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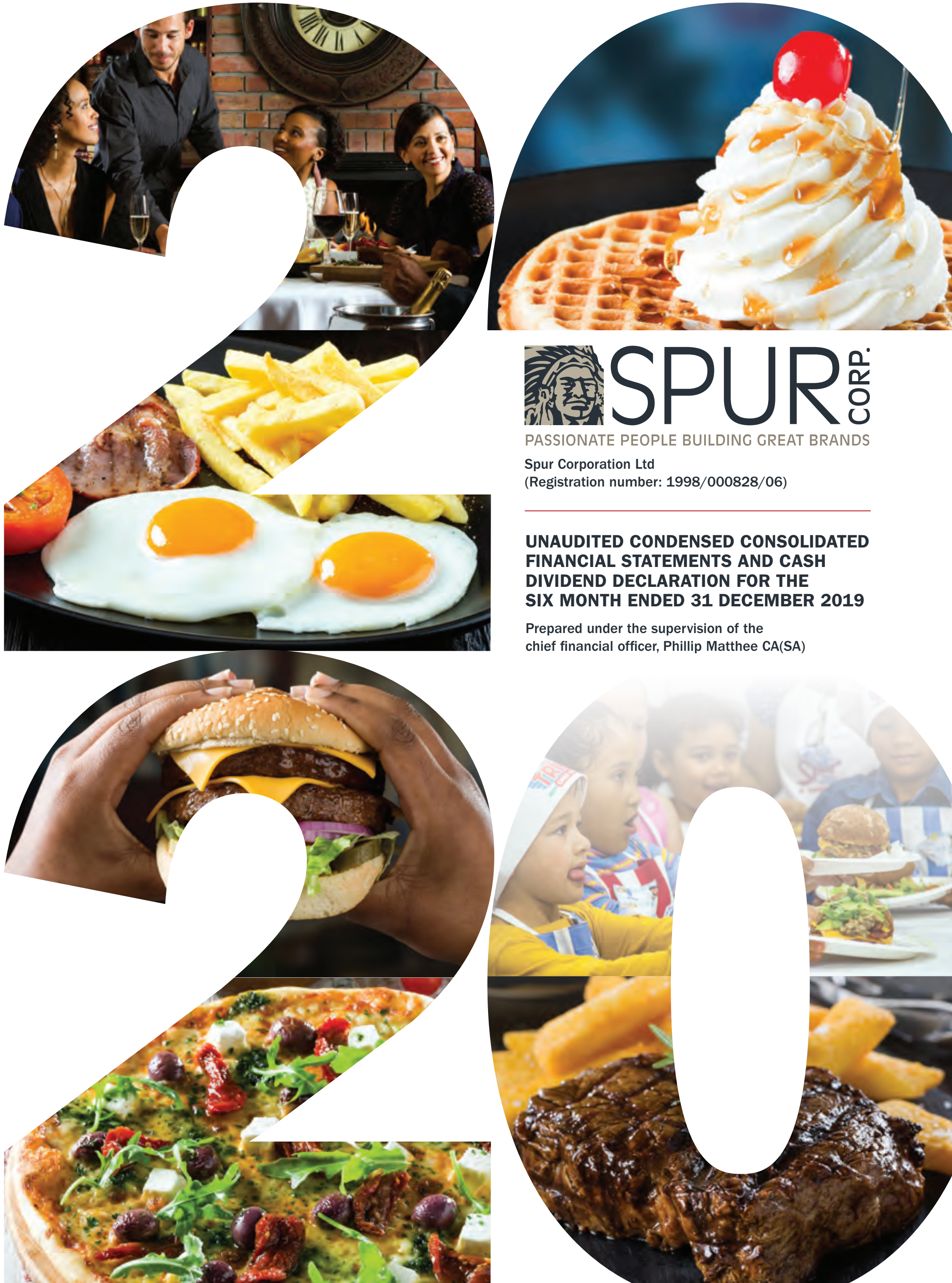

SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

Spur Corporation Ltd
(Registration number: 1998/000828/06)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND CASH DIVIDEND DECLARATION FOR THE SIX MONTH ENDED 31 DECEMBER 2019

Prepared under the supervision of the chief financial officer, Phillip Matthee CA(SA)

OVERVIEW

RESTAURANT SALES 4.5%	REVENUE 8.4%
PROFIT BEFORE INCOME TAX 19.5%	COMPARABLE PROFIT BEFORE TAX 8.2%
EARNINGS PER SHARE 36.3%	COMPARABLE EARNINGS PER SHARE 15.3%
DILUTED HEADLINE EARNINGS PER SHARE 35.6% TO 124.9 CENTS	COMPARABLE DILUTED HEADLINE EARNINGS PER SHARE 14.6%

DIVIDEND PER SHARE

23.8% to 78 cents

CONTENTS

RESULTS COMMENTARY

TRADING PERFORMANCE

Spur Corporation increased total franchised restaurant sales across its local and international operations by 4.5% to R4.1 billion in the six months to December 2019.

