TWENTY 20

SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

INTEGRATED REPORT

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The integrated report is supplemented by additional reports and documents relevant to investors and other stakeholders which are available online at www.spurcorporation.com/investors/results-centre/

Financial reporting

– Annual financial statements
– Annual results presentation

Governance

– Online governance review, including the application of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)*
– Social, ethics and environmental sustainability committee report

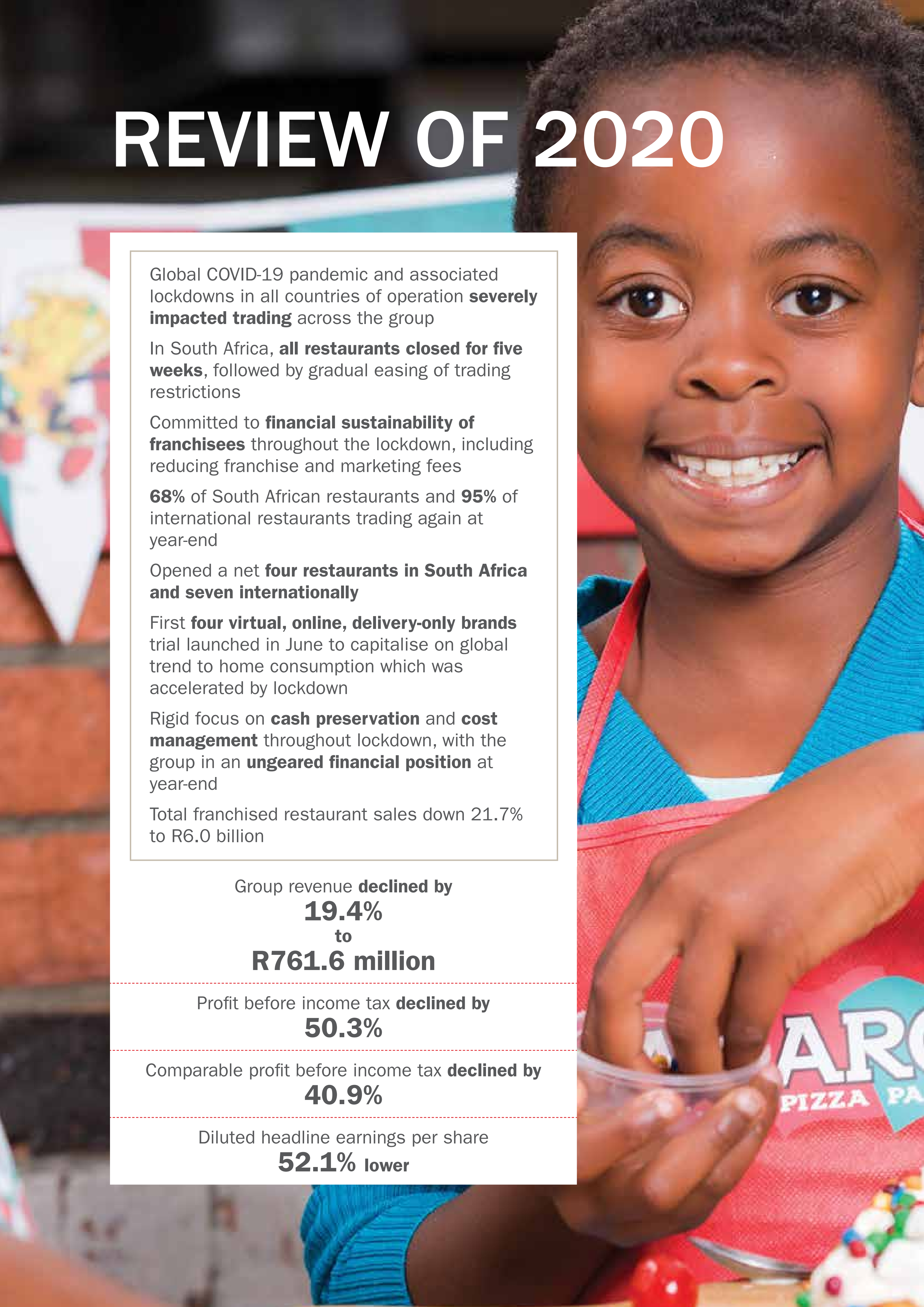
Sustainability

– Sustainability report

Annual general meeting

– Notice of annual general meeting
– Form of proxy

REVIEW OF 2020



Global COVID-19 pandemic and associated lockdowns in all countries of operation **severely impacted trading** across the group

In South Africa, **all restaurants closed for five weeks**, followed by gradual easing of trading restrictions

Committed to **financial sustainability of franchisees** throughout the lockdown, including reducing franchise and marketing fees

68% of South African restaurants and **95%** of international restaurants trading again at year-end

Opened a net **four restaurants in South Africa and seven internationally**

First **four virtual, online, delivery-only brands** trial launched in June to capitalise on global trend to home consumption which was accelerated by lockdown

Rigid focus on **cash preservation** and **cost management** throughout lockdown, with the group in an **ungeared financial position** at year-end

Total franchised restaurant sales down 21.7% to R6.0 billion

Group revenue **declined by**
19.4%
to
R761.6 million

Profit before income tax **declined by**
50.3%

Comparable profit before income tax **declined by**
40.9%

Diluted headline earnings per share
52.1% lower

ABOUT OUR INTEGRATED REPORT

Spur Corporation presents its 2020 integrated report which aims to provide insight into the group's business model, strategy, performance and prospects in a year which has been dominated by the global COVID-19 pandemic.

The group's operations in South Africa went into lockdown on 27 March 2020 until trading restrictions were progressively eased from May onwards. All international restaurants were also impacted by trading limitations. The impact on the last four months of the financial year has been material and is expected to continue affecting performance in the short to medium term.

Owing to the magnitude of COVID-19 the report focuses on the group's response to the pandemic, its significant effect on performance and our positioning to cope with the impact in the year ahead.

REPORTING SUITE

The integrated report is the group's primary reporting medium. This is supplemented by additional reports and documents relevant to shareholders and other stakeholders which are also available online at:
www.spurcorporation.com/investors/results-centre/

Annual financial statements

Online governance review, including the application of the King IV Report on Corporate Governance (King IV)

Social, ethics and environmental sustainability committee report

Sustainability report

Notice of annual general meeting and form of proxy

This year's report is again targeted at our material stakeholder groups, with a primary focus on shareholders who are the principal providers of the group's financial capital. We also acknowledge the role played by our employees, franchisees, customers, suppliers and the broader community in our business.

REPORTING SCOPE AND BOUNDARY

The integrated report covers the group's financial and non-financial performance for the financial year 1 July 2019 to 30 June 2020. Spur Corporation's activities include franchise, retail and ancillary operations in South Africa, which generate 95.7% of group revenue, and 15 countries in the international division.

The group has published summarised financial statements in the integrated report for the first time and the audited annual financial statements are available on the website.

The financial reporting boundary is consistent with the 2019 financial year. Shareholders will note that the group adopted *IFRS 16 – Leases* with effect from 1 July 2019 using the modified retrospective approach and comparatives have not been restated. The impact of the adoption of the new leasing standard is covered in detail in the chief financial officer's report on page 28.

The guiding principles of the Integrated Reporting Framework of the International Integrated Reporting Council have been voluntarily applied in the preparation of this report.

The integrated report complies with the requirements of the South African Companies Act (Act No. 71 of 2008), as amended and the JSE Listings Requirements, while all financial reporting complies with International Financial Reporting Standards. King IV has been applied throughout the reporting period.

ASSURANCE

The group applies a combined assurance model to ensure the integrity of the information in this report but the content has not been independently assured. Accredited service providers have measured selected non-financial data.

The group's external auditor, KPMG Inc. (KPMG), has provided assurance on the consolidated annual financial statements and expressed an unmodified audit opinion.

FORWARD-LOOKING STATEMENTS

The integrated report includes forward-looking statements which relate to the possible future financial position and results of the group's operations. These are not statements of fact but rather statements by management based on current estimates and expectations of future performance. No assurance can be provided that these forward-looking statements will prove to be correct and shareholders are advised to exercise caution in this regard.

The group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events. The forward-looking statements have not been reviewed or reported on by the group's external auditor.

BOARD APPROVAL

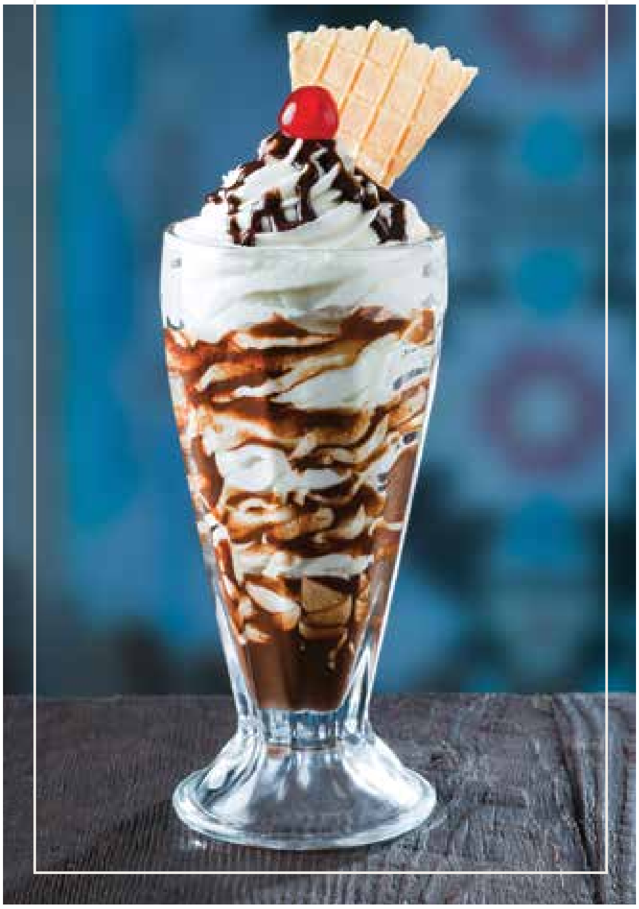
The board acknowledges its responsibility for ensuring the integrity and completeness of the integrated report. The directors confirm that they have collectively assessed the contents and believe that the report accurately reflects the group's performance, material issues and risks, and prospects.

The audit committee recommended the report for approval by the directors who consequently approved the 2020 integrated report for publication on 20 November 2020.

Mike Bosman
Independent non-executive chairman

Pierre van Tonder
Chief executive officer

ABOUT SPUR CORPORATION



INTRODUCING SPUR CORPORATION

Spur Corporation is a multi-brand restaurant franchisor which is listed in the consumer services (travel and leisure) sector of the JSE.

Founded in 1967 and headquartered in Cape Town, the group trades through more than 630 franchise outlets in South Africa, the rest of Africa, Mauritius, the Middle East and Australasia. The group also owns and operates five restaurants in South Africa (these are referred to as “retail” restaurants through the integrated report). The business operates a sauce manufacturing facility and follows a centralised procurement model for its South African franchise outlets.

The business was first listed on the JSE in 1986 and a corporate restructuring in 1999 resulted in the formation and listing of Spur Corporation, as we know it today.

The group owns seven well-established and diverse brands, including some of South Africa’s most recognised restaurant brands. These brands are Spur Steak Ranches (including Spur Grill & Go), Panarottis Pizza Pasta, John Dory’s Fish Grill Sushi, RocoMamas (including RocoGo), The Hussar Grill, Casa Bella and Nikos Coalgrill Greek. The first virtual brands, which are only available for online ordering and delivery, were launched in June 2020. Refer to the Market-leading brands report on page 8 for detail on the positioning and profiles of each brand.

EVOLUTION OF THE BRAND PORTFOLIO

The brand portfolio has been expanded down the years through a combination of brands being developed internally and four small restaurant chains being acquired from the founding entrepreneurs and expanded into household names.

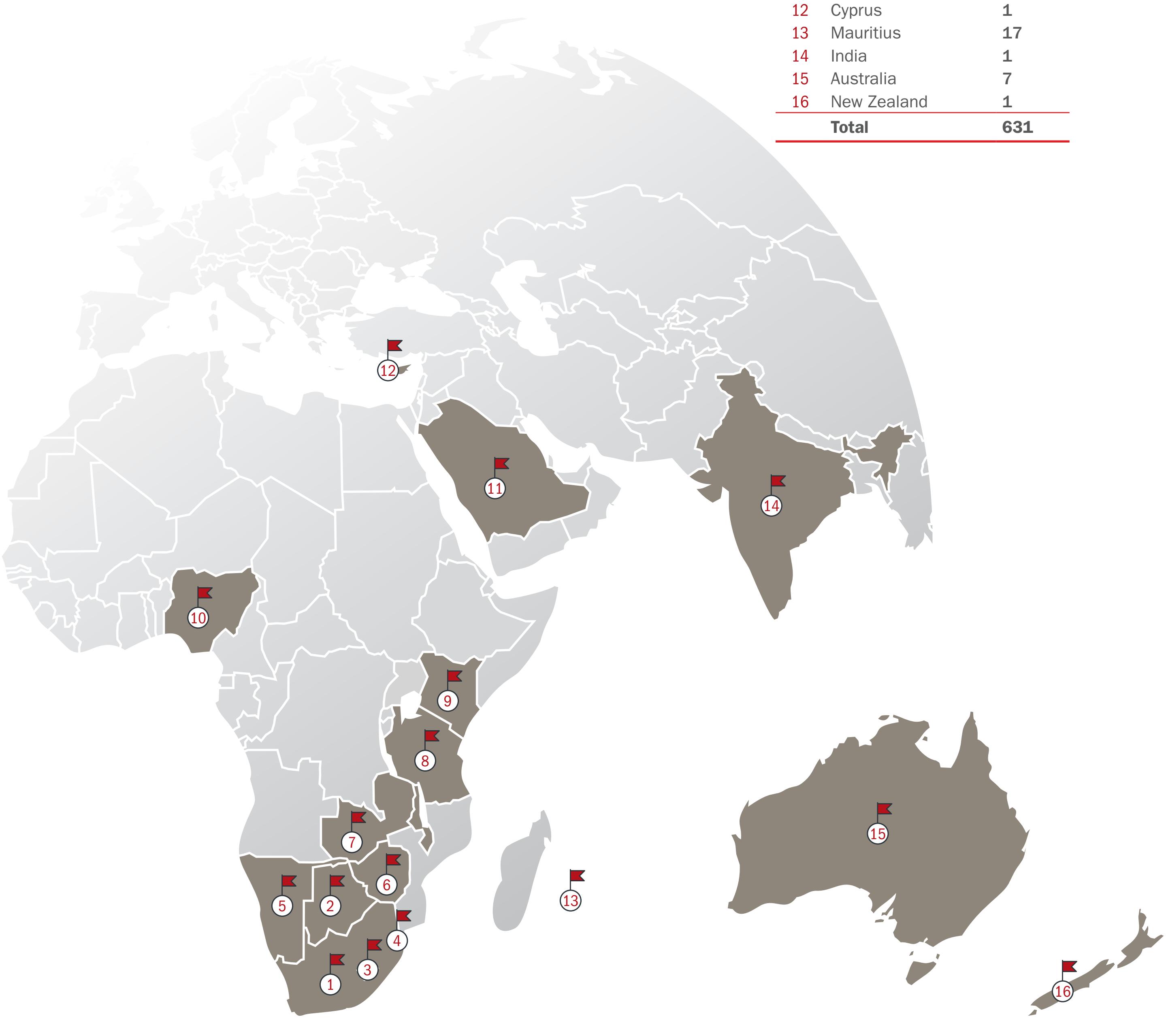
1967	**Spur Steak Ranches** founded by Allen Ambor and the first outlet was opened in Newlands, Cape Town.
1990	**Panarottis Pizza Pasta** developed in-house to capitalise on the growing popularity of pizza and pasta, applying the same principles that made Spur Steak Ranches a household name.
2004	**John Dory’s Fish Grill Sushi** joined the Spur stable when the group bought a 60% stake in the KwaZulu-Natal based franchise comprising seven outlets. The group acquired 100% ownership of the brand in 2012.
2013	**The Hussar Grill**, a small premium steakhouse chain in the Western Cape, was acquired by the group, marking Spur Corporation’s first move into the higher-end dining market.
2015	**RocoMamas**, the fast-casual gourmet burger brand, comprised five restaurants when the group acquired a 51% interest in the chain. The shareholding was increased to 70% in 2017. **Spur Grill & Go** launched to expand the Spur brand to smaller towns and commuter routes, and offer quick-service takeaways in high traffic locations.
2016	**Casa Bella** was the first brand created in-house since Panarottis in 1990, offering an upmarket, authentic Italian dining experience.
2018	**Nikos Coalgrill Greek** became the seventh brand in the Spur Corporation portfolio when the group acquired a 51% stake in the chain of six outlets located mainly in KwaZulu-Natal.
2020	Capitalising on the growing trend to home consumption, the group launched its first four virtual brands: **The Goodie Box, Pizza Pug, Reel Sushi** and **Bento**.

MARKETS SERVED BY THE GROUP

Spur Corporation has geographically diverse market exposure through its range of brands and multiple countries of operation, with 84 restaurants trading in 15 countries outside of South Africa. International restaurant sales accounted for 11.5% of total group restaurant sales in the reporting period.

The first international franchise restaurant was opened in Namibia in 1991 and five years later the first outlet outside of Africa was opened in Australia. The international restaurants and menu offering are similar to South Africa while being adapted to ensure local appeal.

	Country and number of outlets	
1	South Africa	547
2	Botswana	3
3	Lesotho	1
4	eSwatini	3
5	Namibia	11
6	Zimbabwe	1
7	Zambia	18
8	Tanzania	1
9	Kenya	8
10	Nigeria	7
11	Saudi Arabia	4
12	Cyprus	1
13	Mauritius	17
14	India	1
15	Australia	7
16	New Zealand	1
	Total	**631**



MARKET-LEADING BRANDS

FAMILY SIT-DOWN RESTAURANTS

– Focus on family in restaurant layout and design, product offering, customer engagement and customer communications
– Aimed at offering value to the middle income target market

	South Africa	Africa*	Australasia
Spur Steak Ranches / Spur Steak & Grill	290	29	4
Panarottis	84	28	3
John Dory's	52	3	

PREMIUM DINING RESTAURANTS

The Hussar Grill
– High end steakhouse focusing on a quality, premium offering

	South Africa	Africa*	Middle East
The Hussar Grill	22	1	1

Casa Bella
– Sophisticated, friendly dining experience, with an artisanal-style Italian product offering

	South Africa
Casa Bella	7

Nikos Coalgrill Greek
– Offers contemporary dining with traditional homestyle, coal-grilled Greek cooking

	South Africa
Nikos Coalgrill Greek	9

FAST CASUAL

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

	South Africa	Africa*	India and Middle East	Australasia
RocoMamas	69	9	4	1

QUICK-SERVICE TAKEAWAYS

Spur Grill & Go
– Ribs, burgers and wings in high-traffic locations
– Aimed at offering value to the middle income target market

	South Africa	Africa*
Spur Grill & Go	8	1

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

	South Africa
RocoGo	6

Number of restaurants by location.

* Includes Mauritius and excludes South Africa.

VIRTUAL BRANDS (ONLINE, DELIVERY ONLY)

The Goodie Box

Broad market appeal, great-tasting value for money burger, ribs and chicken offering.

Pizza Pug

Limited menu pizza favourites for the cost conscious consumer.

Reel Sushi

A limited fresh sushi menu offering for the value conscious market.

Bento

Custom burger offering for more discerning consumers.

RibShack Rocofellas

Rib and combo great value offerings for parties and sharing occasions.

Brooklyn Pizza Kitchen

Contemporary pizza offering focused on the millennial and metropolitan market.

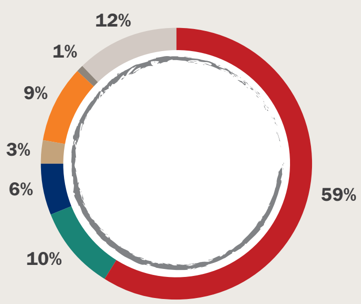
Char Grill Chicken

Traditional recipe, coal grilled chicken meals for group or single serving occasions.

Mexi Go-Go

Authentic Mexican food appealing to a broad customer base.

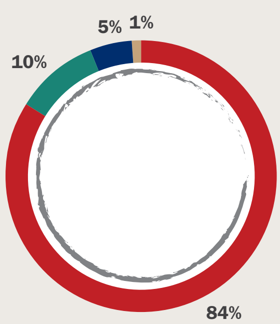
BRAND CONTRIBUTION TO TOTAL RESTAURANT TURNOVER



- SPUR STEAK RANCHES (INCLUDING SPUR GRILL & GO)
- PIZZA AND PASTA*
- JOHN DORY'S
- THE HUSSAR GRILL
- ROCOMAMAS (INCLUDING ROCOGO)
- NIKOS COALGRILL GREEK
- INTERNATIONAL

* Comprises Panarottis and Casa Bella.

CONTRIBUTION BY CATEGORY TO TOTAL RESTAURANT TURNOVER



- FAMILY SIT-DOWN
- FAST CASUAL
- PREMIUM
- QUICK-SERVICE TAKEAWAYS

BUSINESS MODEL

Spur Corporation operates a primarily franchise-based business model, with individual restaurants owned and operated by independent, entrepreneurial franchisees. The group leverages its intellectual property, experience, skills and support infrastructure to manage the franchised restaurant operations.

The group generates revenue mainly through the following sources:

- Franchise fee income
- Marketing fund contributions from franchisees
- Revenue from sale of manufactured sauces
- Distribution income
- Retail restaurant sales

Franchisees pay the following fees:

- Monthly franchise fee of 5% of restaurant turnover
- Monthly marketing fee of 4% of restaurant turnover for the Spur, Panarottis and John Dory's brands and 2% for RocoMamas, The Hussar Grill, Casa Bella and Nikos
- Procurement fee of 4% on the volume of products sold through the group's outsourced distribution network

In addition, franchisees are required to fund the total development costs of new restaurants as well as refurbishments and relocations. The franchise and marketing fees were reduced substantially from March 2020 onwards owing to the financial impact of the lockdown and trading restrictions on franchisee turnover and profitability.

SPUR CORPORATION

GROUP SERVICES

Centralised corporate services support the business and provide resources to ensure franchisees operate efficiently. These services include marketing, finance, information technology, business intelligence, research and development, legal and governance, human resources and the customer contact centre.

CENTRALISED PROCUREMENT

Procurement is centralised and logistics outsourced to a third party distributor. The centralised procurement model supports food safety, consistent quality, competitive pricing and stable supply. The group manages the relationship between the outsourced distributor, suppliers and franchisees.

MANUFACTURING

The group operates a sauce manufacturing facility in Cape Town which supplies franchisees with certain of the group's sauces. The décor manufacturing facility designs and produces fixtures and fittings for the group's restaurants.

