and the RocoMamas acquisition in 2018. Refer to note 22 of the consolidated financial statements respectively (page 155).

2019
Comprises mainly allowances for credit losses of R6.688 million on the Grand Parade Investments Ltd ("GPI") funding loan and R1.035 million on the KG Holdings loan arising on the disposal of Captain DoRegos in the prior year. Refer to note 14.8 of the consolidated financial statements (page 145).

2019
Retrenchments at the décor manufacturing facility.

2018
A cash-settled share-based payment credit of R0.885 million, net of a fair value loss on the related hedging instrument of R3.168 million. Refer to notes 33 and 34 of the consolidated financial statements respectively (pages 161 and 162).

2019 and 2018
While The Spur Foundation is required to be consolidated in terms of IFRS, the full profit or loss is attributable to non-controlling interests. As The Spur Foundation is a non-profit entity, any previous years' profits will be used to fund expenditure in future years. The loss for the previous financial year relates to the disbursement of funds received and previously recognised as income in an earlier year.

The effective tax rate increased to 32.9% (2018 restated: 29.5%). 2019 includes loan impairments which are not deductible, and 2018 included non-taxable profits on the disposal of Captain DoRegos and Braviz.

The effective tax rate is greater than the corporate tax rate of 28% due to:
- loan impairments that are not tax deductible;
- the Nikos contingent consideration fair value adjustment which is not tax deductible;
- listings and trademark-related costs that are not tax deductible;
- tax losses in Australia in respect of which deferred tax was not raised; and
- local and foreign withholding taxes that are not recoverable.

Comparable headline earnings reconciliation	2019 R'000	2018* R'000	% change
Headline earnings – as reported	**165 110**	149 799	10.2
Exclude: Marketing funds	**(9 957)**	1 009	
Headline earnings excluding marketing funds	**155 153**	150 808	2.9
Braviz	**–**	(20 757)	
Foreign exchange	**602**	401	
Financial instrument impairments (IFRS 9) and write-offs	**16 717**	7 230	
Litigation costs	**2 412**	1 218	
Nikos/RocoMamas contingent consideration	**1 555**	12 745	
Retrenchment costs	**1 410**	–	
RocoMamas Australia	**3 357**	2 060	
Share appreciation rights (net of related hedge)	**–**	1 644	
Comparable headline earnings	**181 206**	155 349	16.6
Weighted average number of ordinary shares ('000)	**95 065**	95 580	(0.5)
Comparable headline earnings per share (cents)	**190.61**	162.53	17.3

* Restated.

Earnings per share increased to 173.69 cents (2018 restated: 161.81 cents) and headline earnings per share increased to 173.68 cents (2018 restated: 156.73 cents). These increases are distorted by the items impacting comparable profit in the tables above.

CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICERS' REPORT

Segmental performance

	Revenue			Profit before income tax[1]			Operating margin		
	2019 R'000	2018* R'000	% change	**2019 R'000**	2018* R'000	% change	**2019 %**	2018* %	% change
Manufacturing and distribution	**201 934**	186 224	8.4	**73 360**	61 050	20.2	**36.3**	32.8	3.6
Spur	**230 522**	210 073	9.7	**192 361**	176 328	9.1	**83.4**	83.9	(0.5)
Pizza and Pasta	**37 588**	35 578	5.6	**23 453**	21 732	7.9	**62.4**	61.1	1.3
John Dory's	**21 287**	19 714	8.0	**9 880**	9 409	5.0	**46.4**	47.7	(1.3)
Captain DoRegos[2]	**–**	2 526	(100.0)	**–**	4 604	(100.0)	**–**	182.3	
The Hussar Grill	**6 879**	6 206	10.8	**5 664**	4 790	18.2	**82.3**	77.2	5.2
RocoMamas	**33 685**	31 100	8.3	**24 380**	21 471	13.5	**72.4**	69.0	3.3
Nikos	**2 660**	–		**779**	–		**29.3**	–	
Retail	**69 753**	69 534	0.3	**8 576**	6 785	26.4	**12.3**	9.8	2.5
Marketing	**245 112**	231 862	5.7	**12 555**	(1 237)	1 115.0	**5.1**	(0.5)	5.7
Other segments	**51 807**	60 284	(14.1)	**(6 208)**	(4 953)	(25.3)			
Unallocated	**2 319**	1 329	74.5	**(74 143)**	(65 352)	(13.5)			
Total South Africa	**903 546**	854 430	5.7	**270 657**	234 627	15.4	**30.0**	27.5	2.5
Australasia	**4 349**	6 560	(33.7)	**(16 992)**	(10 980)	(54.8)			
Marketing	**7 266**	7 814	(7.0)	**917**	(107)	957.0	**12.6**	(1.4)	14.0
Other segments	**29 618**	22 993	28.8	**12 663**	10 378	22.0	**42.8**	45.1	(2.4)
Shared services	**–**	–	–	**(8 823)**	(6 492)	(35.9)			
Total international	**41 233**	37 367	10.3	**(12 235)**	(7 201)	(69.9)	**(29.7)**	(19.3)	(10.4)
Total	**944 779**	891 797	5.9	**258 422**	227 426	13.6	**27.4**	25.5	1.9

[1] Profit before income tax excluding share of loss/profit from equity-accounted investee.
[2] Sold with effect from 1 March 2018.
* Restated.

The Nikos acquisition did not deliver the profit contribution initially anticipated. The current economic climate made it difficult to find franchisees who are willing to invest in a new, niche brand. We believe that there are prospects to expand the brand and are actively pursuing new locations.

Unallocated South Africa loss before income tax includes:

	2019 R'000	2018 R'000
Net finance income	**32 789**	30 537
Impairment loss – GPI receivable	**(6 688)**	–
Impairment loss – expected credit loss on other financial instruments	**(1 443)**	–
Contingent consideration fair value adjustment	**(1 555)**	(12 745)
Cash-settled share-based payment credit	**–**	885
Fair value loss on related economic hedge	**–**	(3 168)
Equity-settled share-based payment charge	**(3 272)**	(1 919)
Profit on disposal of Braviz funding instruments	**–**	17 500
Litigation costs – SARS dispute	**(86)**	(1 692)
Profit/(loss) of Spur Foundation Trust, all of which is attributable to non-controlling interests	**408**	(1 040)

Excluding the above items, unallocated local costs increased by 3.2%. The bulk of these costs comprise:
- employment costs;
- IT communication and user licences; and
- consulting, legal and other professional advisory costs.

Adoption of new accounting standards

IFRS 9 – Financial Instruments replaces *IAS 39 – Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. IFRS 9 was adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore recognised in the opening statement of financial position on 1 July 2018.

The fundamental impact on the group of implementing IFRS 9 is in respect of credit losses. The previous standard required impairments to be recognised on the so-called "incurred loss" model, requiring an estimate of a loss that had been incurred at the reporting date. IFRS 9 adopts the so-called "expected loss" model, which requires the group to make an allowance for expected future credit losses based on general market conditions and factors specific to the financial instruments in question. Refer to note 41.2 of the consolidated financial statements (page 191).

IFRS 15 – Revenue from Contracts with Customers replaces *IAS 18 – Revenue* for annual periods beginning on or after 1 January 2018. The group adopted this standard fully retrospectively and restated comparative figures.

In addition to the marketing fund contributions treatment referred to earlier in this report, the other significant change resulting from adopting IFRS 15 relates to the accounting for initial franchise fee income. Initial franchise fee income, comprising a non-refundable payment by franchisees to the group upon signature of a franchise agreement, was previously recognised in the period in which the franchise agreement was concluded. It is now recognised over the period of the franchise agreement. Refer to note 41.1 in the consolidated financial statements (page 191).

Dividends

The dividend per share increased by 10.6% to 136 cents (2018: 123 cents). The group's Dividend Policy remains unchanged at a pay-out of 80% of headline earnings adjusted for exceptional and one-off items. Spur Corporation intends to maintain this policy.

Financial position

	2019 R'000	2018* R'000
Assets		
Intangible assets and goodwill A	**369 092**	362 709
Interest in equity-accounted investees B	**–**	3 461
Loans receivable (long and short term) C	**111 352**	130 988
Inventories D	**10 299**	15 702
Tax receivable E	**36 939**	36 197
Trade and other receivables F	**106 011**	99 997
Cash and cash equivalents	**283 979**	253 099
Liabilities		
Contingent consideration G	**1 011**	–
Contract liabilities (long and short term) H	**33 271**	32 345
Trade and other payables I	**66 611**	74 438

* Restated.

Intangible assets and goodwill increased largely due to the trademarks and goodwill attributable to the Nikos acquisition (refer to note 13 of the consolidated financial statements (page 139)).

The investment in equity-accounted investees relates to the group's 45% interest in RocoMamas Australia, which was impaired during the year (refer to note 9.1 of the consolidated financial statements (page 134)).

Loans receivable decreased largely due to the additional allowances for expected credit losses required in terms of IFRS 9, most notably in respect of:

- loans granted to Australian franchisees;
- the receivable relating to the broad-based black economic empowerment B-BBEE transaction concluded with GPI in 2014; and
- the receivable arising on the disposal of the Captain DoRegos business in 2018.

Loans receivable include a gross receivable of R110.2 million (with a carrying value of R99.4 million) relating to the group's partial funding of the GPI B-BBEE transaction. Shareholders were advised on 27 June 2019 of a proposed transaction for the group to acquire the 10.8 million shares in the company issued to GPI in 2014, for R260.4 million. A circular and notice of general meeting was published on 27 August 2019, detailing the transaction (www.spurcorporation.com/circulars/). Shareholders approved the transaction at a general meeting held on 25 September 2019 and the transaction was implemented on 15 October 2019. The proceeds were used by GPI to settle the loan with the group.

Inventories declined largely as a result of a clean-out of slow-moving and redundant peripheral items, and the sale of a bulk order of restaurant clothing acquired in the prior year.

The tax receivable includes R22.0 million of taxes and interest paid for additional assessments issues by SARS related to the dispute of the 2004 to 2009 share incentive scheme, as referred to below. It also includes withholding tax credits related to foreign jurisdictions which can be used once the foreign subsidiaries in question are in a tax-paying position.

Trade receivables have increased by R6.0 million, mainly due to the increase in franchise and advertising fees for the month of June relative to June 2018.

The acquisition of 51% of Nikos Coalgrill Greek led to the raising of a contingent consideration liability. The purchase consideration is determined as five times Nikos' profit before interest, tax, depreciation and amortisation ("EBITDA") of the third year following the date of acquisition, which was estimated to be R6.112 million at the acquisition date. 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. A contingent consideration receivable of R0.544 million was initially recognised at acquisition.

Subsequent to the acquisition, the parties agreed to deem the partial refund of the purchase consideration due to the group on the first anniversary of the effective date to be Rnil. As at 30 June 2019, the total expected purchase consideration increased to R6.710 million, due to lower projected operating expenditure after rationalising costs. A financial liability measured at fair value of R1.011 million was recognised for the contingent consideration of R1.710 million.

The contract liabilities relate to the initial franchise fees not yet recognised as revenue, following the adoption of IFRS 15 as explained above.

The decrease in trade payables of R7.8 million relates largely to a reduction in unredeemed gift voucher liabilities and the timing of inventory purchases. The prior year included an accrual for a bulk clothing inventory order which did not recur in 2019.

CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICERS' REPORT

The group's financial position remains ungeared with no formal external borrowings.

Capital expenditure	2019 R'000	2018 R'000	2017 R'000
Maintenance	**5 442**	10 291	10 983
Expansion	**3 878**	–	2 709
Total	**9 320**	10 291	13 692

Expansion capital expenditure relates to the refurbishment of the group's sauce manufacturing facility. This project commenced during the financial year but will only be completed in the year ahead. Maintenance capital expenditure relates largely to IT equipment and software.

Cash flow

Cash generated from operations increased by 21.5% to R244.9 million (2018 restated: R201.5 million). Operating profit before working capital changes increased in line with the improved trading performance, and excludes the significant impairments taken during the year which are non-cash flow items. Investment in working capital increased in line with the increase in revenues.

The group acquired 853 000 treasury shares at an aggregate cost of R19.6 million during the year. Repurchasing of shares will continue in the year ahead, provided these are earnings enhancing.

Tax queries

During prior years, SARS issued the group with additional assessments in respect of the 2005 to 2012 years of assessment totalling R22.0 million, following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. The assessments were settled in cash in prior years.

Following failed alternative dispute resolution proceedings, the matter was heard in the Tax Court in February 2018. The Tax Court found in favour of the group, but SARS appealed the ruling. The appeal was heard by a full bench of the Tax Court on 29 July 2019, but no judgment has been issued as at the date of this report. The board, in consultation with its tax advisors, remains confident that the probability of SARS' appeal being successful is low. Consequently, no liability was raised for the assessments issued to date and the payments made to date are accounted for as prepayments of income tax.

Long-term share-linked employee retention and incentive scheme

In 2015, shareholders approved two share schemes, a forfeitable share plan retention scheme and a share appreciation rights incentive scheme, to replace the previous cash-settled share appreciation rights employee retention scheme. Both schemes are equity-settled, have an initial three-year vesting period, and a subsequent two-year lock-in period during which participants are restricted from trading in the vested shares. The vesting of the share appreciation rights is subject to performance criteria linked to return on equity and growth in headline earnings per share, relative to inflation.

The schemes are aligned with the remuneration practice recommendations of King IV. The first tranche of awards was granted in April 2016 and vested in April 2019 – although all share appreciation rights awarded lapsed as the share price on vesting was below the exercise price. The second tranche was issued in April 2017 and will vest in April 2020 – while the forfeitable share plan shares will vest, the share appreciation rights are expected to lapse as the current market price of the share is below the exercise price. The third tranche of awards was issued in November 2018, after certain amendments were made to the vesting criteria following stakeholder engagement sessions with key shareholders.

Further details of all share schemes are included in the remuneration committee report on page 76.

CAPITAL ALLOCATION

It is critically important that we apply a diligent, measured approach to capital allocation. The group maintains a balance between local and offshore expansion. Spur Corporation's focus remains on South Africa, since we are a home-grown brand, and will consider local acquisitions if they can scale in the competitive environment. However, there is going to be a saturation point locally. Given lessons learned in the United Kingdom and Australasia, the international expansion focus will be on the Middle East and Africa.

We are assessing the financial impact of investing in more company-owned restaurants across our brands locally, as these have proven to be a consistent profit contributor. This will give us the opportunity to experiment with innovative restaurant design, menu engineering and other technologies, without affecting franchisees' businesses.

We will invest in new technologies to improve efficiency, reduce costs and drive franchisee profitability and group revenue.

OUTLOOK AND APPRECIATION

In tough trading conditions, Spur Corporation maintained volumes and market share. This is testament to our resilience and we congratulate the management teams and franchisees for these results.

Technology continues to disrupt our industry and we are pursuing several opportunities within our digital transformation strategy. In response to the significant demand by customers for cost-effective convenience, the group is planning to launch its own click-and-collect service in the year ahead to complement the services currently offered by third party service providers. The group's model will be more cost effective than outsourced channels and more customer-centric, ensuring a better service to customers while maintaining a direct relationship between the group's brands and its customers.

The current pressure on consumer discretionary spending is expected to persist in the year ahead as the country's economic prospects remain weak. This is likely to be compounded by rising utility and living costs. We will continue to do all we can to support franchisees so they can prosper under these circumstances.

To ensure we can maintain a sustainable business, we will continue to be responsibly cost-conscious in the year ahead, balancing the need to grow profits with the need to retain and attract key skills.

Most of all, we will do what we do best – provide our customers with quality, value and innovation.

Pierre van Tonder
Group chief executive officer

Phillip Matthee
Group chief financial officer

SPUR
LEGENDS
SALAD &
FRENCH FRY
DRESSING

OPERATIONAL REPORTS

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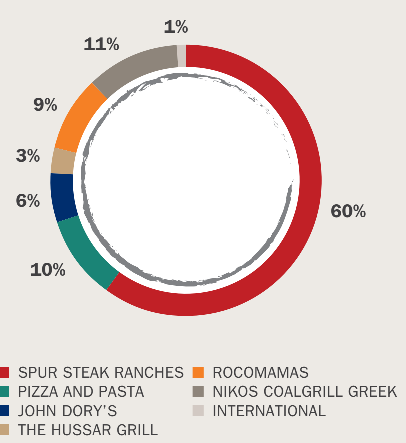
Mark Farrelly
Group chief operating officer

"In a subdued economy, our focus must be on delighting our customers with top quality products and excellent service to maintain and grow market share. Franchisee profitability is critical to our sustainability and improving operational efficiencies is a constant effort. Our experienced operations management teams are equipped with the necessary knowledge and expertise from our more than fifty years in the business to assist our franchisees on delivering on our customers' expectations."

CONTRIBUTIONS TO TOTAL RESTAURANT TURNOVER



SPUR STEAK RANCHES
PIZZA AND PASTA
JOHN DORY'S
THE HUSSAR GRILL
ROCOMAMAS
NIKOS COALGRILL GREEK
INTERNATIONAL

SPUR STEAK RANCHES

Kevin Robertson
Chief operating officer

People with a taste for life: Spur Steak Ranches are family-orientated steakhouses with a relaxed atmosphere and generous portions of quality food. These restaurants have been part of the South African family since 1967.

> "We rigorously implemented the strategic priorities, resulting in a 2% to 3% increase in franchisee operating profit margins."

PERFORMANCE

Spur Steak Ranches' restaurant turnover for the year increased by 5.4% and by 4.2% in existing restaurants, resulting in increased franchise revenue of R230.5 million. Revenue benefited from lower franchise fee concessions (temporary discounts on fees) as franchisee margins improved. Operating profit increased by 9.1% to R192.4 million.

The operating profit margin declined slightly to 83.4% (2018: 83.9%) due to the introduction of new employees to head up the roll out of the Spur Grill & Go brand. In other areas, overhead costs were effectively controlled.

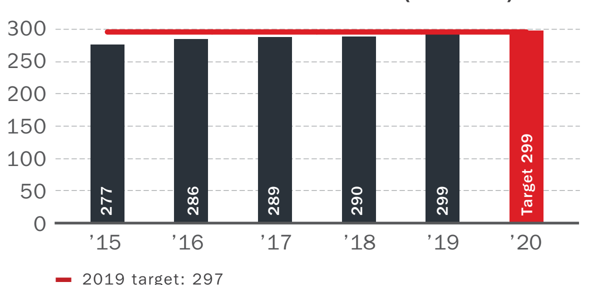
The brand strategically relocated restaurants trading in redundant markets and invested in restaurant design and refurbishment, including kitchen redesigns for labour and service efficiency and the development of new smaller Spur concept restaurants. The brand invested in play areas, implementing innovations to remain competitive.

Continuing menu engineering ensures that restaurants cater to customers' tastes and remain competitive. Spur Steak Ranches enhanced its freshness and "homemade" credentials by focusing on authenticity and product quality. It kept its breakfast menu innovative with new offerings and also introduced new crockery, which enhanced the presentation of its products.

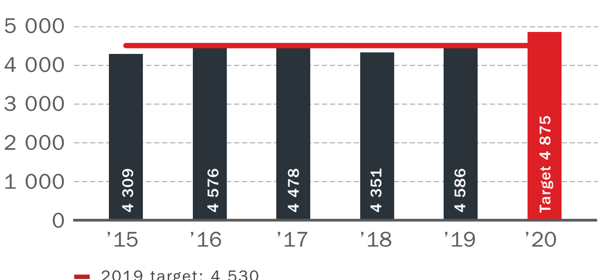
Spur Steak Ranches appointed a new creative agency and launched a national television campaign, backed by targeted social media marketing campaigns, to showcase its core values as a family restaurant and highlight its contribution to communities.

The Spur Family Card has 1.2 million active adult members (2018: 1.46 million). During migration to a new platform, only known members were migrated, resulting in 400 000 "unknown" profiles falling away. This saw a decline in loyalty

SPUR SOUTH AFRICA RESTAURANTS (NUMBER)



SPUR RESTAURANT TURNOVER (R'M)



RESTAURANT TURNOVER	FRANCHISE REVENUE	CONTRIBUTION TO GROUP PROFIT
R4.59 billion	R230.5 million	R192.4 million
↑ 5.4%	↑ 9.7%	↑ 9.1%
(**2018:** R4.35 billion)	(**2018*:** R210.1 million)	(**2018*:** R176.3 million)

NEW OUTLETS	REVAMPS	RELOCATIONS	CORPORATE EMPLOYEES
13	20	6	40
(**2018:** 12)	(**2018:** 6)	(**2018:** 4)	(**2018:** 37)

* Restated.

turnover to R723 million (2018: R1.7 billion). The eGift voucher platform delivered voucher sales of R7.1 million.

Spur Steak Ranches' business-to-business gifting portal, which facilitates companies acquiring and allocating electronic gift vouchers to, for example, reward their employees or loyalty members, has more than 40 corporate members.

STRATEGIC OUTLOOK

Spur Steak Ranches' strategic intent is to be the best family sit-down restaurant, to ensure the continuous growth of brand equity and enhance profits and return on investment for all stakeholders.

Customer experience is key to the strategy going forward. Spur Steak Ranches will use its rich reserve of data to tailor unique and exciting customer experiences. The brand will also continue to seek out efficiencies to reduce costs, including reducing the size of restaurants and redesigning kitchens with optimal technologies.

PIZZA AND PASTA

Tyrone Herdman-Grant
Chief operating officer

The pizza and pasta division includes the Panarottis and Casa Bella brands. Both restaurants are Italian-themed and built around quality ingredients, including authentic Italian pizza flour and durum wheat pasta. Panarottis is family-focused and Casa Bella is a smart-casual Italian offering.

"Our focus for 2019 was to create a solid foundation for escalated growth over the next five years."

PERFORMANCE

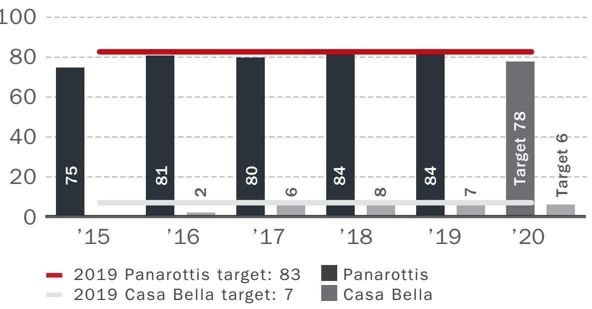
Panarottis opened five new restaurants and converted one Casa Bella to a Panarottis because its location was more suited to family dining. Wood-fired ovens are used in 28 restaurants to enhance product quality and save on electricity consumption. The total investment by franchisees in new outlets, relocations, revamps and conversions to wood-fired ovens was R29.1 million.

Restaurant sales grew by 0.9%, while sales from existing businesses declined by 1.4%, as the division continued to be impacted by aggressive discounting by competitors in the takeaway pizza market.

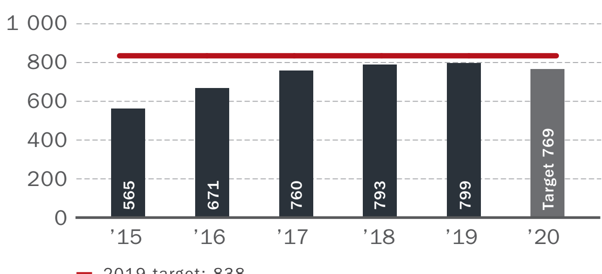
Revenue benefited from additional supplier and other recoveries, an increase in initial franchise fee revenue and lower franchise fee concessions. The operating profit margin improved as a result of a focus on cost containment.

The Panarottis Rewards loyalty programme achieved a voucher redemption rate of 40% (2018: 34.7%). Since inception, loyalty sales have grown to more than R151 million, with an average spend of R258 per visit. Panarottis Kids now has 117 000 members (2018: 101 410).

PIZZA AND PASTA SOUTH AFRICA RESTAURANTS (NUMBER)



PIZZA AND PASTA RESTAURANT TURNOVER (R'M)



PANAROTTIS RESTAURANT TURNOVER	CASA BELLA RESTAURANT TURNOVER	FRANCHISE REVENUE	CONTRIBUTION TO GROUP PROFIT
R727.9 million	R71.5 million	R37.6 million	R23.5 million
↑ 0.8%	↑ 1.6%	↑ 5.6%	↑ 7.9%
(**2018:** R722.1 million)	(**2018:** R70.4 million)	(**2018*:** R35.6 million)	(**2018*:** R21.7 million)

NEW PANAROTTIS OUTLETS	NEW CASA BELLA OUTLETS	REVAMPS	CORPORATE EMPLOYEES
6	1	2	13
(**2018:** 5)	(**2018:** 2)	PANAROTTIS (**2018:** 2 Panarottis)	(**2018:** 14)

* Restated.

The focus for 2019 was to reinvent the Panarottis brand and create a solid foundation for the next five years. Panarottis has a new logo, restaurant design and employee uniforms, which are adaptable locally and internationally, and facilitate the different Panarottis formats. The new logo is modern and suited to digital content. Similarly, the new range of cutlery and crockery presents Panarottis products better, and is more visually appealing for digital content.

STRATEGIC OUTLOOK

Panarottis

The brand's strategic intent is to create great family-dining experiences and be known for generosity and the quality of products. Panarottis wants highly engaged and profitable franchisees.

The brand continues to shift from a discounting strategy to a value-added strategy. After 15 years of existence, bottomless pizza will come to an end and a new family-friendly promotion will be implemented.

Casa Bella

Casa Bella does exceptionally well in areas where customers have a higher disposable income. Casa Bella management has refined the business model to facilitate the brand's expansion.

JOHN DORY'S

Leonard Coetzee
Chief operating officer

John Dory's is a predominantly seafood restaurant with a Mediterranean atmosphere and family appeal. The menu offers high-quality and sustainable choices of fish, grills and sushi.

"Restaurant turnover, franchise revenue and operating profit increased year-on-year, while operating profit margin was slightly down."

PERFORMANCE

John Dory's goal for 2019 was to open two new restaurants. This was exceeded, with six new restaurants opening, all of which are trading well. Two restaurants lost several months of trading because they were closed for protracted relocations. Both restaurants reopened late in the 2018 calendar year.

Franchise restaurant turnover increased by 4.6%, benefiting from new businesses. Turnover from existing restaurants declined by 4.0% largely due to the temporary restaurant closures referred to above.

Revenue increased ahead of restaurant turnovers due to lower franchise fee concessions. The operating margin declined due to additional operational costs incurred on restaurant openings during the year and overseas travel undertaken to investigate and secure alternative supply channels.

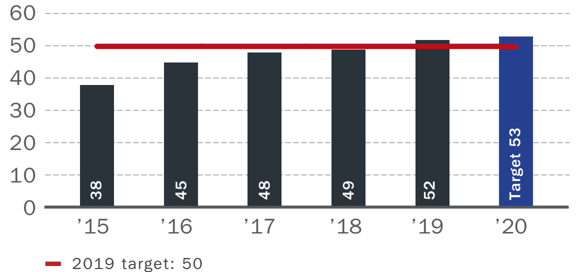
Franchisee profit margins remain under pressure and the focus for the year has therefore been on managing efficiencies within franchised restaurants. This included additional franchisee training on back-of-house controls and improved labour scheduling. The brand added four in-person training facilities across the country and improved modular training on the online training portals.

All John Dory's restaurants have free Wi-Fi and 94% have kids' play areas. The brand introduced a new restaurant design at 34 outlets, which was favourably received by franchisees and customers, and will be rolled out nationally.

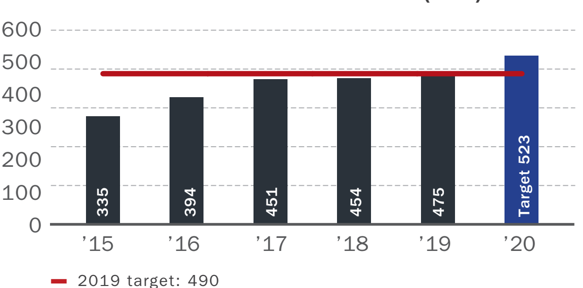
The brand's marketing strategy focused on core product advertising and limited-time promotions, which positively impacted restaurant turnover. Further marketing emphasis was on sponsoring local sports teams to expose the brand and franchisee restaurants in surrounding communities.

Sustainability remains a priority. The brand is mindful of its reliance on water, both fresh and in the sea, and expanded participation in clean-up operations of beaches, harbours and lagoons. John Dory's cemented its relationship with the World Wildlife Fund ("WWF") and SASSI, and partnered with the Two Oceans Aquarium. The brand remains committed to removing all plastic from its restaurants. Plastic straws were replaced with paper straws and all plastic bags and takeaway boxes were discontinued. Wooden chopsticks, which were

JOHN DORY'S SOUTH AFRICA RESTAURANTS (NUMBER)



JOHN DORY'S RESTAURANT TURNOVER (R'M)



RESTAURANT TURNOVER	FRANCHISE REVENUE	CONTRIBUTION TO GROUP PROFIT
R474.6 million	R21.3 million	R9.9 million
↑ 4.6%	↑ 8.0%	↑ 5.0%
(2018: R453.8 million)	(2018*: R19.7 million)	(2018*: R9.4 million)

NEW OUTLETS	REVAMPS	RELOCATIONS	CORPORATE EMPLOYEES
6	1	2	10
(2018: 6)	(2018: 2)	(2018: 0)	(2018: 10)

* Restated.

previously packaged in plastic, are now covered with paper wraps. More detail is provided in the online sustainability supplement, available at www.spurcorporation.com/investors/results-centre.

STRATEGIC OUTLOOK

The brand's strategic intent is to be customers' first choice family sit-down seafood restaurant, revered for its value offering, sustainably sourced products and excellent dining experience.

John Dory's measures franchisee actions and performance against this intent.

To ensure that the brand achieves its strategic objectives, it applied a balanced scorecard approach and developed a blueprint detailing key areas that require focus for the brand to achieve the required growth. Task teams were put in place to develop an action list to achieve the required changes. The brand embarked on multiple franchisee assessments to ensure better implementation of John Dory's strategy.

THE HUSSAR GRILL

Justin Fortune
Chief operating officer

The Hussar Grill, in operation since 1964, comprises a chain of premier grillrooms with an upmarket, inviting ambiance. The menu is diverse and offers speciality grills and a comprehensive wine selection.

"We saw excellent restaurant turnover and franchise revenue growth, mostly due to the continued loyalty and resilience of our guests."

PERFORMANCE

The Hussar Grill's higher-income customers continue to be resilient in the economic downturn. Franchised restaurant turnover increased by 13.4% and by 7.5% for existing businesses. This was achieved by maintaining the brand's premium credentials and offering guests value.

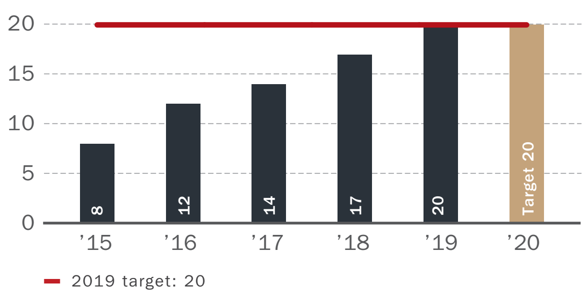
The improvement in operating profit margin is due to the reallocation of resources and focus on cost containment.

The Hussar Grill's strategic objectives were to maintain and strengthen its positioning as the first-choice premier grillroom in the Western Cape, and expand and build the brand in Gauteng, KwaZulu-Natal and the Eastern Cape.

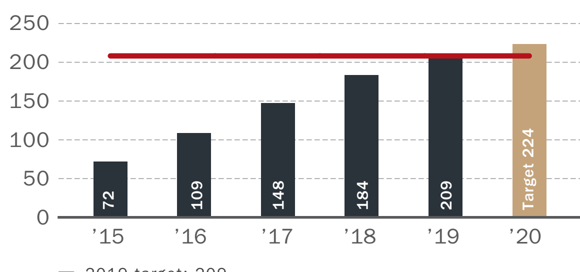
The brand opened three new restaurants in 2019 in George, Worcester and Durbanville.

The Hussar Grill grew its brand by increasing spend on social media channels to showcase value, for example wine-pairing evenings, two and three-course meal offerings and the strapline "we charge no corkage".

THE HUSSAR GRILL SOUTH AFRICA RESTAURANTS (NUMBER)



THE HUSSAR GRILL RESTAURANT TURNOVER (R'M)



RESTAURANT TURNOVER	FRANCHISE REVENUE	COMPANY-OWNED (RETAIL) RESTAURANT REVENUE	COMBINED FRANCHISE AND RETAIL CONTRIBUTION TO GROUP PROFIT
R209.1 million	R6.9 million	R58.1 million	R13.9 million
↑ 13.4%	↑ 10.8%	↑ 7.2%	↑ 33.7%
(**2018:** R184.3 million)	(**2018*:** R6.2 million)	(**2018:** R54.2 million)	(**2018*:** R10.4 million)

NEW OUTLETS	REVAMPS	COMPANY-OWNED (RETAIL) RESTAURANT EMPLOYEES	CORPORATE EMPLOYEES
3	0	133	3
(**2018:** 3)	(**2018:** 0)	(**2018:** 205)	(**2018:** 4)

* Restated.

STRATEGIC OUTLOOK

The Hussar Grill's strategic intent is to be an owner-run, fine dining grillroom, providing service excellence to ladies and gentlemen.

The brand is well positioned for further growth as it continues its quest to be South Africa's premier grillroom.

Product innovation is a priority and the brand will maintain stringent control measures and best operating practice through ongoing training programmes.

Marketing initiatives will re-enforce premium credentials and excellence, and further entrench the brand in Gauteng and the Western Cape. The brand will also encourage franchisees to stay involved and support their communities through local restaurant initiatives.

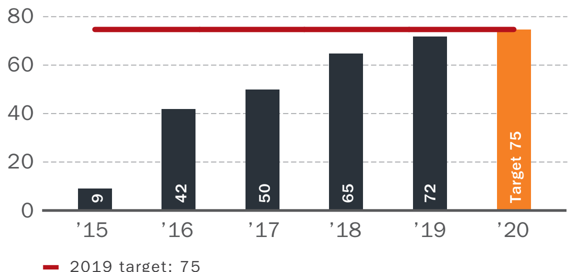
ROCOMAMAS

Anton Geldenhuys
Chief operating officer

The RocoMamas restaurant concept is trendy and customised, yet casual and affordable. The menu offers Smashburgers, ribs and wings, with all orders prepared on site.

"Restaurant turnover growth slowed due to the tough trading economy. However, we aim to grow turnover through marketing activations and community involvement."

ROCOMAMAS SOUTH AFRICA RESTAURANTS (NUMBER)



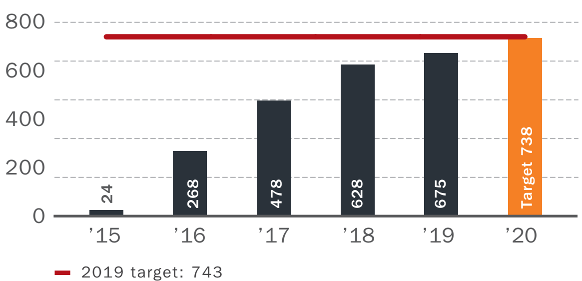
PERFORMANCE

Franchised restaurant sales increased by 7.5% and by 0.8% on existing businesses. Existing restaurant turnover growth was impacted by the tough trading economy and competition between sites within the brand following its significant expansion over the past few years.

In response to the declining restaurant turnover growth and following engagement with franchisees, the brand invested in television advertising for the first time. The production costs of the advert were funded in part by franchisees, by way of an additional 1% marketing levy for a six-month period, and by the brand to the extent of R0.9 million. The brand has seen renewed turnover growth since the launch of the advert in May 2019.

Revenue increased ahead of restaurant sales growth due to higher initial franchise fees from new restaurants. Revenue from the retail outlet declined as delivery business was re-routed to a nearby franchised outlet opened during the prior year.

ROCOMAMAS RESTAURANT TURNOVER (R'M)



RESTAURANT TURNOVER	FRANCHISE REVENUE	COMPANY-OWNED (RETAIL) RESTAURANT REVENUE	COMBINED FRANCHISE AND RETAIL CONTRIBUTION TO GROUP PROFIT
R675.2 million	R33.7 million	R11.6 million	R24.7 million
↑ 7.5%	↑ 8.3%	↓ 24.4%	↑ 9.1%
(**2018:** R628.0 million)	(**2018:** R31.1 million)	(**2018:** R15.4 million)	(**2018*:** R22.6 million)

NEW OUTLETS	REVAMPS	COMPANY-OWNED (RETAIL) RESTAURANT EMPLOYEES	CORPORATE EMPLOYEES
7	2	42	10
(**2018:** 15)	(**2018:** 0)	(**2018:** 77)	(**2018:** 8)

* Restated.

The operating profit margin improved notwithstanding the above-mentioned investment in marketing, due to a focus on cost containment and lower restaurant opening costs relative to the prior year.

The brand launched the RocoGo small format, on-the-go brand in Braamfontein, Gauteng and at Sun Coast Casino, KwaZulu-Natal as a trial. If successful, it is anticipated that this could be a viable extension to the brand, particularly in food court locations and areas that cannot support a full size restaurant.

The brand's franchisees have become highly involved in local community initiatives. The brand launched the RocoMamas Shadow Shift evenings and Burger Busts to build relationships and cement the brand image in consumers' minds.

STRATEGIC OUTLOOK

RocoMamas' strategic intent is to be loved by its customers as masters at burgers, ribs and wings; celebrating the beauty of imperfection.

The focus for the year ahead will be to grow existing business turnover through restaurant-specific marketing initiatives and franchisee involvement in communities. The brand will also launch its first national value-added campaign while the television advert is still being aired, to drive new feet into businesses.

NIKOS COALGRILL GREEK

James Goosen
General manager

Nikos marries contemporary dining with traditional homestyle Greek cooking, "coalgrilled" to perfection.

"In just over two years, the Nikos brand has grown to nine restaurants. Further growth will be balanced with appropriate controls to increase profitability."

RESTAURANT TURNOVER	FRANCHISE REVENUE	CONTRIBUTION TO GROUP PROFIT
R65.9 million	R2.7 million	R0.8 million

NEW OUTLETS	CORPORATE EMPLOYEES
3	3

PERFORMANCE

The Nikos Coalgrill Greek brand was founded in Durban North in 2016 by seasoned restaurateurs, Peter and Nicolette Triandafillou and Pano Economou. The brand grew rapidly to six outlets, and Spur Corporation acquired 51% of Nikos in August 2018. The brand has nine restaurants, including a smaller model in Rosebank, Johannesburg, with a slightly different menu, aimed at executives and residents on-the-go.

STRATEGIC OUTLOOK

The brand's strategic intent is for the Nikos brand name to become synonymous with Greek cuisine in South Africa.

The focus for the coming year will be on implementing appropriate back-of-house controls in restaurants to better manage food and labour costs, thereby improving franchisee profitability.

MANUFACTURING AND DISTRIBUTION

MANUFACTURING REVENUE	RETAIL PRODUCTS REVENUE	DISTRIBUTION REVENUE
R88.7 million	R62.1 million	R51.1 million
↑ 1.5%	↑ 7.7%	↑ 24.1%
(**2018:** R87.4 million)	(**2018:** R57.7 million)	(**2018:** R41.2 million)

MANUFACTURING PROFIT	RETAIL PRODUCTS PROFIT	DISTRIBUTION PROFIT
R19.9 million	R2.4 million	R51.1 million
↑ 4.6%	↑ 180.4%	↑ 24.1%
(**2018:** R19.1 million)	(**2018:** R0.8 million)	(**2018:** R41.2 million)

PERFORMANCE

Revenue for the division increased by 8.4%, while operating profit increased by 20.2%.

Growth in revenue from the sauce manufacturing facility lagged growth in restaurant sales as volumes declined due to changing customer taste profiles. Operating margins in the facility improved due to a focus on cost containment and more stable raw material input costs. A price increase of 4% was implemented in December 2018, more than a year after the previous increase of 7.1% in November 2017. New product lines are being investigated to improve capacity utilisation.

While revenue from retail products increased by 7.7%, this has historically earned a very small margin. The group's strategy regarding retail products has been primarily focussed on building brand equity, rather than generating profits. The business has grown over the years, and has reached the point where profit opportunities could be leveraged.

Distribution revenue relates to the procurement fee charged to franchisees on sales through the group's outsourced distributor. Revenue increased in response to the increase in this fee from a standard 3% to 4% of the value of sales in January 2019. This will benefit the first half of the 2020 financial year.

INTERNATIONAL

Derick Koekemoer
Franchise executive: Africa

José Vilar
Franchise executive: Australia

Spur Corporation's international restaurants closely resemble their South African counterparts, with slight adaptations to appeal to local markets. Most of the group's international restaurants are franchised, except for RocoMamas in Melbourne, Australia, in which the group has a 45% interest.

"2019 was a strong year for growth in Africa (including Mauritius) and the Middle East, while restaurant turnovers in Australia and New Zealand were down year on year."

PERFORMANCE

Africa (including Mauritius) and the Middle East

2019 was a strong year for growth in Africa (including Mauritius) and the Middle East and the division achieved a record for the region with 19 new restaurant openings.

The division increased its footprint in Saudi Arabia with the addition of the first Hussar Grill and second RocoMamas. The first RocoMamas in Botswana was well received. The first RocoMamas in India has started off slowly in a unique trading environment, but there are signs of progress and encouragement as the brand works with highly motivated franchisees who are committed to expanding the brand throughout India.

The Panarottis brand was well received with its launch in Zambia with the opening of eight restaurants, a combination of take away express restaurants and wood-fired sit down restaurants. There are plans to further expand the Panarottis brand in Zambia along with the opening of the first RocoMamas in 2020. The first Panarottis also opened in Kenya, increasing the overall restaurant footprint to seven outlets in Kenya with a further two restaurants planned for the new financial year.

Two additional RocoMamas restaurants were opened in Mauritius, taking the total to three RocoMamas restaurants trading on the island. With the opening of another Panarottis restaurant in Mauritius, the island has a presence of eight Panarottis outlets.

The first RocoMamas was opened in Cyprus and there are plans to further develop this territory.

The first international Spur Grill & Go opened in Namibia and was well received.

The group exited Uganda by mutual agreement with the franchisee and plans to exit Malawi in the new financial year, as growth prospects in these countries are weak and it is not financially sustainable to support these territories.