Economic headwinds continued to dampen consumer spending in South Africa, with local franchised restaurant sales growth of 4.7% reflecting the pressure on the group's main middle-income customer base.

Electricity load shedding has been highly disruptive to trading patterns and restaurant foot traffic. In response to the sustained power outages, franchisees across the group have invested in installing generators in their restaurants, with approximately 80% of outlets now able to trade during load shedding.

The flagship Spur Steak Ranches brand gained market share and increased restaurant sales by 4.5% for the six months, with 2.5% sales growth in existing restaurants. Spur's new contemporary restaurant design and décor is proving appealing to customers while a new menu has been introduced which caters for an increasing range of taste profiles, including vegan-friendly meal options. Spur continues to invest in growing its market presence and brand awareness with successful, high profile marketing campaigns, including the broadcast sponsorship of the Rugby World Cup in 2019.

Spur's investment in technology and e-commerce solutions drives customer engagement, enabling the brand to personalise communications to its database of 1.2 million loyal customers.

Restaurant sales in Pizza and Pasta, incorporating Panarottis and Casa Bella, grew by 1.5%. Panarottis continues to be impacted by aggressive discounting in the takeaway pizza market where competitors battle to maintain sales volumes. In an effort to maintain franchisee profit margins, the chain has moved away from significantly discounted promotions and weekday specials, which has impacted sales growth. The brand continues to focus on product quality, in-store experience and customer value.

John Dory's increased restaurant sales by 6.6%, benefiting from the re-opening of two major outlets which were temporarily closed for most of the comparative period due to shopping mall redevelopment.

RocoMamas grew restaurant sales by 6.4% as a net five new outlets were opened. After the rapid expansion of the chain to 77 outlets in South Africa and 13 internationally over the past few years, the rate of new restaurant openings is expected to slow down as RocoMamas consolidates its position in the increasingly competitive and fast-growing gourmet burger market.

The resilience of The Hussar Grill's higher income customers, together with the good performance of recently opened restaurants, contributed to the premium steakhouse brand growing sales by 9.2%.

International restaurant sales increased by 4.1% on a constant exchange rate basis and by 2.7% in rand terms. Restaurant turnover for the Africa and Middle East operations, which represents 82.3% of total international turnover, increased by 9.6%. Growth was driven mainly by the opening of a net six new restaurants during the period and a net three in the second half of the prior period.

Restaurant sales in Australia and New Zealand declined by 20.3% following the closure of a net two restaurants and continued poor trading conditions.

RESTAURANT EXPANSION

The group opened 30 restaurants across all brands. In South Africa, 20 restaurants were opened and four closed, expanding the local restaurant base to 559.

10 international outlets were opened and four 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.

Six restaurants were opened in Mauritius and three in Zambia, increasing the group's presence in these countries to 18 and 16 respectively.

Restaurant footprint at 31 December 2019

Franchise brand	South Africa	International	Total
Spur Steak Ranches	303	37	**340**
Pizza and Pasta	94	28	**122**
John Dory's Fish Grill Sushi	53	3	**56**
The Hussar Grill	22	2	**24**
RocoMamas	77	13	**90**
Nikos Coalgrill Greek	10	–	**10**
Total	559	83	**642**

FINANCIAL PERFORMANCE

Group revenue increased by 8.4% to R525.0 million. Revenue from the South African operations, which accounted for 96.0% of total group revenue, increased by 8.9% while international revenue declined by 2.5% mainly on the weak performance from the Australian operations.

Franchise revenue in Spur increased by 3.8%, Pizza and Pasta by 0.5%, John Dory's by 3.3%, The Hussar Grill by 12.4% and RocoMamas by 4.2%.

Local retail revenue, representing the group's interests in four The Hussar Grill restaurants and one RocoMamas outlet, was 0.2% lower. Turnover was impacted by the temporary closure of The Hussar Grill in Camps Bay for refurbishment while the RocoMamas outlet in Green Point continues to be impacted by the opening of a franchised RocoMamas located nearby.

The manufacturing and distribution division grew revenue by 15.8% as the group increased its standard recovery from franchisees on outsourced distribution volumes by 1% of sales through the distribution channel from January 2019. The impact of the increase is therefore included for the full six months of the reporting period.

Profit before income tax in the South African operations increased by 16.1% and by 17.7% excluding the impact of the marketing funds, with good performances from the manufacturing and distribution segment (+28.3%) and The Hussar Grill (+15.2%). The Spur chain increased profit by 3.9%.

In the international division, the operations in Africa, Mauritius and the Middle East collectively increased revenue by 9.3%. Revenue in Australasia declined by 53.5%, reflecting the impact of the closure of two restaurants and the challenging trading environment.

International recovered from a loss of R1.2 million in the prior year to post a profit of R3.1 million for the six months. Africa, Mauritius and the Middle East grew profit by 27.5% while the Australasian operations reduced losses from R4.1 million to R2.3 million. Management continues to review its cost model in Australia to contain expenses and improve profitability.