FRANCHISE RESTAURANTS

SOUTH AFRICA

The group supports franchisees as follows:

- Managing the new franchisee process, including site selection, project management of development and restaurant opening
- Providing franchisee induction and training
- Assisting franchisees to manage their businesses efficiently, sustainably and in compliance with applicable regulations, and ensuring food and customer safety
- Maintaining brand and product standards through regular inspections
- Implementing tailored marketing plans for each restaurant
- Training franchisee employees to ensure high standards of food quality and health and safety standards
- Coordinating centralised procurement which enables the group to negotiate more competitive prices on behalf of franchisees

INTERNATIONAL

The group has an international head office in the Netherlands and a regional office in Australia. These provide operational and restaurant support to the group's international outlets across Africa (outside of South Africa), Mauritius, India, the Middle East and Australasia.

BRANDS

Spur Steak Ranches – A taste for life

John Dory's – Fish • Grill • Sushi

NIKΩΣ – Coalgrill Greek

RocoMamas – We're not normal

Spur Grill & Go

The Hussar Grill – Est 1964

Casa Bella – WoodFired Pizza • Pasta • Grills

RocoGo

Panarottis – Pizza Pasta

Virtual brands

The Goodie Box	Pizza Pug	Bento	Reel Sushi
RibShack Rocofellas	Brooklyn Pizza Kitchen	Char Grill Chicken	Mexi Go-Go

Retail restaurants

Spur Corporation owns four The Hussar Grill restaurants and one RocoMamas outlet and is directly involved in managing the daily operations of these businesses.

CUSTOMERS

STRATEGIC OBJECTIVES

Against the background of weak trading conditions in South Africa and most international countries of operation, Spur Corporation has identified strategic objectives which are aimed at creating longer term value for shareholders and other material stakeholders. Key performance indicators have been set to show the group's progress towards achieving these objectives.

Owing to the material impact of COVID-19 on the performance for the financial year, the operating and financial targets set for 2020 are no longer relevant and were therefore withdrawn. Targets are not being published for 2021 owing to the continued uncertainty of the impact of COVID-19 on the group's local and international operations.

GROWING REVENUES

Revenue growth will be driven by increased restaurant sales, new restaurants in existing markets, expansion into new product categories, developing new restaurant formats, strategic acquisitions of aligned brands and vertical integration opportunities.

Key performance indicators	2019	**2020**
Total group restaurant turnover (R'm)	7 637	**5 979**
Operating profit margin* (%)	30.5	**24.7**
Return on equity** (%)	18.6	**17.8**
Total local restaurants	543	**547**
Total international restaurants	77	**84**
Percentage of international revenue to total group revenue (excluding marketing funds)	4.9	**4.9**
Percentage of international profits to total group profit before income tax (excluding marketing funds)	(5.4)	**(2.7)**

* Includes share of profit/loss of equity-accounted investee (net of income tax), adjusted for headline earnings adjustments and foreign exchange gain/loss, divided by revenue (excludes marketing funds)

** Profit for the year adjusted for headline earnings adjustments and foreign exchange gain/loss, divided by equity (excluding marketing funds)

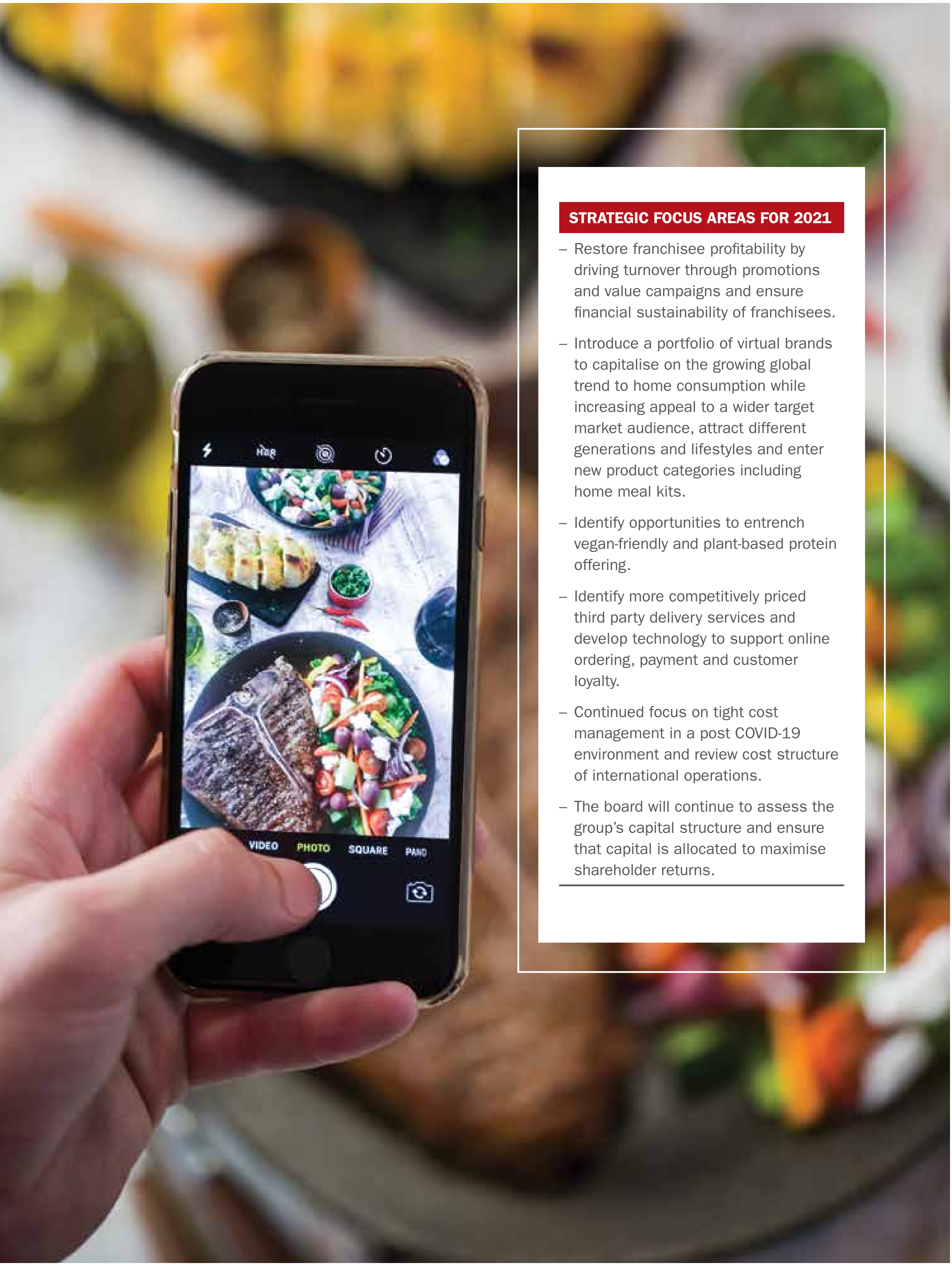
MAINTAINING A SUSTAINABLE BUSINESS

The sustainability of the group's business model is largely dependent on the profitability of its franchisee base, supported by ethical business practices, good corporate governance and environmental responsibility.

Key performance indicators	2019	**2020**
Investment in employee training (R'000)	1 901	**1 571**
Community investment (R'000)	2 100	**2 350**
Electricity consumption (MWh)	983	**1 000**
Water consumption (kl)	7 206	**4 787**
Waste recycled* (%)	71	**66**
Active loyalty club members ('000)	1 100	**1 312**
Loyalty club spend (R'm)	1 654	**1 678**
Customer compliments (% change)	(3.8)	**0.1**
Customer complaints (% change)	(6.7)	**0.1**
Group employee turnover# (%)	16.0	**16.3**
Black employees (%)	70.5	**71.4**
Female employees (%)	51.8	**51.1**
Black directors (%)	55.5	**50.0**
Female directors (%)	33.3	**33.3**

* Includes head/regional offices only.

\# Corporate employees only (excluding retail restaurant employees).



STRATEGIC FOCUS AREAS FOR 2021

- Restore franchisee profitability by driving turnover through promotions and value campaigns and ensure financial sustainability of franchisees.
- Introduce a portfolio of virtual brands to capitalise on the growing global trend to home consumption while increasing appeal to a wider target market audience, attract different generations and lifestyles and enter new product categories including home meal kits.
- Identify opportunities to entrench vegan-friendly and plant-based protein offering.
- Identify more competitively priced third party delivery services and develop technology to support online ordering, payment and customer loyalty.
- Continued focus on tight cost management in a post COVID-19 environment and review cost structure of international operations.
- The board will continue to assess the group's capital structure and ensure that capital is allocated to maximise shareholder returns.

MATERIAL ISSUES AND RISKS

Material issues have been identified that could significantly impact on the group's revenue and profitability, and therefore influence the group's ability to achieve its strategic objectives and to create value for shareholders in the short, medium and long term.

Impact of COVID-19

The COVID-19 global pandemic and the resultant harsh trading restrictions have had a material impact on the group's stakeholders, business operations and financial performance and this is anticipated to continue in the short to medium term.

Risks

- Declining restaurant sales impacting group revenue and profit, and returns to shareholders
- Slow restaurant sales after re-opening as customers stay home to limit possibility of infection
- Restrictions on sale of alcohol and lockdown curfews negatively impacted trading
- Trading disruption in restaurants owing to employee infections
- Restaurant closures where franchisees are not able to trade profitably
- Supply chain challenges owing to possible factory closures impacting product availability
- South Africa reverting to stricter lockdown levels should infection rates escalate significantly

Risk mitigation and opportunities

- Financial relief granted to franchisees by waiving or extensively reducing franchise and marketing fees during the different stages of national lockdown
- Franchisees could determine if and when it was financially viable to re-open their restaurants
- Strong balance sheet ensured that the group did not need to access external funding during the lockdown period
- Intense focus on cash preservation and tight cost management
- Deferment of payment of interim dividend to provide greater balance sheet flexibility during lockdown
- Reduced workweek and 20% salary reduction implemented for all employees from 1 June 2020 to 30 September 2020. Fees paid to non-executive directors were also reduced by 20% for the same period.

Franchisee profitability

The sustainability of the group is dependent on the success of its franchise business model. The profitability of franchisees and their revenue contribution through the payment of franchise fees is therefore critical to the long-term viability of the group (refer to Business Model on page 10 for further detail on the franchise model).

Risks

- Above-inflation increases in wages, occupancy costs, utilities and food prices erode franchisee margins as these increases cannot be matched with menu price increases
- Brands with a high proportion of takeaway food are under further pressure owing to high delivery costs charged by third party delivery partners
- Electricity load shedding is a major financial burden as restaurants either cannot trade or franchisees are required to invest in generators or back-up power supply
- Non-compliance with broad-based black economic empowerment (B-BBEE) requirements could impact on franchisees securing new leases and operating licences (including liquor licences)
- Failure to embrace technology and digital marketing could result in the group's brands becoming less relevant and losing market share

Risk mitigation and opportunities

- Franchise model regularly reviewed and adapted to support franchisee profitability
- Franchise model is flexible and responsive to market conditions, as demonstrated by reduction in franchise fees during the COVID-19 crisis
- Regular engagement between operational management and franchisees to improve efficiencies and reduce costs
- Continuous refinement of the labour model applied in restaurants
- Management of selling prices to ensure brands remain competitive and profitable
- Ongoing menu engineering meets customer needs and enhances franchisee profitability by optimising a restaurant's sales mix and product range, and reducing waste
- Introduction of virtual kitchens and brands will enable franchisees to increase their return on investment, attract new customer markets and expand their product offering (including home meal kits)
- Centralised procurement ensures consistent food supply and more competitive pricing for franchisees
- Reduce operating costs by adopting environmentally sustainable energy and water consumption practices
- Ongoing training of franchisees on all new regulations
- Franchisees encouraged to include black equity operating partners to improve B-BBEE compliance
- Adapting to healthier eating trends including Vegan-friendly and plant-based protein products
- Focus on innovation and IT infrastructure development to meet rapidly changing market dynamics

Economic and trading environment

The fragile trading environment which prevailed in South Africa before the outbreak of COVID-19 has been exacerbated by the pandemic which has contributed to a significant worsening of the financial position of many South Africans.

Risks	*Risk mitigation and opportunities*
– Increasing levels of unemployment impacting the group's core middle income target market – Protracted period of recovery expected for the restaurant industry – Load shedding and the related trading disruption impacting on restaurant sales	– Focus on product quality, value, customer experience and innovation to attract and retain customers – Consolidation of restaurant industry following lockdown restrictions could reduce competition and create opportunities for the group's brands to grow market share – Diverse brands, restaurant formats and target markets, with brands serving higher income customers generally more resilient to the economic downturn – Virtual kitchens and brands will appeal to new markets not currently served by the group's brands

Product safety and responsibility

Adopting the highest standards of food safety across the supply chain is critical for a restaurant group, supported by responsible and sustainable sourcing practices.

Risks	*Risk mitigation and opportunities*
– Non-compliance with food safety standards in restaurants and the sauce manufacturing facility could expose the group to financial liability and loss of brand equity – Compromised food safety standards in manufacturing facility could cause serious injury or even death – Potential reputational damage of using products which are not responsibly and sustainably sourced	– Suppliers are independently reviewed through specialised food safety audits – All suppliers reviewed for Hazard Analysis and Critical Control Points (HACCP) and/or ISO 22000 (Food Safety Management System) compliance – Major suppliers regularly audited against HACCP and/or ISO 22000 standards – All major suppliers servicing the group's brands through the outsourced distribution partner are ISO 22000 certified – Sauce manufacturing facility is HACCP compliant – Ongoing training of franchisee employees in food safety and food preparation – Quality control in the sauce manufacturing facility monitored by team of food technologists – Environmental sustainability assessments are conducted at certain suppliers – Seafood is sourced from responsible suppliers complying with the SA Sustainable Seafood Initiative and Marine Stewardship Council guidelines – Focus on ethical sourcing of product

Social media

The proliferation of social media usage and the speed and reach of these platforms makes the group vulnerable to the spread of damaging and malicious content.

Risks	*Risk mitigation and opportunities*
– Damaging content could negatively impact on the image of the group's restaurants and on brand equity – Loss of brand equity could significantly impact the revenue and profitability of franchisees and the group – Increased marketing expenditure to launch strategies and campaigns to counter negative online publicity	– Dedicated resources in the marketing and customer care departments monitor all online references to the group's brands – Channels established to ensure timely and authorised responses to limit the impact of potentially viral comments, images or videos – Policies and processes to limit restaurant-managed social media accounts and engagement between the group and the media

INVESTMENT CASE

The South African family restaurant market where the group generates the majority of restaurant sales is highly competitive and dominated by major local chains and international brands, with multiple smaller chains and independent operators.

In this environment the strength and customer appeal of the group's brands, convenient restaurant locations, commitment to quality, service and value, and operating efficiency are critical to maintaining market leadership.

While trading conditions will be impacted by the effect of the COVID-19 related restrictions in the short to medium term, the directors believe the following factors will support longer-term growth in shareholder value:

Extensive and expanding restaurant base

The group has an extensive and expanding restaurant base of more than 630 outlets across seven well-established and diverse brands. The significant restaurant base in South Africa is a major barrier to entry for potential competitors.

Innovation

Responsive to global food and restaurant trends. Examples include the launch of virtual brands, expanding online and social media presence, the launch of vegan-friendly product options, investigations into plant-based protein products and home meal kits.

Market-leading brand portfolio

Spur Corporation's portfolio of market-leading brands targets South Africa's growing middle income market through its family sit-down and fast casual restaurants as well as higher income customers through the premium dining restaurants.

Competitive margins and return metrics

Constantly improving efficiencies, driving franchisee profitability, enhancing centralised distribution and striving for operational excellence contribute to the high operating margins generated by the brands.

Exposure to multiple international markets

The group has exposure to multiple markets through its international division which accounts for 13% of the total restaurant base. The international expansion strategy is focused mainly on Africa, Mauritius and the Middle East where the business has an established presence and aims to ultimately reach critical mass.

Ungeared balance sheet and effective capital management

The group's ungeared balance sheet and strong cash generation enabled the business to withstand the trading restrictions during the COVID-19 lockdown without the need to access external funding.

Organic and acquisitive growth

Organic growth of the internally developed brands has been complemented by selective acquisitions to extend the customer offering. Management has a proven track record in successfully integrating acquisitions into the group's operations and expanding the restaurant footprints of these brands.

Governance and board strengthened

Governance procedures have been strengthened and the board composition refreshed and aligned with King IV over the past two years, including the appointment of an independent non-executive chairman. The diversity profile of the board reflects 50% black and 33% female representation.

Brand and customer loyalty

High levels of brand and customer loyalty support sales, with the Spur Family Club, Panarottis Rewards, John's Club and RocoMamas Royalty loyalty programme membership totalling 1.3 million active customers. These loyalty programmes contributed 33.1% of restaurant sales in Spur, Panarottis, John Dory's and RocoMamas in the reporting period.

Strong and enduring stakeholder relationships

Long-term relationships with an extensive network of property owners and intermediaries, value-adding relationships with key suppliers across strategic product categories, loyal customer base established over several years and a resilient franchisee network.

LEADERSHIP REVIEW

CHAIRMAN'S REPORT

Mike Bosman
Independent non-executive chairman

South Africa's fragile economic position has been compounded by the outbreak of the devastating COVID-19 pandemic which has brought personal and financial hardship to millions across our country.

The group experienced the most challenging trading period in its 53-year history, with the forced closure of our restaurants in South Africa for five weeks followed by harsh trading restrictions for several months thereafter. Our international restaurants have similarly all experienced trading limitations.

This has contributed to total restaurant sales declining by 21.7% for the year, group revenue reducing by 19.4% and headline earnings falling by 56.1%.

COVID-19 will continue to impact our business and our financial performance for months or even years to come, with rising unemployment, severe financial pressure on our customers and the risk of a second wave of infections similar to what is currently being encountered in several countries in the northern hemisphere.

BOARD RESPONSE TO COVID-19

The board supported management to ensure that significant COVID-19 related business risks were being addressed during the pandemic, focusing on franchisees and employees, liquidity and solvency, cash and capital management.

At the start of the lockdown, we advised shareholders of the board's decision to defer the payment of the interim dividend declared in February 2020 to preserve our cash resources owing to the uncertainty of the impact of the lockdown. In November 2020, the directors resolved not to declare a final dividend for the year to June 2020 owing to the weak cash flows generated in the first four months of lockdown.

The board supported the reduction in franchise and marketing fees to assist our franchisees financially when all restaurants were closed or trading under severe restrictions once lockdown regulations were gradually eased.

We also took precautionary measures to evaluate potential sources of funding and credit facilities in the event that the trading restrictions extended beyond year-end.

Fortunately, through prudent cash and cost management, the group ended the financial year with adequate cash resources and no borrowings were required.

LEADERSHIP CHANGES

In a year of change, we announced the retirement of our CEO and resignations and appointments to our executive leadership team.

Our long-serving CEO, Pierre van Tonder, advised the board of his plans to retire in December 2020 after 38 years with the group, including 24 years as managing director/group chief executive officer (CEO). After joining as a junior restaurant manager, he has led the group to its current market leading position, with over 630 restaurants in 16 countries.

Pierre has also overseen the expansion of the brand portfolio through the in-house development of brands including Panarottis and the acquisition of RocoMamas, The Hussar Grill and John Dory's, which are today among South Africa's most recognised restaurant brands.

On behalf of my board colleagues, I thank Pierre for his outstanding contribution and wish him well in the next chapter of his life.

We are pleased to welcome Val Nichas who will be joining the group in January 2021 as our new CEO. She is a highly experienced strategist with a proven track record of managing big restaurant brands during her career with Famous Brands. Val's extensive knowledge of the franchise restaurant sector, together with her experience in business strategy consulting, position her favourably to lead the group as our industry and economy face a challenging future in a post COVID-19 environment.

Phillip Matthee, our chief financial officer, asked to stand down from the board for personal reasons and to take on a senior operational role. After the board reluctantly agreed to Phillip's request, he will resign as group chief financial officer (CFO) with effect from 31 January 2021 to assume the position of commercial accounting executive.

Phillip will be an invaluable resource for our incoming CFO, Cristina Teixeira, who joins the group from 1 February 2021. Cristina has spent 12 years as a CFO in the listed company environment and her experience in leading finance teams across diverse industries will be most beneficial in her new role.

Our chief operating officer, Mark Farrelly, resigned from the group in August 2020 to pursue his entrepreneurial interests. He is the master franchisee for Spur International in New Zealand where he owns the Spur restaurant in Auckland. We thank Mark for his contribution over the past 30 years and wish him continued success.

ENHANCING GOVERNANCE OVERSIGHT

The group has continued to enhance governance and oversight to align with best practice as well as strengthen both non-executive and executive representation on the board.

Three of our independent non-executive directors stood down from the board since the start of the 2020 financial year.

Muzi Kuzwayo, who served as a director for 11 years, retired from the board in December 2019 owing to his long tenure. Mntungwa Morojele, our lead independent director, resigned owing to increased business commitments, and Dineo Molefe resigned following her appointment as chief financial officer of MTN South Africa.

These three directors served for a collective 28 years and we extend our thanks and gratitude to them for their contributions to board and committee affairs.

We expanded the non-executive component of our board in October 2020 with the appointments of Jesmane Boggenpoel, Lerato Molebatsi, André Parker and Sandile Phillip as independent non-executive directors. The new directors have added depth and diversity to the board and enabled us to enhance governance oversight in support of the new management team.

These directors have wide-ranging business and board experience which has also allowed us to strengthen and restructure our board committees.

At the same time, we appointed three new executive directors, namely Kevin Robertson, group chief operations officer, Graeme Kiewitz, group human resources executive and Sacha du Plessis, our chief marketing officer.

The appointments of these three senior executives to the board recognises the group's strategic focus on human and intellectual capital, and best practice restaurant operating standards, which we believe will be three key drivers of growth as we adapt to operating in the changing consumer environment.

In addition, Val Nichas (1 January 2021) and Cristina Teixeira (1 February 2021) will be appointed as executive directors when they join the group as CEO and CFO respectively.

Cora Fernandez was appointed as lead independent director with effect from 2 November 2020 for a one-year term. The board plans to rotate this assignment annually.

We also announced the appointment of Moshe Apleni, the group's corporate communications and transformation manager, as chairman of The Spur Foundation Trust.

CHAIRMAN'S REPORT

BOARD DIVERSITY

Our board now comprises five full-time executive directors and seven non-executive directors, with a diversity across gender, race, age, background, skills and professional experience.

Currently 50% of the directors are black and 33% female, exceeding the voluntary targets included in our diversity policy which requires the board to comprise not less than 25% black directors and 20% female directors.

Following the appointments of our new CEO and CFO as executive directors early in 2021, 50% of the board members will be female.

SHAREHOLDER ENGAGEMENT ON REMUNERATION POLICY

At the group's annual general meeting (AGM) in December 2019, we failed to secure the required 75% shareholder approval of the group's remuneration policy and remuneration implementation report in separate non-binding advisory votes.

This was the catalyst for initiating an engagement process with dissenting shareholders, as required by King IV and the JSE Listings Requirements, as well as appointing remuneration specialists to review and restructure our remuneration policy and design new incentive schemes.

Following a group meeting in May 2020 to address investor concerns, individual meetings were held with shareholders in October, with fund managers representing 70.1% of the issued shares participating in these discussions. The response from investors was most encouraging and we thank our shareholders for their willing and constructive engagement with the members of the nominations and remuneration committee.