Franchised restaurant turnover increased by 28.5% in rand terms to R650.6 million (2018: R506.1 million) and by 23.5% on a constant exchange rate basis. Revenue improved

RESTAURANT TURNOVER^
R826.8 million
↑ 16.2%
(2018: R711.5 million)

REVENUE
R41.2 million
↑ 10.3%
(2018*: R37.4 million)

CONTRIBUTION TO GROUP PROFIT#
loss of R3.4 million
↓ 381.2%
(2018*: loss of R0.7 million)

TOTAL RESTAURANTS OUTSIDE SOUTH AFRICA
77
(2018: 62)

NEW OUTLETS
20
(2018: 11)

CORPORATE EMPLOYEES
15
(2018: 12)

Excludes corporate services costs.
* Restated.
^ Excludes Captain DoRegos.

by 28.8% to R29.6 million (2018: R23.0 million) and operating profit increased by 22.0% to R12.7 million (2018: R10.4 million). The operating profit margin declined from 45.1% to 42.8% due to additional costs associated with restaurant openings during the year.

Australasia

Restaurant turnovers in Australia were 15.6% down and in New Zealand, 19.4% below 2018. Restaurants in both countries suffer from intense competition and overtrading, declining economies and increasing operating costs, specifically labour and rental. The group closed three restaurants, as they were no longer profitable.

One new restaurant, Panarottis Wanneroo, was opened with no new restaurants planned for the year ahead.

Revenue declined by 33.7% to R4.3 million (2018: R6.6 million). The decline exceeded the reduction in restaurant turnover as additional franchise fee concessions were granted in an effort to assist struggling franchisees. The operating loss increased to R17.0 million (2018: R11.0 million) due to impairments of franchisee loans and lower revenue.

	Spur	Panarottis	John Dory's	The Hussar Grill	RocoMamas	Total restaurants
Africa (including Mauritius)	**32**	**19**	**3**	**1**	**7**	**62**
Botswana	2	–	–	–	1	**3**
eSwatini	3	–	–	–	–	**3**
Ethiopia	1	–	–	–	–	**1**
Kenya	5	1	–	–	1	**7**
Lesotho	1	–	–	–	–	**1**
Malawi	1	–	–	–	–	**1**
Namibia	9	1	2	–	1	**13**
Nigeria	4	1	–	–	–	**5**
Tanzania	1	–	–	–	–	**1**
Zambia	3	8	1	1	–	**13**
Zimbabwe	–	–	–	–	1	**1**
Mauritius	2	8	–	–	3	**13**
Middle East	**–**	**–**	**–**	**1**	**3**	**4**
Oman	–	–	–	–	1	**1**
Saudi Arabia	–	–	–	1	2	**3**
Australasia	**5**	**3**	**–**	**–**	**1**	**9**
Australia	4	3	–	–	1	**8**
New Zealand	1	–	–	–	–	**1**
India	**–**	**–**	**–**	**–**	**1**	**1**
Cyprus	**–**	**–**	**–**	**–**	**1**	**1**
Total International	37	22	3	2	13	**77**

INTERNATIONAL

STRATEGIC OUTLOOK

The region's strategic intent is to be a highly effective, skilled team, who are experts at creating and maintaining sustainable restaurants in identified territories.

A key focus area is to capitalise on the growth of new restaurants in existing territories, which will further serve to improve operating efficiencies regarding product procurement, menu costings and operating costs such as rentals. These improvements are key to the franchisees' success and business model.

Africa (including Mauritius) and the Middle East

The development schedule for the 2020 year looks encouraging, with an estimated 10 new restaurant openings scheduled in the following territories:

- Kenya
- Mauritius
- Nigeria
- Saudi Arabia
- Zambia

Australasia

The group is exploring alternative operating models in the region in an effort to minimise operating costs in line with lower revenue, while continuing to meet our legal and ethical obligations to franchisees. The group will not invest any additional capital in the region, but is expecting to continue to incur small losses for the next few years. The division's management will continue to engage with franchisees in an effort to improve franchisee profitability.

CORPORATE GOVERNANCE

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The following governance information is available in the online governance supplement at www.spurcorporation.com/investors/results-centre:

- King IV™ application register
- Board and operational committees

Spur Corporation views good governance as a critical component to success. The board's responsibility is to act in the interest of all stakeholders and govern effectively and efficiently.

BOARD AND EXECUTIVE LEADERSHIP

The board and management of Spur Corporation are committed to ensuring formal corporate governance structures and procedures are in place to maintain ethical and balanced decision-making practices that consider the interests of all stakeholders.

These structures and procedures are implemented in a way that supports the entrepreneurial characteristics that remain fundamental to the success of the group. The board has considered the group's application of King IV™ and believes Spur Corporation has adequately applied its principles and is attaining the fundamental objectives and spirit thereof.

Management reports to the board on the material risks and opportunities that could impact the group's performance and provides directors with the information necessary to make objective judgements and effective decisions regarding the group's affairs.

Directors have unrestricted access to all the group's information, records, documents, property, management and employees to fulfil their legal duties. They have unrestricted access to the advice and services of the company secretary and are entitled to seek independent professional advice at the group's expense after consultation with the chairman of the board and/or the group chief executive officer.

Non-executive directors have direct access to management and may meet with management without the executive directors.

CHANGES TO THE BOARD

On 15 November 2018, Mike Bosman was appointed as independent non-executive director, and was elected as independent non-executive chairman from 1 March 2019, following the retirement of Allen Ambor on 28 February 2019.

At the AGM on 6 December 2018, Keith Getz, Keith Madders and Dean Hyde retired by rotation. In addition, Prabashinee Moodley, the representative director of GPI, resigned from the board at the AGM following her resignation from GPI.

The board appointed and welcomed Cora Fernandez and Professor Shirley Zinn as independent non-executive directors on 17 June 2019.

CHAIRMAN AND LEAD INDEPENDENT DIRECTOR

With the appointment of Mike Bosman as independent non-executive chairman, the board considered whether it was necessary to retain the role of a lead independent director ("LID"). The board considered the King IV™ recommendation and agreed that it was prudent and in the best interest of independence and good corporate governance to retain the role of LID.

Mntungwa Morojele will continue to serve as LID for a three-year term from his reappointment on 21 February 2018. The LID charter formalises the role of the LID which includes performing all functions that cannot be performed by the chairman due to potential conflicts of interest.

DIRECTORS' APPOINTMENTS AND ROTATION

The board has a policy that details a formal and transparent procedure for appointing board directors. The board formally adopted a policy regarding diversity at board level (page 75). New board appointments are made in line with the diversity targets set by the board. While recommendations are made by the nominations committee, the appointment of directors is a matter for the board and all appointments are subject to shareholder approval.

In terms of the group's Memorandum of Incorporation, and in compliance with the JSE Listings Requirements, no less than one third of the non-executive directors must retire by rotation at the AGM each year. Consequently, at the forthcoming AGM, Muzi Kuzwayo and Mntungwa Morojele will retire. Muzi Kuzwayo has advised the board that, as a result of his long tenure, he will not stand for re-election.

The nominations and remuneration committee has nominated Mntungwa Morojele for re-election to the board.

The election or re-election of directors during the year will be tabled at the AGM for shareholder approval.

COMPANY SECRETARY

The company secretary, Nazrana Hawa, assisted the chairman in coordinating and administering the functioning of the board, the induction of new non-executive directors and ensuring statutory compliance. The appointment and removal of the company secretary is a matter for the board and not executive management.

Ms Hawa resigned from the company to pursue other ventures effective from 31 July 2019. On 1 August 2019, Kilgetty Statutory Services (South Africa) (Pty) Ltd ("Kilgetty") was appointed as interim company secretary. The board considered whether, and concluded that, Kilgetty has the necessary knowledge and experience to act as company secretary to the group. A permanent company secretary will be appointed in due course.

THE LEADERSHIP TEAM

Executive directors

PIERRE VAN TONDER (60)
Chief executive officer
37 years of service

Pierre joined the group in 1982 as a junior restaurant manager. He held several senior management positions before being appointed as director of Spur Steak Ranches and Spur Holdings in 1992. Pierre was appointed as managing director/CEO in 1996. Pierre is responsible for the group's overall strategy and operations.

MARK FARRELLY (55)
Chief operating officer
29 years of service
BA – University of Cape Town

Mark joined Spur Corporation in 1990 as an operations manager and was promoted to regional operations manager in 1995. He was appointed to the board in 1999 and appointed as chief operating officer in 2012. Mark is responsible for developing and implementing the local group strategy.

PHILLIP MATTHEE (41)
Chief financial officer
12 years of service
BCom (Accounting); Postgraduate Diploma in Accounting – University of Cape Town; CA(SA)

Phillip joined Spur Corporation in 2007 as new business development manager. In 2008 he was appointed as group finance executive and joined the board as chief financial officer ("CFO") on 1 April 2018. Phillip is responsible for the finance, administrative, legal and compliance functions of the group. He also fulfils a supervisory function for information technology.

Independent non-executive directors

MIKE BOSMAN (58)
Appointed to the board 15 November 2018 and as chairman 1 March 2019
Independent non-executive chairman
BCom (Hons); LLM – University of Cape Town; AMP – Harvard; CA(SA)

Mike is an independent non-executive director of AVI Ltd and MTN South Africa and was recently appointed as an independent non-executive director of EOH Holdings Ltd. He serves on the audit and risk committees of all these companies. He is non-executive chairman of the largest independent wine distribution company in South Africa, Vinimark. Mike has previously in his career worked at Investec in corporate and project finance and later served as the group CEO for communication groups \TBWA and FCB. He also previously served as independent non-executive director at Venfin Ltd and Primedia Ltd.

MUZI KUZWAYO (51)
11 years of service
BSc (Biochemistry and Microbiology) – Rhodes University; Executive MBA – University of Cape Town

Muzi is a visiting professor at the UCT Graduate School of Business. He is the founding CEO of Ignitive, a marketing and advertising consulting company. Muzi is an author and a commentator on advertising and marketing.

MNTUNGWA MOROJELE (60)
Lead independent director
9 years of service
CA (Lesotho); Higher National Diploma in Business Studies – Farnborough College of Technology, UK; Bachelor of Business Administration – University of Charleston, USA; MAcc – Georgetown University, USA; MBA – University of Cape Town

Mntungwa has established and managed various companies, including Briske Performance Solutions and Motebong Tourism Investment Holdings, iKapa Events and Facilities, and 3RE South Africa. He has served on the boards of Gray Security Services and the UCS Group, and serves on the boards of Capital Eye Investments (and four of its subsidiaries) and VeriFone Africa. He was appointed as LID on 1 March 2011.

FORMER DIRECTORS

ALLEN AMBOR
Retired 28 February 2019
Executive chairman
51 years of service
BA – University of Witwatersrand

KEITH GETZ
Retired by rotation, 6 December 2018
Non-executive director
27 years of service
BProc; LLM – University of Cape Town

DEAN HYDE
Retired by rotation, 6 December 2018
Independent non-executive director
24 years of service
BCom (Legal) – University of Witwatersrand; Canadian Chartered Accountants' Board Examination

KEITH MADDERS MBE
Retired by rotation, 6 December 2018
Independent non-executive director
23 years of service
BCom (Economics) – University of Cape Town

PRABASHINEE MOODLEY
Appointed 15 August 2018
Resigned 6 December 2018
Non-executive director
BSocSci and Master of Town and Regional Planning – University of KwaZulu-Natal; MBA – Lake Forest Graduate School of Business (Illinois)

Independent non-executive directors

DINEO MOLEFE (42)
6 years of service
CA(SA); BCompt (Hons) – Unisa; Master's in International Accounting – University of Johannesburg; Advanced Management Program – Wharton Business School, University of Pennsylvania

Dineo has held various executive positions and is currently CEO at T-Systems South Africa, a subsidiary of Deutsche Telekom AG. She previously served as group CFO at Thebe Investment Corporation and finance executive at Vodacom. She has also worked for the Industrial Development Corporation and Eskom Holdings in various roles. She has served as director, audit committee member and audit committee chair of numerous boards. She is a non-executive director on the board of Thebe Investment Corporation, where she serves on the audit committee, and on the interim board of the Road Accident Fund where she chairs the audit committee.

CORA FERNANDEZ (46)
Appointed 17 June 2019
BCompt (Hons); CA(SA)

Cora has extensive investment management and private equity experience, having previously served as chief executive: institutional business of Sanlam Investment Management, managing director of Sanlam Investment Management and CEO of Sanlam Private Equity. She serves on the investment committees of 27Four Black Business Growth Fund and the National Empowerment Fund. Her directorships include Sphere Holdings and Tiger Brands, and she is a trustee of certain retirement funds in the Allan Gray stable.

PROFESSOR SHIRLEY ZINN (57)
Appointed 17 June 2019
BA; BEd; Higher Diploma in Education – University of Western Cape; MEd – University of Western Cape; EdM – Harvard; EdD – Harvard

Shirley is an acclaimed HR practitioner who has held senior positions in the corporate and public sectors. She previously headed human resources at Woolworths Holdings, Standard Bank South Africa, Nedbank Group and the South African Revenue Service. She provides consulting and advisory services in HR, transformation, leadership and education. Shirley is a professor at the University of Pretoria's Department of Human Resource Management and is a past president of the Institute for People Management South Africa. Shirley serves on the boards of Sanlam, MTN South Africa, Shoprite Holdings, AfroCentric and AdvTech.

Key management

Anton Geldenhuys (41)
Chief operating officer: RocoMamas
16 years of service

Blaine Freer (54)
Group development executive
20 years of service

Brian Altriche (49)
Creative executive: RocoMamas
4 years of service

Chris Lotter (41)
Group IT executive
4 years of service

Cobus Jooste (43)
National training executive
14 years of service

Derick Koekemoer (49)
Franchise executive: Africa
15 years of service

Duncan Werner (59)
Chief operating officer: Spur Grill & Go
31 years of service

José Vilar (61)
Franchise executive: Australia
28 years of service

Justin Fortune (47)
Chief operating officer: The Hussar Grill
19 years of service

Kevin Robertson (53)
Chief operating officer: Spur Steak Ranches
28 years of service

Leonard Coetzee (46)
Chief operating officer: John Dory's
23 years of service

Nazrana Hawa (36)
Group legal and compliance executive and company secretary
8 years of service
(Resigned 31 July 2019)

Patrick Lawson (48)
Group strategy executive
10 years of service

Robin Charles (45)
National procurement executive
11 years of service

Sacha du Plessis (41)
Group marketing executive
12 years of service

Graeme Kiewitz (49)
Group human resource executive
1st year of service

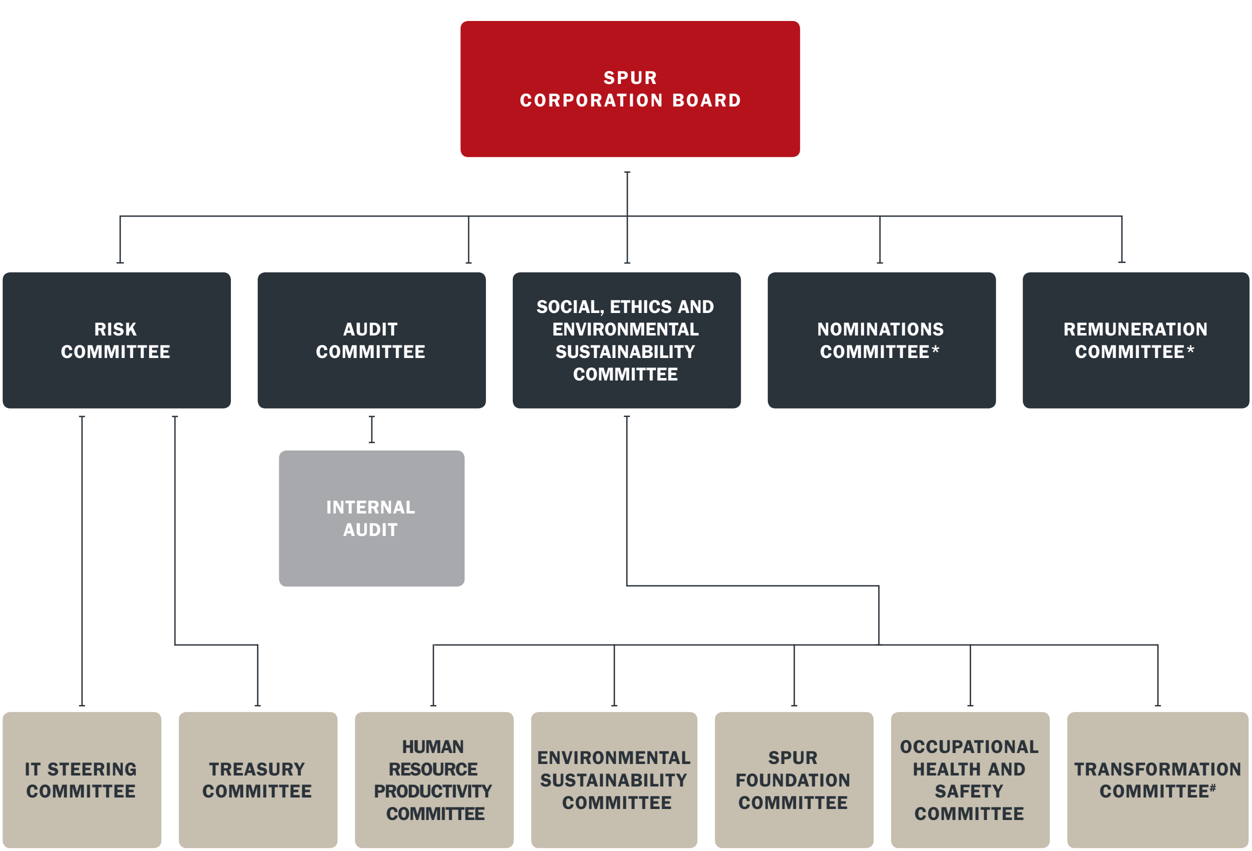
Tyrone Herdman-Grant (48)
Chief operating officer: Panarottis
21 years of service

Vivy Novos (42)
Group finance executive
14 years of service

THE BOARD AND ITS COMMITTEES

The board is satisfied that the composition of the board is appropriate, including a balance of power and authority to ensure that no one individual or block of individuals can dominate the board's decision-making.

The organogram below depicts Spur Corporation's governance structures.



* The remuneration and nominations committees were combined from September 2019 to allow for more efficient functioning of the board.
# The transformation committee was disbanded as a board subcommittee, and reconstituted as an operational committee, during the year.

Board subcommittees

Operational committees

ROLES AND RESPONSIBILITIES

The board is the custodian of corporate governance and ethics. It is responsible for developing and adopting strategic plans that align with stakeholder interests and expectations, result in sustainable outcomes and do not give rise to risks that have not been thoroughly assessed by management.

The board's roles and responsibilities include ensuring that the group is, and is seen to be, a responsible corporate citizen by having regard for the financial aspects of the business and the impact the business has on the environment and society. It also ensures that the group has effective and independent board and statutory committees.

The full list of the board's roles and responsibilities is available in the online governance supplement at www.spurcorporation.com/investors/results-centre/.

The board retains ultimate responsibility for the proper fulfilment of all functions and delegates certain powers to elected committees, each with defined roles and responsibilities, under their respective formal charters.

The board mandates the CEO, executive directors and senior management to implement the strategy and manage the activities of the business daily. The chairman and the CEO have clearly defined and separate roles.

Formal board and committee evaluations were scheduled to take place during 2019 in line with the recommended practice of King IV™ that evaluations should take place at least every two years. However, with the appointment of a new chairman on 1 March 2019, coupled with significant board changes and the restructuring of board committees, the evaluation was deferred to give the board the opportunity to function under its new leadership and composition.

The board is satisfied that it has fulfilled its responsibilities according to its charter during the financial year.

COMPOSITION AND ATTENDANCE

Board

The group has a unitary board structure comprising:
- six independent non-executive directors, including the chairman and LID; and
- three executive directors.

All non-executive directors are classified as independent.

The board meets formally twice a year to tend to governance matters and discuss operations, strategies, risks and other key issues. Additional meetings are convened as necessary to discuss urgent matters.

The board reviewed and confirmed the Diversity at Board Level Policy at its meeting in February 2019, which incorporates the JSE's requirements on racial and gender diversity at board level. The diversity targets that have been set are that the board shall comprise at least two female directors and no fewer than three black directors. Preference will further be given to black female candidates when replacing directors who retire or resign.

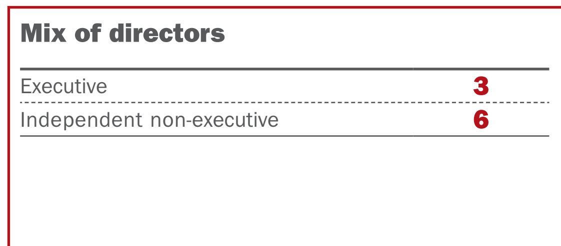
Notwithstanding this policy, the board appointed Mike Bosman to the board. The board deliberated and agreed that the departure from the policy was necessary and appropriate given that Mike has a wealth of experience and knowledge as a director of JSE-listed companies, which adds significant value and skill to the board.

A formal Limits of Authority Policy is in place, which grants specific levels of management (including individual directors and groups of directors) authority to commit the group to financial obligations of set limits. This policy prohibits a veto by any one director. Other policies grant specific directors and senior managers specific decision-making powers.

The board is of the opinion that those non-executive directors who have served on the board for longer than nine years have the necessary independence and integrity to act in the best interest of the group.

The group has no controlling shareholder, and there is no shareholder with the right/power to appoint a director to the board. The B-BBEE transaction concluded with GPI grants GPI the right to nominate one non-executive director to the board, but the appointment of such a director remains subject to the provisions of the Companies Act and JSE Listings Requirements.

Years of service	
1–5 years	3
6–15 years	4
More than 15 years	2



Mix of directors	
Executive	3
Independent non-executive	6

Diversity: Race	
Black	5
White	4

Target: no fewer than

3 black directors

Diversity: Gender	
Male	6
Female	3

Target:

2 female directors

THE BOARD AND ITS COMMITTEES

Subcommittees

The full list of roles and responsibilities of the board and its committees is available in the online governance supplement at www.spurcorporation.com/investors/results-centre/.

Audit committee

The audit committee has a range of statutory and other duties that include overseeing the group's engagements with its external and internal auditors, ensuring compliance with requirements of the Companies Act and reporting to the board regarding the group's accounting policies, financial controls, records and reporting. Meetings are scheduled semi-annually.

The audit committee report starts on page 102 in the consolidated financial statements.

Risk committee

The risk committee meets twice a year and oversees the assessment, management and reporting of risk in the group.

The risk committee report starts on page 72.

Remuneration committee*

The remuneration committee governs the setting and implementation of the group's Remuneration Policy and has two formal meetings a year.

The remuneration report starts on page 76.

Nominations committee*

The nominations committee oversees the nomination, appointment and development of directors.

The nominations committee report starts on page 75.

Social, ethics and environmental sustainability committee

The social, ethics and environmental sustainability committee assists the board with the monitoring and reporting of social and ethical matters in the group according to the Companies Act. It meets a minimum of twice a year.

The social, ethics and environmental sustainability committee report starts on page 91.

* The remuneration and nominations committees were combined from September 2019 to allow for more efficient functioning of the board.

Meeting attendance

The table below shows the composition, number of meetings, dates and attendance for the board and board committees for the year to 30 June 2019. It shows attendance according to the old board structure, which was still in place for the 2019 financial year.

	Board		Audit committee		Nominations committee		Risk committee		Social, ethics and environmental sustainability committee		Remuneration committee	
	5 Sept 2018	**27 Feb 2019**	4 Sept 2018	**26 Feb 2019**	3 Sept 2018	**25 Feb 2019**	4 Sept 2018	**26 Feb 2019**	4 Sept 2018	**26 Feb 2019**	4 Sept 2018	**26 Feb 2019**
Allen Ambor[e]	P†	**A**										
Pierre van Tonder[e]	P	**P**					P†	**P†**	P	**P**		
Mark Farrelly[e]	P	**P**										
Phillip Matthe[e]	P	**P**										
Keith Getz[n]	P	**N/A***			P	**N/A***	P	**N/A***	P†	**N/A***		
Keith Madders[i]	P	**N/A***										
Dean Hyde[i]	P	**N/A***	P†	**N/A***							P	**N/A***
Mntungwa Morojele[i]	P	**P†**	P	**P**	P†	**P†**	N/A	**P**	N/A	**P†**	P	**P**
Muzi Kuzwayo[i]	P	**P**			P	**P**			P	**P**	P†	**P†**
Dineo Molefe[i]	P	**P**	P	**P†**			P	**P**			N/A	**P**
Prabashinee Moodley[n]	A	**N/A***										
Mike Bosman[i]	N/A	**P**	N/A	**P**	N/A	**P**						

P Present
A Absent
* Retired/resigned from the board on 6 December 2018
† Chair
[e] Executive director
[n] Non-executive director
[i] Independent non-executive director

All directors have a standing invitation to attend all committee meetings. Where certain directors who are not members of the committees have attended meetings of these committees, their attendance is not recorded in the table above. The chairman has a standing formal invitation to all board committee meetings. The board committees were restructured as follows:

- From 6 December 2018:
  - Dineo Molefe was appointed as chairperson of the audit committee and appointed to the remuneration committee.
  - Mntungwa Morojele was appointed as chairperson of the social ethics and environmental sustainability committee and appointed to the risk committee.
  - Mike Bosman was appointed to the nominations committee and audit committee. He subsequently resigned from the audit committee effective 1 March 2019.
- From 17 June 2019:
  - Professor Shirley Zinn was appointed as member and chairperson of the nominations and remuneration committee.
  - Cora Fernandez was appointed to the audit committee.

COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

Spur Corporation is committed to ensuring compliance with all relevant laws, codes and frameworks that apply to its operations and activities.

The group CFO, assisted by the group's in-house legal team, is responsible for monitoring compliance within the organisation, assessing potential consequences or risks associated with new legislation, and reporting to the social, ethics and environmental sustainability committee in this regard. Significant non-compliance with mandatory laws and rules is escalated to the board if necessary.

No material, or immaterial but often repeated, regulatory penalties, sanctions or fines for contraventions or non-compliance with statutory obligations were imposed on the group or any of its directors.

ETHICS

The board subscribes to governance practices that align with the philosophy of responsible leadership, incorporating the ethical values of responsibility, accountability, fairness and transparency. The directors believe that the group is a responsible corporate citizen and recognise that good governance is a perpetual process.

The board is satisfied that no material breaches of ethical behaviour occurred during the year and confirms that the group continues to comply with the highest standards of business practice.

CODE OF CONDUCT

Spur Corporation's code of conduct ("the code") is a principle-based document that aims to ensure that all employees are aware of the need for self-respect, mutual respect and integrity in all their dealings with one another and wherever and whenever they are representing the group. The code has been circulated to all employees and includes the contact details for the anonymous 24/7 independent third party ethics hotline. Complaints or disclosures made to the ethics hotline are forwarded to the LID for investigation and discussion in the audit committee. There were no significant complaints or disclosures reported through the ethics hotline during the year.

HUMAN RIGHTS

Spur Corporation is committed to respecting and upholding human rights. The group subscribes to all principles of the South African Constitution and the international accords and conventions to which South Africa is a signatory. The social, ethics and environmental sustainability committee provides additional guidance and oversight regarding adherence to human rights.

During the prior year, the group conducted a human resources and labour law legislative compliance review that included an analysis of the group's practices against the United Nations Global Compact Human Rights principles and the International Labour Organisation's Labour Protocols. The review demonstrated that Spur Corporation's human resources practices align with the requirements of these guidelines but nevertheless identified potential areas of improvement.

The group has implemented ethical sourcing guidelines that require suppliers to align with Spur Corporation's commitment to human rights and fair labour practices.

CONFLICTS OF INTEREST

The group's Conflict of Interest Policy governs gifts and prohibits kickbacks and bribes, and is included in the code. It restricts employee relationships with suppliers, governs the use of company resources for non-company purposes, and limits the extent of other business interests undertaken by employees.

Employees, including executive directors, are prohibited from having any interest whatsoever, directly or indirectly, in a competing restaurant business, franchise or chain that is considered (at the discretion of the board) to operate in a similar market as the group.

The Employee Interest in Group Franchises Policy limits the number of group-franchised outlets employees may have an interest in and the extent of such interests. It also includes the approval process that must be followed before franchises are granted to employees and other requirements.

SHARE DEALINGS

There are two formalised closed periods ahead of the publication of the interim and annual results in which directors and employees are restricted from trading in the shares of the company. The group's Insider Trading Policy requires directors to obtain formal clearance from the company secretary prior to dealing in the company's shares. All share dealings are disclosed to the company secretary and this information is released on SENS within 48 hours of any trade.

IT GOVERNANCE

The board ultimately assumes the responsibility for the governance of information technology ("IT") by determining how technology and information should be approached and addressed in the group.

The general management of the IT function has been delegated to the group IT executive, who is assisted by the IT steering committee. The IT steering committee meets quarterly and comprises senior executives of the group. The IT steering committee monitors the effectiveness of technology and information management and addresses any shortcomings that have been identified.

In terms of the IT steering committee's charter, general management of the IT function includes broad responsibilities pertaining to:

- optimising the value IT contributes to the business in a cost-effective manner;
- ensuring that adequate and appropriate IT resources are available to support the group's objectives; and
- IT risk management.

The IT strategic plan, which was developed and approved by the IT steering committee and the board, includes considerations around IT risks, controls and governance. Comprehensive risk analysis and prioritisation exercises inform the contents of the IT risk register and the IT governance work plan, and progress against this is monitored by the board.

The group's IT infrastructure as it relates to the provision of financial reporting information is relatively simple and the board does not consider the risk of integrity of financial information produced from IT systems to be high. The reliability of financial information is supported by internal audit activities and the skills, expertise and integrity of finance employees. The board also reviews and makes judgements on the findings of the internal auditor regarding the integrity of IT systems. To date, the board has had no reason to believe that information provided is not complete, timely, relevant or accurate.

IT governance risk items are reported to the risk committee, which is chaired by the CEO, and are presented as part of the risk committee feedback to the board at each board meeting.

The board exercises oversight of IT and ensures that, besides the IT risks, there is a standing item on the board agenda to monitor the management of technology and information. The board approves the IT strategy and assesses the implementation thereof.

IT is recognised as a key enabler for the group. The future focus areas will be on the integration of information systems, the changing role of IT and business intelligence.

RISK COMMITTEE REPORT

FUNCTIONING OF THE COMMITTEE

The board is responsible for ensuring effective risk management within the group by ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks.

The group's risk management process aims to add practical value to the organisation and is aligned to the principles of good corporate governance as encompassed in principles 8 and 11 of King IV™. The risk committee is a separate committee responsible for risk governance.

Risks are identified, assessed and managed as part of the day-to-day operations at various levels of management, which are empowered to deal with risks in an efficient manner according to formal policies and protocols.

Each functional executive is responsible for identifying, evaluating and managing risk daily in their respective functional areas and reporting the results of this process to the risk committee. Each functional area has its own risk register.

The risk committee reports on the effectiveness of the risk management process at each board meeting and provides an analysis of the residual risk rating of each risk (using a traffic light dashboard system). In addition, the board is presented with a summary of the highest-rated residual risks in the group. In determining these assessments, the committee uses the combined assurance approach and considers assurance provided by internal audit, management, and any other relevant external assurance provider. The committee works closely with internal audit to continually enhance the existing risk management process.

In accordance with King IV™, the risk committee comprises executive and non-executive members, with the majority being non-executive directors. The two non-executive directors serving on the committee also serve as members of the audit committee (one serving as the chair). Regular attendees at the meetings are the chair of the board, the CFO, legal and compliance executive, company secretary, key members of executive management and the chief audit executive.

The board-approved risk management plan and policy set out:

- the responsibilities of employees, management, the risk committee and the board as it relates to risk management;
- the definition of risk and risk management;
- risk management objectives;
- the board's risk approach and risk philosophy; and
- detail around the risk management process, including the procedures for updates to the risk register and the feedback process regarding risk.

RISK APPETITE AND TOLERANCE

General authority limits are in place for various functional department heads, individual directors and groups of directors. The board is risk averse and operates collaboratively. The board has a general policy that any action being considered with a more than negligible degree of risk, or that may potentially expose the group to material adverse financial or other consequence, will only be taken after consultation with all board members, notwithstanding the limits of authority in place. This ethos applies at every level of management.

The board is satisfied that no member of management has exceeded his or her authority or acted contrary to the board's stated risk appetite and, in so doing, exposed the group to unnecessary risk during the financial year, and up to the time of approval of this integrated report.

Material losses

The group incurred material impairment losses in its Australasian business for the year to 30 June 2019 as detailed in notes 9.1 and 14 to the consolidated financial statements on pages 134 and 142 respectively. This is in response to the deteriorating trading environment in the region. The board is assessing its options to restructure operations in that territory to fulfil its ethical and legal obligations to franchisees in the most cost-effective manner.

INSURANCE

Insurance is reviewed annually by senior management, including the group CFO and group CEO. Where necessary, due to significant changes in circumstances or acquisitions or disposals of significant assets, *ad hoc* changes to insurance cover may be made between annual reviews.

The risk committee reviews the insurance cover, the insurance broker's recommendations and management's recommendations before assuring the board that the appropriate insurance cover is in place.

ASSURANCE

In line with good practice, the internal audit function reviews the group's risk management process every financial year at the request of the audit committee. The audit committee provides guidance to the internal audit function on the priority of risks to be reviewed and assured. Their plan and individual reviews are therefore completely risk-based, and feedback is given on individual risks on the risk register. As part of its 2019 review, internal audit concluded that the risk management process adds value to the group, and that the group effectively applies the King IV™ principle relating to risk management.

Assurance on the group's sustainability reporting is provided as part of the internal risk management process.

The board is satisfied that an adequate process for identifying, evaluating and managing significant risks is in place for the financial year and until the time of the approval of this integrated report.

CURRENT AND IMMINENT RISKS TO THE GROUP'S SUSTAINABILITY

Management is empowered to respond to the day-to-day risks affecting the group within certain limits of authority. Longer-term implications for the sustainability of the group are mitigated by implementing medium- to long-term risk management strategies under the supervision of the board.

The top risks that may impact the long-term sustainability of the group as at 30 June 2019 are discussed below.

Franchisee profitability

Risk

Franchisees are exposed to above-inflation increases in minimum wage rates, occupancy costs, energy costs, utilities and food prices, as well as compliance to new regulations (for example regulation 638). An emerging risk is that brands with high food delivery percentages (for example RocoMamas) are under even more strain as delivery partners charge a very high percentage for delivery.

The above affects franchisees' profitability, which is already under threat in the current economy.

Mitigation

- Constant scrutiny, with continuous and regular reviews of franchise business and financial models
- Continuous engagement with franchisees
- Continuous reviews of restaurant design and specifications to improve efficiency and reduce costs
- Management of selling prices to ensure brands remain competitive and profitable
- Refinement and reduction of existing labour model
- Continuous training to franchisees on all new regulations, and practical adherence thereto

More details

Sustainable local franchise model page 23

B-BBEE – franchisees

Risk

As a responsible South African citizen, B-BBEE is an imperative for Spur Corporation.

In addition, franchisees' ability to secure new leases and operating licences (for example, liquor licences) are increasingly linked to their B-BBEE compliance credentials. Non-B-BBEE-compliant franchisees increase the group's risk of not achieving its strategy in terms of restaurant openings and revenue growth.

Mitigation

- Workshops with franchisees to highlight risks and concerns, explaining the need to prepare a B-BBEE scorecard and conduct a verification process, and providing practical guidance on measures to improve B-BBEE ratings, including the impact of revised codes
- Encouraging franchisees to include black equity operating partners
- Engagement with banks to facilitate financing of black equity transactions
- Collating information on B-BBEE compliance by franchisees for analysis and monitoring by the group's transformation committee

More details

Sustainable local franchise model page 23

Reliance on natural resources

Risk

The impact of climate change on natural resources could have severe consequences on the long-term sustainability of the group. Inefficient use of natural and other resources contributes to pollution and the long-term effects thereof and impacts on short-term franchisee profitability.

Mitigation

- The environmental sustainability committee coordinates efforts in minimising the impact that the group has on the environment
- In light of the severe water shortages experienced in certain regions of South Africa, particular focus has been placed on water conservation. In this regard, the group works closely with franchisees and local government
- A number of initiatives are already in place, including defining and sharing best practices for water and energy savings, as well as designing restaurants to be more energy efficient
- The group continues to treat the sustainability of seafood as core to its strategy
- Livestock and contribution to CO_2 emissions are also at the forefront of discussions
- Progress on initiatives is reported at each social, ethics and environmental sustainability committee meeting

More details

Product responsibility page 26 and online sustainability supplement

RISK COMMITTEE REPORT

Socio-political risk

Risk

The prospects for the South African economy remain uncertain.

Most of the group's profits are generated from operations in South Africa, and a sustained decline in the local economy could have a detrimental impact on the group.

Mitigation

- Sustained focus on operational efficiency, diversification into new target markets and local marketing campaigns to mitigate subdued consumer activity
- Expansion of all brands in Africa and the Middle East

More details

Sustainable local franchise model page 23 and customers' disposable income page 24

Social media

Risk

The proliferation of social media and the speed and reach of potentially damaging (malicious or otherwise) content could seriously damage the image of the group's brands and cause significant financial harm to franchisees and the group.

Mitigation

- Dedicated, competent resources within group marketing to monitor all online references to the group's brands
- Timely, well-considered responses to potentially viral comments, after consultation with brand chief operating officers, and, if considered necessary, the internal communications committee (consisting of suitable and appropriate senior executives)
- Strict policies and processes to limit restaurant-managed social media accounts and manage interactions between the group and the media

More details

Brand equity page 26

Digital transformation

Risk

The rate of change in technology and connectedness has, and is expected to continue to, disrupt our industry. Not being at the forefront of technological innovation could result in the group's brands becoming less relevant and losing market share.

Digital marketing is one of the top priorities of any business today. It is a challenging and constantly evolving discipline that requires the integration of multiple skills to leverage data and remain relevant to the group's target markets.

Mitigation

- The marketing team was restructured to strengthen digital capability and maturity over the next year
- Robust partnerships have been sought, and new suppliers with the necessary expertise have been on-boarded
- Digital marketing projects are central to the group's focus
- The group is anticipating the launch of its own click-and-collect portal on a phased-basis in the year ahead. The portal will be augmented over time to integrate loyalty, gifting, table ordering and multiple payment methods
- Core to the group's strategy is analysis and research of international trends in the industry and the allocation of resources to innovation

More details

Operating environment page 19 and Vision 2023 strategy page 28

The committee conducts an evaluation of its functioning and effectiveness in the manner prescribed by the board. The committee is satisfied that it has fulfilled its responsibilities according to its charter during the financial year.

Pierre van Tonder
Chief executive officer and chief risk officer

NOMINATIONS COMMITTEE REPORT

The committee has an independent role, overseeing the composition of the board and making recommendations in this regard to the board for its consideration and final approval. The role of the committee is to assist the board to ensure that the board has the appropriate composition for it to execute its duties effectively, and that directors are nominated and appointed through a formal process. The committee furthermore provides oversight to ensure there is an induction process and that there are formal succession plans for the board, CEO and senior management appointments.

The committee is also responsible for overseeing the development, evaluation and implementation of continuing professional development programmes for directors and that directors receive regular briefings on changes in risks, laws and the environment in which the group operates.

The committee acts in terms of the delegated authority of the board as recorded in a formal terms of reference that is reviewed and approved by the board annually. The committee has the power to investigate any activity within the scope of its terms of reference.

The CEO, CFO, head of HR or other members of senior management, as may be required, assurance providers, professional advisors and board members may be in attendance at committee meetings, but by invitation only and they may not vote.

The committee makes recommendations to the board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.

The key areas of focus during the year were the following:

- Consider the composition of the board and board committees to ensure that these comprise appropriate knowledge, skills and experience
- Ensure that race and gender diversity targets were set for the board
- The appointment of a new chairman of the board
- Consider the amalgamation of the nominations and remuneration committees
- Consider the succession of key executives

The committee's future focus area is continuing to ensure that the committee sets out to fulfil its mandate and responsibilities in line with its terms of reference.

The committee conducted an evaluation of its functioning, in a manner as prescribed by the board, and is satisfied that it has fulfilled its responsibilities according to its terms of reference during this reporting period.

The nominations committee has amalgamated with the remuneration committee from September 2019 and Professor Shirley Zinn will be the new chair of the nominations and remuneration committee.

Mntungwa Morojele
Nominations committee chairman

REMUNERATION COMMITTEE REPORT

The group's remuneration committee is mandated by the board to oversee the establishment and implementation of a group-wide Remuneration Policy. This policy is founded on the principle of fair, responsible and transparent remuneration practices, and seeks to:

- remunerate all employees in such a way so as not only to attract and retain talented, high-performing individuals, but also to motivate all employees to contribute continuously to the success of the group;
- promote the strategic objectives within the group's risk appetite in the short, medium and long term;
- promote positive outcomes; and
- promote an ethical culture and responsible corporate citizenship.

A full list of roles and responsibilities of the remuneration committee is available in the online governance supplement at www.spurcorporation.com/investors/results-centre/.

PART 1: BACKGROUND STATEMENT

The year in review

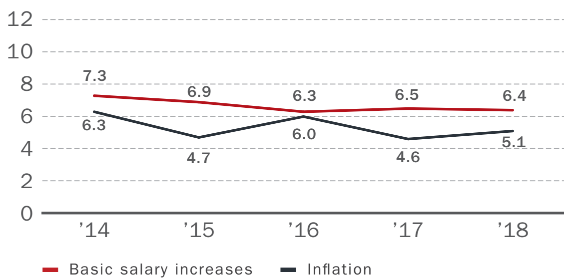
The South African economy experienced significant volatility during the group's financial year, with respective quarterly growth of 2.6%, 1.4%, -3.1% and 3.1%. On an annualised basis, the economy grew 1.0%, which is not sufficient to address meaningful economic transformation and improvement in the standard of living for the country's people.

The group reported an increase in earnings per share of 7.3% for the year, and an increase in comparable headline earnings per share of 17.3%, as detailed in the chief executive and chief financial officers' report. This indicates that the group performed well despite significant financial instrument impairments and losses being recognised in the Australasian business, and despite the sombre local economy.