Profit before income tax increased by 19.5%. This includes a financial instrument impairment net reversal of R10.2 million (2019: net losses of R7.8 million), including an impairment recovery of R10.8 million relating to the Grand Parade Investments Limited black economic empowerment transaction, an IFRS 16 related charge of R1.7 million for interest and depreciation of the right-of-use assets, and R1.7 million for the refurbishment of the Sauce Factory. The prior period includes R1.6 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, increased by 8.2%.

Headline earnings increased by 29.0% to R113.5 million, with diluted headline earnings per share 35.6% higher at 124.9 cents. This is in line with the earnings guidance provided in the group's trading statement released on SENS on 21 February 2020. Excluding the impact of the marketing funds and exceptional and one-off items, diluted headline earnings per share increased by 14.6%.

The interim dividend has been increased by 23.8% to 78 cents per share.

PROSPECTS

In the environment of low economic growth, weak consumer confidence and pressure on consumer spending, the group will maintain its focus on food quality, value and competitive pricing, driving customer loyalty across all brands and growing market share, particularly across the Spur, John Dory's and RocoMamas brands.

This will be supported by aggressive marketing campaigns and the ongoing development of customised digital solutions to enhance customer experience.

The restaurant footprint in South African will be expanded with the opening of 11 outlets across Spur (four), Panarottis (four), John Dory's (two) and RocoMamas (one). Management continues to seek opportunities to acquire brands with good growth prospects.

International expansion will continue to focus primarily on Africa and the Middle East, with 17 restaurants planned to open outside South Africa in the second half of the year. This includes six in Zambia, three in Saudi Arabia (Riyadh), two each in Nigeria, Kenya and Eswatini and one each in Zimbabwe and Ghana.

CASH DIVIDEND

Shareholders are advised that the board of directors of the company has, on Wednesday, 26 February 2020, resolved to declare an interim gross cash dividend for the six month period to 31 December 2019 of R70.978 million, which equates to 78 cents per share for each of the 90 966 932 shares in issue, subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962 amended) ("dividend withholding tax") of 20%.

The dividend has been declared from income reserves. The net dividend is 62.4 cents per share for shareholders liable to pay dividend withholding tax. The company's income tax reference number is 9695015033. The company has 90 966 932 shares in issue at the date of declaration.

In accordance with the provisions of Strate, the electronic settlement and custody system used by the JSE Limited, the relevant dates for the dividend are as follows:

Event	Date
Last day to trade 'cum dividend'	Tuesday, 31 March 2020
Shares commence trading 'ex dividend'	Wednesday, 1 April 2020
Record date	Friday, 3 April 2020
Payment date	Monday, 6 April 2020

Those shareholders of the company who are recorded in the company's register as at the record date will be entitled to the dividend.

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 April 2020 and Friday, 3 April 2020, both days inclusive.

For and on behalf of the board

M Bosman
Non-executive chairman

P van Tonder
Group chief executive officer

27 February 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

R'000	**Unaudited six months ended 31 December 2019**	Restated[&] unaudited six months ended 31 December 2018	% change	Audited year ended 30 June 2019
Revenue (refer note 3)	**525 012**	484 315	8.4	944 779
Gross profit	**401 980**	380 203	5.7	736 901
Operating profit before finance income^	**151 734**	120 046	26.4	226 013
Interest income*	**12 907**	15 927		32 445
Interest expense	**(2 402)**	(10)		(36)
Share of loss of equity-accounted investee (net of income tax)	**(463)**	(547)		(1 345)
Profit before income tax	**161 776**	135 416	19.5	257 077
Income tax expense	**(45 036)**	(43 541)		(84 659)
Profit	**116 740**	91 875	27.1	172 418
Other comprehensive income[#]	**(1 248)**	958		687
Foreign currency translation differences for foreign operations	**(1 287)**	1 051		771
Foreign exchange gain/(loss) on net investments in foreign operations	**39**	(93)		(84)
Total comprehensive income	**115 492**	92 833	24.4	173 105
Profit attributable to:				
Owners of the company	**113 585**	88 008	29.1	165 118
Non-controlling interests	**3 155**	3 867		7 300
Profit for the period	**116 740**	91 875	27.1	172 418
Total comprehensive income attributable to:				
Owners of the company	**112 337**	88 966	26.3	165 805
Non-controlling interests	**3 155**	3 867		7 300
Total comprehensive income for the period	**115 492**	92 833	24.4	173 105
Earnings per share (cents)				
Basic earnings	**125.88**	92.33	36.3	173.69
Diluted earnings	**124.99**	92.11	35.7	173.22