The revised remuneration policy and implementation report, which are included in the remuneration report on page 42, will be presented to shareholders for non-binding advisory votes at the AGM on 23 December 2020.

APPRECIATION

As a most challenging year draws to a close, I thank my fellow directors for their advice, insight and active participation in boardroom debate, and also welcome our new non-executive and executive directors who were appointed in October.

Thank you to our shareholders for your continued support and engagement with the board and management.

Our management, employees and franchisees are to be commended for their resilience throughout the COVID-19 crisis. Our franchisees in particular have suffered financially but have shown tremendous determination and flexibility to adapt to the ever-changing trading restrictions, and I thank them for their support.

Mike Bosman
Independent non-executive chairman

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

MIKE BOSMAN (60)
Independent non-executive chairman
BCom (Hons), LLM, AMP (Harvard), CA(SA)
Appointed 2018

Member of the nominations and remuneration committee

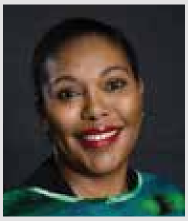
Mike was appointed chairman of the board on 1 March 2019. He is an independent non-executive director of AVI, MTN South Africa and EOH Holdings, and serves on the audit and risk committees of these companies. He is non-executive chairman of Vinimark, the largest independent wine distribution company in South Africa. Mike has a background in corporate and project finance, served as CEO of communications groups FCB and TBWA as well as CEO and later chairman of One Digital Media.

LERATO MOLEBATSI (51)
BA (Psych), PG Diploma in Rural Development and Management, Senior Management Development Programme (USB), Senior Prog. for Africa (Harvard Business School)
Appointed October 2020

Chair of the social, ethics and environmental sustainability committee

Member of the risk committee

Lerato is a non-executive director of the SA Reserve Bank and deputy chair of telecommunications company, the Adrian Group, in Kenya. She was formerly CEO of General Electric South Africa, executive vice president of Lonmin plc and held senior positions in corporate communications, public affairs and corporate social investment, and worked in the Departments of Labour and Transport, Old Mutual and Sanlam.



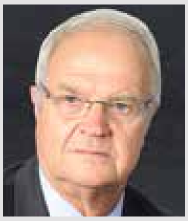
CORA FERNANDEZ (47)
Lead independent director
BCompt (Hons), CA(SA)
Appointed 2019

Chair of the audit committee

Member of the risk committee

Member of the nominations and remuneration committee

Cora is a chartered accountant with extensive board experience. She is a non-executive director of Tiger Brands, Capitec Bank, Mercantile Bank and Sphere Holdings, and serves as an independent trustee on retirement funds in the Allan Gray stable. She serves on the investment committees of 27Four Black Business Growth Fund and the National Empowerment Fund. Cora previously served as managing director of Sanlam Investment Management and CEO of Sanlam Private Equity.

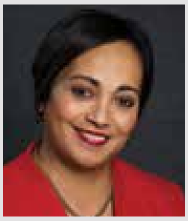


ANDRÉ PARKER (69)
MCom
Appointed October 2020

Chair of the risk committee

Member of the audit committee

André spent most of his career with the SAB/SAB Miller group and was managing director of SAB Miller's Africa and Asia portfolio for 10 years. He is currently a non-executive director of Standard Bank, Distell (lead independent director) and Carozzi SARL, a leading food company in Chile. He previously served as chairman of Tiger Brands and Remgro's TSB, and on the boards of SAB plc, SAB Ltd and AECI.



PROFESSOR SHIRLEY ZINN (59)
BA, HDipEd, BEd (Hons), MEd, EdM and EdD (Harvard)
Appointed 2019

Chair of the nominations and remuneration committee

Member of the social, ethics and environmental sustainability committee

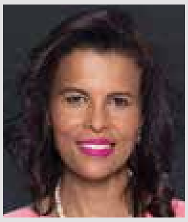
Shirley is an acclaimed human resources practitioner who has held senior positions in the corporate and public sectors. She holds a doctorate from Harvard University and was formerly the head of human resources at Woolworths Holdings, Standard Bank South Africa, Nedbank Group and the South African Revenue Service. She currently provides consulting and advisory services in human resources, transformation, leadership and education. She is an adjunct professor at the University of Cape Town's Faculty of Economics and Management Studies. Shirley serves on the boards of Sanlam, MTN South Africa, Afrocentric and AdvTech.

SANDILE PHILLIP (38)
BCom, BCompt (Hons), CA(SA)
Appointed October 2020

Member of the audit committee

Member of the risk committee

Sandile is a non-executive director of the SA Post Office and previously served as a board member of the SA Institute of Chartered Accountants. His business experience is mainly in the areas of structured funding and leveraged finance in business banking at First National Bank, private banking at Investec and financial management at British American Tobacco and Peninsula Beverages.



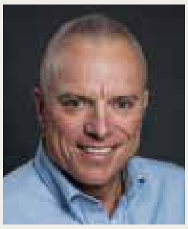
JESMANE BOGGENPOEL (47)
BCom, BAcc, MPub Admin (Harvard), CA(SA)
Appointed October 2020

Member of the audit committee

Member of the social, ethics and environmental sustainability committee

Jesmane is a chartered accountant with private equity, high technology and entrepreneurial experience. She was formerly head of business engagement for Africa for the World Economic Forum, based in Switzerland, and currently serves on the boards of EOH Holdings and Murray & Roberts. She is chairperson of Dubai-based ETG Inputs Holdco and fintech company Sybrin, and is a director and investor of AWCA Investment Holdings. Jesmane was nominated as a Young Global Leader of the World Economic Forum in 2013.

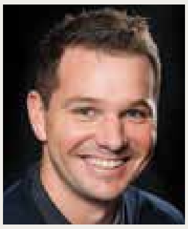
EXECUTIVE DIRECTORS



PIERRE VAN TONDER (61)
Chief executive officer
Appointed as a director in 1992

Member of the risk committee

Pierre joined the group in 1982 and held several senior management positions before being appointed as a director of Spur Steak Ranches and Spur Holdings in 1992. He was appointed as managing director/chief executive officer in 1996 and has overseen the expansion of the group into a multi-brand franchisor with over 630 restaurants and a presence in 16 countries. Pierre will be retiring from the group with effect from 31 December 2020.



SACHA DU PLESSIS (43)
Chief marketing officer
BA (Hons) (Business Management), GIBS Leadership Development Programme
Appointed as a director in October 2020

Member of the social, ethics and environmental sustainability committee

Sacha has 20 years' experience in marketing management and joined the group in 2007 after seven years at Distell. He has served in senior marketing roles within the group, including head of marketing for Spur Steak Ranches and Panarottis Pizza Pasta, group marketing executive and as chief marketing officer since 2019.

PHILLIP MATTHEE (43)
Chief financial officer
BCom, Postgraduate Diploma in Accounting, CA(SA)
Appointed as a director in 2018

Phillip served as group accountant at Clicks Group before joining Spur Corporation in 2007 as new business development manager. He was appointed as group finance executive in 2008 and promoted to chief financial officer and executive director in April 2018. Phillip will be resigning as a director and as CFO with effect from 31 January 2021 when he will assume the role of group commercial accounting executive.

GRAEME KIEWITZ (50)
Group human resource executive
BTech (Human Resources)
Appointed as a director in October 2020

Member of the risk committee

Member of the social, ethics and environmental sustainability committee

Graeme has over 20 years' experience in human resources management, having held senior roles at Simba, Oceana, SANS Fibres and KAP International where he was head of group human resources and a member of the transformation and remuneration committee. Prior to joining the group in 2018 he was head of human resources at Paarl Media Cape.

KEVIN ROBERTSON (54)
Chief operations officer
Appointed as a director in October 2020

Member of the risk committee

Kevin has been with the group for 29 years. He was appointed as managing director of Panarottis Pizza Pasta in 1999 and managed the group's operations in the UK from 2008 until 2011 when he was appointed as the national franchise executive. Kevin was appointed chief operating officer of Spur Steak Ranches in 2018. He was appointed as group chief operations officer with effect from 15 October 2020.

CHIEF EXECUTIVE OFFICER'S REPORT

Pierre van Tonder
Chief executive officer

The global COVID-19 pandemic and the resultant national lockdown and trading restrictions in South Africa, and all our international countries of operation, has had a material impact on our operations and financial performance.

The closure of the economy has had a devastating effect on business and individuals alike, exacerbating the economic headwinds that prevailed at the start of the lockdown and further dampening consumer spending.

IMPACT OF COVID-19

In the first eight months of the financial year to February 2020, restaurant sales increased by 6.0% in South Africa and 4.0% in the international operations before being adversely impacted by the pandemic in the last four months of the year.

Total franchised restaurant sales declined by 21.7% to R6.0 billion for the year. Sales from franchised restaurants in South Africa decreased by 22.3%, with sales from international restaurants decreasing by 16.7% in rand terms.

As local restaurant sales comprise 88.5% of the group's total restaurant sales, the lockdown restrictions in South Africa had the most significant impact on the group's trading performance.

Sales declined dramatically in the weeks leading up to the lockdown in South Africa and decreased by 46.7% for March 2020.

The following trading restrictions were applied to restaurants under South Africa's state of disaster regulations:

27 March until 30 April 2020:	All restaurants in South Africa were prohibited from trading and the group did not earn any material income.
1 May 2020:	Restaurants permitted to provide delivery-only service to customers. Sales for the month of May 2020 reduced by 87.2% in South Africa relative to the prior year.
1 June 2020:	Takeaway services permitted. Sales for the month declined by 83.6% in South Africa relative to the prior year.
29 June 2020:	Restaurants allowed to resume a full sit-down service, subject to strict social distancing protocols (including capacity limitations).

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

Trading conditions proved particularly challenging once restaurants were re-opened owing to strict social distancing protocols, restrictions on the number of patrons and a ban on the sale of alcohol, while the national curfew limited trading hours. Customers also chose to avoid social contact by staying at home.

The Hussar Grill was the brand most impacted by the restriction on the sale of alcohol and the ban on foreign travel into South Africa.

By the end of June 2020, 68% of the restaurants in South Africa had resumed trading, offering either a sit-down, takeaway or delivery service. In the international operations, 95% of restaurants had re-opened.

Franchised restaurant sales for the year ended 30 June 2020

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

* Nikos Coalgrill Greek was acquired on 1 August 2018.

FRANCHISEE SUSTAINABILITY

The group's priority is to ensure the financial sustainability of franchisees and we committed to supporting our restaurant owners throughout the lockdown. This included discounting franchise and marketing fees which are the primary source of the group's revenue.

A decision was taken to waive franchise and marketing fees from mid-March ahead of the start of the lockdown until the end of April 2020 when all outlets were closed. The Spur Steak Ranches franchise fee was discounted from 5% to 3% of restaurant turnover and the marketing fee from 4% to 1% from May 2020.

Franchisees were allowed to re-open restaurants at their discretion under the various levels of trading restrictions, empowering them to make decisions that were in their personal financial interests.

Following the re-opening of restaurants, trading strategies have been implemented to restore franchisee profitability by driving turnover through promotions and value campaigns, and brand innovation.

EXPANDING RESTAURANT FOOTPRINT

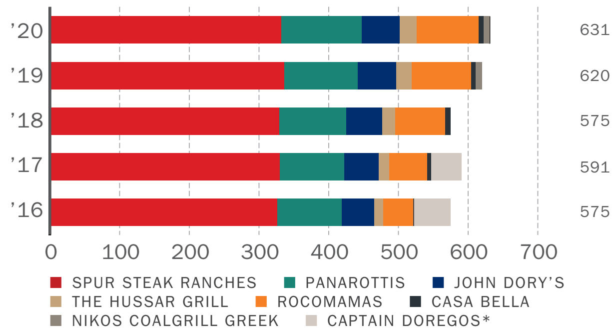
At year-end, the group's restaurant base comprised 631 (June 2019: 620) outlets, including 84 (June 2019: 77) outside of South Africa.

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

Eighteen international outlets were opened and 11 closed. Restaurant openings included Zambia (five), Mauritius (six), Nigeria (two), Kenya (two) and Saudi Arabia (two).

We have continued to focus our international expansion strategy mainly on territories where the business has an established presence, in order to ultimately reach critical mass. Our presence in Zambia has grown to 18 (June 2019: 13) outlets and Mauritius to 17 (June 2019: 13).

TOTAL RESTAURANTS



* Sold with effect from 1 March 2018.

CUSTOMER ENGAGEMENT

High levels of brand and customer loyalty continue to support sales, particularly in the current constrained environment. The Spur Family Club, Panarottis Rewards, John's Club and RocoMamas Royalty loyalty programmes totalled 1.3 million active customers at year-end. These loyalty programmes contributed 33.1% of restaurant sales in Spur, Panarottis, John Dory's and RocoMamas in the reporting period.

The group's investment in technology and e-commerce solutions drives customer engagement, enabling the brands to personalise communications to the database of 1.3 million loyal customers.

Spur was placed first in the *Sunday Times* Top Brands awards in the sit-down restaurant category.

Spur's new contemporary restaurant design is proving appealing to customers. A new menu has been introduced which caters for an increasing range of taste profiles, including a more extensive vegan-friendly menu featuring the popular Beyond Burger.

THE SPUR FOUNDATION – FULL TUMMY FUND

The Spur Foundation, through its Full Tummy Fund initiative, distributed R2.4 million to charitable organisations across South Africa, impacting the lives of thousands of young children.

CHIEF EXECUTIVE OFFICER'S REPORT

The fund remains focused on early childhood development and nutrition for children from disadvantaged communities. Through our partnership with The Early Care Foundation we have adopted 37 day care centres in Alexandra, Gauteng. JAM (Joint Aid Management) and The Lunchbox Fund feed young children at under-resourced day care centres in the Western and Eastern Cape, with support from the Full Tummy Fund feeding over 800 children daily.

A portion of the sales value of items on the kids' menus at Spur Steak Ranches, Panarottis and John Dory's is donated to the fund, raising R1.2 million in the past year.

SPUR TRAINING ACADEMY

We are committed to training and developing group and franchisee employees to ensure the long-term sustainability of the group. In addition to classroom training at centres in Johannesburg, Durban and Cape Town, practical training courses are provided for franchisee employees at accredited training restaurants around the country and support the highest standards of food quality and service in our restaurants.

Over 10 500 franchisee employees were trained at internal workshops, while a further 13 700 participated in online learning, with many of these training sessions focused on employees who were returning to work under the COVID-19 protocols. The training academy was accredited with the Services Sector Education and Training Authority during the year.

LAUNCH OF VIRTUAL, DELIVERY-ONLY BRANDS

The group introduced its first trial of virtual brands in June 2020 to capitalise on the growing global trend to home consumption, which has been accelerated by COVID-19.

The Goodie Box, Pizza Pug and Reel Sushi virtual brands are targeted at the more cost-conscious consumer while Bento offers burgers to the more discerning consumer market.

These virtual, online, delivery-only brands operate from existing brick and mortar host restaurants and require limited additional investment by franchisees while offering the opportunity to generate incremental turnover.

The brands are aimed at increasing appeal to a wider target market audience, attracting different generations and lifestyles and enabling the business to enter new product categories.

Additional virtual brands have been trial launched since the year-end. These include RibShack Rocofellas, Brooklyn Pizza Kitchen, Char Grill Chicken and Mexi Go-Go, with the latter two brands representing product categories where the group is currently under-represented.

TRADING AFTER YEAR-END

It is encouraging to report that trading for the first four months of the 2021 financial year is showing a steadily improving monthly growth trend. This includes the period since lockdown restrictions in South Africa were eased to allow sit-down restaurant service.

The local restaurants traded at 92.8% of the prior year's turnover for the month of October, with Spur Steak Ranches achieving restaurant turnover of 93.9% of the prior year for October.

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

By the end of October 2020, 612 of the group's 631 restaurants had re-opened.

OUTLOOK

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

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

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

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

APPRECIATION AND FAREWELL

After a fulfilling and rewarding career over 38 years, I will be retiring from the group at the end of December 2020. During this time, I have worked with many amazing, talented and inspiring colleagues who have positively influenced my career.

I am grateful and humbled to have had the opportunity to lead the group for 24 years and believe that as a team we have accomplished a great deal in delivering on the group's vision of being 'passionate people growing great brands'.

My successor, Val Nichas, is highly experienced in food service, franchising and marketing and has the credentials to lead the group into the post COVID-19 environment, and I wish her every success.

Thank you to all my colleagues past and present, business associates, franchisees, suppliers and shareholders who I have met along the way, hopefully our paths will cross again soon.

Pierre van Tonder
Chief executive officer

FINANCIAL REVIEW

CHIEF FINANCIAL OFFICER'S REPORT

Phillip Matthee
Chief financial officer

The sustainability of the group is highly dependent on the sustainability of our individually owned and operated franchised restaurants. The impact of the COVID-19 pandemic has had a material impact on franchisees and consequently the group's financial performance.

The main financial priorities during the national COVID-19 lockdown were cash preservation and tight cost management. The group entered lockdown with adequate cash resources and did not need to access external funding during this time, ending the year in an ungeared financial position.

The group utilised the two-month extension period granted by the Financial Sector Conduct Authority relating to the impact of the COVID-19 pandemic and national lockdown on financial reporting and auditing processes, and delayed the release of its annual results from September to November 2020.

FINANCIAL IMPACT OF COVID-19

The closure of restaurants from the start of the lockdown on 27 March until 30 April 2020 resulted in most franchisees incurring significant cash flow losses, with these losses reducing until sit-down trade resumed at the end of June 2020.

Most franchisees applied for relief through the government's Temporary Employer/Employee Relief Scheme (TERS) which partially funded employee wages during this period.

Property rentals are generally the highest fixed overhead cost for franchisees. As restaurants were closed from the start of the lockdown, most franchisees approached landlords for rental relief. Arrangements were concluded with certain franchisees and the negotiation of repayment plans and restructuring of rentals is ongoing.

Franchise and marketing fee structures were temporarily discounted to assist franchisees' cash flow. Payment extensions have been granted on certain debts and loans to franchisees.

The combined impact of the lower restaurant sales and discounted franchise and marketing fees resulted in a material reduction in revenue for the group in the last four months of the financial year.

The group reduced working hours for all employees to four days with a commensurate reduction of 20% in salaries from 1 June 2020 to 30 September 2020. Fees for non-executive directors were also reduced by 20%.

Marketing expenditure was significantly reduced from April 2020.

The impact of COVID-19 on specific components of the consolidated financial statements is disclosed in note 2 of the summarised consolidated financial statements included on page 63 of this report.

IMPAIRMENTS

Trading conditions remained difficult in Australia prior to the outbreak of COVID-19. The financial pressure on franchisees was exacerbated by the Australian government's response to the pandemic which included a hard lockdown, and this has substantially increased the risk of these franchisees defaulting on their loan obligations to the group. Consequently, all remaining loans to Australian franchisees (including a finance lease receivable in respect of a lease to a sublessee) have been impaired in full, resulting in an additional charge of R7.1 million (2019: R12.0 million) for the year.

Allowances for expected credit losses on loan and trade receivables have increased significantly by R6.1 million (2019: R1.4 million), notwithstanding the decline in gross receivables relative to the prior year, as the risk of default has increased owing to the impact of COVID-19 on franchisees in all countries of operation.

The immediate short-term impact on profitability due to COVID-19 and the expected protracted recovery in the longer term, have resulted in impairments of goodwill, and trademarks and related intellectual property in relation to the Nikos Coalgrill Greek brand totalling R5.8 million.

Uncertainty over the future of The Hussar Grill in Morningside, following the expiration of its lease, has resulted in a full impairment of the restaurant's property, plant and equipment of R1.3 million.

The immediate short-term impact of COVID-19 on the international business's profitability, together with the increased uncertainty regarding a recovery, has resulted in the group reassessing the probability of being able to benefit from withholding tax credits deducted from franchise fee collections in foreign jurisdictions which would ordinarily be deductible from future tax payable. As a consequence, the tax receivable relating to these withholding tax credits has been impaired by R11.8 million.

ADOPTION OF IFRS 16 – LEASES

IFRS 16 – Leases was adopted during the 2020 financial year on a modified retrospective basis. The date of initial application was 1 July 2019 and the comparatives have not been restated. The group leases commercial properties for certain of its corporate offices, retail properties for its retail restaurants, vehicles for use by its operations teams and machinery for use in its sauce manufacturing business. Kindly refer note 3 of the summarised consolidated financial statements on page 68 of this report for detail on the impact of IFRS 16.

GRAND PARADE INVESTMENTS TRANSACTION

The group concluded a broad-based black economic empowerment (B-BBEE) transaction with Grand Parade Investments Ltd (GPI) in October 2014, in terms of which the company issued 10.8 million shares to GPI and funded 25% of the transaction in the form of a loan to GPI.

The group bought back (and cancelled) these shares from GPI at a cost of R263.1 million (including transaction costs), with effect from 15 October 2019. At the same time, GPI settled the loan funding provided by the group with a gross value of R113.1 million (comprising capital of R72.3 million and cumulative interest of R40.8 million) at the date of the transaction. The group had previously provided for an impairment in respect of expected credit losses against the receivable, the full amount of which (R10.8 million) was reversed in the current year, following the repayment of the receivable.

The repurchase resulted in a reduction in the weighted average number of shares in issue for the year of 7.7 million.

In addition, the group cancelled an additional 6.6 million shares previously acquired and held by the group.

FINANCIAL PERFORMANCE

The following analysis of the statement of comprehensive income and the statement of financial position should be read in conjunction with the summarised consolidated financial statements on pages 56 to 87 of this report.

Statement of comprehensive income

Group revenue declined by 19.4% to R761.6 million, reflecting the impact of COVID-19 on trading. Revenue from the South African operations, which accounted for 95.7% of total group revenue, decreased by 19.3% while international revenue declined by 20.9% mainly due to the weak performance from the Australasian operations.

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

Local retail revenue, representing the group's interests in four The Hussar Grill restaurants and one RocoMamas outlet, was 23.0% lower. In addition to the impact of the lockdown restrictions, The Hussar Grill in Camps Bay was closed for refurbishment for six weeks in the first half. The total cost of the upgrade was R4.5 million.

Revenue in the manufacturing and distribution division declined by 8.2%. As most of the group's revenue is either directly or indirectly linked to restaurant sales, revenue earned on the sales of sauces and supplies through the manufacturing and distribution division declined, as well as commission revenue earned on the sales of restaurant supplies through the group's outsourced distributor. Revenue did however benefit from an increase in distribution commission from 3% to 4% of sales to franchisees, effective from 1 January 2019. The group's sauce manufacturing facility was refurbished at a total cost of R11.5 million, with R8.5 million of the costs being incurred in the current period, of which R1.8 million could not be capitalised and is included in profit or loss.