While official headline consumer price inflation ("CPI") stood at 4.5% at the end of June 2019, anecdotally, the economic reality is that the cost of living has generally increased well in excess of inflation, compounded by an increase in the VAT rate from 14% to 15% on 1 April 2018. Coupled with lower consumer confidence arising from political and economic policy uncertainty, and the absence of inflation-linked tax relief for tax payers, all consumers are feeling the pressure. While these factors have an impact on the group's target market consumers, and therefore the group's financial performance, they equally impact the group's employees directly. Maintaining a standard of living consequently requires inflation-linked increases in guaranteed remuneration in excess of CPI.

The graph below shows the trend of increases in market guaranteed remuneration relative to CPI from 2014 to 2018.

MARKET BASIC SALARY INCREASES VS INFLATION (%)



Source: PE Corporate Services (Pty) Ltd

Remuneration philosophy

Remuneration is a function of the demand for, and supply of, skills in the market. In reality, a wide range of other factors impacts the group's remuneration philosophy. These include current business strategies (and overall HR Policy in this context), talent management, manpower planning, market share and sales growth, labour dependencies, employment equity initiatives and pay disparities both internally and in relation to the market.

The South African labour market has been characterised by shortages of critical skills for some time. Shortages within executive, senior managerial and many professional employee categories, have been acknowledged for many years and have become increasingly acute over the past decade. In Spur Corporation's business, there is a two-part reality, namely:

- that the group is lagging in growing enough internal equity skill within the business which leads to successful appointments of professional staff in operations and ultimately senior management; and
- that Spur Corporation's current employee remuneration is not competitive relative to market to attract and retain key talent.

Shortages of key technical, IT and operations skills in the restaurant space for example, represent a potential constraint to achieving growth targets and in particular planned infrastructural developments and service delivery projects.

At executive level, the globalisation of the local economy and the growing mobility of top management skills have exerted particular pressure on remuneration at this level, over the past decade. Governance and disclosure requirements, especially within listed companies, have stimulated awareness of this and it has become a point of contention. The ongoing review of variable remuneration (incentives), as opposed to guaranteed remuneration, is therefore key to ensuring that the implementation of strategies to create meaningful value for stakeholders results in significant reward to executives and management.

The restaurant franchising business requires the continuous development of intellectual property and is accordingly highly reliant on key skills. From an operational perspective, these skills are typically sourced from restaurant managers and operators who harness and develop their skills over many years. Competition for effective operators is high in the industry, between competing brands and even between the corporate and its franchisees. These resources cannot be easily replaced and it is consequently necessary to ensure that the group's remuneration strategy achieves its objective of retaining these skills.

South Africa remains one of the most economically unequal societies in the world, with a Gini Coefficient of 0.68 in 2015. In determining increases in guaranteed remuneration, consideration has to be given to the impact of inflation on employees who spend the majority of their income on necessities relative to higher-income earners who spend a higher proportion of their income on discretionary costs.

In light of these factors, in reviewing remuneration for the 2019 financial year, the committee and management had to carefully consider:
- the impact of above-inflation increases in costs on the standard of living of employees;
- aligning the interests of key employees and stakeholders;
- the reliance on, and the need to retain, key skills; and
- addressing the impact of inflation on lower-income earners.

It is imperative that the group is able to retain and motivate its employee base in order to grow the business and implement its strategy into the future. The committee has therefore had to balance the need to retain key skills required to implement the growth strategy, and the impact of increases in guaranteed and variable remuneration in the context of a local economy facing limited growth prospects. The committee is of the opinion that the long-term impact of retaining a skilled workforce outweighs the short-term impact of the current increases in guaranteed pay and incentives on profitability.

For the above reasons, a key project undertaken by the group this year was a complete overhaul of job gradings and remuneration benchmarking (both internally and externally) across the group. The details of this project are expanded upon in the key areas of focus for the year section in this report on page 78.

Shareholder voting on Remuneration Policy

The Remuneration Policy and implementation report tabled for shareholder consideration at the AGM on 6 December 2018 was not supported by the required 75% of shareholders present or represented by proxy at the AGM. Consequently, a meeting with shareholders was held on 28 January 2019 attended by independent non-executive director, Mike Bosman, remuneration committee member, Mntungwa Morojele, and representatives of shareholders, Investec, Coronation, Allan Gray and Aylett Fund Managers. The following key issues were brought to the attention of the committee:
- The weighting of variable remuneration compared to guaranteed remuneration for executives needs to be reconsidered in that the variable remuneration element is not a significant component of total executive remuneration.
- The return on equity ("ROE") requirements of 15% as a performance hurdle for both the short-term incentive ("STI") and long-term incentive ("LTI") is inadequate.
- The impact of acquisitions should be excluded from adjusted HEPS in the first year of acquisition, in the determination of the STI and LTI performance measures.
- It was suggested that executives be required to hold shares in the company and that shares issued in terms of the LTI schemes should only be capable of being sold when certain benchmarks have been achieved.

The committee notes as follows with regards to the matters raised by shareholders:
- It is acknowledged that the variable remuneration of executives has not been a significant component of total remuneration. Part of the reason for this is that the group's financial performance has not improved significantly over the past number of years, and consequently, the company's share price has not increased significantly. The previous incentive schemes therefore had the intended consequence of not rewarding executives for mediocre performance. The current schemes make provision for a far greater proportion of variable remuneration, in the event that performance targets are met, as demonstrated in the table included in the illustration of potential consequences on executive remuneration section of this report on page 84.
- Guaranteed remuneration of executives is a function of market demand and supply. The committee is of the view that the guaranteed remuneration of executives is not incongruent with the market, based on benchmark information available (refer to the executive remuneration section of this report on page 86). Nevertheless, increases in executive remuneration have been below CPI, and lower than all other employees, over the past three years, in an effort to address the balance between guaranteed and variable remuneration.
- Achievement of the ROE target of 15% results in only 50% of vesting. With regards to the existing share appreciation rights ("SARs") in issue and the 2019 STI, ROE of 17.25% needs to be achieved for full vesting. It is acknowledged that this target is low, and for the 2020 STI and future SARs, an ROE target of 17% has been implemented (refer to the performance hurdles in respect of LTI awards not yet vested table on page 88 of this report).

REMUNERATION COMMITTEE REPORT

- The exclusion of acquisitions from the determination of performance measures was considered by the committee. In this regard, the committee is of the view that if shareholders benefit from increased dividends and potential share price appreciation, participants of the scheme should similarly share in the benefits. It is assumed that the real concern of shareholders relates to the risk of "buying of profits" to unjustifiably increase incentives in the short term, while destroying shareholder value in the medium to long term. The committee is of the view that the ROE performance requirement for the LTI and STI is designed to mitigate this risk.
- With regards to director share ownership, it would be difficult to enforce directors acquiring shares privately as the financial circumstances of each director and executive is different. The current LTI makes provision for a two-year holding period subsequent to vesting. As the scheme begins to roll after the third year of being in effect, in the event that shares vest, the directors and executives could, over time, accumulate a material value of shares. Nevertheless, the committee is giving this recommendation further consideration.

Key areas of focus for the year

The committee was reconstituted during the year, following the retirement of Mr Dean Hyde in December 2018 and the appointment of Professor Shirley Zinn and Mr Mike Bosman in June 2019 to the committee. The committee members have needed time to consider all stakeholders' views in formulating a new remuneration strategy. This will be the focus for the year ahead.

The 2019 year was the first year of implementation for the new STI. The third tranche of forfeitable share plan ("FSP") shares and SARs were awarded in November 2018, taking into consideration the amendments reported in last year's report, following engagement with stakeholders prior to that. The committee is intent on assessing how the application of the new STI and revised performance criteria for the LTI will impact on individual performance.

A key project undertaken during the year was a group-wide job grading exercise, incorporating an internal and external market benchmarking exercise. The project work was concluded in August 2019 (subsequent to the increases in guaranteed remuneration effective 1 July 2019). The findings are still being interrogated by the executives and the committee, and a strategy to implement remedial action is imminent.

The job grading has culminated in a new guaranteed pay model for the group. Outliers, those earning above and below the pay model, have been identified. The key findings of the project include that, generally:

- The group's remuneration is below the market 50th percentile, with the gap to market being more pronounced at lower employment levels. This will need to be addressed over a period of time to avoid a significant one-off increase in employment costs.
- There are inconsistencies within the organisation within each pay band that will need to be addressed over time.

The group's focus will be first on addressing the inconsistencies with its own proposed pay model and, once that has been remedied, to then over time, align the pay model with a more acceptable market benchmark.

1.5% of the group's local salary bill has been earmarked for correcting guaranteed remuneration of individuals who are unjustifiably paid below the new proposed pay model. This will be implemented with effect from 1 July 2019. It is anticipated that similar adjustments will be made for the next two years to bring all employees in line with the new pay model. Those employees who are unjustifiably earning above the new pay model will need to be engaged with in order to remedy these discrepancies over time.

The committee engaged more proactively with shareholders during the year.

Use of service providers

The group has engaged the services of Cebano Consultants (Pty) Ltd to undertake the group-wide job grading project, including internal and external benchmarking of guaranteed remuneration, culminating in the establishment of a group-wide pay model.

The group has furthermore utilised market data for the aforementioned remuneration benchmarking exercise, supplied by PE Corporate Services (Pty) Ltd.

The committee is satisfied with the independence and objectivity of the service providers.

Effectiveness of Remuneration Policy

The committee is of the view that the current Remuneration Policy is effective in achieving its stated objectives but acknowledges that continuous review of policies, practices and incentive schemes is an imperative.

FUTURE FOCUS AREAS

The implementation of the group-wide job grading and new pay model is being prioritised. As mentioned above, the strategy will be to, in the first instance, address internal anomalies and bring all employees in line with new pay model, which is anticipated to take approximately three years; and in the second instance, to align the group's pay model to more acceptable market-related levels.

The committee will also, in due course, review the group's STI and LTI schemes to ensure that these actively reward and encourage implementation of strategies that will create material value for stakeholders. This will require the inclusion of objectively quantifiable and robust key performance metrics.

The committee is committed to more regular and proactive engagement with shareholders.

PART 2: OVERVIEW OF REMUNERATION POLICY

The full Remuneration Policy is available online at www.spurcorporation.com/investors/results-centre/.

The purpose of the group's Remuneration Policy is to provide the group with a framework within which to determine and approve organisation-wide remuneration which will attain the policy's overall objective, namely to articulate and effect fair, responsible and transparent remuneration.

By implementing the Remuneration Policy, in conjunction with other HR-related policies, the group aims to maintain a positive, quality, motivated workforce which operates responsibly within an ethical culture. This in turn will maximise shareholder value.

To achieve this, the Remuneration Policy is based fundamentally on the following principles:

- Adherence to principles of good corporate governance and regulatory frameworks
- Alignment to the overall business strategy, objectives and values of the group
- "Horizontal fairness" is applied. Employees performing similar job requirements at the same or similar level of performance in the organisation receive the same or similar levels of remuneration. The following standardised considerations are taken into account:
  - seniority or length of service;
  - qualifications, ability, competence, potential;
  - shortage of relevant skill in a particular job classification; and
  - work performance
- "Vertical fairness" is applied. Differences in total remuneration between different job levels can be explained and justified on a consistent basis
- Ensuring that executive management's remuneration is fair and responsible within the context of overall, organisation-wide employee remuneration
- Remuneration for executive and senior management is to be balanced between guaranteed remuneration, and STI and LTI schemes which are aligned to positive strategic outcomes and shareholder interests
- The group targets remuneration at the median of benchmarked remuneration levels
- Over the medium term, the group intends to assess positive outcomes across the various contexts in which the group operates, namely, people (social), planet (environmental) and profit (economic)
- The group's performance management system aims to, *inter alia*, identify and reward individual performance

Elements of remuneration

Remuneration consists of the following elements:

- Total guaranteed pay
- 13th cheque and STI
- LTI, including
  - Equity-settled FSP retention scheme
  - Equity-settled SAR incentive scheme

Total guaranteed pay

Total guaranteed pay comprises basic cost-to-company ("CTC") and, in certain instances where employees regularly and routinely are required to travel for business purposes, a travel allowance or company car.

The CTC amount comprises a cash salary, medical aid contribution and provident fund contribution where the cash salary is determined as the CTC amount less the employee's cost of medical aid and contribution to the provident fund. Employees are required to be covered by medical aid and be a member of the group's provident fund. Contributions to the provident fund include group life and disability cover.

The following prevalent details or principles apply to CTC and increases thereon:

- CTC is largely based on competitive benchmarking undertaken from time to time. On an *ad hoc* basis, remuneration information on market-related remuneration packages are specifically requested from reputable service providers to perform a comparison.
- Consideration is given to "horizontal fairness" and "vertical fairness".
- CTC is fixed for a period of 12 months and is subject to an annual review with effect from 1 July each year.
- Increases are based on inflation, individual KPIs, benchmarking exercises, core skills, changes in responsibilities and group financial performance measures. Increases (excluding those of executive directors) are proposed by the relevant line managers, reviewed and recommended by the CFO and COO and reviewed and approved by the group CEO.
- Executive directors' increases in CTC are recommended by the CEO, reviewed and endorsed by the remuneration committee, and approved by the board. The board approves the CEO's remuneration, subject to the recommendation of the remuneration committee.

Travel allowances are increased by inflation annually.

Company cars are granted at the discretion of the company. The type of vehicle is at the company's discretion.

13th cheque and STI

Employees participate in either the STI scheme or a 13th cheque, depending on their position and seniority.

Participants of the STI scheme are middle management and higher-level employees, who have been determined to have sufficient discretionary managerial or executive (depending on the status of the eligible employee) decision-making authority, influence and ability in order to be able to have a meaningful impact on the financial performance of the group. The 13th cheque scheme is available to all other employees that do not form part of the STI scheme.

STI

The purpose of the STI is to align the interests of eligible employees with those of shareholders in the short term i.e. based on profits.

Effective from the 2019 financial year onwards

Step	Description		
Determine bonus pool and allocate to individual participants	Maximum bonus: – Executive management – 4 x monthly CTC – Senior management – 3 x monthly CTC – Middle management – 2 x monthly CTC		
Allocation of maximum bonus to three elements of bonus	**Personal performance bonus** – 20% of maximum bonus	**Group performance bonus** – 15% of maximum bonus	**Divisional performance bonus** – 65% of maximum bonus
Determine financial performance bonus – financial performance criteria applied	None	A factor of between 33% and 100% applied to **group performance bonus** for achievement of between CPI[#] and stretch target[$] growth in adjusted HEPS^	A factor of between 33% and 100% applied to **divisional performance bonus** for achievement of between CPI[#] and stretch target[$] growth in operating profit*
		For executive directors: A factor of between 0% and 100% applied to **group performance bonus** for ROE of between 85% and 115% of on-target ROE[@]	
Determine potential bonus payment – personal performance applied	A factor of between 0% and 100% applied to **personal, group and divisional performance bonuses** based on personal performance		
Determine actual bonus payment	Aggregate bonuses paid may not exceed 50% of the extent to which actual profit has grown ahead of profit growth at CPI. This determination is made for each business unit and the group as a whole. Provided that: participants will receive a minimum bonus payment of one month's CTC in the event that profit growth is at least CPI, subject to personal performance.		

[#] Expected CPI for the year as determined at the beginning of the financial year.
[$] Stretch target is determined each year by the committee.
^ HEPS adjusted to include any impairments and reversals of impairments, exclude the cost of incentive schemes and marketing funds, and any other adjustment, at the discretion of the remuneration committee, that is required to ensure that any awards or vesting are fair and responsible.
* "Divisional financial performance factor" for non-profit generating units is the weighted average "divisional financial performance factor" for all profit generating units. "Divisional financial performance factor" for executive directors is the same as the "group financial performance factor".
[@] On-target ROE for any subsequent year cannot be lower than the previous year's target.

Financial performance is determined with reference to growth on the prior year relative to CPI. While the exact performance criteria are at the discretion of the committee, the minimum financial performance criterion is growth of at least CPI. For executive directors, an additional requirement to achieve a targeted ROE is applicable.

STI bonus payments are determined by the group chief executive officer in accordance with the rules of the scheme approved by the committee. Payments to executive directors are reviewed and approved by the remuneration committee in advance.

13th cheques

13th cheques are determined at the discretion of the executive board and the remuneration committee, based on the financial performance of the group and each individual's annual performance results. Depending on the financial performance of the group, a full or partial 13th cheque may be declared. Each individual's participation is limited to a maximum of one month's CTC.

13th cheques are proposed by the relevant line managers, based on individual performance, reviewed and recommended by the CFO and COO, and reviewed and approved by the CEO.

LTI

Equity-settled FSP employee retention scheme and SAR incentive scheme (first tranche awarded April 2016)
At the AGM on 4 December 2015, shareholders approved the Spur Group FSP and SAR schemes, in terms of which a maximum of 3 254 428 and 7 593 665 shares respectively may be awarded to employees and directors.

Element	FSP retention scheme	SAR incentive scheme
Structure	Granting of free shares Equity-settled	Granting of SARs with benefits dependent on the increase in the value of the rights awarded. The increase in value of the right (determined on a 10-day volume-weighted average price) over the vesting period is settled in shares on the vesting date. Equity-settled
Period	Ownership, voting rights and dividends will vest with the beneficiaries after three years, but participants will be restricted from trading in the shares for a further two years	
Available to	Executives Senior management Middle management	Executives Senior management
Performance conditions	For awards granted from 1 July 2018, personal KPIs applied at grant date only.	ROE and compounded annual growth in adjusted HEPS (HEPS adjusted to include any impairments and reversals of impairments, and exclude the cost of incentive schemes and marketing funds) relative to CPI over the vesting period. Performance conditions are applied at the vesting date. Personal KPIs applied on vesting.

Equity-settled FSP employee retention scheme
The FSP is used as a mechanism for the retention of employees and, as such, has no vesting criteria other than the requirement to remain employed by the group for a period of three years from the grant date. This plan increases the commitment and interest of employees in the group's long-term business goals and performance through share ownership.

The annual allocation of FSP shares and the participants of the scheme are recommended by executive management but subject to the approval of the committee and the board.

For any FSP shares awarded subsequent to 1 July 2018:
- directors may not participate in the scheme;
- granting will be subject to personal performance criteria;
- terms will include malice and/or clawback provisions which will require forfeiture and/or repayment in the event of material misstatement of financial results or major reputational, environmental or economic disaster where the participant was involved in and/or accountable for such event; and
- participation and allocations will be more consistently applied based on employment levels. For 2020, senior management will be awarded 5 000 shares, and middle management 4 000 shares depending on seniority, or a proportion of this number, subject to personal performance criteria at grant date.

While the rules of the scheme provide that the maximum allocation at any time per participant cannot exceed 162 721, it is not anticipated that any participant will exceed 50 000 shares in aggregate at any point in time.

Equity-settled SAR employee incentive scheme
This scheme is available to executive directors and senior managers, whose sphere of influence is anticipated to be able to impact on the share price. The scheme increases the commitment and interest of these participants in the group's long-term business goals and performance through share ownership. It is an incentive for the employees to execute and enhance the group's future performance and growth strategies.

The participants of the scheme are recommended by executive management but subject to the approval of the committee and the board.

Vesting criteria include a three-year employment period from grant date, ROE targets, and specified growth targets in adjusted HEPS relative to inflation over three years, as determined by the committee.

REMUNERATION COMMITTEE REPORT

For any SARs awarded subsequent to 1 July 2018:

- a minimum growth target in adjusted HEPS of CPI (nominal annual, compounded annually, over the initial vesting period) has to be achieved in order for any rights to vest;
- vesting will be subject to personal performance criteria;
- terms will include malice and/or clawback provisions which will require forfeiture and/or repayment in the event of material misstatement of financial results or major reputational, environmental or economic disaster where the participant was involved in and/or accountable for such event; and
- participation and allocations will be more consistently applied based on employment levels. In particular, the number of rights will be determined based on the expected aggregate value of the rights and FSP shares (where applicable) on vesting, applying on-target vesting criteria as a multiple of monthly CTC:
  - CEO – five times monthly CTC
  - CFO and COO – four times monthly CTC
  - executive committee management team – three times monthly CTC
  - other senior management – two times monthly CTC
  - subject to a minimum of the equivalent of 10 000 shares in aggregate for the FSP and SAR schemes per participant, before personal performance criteria being applied on grant date.

The maximum allocation at any time per participant cannot exceed the equivalent of 379 682 shares.

Termination benefits

No employment agreements provide for any termination benefits, other than those required by law. Termination benefits are not paid, except in circumstances where it is in the group's interests to do so.

Performance measures used to assess achievement of strategic objectives

The table below identifies the performance measures applicable to variable remuneration and how these are linked to positive outcomes:

Achievement of strategic objectives	STI	LTI
Growth in profit in short and medium term	Executives – growth in adjusted HEPS relative to CPI over one year (80% weighting) Participants other than executives – growth in operating profit (65% weighting) and growth in adjusted HEPS (15% weighting) relative to CPI over one year	SAR: Growth in adjusted HEPS relative to CPI over three years SAR: ROE target to be achieved SAR: Growth in share price
Efficient use of capital (shareholder alignment)	Executives – ROE target to be achieved Participants other than executives – none	
Growth in share price (shareholder alignment)	–	
Individual performance excellence	Performance appraisal rating (STI on payment; FSP on grant date; SAR on vesting date)	

Illustration of potential consequences on executive remuneration

The section that follows seeks to provide an indication of the potential results of the STI and LTI schemes on executive remuneration.

The targets below assume an expected inflation rate of 4.5% for the year ahead (in the case of the STI) and for the duration of the LTI vesting period (in the case of the LTI).

STI performance measure	Impact
Growth in adjusted HEPS over one year	**Proportion of bonus pool paid**
<4.5% (CPI) (threshold)	0%
4.5% – 6.5% (on-target)	33% – 50%
6.5% – 10.5% (stretch)	50% – 100%
ROE	
<14.45% (85% of target of 17%)	0%
14.45% – 17% (100% of target of 17%)	0% – 50%
17% – 19.55% (115% of target of 17%)	50% – 100%
Individual performance rating	**Proportion of bonus calculated paid**
<75%	0%
75% – 85%	50% – 80%
85% – 90%	80% – 100%

Where STI payment = (80% of maximum bonus x profit growth factor x ROE factor x individual performance factor) + (20% of maximum bonus x individual performance factor), subject to capping limits and minimum of one month's CTC in the event of growth of CPI (further subject to individual performance rating).

LTI performance measure	Impact
Growth in adjusted HEPS (nominal annual compounded annually over three-year vesting period)	**Proportion of rights vesting**
<4.5% (CPI) (threshold)	0%
4.5% – 6.5% (on-target)	33% – 50%
6.5% – 10.5% (stretch)	50% – 100%
ROE	
<14.45% (85% of target of 17%)	0%
14.45% – 17% (100% of target of 17%)	0% – 50%
17% – 19.55% (115% of target of 17%)	50% – 100%
Individual performance rating	
<75%	0%
75% – 85%	50% – 80%
85% – 90%	80% – 100%

Where total number of rights vesting = number of rights granted x financial performance factor x ROE factor x individual performance rating factor.

The table below illustrates the impact on executive remuneration for the 2020 financial year based on various scenarios where CPI is assumed to be 4.5%:

Maximum bonus declared/rights vesting

Executive management	2020 annual CTC R'000	Bonus pool R'000	Individual performance rating %	Proportion of bonus paid %
STI				
Group CEO	6 199	2 066	>90	100.0
			85	80.0
			75	50.0
			<75	–
Group COO	3 986	1 329	>90	100.0
			85	80.0
			75	50.0
			<75	–
Group CFO	3 245	1 082	>90	100.0
			85	80.0
			75	50.0
			<75	–

[#] For STI, growth refers to growth over one year

	Number of rights awarded	Individual performance rating %	Proportion of rights vesting %
LTI			
Group CEO	1 129 240	>90	100.0
		85	80.0
		75	50.0
		<75	–
Group COO	580 924	>90	100.0
		85	80.0
		75	50.0
		<75	–
Group CFO	472 798	>90	100.0
		85	80.0
		75	50.0
		<75	–

* Gross value on vesting assumes a grant date share price of R22 and that share price grows in line with profit over the vesting period

[#] For LTI, growth refers to nominal rate compounded annually over the vesting period of the rights

		Individual performance rating %	Proportion based on individual performance %
Total variable remuneration			
Group CEO	6 199	>90	100.0
		85	80.0
		75	50.0
		<75	–
Group COO	3 986	>90	100.0
		85	80.0
		75	50.0
		<75	–
Group CFO	3 245	>90	100.0
		85	80.0
		75	50.0
		<75	–

Growth in adjusted HEPS (assuming ROE stretch target achieved)						ROE (assuming growth in adjusted HEPS on-target achieved)			
At threshold (4.5%#)		At target (6.5%#)		At stretch (10.5%#)		At target (17%)		At stretch (19.55%)	
33%		50%		100%		50%		100%	
Bonus (R'000)	% of annual CTC	Bonus (R'000)	% of annual CTC	Bonus (R'000)	% of annual CTC	Bonus (R'000)	% of annual CTC	Bonus (R'000)	% of annual CTC
959	15.5	1 240	20.0	2 066	33.3	827	13.3	1 240	20.0
767	12.4	992	16.0	1 653	26.7	661	10.7	992	16.0
479	7.7	620	10.0	1 033	16.7	413	6.7	620	10.0
–	0.0	–	0.0	–	0.0	–	0.0	–	0.0
617	15.5	797	20.0	1 329	33.3	531	13.3	797	20.0
493	12.4	638	16.0	1 063	26.7	425	10.7	638	16.0
308	7.7	399	10.0	664	16.7	266	6.7	399	10.0
–	0.0	–	0.0	–	0.0	–	0.0	–	0.0
502	15.5	649	20.0	1 082	33.3	433	13.3	649	20.0
402	12.4	519	16.0	865	26.7	346	10.7	519	16.0
251	7.7	325	10.0	541	16.7	216	6.7	325	10.0
–	0.0	–	0.0	–	0.0	–	0.0	–	0.0

Gross value on vesting* (R'000)	% of annual CTC	Gross value on vesting* (R'000)	% of annual CTC	Gross value on vesting* (R'000)	% of annual CTC	Gross value on vesting* (R'000)	% of annual CTC	Gross value on vesting* (R'000)	% of annual CTC
1 168	18.8	2 583	41.7	8 676	140.0	1 292	20.8	2 583	41.7
934	15.1	2 066	33.3	6 941	112.0	1 033	16.7	2 066	33.3
467	7.5	1 033	16.7	3 470	56.0	517	8.3	1 033	16.7
–	0.0	–	0.0	–	0.0	–	0.0	–	0.0
602	15.1	1 329	33.3	4 463	112.0	664	16.7	1 329	33.3
481	12.1	1 063	26.7	3 571	89.6	532	13.3	1 063	26.7
241	6.0	532	13.3	1 785	44.8	266	6.7	532	13.3
–	0.0	–	0.0	–	0.0	–	0.0	–	0.0
489	15.1	1 082	33.3	3 633	111.9	541	16.7	1 082	33.3
391	12.1	865	26.7	2 906	89.6	433	13.3	865	26.7
196	6.0	433	13.3	1 453	44.8	216	6.7	433	13.3
–	0.0	–	0.0	–	0.0	–	0.0	–	0.0

Total variable remune-ration (R'000)	% of annual CTC	Total variable remune-ration (R'000)	% of annual CTC	Total variable remune-ration (R'000)	% of annual CTC	Total variable remune-ration (R'000)	% of annual CTC	Total variable remune-ration (R'000)	% of annual CTC
2 127	34.3	3 823	61.7	10 742	173.3	2 118	34.2	3 823	61.7
1 701	27.4	3 058	49.3	8 594	138.6	1 694	27.3	3 058	49.3
947	15.3	1 653	26.7	4 504	72.7	930	15.0	1 653	26.7
–	0.0	–	0.0	–	0.0	–	0.0	–	0.0
1 218	30.6	2 126	53.3	5 792	145.3	1 196	30.0	2 126	53.3
975	24.5	1 701	42.7	4 634	116.2	957	24.0	1 701	42.7
549	13.8	930	23.3	2 450	61.5	531	13.3	930	23.3
–	0.0	–	0.0	–	0.0	–	0.0	–	0.0
991	30.5	1 731	53.3	4 714	145.3	973	30.0	1 731	53.3
793	24.4	1 384	42.7	3 771	116.2	779	24.0	1 384	42.7
447	13.8	757	23.3	1 994	61.4	433	13.3	757	23.3
–	0.0	–	0.0	–	0.0	–	0.0	–	0.0

REMUNERATION COMMITTEE REPORT

Fair and responsible remuneration of executives relative to overall employee remuneration

The policy requires that a benchmarking analysis of all employees is to be conducted every five years. As indicated earlier in this report, this exercise was concluded in August 2019. The new pay model of the group seeks to provide a reasonable progression of guaranteed pay from the most junior to the most senior employee, relative to market.

The exercise has highlighted a number of discrepancies where employees are paid above and below the pay model and these will be addressed over a period of an estimated three years.

Use of benchmarks

A formal benchmarking of group-wide remuneration was concluded in August 2019. The committee and management will finalise a strategy to address the findings of the benchmark in due course.

Executive directors' service contracts

Executive directors have varying notice periods in terms of their employment contracts, ranging between a one-month to a six-month period. Mr Pierre van Tonder has a six-month notice period, Mr Mark Farrelly has a three-month notice period, and Mr Phillip Matthee has a one-month notice period.

The executive directors are restrained, by agreement, from any involvement in businesses associated with competing brands for the duration of their employment and for a period of two years following their termination of employment.

Basis for setting fees of non-executive directors

The board as a whole determines fees to non-executive directors for membership on the board and board committees. The board is of the opinion that such fees are market-related and commensurate with the time and effort required by the directors to undertake their duties. Fees are compared to the data contained in the *Non-executive directors: Practices and fees trends report* issued by PwC from time to time.

At the AGM on 6 December 2018, shareholders approved the remuneration of directors for services as directors at R425 000 per annum, and remuneration of the chairman at R650 000 per annum with effect from 1 July 2018. Following changes in the composition of the board and the restructuring of subcommittees during the year, shareholders will be asked to approve, at the AGM on 6 December 2019, directors' fees with effect from 1 July 2019 as follows:

No non-executive directors participate in any incentive schemes and their remuneration is not linked to the performance of the group or its share performance.

Details of fees paid to non-executives are included in note 37 of the consolidated financial statements on page 175 of this report.

PART 3: IMPLEMENTATION OF REMUNERATION POLICY

Executive remuneration

Annual increase in CTC

CTC for executive directors was increased by 5% with effect from 1 July 2018. A 3% increase has been approved with effect from 1 July 2019.

As referred to above, the job grading and benchmarking exercises undertaken by the group during the year were finalised in August 2019. Based on this, executive directors' remuneration for 2020 is as follows:

Director	% of market median	% of market 75th percentile
Pierre van Tonder	119	87
Mark Farrelly	132	96
Phillip Matthee	110	80

In light of the above, the committee is satisfied that guaranteed remuneration is fair relative to the market.

As in 2018, taking cognisance of the impact of above-inflation increases in basic goods and services on lower earners and the desire to maintain standards of living, the group applied a staggered increase in guaranteed remuneration for the 2019 financial year in an effort to address internal inequality and further reduce the wage gap between high and low earners. The range of increases applied was narrowed from between 3% and 14% in the 2018 financial year, to between 5% and 10% in the 2019 financial year.

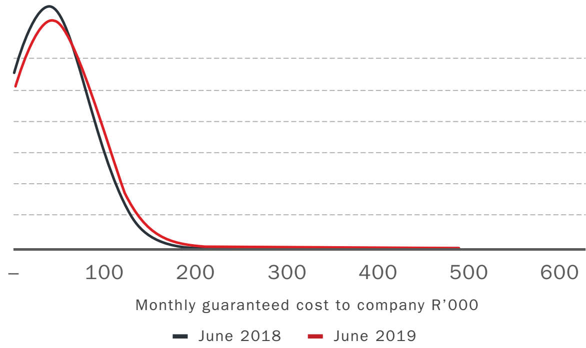
<table>
<tr><th>R'000 per annum</th><th>Proposed fee 2020</th><th>Actual fee 2019</th></tr>
<tr><td>Chairman of the board</td><td>975</td><td>650</td></tr>
<tr><td>Member of board</td><td>425</td><td rowspan="5">425</td></tr>
<tr><td>Chair/member of audit committee</td><td>80/40</td></tr>
<tr><td>Chair/member of nominations and remuneration committee</td><td>75/30</td></tr>
<tr><td>Chair/member of social, ethics and environmental sustainability committee</td><td>75/30</td></tr>
<tr><td>Member of risk committee</td><td>30</td></tr>
</table>

Increases in guaranteed remuneration for the 2019 financial year were applied as follows:

Average monthly CTC (June 2018) R	Increase granted effective July 2018 %	Proportion of workforce %
17 958	10	15.2
17 785	9	15.2
29 242	8	19.5
52 810	7	35.5
62 489	6	5.7
86 917	5	8.9

The result of the above is a shift in the Gini Coefficient of the group's workforce from 0.467 in 2017 to 0.452 in 2018 to 0.428 in 2019, which indicates a decline in income inequality and demonstrates the group's commitment to ensuring that executive remuneration is fair and reasonable in relation to remuneration of other employees within the group. This is further demonstrated by the change in distribution of the company's monthly CTC as illustrated in the diagram below:

DISTRIBUTION OF COMPANY WORKFORCE MONTHLY GUARANTEED COST TO COMPANY



The 2019 distribution is slightly flatter than that of 2018, indicating less variability in CTC across the group's workforce.

Total remuneration of executive directors

R'000	CTC[1]	Travel allowance	STI[2]	LTI[3]	Severance	Total cash received[4]	LTI awards[5]	Prior year STI excluded[6]	Current year STI[7]	Total remu-neration[8]	LTI IFRS 2 charge[9]
2019											
Executive directors											
Allen Ambor	2 904	–	–	–	–	**2 904**	–	–	–	**2 904**	–
Pierre van Tonder	6 057	–	446	320	–	**6 823**	4 731	(446)	502	**11 610**	517
Mark Farrelly	3 871	–	287	213	–	**4 371**	2 434	(287)	323	**6 841**	258
Phillip Matthee	3 150	–	233	107	–	**3 490**	1 981	(233)	263	**5 501**	226
Prescribed officer											
Kevin Robertson	2 570	226	190	213	–	**3 199**	1 616	(190)	214	**4 839**	211
2018											
Executive directors											
Allen Ambor	4 356	–	–	–	–	**4 356**	–	–	–	**4 356**	(30)
Pierre van Tonder	5 732	–	219	–	–	**5 951**	–	(219)	446	**6 178**	15
Mark Farrelly	3 686	–	176	–	–	**3 862**	–	(176)	287	**3 973**	3
Ronel van Dijk (resigned 31 March 2018)	2 443	–	124	–	3 280	**5 847**	–	(124)	–	**5 723**	(129)
Phillip Matthee (appointed 1 April 2018)	750	–	–	–	–	**750**	–	–	233	**983**	10
Prescribed officer											
Kevin Robertson	2 448	226	117	–	–	**2 791**	–	(117)	190	**2 864**	32

Footnotes

1 CTC is shown as a single amount and includes provident fund and medical contributions. As the costs of these benefits form part of the guaranteed CTC, the allocation between the benefits has no impact on the total.
2 STI awards paid in the current year, but in respect of performance relating to the prior year
3 Cash or cash equivalent of LTI awards vested during the year
4 Represents the total value of cash or cash equivalents received during the year
5 LTI awards granted during the year, valued at grant date fair value
6 Relates to prior year and therefore excluded from determination of total remuneration relating to current year
7 For 2019, current year STI is best estimate at the time of drafting this report; for 2018, current year STI is actual STI payment in 2019 relating to 2018.
8 Total remuneration in respect of current financial year
9 Share-based payment expense determined in accordance with IFRS 2 and relates to all LTI awards that vested during the year, as well as those that remain unvested as at the end of the financial year. Disclosed for completeness, but not included in total remuneration as the fair value of awards granted in the year is already included in total remuneration

REMUNERATION COMMITTEE REPORT

Details of LTI awards granted in previous years that have not yet vested, and those which have vested during the current year are detailed in the tables below.

Refer to note 37 of the consolidated financial statements on page 175 of this report for further details of directors' remuneration.

LTI

LTI awards during the year

The third tranche of LTIs was awarded in November 2018, details of which are included in the table below.

LTI awards not yet vested at reporting date

	Number of shares/ awards granted	Grant date strike price	Fair value at grant date (each) R	Fair value at grant date R	Grant date	Vesting date	Free to trade date	Fair value at reporting date (each) R	Fair value at reporting date R	Fair value at reporting date expected to vest# R
Pierre van Tonder										
2nd tranche FSP	15 000	N/A	23.03	345 450	3/4/2017	2/4/2020	1/4/2022	19.16	287 400	287 400
2nd tranche SAR	533 546	33.15	5.36	2 859 807	3/4/2017	2/4/2020	1/4/2022	0.76	405 495	–
3rd tranche SAR	963 582	23.13	4.91	4 731 188	26/11/2018	25/11/2021	24/11/2023	5.00	4 817 910	2 218 765
Mark Farrelly										
2nd tranche FSP	10 000	N/A	23.03	230 300	3/4/2017	2/4/2020	1/4/2022	19.16	191 600	191 600
2nd tranche SAR	460 790	33.15	5.36	2 469 834	3/4/2017	2/4/2020	1/4/2022	0.76	350 200	–
3rd tranche SAR	495 703	23.13	4.91	2 433 902	26/11/2018	25/11/2021	24/11/2023	5.00	2 478 515	1 141 416
Phillip Matthee										
2nd tranche FSP	5 000	N/A	23.03	115 150	3/4/2017	2/4/2020	1/4/2022	19.16	95 800	95 800
2nd tranche SAR	97 008	33.15	5.36	519 963	3/4/2017	2/4/2020	1/4/2022	0.76	73 726	–
3rd tranche SAR	403 439	23.13	4.91	1 980 885	26/11/2018	25/11/2021	24/11/2023	5.00	2 017 195	928 967
Kevin Robertson*										
2nd tranche FSP	10 000	N/A	23.03	230 300	3/4/2017	2/4/2020	1/4/2022	19.16	191 600	191 600
2nd tranche SAR	315 277	33.15	5.36	1 689 885	3/4/2017	4/2/2020	1/4/2022	0.76	239 611	–
3rd tranche SAR	329 126	23.13	4.91	1 616 009	26/11/2018	25/11/2021	24/11/2023	5.00	1 645 630	757 853

* Prescribed officer.
\# Calculated based on weighted probability of non-market performance conditions being met, as at the reporting date.

Performance hurdles in respect of LTI awards not yet vested

Vesting criteria	Tranche 2 FSP (April 2017)	Tranche 2 SAR (April 2017)	Tranche 3 SAR (November 2018)
Service condition	Remain employed for duration of vesting period		
ROE	–	15% for vesting period	12.75% – 17.25%: 0% to 100% vesting
Growth in HEPS*	–	0% – CPI: 0% to 25% vesting CPI – CPI+2%: 25% to 50% vesting CPI+2% – CPI+3%: 50% to 80% vesting CPI+3% – CPI+4%: 80% to 100% vesting	<CPI: 0% vesting CPI – CPI+2%: 33% to 50% vesting CPI+2% – CPI+6%: 50% to 100% vesting
Personal performance criteria	None		<75%: 0% vesting 75% – 85%: 50% to 80% vesting 85% – 90%: 80% to 100% vesting

* Growth in HEPS for the second tranche is based on comparable HEPS, while growth in HEPS for the third tranche is based on adjusted HEPS (excluding foreign exchange, cost of incentive schemes and marketing funds, but including all impairments and reversals of impairments), calculated as a nominal annual compounded annually increase over the respective vesting periods.

The financial performance criteria for the second tranche of SARs have not been met as at 30 June 2019 and none of the rights are expected to vest. As at the reporting date, based on a weighted probability, 46.1% of the third tranche of SARs are anticipated to vest on their vesting date.

LTI awards vested during the year

	Number of shares/ awards granted	Grant date strike price	Fair value at grant date (each) R	Fair value at grant date R	Grant date	Vesting date	Free to trade date	Fair value at vesting date (each) R	Fair value at vesting date R	Fair value of benefit to participant R
Pierre van Tonder										
1st tranche FSP	15 000	N/A	19.57	293 550	1/4/2016	1/4/2019	31/3/2021	21.32	319 800	319 800
1st tranche SAR	409 213	29.4	6.40	2 618 963	1/4/2016	1/4/2019	31/3/2021	–	–	–
										319 800
Mark Farrelly										
1st tranche FSP	10 000	N/A	19.57	195 700	1/4/2016	1/4/2019	31/3/2021	21.32	213 200	213 200
1st tranche SAR	353 411	29.4	6.40	2 261 830	1/4/2016	1/4/2019	31/3/2021	–	–	–
										213 200
Phillip Matthee										
1st tranche FSP	5 000	N/A	19.57	97 850	1/4/2016	1/4/2019	31/3/2021	21.32	106 600	106 600
1st tranche SAR	74 402	29.4	6.40	476 173	1/4/2016	1/4/2019	31/3/2021	–	–	–
										106 600
Kevin Robertson*										
1st tranche FSP	10 000	N/A	19.57	195 700	1/4/2016	1/4/2019	31/3/2021	21.32	213 200	213 200
1st tranche SAR	241 808	29.4	6.40	1 547 571	1/4/2016	1/4/2019	31/3/2021	–	–	–
										213 200

* Prescribed officer

The first tranche of FSP shares (granted in April 2016) vested during the year. As the vesting date price of the first tranche of SARs (awarded in April 2016) was lower than the grant date strike price, the rights had no value on vesting and accordingly lapsed on the vesting date.

REMUNERATION COMMITTEE REPORT

STI

The maximum bonuses due to executives for the 2019 financial year was determined as four times monthly CTC.