^ Includes total net reversal of credit and impairment losses on financial instruments of R10.034 million (six months ended 31 December 2018: loss of R7.870 million; year ended 30 June 2019: loss of R20.375 million) (refer note 5).
* 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.
& Refer note 11.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	**Unaudited as at 31 December 2019**	Restated[&] unaudited as at 31 December 2018	Audited as at 30 June 2019
ASSETS			
Non-current assets	**534 525**	488 176	481 344
Property, plant and equipment	**107 558**	98 263	100 390
Intangible assets and goodwill	**368 983**	368 508	369 092
Right-of-use assets (refer note 2)	**44 849**	–	–
Finance lease asset (refer note 2)	**3 063**	–	–
Interest in equity-accounted investee	**–**	3 581	–
Loans receivable (refer note 5)	**4 483**	9 677	5 391
Deferred tax	**5 589**	4 486	3 085
Leasing rights (refer note 2)	**–**	3 661	3 386
Current assets	**335 182**	535 181	557 494
Inventories	**13 737**	15 216	10 299
Finance lease asset (refer note 2)	**747**	–	–
Tax receivable	**29 543**	32 587	36 939
Trade and other receivables	**132 928**	124 579	106 011
Loans receivable (refer note 5)	**3 408**	108 226	105 961
Contingent consideration receivable	**735**	594	–
Restricted cash[%]	**6 482**	9 866	14 305
Cash and cash equivalents	**147 602**	244 113	283 979
TOTAL ASSETS	**869 707**	1 023 357	1 038 838
EQUITY			
Total equity	**650 978**	860 873	876 295
Ordinary share capital	**1**	1	1
Share premium	**34 309**	294 663	294 663
Shares repurchased by subsidiaries	**(15 118)**	(122 597)	(126 811)
Foreign currency translation reserve	**29 121**	30 640	30 369
Share-based payments reserve (refer note 6)	**7 335**	5 224	4 400
Retained earnings	**584 329**	642 795	663 093
Total equity attributable to owners of the company	**639 977**	850 726	865 715
Non-controlling interests	**11 001**	10 147	10 580
LIABILITIES			
Non-current liabilities	**130 042**	87 424	89 596
Contingent consideration liability	**1 860**	–	1 011
Contract liabilities	**29 550**	29 059	29 045
Operating lease liability (refer note 2)	**–**	3 227	3 110
Lease liabilities (refer note 2)	**41 729**	–	–
Deferred tax	**56 903**	55 138	56 430
Current liabilities	**88 687**	75 060	72 947
Bank overdrafts	**237**	–	–
Tax payable	**1 957**	1 781	1 396
Trade and other payables	**69 306**	68 353	66 611
Lease liabilities (refer note 2)	**11 953**	–	–
Contract liabilities	**4 520**	4 255	4 226
Shareholders for dividend	**714**	671	714
TOTAL EQUITY AND LIABILITIES	**869 707**	1 023 357	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.
& Refer note 11.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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	646 364	9 403	843 229
Total comprehensive income for the year	–	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 (refer note 6)	–	3 372	–	3 372
Indirect costs arising on intra-group sale of shares related to equity-settled share-based payment (refer note 6)	–	(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 (audited)	167 853	697 862	10 580	876 295
IFRS 16 adjustment on initial application (refer note 2)	**–**	**(5 078)**	**326**	**(4 752)**
Adjusted balance at 1 July 2019	**167 853**	**692 784**	**10 906**	**871 543**
Total comprehensive income for the period	**–**	**112 337**	**3 155**	**115 492**
Profit	**–**	**113 585**	**3 155**	**116 740**
Other comprehensive income	**–**	**(1 248)**	**–**	**(1 248)**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners	**(148 661)**	**(184 336)**	**(3 060)**	**(336 057)**
Equity-settled share-based payment (refer note 6)	**–**	**3 089**	**–**	**3 089**
Indirect costs arising on intra-group sale of shares related to equity-settled share-based payment (refer note 6)	**–**	**(898)**	**–**	**(898)**
Purchase and cancellation of shares (including costs) (refer note 5)	**(145 705)**	**(117 351)**	**–**	**(263 056)**
Purchase of treasury shares	**(2 956)**	**–**	**–**	**(2 956)**
Dividends	**–**	**(69 176)**	**(3 060)**	**(72 236)**
Balance at 31 December 2019	**19 192**	**620 785**	**11 001**	**650 978**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	**Unaudited six monhs ended 31 December 2019**	Restated[&] unaudited six months ended 31 December 2018	Audited year ended 30 June 2019
Cash flow from operating activities			
Operating profit before working capital changes	**162 161**	135 886	260 804
Working capital changes	**(28 889)**	(38 111)	(15 885)
Cash generated from operations	**133 272**	97 775	244 919
Interest income received	**9 337**	10 753	22 014
Interest expense paid	**(2 402)**	(10)	(36)
Tax paid	**(41 098)**	(37 937)	(81 408)
Dividends paid	**(72 236)**	(61 294)	(123 826)
Net cash flow from operating activities	**26 873**	9 287	61 663
Cash flow from investing activities			
Additions of intangible assets	**(348)**	(477)	(1 513)
Additions of property, plant and equipment	**(12 685)**	(2 121)	(9 320)
Loans receivable advanced	**(58)**	(354)	(3 648)
Proceeds from disposal of property, plant and equipment	**214**	3	66
Repayment of loans receivable	**5 330**	5 800	9 490
Proceeds from settlement of GPI transaction (refer note 5)	**113 160**	–	–
Increase in investment in associate	**(899)**	(667)	(1 241)
Acquisition of business	**–**	(5 012)	(5 012)
Net cash flow from investing activities	**104 714**	(2 828)	(11 178)
Cash flow from financing activities			
Payment of lease liabilities	**(4 952)**	–	–
Acquisition of treasury shares	**(2 956)**	(15 395)	(19 609)
Repurchase of shares (refer note 5)	**(260 354)**	–	–
Net cash flow from financing activities	**(268 262)**	(15 395)	(19 609)
Net movement in cash and cash equivalents	**(136 675)**	(8 936)	30 876
Effect of foreign exchange fluctuations	**61**	(50)	4
Net cash and cash equivalents at beginning of period	**283 979**	253 099	253 099
Net cash and cash equivalents at end of period	**147 365**	244 113	283 979