CHIEF FINANCIAL OFFICER'S REPORT

Revenue	2020 R'000	2019 R'000	% change
South Africa			
Manufacturing and distribution	**185 468**	201 934	(8.2)
Spur	**170 893**	230 522	(25.9)
Pizza and Pasta	**27 126**	37 588	(27.8)
John Dory's	**15 265**	21 287	(28.3)
The Hussar Grill	**5 417**	6 879	(21.3)
RocoMamas	**26 113**	33 685	(22.5)
Nikos	**2 377**	2 660	(10.6)
Retail	**53 694**	69 753	(23.0)
Marketing	**184 288**	245 112	(24.8)
Other segments@	**57 203**	51 807	10.4
Unallocated	**1 175**	2 319	(49.3)
Total South Africa	**729 019**	903 546	(19.3)
International			
Australasia	**1 817**	4 349	(58.2)
Marketing	**4 514**	7 266	(37.9)
Other segments#	**26 270**	29 618	(11.3)
Total International	**32 601**	41 233	(20.9)
Total	**761 620**	944 779	(19.4)

	Profit/(loss) before income tax*			Operating margin		
	2020 R'000	2019 R'000	% change	2020 %	2019 %	% change
South Africa						
Manufacturing and distribution	**58 564**	73 360	(20.2)	**31.6**	36.3	(4.7)
Spur	**134 461**	192 361	(30.1)	**78.7**	83.4	(4.7)
Pizza and Pasta	**13 202**	23 453	(43.7)	**48.7**	62.4	(13.7)
John Dory's	**5 053**	9 880	(48.9)	**33.1**	46.4	(13.3)
The Hussar Grill	**4 025**	5 664	(28.9)	**74.3**	82.3	(8.0)
RocoMamas	**17 645**	24 380	(27.6)	**67.6**	72.4	(4.8)
Nikos	**(5 465)**	779	(801.5)	**(229.9)**	29.3	(259.2)
Retail	**(3 761)**	8 576	(143.9)	**(7.0)**	12.3	(19.3)
Marketing	**(19 115)**	12 555	(252.3)	**(10.4)**	5.1	(15.5)
Other segments@	**(2 122)**	(6 208)	65.8			
Unallocated	**(69 199)**	(74 143)	6.7			
Total South Africa	**133 288**	270 657	(50.8)	**18.3**	30.0	(11.7)
International						
Australasia	**(9 822)**	(16 992)	42.2	**(540.6)**	(390.7)	(149.9)
Marketing	**(1 094)**	917	(219.3)	**(24.2)**	12.6	(36.8)
Other segments#	**12 509**	12 663	(1.2)	**47.6**	42.8	4.8
Unallocated	**(6 644)**	(8 823)	24.7			
Total International	**(5 051)**	(12 235)	58.7	**(15.5)**	(29.7)	14.2
Total	**128 237**	258 422	(50.4)	**16.8**	27.4	(10.6)

@ Includes the group's training division, export business, décor manufacturing business, call centre and radio station.
# Includes Africa (outside of South Africa), Mauritius and the Middle East.
* Profit before income tax excluding share of loss from equity-accounted investee.

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

In the international division, revenue in the operations in Africa, Mauritius and the Middle East declined by 11.3%. The restrictions on international travel during the lockdown period resulted in significant savings being realised in the last quarter of the financial year. Revenue in Australasia declined by 58.2% as the extremely challenging trading conditions continued, compounded by stringent lockdown conditions in Australia and the permanent closure of an additional restaurant in March 2020. The loss attributable to the segment includes allowances for expected credit losses of R7.1 million (2019: R12.0 million), predominantly on loans previously granted to franchisees, as referred to above. In response to the shrinking presence in Australia, overhead costs have been reduced where possible, while the operating model in Australia is being reviewed.

Profit before income tax declined by 50.3% (refer to accompanying table on comparable profit before income tax). Comparable profit before income tax, excluding exceptional and one-off items and the impact of marketing funds, declined by 40.9%.

	2020 R'000	2019 R'000	% change
Profit before income tax	**127 774**	257 077	(50.3)
Exclude: Marketing funds' deficit/(surplus) A	**20 209**	(13 472)	
Profit before income tax excluding marketing funds	**147 983**	243 605	(39.3)
Australia loan impairments and write-offs B	**7 072**	12 043	
Other IFRS 9 allowances for expected credit losses B	**6 101**	1 390	
Asset impairments C	**7 076**	–	
GPI receivable (reversal of impairment)/impairment D	**(10 812)**	6 688	
Impact of new leasing standard (IFRS 16) (excluding impairment losses) E	**2 948**	–	
Refurbishment costs F	**1 939**	–	
Litigation costs G	**–**	2 436	
Nikos contingent consideration fair value (gain)/loss H	**(3 977)**	1 555	
Retrenchment costs I	**308**	1 410	
Foreign exchange loss	**340**	602	
Spur Foundation loss/(profit) J	**31**	(507)	
Comparable profit before income tax	**159 009**	269 222	(40.9)
Net finance income (other than marketing funds and IFRS 16)	**(18 321)**	(33 391)	
Comparable profit before finance income	**140 688**	235 831	(40.3)
Headline earnings	**72 463**	165 110	(56.1)
Exclude: Marketing funds' deficit/(surplus) A	**18 365**	(9 957)	
Headline earnings excluding marketing funds	**90 828**	155 153	(41.5)
Australia loan impairments and write-offs B	**5 909**	12 043	
Other IFRS 9 allowances for expected credit losses B	**4 711**	1 343	
GPI receivable (reversal of impairment)/impairment D	**(10 812)**	6 688	
Impairment of international withholding tax credits K	**11 746**	–	
Impact of new leasing standard (IFRS 16) (excluding impairment losses) E	**1 870**	–	
Refurbishment costs F	**1 753**	–	
Litigation costs G	**–**	2 412	
Nikos contingent consideration fair value (gain)/loss H	**(3 977)**	1 555	
Retrenchment costs I	**308**	1 410	
Foreign exchange loss	**103**	602	
Comparable headline earnings	**102 439**	181 206	(43.5)
Weighted average number of ordinary shares ('000)	**87 061**	95 065	
Comparable headline earnings per share (cents)	**117.28**	190.10	(38.3)

A The marketing surplus or deficit in any period recognised in profit or loss is not attributable to the group's owners. Any surplus will not, in the ordinary course of business, be distributable to shareholders. The deficit in the current year is attributable to lower restaurant sales compounded by discounted marketing fees in the last four months of the financial year.

B Allowances for expected credit losses relate to trade and loan receivables as well a finance lease receivable (refer notes 6.1 to 6.4 and 8 of the summarised consolidated financial statements).

C Asset impairments include impairments of The Hussar Grill Morningside property, plant and equipment, Nikos trademarks and intellectual property, and Nikos goodwill of R1.3 million, R2.0 million and R3.7 million respectively (refer notes 6.5 and 6.6 of the summarised consolidated financial statements).

D Following the impairment of a receivable from Grand Parade Investments Ltd (GPI) in the prior year, the receivable was settled in full in the current year and the impairment allowance for credit losses consequently reversed. The receivable arose from the group's partial funding of the B-BBEE transaction with GPI in 2014 (refer note 8.3 of the summarised consolidated financial statements).

E The group adopted *IFRS 16 – Leases* on a modified retrospective basis in the current year, as detailed in note 3 of the summarised consolidated financial statements, and comparative information has accordingly not been restated. The amount comprises depreciation on right-of-use assets and interest on lease liabilities, net of the lease charge that would have been recognised in profit or loss had IAS 17 still applied.

F Certain of the costs incurred on the refurbishments of the group's sauce manufacturing facility and The Hussar Grill Camps Bay could not be capitalised.

G The prior year includes legal costs and a legal dispute settlement with a former Zambian franchisee.

H The fair value adjustment relates to the variable contingent consideration for the purchase of Nikos as detailed in note 10 of the summarised consolidated financial statements.

I The prior year includes retrenchment costs relating to the group's décor manufacturing business, while the current year costs relate to Australia.

J While The Spur Foundation is required to be consolidated in terms of IFRS, the full profit or loss is attributable to non-controlling interests.

K The impairment relates to a receivable in respect of foreign withholding tax credits (refer note 9 of the summarised consolidated financial statements).

The group's effective tax rate increased from 32.9% in 2019 to 44.7%. The increase is primarily due to the impairment of the receivable recognised in respect of foreign withholding tax credits, as well as other non-deductible financial instrument and goodwill impairments.

Headline earnings decreased by 56.1% to R72.5 million, with diluted headline earnings per share 52.1% lower at 82.96 cents. On a comparable basis, headline earnings declined by 43.5% and headline earnings per share by 38.3%. Earnings per share benefitted from the reduced number of shares in issue following the repurchase of 10.8 million shares from GPI.

CHIEF FINANCIAL OFFICER'S REPORT

Statement of financial position

The adoption of IFRS 16 has resulted in the recognition of right-of-use assets of R41.9 million in respect of assets leased by the group, and corresponding lease liabilities of R52.9 million (R39.7 million long-term and R13.2 million short-term).

The impact of COVID-19 on trading, as described above, has resulted in a substantial decline in trade and other receivables from R106.0 million to R55.6 million and cash balances from R284.0 million to R167.3 million. Short-term loan receivables have reduced from R106.0 million to R4.0 million, following the unwinding of the GPI B-BBEE transaction. Trade and other payables have declined from R66.6 million to R43.7 million, including a reduction in trade payables of R10.1 million and a reduction in accruals for leave pay and short-term incentives of R14.2 million. As the group's revenue is predominantly derived from franchise fees (which have no directly associated input costs), the reduction in trade payables has been substantially less than the reduction in trade receivables. The non-payment of the interim 2020 dividend has also resulted in an increase in current liabilities. The group's liquidity ratio has accordingly reduced from 7.6 in the prior year to 2.1. The prior year was distorted by the inclusion of the GPI receivable in current assets. However, the current year's ratio of 2.1 remains below the historic average.

CAPITAL EXPENDITURE

	2020 R'000	2019 R'000	2018 R'000
Maintenance	**1 028**	5 442	10 291
Expansion	**13 537**	3 878	–
Total expenditure	**14 565**	9 320	10 291

Capital expansion in 2020 included the refurbishment of the sauce manufacturing facility and a major refurbishment undertaken at The Hussar Grill in Camps Bay.

The group suspended most discretionary capital expenditure projects as part of the austerity measures implemented in response to the impact of COVID-19 on cash reserves. Historically, a large proportion of the planned capital expenditure related to technology infrastructure. In line with industry trends, the group's technology strategy reflects a shift towards cloud computing on a software-as-a-service basis away from traditional local hardware and servers. This is expected to reduce the extent of continued investment in computer hardware, but will result in greater IT-related operating costs. The group's IT department has fundamentally shifted away from being an internally focused user support function to a business partner and provider of business solutions, enabling the group's digital transformation strategy.

CASH FLOW

Cash generated from operations declined 27.4% to R177.7 million (2019: R244.9 million) as trading suffered in the last four months of the year. Net cash flow from operating activities increased by 63.6% to R100.9 million (2019: R61.7 million) as a result of interest of R40.8 million being realised on the GPI receivable during the year and the deferral of the interim 2020 dividend.

The net cash inflow from investing activities of R56.5 million arose primarily as a result of the capital inflow on the GPI receivable of R72.3 million.

The net cash outflow from financing activities of R274.2 million was largely as a result of the repurchase of the 10.8 million shares originally issued to GPI in 2014, at a total cost of R263.1 million. The group repurchased 110 000 (2019: 853 000) of its own shares during the year, prior to the start of the COVID-19 pandemic, at a cost of R3.0 million (2019: R19.6 million). Repurchases of shares have been suspended as part of the group's COVID-19 austerity measures.

The COVID-19 related net cash outflow for the period from April to September 2020 amounted to R72.0 million. The group has started generating cash again from October 2020.

DIVIDENDS

The payment of the interim dividend for the six months ended 31 December 2019, which was declared on 26 February 2020, was deferred at the start of the lockdown to preserve cash resources. The board will continue to defer the dividend until the group is generating sustainable cash flows and will update shareholders at the time of the release of the group's interim results in March 2021.

The directors resolved not to declare a final dividend for the year to June 2020 owing to the weak cash flows generated in the first four months of lockdown.

OUTLOOK

The board expects restaurant turnovers to gradually recover to pre-COVID-19 levels by the 2022 financial year and that full franchise and marketing fees should be reinstated by March 2021.

The risk of a second wave of infections cannot be underestimated, given the precedent in several European countries, and the nature and extent of the potential trading restrictions cannot be anticipated. The directors note that the business could sustain up to five months of hard lockdown restrictions at current cost levels. However, a more likely response to a second wave of infections would be a restriction on sit-down restaurant trade in which scenario the group could sustain a 60% reduction in revenue (relative to the 2019 financial year) for a period of 12 months.

As stated above, the group's balance sheet is ungeared, with no formal borrowings. Management has engaged with financial institutions who have indicated that funding of approximately R50 million would be available to the group. Further details on the possible impact of COVID-19 on the group's ability to generate cash are included in note 2 of the summarised consolidated financial statements on page 63 of this report.

APPRECIATION

The COVID-19 lockdown had a significant impact on the group's annual financial reporting and auditing processes, and I congratulate my group finance team and our external auditor KPMG Inc. for completing the project under these constraints.

Thank you also to our shareholders and the broader investment community locally and offshore for your continued support and engagement with management over the past year.

Phillip Matthee
Chief financial officer

FIVE-YEAR REVIEW

	Note	2020#	2019	2018*	2017	2016
Statement of profit or loss and comprehensive income						
Revenue		**761 620**	944 779	891 797	648 016	737 371
Revenue (excluding marketing funds)		**572 818**	692 401	652 121	648 016	737 371
Operating profit before finance income	1	**113 740**	224 668	195 708	178 253	183 094
Operating profit before finance income (excluding marketing funds)	1	**134 326**	210 214	195 669	178 253	183 094
Adjusted operating profit	2	**120 897**	225 259	191 203	180 587	218 900
Adjusted operating profit (excluding marketing funds)	2	**141 483**	210 805	191 164	180 587	218 900
Net finance income		**14 034**	32 409	29 905	36 522	35 626
Profit before income tax		**127 774**	257 077	225 613	214 775	218 720
Profit before income tax (excluding marketing funds)		**147 983**	243 605	226 957	214 775	218 720
Headline earnings	3	**72 463**	165 110	149 799	133 863	163 977
Headline earnings (excluding marketing funds)	3	**90 828**	155 153	150 808	133 863	163 977
Statement of cash flows						
Net cash flow from operating activities		**100 906**	61 663	37 793	32 719	32 619
Cash and cash equivalents		**167 289**	283 979	253 099	265 953	286 582
Share statistics						
Weighted average number of shares (000's)	3	**87 061**	95 065	95 580	95 828	95 955
Earnings per share (cents)		**76.87**	173.69	161.81	139.98	141.34
Earnings per share (cents) (excluding marketing funds)		**97.96**	163.22	162.87	139.98	141.34
Headline earnings per share (cents)	3	**83.23**	173.68	156.73	139.69	170.89
Headline earnings per share (cents) (excluding marketing funds)		**104.33**	163.21	157.78	139.69	170.89
Cash flow earnings per share (cents)	4	**168.06**	211.83	189.97	183.71	180.80
Operating cash flow per share (cents)	5	**115.90**	64.86	39.54	34.14	33.99
Net asset value per share (cents)	6	**637.88**	924.47	892.17	875.08	902.25
Dividend per share (cents)	7	**78.00**	136.00	123.00	132.00	140.00
Dividend cover (times)	8	**1.1**	1.3	1.3	1.1	1.2
Dividend cover (times) (excluding marketing funds)	8	**1.3**	1.2	1.3	1.1	1.2
Stock exchange performance						

	Note	**2020#**	2019	2018*	2017	2016
Number of shares in issue (000's)		**90 997**	108 481	108 481	108 481	108 481
Number of shares traded (000's)		**18 204**	13 133	16 127	20 177	12 363
Value of shares traded (R'000)		**401 799**	290 505	447 039	645 942	403 723
Percentage of issued shares traded (%)		**20.01**	12.11	14.87	18.60	11.40
Market price per share (cents)						
– close		**1 699**	2 198	2 576	2 810	3 090
– high		**2 880**	2 500	3 145	3 508	3 825
– low		**1 401**	2 031	2 500	2 800	2 750
Headline earnings yield (%)	9	**4.90**	7.90	6.08	4.97	5.53
Headline earnings yield (%) (excluding marketing funds)	9	**6.14**	7.43	6.13	4.97	5.53
Dividend yield (%)	10	**4.59**	6.19	4.77	4.70	4.53
Price earnings ratio		**20.41**	12.66	16.44	20.12	18.08
Market capitalisation (R'000)		**1 546 039**	2 384 412	2 794 471	3 048 316	3 352 063
Business performance						
Operating profit margin (%)	11	**15.87**	23.84	21.44	27.87	29.69
Operating profit margin (%) (excluding marketing funds)	11	**24.70**	30.45	29.31	27.87	29.69
Return on equity (%)	12	**14.38**	19.74	18.14	16.60	19.73
Return on equity (%) (excluding marketing funds)	12	**17.81**	18.61	18.26	16.60	19.73
Return on total assets (%)	13	**9.69**	16.65	15.16	14.02	16.00
Return on total assets (%) (excluding marketing funds)	13	**12.00**	15.70	15.26	14.02	16.00
Liquidity ratio	14	**2.10**	7.64	5.26	4.56	3.78

Upon the adoption of *IFRS 16 – Leases*, the group was required to change the way in which it accounts for certain leases. Up until (and including) the 2019 financial year, the minimum lease payments in respect of leases that were classified as operating leases in terms of the previous leasing standard were previously expensed on a straight-line basis over the lease term. In the 2020 financial year, a right-of-use asset and corresponding lease liability were recognised in respect of these leases; the group now recognises a depreciation charge on the right-of-use asset and an interest expense on the lease liability. Comparatives were not restated.

* Upon the adoption of *IFRS 15 – Revenue from Contracts with Customers* in the 2019 financial year, marketing fund contributions are reflected as revenue from 2018 and beyond, and the disbursement of marketing fund contributions on marketing activities are reflected as expenditure. However, in terms of the franchise agreements concluded between the group and franchisees, marketing fund contributions must be used for marketing activities for the benefit of franchisees. The resultant surplus or deficit in any period is recognised in profit or loss, although any such cumulative profit/surplus is not for the benefit of the owners of the company, and will not, in the ordinary course of business, be distributable to shareholders. The net surplus/deficit relating to marketing funds included in reported profit or loss is therefore excluded from certain of the measures reported above, as indicated, to provide measures that reflect the economic reality of the arrangement.

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 note 7 of the summarised consolidated financial statements on page 77.
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.

SHAREHOLDER ANALYSIS

at 30 June 2020

Public and non-public shareholders	Number of shares	Percentage of shares
Public shareholders	**70 691 616**	**77.7**
Non-public shareholders		
Directors and associates	**60 000**	**0.1**
Subsidiaries holding treasury shares	**595 587**	**0.7**
The Spur Management Share Trust	**5 933 111**	**6.5**
The Spur Foundation Trust	**500 000**	**0.5**
Major shareholder	**13 216 618**	**14.5**
Total non-public shareholders	**20 305 316**	**22.3**
Total shareholders	**90 996 932**	**100.0**

According to the company's register of shareholders, the following fund managers managed 3% or more of the issue share capital at 30 June 2020.

Major fund managers managing 3% or more	2020 Percentage of shares*	2019 Percentage of shares*
Coronation Fund Managers	**14.6**	9.5
Allan Gray	**9.6**	8.4
Grand Parade Investments Ltd	**9.3**	19.0
Foord Asset Management	**7.6**	4.7
Aylett & Co	**3.9**	0.6
Government Employees Pension Fund	**3.0**	2.4
Fund managers no longer managing over 3%		
Fidelity	**–**	7.9
Ninety One (formerly Investec Asset Management)	**2.7**	5.5

* Based on shares in issue less shares repurchased by subsidiary companies.

GOVERNANCE REVIEW

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The group is committed to promoting high standards of corporate governance and ethical business practice to ensure the sustainability of the operations, and to ultimately contribute to long-term value creation.

Governance practices are regularly reviewed to align with best practice as well as changes in the regulatory and compliance environment. King IV™ has been applied throughout the 2020 financial year and the directors confirm that the group has in all material respects applied the principles of the code.

This report is complemented by the online governance review, which includes the schedule of the application of the King IV™ principles, and is available at www.spurcorporation.com/investors/results-centre/.

ROLE OF THE BOARD OF DIRECTORS

The board of directors (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, contribute to sustainable outcomes and do not create risks that have not been thoroughly assessed by management.

The board's roles and responsibilities include ensuring that the group is a responsible corporate citizen, taking account of not only financial performance but also the impact of the business on the environment and society. The board also ensures that the group has effective and independent oversight.

The board mandates the CEO and executive team to execute the strategy and manage the business operations. The chairman and the CEO have clearly defined and separate roles which ensures a balance of authority and appropriate delegation of powers, with no individual having unrestricted decision-making powers. Non-executive directors have direct access to management and may meet with management independently of the executive directors.

BOARD COMPOSITION

At the date of this report the board comprised five full-time salaried executive directors and seven non-executive directors. All non-executive directors, including the chairman, are independent in terms of King IV™ and the guidelines outlined in the JSE Listings Requirements. Brief biographical details of the directors appear on pages 22 and 23.

Muzi Kuzwayo, who served as an independent non-executive director for 11 years, did not make himself available for re-election at the AGM in December 2019 owing to the length of his service and retired as a director with effect from 6 December 2019.

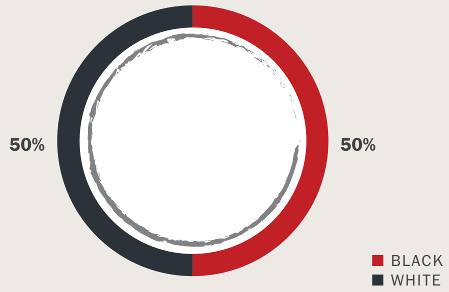
After the end of the financial year, extensive changes were made to the board:

- Pierre van Tonder, executive director and CEO, advised the board that he will be retiring as an employee and director with effect from 31 December 2020.
- Mark Farrelly, executive director and chief operating officer, resigned with effect from 31 August 2020.
- Mntungwa Morojele and Dineo Molefe resigned as non-executive directors with effect from 1 September 2020 and 3 September 2020, respectively.
- Four new independent non-executive directors were appointed effective 15 October 2020:
  - Jesmane Boggenpoel
  - Lerato Molebatsi
  - André Parker
  - Sandile Phillip
- Three new executive directors were appointed to the board effective 15 October 2020:
  - Sacha du Plessis (chief marketing officer)
  - Graeme Kiewitz (group human resources executive)
  - Kevin Robertson (group chief operations officer)
- Val Nichas will be joining the group effective 1 January 2021 as an executive director and CEO to succeed Pierre van Tonder.
- Phillip Matthee, executive director and CFO, requested to stand down from his current position and assume a senior financial role in the group, and will resign from the board with effect from 31 January 2021.
- Cristina Teixeira has been appointed as an executive director and CFO from 1 February 2021 to replace Phillip Matthee.