The performance hurdles set by the committee for the 2019 financial year were:

Criteria	Qualifying thresholds	Percentage of bonus
Financial performance (growth in adjusted HEPS)	<5% (CPI)	0% of maximum bonus
	5% – 7%	33% to 50% of maximum bonus
	7% – 11%	50% to 100% of maximum bonus
Financial performance (ROE)	12.75% – 17.25%	0% to 100% of maximum bonus
Personal performance	<75%	0% of calculated bonus
	75% to 85%	50% to 80% of calculated bonus
	85% to 90%	80% to 100% of calculated bonus

In light of the sombre state of the local economy, the committee is satisfied that the above thresholds represent reasonable targets deserving of incentivisation.

The table below details the application of the performance criteria to the determination of the STI bonus for executives. This is based on the best available information at the time of drafting this report.

		Financial performance		Personal performance		
	Maximum bonus R	Achievement of target	Bonus factor %	Rating %	Bonus factor %	Bonus payable R
Pierre van Tonder	2 006 272					501 568
Personal performance (20%)	401 254	N/A	N/A	91.3	100.0	401 254
Group financial performance (80%)	1 605 017	9.7% increase in adjusted HEPS; ROE of 18.6%; capped by available bonus pool	6.3	91.3	100.0	100 314
Mark Farrelly	1 290 129					322 532
Personal performance (20%)	258 026	N/A	N/A	93.0	100.0	258 026
Group financial performance (80%)	1 032 103	9.7% increase in adjusted HEPS; ROE of 18.6%; capped by available bonus pool	6.3	93.0	100.0	64 506
Phillip Matthee	1 050 000					262 500
Personal performance (20%)	210 000	N/A	N/A	90.5	100.0	210 000
Group financial performance (80%)	840 000	9.7% increase in adjusted HEPS; ROE of 18.6%; capped by available bonus pool	6.3	90.5	100.0	52 500
Kevin Robertson	856 590					214 148
Personal performance (20%)	171 318	N/A	N/A	96.1	100.0	171 318
Group financial performance (80%)	685 272	9.7% increase in adjusted HEPS; ROE of 18.6%; capped by available bonus pool	6.3	96.1	100.0	42 830

Statement of compliance

The committee is satisfied that the Remuneration Policy has been complied with in all material respects with the exception of:

The policy provides that the group will target the market median for benchmarked remuneration levels. Following the job grading and market benchmarking exercises concluded, as referred to in this report, it is clear that this target was not achieved. Remedying this departure, without having a significant impact on group profitability in the short term, will take a number of years.

Muzi Kuzwayo
Remuneration committee chairman

SOCIAL, ETHICS AND ENVIRONMENTAL SUSTAINABILITY COMMITTEE REPORT

The social, ethics and environmental sustainability committee was constituted in compliance with the requirements of the Companies Act and Regulations and operates in terms of a formal charter. The charter contains detailed provisions relating to the terms of reference, duties, composition, role and responsibilities of the committee.

FUNCTIONING OF THE COMMITTEE

The committee is comprised of mostly non-executive directors. Permanent invitees include the chief financial officer, national procurement executive, legal and compliance officer, group finance executive, chief audit executive, the Spur Foundation Trust chairperson and the environmental sustainability committee chairperson.

The committee met twice during the financial year. Meetings are convened and conducted in terms of a detailed agenda accompanied by supporting documents and the reports of the permanent attendees. These presentations cover the core mandate of the committee and represent a material methodology used by the committee to monitor its responsibilities. The committee actively engages with management during these presentations.

Matters considered by the committee (and reported to the board) include:

- Reviewing the group's code of conduct to determine compliance with statutory requirements, its alignment with the culture of the group and its coverage of ethical matters
- Reporting on the group's compliance with all applicable legislation and codes of good practice
- Monitoring the group's transformational progress (including consideration of the Employment Equity Act (Act No. 55 of 1998) and the Broad-based Black Economic Empowerment Act (Act No. 53 of 2003))
- Reviewing the corporate social initiatives undertaken by The Spur Foundation Trust
- Reviewing environmental sustainability initiatives
- Monitoring and reviewing the group's compliance with health and safety legislation and regulations
- Monitoring further areas relating to its statutory obligations and related good corporate governance and corporate citizenship

The committee believes that the group is substantively addressing the issues monitored by the committee in terms of its statutory mandate in a beneficial and positive manner. Shareholders are referred to further reports on key aspects of the committee's mandate elsewhere in this integrated report.

The committee recognises that issues within its mandate are constantly evolving and challenging, but it is satisfied that the group's management is dedicated to this and positive in its responses. Further information regarding the group's management of its social and environmental material matters is available in the online sustainability supplements at www.spurcorporation.com/investors/results-centre/.

The committee conducted an annual evaluation of its functioning in a manner as prescribed by the board. The committee is satisfied that it has fulfilled its responsibilities according to its charter during this reporting period.

As chairman of the committee, Mntungwa Morojele will be available at the AGM to answer any questions relating to the statutory obligations of the committee.

Mntungwa Morojele
Social, ethics and environmental sustainability committee chairman

APPENDIX

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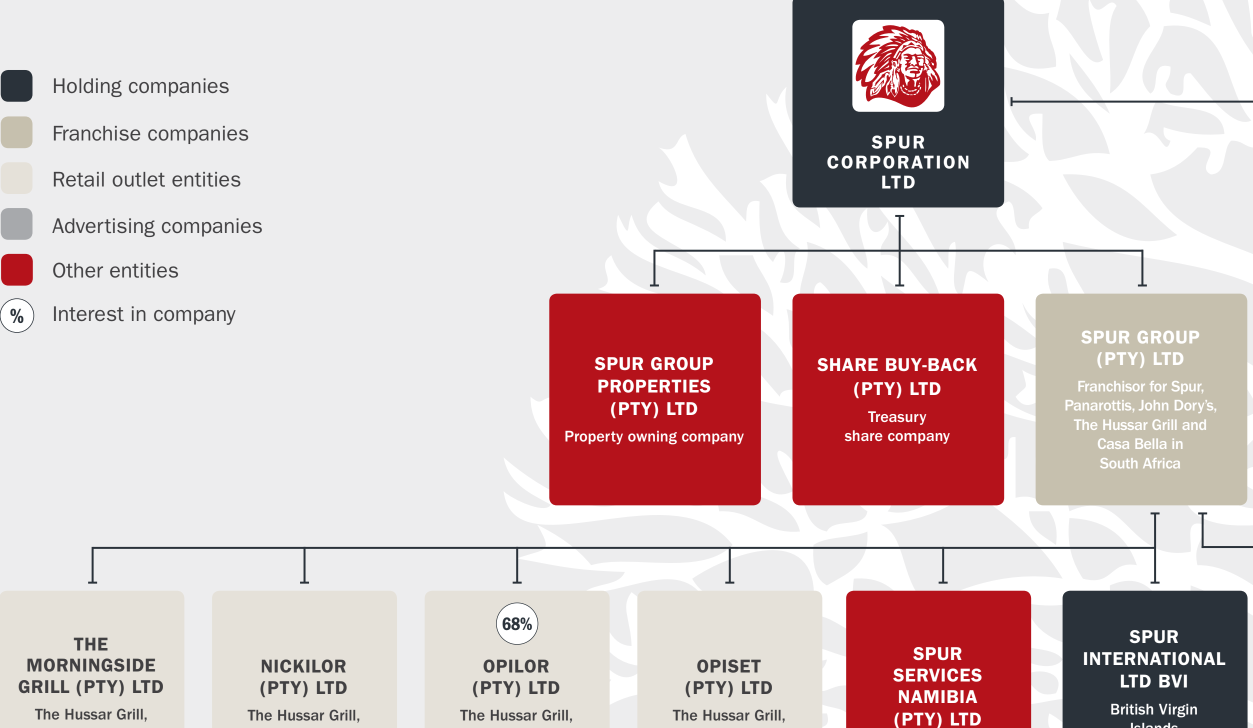
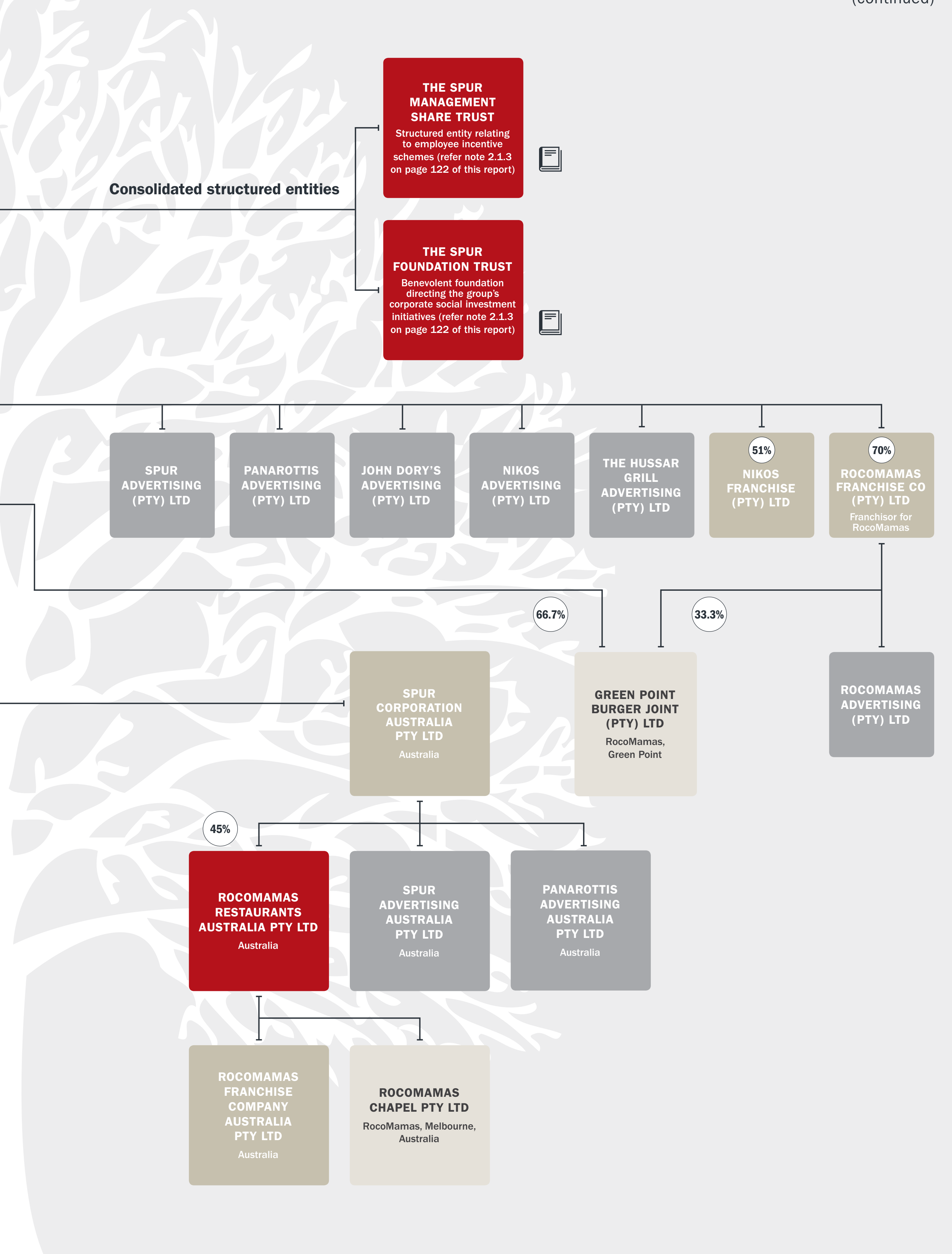
Key performance indicator summary 98

GROUP LEGAL STRUCTURE

- All entities are domiciled in South Africa unless otherwise stated
- All entities are wholly owned unless otherwise stated
- Excludes dormant and non-trading companies




Consolidated structured entities
THE SPUR MANAGEMENT SHARE TRUST
Structured entity relating to employee incentive schemes (refer note 2.1.3 on page 122 of this report)
THE SPUR FOUNDATION TRUST
Benevolent foundation directing the group's corporate social investment initiatives (refer note 2.1.3 on page 122 of this report)
SPUR ADVERTISING (PTY) LTD
PANAROTTIS ADVERTISING (PTY) LTD
JOHN DORY'S ADVERTISING (PTY) LTD
NIKOS ADVERTISING (PTY) LTD
THE HUSSAR GRILL ADVERTISING (PTY) LTD
51%
NIKOS FRANCHISE (PTY) LTD
70%
ROCOMAMAS FRANCHISE CO (PTY) LTD
Franchisor for RocoMamas
66.7%
33.3%
SPUR CORPORATION AUSTRALIA PTY LTD
Australia
GREEN POINT BURGER JOINT (PTY) LTD
RocoMamas, Green Point
ROCOMAMAS ADVERTISING (PTY) LTD
45%
ROCOMAMAS RESTAURANTS AUSTRALIA PTY LTD
Australia
SPUR ADVERTISING AUSTRALIA PTY LTD
Australia
PANAROTTIS ADVERTISING AUSTRALIA PTY LTD
Australia
ROCOMAMAS FRANCHISE COMPANY AUSTRALIA PTY LTD
Australia
ROCOMAMAS CHAPEL PTY LTD
RocoMamas, Melbourne, Australia

FIVE-YEAR REVIEW

	Note	**2019 R'000**	2018* R'000	2017 R'000	2016 R'000	2015 R'000
Statement of profit or loss and other comprehensive income						
Revenue		**944 779**	891 797	648 016	737 371	760 059
Revenue (excluding marketing funds)		**692 401**	652 121	648 016	737 371	760 059
Operating profit before finance income	1	**224 668**	195 708	178 253	183 094	180 805
Operating profit before finance income (excluding marketing funds)	1	**210 214**	195 669	178 253	183 094	180 805
Adjusted operating profit	2	**225 259**	191 203	180 587	218 900	195 440
Adjusted operating profit (excluding marketing funds)	2	**210 805**	191 164	180 587	218 900	195 440
Net finance income		**32 409**	29 905	36 522	35 626	24 616
Profit before income tax		**257 077**	225 613	214 775	218 720	205 421
Profit before income tax (excluding marketing funds)		**243 605**	226 957	214 775	218 720	205 421
Headline earnings	3	**165 110**	149 799	133 863	163 977	141 511
Headline earnings (excluding marketing funds)	3	**155 153**	150 808	133 863	163 977	141 511
Statement of cash flows						
Net cash flow from operating activities		**61 663**	37 793	32 719	32 619	28 717
Cash and cash equivalents		**283 979**	253 099	265 953	286 582	304 851
Share statistics						
Weighted average number of shares (000's)	3	**95 065**	95 580	95 828	95 955	92 636
Earnings per share (cents)	3	**173.69**	161.81	139.98	141.34	137.69
Earnings per share (cents) (excluding marketing funds)		**163.22**	162.87	139.98	141.34	137.69
Headline earnings per share (cents)	3	**173.68**	156.73	139.69	170.89	152.76
Headline earnings per share (cents) (excluding marketing funds)		**163.21**	157.78	139.69	170.89	152.76
Cash flow earnings per share (cents)	4	**211.83**	189.97	183.71	180.80	168.34
Operating cash flow per share (cents)	5	**64.86**	39.54	34.14	33.99	31.00
Net asset value per share (cents)	6	**924.47**	892.17	875.08	902.25	888.57
Dividend per share (cents)	7	**136.00**	123.00	132.00	140.00	132.00
Dividend cover (times)	8	**1.3**	1.3	1.1	1.2	1.2
Dividend cover (times) (excluding marketing funds)	8	**1.2**	1.3	1.1	1.2	1.2

	Note	2019 R'000	2018* R'000	2017 R'000	2016 R'000	2015 R'000
Stock exchange performance						
Number of shares in issue ('000)		**108 481**	108 481	108 481	108 481	108 481
Number of shares traded ('000)		**13 133**	16 127	20 177	12 363	18 135
Value of shares traded		**290 505**	447 039	645 942	403 723	623 894
Percentage of issued shares traded (%)		**12.11**	14.87	18.60	11.40	16.72
Market price per share (cents)						
– close		**2 198**	2 576	2 810	3 090	3 667
– high		**2 500**	3 145	3 508	3 825	4 178
– low		**2 031**	2 500	2 800	2 750	2 720
Headline earnings yield (%)	9	**7.90**	6.08	4.97	5.53	4.17
Headline earnings yield (%) (excluding marketing funds)	9	**7.43**	6.13	4.97	5.53	4.17
Distribution yield (%)	10	**6.19**	4.77	4.70	4.53	3.60
Price:earnings ratio		**12.66**	16.44	20.12	18.08	24.00
Market capitalisation		**2 384 412**	2 794 471	3 048 316	3 352 063	3 977 998
Business performance						
Operating profit margin (%)	11	**23.84**	21.44	27.87	29.69	25.71
Operating profit margin (%) (excluding marketing funds)	11	**30.45**	29.31	27.87	29.69	25.71
Return on equity (%)	12	**19.74**	18.14	16.60	19.73	17.35
Return on equity (%) (excluding marketing funds)	12	**18.61**	18.26	16.60	19.73	17.35
Return on total assets (%)	13	**16.65**	15.16	14.02	16.00	13.39
Return on total assets (%) (excluding marketing funds)	13	**15.70**	15.26	14.02	16.00	13.39
Liquidity ratio	14	**7.64**	5.26	4.56	3.78	3.30

* Restated. Refer note 41.1 of the consolidated financial statements on page 187 of this report.

Notes

1. Includes share of profit/loss of equity-accounted investee (net of income tax).
2. Operating profit (see note 1) adjusted for headline earnings adjustments and foreign exchange gain/loss.
3. Refer to note 11.3 of the consolidated financial statements on page 137.
4. Operating profit before working capital changes plus net interest received/(paid) less tax paid divided by the weighted average number of shares in issue.
5. Net cash flow from operating activities divided by the weighted average number of shares in issue.
6. Net asset value divided by the number of shares in issue (net of treasury shares).
7. Interim and final distribution for the year to which it relates.
8. Headline earnings per share divided by dividend per share (see note 7).
9. Headline earnings per share divided by the closing share price.
10. Dividend per share divided by the closing share price.
11. Adjusted operating profit (see note 2) divided by revenue.
12. Profit for the year adjusted for headline earnings adjustments and foreign exchange gain/loss divided by equity.
13. Profit for the year adjusted for headline earnings adjustments and foreign exchange gain/loss divided by assets.
14. Current assets divided by current liabilities.

KEY PERFORMANCE INDICATOR SUMMARY

The key performance indicators (“KPIs”) in the table below provide current and historic performance measures, and short-term targets for a range of relevant economic, social and environmental indicators.

The key performance indicators in the table below provide current and historic performance measures, and short-term targets for a range of relevant economic, social and environmental indicators.

Financial performance	2018*	Target 2019	2019	Target 2020
Operating profit before finance income (R’m) (as defined on page 97)	195.7	**216.6**	**224.7**	246.8
Operating profit before finance income (R’m) (excluding marketing funds) (as defined on page 97)	195.7	**216.6**	**210.2**	246.8
Growth in adjusted operating profit (as defined on page 97)		**10.7%**	**17.8%**	9.5%
Growth in adjusted operating profit (excluding marketing funds) (as defined on page 97)		**10.7%**	**10.3%**	17.1%
Operating profit margin (as defined on page 97)	21.4%	**31.5%**	**23.8%**	31.8%
Operating profit margin (excluding marketing funds) (as defined on page 97)	29.3%	**31.5%**	**30.4%**	31.8%
Return on equity (as defined on page 97)	18.1%	**18.9%**	**19.7%**	19.4%
Return on equity (excluding marketing funds) (as defined on page 97)	18.3%	**18.9%**	**18.6%**	19.4%
Return on investment (dividend per share plus change in share price expressed as a percentage of share price at the beginning of the financial year)	(4.0%)	**6.0%**	**(9.4%)**	6.0%
Restaurants				
New local restaurants				
– Spur	12	**9**	**13**	2
– Panarottis	5	**3**	**6**	–
– John Dory’s	6	**2**	**6**	1
– The Hussar Grill	3	**3**	**3**	–
– RocoMamas	15	**10**	**7**	4
– Casa Bella	2	**–**	**1**	–
– Nikos			**9**	4
Closed local restaurants				
– Spur	11		**4**	
– Panarottis	1		**6**	
– John Dory’s	5		**3**	
– The Hussar Grill	–		**–**	
– RocoMamas	–		**–**	
– Casa Bella	–		**2**	
– Nikos	–		**–**	
Total local restaurants				
– Spur	290	**297**	**299**	299
– Panarottis	84	**83**	**84**	78
– John Dory’s	49	**50**	**52**	53
– The Hussar Grill	17	**20**	**20**	20
– RocoMamas	65	**75**	**72**	75
– Casa Bella	8	**7**	**7**	6
– Nikos			**9**	13
Relocated#/revamped local restaurants				
– Spur	10	**12**	**26**	9
– Panarottis	2	**3**	**2**	5
– John Dory’s	2	**3**	**3**	–
– The Hussar Grill	–		**–**	1
– RocoMamas	–		**2**	1
– Casa Bella	–		**–**	–
– Nikos			**–**	–

* Restated.

\# A relocation of a restaurant to a new site in the same general geographical area and where the franchisee remains the same is not considered a closure. Relocations are necessary as circumstances in areas change over time.

Total restaurant turnover	2018*	Target 2019	2019	Target 2020
Spur (R'm)	4 351	**4 530**	**4 586**	4 875
Percentage growth in restaurant turnover	(2.8%)	**4.1%**	**5.4%**	6.2%
Percentage growth in existing restaurant turnover	(4.9%)	**5.8%**	**4.2%**	5.8%
Panarottis (R'm)	722	**761**	**728**	697
Percentage growth in restaurant turnover	0.8%	**5.4%**	**0.8%**	(4.2%)
Percentage growth in existing restaurant turnover	(2.2%)	**3.6%**	**(1.4%)**	(4.2%)
John Dory's (R'm)	454	**490**	**475**	523
Percentage growth in restaurant turnover	0.6%	**7.9%**	**4.6%**	10.2%
Percentage growth in existing restaurant turnover	(7.3%)	**5.2%**	**(4.0%)**	10.2%
The Hussar Grill (R'm)	184	**209**	**209**	224
Percentage growth in restaurant turnover	24.4%	**13.6%**	**13.4%**	7.1%
Percentage growth in existing restaurant turnover	6.6%	**8.2%**	**7.5%**	7.1%
RocoMamas (R'm)	628	**743**	**675**	738
Percentage growth in restaurant turnover	31.5%	**18.3%**	**7.5%**	6.8%
Percentage growth in existing restaurant turnover	14.5%	**13.6%**	**0.8%**	9.7%
Casa Bella (R'm)	70	**77**	**72**	72
Percentage growth in restaurant turnover	58.4%	**10.0%**	**1.6%**	(0.1%)
Percentage growth in existing restaurant turnover		**25.5%**	**(1.2%)**	(0.1%)
Nikos (R'm)			**77**	92
Percentage growth in restaurant turnover				39.8%
Percentage growth in existing restaurant turnover				13.5%
Total worldwide (R'm)^	7 197	**7 547**	**7 637**	8 123
Loyalty				
Family card membership (millions)	1.5	**1.6**	**1.2**	1.8
Family card loyalty spend (R'bn)	1.7	**1.8**	**0.7**	1.5
Secret Tribe membership (millions)	1.2	**1.3**	**0.8**	1.0
Panarottis Rewards membership ('000)	147	**400**	**470**	706
Panarottis Rewards loyalty spend (R'm)	176	**190**	**151**	227
John's Club membership ('000)	157	**169**	**226**	294
John's Club loyalty spend (R'm)	161	**174**	**99**	149
International expansion				
Percentage of international revenue to total group revenue	4.2%	**4.6%**	**4.4%**	4.2%
Percentage of international revenue to total group revenue (excluding marketing funds)	4.5%	**4.6%**	**4.9%**	4.2%
Percentage of international profits to total group profit before income tax	(3.2%)	**1.2%**	**(4.7%)**	1.4%
Percentage of international profits to total group profit before income tax (excluding marketing funds)	(3.1%)	**1.2%**	**(5.4%)**	1.4%
Number of international outlets	62	**70**	**77**	84
Product responsibility				
Percentage of suppliers managed by the group that are HACCP/ISO22000 compliant	100%	**100%**	**100%**	100%
Percentage of seafood products managed by the group that are not SASSI red-listed species, and/or comply with SASSI guidelines	100%	**100%**	**100%**	100%
Community support				
CSI spend (R'000)	2 602	**3 041**	**2 100**	2 400
Skills development				
Number of employees trained	8 048	**9 000**	**14 844**	11 100
Corporate employees				
Corporate employee rotation	12%	**10%**	**15%**	10%
Employee training costs (including dependents' bursaries) (R'000)	1 811	**2 933**	**1 901**	1 642

^ Captain DoRegos sold with effect from 1 March 2018.

Environmental sustainability	2018*	Target 2019	2019	Target 2020
Corporate				
Electricity consumption corporate offices (MWh per annum)	1 063	**1 100**	**983**	1 100
Paraffin consumption (litres per annum)	42 364	**42 000**	**43 335**	43 000
Percentage of waste diverted from landfill at regional offices (% of total kg per annum)	72%	**75%**	**72%**	75%
Water consumption at corporate offices (kl per annum)	7 300	**7 500**	**7 029**	7 000
Fuel consumption for corporate fleet (kl per annum)	236	**265**	**224**	245
Franchisee				
Spent oil collected for recycling (%)	30%	**30%**	**28%**	30%
Spent oil recycled (kl per annum)	844	**1 050**	**929**	950
Average score on green operations report (%)	57%	**60%**	**50%**	60%
Procurement				
Percentage takeaway packaging made from renewable materials	55%	**60%**	**69%**	75%
Paper consumed at corporate office (kg per annum)	4 618	**4 500**	**5 285**	5 000
Marketing material				
Percentage renewable material	97%	**98%**	**99.7%**	99%

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

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The consolidated and separate financial statements on pages 116 to 215 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.

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AUDIT COMMITTEE REPORT

COMPANIES ACT COMPLIANCE

Spur Corporation Limited ("the company") has complied with section 94 of the Companies Act relating to audit committees. In addition, the board is of the opinion that the provisions of regulation 42 of the Companies Act, which require at least one-third of the members of a company's audit committee to have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management, are complied with.

MANDATE AND FUNCTIONING OF THE COMMITTEE

All members of the committee are independent non-executive directors and the committee operates within formal terms of reference approved by the board. The members of the committee and their attendance at committee meetings are included on page 69. Brief biographies of the committee members are included on pages 64 and 65. The committee is satisfied that it has met its responsibilities as stipulated in the terms of reference. The committee is also satisfied that it has complied with its legal, regulatory and other responsibilities.

The committee discharges its responsibilities by meeting formally at least twice a year to review the group's interim and annual results before publication, and to receive and review internal audit reports, external audit reports and the written report from the board's risk committee. It also meets with management to review their progress on key issues relating to financial controls and risks, and deals with other matters falling within its terms of reference. Committee members review any potentially price sensitive information published by the company. The findings and recommendations of the committee are reported to the board at the following board meeting, which is typically held the day following the committee meeting.

The committee meets informally on an *ad hoc* basis with internal audit, the external auditor and management to address key issues as the need arises, specifically to consider risk assessment and management, review the audit plans of the external and internal auditors and to review accounting, auditing, financial reporting, corporate governance, and compliance matters. The internal audit plan and internal audit conclusions are similarly reviewed and approved by the committee.

Management meets with the external auditor on a regular basis to identify audit risks which, if significant, are reported to the committee.

Management presents the chairman of the committee and the external auditor with summarised financial information relating to the performance of the group on a regular basis.

The committee discharges all audit committee responsibilities of all the subsidiaries within the group. The external and internal auditors have unrestricted access to the committee.

The committee is responsible for overseeing the internal audit function.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The audit committee has satisfied itself that the external auditor is independent of the company, as set out in section 94(8) of the Companies Act, which includes 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 or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. The committee is also satisfied that the external auditor is independent of the company in relation to significant changes in the management of the company during the external auditor's tenure, which may mitigate the attendant risk of familiarity between the external auditor and management.

Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee ensured that the appointment of the auditor complied with the Companies Act and any other legislation relating to the appointment of auditors. There is a formal procedure that governs the process whereby the auditor is considered for non-audit services. In general, the auditor is not engaged for non-audit services unless, in the opinion of the committee, it is appropriate to do so, and the extent of the service is not significant. The committee recognises that there may be circumstances where it would be to the group's advantage to engage the auditor for non-audit services that are significant and these will be considered on a case-by-case basis. 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 Limited. The fees for this engagement were R92 000. No other significant non-audit services were provided by the auditor for the year under review.

The audit committee has satisfied itself that the audit firm and designated auditor are accredited on the JSE's list of auditors and their advisors.

In accordance with the principle of mandatory audit partner rotation, Ivan Engels was appointed as the designated external audit partner for the year ended 30 June 2019.

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

In light of the above, the committee has recommended that the board reappoints KPMG Inc. as the company's external auditor, and Ivan Engels as the designated auditor. The board has endorsed this recommendation and the appointments will be tabled for shareholder approval at the annual general meeting on 6 December 2019.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The audit committee has reviewed the accounting policies and the consolidated and separate financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

The audit committee has established a formal process to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. The audit committee has reviewed and noted the contents of the *Reporting Back on Proactive Monitoring of Financial Statements in 2018* report, issued by the JSE on 20 February 2019. No further matters were brought to the attention of the committee during the year under review.

INTERNAL FINANCIAL CONTROLS

In considering the integrity of the company's financial information and the effectiveness of internal financial controls, the committee relies 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 general financial control environment.

Based on these interactions, nothing has come to the committee's attention that would lead it to believe that an adequate and appropriate system of internal control is not in place. The committee has advised the board accordingly.

INTEGRATED REPORTING AND COMBINED ASSURANCE

King IV™ recommends that the committee advise the board to engage an external service provider to provide assurance over material elements of the integrated report outside of the financial statements, including the online sustainability supplements to the integrated report. The board has considered this recommendation and determined that the cost of such an assurance exercise would exceed any benefits to stakeholders. The board will continue to review this decision.

The audit committee has considered the company's sustainability information as disclosed in the integrated report and has assessed its consistency with operational and other information known to audit committee members, and for consistency with the financial statements. Nothing has come to the audit committee's attention, which would lead it to conclude that the sustainability information is not reliable.

The committee has reviewed this integrated report and recommended it to the board for approval.

GOING CONCERN

The audit committee has considered the going concern status of the company and of the group and has made recommendations to the board in this regard. The board's statement on the going concern status of the company and of the group is supported by the audit committee.

GOVERNANCE OF RISK

The risks identified by the risk committee insofar as they relate to financial and integrated reporting or internal controls are highlighted for the audit committee in a formal report from the risk committee. The audit committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as they relate to financial reporting.

INTERNAL AUDIT

The board has outsourced the internal audit function to an independent, reputable service provider.

The audit committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the board of directors and these functions.

The internal audit charter governs the authority and responsibilities of the various role players. The engagement partner of the outsourced service provider has been appointed as the chief audit executive in terms of the charter and reports directly to the audit committee.

The audit committee has approved a three-year risk-based audit programme in terms of which the outsourced service provider will address, *inter alia*, those risks and controls identified by the committee as being key to financial reporting, operational sustainability and stakeholder reporting. Deliverables will include written reports to the committee on the respective audit areas.

The audit committee has assessed 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

In accordance with the JSE Listings Requirements, the committee must consider and be satisfied, on an annual basis, of the appropriateness of the expertise and experience of the financial director. 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 has further assessed the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function and concluded that these are adequate.

CONCLUSIONS BY THE COMMITTEE

The committee is satisfied that, to the date of this report:

- The external and internal auditors are independent.
- Financial reporting risks have been identified and mitigated.
- A satisfactory system of internal financial controls is in place.
- Fraud risks relating to financial reporting have been considered and mitigated.
- IT risks relating to financial reporting have been considered and mitigated.

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

Dineo Molefe
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 2019, 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.

Based on the results of reviews of the design, implementation and effectiveness of the internal financial controls conducted by the internal audit function during the 2019 financial year and considering information and explanations given by management and discussions with the external auditor on the results of the audit, assessed by the audit committee, nothing has come to the attention of the board that caused it to believe that the company's system of internal controls and risk management, to the extent this has any impact on this integrated report, is not effective, and that the internal financial controls do not 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 its material subsidiaries to continue as going concerns, and have no reason to believe that the businesses will not be going concerns in the year ahead.

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. The integrated report has been prepared in line with best practice pursuant to the recommendations of King IV™.

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 Tuesday, 22 October 2019 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)

22 October 2019

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR TWENTIETH ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019.

NATURE OF THE BUSINESS

Spur Corporation Limited (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 its subsidiaries, primarily Spur Group (Pty) Ltd, RocoMamas Franchise Co (Pty) Ltd, Nikos Franchise (Pty) Ltd, Steak Ranches International BV and Spur Corporation Australia Pty Ltd, the group carries on the business of franchisor in predominantly the family sit down and quick service restaurant markets. Through separate, brand-specific 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, Casa Bella and Nikos brands. It trades predominantly in South Africa, but has a growing presence in Australia, Mauritius, the Middle East, and certain African countries including Namibia, Nigeria, Tanzania, Zambia, Kenya and Botswana.

FINANCIAL REVIEW

The group's statement of profit or loss and other comprehensive income is presented on page 116 and reflects the group's financial results.

Spur Corporation posted a resilient performance as total franchised restaurant sales increased by 7.2% to R7.6 billion. Trading conditions continue to be challenging in the low growth domestic market while the group's international business was impacted by the weak economy and high operating costs in Australia.

The group's trading results reported in this commentary exclude the Captain DoRegos chain which was sold with effect from 1 March 2018.

Franchised restaurant sales in South Africa grew by 6.2%. After increasing local restaurant sales by 11.3% and 1.3% in the first and second quarters of the financial year respectively, the group reported growth of 7.5% in the third quarter and 6.0% in the fourth quarter.

Spur Steak Ranches increased restaurant sales by 5.4%, supported by the loyal customer base of over 1.2 million active Spur Family Card members. Restaurant sales in Pizza and Pasta, incorporating Panarottis and Casa Bella, grew by 0.9% as the Panarottis chain continued to be impacted by aggressive discounting by competitors in the takeaway pizza market. RocoMamas grew restaurant sales by 7.5% as an increased investment in marketing saw the brand return to positive existing business growth in the second half of the year, following a decline in the first half. John Dory's increased restaurant sales by 4.6%, benefiting from the reopening of two major outlets which were temporarily closed due to shopping mall redevelopment. The Hussar Grill's higher income customers continue to be resilient and the brand grew restaurant sales by 13.4%.

The group acquired a 51% shareholding in the Nikos Coalgrill Greek chain, which comprised six restaurants at the effective date of 1 August 2018. The chain contributed franchised restaurant sales of R65.9 million for the 11 months since acquisition.

New restaurant openings contributed to international restaurant sales increasing by 12.3% on a constant exchange rate basis and by 16.2% in rand terms. Trading in Africa, Mauritius and the Middle East remains strong. Restaurant trading conditions in Australia and New Zealand continue to be impacted by high operating costs, escalating rentals and declining disposable income, with sales declining by 15.9% following the closure of three restaurants.

Following the opening of a net 39 outlets during the year, and the acquisition of the Nikos brand, the group's restaurant base increased to 620, of which 77 are located outside of South Africa.

Group revenue increased by 5.9% to R944.8 million, with revenue generated in South Africa increasing by 5.7% and international revenue by 10.3%.

Profit before income tax increased by 13.9% while comparable profit before income tax, excluding exceptional and one-off items, increased by 15.9%.

Headline earnings increased by 10.2% to R165.1 million, with diluted headline earnings per share 10.7% higher at 173.2 cents.

AUDIT AND RISK COMMITTEES

Pages 102 to 104 and 72 to 74 of this report set out the responsibilities of the audit and risk committees respectively and how these responsibilities have been discharged during the year.

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 2019.

On 3 October 2014, shareholders approved the donation of 500 000 (100 000 per annum) shares by Share Buy-back (Pty) Ltd (a wholly-owned subsidiary of the company) to The Spur Foundation Trust, a benevolent foundation that is a consolidated structured entity. The fifth and final donation of 100 000 shares was made in December 2018.

During the year, wholly-owned subsidiary, Share Buy-back (Pty) Ltd purchased 853 000 (2018: 160 000) shares at an average cost of R22.99 (2018: R26.54) per share, totalling R19.609 million (2018: 4.246 million), and wholly-owned subsidiary, Spur Group (Pty) Ltd, acquired 209 800 (2018: nil) shares from the Spur Management Share Trust to hold in escrow on behalf of participants of the group's long-term Forfeitable Share Plan ("FSP"). 133 000 shares were issued to participants of the FSP as the first tranche of shares, granted in 2016, vested during the year. The total number of treasury shares held by the group at the reporting date is 7 026 701 (2018: 6 196 901). In addition, 6 164 898 (2018: 6 374 698) shares are held by The Spur Management Share Trust and, as noted above, 500 000 (2018: 400 000) shares are held 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 2019 was 94 789 327 (2018: 95 509 327).

EMPLOYEE SHARE-LINKED INCENTIVE SCHEMES

Details of employee share-linked incentive schemes are detailed in note 20.4 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 3.1 of the consolidated financial statements.

CASH DIVIDEND

A final cash dividend in respect of the 2018 financial year of 60.0 cents per share was paid to shareholders on 1 October 2018. An interim cash dividend in respect of the 2019 financial year of 63.0 cents per share was paid to shareholders on 1 April 2019.

The directors declared a final cash dividend in respect of the 2019 financial year of 73 cents per share, funded by income reserves, on 11 September 2019, which was paid on 7 October 2019 to those shareholders of the company who were recorded in the company's register on 4 October 2019. As this dividend was declared after the reporting date, it will only be accounted for in the 2020 financial year.

SPECIAL RESOLUTIONS

On 6 December 2018, 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 inter-related 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 pages 64, 65 and 216.

Messrs Keith Madders, Keith Getz and Dean Hyde and Ms Prabashinee Moodley retired by rotation from the board on 6 December 2018. Mr Allen Ambor retired as executive chairman with effect from 28 February 2019. Mr Mike Bosman was appointed to the board with effect from 15 November 2018 and as chairman of the board with effect from 1 March 2019. Ms Cora Fernandez and Professor Shirley Zinn were appointed to the board with effect from 17 June 2019. Resolutions to approve these appointments will be tabled at the annual general meeting on 6 December 2019.

In terms of the company's Memorandum of Incorporation, Messrs Muzi Kuzwayo and Mntungwa Morojele retire at the forthcoming annual general meeting. Mr Kuzwayo has advised the board that, as a result of his long tenure, he will not stand for re-election. Mr Morojele, being eligible, offers himself for re-election. Service agreements with the directors of Spur Corporation at the date hereof do not impose any abnormal notice periods on the company or the directors in question.

The company secretary, Ms Nazrana Hawa resigned with effect from 31 July 2019 and Kilgetty Statutory Services (South Africa) (Pty) Ltd ("Kilgetty") was appointed as interim company secretary with effect from 1 August 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.

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. Details of transactions between the companies' subsidiaries and directors are detailed in note 38 of the consolidated financial statements.

Shares

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

	2019			2018		
	Direct beneficial	**Indirect beneficial**	**Held by associates**	Direct beneficial	Indirect beneficial	Held by associates
Allen Ambor#				–	464 609	–
Pierre van Tonder	**15 000**	**–**	**–**	–	–	–
Mark Farrelly	**10 000**	**–**	**–**	–	–	–
Phillip Matthee	**5 000**	**–**	**–**	–	–	–
Keith Getz^				2 491	–	820
Total	**30 000**	**–**	**–**	2 491	464 609	820
% interest*	**0.0**	**–**	**–**	0.0	0.5	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.*

\# *Retired with effect from 28 February 2019.*

^ *Retired with effect from 6 December 2018.*

In terms of the group's FSP (as detailed in note 20.4 of the consolidated financial statements), certain shares have been acquired by a wholly-owned subsidiary to hold in escrow on behalf of the participants of the scheme. The participants are not permitted to trade in these shares, to exercise any voting rights attached to these shares, or entitled to any dividends accruing to these shares, for a period of three years following the grant date of the shares and accordingly have no beneficial rights of ownership during this period. The participants become entitled to the voting rights and dividends relating to the shares after a three-year period from the grant date has lapsed, provided that they remain employed by the group throughout this period. The shares held in escrow on behalf of directors are listed below:

	2019	2018
Pierre van Tonder	**15 000**	30 000
Mark Farrelly	**10 000**	20 000
Phillip Matthee	**5 000**	10 000

There have been no changes in directors' interests in share capital from 30 June 2019 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 2019:

	No. of shares	**%***
Grand Parade Investments Ltd	**19 295 824**	**19.0**
Coronation Fund Managers	**9 603 170**	**9.5**
Allan Gray	**8 495 263**	**8.4**
Fidelity	**7 985 798**	**7.9**
Investec	**5 581 801**	**5.5**
Foord	**4 780 660**	**4.7**

* *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**	**30 000**	**–**
Subsidiaries holding treasury shares	**2**	**7 026 701**	**6.5**
The Spur Management Share Trust	**1**	**6 164 898**	**5.7**
The Spur Foundation Trust	**1**	**500 000**	**0.5**
Major shareholder	**1**	**19 295 824**	**17.7**
Public shareholders	**2 451**	**75 463 503**	**69.6**
Total	**2 459**	**108 480 926**	**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	2 086	84.8	2 876 201	2.7
10 001 – 25 000 shares	148	6.0	2 391 100	2.2
25 001 – 50 000 shares	71	2.9	2 594 421	2.4
50 001 – 100 000 shares	49	2.0	3 445 148	3.2
100 001 – 500 000 shares	68	2.8	15 076 776	13.9
500 001 – 1 000 000 shares	21	0.9	14 754 044	13.6
1 000 001 shares and over	16	0.6	67 343 236	62.0
Total	2 459	100.0	108 480 926	100.0

Distribution of shareholders	No. of shareholders	%	No. of shares	%
Banks and nominees	31	1.3	3 714 710	3.4
Empowerment funds	2	0.1	19 295 824	17.8
Endowment funds	25	1.0	622 915	0.6
Individuals	1 865	75.9	4 545 671	4.2
Insurance companies	30	1.2	1 975 096	1.8
Medical funds	9	0.4	558 413	0.5
Mutual funds	119	4.8	45 637 888	42.1
Own holdings	2	0.1	7 026 701	6.5
Pension and retirement funds	140	5.7	13 418 059	12.4
The Spur Foundation Trust	1	0.0	500 000	0.5
The Spur Management Share Trust	1	0.0	6 164 898	5.7
Other corporate bodies	234	9.5	5 020 751	4.5
Total	2 459	100.0	108 480 926	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 2019.