[&] Refer note 11.

Note

Total depreciation and amortisation included in profit before income tax for the period is R12.180 million (excluding the impact of IFRS 16 (refer note 2), the depreciation and amortisation was R5.185 million) (six months ended 31 December 2018: R5.371 million; year ended 30 June 2019: R10.853 million).

Total interest paid included in profit before income tax for the period is R2.402 million (excluding the impact of IFRS 16 (refer note 2), the interest expense was R0.039 million) (six months ended 31 December 2018: R0.010 million; year ended 30 June 2019: R0.036 million).

RECONCILIATION OF HEADLINE EARNINGS

R'000	**Unaudited six months ended 31 December 2019**	Restated[&] unaudited six months ended 31 December 2018	% change	Audited year ended 30 June 2019
Total group				
Profit attributable to owners of the company	**113 585**	88 008	29.1	165 118
Headline earnings adjustments:				
(Profit)/loss on disposal of property, plant and equipment	**(93)**	10		(11)
Income tax impact of above adjustments	**26**	(3)		3
Headline earnings	**113 518**	88 015	29.0	165 110

& Refer note 11.

SHARE INFORMATION

	Unaudited six months ended 31 December 2019	Restated[&] unaudited six months ended 31 December 2018	% change	Audited year ended 30 June 2019
Total shares in issue (000's) (refer note 5)	**90 997**	108 481	(16.1)	108 481
Net shares in issue (000's)*	**83 831**	94 849	(11.6)	94 789
Weighted average number of shares in issue (000's)	**90 232**	95 319	(5.3)	95 065
Diluted weighted average number of shares in issue (000's)	**90 874**	95 545	(4.9)	95 322
Headline earnings per share (cents)	**125.81**	92.34	36.2	173.68
Diluted headline earnings per share (cents)	**124.92**	92.12	35.6	173.21
Net asset value per share (cents)	**776.54**	907.62	(14.4)	924.47
Dividend per share (cents)[#]	**78.00**	63.00	23.8	136.00
Reconciliation of weighted average number of shares in issue ('000)				
Gross shares in issue at beginning of period	**108 481**	108 481		108 481
Shares repurchased at beginning of period	**(13 692)**	(12 972)		(12 972)
Shares repurchased during period weighted for period held by the group	**(17)**	(190)		(477)
Specific share repurchase and cancellation weighted for period (refer note 5)	**(4 540)**	–		–
Weighted average number of shares in issue for the period	**90 232**	95 319	(5.3)	95 065
Dilutive potential ordinary shares weighted for period outstanding (refer note 6)	**642**	226		257
Diluted weighted average number of shares in issue for the period	**90 874**	95 545	(4.9)	95 322

* 90 996 932 (as at 31 December 2018 and 30 June 2019: 108 480 926) total shares in issue less 732 587 (as at 31 December 2018: 6 966 701; as at 30 June 2019: 7 026 701) shares repurchased by wholly-owned subsidiary companies, 5 933 111 (as at 31 December 2018 and 30 June 2019: 6 164 698) shares held by The Spur Management Share Trust (consolidated structured entity) and 500 000 (as at 31 December 2018 and 30 June 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.

& Refer note 11.