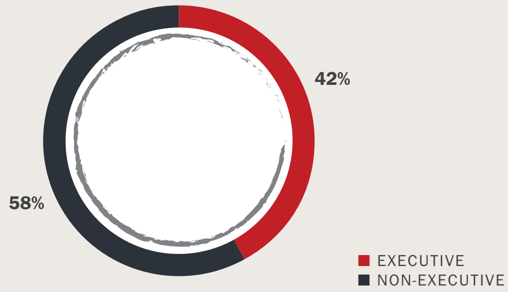
At the AGM in December 2020, independent non-executive directors Mike Bosman, Cora Fernandez and Shirley Zinn, being the directors longest in office, will be standing for re-election to the board. In addition, the four non-executive directors and three executive directors appointed to the board with effect from 15 October, will be proposed to shareholders for election as directors.

BOARD PROFILE

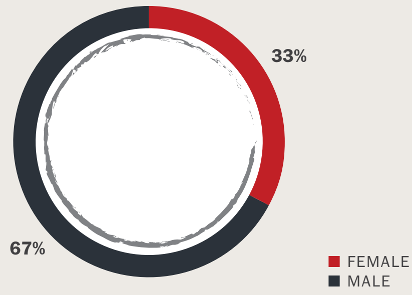
DIVERSITY: RACE



DIRECTOR STATUS



DIVERSITY: GENDER



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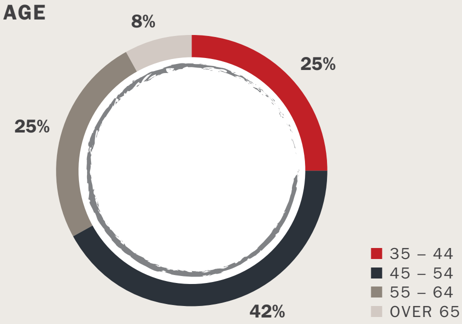


BOARD DIVERSITY

The board is diverse in terms of gender, race, age, background, skills and professional experience. The directors reviewed and confirmed the board diversity policy at its meeting in September 2019, which incorporates the JSE's amended requirements for broader diversity at board level.

Voluntary diversity targets have been set for the board to comprise at least 20% female directors and 25% black directors. These targets have been exceeded, with the expanded board now including four female and six black directors.

The directors have extensive and varied expertise across the fields of governance, strategy, restaurant operations and management, accounting, corporate finance, commercial, international, leveraged finance, human resources, transformation, remuneration, marketing, advertising and corporate social investment.

BOARD OVERSIGHT AND COVID-19

The board, assisted by the audit committee (which held an additional two special meetings), provided oversight and support to the management team during lockdown to ensure that significant business risks arising from COVID-19 which could impact on the sustainability of the group were being adequately addressed.

This covered stakeholder relationships and expectations, particularly in relation to franchisees and employees, liquidity and solvency, cash and capital management issues, including salaries, budgets, capital requirements and payment terms.

Specific decisions taken by the board during this time included the following:

- Deferred the payment of the dividend for the period ended 31 December 2019, which was declared on 26 February 2020, to preserve cash resources during the period when all restaurants were closed.
- Approved the reduction in franchisee fees and marketing fees which were applied in the various stages of lockdown.
- Approved the recommendation of management to reduce working hours for all employees to four days, with a commensurate reduction of 20% in salaries from 1 June 2020 to 30 September 2020. Fees for non-executive directors were also reduced by 20%.
- Approved the recommendation by management to apply the extension period granted by the Financial Sector Conduct Authority to postpone the release of the audited financial results for the year ended 30 June 2020 owing to the impact of the pandemic and national lockdown on financial reporting and auditing processes.

The board also enhanced its oversight of the occupational health and safety aspects of COVID-19 in relation to employee and customer safety in company facilities and in restaurants.

While the priority has been to manage the risks associated with the pandemic, the board has also supported management in identifying potential strategic opportunities arising from the current climate of change.

OTHER KEY ISSUES ADDRESSED IN 2020

The board held three ordinary meetings and three special meetings to address specific issues during the financial year.

This section addresses key decisions taken by the board during the financial year and until the financial results were reported in November 2020:

- Appointed a new CEO (with effect from 1 January 2021), CFO (from 1 February 2021) and three new executive directors to the board (effective 15 October 2020) (refer to Board composition above for a summary of the changes).
- Expanded the non-executive director component of the board following the resignation of two directors owing to their increased business commitments and the retirement of another director.

CORPORATE GOVERNANCE REPORT

- Restructured the composition of the board committees and appointed new chairpersons for three of the committees.
- Noted management's plans to launch the group's first virtual brands which are only available online and enable the business to capitalise on the growing trend to home consumption.
- Following the resignation of the company secretary on 31 July 2019, the board took a decision to outsource the company secretarial function. Kilgetty Statutory Services (South Africa) (Pty) Ltd was appointed in an interim capacity effective 1 August 2019 and appointed as permanent company secretary with effect from 1 March 2020.
- Considered potential sources of funding and credit facilities as a precautionary measure in the event that the lockdown and trading restrictions had been extended beyond the financial year-end.
- Delegated the nominations and remuneration committee to engage reward specialists to review the existing incentive schemes, design new short and long-term incentive schemes, and initiate a shareholder engagement process following the negative shareholder response to the voting on the remuneration policy and implementation report at the AGM in 2019.

REMUNERATION POLICY AND SHAREHOLDER ENGAGEMENT

In non-binding advisory resolutions at the AGM in December 2019, 46.1% of shareholders voted against the group's remuneration policy and 60.7% against the remuneration implementation report.

In line with the requirements of King IV™ and the JSE Listings Requirements, if either resolution receives 25% or more dissenting votes, the board is required to engage directly with shareholders to determine the reasons for their votes and to address legitimate and reasonable objections and concerns. The nominations and remuneration committee (the committee) initiated an extensive shareholder engagement process.

The committee appointed independent remuneration experts, PricewaterhouseCoopers Reward, to review and restructure the group's remuneration policy in line with best practice, design new incentive schemes and conduct benchmarking exercises for the positions of CEO, CFO and group chief operations officer.

The committee hosted a group meeting with major shareholders on 5 May 2020 to address concerns and to advise investors of the proposed changes to the remuneration policy. This was followed by a series of individual meetings with the committee and major shareholders on 6 and 7 October 2020 where the proposed new incentive scheme rules were presented for discussion. Shareholders representing 70.1% of the group's issued shares at year-end participated in these engagement sessions.

The revised remuneration policy is outlined in the remuneration report on pages 42 to 54, together with further detail on the shareholder engagement process. The remuneration policy and implementation report will be presented to shareholders for non-binding advisory votes at the forthcoming AGM in December 2020.

BOARD COMMITTEE OVERSIGHT

Oversight responsibilities for specialised governance functions are delegated by the board to four committees. The directors confirm that the committees have all functioned in accordance with their terms of reference during the year and to the date of this report.

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

Following the recent board changes, the committees were restructured with effect from 15 October 2020 to ensure that they meet regulatory requirements, are appropriately resourced to manage the required workload and meet their oversight responsibilities. The committees are all chaired by independent non-executive directors.

Committee	Audit	Nominations and remuneration	Risk	Social, ethics and environmental sustainability
Composition	Cora Fernandez (chair) Jesmane Boggenpoel André Parker Sandile Phillip	Shirley Zinn (chair) Mike Bosman Cora Fernandez	André Parker (chair) Cora Fernandez Lerato Molebatsi Sandile Phillip Graeme Kiewitz Kevin Robertson Pierre van Tonder (until 31 December 2020)	Lerato Molebatsi (chair) Jesmane Boggenpoel Shirley Zinn Sacha du Plessis Graeme Kiewitz
Further detail on committee role and function	Audit committee report in the audited consolidated financial statements online.	Remuneration report on page 42.	Online governance review and the material issues and risks report on page 14.	Social, ethics and environmental sustainability committee report online.

Directors have a standing invitation to attend all committee meetings. Non-executive directors who are not members of the committees do not receive fees for voluntary meeting attendance.

LEAD INDEPENDENT DIRECTOR

While the chairman is an independent non-executive director, the board believes that in the interests of independence and good governance practice it is prudent to appoint a lead independent non-executive director (LID).

Mntungwa Morojele, who was appointed to the role in February 2018, resigned from the board with effect from 1 September 2020.

Independent non-executive director Cora Fernandez was appointed as the new LID for a one-year term with effect from 2 November 2020. The board plans to rotate this assignment annually.

BOARD AND COMMITTEE ATTENDANCE

Attendance at board and committee meetings for the financial year was as follows:

	Board	Audit	Nominations and remuneration	Risk	Social, ethics and environmental sustainability
Number of meetings	6	4	3	2	2
Non-executive directors					
Mike Bosman	6+		3		
Cora Fernandez*	6	4	1/1	1/1	
Muzi Kuzwayo**	2/2		1/1		1/1
Dineo Molefe°	5	4+		2	
Mntungwa Morojele°	6	4		2	2+
Shirley Zinn***	6		3+		1/1
Executive directors					
Pierre van Tonder	5			2+	2
Mark Farrelly°	6				
Phillip Matthee	6				
% meeting attendance	96	100	100	100	100

\+ Chair.
* Appointed to risk committee effective 11 September 2019 and nominations and remuneration committee with effect from 26 February 2020.
** Retired as a director with effect from 6 December 2019.
*** Appointed to social, ethics and environmental sustainability committee effective 26 February 2020.
° Resigned as a director after the end of the financial year.

GOVERNANCE PLANS FOR 2021

The board plans to address the following issues in the new financial year:

- Implementation of the new short and long-term incentive schemes, pending approval of the updated remuneration policy by shareholders at the AGM in December 2020
- Oversight of the integration and management of the leadership changes
- Heightened awareness of cultural transformation across the group
- Greater focus on the delegation of authority to ensure the executive team are empowered and can be held responsible and accountable
- Oversight of management's strategy to adapt to a post COVID-19 environment
- Address the group's longer-term vision (2030 – the future of restaurants)
- Implement a process to rationalise the international business

Formal board and committee evaluations are scheduled to be undertaken during the 2021 financial year, in line with the recommended practice of King IV™ that evaluations take place at least every two years.

REMUNERATION REPORT

PART 1: BACKGROUND STATEMENT

Dear shareholders

On behalf of the board of directors and the nominations and remuneration committee (the committee), I am pleased to present the remuneration report for 2020 (the report). Our committee's focus remains to ensure that the remuneration structure at Spur Corporation drives value creation for our shareholders, provides a motivating remuneration package for our executives and strives for best-practice corporate governance standards.

I appreciated the opportunity to meet with many of our shareholders to discuss remuneration matters during this year. In these meetings we discussed changes that could be made to our remuneration structure to increase shareholder alignment, market competitiveness and a performance driven culture. The group aims for our remuneration practices to shift the focus from guaranteed pay towards variable pay by adjusting the current pay mix to enhance the variable pay portion of the total reward package. To achieve this, we have made changes to our remuneration structure and adopted new short (STI) and long-term incentive (LTI) schemes. Further details are provided below. Due to the extremely challenging market conditions which make the setting and calibration of forward-looking performance measures even more challenging, the implementation details of the new LTIs have not been finalised and it is our intention to discuss these matters with shareholders prior to making the LTI awards in 2021.

The year in review

The global COVID-19 pandemic and the resultant lockdowns implemented in the various jurisdictions in which the group trades has had a material impact on the group's operations and financial performance. Worldwide, the restaurant industry in particular has been profoundly affected. Franchised restaurant sales declined by 21.7% for the year, with a concomitant impact on the group's revenue, which declined by 19.4%. Profit before income tax declined by 50.3%, which included impairment losses and additional allowances for expected credit losses, related to COVID-19. On a comparable basis, the group's profit before income tax declined by 40.9%. Headline earnings per share (HEPS) declined by 52.1% and comparable HEPS by 38.3%. The lockdown had a significant impact on the group's cash reserves and various austerity measures were implemented to reduce costs during the year. Further details of the group's financial performance are included in the CFO's report on page 28 of this report.

Externally, the local economy suffered a significant contraction during April, May and June 2020. Gross domestic product (GDP) contracted by just over 16% between the first and second quarters of 2020, giving an annualised growth rate of -51%. The number of employed persons decreased from the first to the second quarters by 2.2 million to 14.1 million, with the expanded unemployment rate increasing by 230 basis points. While official headline Consumer Price Inflation (CPI) stood at 2.2% at the end of June 2020, anecdotally, the economic reality is that the cost of living has generally increased well in excess of inflation. Coupled with lower consumer confidence arising from political and economic policy uncertainty, 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 on our own employees directly. Maintaining a standard of living consequently requires inflation-linked increases in guaranteed remuneration in excess of CPI.

As franchising is essentially based on the continuous development of intellectual property, our business is 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 corporation and 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. In addition, the country generally faces a shortage of key skills, and the remuneration strategy therefore needs to attract and retain key talent.

In light of these factors, the remuneration outcomes for the year are reflective of our performance and in summary are as follows:

1. Executive directors were granted a 3% increase in guaranteed remuneration, with effect from 1 July 2019, compared to the average increase for employees of 6.6%.
2. The standard workweek was reduced to four days across the board from June 2020 to September 2020 with a commensurate 20% reduction in guaranteed remuneration over the same period for all employees with a guaranteed remuneration in excess of R25 000 and R15 000 for the periods of June to August 2020 and September 2020 respectively. Employees impacted were permitted to encash up to four days' leave per month or reduce their provident fund contributions to compensate for the loss of earnings.
3. The group took advantage of the South African Government's Temporary Employer/Employee Relief Scheme (TERS) for the benefit of impacted employees.
4. No standard annual increases in guaranteed remuneration were granted in July 2020.
5. Non-executive directors' fees were similarly reduced by 20% from June to September 2020.
6. In light of the group's financial performance, the group's STI yields no bonus payments for participants in respect of the 2020 financial year and the thirteenth cheque scheme for non-STI participants has been suspended.
7. The fourth tranche of LTI forfeitable shares and share appreciation rights were awarded in November 2019. The second tranche of forfeitable shares vested in April 2020, while the second tranche of share appreciation rights due to vest in April 2020 lapsed as the rights had no value at vesting date due to the prevailing share price.

Shareholder engagement and voting

We were disappointed by the voting outcomes at the 2019 annual general meeting (AGM) for our remuneration policy and implementation report (53.9% and 39.3% of shareholders who cast their votes respectively endorsed the remuneration policy and implementation report). During 2020, the committee met with shareholders holding 70% of the shares in the company to solicit their views on remuneration matters. This allowed us to co-create our new policies in conjunction with the expectations of shareholders. As a result of these discussions, we commissioned a redesign of our incentives, following a two-tiered shareholder engagement process: the structure of our new incentives was discussed during a first round of shareholder engagements that occurred during October 2020; this will be followed by a second round of engagement after the AGM to solicit and finalise appropriate performance conditions. A summary of the main issues discussed during our May 2020 shareholder engagement, together with our responses are summarised below:

Shareholder comment	Our feedback and response
Fixed pay is high compared to the market	The appointment of the new CEO (effective 1 January 2021) and CFO (effective 1 February 2021) enabled the committee to rebalance total reward to be aligned to market benchmarks, as informed by an independent market analysis performed by PricewaterhouseCoopers (PwC) during 2020.
Executive remuneration is heavily weighted towards fixed pay	The committee is redesigning packages to ensure an appropriate pay mix, with a higher weighting towards variable pay to ensure a pay-for-performance culture. As mentioned above, during 2020 we commissioned an independent total reward benchmarking exercise which confirmed an overemphasis on fixed pay. We are in the process of revising the remuneration policy, to ensure a rebalance of our total remuneration offering by increasing the performance orientation of our remuneration structures, with a special focus on variable remuneration. More details are outlined in our remuneration policy section below.
Minimum shareholding requirements (MSR) should be imposed for executives	We are considering imposing a MSR target to ensure shareholder alignment over the long term. We believe the post-vesting holding periods coupled with the opportunity executives will have to invest their STI in shares will assist with this objective.
Shareholder dilution of LTI was questioned	The board is very much in favour of minimising shareholder dilution. We have taken notice of shareholder concerns around dilution and, as explained later in this report, we have as part of the design process of the new LTIs taken the opportunity to reduce the overall dilutive impact of our LTIs. We have set an aggregate limit of 5% across the existing and new LTIs. This represents a 1.5% reduction of the previously used 6.5% and is viewed as a positive change. Reasonably best endeavours will be applied to avoid the dilutionary impact of the LTIs: the preference will be to either purchase the shares in the market or to use the surplus shares that are in the current share trust that was established for the purpose of employee incentivisation. In light of this, there is only a remote possibility that a need will ever arise to issue shares in settlement, and this method will be used as a last resort only.
The use of relative total shareholder return as an LTI measure was encouraged	As mentioned, the committee has not yet been able to set and calibrate performance conditions for the new LTIs. We see the relevance of using a relative measure, especially in the current climate, and, with appropriate shareholder input, will select a balance of measures aligned with our strategy and shareholder value creation.
The level of stretch used in the STI measures was questioned	In line with our new remuneration philosophy and revised pay mix, we will be reviewing threshold, target and stretch targets for the STI.
Shareholders were opposed to the company buying restaurants from corporate employees	No buying of restaurants from senior corporate executives or managers is contemplated or taking place.
Malus and clawback should be embedded in the policies	Malus and clawback provisions aligned with best practice have been included in our new STI and LTI rules.

REMUNERATION REPORT

Remuneration policy changes and key areas of focus for the year

During 2020, the committee commissioned an independent total reward benchmarking exercise through PwC which highlighted an overemphasis on fixed pay. In this context, and based on the feedback received from shareholders, our focus will be to rebalance our total remuneration offering by increasing the performance orientation of our remuneration structures, with a special focus on variable remuneration. The main consideration in introducing these changes has been to provide a performance linkage in every pay component while ensuring that total remuneration levels remain market competitive. The main changes to our policy, as will apply to executive management, are as follows:

Pay mix

We have taken the opportunity to review the compensation packages for the CEO and CFO positions to more closely represent competitive market practice and have aligned these to our new remuneration policy and market-related total guaranteed pay (TGP) with variable pay focus.

KPIs will be finalised with the appointment of the new CEO and CFO. We have also worked with PwC to define market-related KPIs for our executives.

New STI

With effect from 1 July 2020, the STI scheme has been amended as detailed on page 46. The key changes include:

– An on-target bonus percentage expressed as a percentage of annual fixed pay, aligned to market norms, has been defined per level;
– The on-target bonus percentage will be applied to the sum of business (80% weighting for executives) and personal (20% weighting for executives) scores. The performance scores range between 50% and 150% depending on the level of performance;
– Specific performance targets will be discussed with shareholders at our next shareholder engagement session planned for the second quarter of the 2021 calendar year;
– To ensure affordability, gatekeeper amounts will be used; and
– The STI is subject to malus and clawback provisions.

New LTIs

Two new equity-settled LTIs are proposed: a new Share Appreciation Right Plan 2020 (SAR 2020) and a Restricted Share Plan 2020 (RSP 2020). Various awards can be made under the LTIs, as detailed on page 46. The key features as applicable to executives include:

– All awards to executive management will be subject to forward-looking performance conditions. A balance of appropriately stretching performance measures aligned to our strategy will be used;
– All awards will be subject to malus and clawback;
– Aggregate dilution limits have been set across the old and new LTIs and the overall limit has been reduced from 6.5% to 5%. We view this as a positive change to ensure our LTIs do not cause excessive shareholder dilution;
– To ensure further shareholder alignment and to encourage shareholding by executives beyond vesting (RSP 2020) and exercise (SAR 2020), post vesting/exercise holding periods can be implemented, at the discretion of the committee. We believe this will drive longer-term shareholder alignment and ensure executives have 'skin in the game'.

External advisers

As mentioned above, during 2020 the committee engaged the services of PwC to conduct a total remuneration benchmarking exercise for executive management. The benchmarking included a comparison of guaranteed remuneration, STIs and LTIs, relative to the market and a specified comparator group of companies, which included companies in the same industry and those of a similar size in the retail industry. Based on the outcome of this exercise, PwC was engaged to design the new variable pay schemes.

The committee is satisfied with the independence and objectivity of PwC.

FUTURE FOCUS AREAS

Our immediate priorities include the finalisation of the performance conditions to be used in our new STI and LTIs which will enable us to roll the new schemes out into the organisation.

We will also implement the malus and clawback provisions and further work will be undertaken to define appropriate trigger events.

On behalf of the company, the committee and the board, I thank you for your supportive feedback regarding our remuneration framework.

Shirley Zinn
Chair
Nominations and remuneration committee

PART 2: REMUNERATION POLICY

Remuneration governance

The 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:

– Attract and retain talented, high performing individuals, and to motivate all employees to contribute continuously to the success of the group;
– Promote the strategic objectives in the short, medium and long term;
– Promote positive outcomes; and
– Promote an ethical culture and responsible corporate citizenship.

The roles and responsibilities of the remuneration committee are available in the online governance review at www.spurcorporation.com/investors/results-centre.

Overview of remuneration policy

The remuneration policy is available at www.spurcorporation.com/investors/results-centre.

The purpose of the 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 should lead to long-term shareholder value creation.

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
– Short-term bonus: Thirteenth cheque and STI
– LTI, including
  - Historically used LTIs, namely an equity-settled FSP retention scheme and an equity-settled SAR incentive scheme (collectively the 2016 LTIs)
  - Newly proposed LTIs, namely the SAR 2020 and RSP 2020 schemes

Total guaranteed pay (TGP)

TGP 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 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 is specifically requested from reputable service providers to conduct 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 key performance indicators, 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 CEO.
– Executive directors' increases in CTC are recommended by the CEO, reviewed and endorsed by the committee, and approved by the board. The board approves the CEO's remuneration, subject to the recommendation of the committee.

Travel allowances are typically increased by inflation annually.

Company cars, and the type of vehicle, are granted at the discretion of the company.

REMUNERATION REPORT

Thirteenth cheque and STI

Employees participate in either the STI scheme or a thirteenth 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 to have a meaningful impact on the financial performance of the group. The thirteenth 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 and is therefore based on profits. The new STI structure effective from 1 July 2020 is disclosed below. The outcomes of the structure used during our 2020 financial year are disclosed in part 3 of this report on page 54.

Element	Description		
Bonus formula	Annual CTC x on-target percentage x [(bonus weighting x business score) + (personal weighting x personal score)]		
On-target percentages	The following on-target percentages will apply to executive management: As a % of CTC CEO 70% COO 60% CFO 60% Exco 50%		
Weightings for group executives	**Personal performance:** 20%	**Business (Group) performance:** 80%	
Weightings for divisional executives	**Personal performance:** 20%	**Business (Group) performance:** 15%	**Business (Divisional) performance:** 65%
Performance score (personal and business)	Our performance management system will be used and a factor between 0% and 150% will be assigned. Performance below a level of 75% will disqualify an employee from benefitting from the STI	We plan to set four performance levels: – Performance below threshold will result in a score of 0%; – Threshold performance will yield a 50% score; – Target performance will result in a score of 100%; while – Stretch performance will yield a maximum score of 150%.	
Performance conditions	To be determined in the first half of the 2021 calendar year and discussed with shareholders		
Gatekeeper amount	The gatekeeper amount ensures that the aggregate STI is capped and does not exceed the pool of funds available for the annual STI spend		
Free cash flow condition	A free cash flow condition is added as a further safeguard. To ensure enough cash is available to settle STI obligations, a free cashflow condition is used as a settlement condition		
Malus and clawback	Unpaid STI can be cancelled and paid STI can be recovered should a trigger event arise; clawback will apply for a period of 3 years		

Thirteenth cheques

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

Thirteenth 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

New proposed LTIs

At the AGM planned for 23 December 2020, two new LTIs will be proposed for shareholder approval.