GOING CONCERN

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

The board has performed a review of the company and its subsidiaries' 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.

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 40 to the consolidated financial statements.

SUBSEQUENT EVENTS

Details of material events occurring subsequent to 30 June 2019 but prior to the date of issue of this report are detailed in note 39 to the consolidated financial statements. Save for these matters, there have been no material changes in the financial or trading position of the company or its subsidiaries after 30 June 2019 to the date of this report.

COMPANY INFORMATION

The company's registration number and registered address are presented on page 216. 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 LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Spur Corporation Limited (the group and company) set out on pages 116 to 215, which comprise the consolidated and separate statements of financial position as at 30 June 2019, 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 Limited as at 30 June 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 matters below relate 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 testing of Intangible assets and goodwill
Refer to note 13 as well as significant accounting polices 42.1.5, 42.4 and 42.5.1 to the consolidated financial statements.

The key audit matter

Intangible assets and goodwill comprise 36% 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 amounts based on their values-in-use.

Impairment assessments of intangible assets and goodwill are performed using the discounted cash flow valuation methodology. As disclosed in notes 13.1 and 13.2, there are a number of key assumptions made in determining the inputs into the discounted cash flow model which 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 values-in-use of the CGUs to which these assets are allocated, and the significant audit effort by the audit team and the specialists, 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 appropriateness of the discounted cash flow models used by the directors to calculate the values-in-use of the individual cash-generating units and to ensure that the methodology complied with the requirements of IAS 36.
- With the assistance of our Corporate Finance specialists we tested and challenged the impairment assessments performed by the directors, particularly focusing on the assumptions made, by performing the following procedures:
  - evaluating and re-calculating the discount rates and evaluating the perpetuity growth rates in relation to external market data,
  - assessing the reasonableness of key assumptions relating to revenue and profit growth, for each CGU, in relation to our knowledge of the group and the industry in which it operates and the current macro-economic environment, 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 to assess the accuracy and reliability of the directors' projections.
- we have assessed the appropriateness of the disclosures in the consolidated financial statements against the requirements of *IAS 36 – Impairment of Assets*.

Changes in accounting for the marketing fund contributions following the adoption of IFRS 15: Revenue from Contracts with Customers ("IFRS 15")

Refer to note 41.1 as well as significant accounting policies 42.13 to the consolidated financial statements.

The key audit matter	***How the matter was addressed in our audit***
IFRS 15: Revenue from Contracts with Customers (IFRS 15) became effective for annual periods beginning on or after 1 January 2018. The group adopted the standard fully retrospectively as at the start of the earliest period presented (i.e. 1 July 2017). Management specifically focussed on evaluating the revenue recognition of marketing fund contributions accrued and received from franchisees in terms of the new five step model for revenue recognition under *IFRS 15*. As disclosed in note 41.1 to the consolidated financial statements, the group's obligations to provide franchise support services to franchisees and administer the marketing fund contributions accrued and received from franchisees cannot be considered separate and distinct performance obligations as they are integrally linked and interdependent on each other and are considered to be a single performance obligation as contemplated by *IFRS 15* and thus the marketing fund contributions are now recognised as revenue. We focused on this area due to the changes in accounting for the marketing fund contributions following the adoption of *IFRS 15* and thus was considered a key audit matter in the audit of the consolidated financial statements.	Together with our technical accounting specialists we assessed the appropriateness of the directors' interpretation of accounting for the marketing fund contributions on adoption of *IFRS 15*. Our procedures performed included: – We reviewed the franchise agreements and obtained an understanding of the salient features. – We reviewed management's application of the five step model for revenue recognition under *IFRS 15* with specific focus on the performance obligations associated with the marketing fund contributions. – We confirmed management's accounting treatment of the marketing fund contributions and the related marketing expenses recognised was aligned with the requirements of IFRS. – We reviewed management's determination of the impact in applying the fully retrospective approach. We evaluated the appropriateness of management's disclosures in the consolidated financial statements as well as the updated accounting policies to ensure they are in compliance with the requirements of *IFRS 15*.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Spur Corp. Integrated Report 2019", which includes the Directors' Report, the Audit Committee Report and the Declaration by Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's reports 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's 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 the 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 the 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's and the 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 the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 Limited for 20 years.

KPMG Inc.
Registered Auditor

Per I Engels
Chartered Accountant (SA)
Registered Auditor
Director
Date: 22 October 2019

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

R'000	Note	2019	Restated 2018*
Revenue	5	**944 779**	891 797
Cost of sales		**(207 878)**	(211 774)
Gross profit		**736 901**	680 023
Other income	6	**1 918**	23 390
Administration expenses		**(157 430)**	(161 340)
Franchise operations expenses		**(105 861)**	(96 363)
Impairment losses – financial instruments	7	**(20 375)**	(7 813)
Marketing expenses		**(195 030)**	(194 602)
Other non-trading losses	7	**(1 555)**	(12 745)
Retail operating expenses		**(32 555)**	(33 029)
Operating profit before finance income	7	**226 013**	197 521
Net finance income	8	**32 409**	29 905
Interest income	8	**32 445**	29 995
Interest expense	8	**(36)**	(90)
Share of loss of equity-accounted investee (net of income tax)	9	**(1 345)**	(1 813)
Profit before income tax		**257 077**	225 613
Income tax expense	10	**(84 659)**	(66 589)
Profit		**172 418**	159 024
Other comprehensive income[#]		**687**	3 433
Foreign currency translation differences for foreign operations		**771**	3 617
Foreign exchange loss on net investments in foreign operations		**(84)**	(184)
Total comprehensive income		**173 105**	162 457
Profit attributable to:			
Owners of the company		**165 118**	154 662
Non-controlling interests		**7 300**	4 362
Profit		**172 418**	159 024
Total comprehensive income attributable to:			
Owners of the company		**165 805**	158 095
Non-controlling interests		**7 300**	4 362
Total comprehensive income		**173 105**	162 457
Earnings per share (cents)			
Basic earnings	11	**173.69**	161.81
Diluted earnings	11	**173.22**	161.51

* *Refer note 41.1 for details of changes to comparative information on adoption of IFRS 15 – Revenue from Contracts with Customers.*

[#] *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

R'000	Note	2019	Restated 2018*
ASSETS			
Non-current assets		**481 344**	595 433
Property, plant and equipment	12	**100 390**	101 094
Intangible assets and goodwill	13	**369 092**	362 709
Interest in equity-accounted investee	9	**–**	3 461
Loans receivable	14	**5 391**	118 483
Deferred tax	15	**3 085**	5 750
Leasing rights	16	**3 386**	3 936
Current assets		**557 494**	424 296
Inventories	17	**10 299**	15 702
Tax receivable	30	**36 939**	36 197
Trade and other receivables	18	**106 011**	99 997
Loans receivable	14	**105 961**	12 505
Restricted cash	19	**14 305**	6 796
Cash and cash equivalents	19	**283 979**	253 099
TOTAL ASSETS		**1 038 838**	1 019 729
EQUITY			
Total equity		**876 295**	852 105
Ordinary share capital	20.1	**1**	1
Share premium		**294 663**	294 663
Shares repurchased by subsidiaries	20.2	**(126 811)**	(107 202)
Foreign currency translation reserve	20.3	**30 369**	29 682
Share-based payments reserve	20.4	**4 400**	3 731
Retained earnings		**663 093**	621 806
Total equity attributable to owners of the company		**865 715**	842 681
Non-controlling interests	21	**10 580**	9 424
LIABILITIES			
Non-current liabilities		**89 596**	86 956
Contingent consideration liability	22	**1 011**	–
Contract liabilities	23	**29 045**	27 813
Operating lease liability	24	**3 110**	3 919
Deferred tax	15	**56 430**	55 224
Current liabilities		**72 947**	80 668
Tax payable		**1 396**	1 067
Trade and other payables	25	**66 611**	74 438
Contract liabilities	23	**4 226**	4 532
Shareholders for dividend		**714**	631
TOTAL EQUITY AND LIABILITIES		**1 038 838**	1 019 729

* *Refer note 41.1 for details of changes to comparative information on adoption of IFRS 15 – Revenue from Contracts with Customers.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

	Note	Attributable to owners of the company		
		Number of shares (net of treasury shares) 000	**Ordinary share capital R'000**	**Share premium R'000**
Balance at 1 July 2017		**95 669**	**1**	**294 663**
IFRS 15 change in accounting policy	41.1	–	–	–
Restated balance at 1 July 2017		**95 669**	**1**	**294 663**
Restated total comprehensive income				
Profit		**–**	**–**	**–**
Other comprehensive income		**–**	**–**	**–**
Foreign currency translation differences for foreign operations		–	–	–
Foreign exchange loss on net investments in foreign subsidiaries		–	–	–
Total comprehensive income		–	–	–
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners		**(160)**	**–**	**–**
Equity-settled share-based payment	15 & 20.4	–	–	–
Purchase of treasury shares	20.2	(160)	–	–
Dividends	26	–	–	–
Total transactions with owners		**(160)**	**–**	**–**
Restated balance at 30 June 2018		**95 509**	**1**	**294 663**
IFRS 9 adjustment on initial application	41.2	–	–	–
Adjusted balance at 1 July 2018		**95 509**	**1**	**294 663**
Total comprehensive income				
Profit		**–**	**–**	**–**
Other comprehensive income		**–**	**–**	**–**
Foreign currency translation differences for foreign operations		–	–	–
Foreign exchange loss on net investments in foreign subsidiaries		–	–	–
Total comprehensive income		–	–	–
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners		**(720)**	**–**	**–**
Equity-settled share-based payment	15 & 20.4	–	–	–
Indirect costs arising on intra-group sale of shares related to equity-settled share-based payment	20.4	–	–	–
Issue of shares on vesting of FSP awards	20.4	133	–	–
Purchase of treasury shares	20.2	(853)	–	–
Dividends	26	–	–	–
Changes in ownership interests in subsidiaries				
Acquisition of controlling shareholding in subsidiary	32	–	–	–
Total transactions with owners		**(720)**	**–**	**–**
Balance at 30 June 2019		**94 789**	**1**	**294 663**

Attributable to owners of the company						
Shares repurchased by subsidiaries R'000	Foreign currency translation reserve R'000	Share-based payments reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
(102 956)	**26 249**	**1 812**	**605 388**	**825 157**	**12 019**	**837 176**
–	–	–	(20 164)	(20 164)	(1 167)	(21 331)
(102 956)	**26 249**	**1 812**	**585 224**	**804 993**	**10 852**	**815 845**
–	**–**	**–**	**154 662**	**154 662**	**4 362**	**159 024**
–	**3 433**	**–**	**–**	**3 433**	**–**	**3 433**
–	3 617	–	–	3 617	–	3 617
–	(184)	–	–	(184)	–	(184)
–	**3 433**	**–**	**154 662**	**158 095**	**4 362**	**162 457**
(4 246)	**–**	**1 919**	**(118 080)**	**(120 407)**	**(5 790)**	**(126 197)**
–	–	1 919	468	2 387	–	2 387
(4 246)	–	–	–	(4 246)	–	(4 246)
–	–	–	(118 548)	(118 548)	(5 790)	(124 338)
(4 246)	**–**	**1 919**	**(118 080)**	**(120 407)**	**(5 790)**	**(126 197)**
(107 202)	**29 682**	**3 731**	**621 806**	**842 681**	**9 424**	**852 105**
–	–	–	(8 855)	(8 855)	(21)	(8 876)
(107 202)	**29 682**	**3 731**	**612 951**	**833 826**	**9 403**	**843 229**
–	**–**	**–**	**165 118**	**165 118**	**7 300**	**172 418**
–	**687**	**–**	**–**	**687**	**–**	**687**
–	771	–	–	771	–	771
–	(84)	–	–	(84)	–	(84)
–	687	–	165 118	165 805	7 300	173 105
(19 609)	**–**	**669**	**(114 976)**	**(133 916)**	**(6 840)**	**(140 756)**
–	–	3 272	100	3 372	–	3 372
–	–	–	(610)	(610)	–	(610)
–	–	(2 603)	2 603	–	–	–
(19 609)	–	–	–	(19 609)	–	(19 609)
–	–	–	(117 069)	(117 069)	(6 840)	(123 909)
–	–	–	–	–	717	717
(19 609)	**–**	**669**	**(114 976)**	**(133 916)**	**(6 123)**	**(140 039)**
(126 811)	**30 369**	**4 400**	**663 093**	**865 715**	**10 580**	**876 295**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

R'000	Notes	2019	Restated 2018*
Cash flow from operating activities			
Operating profit before working capital changes	27	**260 804**	221 062
Working capital changes	28	**(15 885)**	(19 527)
Cash generated from operations		**244 919**	201 535
Interest income received	29	**22 014**	21 244
Interest expense paid		**(36)**	(90)
Tax paid	30	**(81 408)**	(60 646)
Dividends paid	31	**(123 826)**	(124 250)
Net cash flow from operating activities		**61 663**	37 793
Cash flow from investing activities			
Acquisition of business	32	**(5 012)**	–
Additions of intangible assets	13	**(1 513)**	(1 924)
Additions of property, plant and equipment	12	**(9 320)**	(10 291)
Cash outflow from share-based payment hedge	34	**–**	(13 740)
Increase in investment in associate	9.1	**(1 241)**	(5 274)
Loans receivable advanced	14	**(3 648)**	(11 188)
Proceeds from disposal of associate	9.2	**–**	17 500
Proceeds from disposal of property, plant and equipment and intangibles	12 & 13	**66**	302
Repayment of loans receivable	14	**9 490**	7 386
Net cash flow from investing activities		**(11 178)**	(17 229)
Cash flow from financing activities			
Acquisition of treasury shares	20.2	**(19 609)**	(4 246)
Settlement of contingent consideration	22	**–**	(18 542)
Net cash flow from financing activities		**(19 609)**	(22 788)
Net movement in cash and cash equivalents		**30 876**	(2 224)
Effect of foreign exchange fluctuations		**4**	(192)
Net cash and cash equivalents at beginning of year		**253 099**	255 515
Net cash and cash equivalents at end of year	19	**283 979**	253 099

* *Refer note 41.1 for details of changes to comparative information on adoption of IFRS 15 – Revenue from Contracts with Customers.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE

1. ABOUT THESE FINANCIAL STATEMENTS

1.1 REPORTING ENTITY

Spur Corporation Limited ("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 2019 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 and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of 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 42 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 new standards effective for the financial year commencing 1 July 2018, as detailed in note 41.

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 Tuesday, 22 October 2019. The financial statements were published on Friday, 25 October 2019.

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

The financial statements have been prepared on the historical cost basis except in the case of the contingent consideration liability measured at fair value (refer note 22).

2. 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:

2.1 Judgements

2.1.1 Accounting for marketing funds (note 5)

The basis for concluding on the treatment of marketing funds in accordance with *IFRS 15 – Revenue from Contracts with Customers* is detailed in note 41.1.

2.1.2 Accounting for initial franchise fees (note 5)

Franchisees are charged an initial fixed value franchise fee by the group, as franchisor. The basis for concluding on the treatment of initial franchise fees in accordance with *IFRS 15* is detailed in note 41.1.

2.1 Judgements continued

2.1.3 Assessment of control and significant influence (notes 3 and 9)

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 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 content 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 controls RocoMamas Restaurants Australia Pty Ltd, an entity in which the group holds a 45% equity interest, in accordance with the requirements of IFRS 10. In considering control the following factors were taken into consideration:

- The group has 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.
- The group has the right to exercise 45% of the voting rights attaching to the ordinary shares in issue.
- The shareholders agreement requires 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 consults with the entity's management on strategic and operational matters, the group is not responsible for the running of the day-to-day activities of the entity, and has no legal rights to do so.

Consequently, the group has concluded that it has 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, accounts for the entity as an associate.

2.1.4 Distribution income (note 42.13)

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 – Revenue from Contracts with Customers*, 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.
- 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.

2.1.5 Intangible assets (note 13)

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 company'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.

2.2 Assumptions and estimates

2.2.1 Contingent consideration liability (note 22)

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 needed to estimate the business's profit to July 2021. The directors needed to extrapolate a restaurant development plan and quantify the associated costs and revenues. A number of scenarios were 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 liability at the reporting date as well as the sensitivities thereto are detailed in notes 22.1 and 35.2 respectively.

2.2.2 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 liability (refer note 35)
- Grant-date fair values of equity-settled share-based payments (refer note 20.4)
- Fair values of identifiable assets and liabilities as part of business combination (refer note 32).

2. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

2.2 Assumptions and estimates continued

2.2.3 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 and 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 as detailed in note 41.2. Further information is disclosed in note 35.3.1.

2.2.4 Impairment of non-financial assets (notes 12 and 13)

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 note 13.

2.2.5 Property, plant and equipment (note 12)

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.

2.2.6 Share-based payments (note 20.4)

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 20.4.

2.2.7 Withholding tax credits (refer note 30)

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 30. Based on these projections, and taking into consideration that the credits do not expire, the directors have concluded that the asset is recoverable within a reasonable period of time.

* *Applicable to the current year and transitional adjustment on initial application of IFRS 9 (refer note 41.2).*

3. GROUP ENTITIES

3.1 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	Loans to subsidiaries 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	106 016	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	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[#]		0.5		100.0
			106 016	

[#] *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:

	2019 R'000	Restated 2018 R'000
Profits	**182 415**	169 387
Losses	**(19 491)**	(16 268)

3. GROUP ENTITIES continued

3.1 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 2.1). These entities are consequently consolidated.

The only change to the group structure during the year related to the acquisition of the Nikos Coalgrill Greek business as detailed in note 32.

Details of material non-controlling interests are included in note 21.

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

3.2 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;
- Wholly-owned subsidiaries donated R0.280 million (2018: R0.280 million) and 100 000 (2018: 100 000) treasury shares (refer note 20.2) to The Spur Foundation Trust during the year to assist in funding the trust's benevolent activities.

3.3 Unconsolidated structured entities

During the 2015 financial year, the group concluded a B-BBEE equity transaction with Grand Parade Investments Ltd ("GPI") as more fully explained in note 14.4. The group partly financed the indirect acquisition by GPI of 10% of the share capital of the company through a preference share investment in GPI Investments 1 (RF) (Pty) Ltd ("GPIRF"), an indirectly wholly-owned subsidiary of GPI.

The investment in preference shares is recorded as a loan receivable as detailed in note 14.4. The group's maximum exposure relating to the entity is represented by the carrying value of the preference shares.

The entity is an investment holding vehicle whose key activities comprise the investment in Spur Corporation Ltd shares and the financing of this investment. The group has no influence over the investing or financing decisions of the entity and consequently, the group does not have any power over the relevant activities of the entity. Therefore, the group concluded that it does not control, and therefore should not consolidate, the entity.

The recoverability of the preference shares/loan receivable referred to above is dependent on the performance of GPIRF (which is not consolidated by the group), which is in turn influenced by the prevailing share price of Spur Corporation Ltd. Refer notes 14.4 and 35.3.1 for details on the allowance for expected credit losses recognised at the reporting date.

A summarised statement of financial position for GPIRF is listed below:

	As at 30 June 2019 R'000
Assets	
Investment in Spur Corporation Limited	**228 868**
Other assets	**409**
Total assets	**229 277**
Equity and liabilities	
Total equity	**(31 093)**
Liabilities	**260 370**
External debt – A preference shares: dividend at 95% of prime payable semi-annually on 31 October and 30 April; secured by Spur Corporation Ltd shares held by GPI Investments and guarantee from GPI; redeemable on 30 October 2019	**71 083**
External debt – B preference shares: dividend at 80% of prime; secured by guarantee from GPI; redeemable in full prior to 30 October 2019	**79 073**
Debt owing to the group (refer note 14.4)*	**110 214**
Total equity and liabilities	**229 277**

* *The corresponding receivable recognised by the group of R110.225 million includes the balance of transaction costs added to the fair value of the receivable on initial recognition.*

4. 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.

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 – Captain DoRegos (prior year)
- 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 (refer note 41.1); 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, Mauritius, Cyprus, India and the Middle East which have been aggregated – while Africa comprises the majority of the other international segments, the Mauritius, 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 (refer note 41.1).

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.

From a statutory reporting perspective, the CODM reviews the profit/loss before income tax of each segment. In managing risks, performance and resource allocations, the CODM considers earnings before interest, tax, depreciation and amortisation ("EBITDA") as a more meaningful measure. Accordingly, the group has elected to disclose segmental EBITDA in addition to the minimum disclosure required by IFRS 8.

4. OPERATING SEGMENTS continued

2019

R'000	South Africa							
	Manu-facturing and distri-bution	**Franchise Spur**	**Franchise Pizza and Pasta**	**Franchise John Dory's**	**Franchise Captain DoRegos**	**Franchise The Hussar Grill**	**Franchise Roco-Mamas**	**Franchise Nikos***
Total revenues	**202 087**	**231 458**	**37 985**	**21 829**	**–**	**9 505**	**36 484**	**2 767**
Less: Intersegment revenues	**153**	**936**	**397**	**542**	**–**	**2 626**	**2 799**	**107**
External revenues	**201 934**	**230 522**	**37 588**	**21 287**	**–**	**6 879**	**33 685**	**2 660**
Profit/(loss) before income tax and share of loss of equity-accounted investee	**73 360**	**192 361**	**23 453**	**9 880**	**–**	**5 664**	**24 380**	**779**
Exclude:								
Interest income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Interest expense	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation and amortisation	**(997)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
EBITDA#	**74 357**	**192 361**	**23 453**	**9 880**	**–**	**5 664**	**24 380**	**779**
Exclude other material disclosable items:								
Fair value loss on contingent consideration liability	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign exchange loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment of loans receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Profit on disposal of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payments expense (equity-settled) – long-term employee share incentive schemes	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
EBITDA# before other material disclosable items	**74 357**	**192 361**	**23 453**	**9 880**	**–**	**5 664**	**24 380**	**779**
Capital expenditure	**3 878**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Restated 2018

R'000	South Africa						
	Manu-facturing and distri-bution	Franchise Spur	Franchise Pizza and Pasta	Franchise John Dory's	Franchise Captain DoRegos	Franchise The Hussar Grill	Franchise Roco-Mamas
Total revenues	186 261	211 534	35 931	20 278	2 563	8 580	32 862
Less: Intersegment revenues	37	1 461	353	564	37	2 374	1 762
External revenues	186 224	210 073	35 578	19 714	2 526	6 206	31 100
Profit/(loss) before income tax and share of loss of equity-accounted investee	61 050	176 328	21 732	9 409	4 604	4 790	21 471
Exclude:							
Interest income	–	–	–	–	–	–	–
Interest expense	–	–	–	–	–	–	–
Depreciation and amortisation	(844)	–	–	–	(3)	–	–
EBITDA#	61 894	176 328	21 732	9 409	4 607	4 790	21 471
Exclude other material disclosable items:							
Fair value loss on contingent consideration liability	–	–	–	–	–	–	–
Foreign exchange loss	–	–	–	–	–	–	–
Impairment of loans receivable	–	–	–	–	–	–	–
Profit/(loss) on disposal of property, plant and equipment	–	–	–	–	–	–	–
Profit on disposal of intangible asset	–	–	–	–	4 750	–	–
Profit on disposal of equity-accounted investee	–	–	–	–	–	–	–
Share-based payments expense (cash-settled) net of fair value adjustment in respect of hedge – long-term share-linked employee retention scheme	–	–	–	–	–	–	–
Share-based payments expense (equity-settled) – long-term employee share incentive schemes	–	–	–	–	–	–	–
EBITDA# before other material disclosable items	61 894	176 328	21 732	9 409	(143)	4 790	21 471
Capital expenditure	1 571	–	–	–	–	–	–

Notes (in addition to those items disclosed above):

South Africa – Other segments loss before income tax includes one-off retrenchment costs of R1.410 million relating to the group's décor manufacturing facility.

South Africa – Unallocated loss before income tax includes tax litigations costs of R0.086 million (2018: R1.692 million) and a net profit of R0.507 million (2018: R0.907 million loss) arising from The Spur Foundation Trust, a consolidated structured entity, all of which is attributable to non-controlling interests.

Australasia – loss before income tax in the prior year includes relocation costs of R0.477 million incurred on behalf of a franchisee, and R2.253 million relating to travel, legal, marketing and pre-opening costs for the establishment of the RocoMamas business and the first RocoMamas restaurant in Australia (refer note 9.1)

EBITDA is earnings (profit/loss) before interest, tax, depreciation and amortisation.

* *Acquired with effect from 1 August 2018.*

	South Africa						International						
	Retail	**Marketing**	**Other segments**	**Total segments**	**Unallo-cated**	**Total South Africa**	**Aus-tralasia**	**Marketing**	**Other segments**	**Total segments**	**Unallo-cated**	**Total Inter-national**	**Total**
	69 753	**246 988**	**61 343**	**920 199**	**44 275**	**964 474**	**4 522**	**7 266**	**29 853**	**41 641**	**572**	**42 213**	**1 006 687**
	–	**1 876**	**9 536**	**18 972**	**41 956**	**60 928**	**173**	**–**	**235**	**408**	**572**	**980**	**61 908**
	69 753	**245 112**	**51 807**	**901 227**	**2 319**	**903 546**	**4 349**	**7 266**	**29 618**	**41 233**	**–**	**41 233**	**944 779**
	8 576	**12 555**	**(6 208)**	**344 800**	**(74 143)**	**270 657**	**(16 992)**	**917**	**12 663**	**(3 412)**	**(8 823)**	**(12 235)**	**258 422**
	–	**(982)**	**–**	**(982)**	**32 809**	**31 827**	**614**	**–**	**–**	**614**	**4**	**618**	**32 445**
	–	**–**	**–**	**–**	**(20)**	**(20)**	**(16)**	**–**	**–**	**(16)**	**–**	**(16)**	**(36)**
	(1 972)	**(282)**	**(18)**	**(3 269)**	**(7 552)**	**(10 821)**	**(22)**	**–**	**–**	**(22)**	**(10)**	**(32)**	**(10 853)**
	10 548	**13 819**	**(6 190)**	**349 051**	**(99 380)**	**249 671**	**(17 568)**	**917**	**12 663**	**(3 988)**	**(8 817)**	**(12 805)**	**236 866**
	–	**–**	**–**	**–**	**(1 555)**	**(1 555)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1 555)**
	–	**–**	**–**	**–**	**–**	**–**	**(10)**	**–**	**–**	**(10)**	**(592)**	**(602)**	**(602)**
	–	**–**	**–**	**–**	**(7 984)**	**(7 984)**	**(12 043)**	**–**	**–**	**(12 043)**	**52**	**(11 991)**	**(19 975)**
	2	**–**	**–**	**2**	**9**	**11**	**–**	**–**	**–**	**–**	**–**	**–**	**11**
	–	**–**	**–**	**–**	**(3 272)**	**(3 272)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3 272)**
	10 546	**13 819**	**(6 190)**	**349 049**	**(86 578)**	**262 471**	**(5 515)**	**917**	**12 663**	**8 065**	**(8 277)**	**(212)**	**262 259**
	1 003	**668**	**–**	**5 449**	**3 771**	**9 320**	**–**	**–**	**–**	**–**	**–**	**–**	**9 320**

	South Africa						International						
	Retail	Marketing	Other segments	Total segments	Unallo-cated	Total South Africa	Aus-tralasia	Marketing	Other segments	Total segments	Un-allocated	Total Inter-national	Total
	69 534	233 537	70 154	871 234	38 494	909 728	7 118	7 814	23 180	38 112	249	38 361	948 089
	–	1 675	9 870	18 133	37 165	55 298	558	–	187	745	249	994	56 292
	69 534	231 862	60 284	853 101	1 329	854 430	6 560	7 814	22 993	37 367	–	37 367	891 797
	6 785	(1 237)	(4 953)	299 979	(65 352)	234 627	(10 980)	(107)	10 378	(709)	(6 492)	(7 201)	227 426
	–	(1 327)	–	(1 327)	30 570	29 243	667	–	–	667	85	752	29 995
	–	(57)	–	(57)	(33)	(90)	–	–	–	–	–	–	(90)
	(1 915)	(159)	(109)	(3 030)	(7 605)	(10 635)	(21)	–	(24)	(45)	(7)	(52)	(10 687)
	8 700	306	(4 844)	304 393	(88 284)	216 109	(11 626)	(107)	10 402	(1 331)	(6 570)	(7 901)	208 208
	–	–	–	–	(12 745)	(12 745)	–	–	–	–	–	–	(12 745)
	–	–	–	–	–	–	(44)	–	–	(44)	(357)	(401)	(401)
	–	–	–	–	–	–	(6 753)	–	–	(6 753)	–	(6 753)	(6 753)
	(6)	–	–	(6)	162	156	–	–	–	–	–	–	156
	–	–	–	4 750	–	4 750	–	–	–	–	–	–	4 750
	–	–	–	–	17 500	17 500	–	–	–	–	–	–	17 500
	–	–	–	–	(2 283)	(2 283)	–	–	–	–	–	–	(2 283)
	–	–	–	–	(1 919)	(1 919)	–	–	–	–	–	–	(1 919)
	8 706	306	(4 844)	299 649	(88 999)	210 650	(4 829)	(107)	10 402	5 466	(6 213)	(747)	209 903
	1 577	252	–	3 400	6 852	10 252	17	–	–	17	22	39	10 291

International – Unallocated loss before income tax includes the Zambia litigation settlement and related legal costs amounting to R2.350 million (refer note 40.2).

4. OPERATING SEGMENTS continued

Reconciliation of segmental profit to profit before income tax	2019 R'000	Restated 2018 R'000
Total segmental profit before income tax and share of loss of equity-accounted investee (net of income tax)	**258 422**	227 426
Share of loss of equity-accounted investee (net of income tax)	**(1 345)**	(1 813)
Profit before income tax	**257 077**	225 613

Geographical allocation of non-current assets

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

	2019 R'000	Restated 2018 R'000
South Africa	**472 860**	467 702
Australasia	**–**	22
Other countries	**8**	15
Total non-current assets	**472 868**	467 739

For the purposes of the above analysis, non-current assets exclude deferred tax assets, financial instruments and interest in equity-accounted investee.

5. REVENUE

	2019 R'000	Restated 2018 R'000
Sales-based royalties	**588 999**	539 420
Ongoing franchise fee income	**354 494**	326 896
Marketing fund contributions	**234 505**	212 524
Recognised at a point in time	**326 037**	324 832
Sales of purchased and manufactured sauces	**150 853**	145 067
Retail restaurants' sales	**69 753**	69 534
Distribution income	**46 517**	34 981
Sales of franchisee supplies	**45 188**	51 893
Sales of marketing materials	**9 162**	17 181
Rebate income	**4 564**	6 176
Recognised over time	**29 743**	27 545
Initial franchise fee income	**10 392**	6 836
Services rendered	**10 640**	10 738
Marketing supplier contributions	**8 711**	9 971
Total revenue	**944 779**	891 797

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
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

5. REVENUE continued

R'000	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
Restated 2018				
Manufacturing and distribution	–	186 224	–	186 224
Franchise – Spur	207 923	178	1 972	210 073
Franchise – Pizza and Pasta	34 601	204	773	35 578
Franchise – John Dory's	19 073	63	578	19 714
Franchise – Captain DoRegos	1 894	–	632	2 526
Franchise – The Hussar Grill	5 787	–	419	6 206
Franchise – RocoMamas	29 820	42	1 238	31 100
Retail	–	69 534	–	69 534
Marketing	204 710	17 181	9 971	231 862
Other South Africa	–	49 546	10 738	60 284
Total South African segments	503 808	322 972	26 321	853 101
Unallocated – South Africa	–	1 329	–	1 329
Total South Africa	503 808	324 301	26 321	854 430
Australasia	6 246	201	113	6 560
Marketing	7 814	–	–	7 814
Other International	21 552	330	1 111	22 993
Total International	35 612	531	1 224	37 367
Total external revenue	539 420	324 832	27 545	891 797

6. OTHER INCOME

	2019 R'000	Restated 2018 R'000
Profit on disposal of property, plant and equipment	**11**	156
Profit on disposal of equity-accounted investee (refer note 9.2)	**–**	17 500
Profit on disposal of intangible asset (refer note 13.1)	**–**	4 750
Spur Foundation donation income	**1 654**	872
Other	**253**	112
Total other income	**1 918**	23 390

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 other comprehensive income.

7. 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 (see note 6):

	2019 R'000	Restated 2018 R'000
Auditor's remuneration[#]	**2 064**	2 112
– Audit services	**2 064**	1 582
– Other services	**–**	530
Amortisation – intangible assets (refer note 13)	**884**	1 281
Depreciation (refer note 12)	**9 969**	9 406
– Buildings	**667**	667
– Leasehold improvements	**1 394**	1 086
– Furniture and fittings	**1 670**	1 648
– Plant, equipment and vehicles	**2 393**	2 203
– Computer equipment	**3 845**	3 802
Employment costs	**202 292**	193 949
– Salaries and wages (excluding directors)	**166 487**	157 463
– Executive directors' and prescribed officer's emoluments (refer note 37)[&]	**17 627**	21 572
– Provident fund expense – defined contribution plan[%]	**14 906**	13 880
– Share-based payments credit – cash-settled – long-term share-linked employee retention scheme (refer note 33)	**–**	(885)
– Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 20.4)	**3 272**	1 919
Fair value loss on derivative financial instruments at fair value through profit or loss (refer note 34)	**–**	3 168
Foreign exchange loss	**602**	401
Impairment losses – financial instruments	**20 375**	7 813
– Bad debts – trade receivables	**254**	1 195
– Impairment of loan advanced to associate (refer note 9.1)	**3 357**	–
– Impairment allowance – trade receivables	**146**	(135)
– Impairment allowance – loans receivable (net) (refer note 14)	**16 618**	6 753
– Reversal of impairment allowance – loans receivable (refer note 14)	**(2 916)**	–
– Write-off of loans receivable (refer note 14)	**2 916**	–
Operating lease charges	**14 414**	15 765
– Lease charges paid in cash	**14 673**	14 677
– Amortisation of leasing rights (refer note 16)	**550**	549
– Straight-line lease charge (refer note 24)	**(809)**	539
Other non-trading losses	**1 555**	12 745
– Fair value loss on contingent consideration liability (refer note 22)	**1 555**	12 745

[#] 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 295 members at 30 June 2019 (2018: 298 members). The fund is administered by Liberty Group Ltd.

8. NET FINANCE INCOME

Finance income and expense recognised in profit before income tax	2019 R'000	Restated 2018 R'000
Interest income on bank deposits	**18 958**	20 151
Interest income on financial assets measured at amortised cost	**13 487**	9 844
Interest income	**32 445**	29 995
Interest expense on financial liabilities measured at amortised cost	**(36)**	(90)
Interest expense	**(36)**	(90)
Net interest income recognised in profit before income tax	**32 409**	29 905

9. INTEREST IN EQUITY-ACCOUNTED INVESTEE

	2019 R'000	2018 R'000
9.1 RocoMamas Australia – Associate		
Balance at beginning of year	**3 461**	–
Loan advanced to investee	**1 241**	5 274
Share of loss of equity-accounted investee (net of income tax)	**(1 345)**	(1 813)
Impairment of loan recognised in terms of IFRS 9	**(3 357)**	–
Balance at end of year	**–**	3 461

During the prior year, with effect from 1 July 2017, the group 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. During the prior year, the group advanced R5.274 million to RRA on loan account for the purposes of capitalising the entity and in respect of which settlement is neither planned nor likely to happen in the foreseeable future. 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. To this end, subsidiaries in the group granted a subsidiary of RRA a master franchise agreement, in terms of which the entity was granted rights to exploit the RocoMamas trademarks and related intellectual property in Australasia. RRA furthermore provided finance to another subsidiary of RRA in the prior year to build the first RocoMamas restaurant in Australia, trading in Melbourne, which commenced trading in June 2018.

During the current year, further advances of R1.241 million were made to RRA on the same terms as above, to fund working capital of the business.

The loss in the current year relates to the trading operations of the business. The loss in the prior year related to costs incurred to establish the entities concerned, refine the intellectual property for the brand in the country and pre-opening costs associated with the new restaurant.

Sustained operating losses of the business in the year indicated a potential impairment. The board has considered the future cash flows of the business and has concluded that the prospects of recovery of the group's funding of the investment is negligible. The carrying value of the investment (comprising a loan receivable from the associate) has accordingly been impaired in full.

The following is summarised financial information for RRA (including subsidiaries) based on its financial statements prepared in accordance with IFRS:

	2019 R'000	2018 R'000
Non-current assets (100%)	**6 849**	6 187
Current assets (100%)	**10 255**	10 066
Current liabilities (100%)	**(9 644)**	(8 563)
Net assets (100%)	**7 460**	7 690
Group's share of net assets (45%)	**3 357**	3 461
Carrying amount of interest in associate before impairment	**3 357**	3 461
Revenue (100%)	**9 220**	590
Loss (100%)	**(2 988)**	(4 028)
Total comprehensive income (100%)	**(2 988)**	(4 028)
Attributable to the group	**(1 345)**	(1 813)
Attributable to the investee's other shareholders	**(1 643)**	(2 215)

No dividends may be paid to the investors without the unanimous consent of all shareholders.

9.2 Braviz Fine Foods

In March 2014, the group acquired a 30% interest in Braviz Fine Foods (Pty) Ltd ("Braviz"), a start-up operation which established a rib processing plant in Johannesburg for R0.4 million. The group had previously advanced loans in the amount of R36.250 million to the entity, the full extent of which were impaired in the financial year ended 30 June 2017.

During the prior year, with effect from 6 November 2017, the group concluded an agreement to sell its equity interest and loan claims with Braviz to the existing Braviz shareholders for the sum of R17.500 million. This was received in cash in March 2018. A profit before income tax of R17.500 million, and a tax credit of R3.257 million was recognised in the prior year.

10. INCOME TAX

10.1 Income tax expense

		2019 R'000	Restated 2018 R'000
South African normal tax		**79 850**	61 780
Current tax	– current year	**75 966**	62 136
	– prior year underprovision	**111**	200
Deferred tax	– current year	**3 884**	(423)
	– prior year overprovision	**(111)**	(133)
South African dividend withholding tax		**1 551**	1 580
Namibian normal tax			
Current tax	– current year	**133**	1 081
Namibian withholding tax		**3**	485
Dutch withholding tax		**2 620**	1 663
Australian normal tax		**502**	–
Current tax	– prior year underprovision	**52**	–
Deferred tax	– current year	**–**	–
	– prior year underprovision	**450**	–
Income tax expense		**84 659**	66 589
Total current normal tax		**76 262**	63 417
Total deferred tax (refer note 15)		**4 223**	(556)
Total withholding taxes		**4 174**	3 728
Income tax expense		**84 659**	66 589

Also refer contingent liability note 40.1.

10. INCOME TAX continued

	2019 %	Restated 2018 %
10.2 Reconciliation of tax rate		
South African normal tax rate	**28.0**	28.0
Effect of tax in foreign jurisdictions	**–**	0.1
Non-deductible fair value loss on contingent consideration liability	**0.2**	1.6
Non-deductible loan impairments	**1.3**	0.8
Non-deductible other expenditure (listings costs, retrenchment costs, other capital items and items not in production of income)	**1.5**	2.3
Non-taxable interest income	**(1.0)**	(1.1)
Non-taxable income – marketing fund surplus	**(0.1)**	–
Non-taxable profit on disposal of Braviz loans	**–**	(3.6)
Non-taxable profit on disposal of Captain DoRegos	**–**	(0.6)
Prior year underprovision	**0.2**	–
Share of loss of equity-accounted investee	**0.2**	0.2
Tax losses on which deferred tax not provided	**1.5**	0.6
Tax losses utilised on which deferred tax not previously provided	**(0.5)**	(0.5)
Withholding tax	**1.6**	1.7
Effective tax rate	**32.9**	29.5

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.

	2019 R'000	2018 R'000
10.3 Tax losses		
Estimated group tax losses available for set-off against future taxable income	**31 198**	21 682

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 the directors are not able to confirm with any degree of certainty that future taxable income will be earned against which these losses may be offset. R22.463 million and R7.473 million of these tax losses are subject to restrictions on the periods for which the losses can be carried forward of five years and nine years respectively, while the balance has no such restriction.

	2019 R'000	2018 R'000
10.4 Tax charged/(credited) directly to equity		
Current tax on inter-company transfer of treasury shares (refer note 20.4)	**553**	–
Deferred tax on equity-settled share-based payment	**(100)**	(468)
Deferred tax on transition to IFRS 9 (refer note 41.2)	**(805)**	–
Total tax credited directly to equity	**(352)**	(468)

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 20.4) that exceeds 28% of the share-based payment expense included in profit before income tax.

11. EARNINGS PER SHARE

	2019 cents	Restated 2018 cents
11.1 Statistics		
Basic earnings per share	**173.69**	161.81
Diluted earnings per share	**173.22**	161.51
Headline earnings per share	**173.68**	156.73
Diluted headline earnings per share	**173.21**	156.43

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 R165.118 million (2018: R154.662 million) for the group.