OPERATING SEGMENT INFORMATION

R'000	Unaudited six months ended 31 December 2019	Restated[&] unaudited six months ended 31 December 2018	% change	Audited year ended 30 June 2019
External revenue				
Manufacturing and distribution (refer note a)	**118 095**	102 017	15.8	201 934
Franchise – Spur	**124 105**	119 511	3.8	230 522
Franchise – Pizza and Pasta	**19 346**	19 244	0.5	37 588
Franchise – John Dory's	**10 911**	10 559	3.3	21 287
Franchise – The Hussar Grill	**3 789**	3 372	12.4	6 879
Franchise – RocoMamas	**17 757**	17 045	4.2	33 685
Franchise – Nikos	**1 572**	1 567	0.3	2 660
Retail (refer note b)	**34 302**	34 354	(0.2)	69 753
Marketing (refer note c)	**132 658**	127 671	3.9	245 112
Other South Africa (refer note d)	**41 563**	27 389	51.8	51 807
Total South African segments	**504 098**	462 729	8.9	901 227
Unallocated – South Africa	**33**	165	(80.0)	2 319
Total South Africa	**504 131**	462 894	8.9	903 546
Australasia	**1 199**	2 578	(53.5)	4 349
Marketing (refer note c)	**3 390**	3 942	(14.0)	7 266
Other International (refer note g)	**16 292**	14 901	9.3	29 618
Total International	**20 881**	21 421	(2.5)	41 233
TOTAL EXTERNAL REVENUE	**525 012**	484 315	8.4	944 779
Profit/(loss) before income tax				
Manufacturing and distribution (refer note a)	**43 988**	34 288	28.3	73 360
Franchise – Spur	**104 246**	100 349	3.9	192 361
Franchise – Pizza and Pasta	**11 479**	12 326	(6.9)	23 453
Franchise – John Dory's	**5 399**	5 067	6.6	9 880
Franchise – The Hussar Grill	**3 143**	2 729	15.2	5 664
Franchise – RocoMamas	**13 229**	12 854	2.9	24 380
Franchise – Nikos	**199**	480	(58.5)	779
Retail (refer note b)	**1 783**	4 171	(57.3)	8 576
Marketing (refer note c)	**3 234**	4 657	(30.6)	12 555
Other South Africa (refer note d)	**1 353**	(3 338)	140.5	(6 208)
Total South African segments	**188 053**	173 583	8.3	344 800
Unallocated – South Africa (refer note e)	**(28 871)**	(36 443)	20.8	(74 143)
Total South Africa	**159 182**	137 140	16.1	270 657
Australasia (refer note f)	**(2 325)**	(4 099)	43.3	(16 992)
Marketing (refer note c)	**(193)**	804	(124.0)	917
Other International (refer note g)	**8 636**	6 772	27.5	12 663
Total International segments	**6 118**	3 477	76.0	(3 412)
Unallocated – International (refer note h)	**(3 061)**	(4 654)	34.2	(8 823)
Total International	**3 057**	(1 177)	359.7	(12 235)
PROFIT BEFORE INCOME TAX AND SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEE	**162 239**	135 963	19.3	258 422
Share of loss of equity-accounted investee (net of income tax)	**(463)**	(547)	15.4	(1 345)
PROFIT BEFORE INCOME TAX	**161 776**	135 416	19.5	257 077

[&] Refer note 11.

NOTES

a) **Manufacturing and distribution** – Revenue and profit for the period benefited 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 Factory completed a revamp during the period at a cost of R8.529 million (year ended 30 June 2019: R3.514 million), of which R1.770 million could not be capitalised and is included in the profit for the period.

b) **Retail** – This segment comprises the group's interests in local restaurants consisting of four The Hussar Grill restaurants and one RocoMamas outlet. The group undertook a major refurbishment of The Hussar Grill in Camps Bay during the period. The total cost of the refurbishment was R4.3 million, of which R0.169 million could not be capitalised and is included in profit for the period. In addition, the restaurant was unable to trade for a month during the refurbishment.

c) **Marketing** – These segments comprise the surplus or deficit of marketing fund contributions relative to marketing fund expenses for the period. The group is obligated, in accordance with the franchise agreements concluded between franchisees and the group, to spend the marketing fund contributions for the benefit of franchisees. Accordingly, any cumulative surplus recognised in profit is not for the benefit of the owners of the company, and will not, in the ordinary course of business, be distributable to shareholders.

d) **Other South Africa** – Other local segments include the group's training division, export business, décor manufacturing business, call centre and radio station which are each individually not material. The profit for the six months to 31 December 2018 and year to 30 June 2019 includes retrenchment costs of R1.410 million attributable to the group's décor manufacturing business. The group's décor manufacturing and export divisions benefited from the opening of nine restaurants in Africa and Mauritius in the current period.

e) **Unallocated – South Africa** – Profit includes:

R'000	Note	Six months ended 31 December 2019	Restated six months ended 31 December 2018	Year ended 30 June 2019
Marketing fund admin cost recoveries		**11 910**	11 605	22 503
Net finance income		**12 141**	16 244	32 789
Impairment loss – GPI receivable	5	**10 812**	(4 303)	(6 688)
Impairment loss – expected credit loss on other financial instruments	5	**(37)**	(627)	(1 443)
Equity-settled share-based payment charge	6	**(2 935)**	(1 493)	(3 272)
Contingent consideration fair value adjustment		**(114)**	50	(1 555)
Litigation costs – SARS dispute		**–**	–	(86)
(Loss)/profit of The Spur Foundation Trust, all of which is attributable to non-controlling interests		**(83)**	301	408

Net finance income declined as a result of the conclusion of the GPI share repurchase during the period as detailed in note 5. The adoption of IFRS 16 in the current period resulted in an additional finance charge relating to lease liabilities as detailed in note 2.