The new LTIs comprise two equity-settled plans, namely the SAR 2020 and RSP 2020 (collectively the New LTIs). The New LTIs contemplate three instruments, namely share appreciation rights (SARs), conditional shares and forfeitable shares. The instruments can be awarded in various ways, namely as appreciation awards, performance awards, retention awards or bonus awards (matching or deferral). Due to the difficulty in calibrating forward-looking performance conditions as a result of the impact of the COVID-19 pandemic, the committee has not yet been able to set performance conditions and will use this opportunity to engage with shareholders prior to the anticipated implementation of the new LTIs during 2021. These decisions will be informed, among others, by a cost and benefits analysis and after the calibration of performance conditions and targets.

It is not the intention to use all three instruments for all eligible employees. An overview of the instruments and how awards can be structured is provided below:

Plan	Restricted Share Plan (RSP 2020)			Share Appreciation Right Plan (SAR 2020)
Award type	Performance awards	Retention awards	Bonus award: deferral	Appreciation awards
Instrument and application	Conditional rights to shares will be used. Shares are delivered on the vesting date, based on the satisfaction of prospective performance conditions.	Forfeitable shares – these are full-value shares settled on award with voting and dividend rights.		SARs – rights over the appreciation in the share price are awarded. Rights vest and can be exercised after a predetermined vesting period and may be subject to performance vesting conditions.
Eligibility	Middle management and above	Middle management and above, but executives to be excluded from retention awards	Middle management and above	Middle management and above
Quantum and mix between instruments	Award levels will be aligned with market benchmarks and awarded on an expected value basis. It is our intention that executives will receive a mix of SARs and performance awards on an annual basis.			
Vesting period	3 years	3 years	3 years	3 years with a 2-year exercise period
Performance period	3 years	Not applicable	1 year (as entry requirement)	3 years
Performance conditions	All awards will be subject to performance conditions; a combination of appropriate performance conditions aligned with our strategy will be used.	None	Performance will be used as an entry mechanism via the outcome of the annual STI and no prospective performance conditions will therefore apply.	The vesting of all SARs awarded to executive management will be subject to performance vesting conditions; for other participants, SARs may be made subject to performance conditions.
Performance vesting	For awards subject to performance conditions, vesting levels will be calibrated as follows: – Performance below threshold will result in 0% vesting – Performance between threshold and stretch vesting will result in vesting outcomes ranging from 30% to 100%			
Holding period	Vested shares could be made subject to a two-year holding period post vesting; during the holding period, participants will not be allowed to trade the shares but will not lose the shares should they leave employment.			Exercised SARs could be made subject to a two-year holding period post exercise; during the holding period, participants will not be allowed to trade the shares but will not lose the shares should they leave employment.

REMUNERATION REPORT

Plan	Restricted Share Plan (RSP 2020)	Share Appreciation Right Plan (SAR 2020)
Malus and clawback	Unvested awards are subject to malus while clawback will apply during the holding period; if a holding period is not imposed, clawback will still be applied, and participants will be required to repay the pre-tax cash value of the shares should clawback be triggered.	Unexercised SARs are subject to malus while clawback will apply during the holding period; if a holding period is not imposed, clawback will still be applied, and participants will be required to repay the pre-tax cash value of the shares should clawback be triggered.
LTIs dilution limit	An aggregate limit of 5% of the issued share capital will be used for the existing LTIs (namely the 2016 LTIs) and the New LTIs (SAR 2020 and RSP 2020), representing a 1.5% reduction compared to the previously used 6.5%.	
Individual limit	No participant may acquire more than 0.5% of the issued share capital under the New LTIs.	

Existing LTIs

Existing awards made under the 2016 LTIs will run their course. The outcomes against historic targets set will be reported in the implementation report in the integrated report as and when the existing LTIs mature.

Termination benefits and executive directors' service contracts

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 company's interests to do so. The company does not pay sign-on or attraction awards.

The termination provisions in our new STI and LTIs are aligned with best practice and the requirements of King IV™ and are summarised below:

	STI	LTIs
Fault terminations (resignation, dismissal)	Unpaid STIs are forfeited	Unvested LTIs are forfeited
No fault terminations (retirement, voluntary retirement, redundancy, death, disability, sale of a company)	Unpaid STIs are forfeited, but the committee has the discretion to deviate from the application of the conditions subject to compelling reasons existing for such a deviation and subject to the reasons being documented; in the event that discretion is exercised, the STI will be prorated based on the number of months that the employee has been in employment relative to the number of months in the bonus period	Awards are prorated for time and performance
Change of control	Unpaid STIs are forfeited, but the committee has discretion provided that full accelerated vesting of the STI will not occur	No automatic vesting occurs, and awards are prorated for time and performance

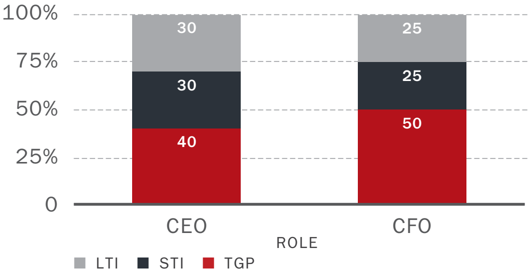
Executive directors have varying notice periods in terms of their employment contracts, ranging between a one-month to a 12-month period. Pierre van Tonder has a six-month notice period and Phillip Matthee a one-month notice period. Mark Farrelly, who resigned in August 2020, was subject to a three-month 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.

Illustration of potential consequences on executive remuneration

We have rebalanced the total remuneration offering of our executives towards variable pay. The proposed on-target pay mix for the CEO and CFO are as follows:

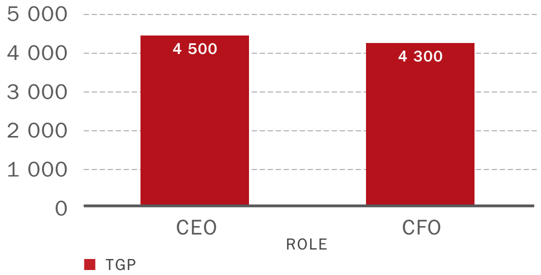
ON-TARGET PAY MIX (%)



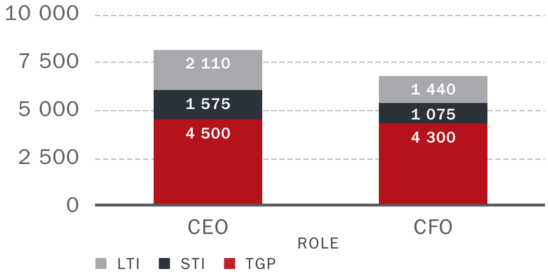
As mentioned above, the implementation details of the new STI and LTIs have not yet been finalised and will be discussed with shareholders in the first half of the 2021 calendar year. The hypothetical pay outcomes at various performance scenarios, using market related STI and LTI award percentages as disclosed in our new policy, on the remuneration of the new CEO and CFO are as follows:

Below-threshold performance will not result in the payment of any variable pay.

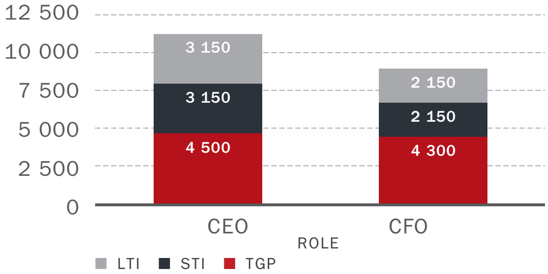
BELOW THRESHOLD PAY OUTCOMES (R'000)



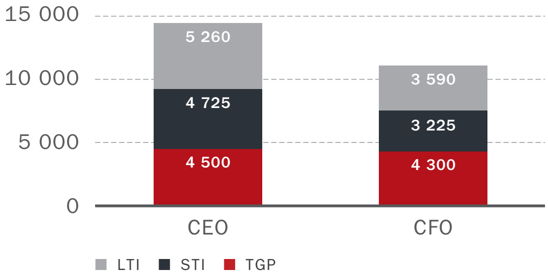
THRESHOLD PAY OUTCOMES (R'000)



ON-TARGET PAY OUTCOMES (R'000)



STRETCH PAY OUTCOMES (R'000)



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. A formal benchmarking of group-wide remuneration was concluded in August 2019. The committee and management are considering strategies to address the findings, although progress in this regard has been hampered by COVID-19. No executive salary reviews took place at 1 July 2020 apart from new appointments and promotions. The next review will take place on 1 July 2021.

Malus and clawback

In line with market practice, all variable pay will be subject to malus and clawback should a trigger event occur. The trigger events are in the process of being finalised and will be communicated to shareholders in future remuneration reports. Malus and clawback will be applied in the following manner should a trigger event arise:

Malus (pre-payment/pre-vesting)

Unpaid STI and unvested or unexercised LTIs will be subject to malus provisions. This means the incentives may be reduced or forfeited if a trigger event arise.

Clawback (post-payment/post-vesting)

Variable pay will also be subjected to clawback if a trigger event arises. This means the pre-tax value of the annual incentive received will be repaid and LTIs which are subjected to the holding period will be forfeited. If LTIs are not subjected to a holding period, the pre-tax value of the LTI on vesting will be repaid.

REMUNERATION REPORT

Basis for setting fees of non-executive directors

The board 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 2019, shareholders approved the remuneration of directors for services as directors with effect from 1 July 2019. At the forthcoming AGM on 23 December 2020, shareholders will be asked to approve directors' fees effective from 1 July 2020:

	Annual fees approved at the 2019 AGM	**Revised annual fees to be approved**
Chairman of the board	R975 000	**R1 200 000**
Member of board	R425 000	**R450 000**
Chair/member of audit committee	R80 000/R40 000	**R84 000/R42 000**
Chair/member of nominations and remuneration committee	R75 000/R30 000	**R84 000/R42 000**
Chair/member of social, ethics and environmental sustainability committee	R75 000/R30 000	**R84 000/R42 000**
Chair/member of risk committee	R30 000	**R84 000/R42 000**

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 43 of the consolidated financial statements for the year ended 30 June 2020 available online at www.spurcorporation.com/investors/results-centre.

PART 3: IMPLEMENTATION OF REMUNERATION POLICY

Executive remuneration

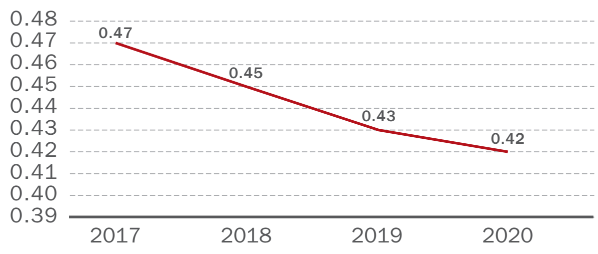
Annual increase in CTC

Executive directors were awarded a 3% increase in guaranteed pay effective 1 July 2019. Due to the financial impact of the pandemic on our business, executive directors forfeited a salary increase at 1 July 2020. In addition, executive directors took a 20% reduction in salary for the period 1 June 2020 to 30 September 2020, in line with all employees earning above R25 000 per month and R15 000 per month for the periods June to August 2020 and September 2020 respectively. Although trading conditions improved during the lockdown period, the executive directors agreed not to receive any adjustments until the next salary review on 1 July 2021.

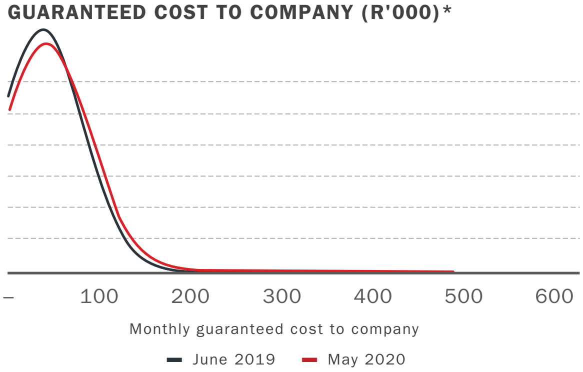
As part of the group's austerity measures in response to COVID-19, no increases in guaranteed remuneration have been proposed for any employee for the 2021 financial year.

The total increase in guaranteed pay from 1 July 2019 for all corporate employees was 6.6%, ranging from 3% for executive directors to 10% for lower earners. The July 2019 increases resulted in a shift in the Gini Coefficient of the company's workforce to 0.419 in 2020 (2019: 0.428), which indicates a decline in income inequality and demonstrates the committee'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.

GINI COEFFICIENT*



DISTRIBUTION OF COMPANY WORKFORCE MONTHLY GUARANTEED COST TO COMPANY (R'000)*



* May 2020 was used as the temporary 20% reduction in guaranteed remuneration was implemented in June 2020 as part of the group's austerity measures in response to COVID-19.

The 2020 distribution is slightly flatter than that of 2019, indicating less variability in CTC.

Total remuneration of executive directors

R'000	CTC[1]	Travel allowance	STI[2]	LTI[3]	Leave pay[4]	**Total cash or equivalents received[5]**	LTI awards[6]	Prior year STI excluded[7]	Current year STI[8]	**Total remuneration[9]**	LTI IFRS 2 charge[10]
2020											
Executive directors											
Pierre van Tonder	6 096	–	502	233	–	**6 831**	5 482	(502)	–	**11 811**	(18)
Mark Farrelly	3 920	–	323	155	60	**4 458**	2 820	(323)	–	**6 955**	4
Phillip Matthee	3 190	–	263	78	–	**3 531**	2 295	(263)	–	**5 563**	(15)
Prescribed officer											
Kevin Robertson	2 599	237	214	155	–	**3 205**	1 058	(214)	–	**4 049**	(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

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 equivalent of LTI awards vested during the year, measured at share price on vesting date.
4 The group's HR policies do not typically permit employees to encash leave. However, following the 20% reduction in salaries with effect from 1 June 2020 as part of the group's COVID-19 austerity measures, employees (including executive directors) were permitted to sell up to four days of leave per month back to the company in exchange for cash.
5 Represents the total value of cash or cash equivalents received during the year.
6 LTI awards granted during the year, valued at grant-date fair value; these awards are subject to a three-year vesting period and vesting is subject to both market and non-market performance measures.
7 Relates to prior year and therefore excluded from determination of total remuneration relating to current year.
8 For 2020, current year STI is best estimate at the time of drafting this report; for 2019, current year STI is actual STI payment in 2020 relating to 2019.
9 Total remuneration in respect of current financial year.
10 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.

Details of the 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.

For further details on directors' remuneration, refer note 43 of the consolidated financial statements for the year ended 30 June 2020 available online at www.spurcorporation.com/investors/results-centre.

Termination benefits to executive directors

The group concluded a mutual separation agreement with CEO, Pierre van Tonder, in terms of which Mr Van Tonder retires as the CEO and executive director of the company with effect from 31 December 2020 after 38 years of service of which 24 have been as CEO. Mr Van Tonder's employment agreement provides for a six-month notice period and 24-month restraint of trade. The group will accordingly pay the following termination benefits to Mr Van Tonder:

- His current salary of R516 615 (TGP) per month for the notice period months of January 2021 to June 2021; and
- A lump sum of R9.3 million (the equivalent of 18 months' TGP) will be paid to Mr Van Tonder from 30 July 2021 in 18 equal monthly instalments and is linked to Mr Van Tonder's compliance with his restraint provisions and other material provisions of the mutual separation agreement.

The mutual separation agreement affords the group significant protection which it did not previously enjoy, in the form of comprehensive and onerous confidentiality and intellectual property provisions to which Mr Van Tonder is now bound for an indefinite period after the termination of his employment. Additionally, the mutual separation agreement includes clear warranties, and fairly wide and discretionary clawback and malus provisions in a range of circumstances.

REMUNERATION REPORT

Mr Van Tonder currently has a loan payable to the group (refer note 8.5 of the summarised consolidated financial statements for further details), the outstanding balance of which will be deducted from the aforementioned lump sum due to Mr Van Tonder by the company payable in instalments from July 2021. Mr Van Tonder will be entitled to retain the FSP shares and SARs allocated to him as at the date the mutual separation agreement was concluded. The restraint of trade period terminates on 31 December 2022.

Group COO, Mark Farrelly, resigned with effect from 31 August 2020. In terms of his employment agreement, Mr Farrelly has a three-month notice period and a 24-month restraint of trade. Mr Farrelly will accordingly be paid his monthly salary of R332 208 (TGP) for each month from September 2020 to November 2020, amounting to R1.0 million in aggregate. Mr Farrelly forfeits any FSP shares and SARs allocated to him with effect from 31 August 2020.

LTI

LTI awards during the year

The fourth tranche of existing LTIs was awarded in November 2019, 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										
3rd tranche equity-settled SAR	963 582	23.13	4.91	4 731 188	26/11/2018	25/11/2021	24/11/2023	2.24	2 158 424	–
4th tranche equity-settled SAR	919 781	27.01	5.96	5 481 895	26/11/2019	25/11/2022	22/11/2024	2.50	2 299 453	699 246
Mark Farrelly&										
3rd tranche equity-settled SAR	495 703	23.13	4.91	2 433 902	26/11/2018	25/11/2021	24/11/2023	2.24	1 110 375	–
4th tranche equity-settled SAR	473 170	27.01	5.96	2 820 093	26/11/2019	25/11/2022	22/11/2024	2.50	1 182 925	359 719
Phillip Matthee										
3rd tranche equity-settled SAR	403 439	23.13	4.91	1 980 885	26/11/2018	25/11/2021	24/11/2023	2.24	903 703	–
4th tranche equity-settled SAR	385 100	27.01	5.96	2 295 196	26/11/2019	25/11/2022	22/11/2024	2.50	962 750	292 765
Kevin Robertson*										
3rd tranche equity-settled SAR	329 126	23.13	4.91	1 616 009	26/11/2018	25/11/2021	24/11/2023	2.24	737 242	–
4th tranche equity-settled SAR	177 535	27.01	5.96	1 058 109	26/11/2019	25/11/2022	22/11/2024	2.50	443 838	134 968
4th tranche equity-settled FSP	5 000	N/A	18.29	91 450	26/11/2019	25/11/2022	22/11/2024	11.33	56 650	56 650

& Following Mr Farrelly's resignation in August 2020, his LTI awards all lapsed on the date of resignation (subsequent to the end of the financial year).
* 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 3 SAR (November 2018)	Tranche 4 SAR (November 2019)	Tranche 4 FSP (November 2019)
Service condition	Remain employed for duration of vesting period		
Return on equity	12.75% – 17.25%+: 0% to 100% vesting	14.45% – 19.55%+: 0% to 100% vesting	N/A
Growth in adjusted HEPS*	<CPI: 0% vesting CPI – CPI+2%: 33% to 50% vesting CPI+2% – CPI+6%: 50% to 100% vesting		N/A
Personal performance	<75%: 0% vesting 75% – 85%: 50% to 80% vesting 85% – 90%+: 80% to 100% vesting		N/A

* Growth in adjusted HEPS (which excludes foreign exchange, profit/loss attributable to marketing funds and cost of incentive schemes, but includes all impairments and reversals of impairments) is calculated as a nominal annual compounded annually increase over the vesting period.

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										
2nd tranche equity-settled FSP	15 000	N/A	23.03	345 450	03/04/2017	02/04/2020	01/04/2022	15.51	232 650	232 650
2nd tranche equity-settled SAR	533 546	33.15	5.36	2 859 807	03/04/2017	02/04/2020	01/04/2022	–	–	–
										232 650
Mark Farrelly										
2nd tranche equity-settled FSP	10 000	N/A	23.03	230 300	03/04/2017	02/04/2020	01/04/2022	15.51	155 100	155 100
2nd tranche equity-settled SAR	460 790	33.15	5.36	2 469 833	03/04/2017	02/04/2020	01/04/2022	–	–	–
										155 100
Phillip Matthee										
2nd tranche equity-settled FSP	5 000	N/A	23.03	115 150	03/04/2017	02/04/2020	01/04/2022	15.51	77 550	77 550
2nd tranche equity-settled SAR	97 008	33.15	5.36	519 965	03/04/2017	02/04/2020	01/04/2022	–	–	–
										77 550
Kevin Robertson*										
2nd tranche equity-settled FSP	10 000	N/A	23.03	230 300	03/04/2017	02/04/2020	01/04/2022	15.51	155 100	155 100
2nd tranche equity-settled SAR	315 277	33.15	5.36	1 689 886	03/04/2017	02/04/2020	01/04/2022	–	–	–
										155 100

* Prescribed officer.

The second tranche of FSP shares (granted in April 2017) vested during the year. As the vesting-date price of the second tranche of SARs (awarded in April 2017) was lower than the grant-date strike price, the rights had no value on vesting and accordingly lapsed on the vesting date.

STI outcomes for 2020

The maximum bonuses due to executives for the 2020 financial year were determined as four times monthly CTC.

The performance hurdles set by the committee for the 2020 financial year were:

Criteria	Qualifying thresholds	Percentage of bonus
Financial performance (growth in adjusted HEPS)	<4.5% (CPI) 4.5% – 6.5% 6.5% – 10.5%+	0% of maximum bonus 33% to 50% of maximum bonus 50% to 100% of maximum bonus
Financial performance (ROE)	14.45% – 19.55%+	0% to 100% of maximum bonus
Personal performance	<75% 75% – 85% 85% – 90%+	0% of calculated bonus 50% to 80% of calculated bonus 80% to 100% of calculated bonus

Largely as a result of the impact on the financial performance of the group of COVID-19, the minimum financial performance hurdles were not met and accordingly, no bonuses are payable for the 2020 financial year.

Statement of compliance

The committee is satisfied that the 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 during the prior and current years, certain discrepancies have been identified, in particular that a significant number of employees are being paid below the targeted benchmark while a small number are being paid above. Remedying this departure has cost implications for the group and any plans to address the above discrepancies have been put on hold as part of the austerity measures implemented in response to COVID-19. The plans will be reassessed in due course.

FINANCIAL STATEMENTS

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

COMMENTARY ON RESULTS

TRADING PERFORMANCE

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

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

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

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

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

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

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

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

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

Franchised restaurant sales for the year ended 30 June 2020	12 months to June 2020 (% change)	8 months to February 2020 (% change)
Spur Steak Ranches	(22.5)	6.1
Pizza and Pasta (Panarottis & Casa Bella)	(24.7)	3.1
John Dory's Fish Grill Sushi	(24.5)	5.9
The Hussar Grill	(19.6)	11.9
RocoMamas	(17.6)	6.8
Nikos Coalgrill Greek*	(19.1)	11.0
Total South African operations	(22.3)	6.0
Total international operations	(16.7)	4.0
Total group	(21.7)	5.8

* Nikos Coalgrill Greek was acquired on 1 August 2018.