	2019 '000	2018 '000
11.2 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 20.2)	**(12 972)**	(12 812)
Shares repurchased during the year weighted for period held by the group (refer note 20.2)	**(477)**	(89)
Shares issued during the year weighted for period in issue (refer note 20.4)	**33**	–
Weighted average number of ordinary shares in issue for the year	**95 065**	95 580
Dilutive potential ordinary shares weighted for period outstanding (refer note 20.4)	**257**	181
Dilutive weighted average number of shares in issue for the year	**95 322**	95 761

	2019 R'000	Restated 2018 R'000
11.3 Reconciliation of headline earnings		
Profit attributable to owners of the company	**165 118**	154 662
Profit on disposal of intangible assets	**–**	(4 750)
Profit on disposal of property, plant and equipment	**(8)**	(113)
Headline earnings	**165 110**	149 799

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2019				
Profit on disposal of property, plant and equipment (refer note 12)	**(11)**	**3**	**–**	**(8)**
	(11)	**3**	**–**	**(8)**
2018				
Profit on disposal of intangible assets (refer note 13)	(4 750)	–	–	(4 750)
Profit on disposal of property, plant and equipment (refer note 12)	(156)	44	(1)	(113)
	(4 906)	44	(1)	(4 863)

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Leasehold improve-ments R'000	Furniture and fittings R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Total R'000
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 VALUE						
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**
2018						
COST						
Balance at 1 July 2017	77 911	32 664	15 501	24 046	20 888	171 010
Additions	–	2 030	931	2 637	4 693	10 291
Disposals	–	(25 199)	(1 767)	(3 429)	(4 009)	(34 404)
Effect of foreign exchange fluctuations	–	3	1	–	–	4
Balance at 30 June 2018	77 911	9 498	14 666	23 254	21 572	146 901
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2017	(3 331)	(27 115)	(8 107)	(17 792)	(14 346)	(70 691)
Disposals	–	25 199	1 767	3 416	3 911	34 293
Depreciation	(667)	(1 086)	(1 648)	(2 203)	(3 802)	(9 406)
Effect of foreign exchange fluctuations	–	(3)	(1)	–	1	(3)
Balance at 30 June 2018	(3 998)	(3 005)	(7 989)	(16 579)	(14 236)	(45 807)
CARRYING VALUE						
Balance at 1 July 2017	74 580	5 549	7 394	6 254	6 542	100 319
Additions	–	2 030	931	2 637	4 693	10 291
Disposals	–	–	–	(13)	(98)	(111)
Depreciation	(667)	(1 086)	(1 648)	(2 203)	(3 802)	(9 406)
Effect of foreign exchange fluctuations	–	–	–	–	1	1
Balance at 30 June 2018	73 913	6 493	6 677	6 675	7 336	101 094

Capital commitment: During the year, the board approved a capital project to renovate and upgrade the group's sauce manufacturing facility at an expected cost of R11.5 million, comprising predominantly additional and replacement property, plant and equipment. Up to the reporting date, R3.878 million had been incurred and is included in *Additions* above, with the balance of the expected costs anticipated to be incurred within the subsequent financial year.

13. INTANGIBLE ASSETS AND GOODWILL

	Trademarks and intellectual property R'000	Software licences R'000	Goodwill R'000	Total R'000
2019				
COST				
Balance at 1 July 2018	**288 883**	**5 838**	**77 635**	**372 356**
Additions	**2 032***	**1 513**	**3 722***	**7 267**
Balance at 30 June 2019	**290 915**	**7 351**	**81 357**	**379 623**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2018	**–**	**(3 135)**	**(6 512)**	**(9 647)**
Amortisation	**–**	**(884)**	**–**	**(884)**
Balance at 30 June 2019	**–**	**(4 019)**	**(6 512)**	**(10 531)**
CARRYING VALUE				
Balance at 1 July 2018	**288 883**	**2 703**	**71 123**	**362 709**
Additions	**2 032***	**1 513**	**3 722***	**7 267**
Amortisation	**–**	**(884)**	**–**	**(884)**
Balance at 30 June 2019	**290 915**	**3 332**	**74 845**	**369 092**
2018				
COST				
Balance at 1 July 2017	328 535	3 991	77 635	410 161
Additions	–	1 924	–	1 924
Disposals	(39 652)	(77)	–	(39 729)
Balance at 30 June 2018	288 883	5 838	77 635	372 356
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2017	(39 652)	(1 896)	(6 512)	(48 060)
Amortisation	–	(1 281)	–	(1 281)
Disposals	39 652^	42	–	39 694
Balance at 30 June 2018	–	(3 135)	(6 512)	(9 647)
CARRYING VALUE				
Balance at 1 July 2017	288 883	2 095	71 123	362 101
Additions	–	1 924	–	1 924
Disposals	–	(35)	–	(35)
Amortisation	–	(1 281)	–	(1 281)
Balance at 30 June 2018	288 883	2 703	71 123	362 709

None of the above intangible assets are internally generated.

* *Additions to goodwill and trademarks and intellectual property during the year relate to the acquisition of the Nikos Coalgrill Grill business (refer note 32).*

^ *The disposal of trademarks and intellectual property in the prior year related to Captain DoRegos. The assets in question had been impaired in full in earlier years. While the net carrying amount of the assets at the date of disposal was Rnil, the prior year financial statements incorrectly reflected a gross carrying amount of R39.652 million and accumulated impairment losses of the same amount at the prior year reporting date. The table above has been adjusted to correct the error.*

13. INTANGIBLE ASSETS AND GOODWILL continued

13.1 Trademarks and intellectual property

Trademarks and intellectual property consists of the Spur, Panarottis, John Dory's, The Hussar Grill, RocoMamas and Nikos trademarks and related intellectual property. The directors evaluated the indefinite useful life assumption of the assets at the reporting date and concluded that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the group (refer note 2.1.5).

	2019 R'000	2018 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**	–
	290 915	288 883

In accordance with the group's accounting policies, impairment tests on intangible assets with indefinite useful lives have been performed. In this regard, the directors determined the recoverable amounts of the cash-generating units to which the trademarks and intellectual property are allocated (as indicated above), based on their values-in-use. Given the nature of the franchise business, the directors consider that the fair values less costs to sell of the intangible assets are unlikely to differ significantly from their values-in-use. In determining the values-in-use, the directors applied the following key assumptions* which were based on historic performance:

- Cash inflows, comprising mainly franchise-related fee income determined as a percentage of franchised restaurant turnovers, for the 2020 financial year were conservatively estimated based on budgets derived from historic trends. Turnovers were conservatively estimated to grow by 6.3% in 2020 and 6% in 2021 to 2024 for Spur, 5.6% in 2020, 3.6% in 2021 and 5% in 2022 to 2024 for Panarottis, 7.1% in 2020 and 6% in 2021 to 2024 for The Hussar Grill, 10.2% in 2020 and 6% in 2021 to 2024 for John Dory's, 3.0% in 2020, 10.1% in 2021 and 6% in 2022 to 2024 for RocoMamas and Nikos 3.4% in 2020, 57.3% in 2021, 36.6% in 2022, 30% in 2020, 30.6% in 2023 and 26.7% in 2024, on existing business, in addition to the impact of expected new stores.
- Cash outflows for the 2020 financial year were estimated based on the most recent expense budgets prepared by management derived from historic trends and adjusted for the remainder of the forecast period as detailed below.
- Operating expenses were estimated to increase at 6% (the anticipated rate of inflation in South Africa) and employment-related costs at 8%, adjusted where necessary for organic growth in the case of variable and semi-variable costs.
- Growth in perpetuity of cash flows beyond the five-year forecast horizon was estimated at 3%, being the lower limit of the South African Reserve Bank's inflation target.
- Pre-tax cash flows were discounted at a pre-tax rate of 18.5%, being the risk-free rate of 8.4% (the R186 South African Government bond rate) adjusted for risk factors, with the exception of Nikos, where a pre-tax discount rate of 30% was used to take into account the higher forecast and other risks associated with a new brand.

Based on the calculations referred to above, the directors concluded that the assets were not impaired as at the reporting date.

Prior year disposal of Captain DoRegos

During the prior year, the group disposed of the Captain DoRegos business, comprising largely trademarks and related intellectual property which had been impaired in full in earlier years, with effect from 1 March 2018 for a consideration of R4.750 million. Of the total consideration, R0.750 million was settled in cash in the prior year and the balance of R4.000 million is repayable over four years (refer note 14.8).

* *The assumptions applied in the current year were largely similar to those applied in the prior year, with the exception of increases in employment costs which were increased from 7% to 8% and growth in restaurant turnovers where the following growth percentages were used: Spur, reduced from 7% to 6%; Panarottis, remained the same at 5%; The Hussar Grill, reduced from 8.2% to 6%; John Dory's, reduced from 6.5% to 6% and RocoMamas, reduced from 6.5% to 6%.*

13.2 Goodwill

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

	2019 R'000	2018 R'000
John Dory's Franchise operations	**178**	178
RocoMamas Franchise operations	**43 102**	43 102
The Hussar Grill Franchise operations	**13 870**	13 870
Hussar Grill retail operations^	**13 973**	13 973
Nikos Franchise operations	**3 722**	–
	74 845	71 123

The recoverable amounts of the cash-generating units were based on their values-in-use for all cash-generating units.

The directors have determined that the recoverable amounts of all the cash-generating units listed above exceed their carrying values and consequently concluded that none of the goodwill is impaired.

John Dory's Franchise, RocoMamas Franchise, The Hussar Grill Franchise and Nikos Franchise operations

Impairment of goodwill was considered as part of the trademark and intellectual property impairment test referred to in 13.1.

The Hussar Grill Retail operations

In determining the value-in-use, the directors applied the following key assumptions* which were based on historic performance:

- Cash inflows, comprising mainly restaurant turnovers, for the 2020 financial year were conservatively estimated based on historic trends. Turnovers were estimated to grow by 6% per annum for the 2021 to 2024 financial years, being the upper limit of the South African targeted rate of inflation.
- Cash outflows for the 2020 financial year were estimated based on the most recent expense budgets prepared by management derived from historic trends and adjusted for the remainder of the forecast period as detailed below.
- Variable costs were estimated to increase in line with turnover.
- Fixed costs were estimated to increase at anticipated inflation of 6% throughout the forecast horizon.
- Semi-variable costs were adjusted in part for anticipated inflation and in part by the change in anticipated turnover.
- Rental costs were forecast in accordance with the respective lease agreements.
- Growth in perpetuity of cash flows beyond the five-year forecast horizon was estimated at 3%, being the lower limit of the South African targeted rate of inflation.
- Pre-tax cash flows were discounted at a pre-tax rate of 18.5%, being the risk-free rate of 8.4% (the R186 South African Government bond rate) adjusted for risk factors.

* *The assumptions applied in the current year were largely similar to those applied in the prior year.*

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

13. INTANGIBLE ASSETS AND GOODWILL continued

13.3 Sensitivity analysis

The recoverable amounts (as determined above) and the carrying amounts of the respective cash-generating units to which goodwill and indefinite useful life intangible assets are allocated are listed below:

	Carrying amount R'000	Recoverable amount R'000
Spur Franchise operations	242 762	1 048 079
Panarottis Franchise operations	34 575	72 769
John Dory's Franchise operations	9 853	120 173
The Hussar Grill Franchise operations	23 774	42 569
The Hussar Grill Retail Operations	25 698	77 808
RocoMamas Franchise operations	50 216	240 757
Nikos Franchise operations	5 754	15 421

Given the extent to which the recoverable amounts of the Spur, Panarottis, John Dory's and RocoMamas Franchise operations', as well as The Hussar Grill Retail operations', cash-generating units exceed their carrying amounts, the directors note that there are no reasonably possible changes to the assumptions used in determining the respective recoverable amounts that would cause the recoverable amounts to reduce below their respective carrying amounts.

In respect of The Hussar Grill Franchise operations, management has identified that a reasonably possible change in two key assumptions, being the discount rate and growth in restaurant turnovers (as detailed in note 13.1 above), could cause the recoverable amount of the cash-generating unit to reduce to below its carrying amount. Similarly, in respect of the Nikos Franchise operations, a reasonably possible change in the growth in restaurant turnovers (as detailed in note 13.1 above) could cause the recoverable amount of the cash-generating unit to reduce to below its carrying amount. 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:

	Increase/ (decrease) in assumption
The Hussar Grill Franchise operations	
Discount rate (%)	11.5
Growth in restaurant turnover (%)	(10.2)
The Nikos Franchise operations	
Growth in restaurant turnover (%)	(12.1)

14. LOANS RECEIVABLE

	2019 R'000	Restated 2018 R'000
Total gross loans receivable at end of year	**138 500**	137 741
Impairment allowance	**(27 148)**	(6 753)
Opening impairment allowance	**(6 753)**	–
Transition to IFRS 9 recognised in retained earnings at 1 July 2018 (refer note 41.2)	**(6 806)**	–
Current year impairment allowance	**(16 670)**	(6 753)
Reversal of impairment allowance	**52**	–
Effect of foreign exchange	**113**	–
Impairment allowance reversed against actual write off	**2 916**	–
Current portion included in current assets	**(105 961)**	(12 505)
Total non-current loans receivable	**5 391**	118 483

		2019 R'000	Restated 2018 R'000
14.1	**Franchisees (other Australia)**		
	Gross loans receivable at end of year	**5 808**	7 531
	Impairment allowance	**(3 588)**	(2 916)
	Opening impairment allowance	**(2 916)**	–
	Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**(591)**	–
	Current year impairment allowance	**(2 997)**	(2 916)
	Impairment allowance reversed against actual write off	**2 916**	–
	Current portion included in current assets	**(2 220)**	(2 874)
	Non-current portion	**–**	1 741

These loans amount to AU$585 163 (2018: AU$739 102) at the reporting date. The loans are subject to interest of between 2% above the Reserve Bank of Australia's cash rate and a fixed rate of 4.5%. The loans are repayable over various periods of up to five years. The loans are all secured by at least a personal suretyship of the shareholders of the respective franchisees.

The loans include a balance with related party, White Cloud Restaurant Pty Ltd, in the amount of R2.112 million (2018: R2.172 million) as detailed in note 38. While the restaurant is trading profitably, it continues to face liquidity challenges. 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. Consequently, in addition to the IFRS 9 transitional adjustment of R0.278 million, a further allowance for credit losses of R0.778 million has been recognised during the year.

The loans include a balance of R2.297 million advanced to the franchisee of Apache Spur. The franchisee has defaulted on its loan. Given the poor trading performance of the restaurant in question, the directors consider the prospects of recovery of any significant amount of the loan to be low. Consequently, in addition to the IFRS 9 transitional adjustment of R0.313 million, the remaining balance of the loan has been impaired in the current year.

The prior year includes a loan of R2.916 million advanced to an entity trading as Panarottis Currambine which was impaired in full as at 30 June 2018. The entity was liquidated in the current year and the loan has consequently been written off.

		2019 R'000	Restated 2018 R'000
14.2	**Franchisees (other foreign)**		
	Gross loans receivable at end of year	**242**	1 790
	Impairment allowance	**(102)**	–
	Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**(154)**	–
	Reversal of impairment allowance	**52**	–
	Current portion included in current assets	**(140)**	(1 790)
	Non-current portion	**–**	–

These loans amount to €15 069 (2018: €111 361) as at the reporting date. The loans bear interest at 0.5% above the 6-month EURIBOR rate of interest and are repayable over 12 months. The loans are secured by personal suretyships of the shareholders of the respective franchisees.

		2019 R'000	Restated 2018 R'000
14.3	**Franchisees (local)**		
	Gross loans receivable at end of year	**5 363**	7 349
	Impairment allowance	**(894)**	–
	Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**(631)**	–
	Current year impairment allowance	**(263)**	–
	Current portion included in current assets	**(2 695)**	(2 324)
	Non-current portion	**1 774**	5 025

The loans 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.

14. LOANS RECEIVABLE continued

		2019 R'000	Restated 2018 R'000
14.4	**GPI Investments 1 (RF) (Pty) Ltd**		
	Gross loan receivable at end of year	**110 225**	100 695
	Impairment allowance	**(10 812)**	–
	Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**(4 124)**	–
	Current year impairment allowance	**(6 688)**	–
	Current portion included in current assets	**(99 413)**	–
	Non-current portion	**–**	100 695

With effect from 30 October 2014, the company concluded various agreements to issue 10 848 093 new ordinary shares to a wholly-owned subsidiary of Grand Parade Investments Ltd ("GPI"), GPI Investments 1 (RF) (Pty) Ltd ("GPIRF"), a strategic black empowerment partner. In terms of the agreements, GPI is restricted from trading the shares in question without the express permission of the company for a period of five years from the effective date of the transaction and is furthermore required to maintain its broad-based black economic empowerment credentials for the same period. The shares were issued at a price of R27.16 per share resulting in the aggregate proceeds from the issue of shares amounting to R294.657 million. This receivable comprises the group's investment in cumulative compulsorily redeemable five-year preference shares in an unconsolidated structured entity, GPIRF (refer note 3.3), with a combined subscription value of R72.328 million at initial recognition (30 October 2014), as part of the group's funding of the GPI broad-based black economic empowerment transaction ("B-BBEE transaction").

The preference shares accrue dividends at a rate of 90% of the prevailing prime overdraft rate of interest and are subordinated in favour of the external funding provider of the GPI B-BBEE transaction. The preference shares are secured by a cession of the reversionary interest in the Spur Corporation Ltd shares held by GPIRF but ranks behind the debt owing by GPIRF to an external finance company. The preference share investment is treated as a financial asset carried at amortised cost, but was initially recognised at fair value.

Based on the Spur Corporation Ltd share price at the reporting date, the value of the shares held by GPIRF is insufficient to settle the group's receivable, in the event of default, after GPIRF has settled the external debt. Accordingly, an impairment allowance has been recognised in the current period, in addition to the IFRS 9 transitional adjustment at 1 July 2018.

Subsequent to the reporting date, the group concluded a transaction to re-acquire the Spur Corporation Ltd shares held by GPIRF, the proceeds of which were used by GPIRF to settle the loan (refer note 39.2).

		2019 R'000	Restated 2018 R'000
14.5	**Hunga Busters Pty Ltd***		
	Gross loan receivable at end of year	**5 032**	6 137
	Impairment allowance	**(5 032)**	–
	Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**(528)**	–
	Current year impairment allowance	**(4 504)**	–
	Current portion included in current assets	**–**	(2 733)
	Non-current portion	**–**	3 404

This loan arose on the disposal of two former company-owned restaurants in Australia during the 2015 financial year. The loan is denominated in Australian dollars, with a gross carrying amount of AU$507 029 (2018: AU$602 199) at the reporting date. The loan 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 franchisee and pledge of shares in the franchisee entity.

The entity has been late in meeting its commitments on the loan on several occasions during the year. In addition, the entity has significant outstanding liabilities and is not generating sufficient cash to settle its obligations. The franchisee has consequently indicated its intention to cease trading one of the restaurants. 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. Accordingly, in addition to the IFRS 9 transitional adjustment at 1 July 2018, the remaining balance of the loan was impaired in full in the current year.

* *Related party. Refer note 38.*

		2019 R'000	Restated 2018 R'000
14.6	**Avecor Investments Pty Ltd trading as Panarottis Tuggerah**		
	Gross loan receivable at end of year	**3 847**	5 001
	Impairment allowance	**(646)**	–
	Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**(430)**	–
	Current year impairment allowance	**(216)**	–
	Current portion included in current assets	**(890)**	(1 066)
	Non-current portion	**2 311**	3 935

The loan is denominated in Australian dollars with a gross carrying amount of AU$387 563 (2018: AU$490 752) 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.

		2019 R'000	Restated 2018 R'000
14.7	**Panawest Pty Ltd trading as Panarottis MacArthur**		
	Gross loan receivable at end of year	**4 691**	5 196
	Impairment allowance	**(4 691)**	(3 837)
	Opening impairment allowance	**(3 837)**	–
	Current year impairment allowance	**(967)**	(3 837)
	Effect of foreign exchange	**113**	–
	Current portion included in current assets	**–**	(477)
	Non-current portion	**–**	882

The loan is denominated in Australian dollars with a gross carrying amount of AU$472 688 (2018: AU$509 897) at the reporting date. The loan is subject to interest at a fixed rate of 4.5% and is repayable in 36 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 restaurant in question ceased trading in June 2019 as a result of poor trading. Consequently, the security is considered to have negligible value and the directors consider the prospects of recovery of any significant amount of the loan to be low. An impairment loss of R3.837 million was recognised in the prior year and the remaining balance of the loan has been impaired in full in the current year.

		2019 R'000	Restated 2018 R'000
14.8	**KG Holdings Family Trust**		
	Gross loan receivable at end of year	**3 292**	4 042
	Impairment allowance	**(1 383)**	–
	Transition to IFRS 9 recognised in retained earnings at 1 July 2018	**(348)**	–
	Current year impairment allowance	**(1 035)**	–
	Current portion included in current assets	**(603)**	(1 241)
	Non-current portion	**1 306**	2 801

The receivable arises from the disposal of the Captain DoRegos business in the prior year (refer note 13.1). 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 is in arrears with the instalments due on the loan as at the reporting date. Given the security in place, the directors are of the view that there are reasonable prospects of recovery, although the risk of credit losses has escalated. Therefore, in addition to the IFRS 9 transitional adjustment of R0.348 million, a further allowance for credit losses of R1.035 million has been recognised during the year.

15. DEFERRED TAX

2019	Balance at beginning of year R'000	Recognised in profit or loss R'000	Recognised in other comprehensive income# R'000	Recognised directly in equity* (retained earnings) R'000	Recognised in goodwill^ R'000	Balance at end of year R'000
Accruals	**597**	**(445)**	**–**	**–**	**–**	**152**
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 funds (surplus)/deficit	**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**
Contract liabilities	**9 057**	**243**	**17**	**–**	**–**	**9 317**
Total net deferred tax liability	**(49 474)**	**(4 223)**	**16**	**905**	**(569)**	**(53 345)**

Restated 2018	Balance at beginning of year R'000	Recognised in profit or loss R'000	Recognised in other comprehensive income# R'000	Recognised directly in equity* (retained earnings) R'000	Recognised in goodwill^ R'000	Balance at end of year R'000
Accruals	377	220	–	–	–	597
Derivative financial instruments	2 960	(2 960)	–	–	–	–
Income received in advance	93	84	–	–	–	177
Intangible assets	(67 629)	–	–	–	–	(67 629)
Leave pay accrual	1 576	568	8	–	–	2 152
Long-term employee benefits	894	208	–	468	–	1 570
Marketing funds (surplus)/deficit	1 146	335	–	–	–	1 481
Operating lease liability	648	210	–	–	–	858
Prepayments	(499)	(209)	–	–	–	(708)
Property, plant and equipment	(189)	(7)	–	–	–	(196)
Short-term employee incentives	2 295	872	–	–	–	3 167
Contract liabilities	7 689	1 235	133		–	9 057
Total net deferred tax liability	(50 639)	556	141	468	–	(49 474)

Relates to foreign currency translation differences for foreign operations.
* *Refer note 10.4.*
^ *Refer note 32.*

	Deferred tax asset		Deferred tax liability	
	2019 R'000	Restated 2018 R'000	**2019 R'000**	Restated 2018 R'000
The deferred tax asset/(liability) comprises deductible/(taxable) temporary differences relating to:				
Accruals	**–**	–	**152**	597
Income received in advance	**–**	–	**348**	177
Intangible assets	**–**	–	**(68 198)**	(67 629)
Leave pay accrual	**323**	764	**1 587**	1 388
Long-term employee benefits	**–**	–	**1 228**	1 570
Marketing funds (surplus)/deficit	**1 870**	4 014	**(3 905)**	(2 533)
Operating lease liability	**547**	575	**207**	283
Prepayments	**(161)**	(101)	**(814)**	(607)
Property, plant and equipment	**–**	–	**(197)**	(196)
Short-term employee incentives	**506**	498	**3 000**	2 669
Trade receivables	**–**	–	**846**	–
Contract liabilities	**–**	–	**9 316**	9 057
Balance at end of year	**3 085**	5 750	**(56 430)**	(55 224)

16. LEASING RIGHTS

	2019 R'000	2018 R'000
Balance at beginning of year	**3 936**	4 485
Amortisation recognised in profit before income tax	**(550)**	(549)
Balance at end of year	**3 386**	3 936

The leasing rights relate to the premises occupied by The Hussar Grill in Mouille Point, Cape Town. The lease is being amortised on a straight-line basis over the remaining lease term of 118 months from December 2015, and is included in profit or loss as part of the rent expense of the outlet.

17. INVENTORIES

	2019	2018
Raw materials	**2 997**	2 317
Packaging	**410**	353
Finished goods	**6 892**	13 032
Total inventories	**10 299**	15 702

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.

Included in finished goods in the prior year was inventory with a cost of R4.568 million stated at net realisable value of R3.818 million. All inventory in the current year is stated at cost.

18. TRADE AND OTHER RECEIVABLES

	2019 R'000	Restated 2018 R'000
Trade receivables	**102 625**	94 611
Impairment allowance	**(3 821)**	(800)
Opening impairment allowance	**(800)**	(935)
Transition to IFRS 9 recognised in retained earnings at 1 July 2018 (refer note 41.2)	**(2 875)**	–
Current year impairment allowance	**(146)**	135
Net trade receivables	**98 804**	93 811
Prepayments	**4 907**	3 724
Deposits	**1 053**	1 238
Staff loans	**214**	293
VAT and other indirect taxes receivable	**647**	546
Other	**386**	385
Total trade and other receivables	**106 011**	99 997

Trade receivables include receivables from related parties of R5.580 million (2018: R4.579 million) that arise in the ordinary course of business in respect of the transactions recorded in note 38.3. 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 35.3.1 for more details on accounting for ECLs.

19. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2019 R'000	Restated 2018 R'000
Current, call and short-term deposit accounts	**283 979**	253 099
Restricted cash	**14 305**	6 796
Total cash and cash equivalent and restricted cash	**298 284**	259 895

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 41.1).

20. CAPITAL AND RESERVES

	Number of shares 2019 '000	2018 '000	2019 R'000	2018 R'000
20.1 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
Cumulative shares repurchased by subsidiaries	**(7 027)**	(6 197)	**–**	–
Cumulative shares held by The Spur Management Share Trust (consolidated structured entity)	**(6 165)**	(6 375)	**–**	–
Cumulative shares held by The Spur Foundation Trust (consolidated structured entity)	**(500)**	(400)	**–**	–
In issue at end of year	**94 789**	95 509	**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.

Subsequent to the reporting date, the group concluded a transaction to re-acquire Spur Corporation Ltd shares from GPIRF (refer note 39.2).

20.2 Shares repurchased by subsidiaries

During the year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 853 000 (2018: 160 000) Spur Corporation Ltd shares at an average cost of R22.99 (2018: R26.54) per share, totalling R19.609 million (2018: R4.246 million). A further 100 000 shares were transferred from Share Buy-back (Pty) Ltd to The Spur Foundation Trust in accordance with a previously approved 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 current year). In addition, a wholly-owned subsidiary of the company, Spur Group (Pty) Ltd, acquired 209 800 (2018: nil) shares to be held in escrow on behalf of participants of the Spur Group Forfeitable Share Plan (refer note 20.4), at a cost of R4.763 million (2018: Rnil) from The Spur Management Share Trust, while, in terms of the same plan 133 000 shares were vested with participants (refer note 20.4). At the reporting date, the group owned 7 026 701 (2018: 6 196 901) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, at a total cost of R126.370 million (2018: R107.586 million).

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, and those held by consolidated structured entities, The Spur Management Share Trust and The Spur Foundation Trust. At the reporting date, the entities in question held 13 691 599 (2018: 12 971 599) of the company's shares in aggregate.

20.3 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.

20. CAPITAL AND RESERVES continued

20.4 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	2019 R'000	2018 R'000
Balance at beginning of year	**3 731**	1 812
Share-based payments expense for the year	**3 272**	1 919
– FSP – tranche 1	**650**	722
– FSP – tranche 2	**1 014**	1 048
– SAR – tranche 2	**(435)**	149
– FSP – tranche 3	**614**	–
– SAR – tranche 3	**1 429**	–
Transfer to retained earnings on vesting of shares/rights	**(2 603)**	–
Balance at end of year	**4 400**	3 731
Comprising		
– FSP – tranche 1	**–**	1 953
– FSP – tranche 2	**2 357**	1 343
– SAR – tranche 2	**–**	435
– FSP – tranche 3	**614**	–
– SAR – tranche 3	**1 429**	–

	2019		2018	
Number of shares/rights in issue	**FSP shares**	**SAR rights**	FSP shares	SAR rights
Balance at beginning of year	**274 000**	**3 868 045**	314 000	4 590 889
Granted during the year	**209 800**	**3 189 176**	–	–
Forfeited during the year	**(12 000)**	**(1 674 919)**	(40 000)	(722 844)
Vested during the year	**(133 000)**	**–**	–	–
Balance at end of year	**338 800**	**5 382 302**	274 000	3 868 045
Comprising				
– Tranche 1	**–**	**–**	133 000	1 636 852
– Tranche 2	**137 000**	**2 231 193**	141 000	2 231 193
– Tranche 3	**201 800**	**3 151 109**	–	–

The terms of each tranche are as follows:

FSP	Tranche 1	Tranche 2	Tranche 3
Date of grant	1 April 2016	3 April 2017	26 November 2018
Number of shares awarded	155 000	159 000	209 800
Initial vesting date	1 April 2019	2 April 2020	25 November 2021
Date from which shares may be traded	31 March 2021	1 April 2022	24 November 2023
Service condition	3 years from grant date	3 years from grant date	3 years from grant date
Performance conditions	None	None	Personal performance
Grant-date fair value per share (R)	19.57	23.03	15.35
Proportion of shares expected to vest as assessed at reporting date (based on number of employees expected to meet service condition)	N/A	86.2% (2018: 88.7%)	96.20%
Number of shares that vested	133 000	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 were charged directly against equity (retained earnings) as follows:

	2019 R'000	2018 R'000
Costs on inter-company transfer of treasury shares	**57**	–
Current tax on inter-company transfer of treasury shares	**553**	–
Total costs charged to equity	**610**	–

SAR	Tranche 1	Tranche 2	Tranche 3
Date of grant	1 April 2016	3 April 2017	26 November 2018
Number of rights awarded	1 971 663	2 619 226	3 189 176
Strike price per right (R)	29.40	33.15	23.13
Initial vesting date	1 April 2019	2 April 2020	25 November 2021
Date from which shares may be traded	31 March 2021	1 April 2022	24 November 2023
Service conditions	3 years from grant date	3 years from grant date	3 years from grant date
Performance conditions	Return on equity and growth in comparable headline earnings per share	Return on equity and growth in comparable headline earnings per share	Return on equity and growth in adjusted headline earnings per share
Grant-date fair value per right (R)	6.40	5.36	4.91
Proportion of rights expected to vest as assessed at reporting date (based on number of employees expected to meet service condition)	N/A (2018: 83.0%)	85.2% (2018: 85.2%)	98.8%
Proportion of rights expected to vest based on meeting of non-market performance conditions	N/A (2018: 0%)	0% (2018: 25.4%)	46.1%

20. CAPITAL AND RESERVES continued

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.

Performance conditions for the first and second tranches of SARs are that the group's return on equity is to remain above 15% for the duration of the initial vesting period, and that comparable headline earnings per share is to grow at a compounded annual growth rate of between CPI and CPI+4% over the initial vesting period in the case of the first tranche, and between 0% and CPI+4% in the case of the second tranche, in order for between 0% and 100% of the rights to vest.

Performance conditions for the third tranche of SARs are that the group's return on equity is to remain between 12.75% and 17.25% for the duration of the initial vesting period in order for between 0% and 100% of the rights to vest, and that the adjusted headline earnings per share is to grow at a compounded annual growth rate of between CPI and CPI+6% over the initial vesting period in order for between 33% and 100% of the rights to vest.

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
Risk-free rate (based on R186 South African Government bond)	7.63%	7.50%	7.48%
Expected dividend yield (based on historic dividend yield over period equivalent to vesting period)	4.75%	4.75%	5.47%
Expected volatility (based on historic volatility over period equivalent to vesting period)	32.37%	32.37%	38.97%
Liquidity discount due to trade restriction (5 years in the case of FSP)	9.64%	13.74%	19.59%
Liquidity discount due to trade restriction (2 years in the case of SAR)	7.01%	6.99%	6.99%

Dilution

The FSP forfeitable shares granted resulted in 256 568 (2018: 180 950) dilutive potential ordinary shares for the year (refer note 11.2). As the performance conditions of the SARs, 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.

21. 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 2019	Ownership interests held by NCI 2018
RocoMamas Franchise Co (Pty) Ltd	South Africa	RocoMamas – Franchise	**30%**	30%
Opilor (Pty) Ltd	South Africa	Retail South Africa	**32%**	32%
Green Point Burger Joint (Pty) Ltd	South Africa	Retail South Africa	**10%**	10%
The Spur Foundation Trust	South Africa	Unallocated South Africa	**100%**	100%
Nikos Franchise (Pty) Ltd	South Africa	Nikos – Franchise	**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.

	2019				
	RocoMamas Franchise Co (Pty) Ltd R'000	Opilor (Pty) Ltd R'000	Green Point Burger Joint (Pty) Ltd R'000	Other individually immaterial subsidiaries R'000	Total R'000
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		
Carry 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

21. NON-CONTROLLING INTERESTS continued

	Restated 2018				
	RocoMamas Franchise Co (Pty) Ltd R'000	Opilor (Pty) Ltd R'000	Green Point Burger Joint (Pty) Ltd R'000	Other individually immaterial subsidiaries R'000	Total R'000
Revenue	32 817	16 544	15 384		
Profit and total comprehensive income	17 532	782	826		
Profit/(loss) and total comprehensive income attributable to NCI	4 932	250	87	(907)	4 362
Current assets	14 570	1 547	639		
Non-current assets	1 419	10 808	4 725		
Current liabilities	(2 306)	(1 358)	(4 519)		
Net assets	13 683	10 997	845		
Carry amount of NCI	4 346	3 519	58	1 501	9 424
Cash flows from operating activities	546	836	1 867		
Cash flows from investing activities	502	(68)	(65)		
Cash flows from financing activities	(125)	–	(1 791)		
Net increase in cash and cash equivalents	923	768	11		
Dividends paid to NCI during the year	5 190	600	–	–	5 790

22. CONTINGENT CONSIDERATION LIABILITY

	2019 R'000	2018 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	–	5 797
Arising from acquisition (refer note 32)	(544)	–
Fair value adjustment recognised in profit before income tax	1 555	12 745
Settled in cash (refer note 22.2)	–	(18 542)
Balance at end of year	**1 011**	–

22.1 Nikos Coalgrill Greek

The purchase consideration for 51% of the Nikos Coalgrill Greek ("Nikos") business, 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 effective date, the present value of which was R4.468 million. A contingent consideration receivable was accordingly recognised at fair value at the acquisition date of R0.544 million (refer note 32).

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

As at the reporting date, the total expected purchase consideration had increased to R6.710 million, as a result of lower projected operating expenditure after rationalising costs. A financial liability measured at fair value of R1.011 million has been recognised in respect of the contingent consideration of R1.710 million at the reporting date. The current year fair value adjustment arises as a result of the increased gross contingent consideration, the deeming of the refund due on the first anniversary to be Rnil (as mentioned above), and an adjustment for the time value of money. In the event that forecast EBITDA increases or decreases by 5%, the gross contingent consideration would increase to R2.045 million or decrease to R1.375 million respectively.

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 22.03%, being the weighted average cost of capital of the subsidiary.

The expected purchase consideration payments were determined by considering projected EBITDA for 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 growth in human resources to support the growing store 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 2.2.2) as inputs into the valuation model are not based on observable market data.

Refer note 35.2 for more information concerning fair value sensitivity.

22.2 RocoMamas

With effect from 1 March 2015, the group acquired a 51% interest in RocoMamas Franchise Co (Pty) Ltd ("RocoMamas"), an entity owning the trademarks and related intellectual property of the RocoMamas brand.

The purchase consideration was determined as five times RocoMamas' profit before income tax of the third year following the date of acquisition, which ended on 28 February 2018. Following an initial payment of R2.0 million on the effective date, annual payments were due on the first, second and third anniversaries of the acquisition date, calculated as five times the profit before income tax of the year immediately preceding the anniversary date, less any aggregate payments already made. Payments of R20.369 million and R18.271 million were made on the first and second anniversaries of the acquisition date respectively and the final payment of R18.542 million was paid in March 2018.

23. CONTRACT LIABILITIES

	2019 R'000	Restated 2018 R'000
Balance at beginning of year	**32 345**	27 461
Recognised as revenue during the year	**862**	4 411
Effect of foreign exchange fluctuations	**64**	473
Balance at end of year	**33 271**	32 345
Current portion included in current liabilities	**4 226**	4 532
Non-current portion included in non-current liabilities	**29 045**	27 813

These amounts relate to the initial 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 terms of the respective franchise agreements. Refer note 41.1.

24. OPERATING LEASE LIABILITY

	2019 R'000	2018 R'000
Balance at beginning of year	**3 919**	2 676
Recognised in profit before income tax	**(809)**	539
Landlord tenant installation allowance received	**–**	704
Balance at end of year	**3 110**	3 919

Certain rental agreements concluded by the group during previous years allow for an initial rent-free period, tenant installation allowances paid by the landlord, and fixed-rate rental escalations over the lease terms. The total rental costs in terms of these leases are expensed on a straight-line basis over the terms of the respective leases including the rent-free periods in each case. A liability is recognised to the extent that the rental expense recognised in profit or loss exceeds actual rental paid. On expiration of the rent-free period, the liability is reversed over the remaining lease period as a credit against future rental expenses. A liability is also recognised in respect of the tenant installation allowance upon receipt. The liability is subsequently recognised as a credit against rental expense in profit or loss over the initial lease period.

25. TRADE AND OTHER PAYABLES

	2019 R'000	2018 R'000
Trade payables	**31 143**	31 637
Accruals	**2 756**	9 971
Income received in advance	**916**	858
Employee benefits	**20 793**	18 641
Short-term profit share incentive scheme	**7 302**	5 822
Leave pay and other short-term employee benefits	**13 491**	12 819
VAT and other indirect taxes payable	**8 403**	9 248
Unredeemed gift vouchers	**2 121**	3 664
Other sundry payables	**479**	419
Total trade and other payables	**66 611**	74 438

Income received in advance relates largely to initial franchise fee receipts held in trust pending the conclusion of a franchise agreement and upfront payments in respect of export sales orders.

25. TRADE AND OTHER PAYABLES continued

	2019 R'000	2018 R'000
25.1 Short-term profit share incentive scheme		
Balance at beginning of year	**5 822**	3 735
Payment in respect of prior year incentive	**(5 713)**	(3 818)
Recognised in profit before income tax	**7 193**	5 905
Balance at end of year	**7 302**	5 822

The accrual for the short-term profit share incentive scheme is determined in accordance with the rules of the 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. Further details of the scheme are included in the remuneration report on page 76 of this report.

In the prior year, the accrual was calculated with reference to the expected dividends received on a notional 6 688 698 Spur Corporation shares, representing the number of shares held by The Spur Management Share Trust when the scheme was introduced and approved by shareholders on 10 December 2010, and was determined in accordance with the rules of the short-term profit share incentive scheme.

26. DIVIDENDS

	2019 R'000	2018 R'000
Final 2017 – dividend of 61.0 cents per share	**–**	66 173
Interim 2018 – dividend of 63.0 cents per share	**–**	68 343
Final 2018 – dividend of 60.0 cents per share	**65 089**	–
Interim 2019 – dividend of 63.0 cents per share	**68 343**	–
Total dividends to equity holders	**133 432**	134 516
Dividends external to the group are reconciled as follows:		
Gross dividends declared by the company	**133 432**	134 516
Dividends received on the company's shares held by the group	**(16 363)**	(15 968)
Total dividends declared by the company external to the group	**117 069**	118 548
Dividends declared by subsidiaries to non-controlling shareholders	**6 840**	5 790
Total dividends external to the group	**123 909**	124 338

The directors have approved a final dividend of 73 cents per share in respect of the 2019 financial year, funded by income reserves, which was paid in cash on 7 October 2019. The dividend is subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962, as amended) ("dividend withholding tax") of 20%. The net dividend is therefore 58.4 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the financial year was 136 (2018: 123) cents per share equating to R147.534 million (2018: R133.431 million).

27. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	2019 R'000	Restated 2018 R'000
Profit before income tax	**257 077**	225 613
Adjusted for:		
Amortisation – intangible assets (refer note 13)	**884**	1 281
Amortisation – leasing rights (refer note 16)	**550**	549
Depreciation (refer note 12)	**9 969**	9 406
Expenses charged directly to equity (retained income) (refer note 20.4)	**(57)**	–
Fair value loss on derivative financial instruments at fair value through profit or loss (refer note 34)	**–**	3 168
Fair value loss on contingent consideration liability (refer note 22)	**1 555**	12 745
Foreign exchange loss (excluding losses/gains on intercompany accounts)	**602**	401
Foreign currency translations not disclosed elsewhere in the statement of cash flows	**1 108**	2 457
Impairment losses – financial instruments (refer note 7)	**20 375**	7 813
Impairment of finished goods inventories (refer note 17)	**–**	750
Interest expense	**36**	90
Interest income	**(32 445)**	(29 995)
Landlord tenant installation allowance received (refer note 24)	**–**	704
Marketing fund surplus allocated to restricted cash (refer note 42.8)	**(5 857)**	(3 765)
Movement in operating lease liability (refer note 24)	**(809)**	539
Movement in bonus and leave pay provisions	**2 348**	4 454
Profit on disposal of property, plant and equipment	**(11)**	(156)
Profit on disposal of equity-accounted investee (refer note 9.2)	**–**	(17 500)
Profit on disposal of intangible asset (refer note 13.1)	**–**	(4 750)
Share-based payments credit – cash-settled – long-term share-linked employee retention scheme (refer note 33)	**–**	(885)
Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 20.4)	**3 272**	1 919
Share of loss of equity-accounted investee (net of income tax) (refer note 9.1)	**1 345**	1 813
Movement in contract liabilities (refer note 23)	**862**	4 411
Operating profit before working capital changes	**260 804**	221 062

28. WORKING CAPITAL CHANGES

	2019 R'000	Restated 2018 R'000
Decrease/(increase) in inventories	**5 403**	(3 721)
Increase in trade and other receivables	**(11 104)**	(28 406)
(Decrease)/increase in trade and other payables	**(10 184)**	12 600
Working capital changes	**(15 885)**	(19 527)

29. INTEREST INCOME RECEIVED

	2019 R'000	Restated 2018 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	**40 257**	31 506
Interest income	**32 445**	29 995
Interest accrued but not received at end of year	**(50 688)**	(40 257)
Interest income received	**22 014**	21 244

30. TAX PAID

	2019 R'000	Restated 2018 R'000
Tax paid is reconciled to the amount recognised in profit or loss as follows:		
Net amount receivable at beginning of year	**35 130**	40 599
Current and withholding tax charged to profit or loss (refer note 10.1)	**(80 436)**	(67 145)
Current tax charged to equity (refer note 10.4)	**(553)**	–
Effect of foreign exchange fluctuations	**(6)**	1 030
Net amount receivable at end of year	**(35 543)**	(35 130)
Tax paid	**(81 408)**	(60 646)
The net tax receivable at the reporting date comprises:		
Withholding tax credits	**14 422**	14 429
Prepayment of income tax relating to tax query (refer note 40.1)	**22 034**	22 034
Provisional tax payments in respect of current year exceeding/(less than) actual estimated tax payable for the year	**483**	(266)
Total gross tax receivable at end of year	**36 939**	36 197
Gross tax payable at end of year	**(1 396)**	(1 067)
Net tax receivable at end of year	**35 543**	35 130

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 African jurisdictions. The withholding tax credits may be utilised by SRIBV to reduce current tax payable in The Netherlands on franchise-related taxable income.