f) **Australasia** –

R'000	Note	Six months ended 31 December 2019	Restated six months ended 31 December 2018	Year ended 30 June 2019
Impairment loss – expected credit loss on financial instruments	5	**(90)**	(2 913)	(8 868)
Impairment of investment in associate		**(436)**	–	(3 357)
Redundancy pay		**(305)**	–	–
Foreign exchange losses		**(10)**	–	(10)

g) **Other International** – Other international segments comprise the group's franchise operations in Africa (outside of South Africa), Mauritius, the Middle East, India and Cyprus.

h) **Unallocated – International** – The current period includes a foreign exchange gain of R0.130 million (six months ended 31 December 2018: R0.432 million loss; year ended 30 June 2019: R0.592 million loss). The six months ended 31 December 2018 and year ended 30 June 2019 include litigation and settlement costs relating to a resolved legal dispute in Zambia of R1.641 million and R2.350 million respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 31 December 2019 are prepared in accordance with the requirements of the JSE Ltd Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa (No. 71 of 2008) as amended. The Listings Requirements require provisional 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 accounting policies applied in the preparation of the condensed consolidated financial statements 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 a new standard effective for the group's financial period commencing 1 July 2019, as detailed in note 2 below. These changes are also expected to be reflected in the group's consolidated financial statements as at and for the year ending 30 June 2020. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. NEW ACCOUNTING STANDARD ADOPTED BY THE GROUP: IFRS 16: *LEASES*

IFRS 16 – Leases was adopted with effect from 1 July 2019 and introduces a single, on balance sheet, accounting model for lessees. As a result, the group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. The group leases property and company vehicles.

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for the leases on balance sheet.

The group has elected not to recognise right-of-use assets and lease liabilities for some short-term leases. The group recognises lease payments associated with these leases as an expense in the period incurred.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated over the remaining term of the lease.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, and/or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

2. NEW ACCOUNTING STANDARD ADOPTED BY THE GROUP: IFRS 16: *LEASES* (continued)

The group has applied judgement in determining the lease term for some lease contracts with renewal options. The assessment of whether the group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of the lease liabilities and right-of-use assets recognised.

Previously, the group classified the property leases and the vehicle leases as operating leases under IAS 17. These include the company-owned restaurants' property, corporate offices and leases vehicles.

At transition date, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of remaining lease payments, discounted at the group's incremental borrowing rate as at 1 July 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted for the amount of any prepaid or accrued lease payments.

The group applied the following practical expedients when implementing IFRS 16 for those leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from the measurement of the right-of-use assets at initial application; and
- Used hindsight to determine the lease term where the contract contains options to extend or terminate the lease.

The group has sublet one of the premises referred to above to a franchisee in Australia. Accordingly, a lease receivable equal to the lease liability was recognised on the transition date. The lease receivable is subject to allowances for expected credit losses in accordance with *IFRS 9 – Financial Instruments*. In this regard, an allowance of R4.144 million for expected credit losses was raised against the gross receivable of R8.289 million as at transition date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. NEW ACCOUNTING STANDARD ADOPTED BY THE GROUP: IFRS 16: *LEASES* (continued)

IFRS 16 was adopted without restating comparative information. The adjustments arising from this new standard are therefore not reflected in the statement of financial position as at 30 June 2019, but are recognised as a transitional adjustment against retained earnings on 1 July 2019. The effect of the IFRS 16 transitional adjustment at 1 July 2019 is as follows:

Statement of financial position

R'000	30 June 2019 R'000	IFRS 16 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	–	664	**664**
EQUITY			
Retained earnings	661 947	(5 078)	**656 869**
Non-controlling interest	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 liabilities	–	37 469	**37 469**
		35 069	
Current liabilities			
Lease liabilities	–	8 519	**8 519**

When measuring lease liabilities for leases that were classified as operating leases, the group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 9.6%.

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

R'000	
Operating lease commitments at 30 June 2019	**30 773**
Exclude short-term leases	**(1 526)**
VAT that may not be claimed by the group included in operating lease commitments, but excluded from lease payments for IFRS 16 purposes	**(974)**
Rental payments for renewal periods assumed to be exercised taken into account for IFRS 16 but not included in operating lease commitment	**23 537**
Lease commitments relating to head lease that is sublet previously excluded from operating lease commitments	**8 289**
Gross future lease payments	**60 099**
Effect of discounting	**(14 111)**
Balance as at 1 July 2019	**45 988**

2. NEW ACCOUNTING STANDARD ADOPTED BY THE GROUP: IFRS 16: *LEASES* (continued)

Impacts for the period

In respect of the above leases, the group recognised R6.995 million of depreciation relating to the right-of-use assets and R2.363 million of interest on the lease liabilities. R0.296 million of interest income was recognised in respect of the lease receivable. A reduction in the allowance for expected credit losses relating to the lease receivable, amounting to R0.301 million, was recognised as a result of lease payments made during the period.