EXPANDING RESTAURANT FOOTPRINT

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

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

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

Restaurant footprint at 30 June 2020	South Africa	International	Total
Franchise brand			
Spur Steak Ranches	298	34	332
Pizza Pasta	91	31	122
John Dory's Fish Grill Sushi	52	3	55
The Hussar Grill	22	2	24
RocoMamas	75	14	89
Nikos Coalgrill Greek	9	–	9
Total	547	84	631

FINANCIAL PERFORMANCE

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

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

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

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

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

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

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

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

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

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

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

TRADING UPDATE FOR THE PERIOD JULY TO OCTOBER 2020

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

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

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

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

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

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

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

* Active franchise agreements at 30 June 2020.

OUTLOOK

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

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

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

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

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

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

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

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

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

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

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Note	2020 R'000	2019 R'000
Revenue	5	**761 620**	944 779
Cost of sales		**(198 132)**	(207 878)
Gross profit		**563 488**	736 901
Other income		**7 449**[1]	1 918
Administration expenses		**(143 463)**	(157 430)
Impairment losses – financial instruments and lease receivable	6	**(2 805)**	(20 375)
Marketing expenses		**(173 962)**	(195 030)
Operations expenses		**(98 994)**	(105 861)
Other non-trading losses	6	**(7 076)**	(1 555)
Retail operating expenses		**(30 434)**	(32 555)
Operating profit before finance income	6	**114 203**	226 013
Net finance income		**14 034**	32 409
Interest income*		**19 336**	32 445
Interest expense		**(5 302)**[2]	(36)
Share of loss of equity-accounted investee (net of income tax)		**(463)**	(1 345)
Profit before income tax		**127 774**	257 077
Income tax expense		**(57 117)**[3]	(84 659)
Profit		**70 657**	172 418
Other comprehensive income#		**(1 357)**	687
Foreign currency translation differences for foreign operations		**(1 575)**	771
Foreign exchange loss on net investments in foreign operations		**(30)**	(84)
Reclassification of foreign currency loss from other comprehensive income to profit or loss, on abandonment of foreign operations		**248**	–
Total comprehensive income		**69 300**	173 105
Profit attributable to:			
Owners of the company		**66 924**	165 118
Non-controlling interests		**3 733**	7 300
Profit		**70 657**	172 418
Total comprehensive income attributable to:			
Owners of the company		**65 567**	165 805
Non-controlling interests		**3 733**	7 300
Total comprehensive income		**69 300**	173 105
Earnings per share (cents)			
Basic earnings	7	**76.87**	173.69
Diluted earnings	7	**76.62**	173.22

* Interest income comprises interest revenue calculated using the effective interest method.
# All items included in other comprehensive income are items that are, or may be, reclassified to profit or loss.
1 Includes fair value gain on contingent consideration receivable/liability of R4.283 million (refer note 10).
2 Includes interest on lease liabilities of R5.245 million (refer note 3).
3 Includes an impairment of foreign withholding tax credits (refer note 9).

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE

	Note	2020 R'000	2019 R'000
ASSETS			
Non-current assets		**518 466**	481 344
Property, plant and equipment		**102 182**	100 390
Right-of-use assets		**41 921**[1]	–
Intangible assets and goodwill		**365 253**	369 092
Loans receivable	8	**2 929**	5 391
Deferred tax		**6 181**	3 085
Leasing rights		**–**[1]	3 386
Current assets		**276 437**	557 494
Inventories		**16 148**	10 299
Tax receivable	9	**28 073**	36 939
Trade and other receivables		**55 619**[2]	106 011
Loans receivable	8	**4 022**	105 961
Contingent consideration receivable	10	**4 555**	–
Restricted cash*		**731**	14 305
Cash and cash equivalents		**167 289**	283 979
TOTAL ASSETS		**794 903**	1 038 838
EQUITY			
Total equity		**535 615**	876 295
Ordinary share capital		**1**	1
Share premium		**34 309**	294 663
Shares repurchased by subsidiaries	8.3	**(15 118)**	(126 811)
Foreign currency translation reserve		**29 012**	30 369
Share-based payments reserve		**3 473**	4 400
Retained earnings		**475 501**	663 093
Total equity attributable to owners of the company		**527 178**	865 715
Non-controlling interests		**8 437**	10 580
LIABILITIES			
Non-current liabilities		**127 883**	89 596
Contingent consideration liability	10	**1 589**	1 011
Contract liabilities		**29 342**	29 045
Operating lease liability		**–**[1]	3 110
Lease liabilities		**39 740**[1]	–
Deferred tax		**57 212**	56 430
Current liabilities		**131 405**	72 947
Tax payable		**2 229**	1 396
Trade and other payables		**43 707**[3]	66 611
Loans payable		**196**	–
Contract liabilities		**5 808**	4 226
Lease liabilities		**13 208**[1]	–
Shareholders for dividend		**66 257**[4]	714
TOTAL EQUITY AND LIABILITIES		**794 903**	1 038 838

* Restricted cash balances represent cash surpluses in the group's marketing funds that may be used exclusively for marketing purposes in accordance with the franchise agreements concluded between franchisees and the group.

1 The recognition of right-of-use assets and lease liabilities in the current year, and the derecognition of leasing rights and operating lease liability arise from the implementation of IFRS 16 (refer note 3).

2 Trade and other receivables declined significantly as a result of lower revenue in the last quarter of the financial year (refer note 2).

3 Trade and other payables have reduced as a result of lower trade payables and VAT payable due to lower activity as well as a reduction of R14.206 million in respect of accruals for bonus payments and leave pay.

4 The interim 2020 dividend of R70.978 million was declared on 26 February 2020 and was due to be paid on 6 April 2020. Following the outbreak of COVID-19 and the potential impact of long-term trading restrictions on the group's cash reserves, the board advised shareholders on 30 March 2020 that payment of the dividend would be deferred until 5 October 2020. On 3 September 2020, the board advised shareholders that payment of the dividend would be further deferred, with a decision on the payment date expected to be announced in March 2021.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

R'000	Ordinary share capital and share premium (net of treasury shares)	Retained earnings and other reserves	Non-controlling interests	Total
Balance at 1 July 2018	187 462	655 219	9 424	852 105
IFRS 9 adjustment on initial application	–	(8 855)	(21)	(8 876)
Restated balance at 1 July 2018	187 462	646 364	9 403	843 229
Total comprehensive income	–	165 805	7 300	173 105
Profit	–	165 118	7 300	172 418
Other comprehensive income	–	687	–	687
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners	(19 609)	(114 307)	(6 840)	(140 756)
Equity-settled share-based payment	–	3 372	–	3 372
Indirect costs arising on intragroup sale of shares related to equity-settled share-based payment	–	(610)	–	(610)
Purchase of treasury shares*	(19 609)	–	–	(19 609)
Dividends	–	(117 069)	(6 840)	(123 909)
Changes in ownership interests in subsidiaries	–	–	717	717
Acquisition of controlling interest in business	–	–	717	717
Balance at 30 June 2019	167 853	697 862	10 580	876 295
IFRS 16 adjustment on initial application (refer note 3)	**–**	**(5 078)**	**326**	**(4 752)**
Restated balance at 1 July 2019	**167 853**	**692 784**	**10 906**	**871 543**
Total comprehensive income	**–**	**65 567**	**3 733**	**69 300**
Profit	**–**	**66 924**	**3 733**	**70 657**
Other comprehensive income	**–**	**(1 357)**	**–**	**(1 357)**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners	**(148 661)**	**(250 365)**	**(6 202)**	**(405 228)**
Equity-settled share-based payment	**–**	**2 575**	**–**	**2 575**
Indirect costs arising on intragroup sale of shares related to equity-settled share-based payment	**–**	**(898)**	**–**	**(898)**
Purchase and cancellation of shares (including costs) (refer note 8.3)	**(145 705)**	**(117 351)**	**–**	**(263 056)**
Purchase of treasury shares*	**(2 956)**	**–**	**–**	**(2 956)**
Dividends	**–**	**(134 691)**	**(6 202)**	**(140 893)**
Balance at 30 June 2020	**19 192**	**507 986**	**8 437**	**535 615**

* A wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 110 000 (2019: 853 000) Spur Corporation Ltd shares at an average cost of R26.87 (2019: R22.99) per share, totalling R2.956 million (2019: R19.609 million).

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	2020 R'000	2019 R'000
Cash flow from operating activities		
Operating profit before working capital changes	**147 804**	260 804
Working capital changes	**29 945**	(15 885)
Cash generated from operations	**177 749**	244 919
Interest income received	**56 638**[1]	22 014
Interest expense paid	**(4 721)**[2]	(36)
Tax paid	**(53 410)**	(81 408)
Dividends paid	**(75 350)**[3]	(123 826)
Net cash flow from operating activities	**100 906**	61 663
Cash flow from investing activities		
Acquisition of business	**–**	(5 012)
Additions of intangible assets	**(2 817)**	(1 513)
Additions of property, plant and equipment	**(14 565)**[4]	(9 320)
Increase in investment in associate	**(899)**	(1 241)
Loans receivable advanced	**(3 879)**	(3 648)
Proceeds from disposal of property, plant and equipment	**592**	66
Proceeds from settlement of GPIRF receivable (refer note 8.3)	**72 328**	–
Repayment of loans receivable	**5 737**	9 490
Net cash flow from investing activities	**56 497**	(11 178)
Cash flow from financing activities		
Acquisition of treasury shares	**(2 956)**	(19 609)
Loans received from non-controlling shareholders	**196**	–
Payment of lease liabilities	**(8 335)**	–
Repurchase of shares (including transaction costs) (refer note 8.3)	**(263 056)**	–
Net cash flow from financing activities	**(274 151)**	(19 609)
Net movement in cash and cash equivalents	**(116 748)**	30 876
Effect of foreign exchange fluctuations	**58**	4
Net cash and cash equivalents at beginning of year	**283 979**	253 099
Net cash and cash equivalents at end of year	**167 289**	283 979

1 Includes interest on the GPIRF receivable of R40.832 million received in cash in the current year (refer note 8.3).

2 Includes interest on lease liabilities of R5.245 million net of interest of R0.581 million in respect of sublease not settled in cash (refer note 3).

3 Refer footnote 4 of the *summarised consolidated statement of financial position*.

4 Additions for the current year include R6.759 million (2019: R3.514 million) relating to a refurbishment of the group's sauce manufacturing facility and R4.3 million relating to the refurbishment of The Hussar Grill in Camps Bay.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These summarised consolidated financial statements for the year ended 30 June 2020 ("Summarised AFS") are prepared in accordance with the requirements of the JSE Ltd Listings Requirements ("Listings Requirements") for abridged reports and the requirements of the Companies Act of South Africa (No. 71 of 2008 amended). The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the *SAICA Financial Reporting Guides* and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by *IAS 34 – Interim Financial Reporting*. The Summarised AFS do not include all the information for a complete set of financial statements in compliance with IFRS.

The Summarised AFS have not been reviewed or audited but are an extract from the audited consolidated financial statements for the year ended 30 June 2020 ("the Consolidated AFS") which are available online at www.spurcorporation.com/investors/results-centre, at the company's registered office or on request at companysecretary@spur.co.za.

The Summarised AFS do not (in compliance with the Listings Requirements) include the information required pursuant to paragraph 16A(j) of IAS 34 (relating to fair value disclosures required by *IFRS 7 – Financial Instruments: Disclosures* and *IFRS 13 – Fair Value Measurement*). The IFRS 7 and IFRS 13 disclosures are detailed in note 42 (and certain other notes, where applicable) of the Consolidated AFS.

The accounting policies applied in the preparation of the Summarised AFS are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements for the year ended 30 June 2019, except for the adoption of *IFRS 16 – Leases*, effective for the group's financial year commencing 1 July 2019, as detailed in note 3. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, with the exception of the amendment to IFRS 16 in respect of COVID-19-related rent concessions, which allows the group not to account for rent concessions granted as lease modifications (refer note 3). Full details of the group's accounting policies are included in note 47 of the Consolidated AFS.

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

The Summarised AFS have been prepared on the historical cost basis except in the case of the contingent consideration receivable/liability which is measured at fair value (refer note 10).

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

2. IMPACT OF COVID-19 AND GOING CONCERN

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

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

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

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

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

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

2. IMPACT OF COVID-19 AND GOING CONCERN continued

2.1 The impact on our franchisees

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

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

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

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

2.2 The impact on the group

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

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

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

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

All other discretionary costs were reduced to the extent possible.

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

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

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

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

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

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

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

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

2. IMPACT OF COVID-19 AND GOING CONCERN continued

2.3 Impact on specific elements of the consolidated financial statements

Item	Impact	Reference
Property, plant and equipment	Lower future prospects in relation to company-owned retail restaurants have resulted in certain impairments of property, plant and equipment – specifically, The Hussar Grill in Morningside.	6.5
Goodwill, trademarks and intellectual property	The immediate short-term impact on profitability and the extent of a protracted recovery in the longer term have resulted in impairments of goodwill, and trademarks and related intellectual property – specifically, in relation to Nikos Coalgrill Greek.	6.6
Expected credit losses – loan and trade receivables and lease receivable	The Australian business, which was already under strain prior to COVID-19, has been particularly hard hit by the hard lockdowns imposed in Australia. This has had a severe impact on those franchisees in particular. Generally, this has resulted in a considerable increase in the probability of default on loans granted to Australian franchisees as well as the Australian lease receivable. Given that the primary collateral for the Australian franchisee loans is the shares in the franchised restaurant businesses, the value of which has also been negatively impacted by poor trade, the extent of anticipated losses in the event of default have also increased. Accordingly, significantly higher allowances for expected credit losses have been raised against the Australian receivables. The impact of COVID-19 on individual franchisees can vary significantly; as a consequence, for the current year, each debtor (local and international) was assessed separately in terms of probability of default. The disruption to business has therefore generally resulted in a greater probability of default, resulting in allowances for expected credit losses generally being higher than in previous years.	6.1 to 6.4, 8
Tax receivable	Various levels of trading restrictions have been imposed on restaurants trading in the foreign jurisdictions in which the group trades. The immediate short-term impact on the international business's profitability, together with the increased uncertainty regarding a future recovery, has resulted in the group reassessing the probability of the group being able to benefit from withholding tax credits deducted from franchise fee collections in foreign jurisdictions which would ordinarily be deductible from future tax payable. As a consequence, the tax receivable relating to these withholding tax credits had to be impaired.	9

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

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

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

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

Scenario	Assumptions	Result
Alternative scenario 1: No growth on September 2020	– Same number of restaurants trading as in September 2020 continue to trade for the forecast period. – Same like-for-like restaurant sales as a percentage of pre-COVID-19 levels as achieved in September 2020 applied for the forecast period. – Same franchise and marketing fund contribution fee rates as charged in October 2020 continue to apply for the forecast period. – Cost base as for base case. – No dividend payment.	Cash balances are expected to bottom out at no less than R110 million by December 2020, but grow thereafter.
Alternative Scenario 2: Variable reduction in revenue (solve for nil cash after 12 months)	– Same number of restaurants trading as in September 2020 continue to trade for the forecast period. – Cost base as for base case. – No dividend payment. – Set a fixed percentage reduction in revenue forecasts (franchise and marketing fund contribution fees, sauce sales and distribution commissions) for the period December 2020 to November 2021 using alternative scenario 1 as a base.	In the event that revenue declines by around 45% relative to that forecast in accordance with alternative scenario 1 (which already estimates a like-for-like decline of 25% on pre-COVID-19 turnovers), cash will be exhausted in November 2021.
Alternative Scenario 3: Lockdown of April to September 2020 ("Initial Lockdown") repeated within the next 12 months	– Same levels of restaurant turnovers achieved as for Initial Lockdown (33.2% of prior year) applied to December 2020 to May 2021 ("Reinstated Lockdown"). – Similar recovery trajectory anticipated after Reinstated Lockdown as for base case. – Cost base as for Initial Lockdown applied to Reinstated Lockdown. – No dividend payment.	Extent of cash consumed in Initial Lockdown of R72 million expected to be repeated in Reinstated Lockdown. Sufficient cash available to cover Reinstated Lockdown and cash balances then expected to grow as for base case. During hard lockdown (complete shut down of trading), cash burn is approximately R25 million per month.

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

Commentary

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

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

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

Alternative plans

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

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

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

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

2. IMPACT OF COVID-19 AND GOING CONCERN continued

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

Alternative plans continued

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

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

Conclusion

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

Further details are included in note 2 of the Consolidated AFS.

3. NEW ACCOUNTING STANDARD ADOPTED BY THE GROUP: IFRS 16 – LEASES

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

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

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

Right-of-use assets are initially measured at cost, which comprises the initial amount of the corresponding lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. Each right-of-use asset is subsequently depreciated on a straight-line basis over the lesser of the lease term and the useful life of the underlying asset. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Upon the adoption of IFRS 16, the leasing rights asset and operating lease liability previously recognised in accordance with IAS 17 were adjusted against the cost of the corresponding right-of-use asset at date of implementation.

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

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

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

At the date of initial application, the group elected to apply the practical expedient provided in IFRS 16 which allows the group to apply the standard to only those leases previously identified as a lease under IAS 17. In addition, the group elected to apply the following recognition exemptions (resulting in IFRS 16 not being applied to):
- leases for which the underlying asset is of low value at commencement date; and
- leases with a lease term of less than 12 months and no purchase option as at the transition date.

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

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

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

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

Refer note 4.1 of the Consolidated AFS for a reconciliation of lease commitments disclosed at 30 June 2019 as previously reported to the lease liabilities accounted for in accordance with IFRS 16 as at the transition date.

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

3. NEW ACCOUNTING STANDARD ADOPTED BY THE GROUP: IFRS 16 – LEASES continued

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

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

* Includes impairment of lease receivable.

Amendments to IFRS 16: COVID-19 related rent concessions

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic in certain circumstances.

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

4. OPERATING SEGMENTS

	2020 R'000	2019 R'000	% change
External revenue			
South Africa			
Manufacturing and distribution (refer note a)	**185 468**	201 934	(8.2%)
Franchise – Spur	**170 893**	230 522	(25.9%)
Franchise – Pizza and Pasta	**27 126**	37 588	(27.8%)
Franchise – John Dory's	**15 265**	21 287	(28.3%)
Franchise – The Hussar Grill	**5 417**	6 879	(21.3%)
Franchise – RocoMamas	**26 113**	33 685	(22.5%)
Franchise – Nikos	**2 377**	2 660	(10.6%)
Retail (refer note c)	**53 694**	69 753	(23.0%)
Marketing	**184 288**	245 112	(24.8%)
Other South Africa#	**57 203**	51 807	10.4%
Total South African segments	**727 844**	901 227	(19.2%)
Unallocated – South Africa	**1 175**	2 319	(49.3%)
Total South Africa	**729 019**	903 546	(19.3%)
International			
Australasia	**1 817**	4 349	(58.2%)
Marketing	**4 514**	7 266	(37.9%)
Other international*	**26 270**	29 618	(11.3%)
Total International	**32 601**	41 233	(20.9%)
TOTAL EXTERNAL REVENUE	**761 620**	944 779	(19.4%)

* Includes the group's operations in Africa (outside of South Africa), Mauritius and the Middle East.
# Includes the group's training division, export business, décor manufacturing business, call centre and radio station.

Refer to page 71 for notes.

	2020 R'000	2019 R'000	% change
Profit/(loss) before income tax			
South Africa			
Manufacturing and distribution (refer note a)	**58 564**	73 360	(20.2%)
Franchise – Spur	**134 461**	192 361	(30.1%)
Franchise – Pizza and Pasta	**13 202**	23 453	(43.7%)
Franchise – John Dory's	**5 053**	9 880	(48.9%)
Franchise – The Hussar Grill	**4 025**	5 664	(28.9%)
Franchise – RocoMamas	**17 645**	24 380	(27.6%)
Franchise – Nikos (refer note b)	**(5 465)**	779	(801.5%)
Retail (refer note c)	**(3 761)**	8 576	(143.9%)
Marketing	**(19 115)**	12 555	(252.3%)
Other South Africa# (refer note d)	**(2 122)**	(6 208)	65.8%
Total South African segments	**202 487**	344 800	(41.3%)
Unallocated – South Africa (refer note e)	**(69 199)**	(74 143)	6.7%
Total South Africa	**133 288**	270 657	(50.8%)
International			
Australasia (refer note f)	**(9 822)**	(16 992)	42.2%
Marketing	**(1 094)**	917	(219.3%)
Other international*	**12 509**	12 663	(1.2%)
Total International segments	**1 593**	(3 412)	146.7%
Unallocated – international (refer note g)	**(6 644)**	(8 823)	24.7%
Total International	**(5 051)**	(12 235)	58.7%
PROFIT BEFORE INCOME TAX AND SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEE	**128 237**	258 422	(50.4%)
Share of loss of equity-accounted investee (net of income tax)	**(463)**	(1 345)	65.6%
PROFIT BEFORE INCOME TAX	**127 774**	257 077	(50.3%)

* Includes the group's operations in Africa (outside of South Africa), Mauritius and the Middle East.
# Includes the group's training division, export business, décor manufacturing business, call centre and radio station.

Details of intersegment revenue are included in note 6 of the Consolidated AFS.

Notes

Refer note 3 for an analysis of the impact of the implementation of IFRS 16 on each segment.

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

b) **South Africa franchise – Nikos**
Profit for the year includes impairments of goodwill (R3.722 million) and trademarks and related intellectual property (R2.032 million) (refer note 6.6).

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

The profit for the current year includes an impairment of property, plant and equipment relating to The Hussar Grill Morningside of R1.322 million (refer note 6.5).

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

4. OPERATING SEGMENTS continued

e) South Africa Unallocated

	2020 R'000	2019 R'000
The segment loss includes:		
Marketing fund administration cost recoveries (intersegment)	**16 245**	22 503
Net finance income (excluding IFRS 16)	**17 977**	32 789
Impairment reversal/(loss) – GPIRF receivable (refer note 8.3)	**10 812**	(6 688)
Impairment loss – net expected credit losses on other financial instruments	**(5 367)**	(1 443)
Equity-settled share-based payment charge	**(2 228)**	(3 272)
Contingent consideration fair value adjustment (net of allowance for expected credit losses) (refer note 10)	**3 977**	(1 555)
(Loss)/profit (before net finance income) of The Spur Foundation Trust, all of which is attributable to non-controlling interests	**(135)**	408

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

Net finance income declined as a result of the conclusion of the GPIRF Share repurchase during the year as detailed in note 8.3.

f) Australasia

	2020 R'000	2019 R'000
The segment loss includes:		
Impairment loss – expected credit losses on financial instruments	**(3 639)**	(8 686)
Impairment loss – expected credit losses on lease receivable (refer note 6.4)	**(2 997)**	–
Impairment of investment in equity-accounted investee (refer note 6.3)	**(436)**	(3 357)
Retrenchment costs	**(308)**	–
Foreign exchange profit/(loss)	**19**	(10)
g) International unallocated		
The segment loss includes:		
Impairment (loss)/reversal – expected credit losses on financial instruments	**(734)**	53
Foreign exchange loss	**(126)**	(592)
Litigation and settlement costs relating to a resolved legal dispute in Zambia	**–**	(2 350)

5. REVENUE

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

The disaggregation of revenue is included in note 7 of the Consolidated AFS.