31. DIVIDENDS PAID

	2019 R'000	Restated 2018 R'000
Dividends paid are reconciled to the amount disclosed as follows:		
Amount payable at beginning of year	**(631)**	(543)
Total dividends external to the group (refer note 26)	**(123 909)**	(124 338)
Amount payable at end of year	**714**	631
Dividends paid	**(123 826)**	(124 250)

32. BUSINESS COMBINATION – NIKOS COALGRILL GREEK

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:	**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 (refer note 22)	**(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.*

Intangible assets comprise the Nikos trademarks and related intellectual property. The fair value was determined by an independent valuations expert utilising a discounted cash flow model based on the relief from royalty method. In this regard:

- the directors projected anticipated franchise restaurant sales for a forecast horizon of five years applying a reasonable rollout plan, and basing revenue on historic averages increasing at 8% per annum;
- franchise restaurant sales beyond the forecast horizon were projected to grow at 5.6%, in line with the local inflation target of the South African Reserve Bank;
- a 'royalty rate' of 5.5% was applied to the projected franchise restaurant sales, where the royalty rate was considered reasonable as the range of royalty rates identified by an industry benchmarking exercise yielded a range of between 0.3% and 7%;
- the resulting 'royalty' cash flow, adjusted for income tax of 28%, was discounted at an adjusted weighted average cost of capital of 24.29%;

Deferred tax was measured by applying the effective tax rate applicable to taxable income in South Africa to the taxable temporary difference on initial recognition of the intangible assets.

The purchase consideration 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 effective date, the present value of which was R4.468 million. A contingent consideration receivable was accordingly recognised at fair value at the acquisition date of R0.544 million (refer note 22).

The maximum purchase consideration is unquantifiable as it is based on the third year's EBITDA. In determining the third year's EBITDA, the revenue of the business will be limited to that attributable to the first 40 restaurants in operation (if applicable).

The goodwill is attributable to the growth prospects of the brand (by expanding the chain nationally) that the group is anticipated to realise using its existing franchising expertise, infrastructure and extensive network of franchisees. The goodwill is not deductible for tax purposes.

Transaction costs, comprising legal and due diligence costs, amounting to R0.301 million are included in *Administration expenses* in the statement of profit or loss and other comprehensive income.

From the date of acquisition, the business contributed R2.660 million revenue, profit before income tax of R0.779 million and profit after income tax of R0.537 million, of which R0.263 million is attributable to non-controlling interests. The acquired business has only been formally trading since July 2017. Had the group acquired the business at 1 July 2018, the impact on the group's revenue and profit would not have been materially different to that reported.

33. EMPLOYEE BENEFITS

	2019 R'000	2018 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	–	885
Share-based payments credit recognised in profit before income tax	–	(885)
Balance at end of year	–	–

During the prior year, on 14 December 2017, the fifth (and final) tranche of 1.5 million share appreciation rights, granted to executives and senior managers of the company on 15 December 2014, with a grant-date strike price of R30.91 per share, vested. As the exercise price of the rights on vesting was R27.00 per share, which was below the grant-date strike price, the rights were effectively cancelled, and no payments were made to participants.

In accordance with the rules of the scheme, the liquidity risk arising from obligations in respect of the rights in issue was to be hedged economically (refer note 34).

The terms of the share appreciation rights were as follows:	Tranche 5
Grant date	15 December 2014
Number of rights granted	1 500 000
Strike price per right	R 30,91
Exercise date	14 December 2017
Exercise price	50-day VWAP at 14 December 2017

The rights were compulsorily exercisable on the exercise date.

34. DERIVATIVE FINANCIAL LIABILITY

	2019 R'000	2018 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	–	(10 572)
Fair value loss recognised in profit before income tax	–	(3 168)
Settled in cash to counterparty	–	13 410
Payment of difference in guaranteed dividend to counterparty settled in cash	–	330
Balance at end of year	–	–

The contract was concluded to hedge the upside price risk of the Spur Corporation Ltd share that the group was exposed to in respect of the cash-settled share appreciation rights detailed in note 33. The forward purchase contract for the fifth (and final) tranche of the share appreciation rights was concluded on 15 December 2014.

The rights vested on 14 December 2017 and the related forward purchase contract matured on the same date, resulting in payments by the group to the counterparty as indicated in the table above.

The fair value of the forward purchase contract was determined at each reporting date and any changes in the value were recognised in profit or loss.

The terms of the contract were as follows:

Forward purchase contract	Tranche 5
Contract trade date	15 December 2014
Number of shares	1 500 000
Forward price per share	R 35,94
Settlement date	14 December 2017
Settlement price	50–day VWAP at 14 December 2017

The amount settled was calculated as the difference between the 50-day volume-weighted average price ("VWAP") of the Spur Corporation Ltd shares on the settlement date and the forward price. As the difference was negative, the group was required to settle this difference with the counterparty.

In addition, the forward price per share for the forward purchase contract was subject to a dividend in respect of the Spur Corporation Ltd share of 83 cents per share in October 2017. The difference between this dividend and the actual dividend paid was settled in cash between the parties.

35. FINANCIAL INSTRUMENTS

35.1 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 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 (R'000)			Fair value (R'000)
2019	Note	**Amortised cost**	**Financial liabilities at fair value through profit or loss**	**Total**	**Level 3**
Financial assets not measured at fair value					
Loans receivable	14	**111 352**	–	**111 352**	
Financial assets included in trade and other receivables[&]	18	**100 457**	–	**100 457**	
Cash and cash equivalents	19	**283 979**	–	**283 979**	
Restricted cash	19	**14 305**	–	**14 305**	
		510 093	–	**510 093**	
Financial liabilities measured at fair value					
Contingent consideration	22	–	**1 011**	**1 011**	**1 011**
Financial liabilities not measured at fair value					
Financial liabilities included in trade and other payables[#]	25	**36 499**	–	**36 499**	
Shareholders for dividend		**714**	–	**714**	
		37 213	–	**37 213**	

		Carrying amount (R'000)			Fair value (R'000)
Restated 2018	Note	Loans and receivables	Other financial liabilities	Total	Level 3
Financial assets not measured at fair value					
Loans receivable	14	130 988	–	130 988	
Loans receivable included in interest in equity-accounted investee	9	3 461	–	3 461	
Financial assets included in trade and other receivables[&]	18	95 727	–	95 727	
Cash and cash equivalents	19	253 099	–	253 099	
Restricted cash	19	6 796		6 796	
		490 071	–	490 071	
Financial liabilities not measured at fair value					
Financial liabilities included in trade and other payables[#]	25	–	45 691	45 691	
Shareholders for dividend		–	631	631	
		–	46 322	46 322	

[&] *Includes trade receivables, staff loans, deposits and other financial assets as defined in terms of IFRS 9 – Financial instruments (2018: IAS 32 – Financial Instruments: Disclosure and Presentation).*

[#] *Includes trade payables, accruals, unredeemed gift voucher liability and other financial liabilities as defined in terms of IFRS 9 – Financial instruments (2018: IAS 32 – Financial Instruments: Disclosure and Presentation).*

35. FINANCIAL INSTRUMENTS continued

35.1 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 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 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.

35.2 Measurement of fair values

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

The liability for the contingent consideration referred to in note 22 was initially recognised at fair value and is subsequently recognised at fair value at each reporting date. The 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 22.03% at the reporting date (and 22.08% at the date of acquisition), being the weighted average cost of capital specific to the acquired entity. The reduction in the discount rate since acquisition is due to a reduction in the prime overdraft rate of interest during the period. 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 charge of R1.555 million, and relates largely to the adjustment for the time value of money from the initial acquisition date to the reporting date (including the impact of the reduced discount rate), as well as changes to the forecast EBITDA as referred to in note 22.

The significant unobservable inputs are the forecast EBITDA and the risk-adjusted discount rate.

The estimated fair value of the contingent consideration liability at the reporting date would change if these inputs were to change as follows:

	Increase/(decrease) in fair value of liability and decrease/(increase) in profit before income tax	
Change in variable	**2019 R'000**	2018 R'000
Forecast profit before income tax		
– Increased by 5%	**252**	–
– Decreased by 5%	**(252)**	–
Risk–adjusted discount rate		
– Increased by 2%	**(44)**	–
– Decreased by 2%	**46**	–

35.3 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 this integrated report.

35.3.1 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	
	2019 R'000	Restated 2018 R'000
Cash and cash equivalents (refer note 19)	**283 979**	253 099
Restricted cash (refer note 19)	**14 305**	6 796
Financial assets included in trade and other receivables (refer note 18)	**100 457**	95 727
Loans receivable (refer note 14)	**111 352**	130 988
Loan receivable included in interest in equity-accounted investee (refer note 9)	**–**	3 461
Total exposure to credit risk	**510 093**	490 071
The loss allowances recognised in profit or loss were as follows:		
Loss allowance and bad debts on trade and other receivables	**400**	1 060
Loss allowance on loans receivable	**19 975**	6 753
Total credit losses	**20 375**	7 813

35. FINANCIAL INSTRUMENTS continued

The group calculates 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. The multiplication method is used to determine ECLs which is applied by multiplying the exposure (being the gross carrying amount of the receivable) by the assigned probability of default (“PD”) and loss given default (“LGD”) rates depending on the performance of the instruments as per the table below:

Stage	Description	Criteria	Standard PD	Standard LGD	ECL period
Stage 1[#]	Performing	Substantial compliance	7.15%	42%	12 months
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

[#] *On initial application of IFRS 9, as the group has been unable to determine without undue cost or effort whether there has been a significant increase in credit risk since origination of the financial instruments existing at initial application, the group has recognised an allowance based on the lifetime ECLs (i.e. stage 2), and will continue to do so, for those specific financial instruments until they are derecognised, in accordance with the transitional provisions of IFRS 9.*

^ *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.*

In determining PDs, in the absence of historic credit risk ratings at origination of a loan, 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:

- For financial assets classified as stage 1, the standard PD rate has been benchmarked against an external global credit rating of B- (which is the lowest non-investment grade rating), based on the global corporate average default rates.
- For financial assets classified as stage 2, the standard PD rate has been benchmarked against an external global credit 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.
- Financial assets in stage 3 have defaulted and are therefore assigned a standard PD rate of 100%.

The LGD rate used is based on the Basel Committee guidelines of percentages used by banks and financial institutions in South Africa. For unsecured corporate exposure, banks and financial institutions are generally using a LGD rate of between 40% and 50%. Banks in South Africa have typically applied a LGD rate of between 40% and 45% for unsecured exposures to small and medium sized enterprises. 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 LGD rate of 42% determined at the mid-point of the aforementioned range.

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 credit 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.

35.3 Financial risk management continued

35.3.1 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 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.

In prior periods, in accordance with *IAS 39 – Financial Instruments: Recognition and measurement*, the group established a provision for doubtful debts at the reporting date based on credit losses existing at the reporting date.

In the current year, the group has applied the simplified approach permitted by IFRS 9 and calculated ECLs based on lifetime ECLs. There are no material trade and other receivables that are not in substantial compliance with contractual terms. In addition, the risk profiles of individual trade and other receivables are similar and the receivables are all short-term in nature. The loss allowance has therefore been determined on an aggregated portfolio basis applying stage 1 standard criteria.

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

	Gross carrying amount	
	2019 R'000	2018 R'000
Domestic	**98 799**	90 502
Euro-zone countries	**3 020**	2 832
Australasia	**806**	1 277
Total trade receivables	**102 625**	94 611

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

	Gross carrying amount	
	2019 R'000	2018 R'000
Wholesale customers	**16 178**	27 385
Franchisees (franchise businesses)	**86 447**	67 226
Total trade receivables	**102 625**	94 611

35. FINANCIAL INSTRUMENTS continued

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

	2019 R'000	2018 R'000
Balance at beginning of year	800	935
Transition to IFRS 9 recognised in retained earnings at 1 July 2018 (refer note 41.2)	2 875	–
Current year impairment losses recognised	400	1 060
Irrecoverable debts written off	(254)	(1 195)
Balance at end of year	**3 821**	**800**

Loans receivable

The group limits its exposure to credit risk by advancing loans only to counterparties with good credit ratings.

The board acknowledges that loans 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 accepts this risk as the provision of funding is 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 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 14.

The group has one loan receivable that comprises a substantial majority of the aggregate gross carrying amount of all loans receivable, being the loan receivable from GPI Investments 1 (RF) (Pty) Ltd ("GPIRF") (refer note 14.4).

The group has advanced a number of loans to franchisees in Australia and New Zealand (refer notes 9.1, 14.1, 14.5, 14.6 and 14.7). Persistent difficult trading conditions 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.

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

	2019	2018
South Africa	118 880	112 086
Australasia	22 735	27 326
Africa	242	1 790
Total gross carrying amounts of loans receivable	**141 857**	**141 202**

	2019	
The following table presents an analysis of the credit quality of loan receivables and related impairment allowances:	Gross carrying amount	Impairment allowance
Stage 1	1 164	35
Stage 2	118 182	11 927
Stage 3	22 511	18 543
Total loans receivable	**141 857**	**30 505**

35.3 Financial risk management continued

35.3.1 Credit risk continued

The following assumptions have been made in determining impairment allowances:

- For stage 1 receivables, the standard PD and LGD rates were applied.
- For stage 2 receivables:
  - A PD of 40% and a LGD of 25% has been applied to the receivable from GPIRF (refer note 14.4). The loan is secured by a reversionary interest in Spur Corporation shares held by GPIRF, which also serve as security for GPIRF's other external debt. The extent of the credit loss in the event of default therefore depends largely on the share price of the Spur Corporation share on maturity of the receivable. As detailed in note 14.4, the value of the Spur Corporation shares held by GPIRF at the reporting date was insufficient to cover all of GPIRF's debt and the group is therefore exposed to credit losses in the event of default. The extent of this potential loss was used to determine the LGD of 25%. As detailed in note 39.2, the group had concluded an agreement to re-acquire the Spur Corporation shares from GPIRF for a total purchase consideration of R260.354 million ("the GPI Repurchase"), which funds will be utilised by GPIRF to settle its external debt and amount owing to the group. In terms of the GPI Repurchase, GPIRF's holding company, Grand Parade Investments Ltd, has undertaken to indemnify the group against any credit losses arising from the receivable. The GPI Repurchase is subject to shareholder and regulatory approval subsequent to the reporting date. In the event that the GPI Repurchase were to fail, as GPIRF is insolvent at the reporting date, it is highly likely that GPIRF would default on the loan and the group would incur a loss; in the event that the GPI Repurchase succeeds, it is highly unlikely that GPIRF would default and, given the aforementioned indemnity, the group is unlikely to incur any loss. The PD of 40% was based on the directors' assessment, as at the reporting date, of the likely weighted probability of the GPI Repurchase failing.
  - A PD of 40% and the standard LGD was applied to Australasian receivables with a gross carrying amount of R5.245 million. The higher PD was applied in response to the deteriorating trading conditions in the region.
  - The standard PD and LGD rates were applied to the remaining receivables.
- For stage 3 receivables:
  - The majority of stage 3 receivables relate to loans granted to Australasian franchisees.
  - While the loan to equity-accounted investee, RocoMamas Restaurants Australia Pty Ltd (refer note 9.1), has no contractual repayment terms, the directors have assessed the loan as credit impaired as the borrower is unable to generate sufficient cash to settle its ongoing obligations. The directors consider the prospects of recovery of the loan to be negligible and the standard PD and LGD of 100% were applied.
  - The standard PD and a LGD of 100% were applied to the loans receivable from Apache Spur (refer note 14.1) and Hunga Busters Pty Ltd (refer note 14.5), both in Australia, resulting in an ECL allowance of R7.330 million. The directors consider the prospects of recovery to be low, notwithstanding the security provided, in light of the trading conditions in Australia, resulting in the LGD of 100%.
  - The standard PD and a LGD of 50% were applied to the loan receivable from White Cloud Spur (New Zealand) (refer note 14.1). While the directors consider the personal suretyship to be sufficient to cover the ECL, the suretyship is subject to regulatory complications which may prevent the group from exercising its rights relating thereto, resulting in a probability weighted estimated LGD of 50%.
  - The standard PD and LGD rates were applied to the remaining receivables.

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

	12-month ECL R'000	Lifetime ECL R'000	Total ECL R'000
Balance at 1 July 2018 under IAS 39	–	6 753	6 753
Transition to IFRS 9 recognised in retained earnings at 1 July 2018 (refer note 41.2)	–	6 806	6 806
Balance at 1 July 2018 under IFRS 9	**–**	**13 559**	**13 559**
Current year impairment allowance – loans receivable	35	16 635	16 670
Current year impairment allowance – loan advanced to equity-accounted investee	–	3 357	3 357
Reversal of impairment allowance – loans receivable	–	(52)	(52)
Effect of foreign exchange	–	(113)	(113)
Impairment allowance reversed against actual write off	–	(2 916)	(2 916)
Balance at 30 June 2019	**35**	**30 470**	**30 505**

35. FINANCIAL INSTRUMENTS continued

The additional impairment allowances during the year relate primarily to:
- R6.688 million in respect of the GPIRF loan receivable as explained above and in note 14.4 as a result of the decline in the Spur Corporation share price during the year;
- R8.684 million in respect of Australasian receivables as explained above and in notes 14.1, 14.5, 14.6 and 14.7, as a result of the deteriorating trading conditions in that region; and
- R3.357 million in respect of the loan advanced to an Australian associate as explained above and in note 9.1.

Guarantees

The group's policy is to provide financial guarantees only to subsidiaries domiciled in South Africa. At 30 June 2019 no material guarantees were outstanding from a group perspective (30 June 2018: Rnil).

35.3.2 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 R14.305 million (2018: R6.796 million), as detailed in note 19, are not available for general use and are not considered when assessing assets available to assist with liquidity.

The group's franchise divisions are largely cash generating. Typically, the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least six months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The treasury committee regularly reviews group cash flow forecasts to ensure that liquidity is maintained. Cash investments are generally short term in nature.

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

		Contractual cash flows		
	Carrying amount R'000	Total R'000	1 – 12 months R'000	1 – 3 years R'000
30 June 2019				
Financial liabilities included in trade and other payables (refer note 25)	**36 499**	**36 499**	**36 499**	**–**
Contingent consideration liability (refer note 22)	**1 011**	**1 710**	**–**	**1 710**
Shareholders for dividend	**714**	**714**	**714**	**–**
30 June 2018				
Financial liabilities included in trade and other payables (refer note 25)	45 691	45 691	45 691	–
Shareholders for dividend	631	631	631	–

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 determined based on management's projections of Nikos' future EBITDA (refer notes 22 and 35.2).

The contractual cash flows relating to operating leases are detailed in note 36.

35.3.3 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 values 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.

Price risk

The group is exposed to equity securities price risk related to the share price of the company as the company's shares serve as security for the receivable from GPIRF as detailed in notes 14.4 and 35.3.1. For each R1 further reduction in the company's share price, the group's potential exposure to credit losses increases by R10.8 million.

The group was previously exposed to equity securities price risk related to the share price of the company due to the derivative financial instruments previously held by the group (refer note 34). These derivatives were concluded to hedge economically the liquidity risk arising from cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (refer note 33). The forward purchase contracts matured on 14 December 2017 at the same time that the related cash-settled share appreciation rights vested, and there are accordingly no outstanding contracts as at 30 June 2018.

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 are the Australian dollar.

Trade 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 they import 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.

35. FINANCIAL INSTRUMENTS continued

35.3 Financial risk management 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
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**
Restated 2018		
Assets		
Cash and cash equivalents	23	82
Trade and other receivables	146	20
Loans receivable	2 003	115
Total assets	2 172	217
Liabilities		
Trade and other payables	(114)	(73)
Total liabilities	(114)	(73)
Total net exposure	2 058	144

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	**2019**	2018
AUD 1 = R	**10.1611**	9.9749	**9.9251**	10.1904
Euro 1 = R	**16.2090**	15.3407	**16.0624**	16.0695

35.3.3 Market risk continued

Sensitivity analysis

A 10% strengthening of the rand against the following currencies at 30 June would impact profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Increase in profit before income tax R'000	Decrease in equity R'000
30 June 2019		
Euro	**59**	**(272)**
AUD	**1**	**(463)**
Restated 30 June 2018		
Euro	52	(276)
AUD	4	(2 130)

A 10% weakening of the rand against the above currencies at 30 June would have had the equal but opposite effect to the amounts shown above on the basis that all other variables remain constant.

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/ (decrease) in profit before income tax R'000	Increase/ (decrease) in equity R'000
30 June 2019		
Variable-rate assets	**1 948**	**1 403**
30 June 2018		
Variable-rate assets	1 933	1 392
Variable-rate liabilities	(11)	(8)
Net increase	1 922	1 384

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.

35. FINANCIAL INSTRUMENTS continued

35.4 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, 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. Subsequent to the reporting date, shareholders approved special resolutions to give effect to the company re-acquiring the 10 848 093 treasury shares in the company held by GPIRF and subsequently delisting and cancelling these shares (refer note 39.2). 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.

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 formalised external debt. 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.

36. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases are as follows:

	2019 R'000	2018 R'000
Next year	**10 091**	8 407
Year two through to year five	**20 068**	24 862
More than five years	**614**	2 264
Total operating lease commitments	**30 773**	35 533

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

These leases include the rental of premises for corporate offices, sites leased by the company owned restaurants and 68 vehicles. The lease periods range from five to 10 years for the premises, subject to renewal options for further five-year periods, and three years for the vehicles. Certain of the property leases have fixed annual escalations for the period of the lease that were market-related at the time of concluding the lease. Other property leases are subject to an inflation-linked increase; in which case, for the purposes of this note, the current rental cost has been projected for the remaining lease term. Operating lease payments in respect of vehicles are fixed for the duration of the lease, subject to certain usage criteria.

Certain leases provide that the rent to be paid is the greater of the basic rental and a certain percentage of turnover – in these cases, only the basic rental is included in the commitments disclosed. The percentage of turnover was market related at the time of concluding the lease.

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

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

	Guaranteed remuneration					Variable remuneration			
R'000	Cash remu-neration	Travel allow-ance	Provi-dent fund	Medical aid	Subtotal	Equity compen-sation benefits[1]	Per-formance bonus[2]	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[3]	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									
Directors serving during the year									
Cora Fernandez[4]	17	–	–	–	**17**	–	–	–	**17**
Dineo Molefe	425	–	–	–	**425**	–	–	–	**425**
Mike Bosman[5]	331	–	–	–	**331**	–	–	–	**331**
Mntungwa Morojele	425	–	–	–	**425**	–	–	–	**425**
Muzi Kuzwayo	425	–	–	–	**425**	–	–	–	**425**
Shirley Zinn[4]	17	–	–	–	**17**	–	–	–	**17**
Dean Hyde[6]	213	–	–	–	**213**	–	–	–	**213**
Keith Getz[6]	213	–	–	–	**213**	–	–	–	**213**
Keith Madders[6]	213	–	–	–	**213**	–	–	–	**213**
	2 279	–	–	–	**2 279**	–	–	–	**2 279**
For services, as directors, to subsidiary companies									
Directors serving during the year									
Keith Getz[6, 7]	195	–	–	–	**195**	–	–	–	**195**
Keith Madders[6, 8]	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[9]									
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**

* *Refer to page 177 for footnote.*

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

	Guaranteed remuneration					Variable remuneration			
R'000	Cash remu-neration	Travel allow-ance	Provi-dent fund	Medical aid	Subtotal	Equity compen-sation benefits[1]	Per-formance bonus[2]	Termi-nation payout and leave pay	**Total remu-neration included in profit or loss**
2018									
Executive directors and prescribed officer									
For services, as employees, to subsidiary companies									
Directors serving during the year									
Allen Ambor	3 657	–	586	113	**4 356**	(30)	–	–	**4 326**
Pierre van Tonder	5 152	–	370	210	**5 732**	15	219	–	**5 966**
Mark Farrelly	3 121	–	466	99	**3 686**	3	176	–	**3 865**
Ronel van Dijk[10]	2 160	–	283	–	**2 443**	(129)	124	3 280	**5 718**
Phillip Matthee[11]	652	–	98	–	**750**	10	–	–	**760**
Total executive directors	**14 742**	**–**	**1 803**	**422**	**16 967**	**(131)**	**519**	**3 280**	**20 635**
Prescribed officer									
Kevin Robertson	2 327	132	182	33	**2 674**	32	117	–	**2 823**
Non-executive directors									
For services, as directors, to the company									
Directors serving during the year									
Dean Hyde	425	–	–	–	**425**	–	–	–	**425**
Dineo Molefe	425	–	–	–	**425**	–	–	–	**425**
Keith Getz	425	–	–	–	**425**	–	–	–	**425**
Keith Madders	425	–	–	–	**425**	–	–	–	**425**
Mntungwa Morojele	425	–	–	–	**425**	–	–	–	**425**
Muzi Kuzwayo	425	–	–	–	**425**	–	–	–	**425**
	2 550	**–**	**–**	**–**	**2 550**	**–**	**–**	**–**	**2 550**
For services, as directors, to subsidiary companies									
Directors serving during the year									
Keith Getz[7]	184	–	–	–	**184**	–	–	–	**184**
Keith Madders[8]	144	–	–	–	**144**	–	–	–	**144**
	328	**–**	**–**	**–**	**328**	**–**	**–**	**–**	**328**
Total non-executive directors	**2 878**	**–**	**–**	**–**	**2 878**	**–**	**–**	**–**	**2 878**
Total remuneration	**19 947**	**132**	**1 985**	**455**	**22 519**	**(99)**	**636**	**3 280**	**26 336**
Senior managers[9]									
Senior manager 1	1 686	–	253	100	**2 039**	38	168	–	**2 245**
Senior manager 2	2 070	–	–	–	**2 070**	–	–	–	**2 070**
Senior manager 3	1 363	169	273	70	**1 875**	40	154	–	**2 069**

* *Refer to page 177 for footnote.*

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.

The following number of share awards allocated to directors, prescribed officers and senior managers in terms of the equity-settled Forfeitable Share Plan ("FSP") vested during the current year (refer note 20.4):

Tranche 1	FSP shares '000
Pierre van Tonder	**15**
Mark Farrelly	**10**
Phillip Matthee	**5**
Kevin Robertson (prescribed officer)	**10**
Senior manager 1	**5**
Senior manager 3	**5**
	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 number of share-linked awards have been allocated to directors, prescribed officers and senior managers in terms of the equity-settled Forfeitable Share Plan ("FSP") and Share Appreciation Rights ("SAR") Scheme and were outstanding as at the reporting date (refer note 20.4):

	FSP shares		SAR rights	
Executive directors and prescribed officer	**2019 '000**	2018 '000	**2019 '000**	2018 '000
Pierre van Tonder – tranche 1	**–**	15	**–**	409
Pierre van Tonder – tranche 2	**15**	15	**534**	534
Pierre van Tonder – tranche 3	**–**	–	**964**	–
Mark Farrelly – tranche 1	**–**	10	**–**	353
Mark Farrelly – tranche 2	**10**	10	**461**	461
Mark Farrelly – tranche 3	**–**	–	**496**	–
Phillip Matthee[11] – tranche 1	**–**	5	**–**	74
Phillip Matthee[11] – tranche 2	**5**	5	**97**	97
Phillip Matthee[11] – tranche 3	**–**	–	**403**	–
Kevin Robertson (prescribed officer) – tranche 1	**–**	10	**–**	242
Kevin Robertson (prescribed officer) – tranche 2	**10**	10	**315**	315
Kevin Robertson (prescribed officer) – tranche 3	**–**	–	**329**	–
	40	80	**3 599**	2 485
Senior managers[9]				
Senior manager 1 – tranche 1	**–**	5	**–**	74
Senior manager 1 – tranche 2	**5**	5	**97**	97
Senior manager 1 – tranche 3	**4**	–	**161**	–
Senior manager 3 – tranche 1	**–**	5	**–**	56
Senior manager 3 – tranche 2	**5**	5	**73**	73
Senior manager 3 – tranche 3	**4**	–	**61**	–
	18	20	**392**	300
Total awards allocated	**58**	100	**3 991**	2 785

Footnotes

1. *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 notes 20.4 and 33.*
2. *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 25.1.*
3. *Retired with effect from 28 February 2019.*
4. *Appointed with effect from 17 June 2019.*
5. *Appointed as director with effect from 15 November 2018 and as chairman with effect from 1 March 2019.*
6. *Retired with effect from 6 December 2018.*
7. *In addition to the standard non-executive director's fee of R215 500 (2018: R425 000) approved by shareholders, Keith Getz's fees include payments to a related party of R0.195 million (2018: R0.184 million) for Mr Getz's attendance at three (2018: three) meetings each of the board of directors of Steak Ranches International BV and Spur International Ltd BVI, all of which he chaired.*
8. *In addition to the standard non-executive director's fee of R215 500 (2018: R425 000) approved by shareholders, Keith Madders' fees include payments for attendance at three (2018: three) meetings of the Steak Ranches International BV board.*
9. *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.*
10. *Resigned with effect from 31 March 2018.*
11. *Appointed with effect from 1 April 2018.*

38. RELATED PARTY DISCLOSURES

38.1 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 9.1 provides detail on the loan to associate. Also refer to note 11 of the separate financial statements on page 211 for guarantees given to subsidiary companies.

38.2 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 38.3	Relationship with related party
Keith Getz[2]	Bernadt Vukic Potash & Getz		Partner
Kevin Robertson (Spouse)	Brentwood Restaurant (Pty) Ltd (Lone Spur)[1, 12]	7	25% Shareholder
	Clearpan (Pty) Ltd (Panarottis Clear Water Mall)[1]		20% Shareholder
	Limorox (Pty) Ltd (Albuquerque Spur)[1, 12]	21	25% Shareholder
Mark Farrelly	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)[1]	3	25% Shareholder
	Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West)[1,13]	5	0% (2018: 20%) Shareholder
	Calma Investments (Pty) Ltd (John Dory's Middelburg)[1,13]	8	0% (2018: 10%) Shareholder
	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)[1]	17	24% (2018: 21%) Shareholder
	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stone Ridge Mall)[1]	18	22% (2018: 21%) Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)[1]	35	20% (2018: 22%) Shareholder
	White Cloud Restaurant Ltd (White Cloud Spur (New Zealand))[1]	41	95% (2018: 100%) Shareholder
Mark Farrelly (Brother)	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)[1]	3	10% Shareholder
Mark Farrelly (Spouse)	Blue Desk Recruitment		Sole proprietor
Pierre van Tonder	Barleda 293 CC (Cancun Spur)[1,13]	6	0% (2018: 65%) Member
	Meltrade 286 CC (Casa Bella Grandwest)[1, 13]	23	0% (2018: 25%) Member
	Meltrade 286 CC (Silver Dollar Spur)[1, 13]	24	0% (2018: 25%) Member
	Nomivax (Pty) Ltd (The Hussar Grill Grandwest)[1, 13]	30	0% (2018: 18.75%) Member
Ronel van Dijk[14] (former director)	Abaya Investments CC (John Dory's The Grove, Windhoek (Namibia))[1]	1	25% Member
	Barleda 293 CC (Cancun Spur)[1]	6	25% Member
	Gapecovako Investments Close Corporation (Panarottis Windhoek (Namibia))[1]	14	25% Member
	Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia))[1]	19	25% Member

Refer to page 185 for footnotes.

Key management[5]	Related party	Cross reference to note 38.3	Relationship with related party
Blaine Freer	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)[1, 4]	3	36.5% (2018: 25%) Shareholder
	Calma Investments (Pty) Ltd (John Dory's Middelburg)[1]	8	25% (2018: 23%) Shareholder
	Calma Investments (Pty) Ltd (RocoMamas Middelburg)[1]	9	25% (2018: 23%) Shareholder
	Cloud Mountain Steak Ranch (Pty) Ltd (Cloud Mountain Spur)[1, 3]		23% Shareholder
	Evening Star Trading 384 (Pty) Ltd (Maverick Spur)[1]		25% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)[1]	17	26% (2018: 21%) Shareholder
	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stone Ridge Mall)[1]	18	25% (2018: 21%) Shareholder
	Pizza Mall of the North (Pty) Ltd (Panarottis Mall of the North)[1, 12]	32	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)[1, 4]	35	22% Shareholder
	Vegix (Pty) Ltd (Panarottis Waterfall Mall)[1]	39	25% (2018: 10%) Shareholder
Brian Altriche	Celapart (Pty) Ltd (Golden Falcon Spur)[1]	10	70% (2018: 50%) Shareholder
	Celapart (Pty) Ltd (RocoGo Braamfontein)[1, 3]	11	70% Shareholder
	Double Ring Trading 299 (Pty) Ltd (Falcon Arrow Spur)[1]		100% Shareholder
	Little Haiwatha Trading CC (RocoMamas Rivonia)[1]	22	60% Member
	Pizzade Trading CC (RocoMamas Randburg)[1]	33	70% Member
	Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur)[1]	38	100% Shareholder
Brian Altriche (Brother-in-law)	Almescan (Pty) Ltd (RocoMamas Glen Acres)[1, 12]		50% Shareholder
	Celapart (Pty) Ltd (Golden Falcon Spur)[1, 12]	10	50% Shareholder
	Little Haiwatha Trading CC (RocoMamas Rivonia)[1]	22	20% Member
	Naxafin CC (RocoMamas Fourways)[1, 12]	26	50% Member
Brian Altriche (Sister)	Naxafin CC (RocoMamas Fourways)[1, 12]	26	50% Member
Coleen Eva (Spouse)	Centuria 82 CC (Swiss Cool)		100% Member

Refer to page 185 for footnotes.

38. RELATED PARTY DISCLOSURES continued

38.2 Identity of related parties continued

Key management[5]	Related party	Cross reference to note 38.3	Relationship with related party
Derick Koekemoer	Abaya Investments CC (John Dory's The Grove, Windhoek (Namibia))[1]	1	25% Member
	Barleda 293 CC (Cancun Spur)[1]	6	25% Member
	Frontier Restaurant Co (Pty) Ltd (Wild Falcon Spur)[1, 3]	13	25% Shareholder
	Gapecovako Investments Close Corporation (Panarottis Windhoek (Namibia))[1]	14	25% Member
	Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia))[1]	19	25% Member
	Little Thunder (Pty) Ltd (Tampico Spur)[1]		21% (2018: 20%) Shareholder
	Servigyn 25 CC (Thunder Bay Spur)[1]		29% (2018: 27.5%) Member
	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)[1]	35	15% Shareholder
	Ten Cents Investments 16 CC (Sarasota Spur)[1]	36	50% Member
Duncan Werner	Rujac (Pty) Ltd (Manitoba Spur)[1, 12]	34	25% Shareholder
Duncan Werner (Spouse)	Design Form		Sole proprietor
José Vilar	Hunga Busters Pty Ltd (Silver Spur (Australia))[1]	15	50% Shareholder
	Panpen Pty Ltd (Panarottis Penrith (Australia))[1]	31	50% Shareholder
Justin Fortune	Alicente 144 CC (Golden Bay Spur)[1]	2	25% Member
	Ambicor 195 CC (Cincinnati Spur)[1]	4	25% Member
	Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West)[1]	5	25% (2018: 20%)Shareholder
	Laadned Trading 333 CC (Cajun Spur)[1]	20	25% Member
Leonard Coetzee	Founad Trading 89 CC (Grand Canyon Spur)[1]	12	20% (2018: 11%)Member
	JJ Links CC (John Dory's Wilsons Wharf)[1]	16	11% (2018: 10%) Member
	Monnani (Pty) Ltd (John Dory's Watercrest Mall)[1]	25	12.5% Shareholder
	Nitafin (Pty) Ltd (John Dory's Secunda)[1]	27	10% Shareholder
	Nitaprox (Pty) Ltd (Eldorado Spur)[1, 12]	28	12.5% Shareholder
	Nitaprox (Pty) Ltd (Pine Creek Spur)[1, 3]	29	10% Shareholder
	Torinosun (Pty) Ltd (Navaho Springs Spur)[1]	37	12.5% Shareholder
	Waterstone Trading 51 (Pty) Ltd (Atlanta Spur)[1]	40	11% (2018: 15%) Shareholder

Refer to page 185 for footnotes.

Key management[5]	Related party	Cross reference to note 38.3	Relationship with related party
Sacha du Plessis	Barleda 293 CC (Cancun Spur)[1]	6	6.25% (2018: 12.5%) Member
	Meltrade 286 CC (Casa Bella Grandwest)[1]	23	25% Member
	Meltrade 286 CC (Silver Dollar Spur)[1]	24	25% Member
	Nomivax (Pty) Ltd (The Hussar Grill Grandwest)[1]	30	25% (2018: 18.75%) Shareholder
Sacha du Plessis (Parent)	Barleda 293 CC (Cancun Spur)[1, 3]	6	3.125% Member
	Meltrade 286 CC (Casa Bella Grandwest)[1, 3]	23	12.5% Member
	Meltrade 286 CC (Silver Dollar Spur)[1, 3]	24	12.5% Member
	Nomivax (Pty) Ltd (The Hussar Grill Grandwest)[1, 3]	30	12.5% Shareholder
Tyrone Herdman-Grant	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)[1]	3	16% (2018: 10%) Shareholder
	Calma Investments (Pty) Ltd (John Dory's Middelburg)[1]	8	25% (2018: 20%) Shareholder
	Calma Investments (Pty) Ltd (RocoMamas Middelburg)[1]	9	25% (2018: 21%) Shareholder
	Cloud Mountain Steak Ranch (Pty) Ltd (Cloud Mountain Spur)[1, 3]		23% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)[1]	17	26% (2018: 21%) Shareholder
	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stone Ridge Mall)[1]	18	25% (2018: 21%) Shareholder
	Pizza Mall of the North (Pty) Ltd (Panarottis Mall of the North)[1, 12]	32	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)[1]	35	16.5% (2018: 15%) Shareholder
	Vegix (Pty) Ltd (Panarottis Waterfall Mall)[1]	39	25% (2018: 10%) Shareholder
Tyrone Herdman-Grant (Spouse)	Cynergy Social Media Management (Pty) Ltd		100% Shareholder
Vivy Novos (Spouse)	Jonathan Novos		Sole proprietor
Wolbert Kamphuijs[15]	TMF Group		Director

Refer to page 185 for footnotes.

38.3 Transactions with related parties

Refer note 18 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 overdue. The trade receivables are secured by personal suretyships issued by the signatories to the franchise agreements, as with all other franchise agreements.

Transactions with related parties that are franchisees:

Transactions with related parties that are franchisees are detailed in the table on page 182. 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 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.

Refer to page 185 for footnotes.

38. RELATED PARTY DISCLOSURES continued

		Temporary concession[6]	
		2019 R'000	2018 R'000
1	Abaya Investments CC (John Dory's The Grove, Windhoek (Namibia))	**308**	348
2	Alicente 144 CC (Golden Bay Spur)	**272**	339
3	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)	**–**	–
4	Ambicor 195 CC (Cincinnati Spur)	**295**	355
5	Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West)	**–**	101
6	Barleda 293 CC (Cancun Spur)	**–**	157
7	Brentwood Restaurant (Pty) Ltd (Lone Spur)	**–**	364
8	Calma Investments (Pty) Ltd (John Dory's Middelburg)	**238**	344
9	Calma Investments (Pty) Ltd (RocoMamas Middelburg)	**110**	–
10	Celapart (Pty) Ltd (Golden Falcon Spur)	**150**	181
11	Celapart (Pty) Ltd (RocoGo Braamfontein)	**103**	–
12	Founad Trading 89 CC (Grand Canyon Spur)	**–**	–
13	Frontier Restaurant Co (Pty) Ltd (Wild Falcon Spur)	**–**	–
14	Gapecovako Investments Close Corporation (trading as Panarottis Windhoek (Namibia))	**288**	64
15	Hunga Busters Pty Ltd (trading as Silver Spur, Penrith (Australia))	**1 112**	1 010
16	JJ Links CC (John Dory's Wilsons Wharf)	**–**	–
17	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)	**–**	82
18	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stone Ridge Mall)	**–**	–
19	Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia))	**321**	285
20	Laadned Trading 333 CC (trading as Cajun Spur)	**360**	225
21	Limorox (Pty) Ltd (Albuquerque Spur)	**–**	171
22	Little Haiwatha Trading CC (RocoMamas Rivonia)	**–**	–
23	Meltrade 286 CC (Casa Bella Grandwest)	**138**	76
24	Meltrade 286 CC (Silver Dollar Spur)	**259**	245
25	Monnani (Pty) Ltd (John Dory's Watercrest Mall)	**231**	239
26	Naxafin CC (RocoMamas Fourways)	**–**	–
27	Nitafin (Pty) Ltd (John Dory's Secunda)	**413**	446
28	Nitaprox (Pty) Ltd (Eldorado Spur)	**162**	300
29	Nitaprox (Pty) Ltd (Pine Creek Spur)	**60**	–
30	Nomivax (Pty) Ltd (The Hussar Grill Grandwest)	**11**	140
31	Panpen Pty Ltd (Panarottis Penrith (Australia))	**118**	119
32	Pizza Mall of the North (Pty) Ltd (Panarottis Mall of the North)	**–**	–
33	Pizzade Trading CC (RocoMamas Randburg)	**–**	–
34	Rujac (Pty) Ltd (Manitoba Spur)	**387**	465
35	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)	**–**	–
36	Ten Cents Investments 16 CC (Sarasota Spur)	**125**	45
37	Torinosun (Pty) Ltd (Navaho Springs Spur)	**286**	315
38	Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur)	**154**	–
39	Vegix (Pty) Ltd (Panarottis Waterfall Mall)	**349**	209
40	Waterstone Trading 51 (Pty) Ltd (trading as Atlanta Spur)	**–**	–
41	White Cloud Restaurant Ltd (White Cloud Spur (New Zealand))	**757**	578
	Total	**7 007**	7 203

a) *Cincinnati Spur: The group paid this outlet Rnil (2018: R1 990) for catering services provided[11].*
b) *Golden Falcon Spur: The group paid this outlet Rnil (2018: R4 196) for catering services provided[11].*
c) *Grand Canyon Spur: The group paid the franchisee an amount of Rnil (2018: R37 191) in respect of outdoor events catering[10].*
d) *Silver Spur (Australia): Refer note 14.5 for details of a loan advanced to this entity.*
e) *RocoMamas I'Langa Mall: The group paid Rnil (2018: R30 000) to this entity for billboard rental.*
f) *RocoMamas Stone Ridge Mall: The group paid R5 000 (2018: R20 950) to this entity for billboard rental.*
g) *Casa Bella Grandwest: The group paid this outlet R2 493 (2018: R14 289) for catering services provided[11].*

Refer to page 185 for footnotes.