6. OPERATING PROFIT BEFORE FINANCE INCOME

The following items have been taken into account in determining operating profit before finance income:

	2020 R'000	2019 R'000
Amortisation – intangible assets	**902**	884
Depreciation	**11 118**	9 969
Depreciation – Right-of-use assets	**12 293**	–
Impairment losses – financial instruments and lease receivable	**2 805**	20 375
Trade receivables (refer note 6.1)	**6 348**	400
Bad debts – trade receivables	**444**	254
Impairment allowance – trade receivables	**5 904**	146
Loan receivables (refer notes 8 and 6.2)	**(7 282)**	16 618
Impairment of loans receivable	**5 058**	16 670
Reversal of impairment allowance	**(12 340)**	(52)
Impairment allowance reversed against actual write-off of loans receivable	**(5 286)**	(2 916)
Write-off of loans receivable	**5 286**	2 916
Impairment of loan advanced to equity-accounted investee (refer note 6.3)	**436**	3 357
Impairment of lease receivable (refer note 6.4)	**2 997**	–
Impairment of contingent consideration receivable (refer note 10)	**306**	–
Other non-trading losses	**7 076**	1 555
Fair value loss on contingent consideration liability (refer note 10)	**–**	1 555
Impairment of trademarks and intellectual property (refer note 6.6)	**2 032**	–
Impairment of goodwill (refer note 6.6)	**3 722**	–
Impairment of plant, property and equipment (refer note 6.5)	**1 322**	–

6.1 Credit losses – trade receivables

The significant increase in the allowance for expected credit losses ("ECLs") in the current year, notwithstanding that the gross receivables have declined relative to the prior year, arises as a result of the fact that, in the prior year all trade receivables had been allocated as stage 1 (no increase in credit risk compared to at initial recognition), while as at the current year reporting date, a number of franchisees had:

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

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

	2020		2019	
	Gross carrying amount R'000	**Impairment allowance R'000**	Gross carrying amount R'000	Impairment allowance R'000
Stage 1 – no increase in credit risk	**25 672**	**1 734**	102 625	3 821
Stage 2 – significantly increased credit risk	**14 525**	**1 942**	–	–
Stage 3 – credit impaired	**11 855**	**5 938**	–	–
Total trade receivables	**52 052**	**9 614**	102 625	3 821

6. OPERATING PROFIT BEFORE FINANCE INCOME continued

6.2 Credit losses – loans receivable

The additional impairment allowances during the year are largely as a result of the deteriorating trading conditions in Australia as well as the general increase in credit risk brought on by COVID-19. The significant reversal of impairment allowance is primarily as a result of the group recovering the full extent of the receivable from GPIRF (refer note 8.3) during the year.

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

	2020		2019	
	Gross carrying amount R'000	**Impairment allowance R'000**	Gross carrying amount R'000	Impairment allowance R'000
Stage 1 – no increase in credit risk	**3 181**	**200**	1 164	35
Stage 2 – significantly increased credit risk	**2 807**	**376**	118 182	11 927
Stage 3 – credit impaired	**18 078**	**16 539**	22 511	18 543
Total loans receivable	**24 066**	**17 115**	141 857	30 505

6.3 Credit losses – loan to equity-accounted investee

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

Persistent losses incurred by RRA resulted in the loan being impaired in full at 30 June 2019. The group advanced additional funds during the year in the amount of R0.899 million to fund continuing trading losses, before selling its equity interest in RRA to the remaining shareholders for an amount of AU$1, with effect from 1 October 2019. Subsequent to recognising the group's share of losses for the year of R0.463 million, the remaining balance of the loan of R0.436 million was impaired immediately prior to the disposal of the shares. The loan was subsequently forgiven upon disposal of the shares.

6.4 Credit losses – lease receivable

The group has leased the premises of a restaurant in Australia (Apache Spur – refer note 8.2) which it in turn subleases to the franchisee of the restaurant in question. The lease between the group and the franchisee is classified as a finance lease. The group has recognised a lease liability in respect of the lease with the landlord and a corresponding lease receivable from the franchisee.

The tenant franchisee has breached the terms of the sublease on several occasions during the year. In addition, the group has been made aware of significant financial difficulties being experienced by the franchisee in question. The group has accordingly assessed the probability of default at 100% and the loss in the event of default as 100% of the receivable. An allowance for expected credit losses has therefore been recognised for the full gross carrying amount of the lease receivable as at the reporting date. Consequently, in addition to the impairment allowance of R4.144 million charged to retained earnings at 1 July 2019 (refer note 3), an impairment allowance of R2.997 million has been recognised in profit before income tax in the current year. Subsequent to the reporting date, the subtenant commenced liquidation proceedings.

6.5 Impairment of property, plant and equipment

The Hussar Grill Morningside

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

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

6.6 Impairments of trademarks and intellectual property, and goodwill

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

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

Franchise operations

- Cash inflows, comprising mainly franchise-related fee income determined as a percentage of franchised restaurant sales, are estimated to gradually recover to pre-COVID-19 levels over the periods below, and thereafter to increase by 5% per annum which is slightly higher than the mid-point of the targeted South African inflation rate range of between 3% and 6%. In response to COVID-19, and in an effort to ensure the sustainability of franchised restaurants, the group discounted its franchise fee rates from March 2020. Revenue is expected to increase in line with the recovery in restaurant sales and benefit from reduced franchise fee discounts; franchise fee discounts are expected to reduce gradually to nil by March 2021 as restaurant turnovers recover.
  - Spur franchise operations' revenue is expected to recover to pre-COVID-19 levels by the 2022 financial year, given the maturity of the brand and its historic resilience to depressed economic cycles.
  - Panarottis, John Dory's and Nikos franchise operations' revenue is expected to recover to pre-COVID-19 levels by the 2023 financial year: the expected recovery for the smaller trading brands is anticipated to take longer as restaurant trading margins are typically more sensitive to turnovers and it is anticipated that a higher number of outlets may fail (or take longer to recover) than the more established brands.
  - The Hussar Grill franchise operations' revenue is expected to recover to pre-COVID-19 levels by the 2022 financial year: The Hussar Grill's higher-income consumer target market is anticipated to be more resilient to the slow down in the local economy and the expected recovery period is therefore likely to be shorter.
  - The RocoMamas franchise operations' revenue is expected to recover to pre-COVID-19 levels by the 2022 financial year: the RocoMamas brand has been the least impacted of the group's brands given that its product is conducive to delivery and takeaway business which has been relatively robust during the lockdown; the expected recovery is therefore anticipated to happen fairly quickly.
- Cash outflows for the 2021 financial year are estimated based on actual costs incurred for the 2019 and 2020 financial years, adjusted for known changes, increased by inflation. Operating costs comprise predominantly employment-related costs, which have been estimated to increase at 6% per annum, being the top end of the South African Reserve Bank's targeted inflation range of 3% to 6%. Other overheads have similarly been estimated to increase by 6% per annum.
- Growth in perpetuity of cash flows beyond the five year forecast horizon are estimated at 3%, being the lowest point in the targeted inflation range.
- After-tax cash flows are discounted at an after-tax discount rate of 15.0%, being the weighted average cost of capital of the company adjusted for risk factors specific to the cash-generating units. In particular, an additional risk premium of 2% is added to the discount rate in discounting cash flows for the 2021 and 2022 financial years due to the significant uncertainty, and related increase in forecasting risk, caused by the COVID-19 pandemic. In the case of Nikos franchise operations, a further premium of 3% is added to the discount rate given the small size of the business and the high variability in cash flows from relatively small changes in assumptions. The equivalent pre-tax discount rates equate to:

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

6. OPERATING PROFIT BEFORE FINANCE INCOME continued

6.6 Impairments of trademarks and intellectual property, and goodwill continued

Retail operations

- Cash inflows, comprising restaurant sales, are estimated to gradually recover to pre-COVID-19 levels by June 2022, and thereafter to increase by 5% per annum which is slightly higher than the mid-point of the targeted South African inflation rate range of between 3% and 6%.
- Cash outflows for the 2021 financial year are estimated as detailed below.
- Variable costs are projected based on the percentages of revenue that have historically been achieved in the respective businesses.
- Semi-variable costs are adjusted in part for anticipated inflation and in part by the change in anticipated turnover.
- Fixed costs are estimated to increase at 5% per annum, being slightly higher than the mid-point of the targeted South African inflation rate range of between 3% and 6%.
- Rental costs are forecast in accordance with the lease agreement.
- Growth in perpetuity of cash flows beyond the five year forecast horizon are estimated at 3%, being the lowest point in the targeted inflation range.
- After-tax cash flows are discounted at an after-tax discount rate of 15.0%, being the weighted average cost of capital of the company adjusted for risk factors specific to the cash-generating units. In particular, an additional risk premium of 2% is added to the discount rate in discounting cash flows for the 2021 and 2022 financial years due to the significant uncertainty, and related increase in forecasting risk, caused by the COVID-19 pandemic. The equivalent pre-tax discount rates equate to:
  - The Hussar Grill ("THG") Camps Bay 18.8%
  - THG Mouille Point 19.5%
  - THG Rondebosch 19.4%

The results of the impairment tests are tabulated below:

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

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

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

7. EARNINGS PER SHARE

	2020	2019	% change
Total shares in issue (000's) (refer note 8.3)	**90 997**	108 481	(16.1%)
Net shares in issue (000's)*	**83 968**	94 789	(11.4%)
Weighted average number of shares in issue (000's)	**87 061**	95 065	(8.4%)
Diluted weighted average number of shares in issue (000's)	**87 343**	95 322	(8.4%)
Headline earnings per share (cents)	**83.23**	173.68	(52.1%)
Diluted headline earnings per share (cents)	**82.96**	173.21	(52.1%)
Net asset value per share (cents)	**637.88**	924.47	(31.0%)
Dividend per share (cents)#	**78.00**	136.00	(42.6%)

* 90 996 932 (2019: 108 480 926) total shares in issue less 595 587 (2019: 7 026 701) shares repurchased by wholly-owned subsidiary companies, 5 933 111 (2019: 6 164 698) shares held by The Spur Management Share Trust (consolidated structured entity) and 500 000 (2019: 500 000) shares held by The Spur Foundation Trust (consolidated structured entity).

\# Refers to interim and final dividend declared for the respective financial year, as applicable.

7.1 Reconciliation of weighted average number of shares in issue

	2020 ’000	2019 ’000
Gross shares in issue at beginning of year	**108 481**	108 481
Shares repurchased at beginning of year	**(13 692)**	(12 972)
Shares repurchased during year weighted for period held by the group	**(63)**	(477)
Specific share repurchase and cancellation weighted for period held by the group (refer note 8.3)	**(7 698)**	–
Shares issued during the year weighted for period in issue%	**33**	33
Weighted average number of shares in issue for the year	**87 061**	95 065
Dilutive potential ordinary shares weighted for period outstanding&	**282**	257
Diluted weighted average number of shares in issue for the year	**87 343**	95 322

% Issued to participants of the group's long-term equity-settled Forfeitable Share Plan ("FSP").

& Relates to shares awarded to participants of the group's FSP that have not yet vested.

7.2 Reconciliation of headline earnings

	2020 R'000	2019 R'000	% change
Profit attributable to owners of the company	**66 924**	165 118	(59.5%)
Headline earnings adjustments:			
Impairment of intangible assets	**5 754**	–	
Impairment of property, plant and equipment	**1 322**	–	
Profit on disposal of property, plant and equipment	**(259)**	(11)	
Reclassification of foreign currency loss from other comprehensive income to profit, on abandonment of foreign operations	**248**	–	
Income tax impact of above adjustments	**(808)**	3	
Amount of above adjustments attributable to non-controlling interests	**(718)**	–	
Headline earnings	**72 463**	165 110	(56.1%)

8. LOANS RECEIVABLE

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

The following significant loans are included in the above:

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

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

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

8.2 Franchisees (other Australia)

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

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

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

The loan to the franchisee of Apache Spur amounts to AU$231 484 (2019: AU$ 231 484) at the reporting date. The loan was fully impaired in the prior year and no repayments have been made during the year. The franchisee continued to trade up to the reporting date, but given the poor trading environment and financial difficulties experienced, the directors consider the prospects of recovery of any significant amount of the loan to be negligible. Subsequent to the reporting date, the franchisee commenced with voluntary liquidation proceedings. Refer also note 6.4 regarding a lease receivable with the entity.

8.3 GPI Investments 1 (RF) (Pty) Ltd

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

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

With effect from 15 October 2019, the group re-acquired the GPIRF Shares from GPIRF at a cost of R260.354 million. The receivable, with a gross value of R113.160 million (comprising capital of R72.328 million and cumulative interest of R40.832 million) at the date of the transaction, was settled by GPIRF in cash on the same date. Accordingly, the full cumulative impairment allowance as at 30 June 2019 of R10.812 million was reversed to profit in the current period.

The GPIRF Shares, as well as an additional 6 635 901 previously acquired treasury shares held by the group, were subsequently cancelled. The total legal and advisory costs, regulatory fees, and securities transfer tax relating to the transactions amounted to R2.806 million. Of this amount, R2.702 million has been charged directly against equity (retained earnings) as it relates to the transaction for the company to reacquire its own shares, and R0.104 million has been charged to profit or loss.

8. LOANS RECEIVABLE continued

8.4 Hunga Busters Pty Ltd*

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

* Related party (refer note 13).

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

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

8.5 Pierre van Tonder*

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

* Related party (refer note 13).

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

Subsequent to the reporting date and following the request by Mr Van Tonder to retire at 31 December 2020, the group concluded a mutual separation agreement with the group CEO (refer note 11.1). In terms of this agreement, a lump sum of 18 months' salary is payable to Mr Van Tonder in 18 equal monthly instalments from July 2021. The mutual separation agreement has also, subsequent to the reporting date, modified the terms of the loan agreement, such that the full amount of the loan of R2.2 million at 30 June 2021 will be deducted from the aforementioned lump sum due to Mr Van Tonder. In the intervening period, interest on the loan will continue to be serviced monthly by way of salary deduction.

8.6 White Cloud Restaurant Pty Ltd*

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

* Related party (refer note 13).

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

9. TAX RECEIVABLE

	2020 R'000	2019 R'000
Withholding tax credits	**5 783**	14 422
Prepayment of income tax relating to 2004-2009 Share incentive scheme query (refer note 12.1)	**22 034**	22 034
Provisional tax payments in respect of current year exceeding actual estimated tax payable for the year	**256**	483
Total tax receivable at end of year	**28 073**	36 939

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

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

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

10. CONTINGENT CONSIDERATION RECEIVABLE/(LIABILITY)

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

10.1 Nikos Coalgrill Greek

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

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

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

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

Details of fair value measurement at the reporting date as well as a sensitivity analysis of the impact on changes in key variables on the fair value are included in notes 24 and 42.2 of the Consolidated AFS respectively.

11. SUBSEQUENT EVENTS

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

11.1 Termination benefits payable to departing directors

The group concluded a mutual separation agreement with group CEO, Pierre van Tonder, in terms of which Mr Van Tonder retires as the group CEO and executive director of the company with effect from 31 December 2020, after 38 years of service of which 24 have been as group CEO. Mr Van Tonder's employment agreement provides for a six-month notice period and 24-month restraint of trade. The group will accordingly pay Mr Van Tonder his current monthly salary of R516 615 (total guaranteed remuneration) per month for the months of January 2021 to June 2021, amounting to R3.1 million in aggregate. A further lump sum of R9.3 million (the equivalent of 18 months' guaranteed remuneration) will be paid to Mr Van Tonder from 30 July 2021 in 18 equal monthly instalments and is linked to Mr Van Tonder's compliance with his restraint provisions and other material provisions of the mutual separation agreement. Mr Van Tonder currently has a loan payable to the group (refer note 8.5), the outstanding balance of which will be deducted from the aforementioned lump sum due to Mr Van Tonder by the company on 30 June 2021. The aggregate of the payments due in terms of the mutual separation agreement will be accounted for as an expense included in profit before income tax for the 2021 financial year. Mr Van Tonder will be entitled to retain the FSP shares and SARs allocated to him as at the date the mutual separation agreement was concluded. The restraint of trade period terminates on 31 December 2022.

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

11.2 Amendment to Nikos Coalgrill Greek purchase price settlement arrangement

On 5 October 2020, the group concluded an addendum to the agreement relating to the acquisition by the group of the Nikos Coalgrill Greek business, which resulted in a change to the settlement of the contingent consideration payable. Further details are included in note 10.

12. CONTINGENT LIABILITIES

12.1 Income Tax in respect of 2004-2009 share incentive scheme

As previously reported, SARS had previously issued additional assessments to wholly-owned subsidiary, Spur Group (Pty) Ltd ("Spur Group"), in respect of the 2005 to 2012 years of assessment totalling R22.034 million (comprising R13.996 million in additional income tax and R8.038 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. The total of the additional assessments was paid in previous financial years. Following failed alternative dispute resolution proceedings, the matter was heard in the income tax court in February 2018. The tax court found in favour of Spur Group, but SARS appealed the ruling. The appeal was heard by a full bench of the Income Tax Court on 29 July 2019 and judgement was issued on 26 November 2019 in favour of Spur Group to dismiss SARS' appeal and award costs to Spur Group. In December 2019, SARS applied for leave to appeal the matter to the Supreme Court of Appeals, and the leave to appeal was subsequently granted. A date for the appeal to be heard by the Supreme Court of Appeals has yet to be set. The board, in consultation with its tax advisors, remains confident that the probability of SARS' appeal being successful is low. Consequently, no liability has been raised in respect of the assessments issued to date and the payments made to date are accounted for as prepayments of income tax (refer note 9).

12.2 Legal dispute with GPS Foods

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

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

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

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

Refer note 46 of the Consolidated AFS for details of other contingent liabilities.

13. RELATED PARTIES

Save for the items listed below, the identity of related parties as well as the nature and extent of transactions with related parties, are similar to prior years and full details are included in note 44 of the Consolidated AFS:

- Loan to group CEO, Pierre van Tonder (refer note 8.5)
- Loan to White Cloud Restaurant Pty Ltd (95% owned by group COO, Mark Farrelly) (refer note 8.6)
- Loan to Hunga Busters Pty Ltd (50% owned by franchise executive: Australia, José Vilar) (refer note 8.4)

14. CHANGE IN DIRECTORS

Details of changes in the composition of the board during the financial year, as well as subsequent to the reporting date and up to the date of this report are included in Annexure 10 of this report.

15. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS

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

R'000	Guaranteed remu-neration[1]	Equity compen-sation benefits[2]	Perfor-mance bonus[3]	Leave pay[4]	Total remu-neration included in profit or loss
2020					
Executive directors and prescribed officer					
For services, as employees, to subsidiary companies					
Current directors					
Pierre van Tonder	6 096	(18)	502	–	6 580
Mark Farrelly	3 920	4	323	60	4 307
Phillip Matthee	3 190	(15)	263	–	3 438
Total executive directors	13 206	(29)	1 088	60	14 325
Prescribed officer					
Kevin Robertson	2 836	(9)	214	–	3 041
Non-executive directors					
For services, as directors, to the company[7]					
Directors serving during the year					
Cora Fernandez	487	–	–	–	487
Dineo Molefe[13]	526	–	–	–	526
Mike Bosman	959	–	–	–	959
Mntungwa Morojele[14]	561	–	–	–	561
Muzi Kuzwayo[5]	213	–	–	–	213
Shirley Zinn	492	–	–	–	492
Total non-executive directors	3 238	–	–	–	3 238
Total remuneration	19 280	(38)	1 302	60	20 604

Refer to page 87 for footnotes.

15. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS

R'000	Guaranteed remu-neration[1]	Equity compen-sation benefits[2]	Perfor-mance bonus[3]	Leave pay[4]	Total remu-neration included in profit or loss
2019					
Executive directors and prescribed officer					
For services, as employees, to subsidiary companies					
Directors serving during the year					
Allen Ambor[6]	2 904	–	–	–	2 904
Pierre van Tonder	6 057	517	446	–	7 020
Mark Farrelly	3 871	258	287	–	4 416
Phillip Matthee	3 150	226	233	–	3 609
Total executive directors	15 982	1 001	966	–	17 949
Prescribed officer					
Kevin Robertson	2 796	211	190	–	3 197
Non-executive directors					
For services, as directors, to the company[7]					
Directors serving during the year					
Cora Fernandez[8]	17	–	–	–	17
Dineo Molefe	425	–	–	–	425
Mike Bosman[9]	331	–	–	–	331
Mntungwa Morojele	425	–	–	–	425
Muzi Kuzwayo	425	–	–	–	425
Shirley Zinn[8]	17	–	–	–	17
Dean Hyde[10]	213	–	–	–	213
Keith Getz[10]	213	–	–	–	213
Keith Madders[10]	213	–	–	–	213
	2 279	–	–	–	2 279
For services, as directors, to subsidiary companies					
Current directors					
Keith Getz[10, 11]	195	–	–	–	195
Keith Madders[10, 12]	122	–	–	–	122
	317	–	–	–	317
Total non-executive directors	2 596	–	–	–	2 596
Total remuneration	21 374	1 212	1 156	–	23 742

Refer to page 87 for footnotes.

15. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS continued

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 share awards allocated to directors and the prescribed officer in terms of the equity-settled Forfeitable Share Plan ("FSP") vested during the year:

Tranches 1 and 2	**2020 '000**	2019 '000
Pierre van Tonder	**15**	15
Mark Farrelly	**10**	10
Phillip Matthee	**5**	5
Kevin Robertson (prescribed officer)	**10**	10
	40	40

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

	FSP shares		**SAR rights**	
	2020 '000	2019 '000	**2020 '000**	2019 '000
Pierre van Tonder – tranche 2	**–**	15	**–**	534
Pierre van Tonder – tranche 3	**–**	–	**964**	964
Pierre van Tonder – tranche 4	**–**	–	**920**	–
Mark Farrelly – tranche 2	**–**	10	**–**	461
Mark Farrelly – tranche 3	**–**	–	**496**	496
Mark Farrelly – tranche 4	**–**	–	**473**	–
Phillip Matthee – tranche 2	**–**	5	**–**	97
Phillip Matthee – tranche 3	**–**	–	**403**	403
Phillip Matthee – tranche 4	**–**	–	**385**	–
Kevin Robertson (prescribed officer) – tranche 2	**–**	10	**–**	315
Kevin Robertson (prescribed officer) – tranche 3	**–**	–	**329**	329
Kevin Robertson (prescribed officer) – tranche 4	**5**	–	**178**	–
Total awards allocated	**5**	40	**4 148**	3 599

Refer note 11.1 regarding termination benefits payable to Messrs Van Tonder and Farrelly.

Footnotes

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

[2] The equity compensation benefit is the *pro rata* share-based payments expense (in terms of *IFRS 2 – Share-based Payments*) attributable to each of the directors and prescribed officer.

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

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

[5] Retired with effect from 6 December 2019.w[6]Retired with effect from 28 February 2019.

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

[8] Appointed with effect from 17 June 2019.

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

[10] Retired with effect from 6 December 2018.

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

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

[13] Resigned with effect from 3 September 2020.

[14] Resigned with effect from 1 September 2020.

CORPORATE INFORMATION

SHAREHOLDER CALENDAR

Annual general meeting	23 December 2020
Interim results to December 2020	March 2021
Final results to June 2021	September 2021
Annual financial statements 2021 published	October 2021
Integrated report 2021	October 2021

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