Training fees[7]		Marketing assistance[8]		Sales incentives[9]		
2019 R'000	2018 R'000	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000	**Other transactions**
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	
–	6	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	a
–	–	**10**	–	**–**	–	
–	–	**–**	–	**–**	–	
–	–	**–**	5	**–**	–	
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	
–	–	**–**	4	**–**	–	b
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	c
–	–	**2**	–	**–**	–	
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	d
–	–	**–**	4	**–**	–	
–	–	**–**	–	**–**	–	e
212	174	**7**	–	**–**	–	f
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	2	
–	–	**–**	–	**–**	–	g
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	
–	3	**–**	1	**–**	–	h
–	–	**–**	–	**–**	–	
–	–	**–**	4	**–**	–	i
–	–	**–**	–	**–**	–	
–	–	**2**	1	**–**	–	
–	–	**–**	–	**–**	–	
–	30	**–**	–	**–**	–	
–	–	**15**	4	**–**	–	j
10	–	**–**	1	**–**	–	
68	47	**–**	–	**22**	30	k
–	–	**21**	–	**–**	–	
5	–	**5**	7	**–**	–	
–	–	**–**	–	**–**	–	l
–	–	**19**	–	**10**	–	m
–	–	**–**	11	**–**	–	
–	–	**–**	–	**–**	–	n
295	260	**81**	42	**32**	32	

h) RocoMamas Fourways: The group paid this outlet Rnil (2018: R1 728) to refund them for an airfare.
i) Eldorado Spur: The group paid this outlet R1 020 (2018: R4 386) for catering services provided[11].
j) RocoMamas Randburg: The group paid R15 000 to this entity for billboard rental and R80 157 for product research and development.
k) 7 Eagles Spur: The group paid this outlet Rnil (2018: R1 458) for catering services provided[11].
l) Falcon Peak Spur: The group paid this outlet Rnil (2018: R5 632) for catering services provided[11].
m) Panarottis Waterfall Mall: The group subsidised this outlet's rental cost in the amount of R89 139 (2018: R208 889).
n) White Cloud Spur (New Zealand): Refer to note 14.1 for details of a loan advanced to this entity.

Refer to page 185 for footnotes.

38. RELATED PARTY DISCLOSURES continued

Transactions with related parties that are not franchisees 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 37) on various matters in the ordinary course of business to the value of R2 637 750 (2018: R1 914 367).

Blue Desk recruitment (Mark Farrelly's spouse)

Blue Desk recruitment provided staff recruitment services to the group in the amount of R67 200 (2018: R73 930).

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

Cynergy Social Media Management provides marketing services to the group amounting to 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 R345 684 (2018: R899 048). 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 services to the group in the amount of R136 705 (2018: R297 899).

Centuria 82 CC trading as Swisscool (Coleen Eva's spouse)

Swisscool supplied refrigeration equipment to the group in the amount of R1 023 438 (2018: R325 532).

TMF Group (Wolbert Kamphuijs)

TMF Group provided consulting and recruitment services to the group in the amount of R441 731.

38.4 Key management[5]

The key management personnel compensation is as follows:

	2019 R'000	2018 R'000
Short-term employee benefits	**25 344**	27 426
Other long-term benefits	**2 854**	3 308
Termination payment (including leave pay)	**–**	1 002
Equity compensation benefits (refer notes 20.4 and 33)	**1 095**	537
Total remuneration included in profit before income tax	**29 293**	32 273
53 000 Spur Corporation shares were issued to key management personnel during the year in terms of the group's equity-settled Forfeitable Share Plan (refer note 20.4).		
Key management comprises 17 (2018: 18) employees.		
In addition to the above, emoluments to directors and prescribed officers amounted to (refer note 37)	**23 742**	26 336

Refer to page 185 for footnotes.

Footnotes

[1] *These entities are franchisees. Franchise fees and advertising 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.*

[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, an indirect subsidiary of Spur Corporation Ltd.*

[3] *These interests were acquired during the current year.*

[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 are listed on page 65 and exclude directors and prescribed officers.*

[6] *Temporary concession: A concession is a temporary reduction in the percentage of franchise and/or marketing fee income that would ordinarily be collected by the group in terms of the standard franchise agreements. Franchise and marketing 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 outlets 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 stores (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] *Outdoor events catering: The group has outsourced its outdoor events catering trailers to certain franchisees. The franchisees in question are paid a vending fee for each event depending on the duration of the event and the distance travelled. The terms applied are the same as those applied to any other franchisee (which is not a related party) who manages an outdoor catering trailer.*

[11] *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.*

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

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

[14] *Ronel van Dijk resigned as a director on 31 March 2018 and transactions from that date with entities in which she has interests are not reported as related party transactions.*

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

39. SUBSEQUENT EVENTS

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

39.1 Dividends

On 11 September 2019, the board declared a final dividend of 73 cents per ordinary share in respect of the 2019 financial year, which was paid on 7 October 2019 as referred to in note 26.

39.2 Share repurchases

Shareholders were advised on 27 June 2019 of the details of a transaction concluded between the group, Grand Parade Investments Ltd ("GPI") and GPI Investments 1 RF (Pty) Ltd ("GPIRF"), in terms of which the group would acquire the 10 848 093 Spur Corporation Ltd shares held by GPIRF for a total consideration of R260.354 million. GPIRF acquired the shares in October 2014 as part of a broad-based black economic empowerment transaction concluded between the parties.

At the same time, the company concluded an agreement to re-acquire the 6 635 901 treasury shares in the company held by wholly-owned subsidiary, Share Buy-back (Pty) Ltd, for a total consideration of R145.393 million.

The transactions were subject to Spur Corporation Ltd shareholders' approval and certain other regulatory requirements. The circular detailing the transactions and notice of general meeting was mailed to shareholders on 27 August 2019. The necessary shareholders' resolutions were passed at the general meeting held on 25 September 2019 and the transactions were implemented on 15 October 2019. The proceeds were used by GPIRF to settle the receivable detailed in note 14.4. The aforementioned circular provides details of the expected impact of the transaction on the group's financial statements.

Upon re-acquiring the shares, the company has applied to have the shares delisted and cancelled.

40. CONTINGENT LIABILITIES

40.1 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 has appealed the ruling. The appeal was heard by a full bench of the tax court on 29 July 2019 but no judgement has yet been issued. 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 30).

40.2 Legal dispute with former Zambian franchisee

As reported in the prior year, in 2012 Steak Ranches Ltd ("SRL") instituted action against a wholly-owned subsidiary of the group, Steak Ranches International BV ("SRIBV"), a company incorporated and domiciled in The Netherlands, for allegedly repudiating a franchise agreement previously concluded between the parties. SRL is an unrelated entity incorporated and domiciled in Zambia. SRIBV previously concluded a franchise agreement with SRL for a franchised outlet in Zambia, but cancelled that agreement after SRL breached the terms of the agreement, as alleged by the board of SRIBV.

SRL claimed special damages in the amount of US$648 152, pecuniary damages in the amount of US$4 236 041 and an unquantified amount of general damages arising out of the alleged repudiation, together with interest and costs.

SRIBV defended the action, denying the repudiation of the franchise agreement. Following several years of stalled legal proceedings, the matter was finally resolved by a court-ordered mediation on 30 January 2019. Giving consideration to the uncertainty, costs and time to litigate against a Zambian franchisee, under Zambian law and in a Zambian court, the board of SRIBV concluded that it was in the interests of the company to agree to an amount of US$120 000 in full and final settlement of the matter, without conceding on the legal merits of the case. Accordingly, an expense in the amount of R2.350 million (comprising the settlement and related legal costs) has been recognised in profit or loss for the year.

40.3 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.

41. NEW ACCOUNTING STANDARDS ADOPTED BY THE GROUP

41.1 IFRS 15 – Revenue from contracts with customers

IFRS 15 – Revenue from contracts with customers replaces IAS 18 – Revenue for annual periods beginning on or after 1 January 2018. IFRS 15 introduces a new five-step model for determining the timing and amount of revenue to be recognised from contracts with customers. The core principle of the new model is that an entity should recognise revenue to depict the transfer of control of promised goods or services to customers and that the amount of revenue should reflect the consideration to which the entity expects to be entitled in exchange for those goods and services.

The group has adopted this standard fully retrospectively as at the start of the earliest period presented (i.e. 1 July 2017). The consequential change in accounting policy has therefore resulted in a restatement of the comparative figures on the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows as detailed below.

The effect of adopting IFRS 15 on the opening statement of financial position as at 1 July 2017 is as follows:

R'000 **Statement of financial position**	Audited as at 30 June 2017	IFRS 15 adjustment – Initial franchise fees and distribution costs reallocation	IFRS 15 adjustment – Marketing funds	Total IFRS 15 adjustment	Restated as at 1 July 2017
Non-current assets					
Deferred tax	1 450	–	2 558	2 558	**4 008**
Current assets					
Loans receivable	19 085	–	(9 617)	(9 617)	**9 468**
Restricted cash	–	–	5 947	5 947	**5 947**
Cash and cash equivalents	265 953	–	(5 947)	(5 947)	**260 006**
		–	(9 617)	(9 617)	
Equity					
Retained earnings	605 388	(18 605)	(1 559)	(20 164)	**585 224**
Non-controlling interests	12 019	(1 167)	–	(1 167)	**10 852**
		(19 772)	(1 559)	(21 331)	
Non-current liabilities					
Contract liabilities	–	23 637	–	23 637	**23 637**
Deferred tax	60 924	(7 689)	1 412	(6 277)	**54 647**
		15 948	1 412	17 360	
Current liabilities					
Contract liabilities	–	3 824	–	3 824	**3 824**
Loans payable	6 912	–	(6 912)	(6 912)	**–**
		3 824	(6 912)	(3 088)	

41. NEW ACCOUNTING STANDARDS ADOPTED BY THE GROUP continued

41.1 IFRS 15 – Revenue from contracts with customers continued

The effect of adopting IFRS 15 on comparative information is as follows:

R'000 **Statement of financial position**	Audited as at 30 June 2018	IFRS 15 adjustment – Initial franchise fees and distribution costs reallocation	IFRS 15 adjustment – Marketing funds	Total IFRS 15 adjustment	Restated as at 30 June 2018
Non-current assets					
Loans receivable	132 816	–	(14 333)	(14 333)	**118 483**
Deferred tax	1 736	–	4 014	4 014	**5 750**
		–	(10 319)	(10 319)	
Current assets					
Loans receivable	12 943	–	(438)	(438)	**12 505**
Restricted cash	–	–	6 796	6 796	**6 796**
Cash and cash equivalents	259 895	–	(6 796)	(6 796)	**253 099**
		–	(438)	(438)	
Equity					
Foreign currency translation reserve	30 022	(340)	–	(340)	**29 682**
Retained earnings	645 827	(21 453)	(2 568)	(24 021)	**621 806**
Non-controlling interests	10 919	(1 495)	–	(1 495)	**9 424**
		(23 288)	(2 568)	(25 856)	
Non-current liabilities					
Contract liabilities	–	27 813	–	27 813	**27 813**
Deferred tax	61 748	(9 057)	2 533	(6 524)	**55 224**
		18 756	2 533	21 289	
Current liabilities					
Contract liabilities	–	4 532	–	4 532	**4 532**
Loans payable	10 722	–	(10 722)	(10 722)	**–**
		4 532	(10 722)	(6 190)	

R'000 **Statement of profit or loss and other comprehensive income**	Audited year ended 30 June 2018	IFRS 15 adjustment – Initial franchise fees and distribution costs reallocation	IFRS 15 adjustment – Marketing funds	Total IFRS 15 adjustment	Restated year ended 30 June 2018
Revenue	667 192	(4 411)	229 016	224 605	**891 797**
Cost of sales	(193 998)	(4 915)	(12 861)	(17 776)	**(211 774)**
Gross profit	473 194	(9 326)	216 155	206 829	**680 023**
Other income	44 903	–	(21 513)	(21 513)	**23 390**
Operating expenses	(316 205)	4 915	(194 602)	(189 687)	**(505 892)**
Operating profit before finance income	201 892	(4 411)	40	(4 371)	**197 521**
Interest income	31 322	–	(1 327)	(1 327)	**29 995**
Interest expense	(33)	–	(57)	(57)	**(90)**
Share of loss of equity-accounted investee (net of income tax)	(1 813)	–	–	–	**(1 813)**
Profit before income tax	231 368	(4 411)	(1 344)	(5 755)	**225 613**
Income tax expense	(68 159)	1 235	335	1 570	**(66 589)**
Profit after income tax	163 209	(3 176)	(1 009)	(4 185)	**159 024**
Other comprehensive income	3 773	(340)	–	(340)	**3 433**
Total comprehensive income	166 982	(3 516)	(1 009)	(4 525)	**162 457**
Profit attributable to:	163 209	(3 176)	(1 009)	(4 185)	**159 024**
Owners of the company	158 519	(2 848)	(1 009)	(3 857)	**154 662**
Non-controlling interests	4 690	(328)	–	(328)	**4 362**
Total comprehensive income attributable to:	166 982	(3 516)	(1 009)	(4 525)	**162 457**
Owners of the company	162 292	(3 188)	(1 009)	(4 197)	**158 095**
Non-controlling interests	4 690	(328)	–	(328)	**4 362**
Earnings per share (cents)	165.85	(2.98)	(1.06)	(4.04)	**161.81**
Diluted earnings per share (cents)	165.54	(2.97)	(1.06)	(4.03)	**161.51**
Headline earnings	153 656	(2 848)	(1 009)	(3 857)	**149 799**
Headline earnings per share (cents)	160.76	(2.98)	(1.05)	(4.03)	**156.73**
Diluted headline earnings per share (cents)	160.46	(2.97)	(1.06)	(4.03)	**156.43**

41. NEW ACCOUNTING STANDARDS ADOPTED BY THE GROUP continued

41.1 IFRS 15 – Revenue from contracts with customers continued

41.1.1 Changes in accounting policies

Accounting for marketing funds and marketing fund administration fees

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.

In terms of *IAS 18 – Revenue*, revenue was recognised where the reporting entity acted as principal, and not agent. The board had previously exercised judgement in determining that the group was not exposed to the significant risks and rewards associated with the marketing fund contributions, and accordingly it acted as an agent of the respective bodies of franchisees, and not as principal, in administering the marketing funds. The marketing fund contributions were accordingly not recognised as revenue. To the extent that the marketing fund contributions were retained by the group to administer the respective marketing funds, these amounts were considered a recovery of costs incurred by the group and as such were included in *other income* in the statement of profit or loss and other comprehensive income. As marketing fund contributions were not recognised as revenue, the disbursement of marketing fund contributions on marketing services for the benefit of franchisees was not recognised as an expense to the group. The cumulative surplus or deficit in each marketing fund was consequently previously recognised as a financial liability (loan payable) or financial asset (loan receivable) respectively in the statement of financial position.

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, 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 now 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 now recognised in the period in which the related franchisee sales are recognised. The disbursement of marketing fund contributions on marketing services are now 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 now 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. No financial liability or financial asset is recognised for any cumulative surplus or deficit in a marketing fund. Instead, any surplus funds are identified as "restricted" cash balances as the group can only use these funds for future marketing purposes.

Initial franchise fees

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. The group previously recognised revenue in respect of the initial franchise fees in full upon meeting the recognition criteria of IAS 18, i.e. where the inflow of economic benefits was probable and the amount could be reliably measured. However, as the group's performance obligation in relation to the initial franchise fee is satisfied over time, IFRS 15 requires that the revenue be recognised on a straight-line basis over the term of the franchise agreement.

Distribution costs

The group's manufacturing facilities supply products to the group's outsourced logistics service provider. The group is obliged, at its cost, to deliver the goods it manufactures and supplies to the logistics service provider, to specific depots belonging to the service provider. The performance obligation in terms of the contract with the service provider comprises a promise to both supply and deliver the inventory in question. Accordingly, the costs associated with delivering the inventory to the service provider's depots is a cost that is directly associated with transferring the control of the promised goods to fulfil the performance obligation in this regard. Consequently, distribution costs, which were previously disclosed separately in the consolidated statement of profit or loss and other comprehensive income as *distribution expenses*, have been reallocated to *cost of sales*.

The impact on revenue and other items of the primary financial statements such as deferred taxes, income tax expense, retained earnings, non-controlling interests and exchange differences on translation of foreign operations are detailed in the tables in note 41.1 above.

41.2 IFRS 9 – Financial instruments

IFRS 9 – Financial Instruments replaces *IAS 39 – Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

IFRS 9 was adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 30 June 2018, but are recognised as a transitional adjustment against retained earnings on 1 July 2018. The effect of the IFRS 9 transitional adjustment at 1 July 2018 is as follows:

R'000	Restated as at 30 June 2018*	IFRS 9 transitional adjustment	Restated as at 1 July 2018
Non-current assets			
Loans receivable	118 483	(5 651)	112 832
Current assets			
Trade and other receivables	99 997	(2 875)	97 122
Loans receivable	12 505	(1 155)	11 350
		(4 030)	
Equity			
Retained earnings	621 806	(8 855)	612 951
Non-controlling interests	9 424	(21)	9 403
		(8 876)	
Non-current liabilities			
Deferred tax	55 224	(805)	54 419

* *Refer note 41.1.*

The group adopted the consequential amendments to *IFRS 7 – Financial Instruments Disclosures* that are applied to disclosures for the year ended 30 June 2019 but these have not been generally applied to comparative information.

41. NEW ACCOUNTING STANDARDS ADOPTED BY THE GROUP continued

41.2 IFRS 9 – Financial Instruments continued

41.2.1 Changes to accounting policies

Classification and measurement

Except for certain trade receivables, under IFRS 9, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the "SPPI criterion").

On 1 July 2018 (the date of initial application of IFRS 9), the group has classified its financial instruments into the following IFRS 9 categories.

Financial instrument	IAS 39 Classification	IFRS 9 Classification and subsequent measurement	IAS 39 carrying amount R'000	IFRS 9 carrying amount R'000
Loans receivable	Loans and receivables	Amortised cost	130 988*	124 182
Loan receivable included in interest in equity-accounted investee	Loans and receivables	Amortised cost	3 461	3 461
Financial instruments included in trade and other receivables	Loans and receivables	Amortised cost	95 727	92 852
Cash and cash equivalents and restricted cash	Loans and receivables	Amortised cost	259 895	259 895
Financial liabilities included in trade and other payables	Other financial liabilities	Amortised cost	45 691	45 691
Shareholders for dividend	Other financial liabilities	Amortised cost	631	631

* *Restated. Refer note 41.1.*

The new classification and measurement of the group's debt financial assets are at amortised cost as they 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.

The assessment of the group's business models was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration assets and liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the group's accounting for impairment losses for financial assets by replacing IAS 39's *incurred loss approach* with a forward-looking *expected credit loss* ("ECL") approach. IFRS 9 requires the group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

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 trade and other receivables, the group has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs.

For debt financial assets, 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. On initial application of IFRS 9, as the group has been unable to determine without undue cost or effort whether there has been a significant increase in credit risk since origination of the financial instruments existing at initial application, the group has 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.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the group's debt financial assets. The increase in allowance resulted in an adjustment to retained earnings.

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

The group determined that the application of IFRS 9's impairment requirements at 1 July 2018 resulted in an additional impairment allowance as follows:

	R'000
Loss allowance at 30 June 2018 under IAS 39	7 553
Trade receivables	800
Loans receivable	6 753
Additional impairment recognised at 1 July 2018 under IFRS 9	9 681
Trade receivables	2 875
Loans receivable	6 806
Loss allowance at 1 July 2018 under IFRS 9	**17 234**
Trade receivables	3 675
Loans receivable	13 559

In addition to, and as a result of, the adjustments described above, other items of the primary financial statements such as deferred taxes, income tax expense, retained earnings, non-controlling interests and exchange differences on translation of foreign operations were adjusted as necessary.

42. SIGNIFICANT ACCOUNTING POLICIES

42.1 Basis of consolidation

42.1.1 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.

42.1.2 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.

42.1.3 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").

42.1.4 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.

42.1.5 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.

42.1.6 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.

42.1.7 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.

42.1.8 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 (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

42.1.9 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.

42.1.10 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.

42.2 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.

42.3 Property, plant and equipment

42.3.1 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 accumulated 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.

42.3 Property, plant and equipment continued

42.3.2 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.

42.3.3 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.

42.3.4 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.

42.4 Intangible assets (other than goodwill)

42.4.1 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	5 years (where there is no limit to the use of the licence) or, if the licence is valid for a specific period less than 5 years, such shorter period

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

42.4.2 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.

42.4.3 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.

42.5 Impairment

42.5.1 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 or cash-generating unit that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

42.5.2 Financial assets

IFRS 9 – Applicable to 2019

Impairment losses for financial assets 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, 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.

IAS 39 – Applicable to 2018

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The recoverable amount of the group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Where the carrying amount of an asset exceeds its recoverable amount, the difference is recognised as an impairment loss in profit or loss.

42.6 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.

42.7 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.

42.7.1 Leasing rights

Lease premium payments made in order to secure an operating 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.

42.8 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.

42.9 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: 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, or, if not, as an income tax expense.

42.10 Share capital

42.10.1 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.

42.10.2 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.

42.10.3 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 and recorded in a separate reserve. 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 in issue. Dividends received on treasury shares are eliminated on consolidation.

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

42.10.4 Dividends

Dividends are recognised as a liability in the period in which they are declared and approved by shareholders.

42.11 Financial instruments – IFRS 9 – Applicable to 2019

42.11.1 Timing of recognition

The group initially recognises loans, 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.

42.11.2 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").

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

Subsequent to initial recognition, financial liabilities are stated at amortised cost using the effective interest method.

42.11.3 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.

42.12 Financial instruments – IAS 39 – Applicable to 2018

42.12.1 Recognition

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

42.12.2 Measurement

Non-derivative financial instruments were initially measured at fair value, plus directly attributable transaction costs, except for financial instruments that were classified as being carried at fair value through profit or loss. Subsequent to initial recognition these instruments were measured according to their nature.

Financial instruments were classified at fair value through profit or loss if they were held for trading or were designated as such upon initial recognition. Upon initial recognition, attributable transaction costs were recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss were measured at fair value, and changes therein were recognised in profit or loss.

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

Trade and other receivables (including loans)

Trade and other receivables (including loans) were stated at amortised cost less impairment losses as appropriate.

Cash and cash equivalents

Cash and cash equivalents were 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 (other than derivative instruments) were stated at amortised cost using the effective interest method.

Derivative instruments

Subsequent to initial recognition, derivatives were measured at fair value. The gain or loss on remeasurement of derivative instruments was recognised in profit or loss in the period that the change arose.

Cash flow hedge accounting was not applied.

42.12.3 Derecognition

Financial assets

A financial asset was derecognised when the contractual rights to the cash flows from the asset expired, or the group transferred 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 were transferred.

Financial liabilities

A financial liability was derecognised when the obligation under the liability was discharged, cancelled or expired.

42.13 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
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.

^ *Sales of acquired goods for export, sales of manufactured 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.

* *Refer note 2.1.4 concerning judgements applied in reaching the conclusion that the group acts as agent.*

42. SIGNIFICANT ACCOUNTING POLICIES continued

42.13 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 2 months.

42.14 Interest income and expense

42.14.1 Interest income

Finance income comprises 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.

42.14.2 Interest expense

Finance expense comprises interest payable on financial liabilities calculated using the effective interest method.

42.15 Employee benefits

42.15.1 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.

42.15.2 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.

42.15.3 Share-based payment transactions

With regard to cash-settled transactions, the fair value of share appreciation rights granted is recognised as an employee expense included in profit or loss with a corresponding liability over the vesting period of the rights. The fair value of the rights granted is measured at each reporting date with any change in fair value being recorded in profit or loss as an employee expense. The amount recognised as an expense included in profit or loss (and the related liability) is adjusted to reflect the actual number of rights that vest or are expected to vest.

With regard to 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.

42.16 Cost of sales

Cost of sales represents the carrying value of inventory (determined in accordance with note 42.6) sold, and is recognised as an expense at the same time that revenue from the related sale is recognised (as detailed in note 42.13).

42.17 Income (not addressed by another policy)

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

42.18 Expenditure (not addressed by another policy)

Expenditure is recognised in the year that it is incurred.

42.18.1 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.

42.18.2 Franchise operations expenses

Franchise operations expenses are those items of expenditure that are directly attributable to *the Franchise* operating divisions as identified in the operating segment information disclosed in note 4.

42.18.3 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.

42.18.4 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 4.

42. SIGNIFICANT ACCOUNTING POLICIES continued

42.19 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 consolidated statement of financial position.

42.20 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 4/2018: 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.

43. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations applicable to the group are not yet effective for the year ended 30 June 2019, 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.

43.1 IFRS 16 – Leases

IFRS 16, published in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases for lessees and lessors, and replaces the previous leases standard, *IAS 17 – Leases*, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors. This standard becomes mandatory for the group's 2020 financial statements.

The group has completed an initial assessment of the potential impact of the adoption of this standard on its consolidated financial statements. The group has determined that it will recognise right-of-use assets and lease liabilities in respect of all premises occupied for corporate offices and the sites leased by the company owned restaurants as well as the 68 vehicles (as at 30 June 2019) currently leased. The group currently recognises the rental expenses of the properties and leased vehicles on a straight-line basis over the lease term. Upon the adoption of IFRS 16, the group's operating lease charge in profit or loss will be replaced by an amortisation charge in respect of the corresponding right-of-use assets, as well as an interest charge relating to the respective lease liabilities, which may in aggregate be different to the current operating lease charge.

In addition to the above leases, the group has leased and sublet a premises for a restaurant in Australia. This lease is currently treated as an operating lease in accordance with IAS 17. Upon the adoption of IFRS 16, a lease receivable and lease payable in respect of the sublease and head lease respectively will be recognised.

The group plans to adopt this standard in its financial statements for the year ending 30 June 2020 using the modified retrospective approach, recognising each 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. Accordingly, comparatives will not be restated.

The group estimates that it will recognise right-of-use assets of R36.036 million and lease liabilities of R39.146 million at 1 July 2019, as well as a lease receivable and additional lease liability in respect of the Australia restaurant lease of R8.289 million, on the date of initial application.

43.2 IFRIC 23 – Uncertainty over income tax treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- that the group should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- that the group should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

Based on a preliminary review of the group's tax affairs, the group is not expecting any material change to the income tax recognised by the group. Further disclosure concerning judgements may be required in this regard.

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Note	**2019 R'000**	2018 R'000
Dividend income		**122 065**	121 838
Distribution received from trust	6	**5 600**	6 200
Interest income		**12 761**	11 151
Operating expenses		**(5 650)**	(4 674)
Profit before income tax	1	**134 776**	134 515
Income tax expense	2	**(3 572)**	(3 121)
Profit		**131 204**	131 394
Other comprehensive income		**–**	–
Total comprehensive income		**131 204**	131 394

SEPARATE STATEMENT OF FINANCIAL POSITION

AT 30 JUNE

	Note	**2019 R'000**	2018 R'000
ASSETS			
Non-current assets			
Interest in subsidiary companies	3	**117 230**	134 784
Current assets			
Tax receivable		**–**	24
Cash and cash equivalents	4	**187 497**	167 802
Total current assets		**187 497**	167 826
TOTAL ASSETS		**304 727**	302 610
EQUITY			
Ordinary share capital	5	**1**	1
Share premium		**294 663**	294 663
Retained earnings		**9 201**	7 276
Total equity		**303 865**	301 940
LIABILITIES			
Current liabilities			
Accrued expenses		**71**	39
Shareholders for dividend		**714**	631
Tax payable		**77**	–
Total current liabilities		**862**	670
TOTAL EQUITY AND LIABILITIES		**304 727**	302 610

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

	Ordinary share capital R'000	Share premium R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2017	1	294 663	10 398	305 062
Total comprehensive income				
Profit	–	–	131 394	131 394
Transactions with owners recorded directly in equity				
Dividends (refer note 9)	–	–	(134 516)	(134 516)
Balance at 30 June 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 6)	**–**	**–**	**4 706**	**4 706**
Income tax on vesting of income by trust (refer note 2.3)	**–**	**–**	**(553)**	**(553)**
Dividends (refer note 9)	**–**	**–**	**(133 432)**	**(133 432)**
Balance at 30 June 2019	**1**	**294 663**	**9 201**	**303 865**

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	Note	2019 R'000	2018 R'000
Cash flow from operating activities			
Operating loss before working capital changes	7	**(5 650)**	(4 674)
Working capital changes		**32**	(12)
Cash utilised by operations		**(5 618)**	(4 686)
Interest received		**12 761**	11 151
Tax paid	8	**(4 024)**	(3 135)
Dividends received		**122 065**	121 838
Distribution received from trust	6	**5 600**	6 200
Dividends paid	9	**(133 349)**	(134 428)
Income vested by trust	6	**4 706**	–
Net cash flow from/(utilised in) operating activities		**2 141**	(3 060)
Cash flow from investing activities			
Decrease in loan to subsidiary company		**17 554**	85 443
Net cash flow from investing activities		**17 554**	85 443
Net movement in cash and cash equivalents		**19 695**	82 383
Cash and cash equivalents at beginning of year		**167 802**	85 419
Cash and cash equivalents at end of year	4	**187 497**	167 802

1. PROFIT BEFORE INCOME TAX

	2019 R'000	2018 R'000
The following items have been taken into account in determining profit before income tax:		
Consulting fees	**422**	411
Directors emoluments (refer note 10)	**2 064**	2 125
JSE listing fees and other related costs	**532**	569

2. INCOME TAX

2.1 Income tax expense

	2019 R'000	2018 R'000
South African normal current tax – current year	**3 572**	3 121

2.2 Reconciliation of rate of tax

	2019 %	2018 %
South African normal tax rate	**28.0**	28.0
Non-taxable distribution income	**(26.5)**	(26.7)
Non-deductible operating expenditure (capital items and items not in production of income)	**1.2**	1.0
Effective tax rate	**2.7**	2.3

2.3 Tax charged directly to equity

	2019 R'000	2018 R'000
Current tax on income vested by trust (refer note 6)	**553**	–

3. INTEREST IN SUBSIDIARY COMPANIES

	2019 R'000	2018 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**	123 570
Total interest in subsidiary companies	**117 230**	134 784

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 is unsecured, interest-free and has no fixed date of repayment. While there is no intention to call up the loan in question, it is repayable on demand. Given the potential short-term nature of the receivable, the fair value has been determined to approximate its carrying amount.

3. INTEREST IN SUBSIDIARY COMPANIES

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	Loans to subsidiaries 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	106 016	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 Franchise Namibia (Pty) Ltd	Namibia	0.1		100.0
– Panarottis Advertising Australia Pty Ltd	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[#]		0.5		100.0
			106 016	

[#] *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:

	2019 R'000	Restated 2018 R'000
Profits	**182 415**	169 387
Losses	**(19 491)**	(16 268)

4. CASH AND CASH EQUIVALENTS

	2019 R'000	2018 R'000
Cash and cash equivalents comprise:		
Current, call and short-term deposit accounts	**187 497**	167 802

5. ORDINARY SHARE CAPITAL

	2019 R'000	2018 R'000
Authorised		
201 000 000 ordinary shares of 0.001 cents each	**2**	2
Issued and fully paid		
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.

Subsequent to the reporting date, the company concluded transactions to acquire its own shares from wholly-owned subsidiary, Share Buy-back (Pty) Ltd, and GPI Investments 1 (Pty) Ltd ("GPIRF") as detailed in note 15.2.

6. SPUR MANAGEMENT SHARE TRUST

During the year, the Spur Management Share Trust ("the Trust") vested income of 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 R0.553 million, which has similarly been charged directly to equity (retained earnings).

In addition, the Trust made a discretionary distribution of R5.600 million (2018: R6.200 million) to the company, as beneficiary, which is included in profit before income tax.

7. OPERATING LOSS BEFORE WORKING CAPITAL CHANGES

	2019 R'000	2018 R'000
Profit before income tax	**134 776**	134 515
Adjusted for		
Dividend income	**(122 065)**	(121 838)
Distribution received from trust	**(5 600)**	(6 200)
Interest income	**(12 761)**	(11 151)
Operating loss before working capital changes	**(5 650)**	(4 674)

8. TAX PAID

	2019 R'000	2018 R'000
Tax paid is reconciled to the amount disclosed in profit or loss as follows:		
Amount payable at beginning of year	**24**	10
Current tax charged to profit or loss	**(3 572)**	(3 121)
Current tax charged directly to equity	**(553)**	–
Amount payable/(receivable) at end of year	**77**	(24)
Tax paid	**(4 024)**	(3 135)

9. DIVIDENDS

	2019 R'000	2018 R'000
Dividends declared are as follows:		
Final 2017 – dividend of 61.0 cents per share	–	66 173
Interim 2018 – dividend of 63.0 cents per share	–	68 343
Final 2018 – dividend of 60.0 cents per share	65 089	–
Interim 2019 – dividend of 63.0 cents per share	68 343	–
Total dividends to equity holders	**133 432**	134 516

The directors have approved a final dividend of 73 cents per share in respect of the 2019 financial year, funded by income reserves, which was paid in cash on 7 October 2019. The dividend is subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962, as amended) ("dividend withholding tax") of 20%. The net dividend is therefore 58.4 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the financial year was 136 cents (2018: 123 cents) per share equating to R147.534 million (2018: R133.431 million).

	2019 R'000	2018 R'000
Dividends paid are reconciled to the amount disclosed above as follows:		
Amount payable at beginning of year	(631)	(543)
Dividends declared	(133 432)	(134 516)
Amount payable at end of year	714	631
Dividends paid	**(133 349)**	(134 428)

10. DIRECTORS' EMOLUMENTS

The following emoluments were paid by the company:

	2019 R'000	2018 R'000
For services as directors to the company		
Cora Fernandez[1]	17	–
Dean Hyde[2]	213	425
Dineo Molefe	425	425
Keith Getz[2]	213	425
Mike Bosman[3]	331	–
Mntungwa Morojele	425	425
Muzi Kuzwayo	425	425
Shirley Zinn[1]	17	–
	2 064	2 125

All other emoluments were paid by subsidiaries of the company. Refer note 37 of the consolidated financial statements on page 175 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.*

11. GUARANTEES

The company has provided unlimited guarantees to financial institutions in respect of debts of certain local subsidiary companies.

12. RELATED PARTY DISCLOSURES

Identity of related parties
Refer note 3 for a detailed list of subsidiaries.

Related party transactions
An amount of R16 872 (2018: R21 608) 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 note 3 for the details of the loan to a subsidiary company.

Dividend/distribution income was received from the following related parties:

	2019 R'000	2018 R'000
Spur Group (Pty) Ltd	**122 065**	121 838
The Spur Management Share Trust (included in profit or loss) (refer note 6)	**5 600**	6 200
The Spur Management Share Trust (included in equity) (refer note 6)	**4 706**	–

Details of directors' emoluments are included in note 10.

13. FINANCIAL INSTRUMENTS

13.1 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.

	Note	**Amortised cost R'000**	**Total carrying amount R'000**
2019			
Loan to subsidiary company	3	**106 016**	**106 016**
Cash and cash equivalents	4	**187 497**	**187 497**
Financial assets		**293 513**	**293 513**
Accrued expenses		**71**	**71**
Shareholders for dividend		**714**	**714**
Financial liabilities		**785**	**785**

	Note	Loans and receivables R'000	Other financial liabilities R'000	Total carrying amount R'000
2018				
Loan to subsidiary company	3	123 570	–	123 570
Cash and cash equivalents	4	167 802	–	167 802
Financial assets		291 372	–	291 372
Accrued expenses		–	39	39
Shareholders for dividend		–	631	631
Financial liabilities		–	670	670

13. FINANCIAL INSTRUMENTS continued

13.1 Accounting classification and fair values continued

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. Refer note 3 for a further explanation in this regard for the loan to a subsidiary company. Due to the short-term nature of cash and cash equivalents, accrued expenses, and shareholders for dividend, their fair values have been determined to approximate their carrying amounts.

13.2 Financial risk management

The company is exposed to credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing these risks, and the company's management of capital.

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.

13.2.1 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 the loan to a subsidiary 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	
	2019 R'000	2018 R'000
Loan to subsidiary company (refer note 3)	**106 016**	123 570
Cash and cash equivalents	**187 497**	167 802
Maximum credit risk exposure	**293 513**	291 372

The subsidiary company in question is largely cash generative and in a sound financial position with a very high credit rating. The subsidiary is furthermore in substantial compliance with the loan arrangement in place. On this basis, the directors have considered that the probability of default within 12 months from the reporting date is negligible and accordingly no impairment allowance has been recognised in respect of the loan.

The company's cash is placed with major South African financial institutions with very high credit ratings. 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 11, 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.

13. FINANCIAL INSTRUMENTS continued

13.2.2 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 largely cash generative and in a sound financial position. 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.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Contractual cash flows	
	Carrying amount R'000	Total R'000	1 – 12 months R'000
2019			
Accrued expenses	**71**	**71**	**71**
Shareholders for dividend	**714**	**714**	**714**
2018			
Accrued expenses	39	39	39
Shareholders for dividend	631	631	631

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

13.2.3 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:

	2019 R'000	2018 R'000
Increase in profit or loss before income tax	**888**	633
Increase in equity	**639**	456

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.

13.3 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.

14. ACCOUNTING POLICIES

The separate financial statements were prepared using the accounting policies disclosed in note 42 of the consolidated financial statements (on page 194 of this report) to the extent relevant, incorporating the changes arising from the adoption of IFRS 9 as detailed in note 41.2 of the consolidated financial statements (on page 191 of this report).

None of the standards issued, but not yet applicable in the preparation of these financial statements, as detailed in note 43 of the consolidated financial statements (on page 204 of this report), are expected to have any material impact on the company's financial statements once they become effective.

15. SUBSEQUENT EVENTS

No significant transactions occurred subsequent to the reporting date but prior to the date of issue of this report, with the exception of:

15.1 Dividends

The directors declared a dividend on 11 September 2019, which was paid on 7 October 2019, as detailed in note 9.

15.2 Share repurchases

Shareholders were advised on 27 June 2019 of the details of a transaction concluded between the company, a subsidiary, Grand Parade Investments Ltd ("GPI") and GPI Investments 1 RF (Pty) Ltd ("GPIRF"), in terms of which the company will acquire the 10 848 093 shares in the company held by GPIRF for a total consideration of R260.354 million. GPIRF acquired the shares in October 2014 as part of a broad-based black economic empowerment transaction concluded between the parties.

At the same time, the company concluded an agreement to acquire 6 635 901 shares in the company held by wholly-owned subsidiary, Share Buy-back (Pty) Ltd, for a total consideration of R145.393 million.

The transactions were subject to the approval of the company's shareholders and certain other regulatory requirements. The circular detailing the transactions and notice of general meeting was mailed to shareholders on 27 August 2019. The necessary shareholders' resolutions were passed at the general meeting held on 25 September 2019 and the transactions were implemented on 15 October 2019. The aforementioned circular provides further details of the transactions.

Upon re-acquiring the shares, the company will apply to have the shares delisted and cancelled.

16. 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.

CORPORATE INFORMATION

DIVIDENDS

Interim dividend: 63 cents per share

Record date: 29 March 2019

Payment date: 1 April 2019

Final dividend: 73 cents per share

Record date: 4 October 2019

Payment date: 7 October 2019

REPORTS 2019

Interim results for six months ended 31 December 2018 published February 2019

Preliminary announcement for year ended 30 June 2019 published September 2019

Final results for year ended 30 June 2019 published October 2019

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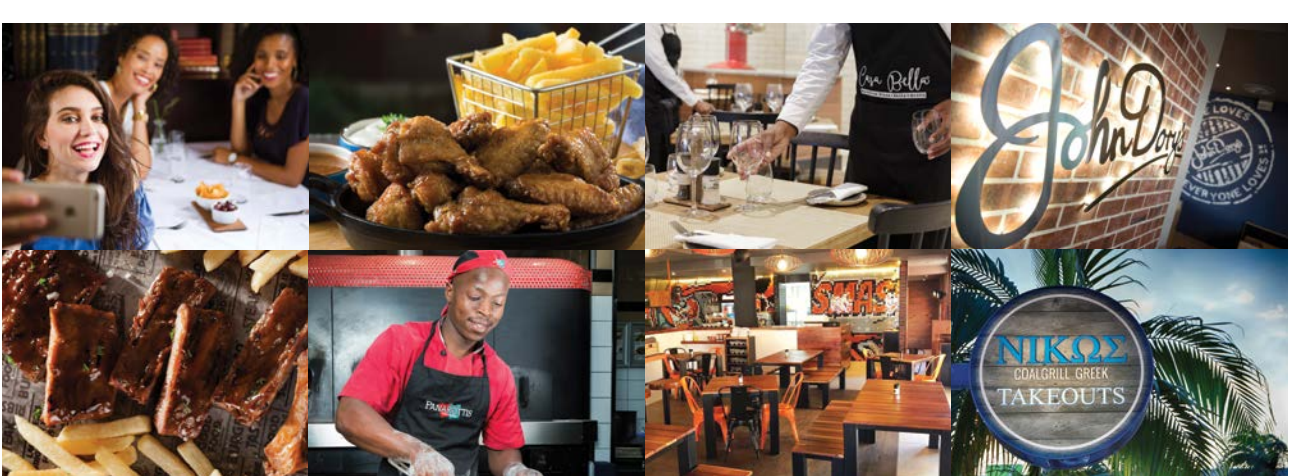

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