3. REVENUE

R'000	**Unaudited six months ended 31 December 2019**	Restated* unaudited six months ended 31 December 2018	Audited year ended 30 June 2019
Sales-based royalties	**348 948**	327 115	640 080
Distribution and rebate income	**33 960**	22 378	51 081
Ongoing franchise fee income	**190 219**	183 220	354 494
Marketing fund contributions	**124 769**	121 517	234 505
Recognised at a point in time	**172 779**	152 133	294 307
Manufacturing and distribution sales	**84 135**	79 639	150 853
Retail restaurants' sales	**34 302**	34 354	69 753
Marketing sales	**7 121**	5 682	9 162
Marketing supplier contributions	**4 158**	4 414	8 712
Other sundry sales	**37 852**	22 877	45 188
Other sundry services rendered	**5 211**	5 167	10 639
Recognised over time			
Initial franchise fee income	**3 285**	5 067	10 392
Total external revenue	**525 012**	484 315	944 779

* Refer note 11.

Other sundry sales includes largely export sales to franchisees trading in areas outside of South Africa and sales of décor and other sundry items to local franchisees.

Other sundry services rendered includes largely TasteFM (internal radio station) subscriptions, and training fees received from local franchisees.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. REVENUE (continued)

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

R'000	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
Six months to 31 December 2019				
Manufacturing and distribution	33 960	84 135	–	118 095
Franchise – Spur	122 466	616	1 023	124 105
Franchise – Pizza and Pasta	18 519	486	341	19 346
Franchise –John Dory's	10 627	37	247	10 911
Franchise - The Hussar Grill	3 729	–	60	3 789
Franchise – RocoMamas	16 952	–	805	17 757
Franchise – Nikos	1 418	–	154	1 572
Retail	–	34 302	–	34 302
Marketing	121 379	11 279	–	132 658
Other South Africa	–	41 563	–	41 563
Total South African segments	329 050	172 418	2 630	504 098
Unallocated – South Africa	–	33	–	33
Total South Africa	329 050	172 451	2 630	504 131
Australasia	1 065	70	64	1 199
Marketing	3 390	–	–	3 390
Other International	15 443	258	591	16 292
Total International	19 898	328	655	20 881
Total external revenue	348 948	172 779	3 285	525 012

3. REVENUE (continued)

R'000	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
Restated six months to 31 December 2018				
Manufacturing and distribution	22 378	79 639	–	**102 017**
Franchise – Spur	116 994	112	2 405	**119 511**
Franchise – Pizza and Pasta	18 599	301	344	**19 244**
Franchise – John Dory's	10 215	–	344	**10 559**
Franchise – The Hussar Grill	3 365	–	7	**3 372**
Franchise – RocoMamas	16 327	–	718	**17 045**
Franchise – Nikos	1 207	–	360	**1 567**
Retail	–	34 354	–	**34 354**
Marketing	117 575	10 096	–	**127 671**
Other South Africa	–	27 389	–	**27 389**
Total South African segments	306 660	151 891	4 178	**462 729**
Unallocated – South Africa	–	165	–	**165**
Total South Africa	306 660	152 056	4 178	**462 894**
Australasia	2 436	77	65	**2 578**
Marketing	3 942	–	–	**3 942**
Other International	14 077	–	824	**14 901**
Total International	20 455	77	889	**21 421**
Total external revenue	**327 115**	**152 133**	**5 067**	**484 315**

3. REVENUE (continued)

R'000	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
Year to 30 June 2019				
Manufacturing and distribution	51 081	150 853	–	**201 934**
Franchise – Spur	225 322	890	4 310	**230 522**
Franchise – Pizza and Pasta	35 942	562	1 084	**37 588**
Franchise – John Dory's	20 563	128	596	**21 287**
Franchise – The Hussar Grill	6 711	–	168	**6 879**
Franchise – RocoMamas	31 996	18	1 671	**33 685**
Franchise – Nikos	2 567	–	93	**2 660**
Retail	–	69 753	–	**69 753**
Marketing	227 239	17 873	–	**245 112**
Other South Africa	–	51 807	–	**51 807**
Total South African segments	601 421	291 884	7 922	**901 227**
Unallocated – South Africa	–	2 319	–	**2 319**
Total South Africa	601 421	294 203	7 922	**903 546**
Australasia	4 097	133	119	**4 349**
Marketing	7 266	–	–	**7 266**
Other International	27 296	(29)	2 351	**29 618**
Total International	38 659	104	2 470	**41 233**
Total external revenue	**640 080**	**294 307**	**10 392**	**944 779**

4. TAX RATE RECONCILIATION

Material items that have an impact on the effective rate of income tax are listed below:

%	**Unaudited six months ended 31 December 2019**	Restated* unaudited six months ended 31 December 2018	Year ended 30 June 2019
South African normal tax rate	**28.0**	28.0	28.0
Non-deductible loan impairments (refer note 5)	**0.1**	1.5	1.3
Non-deductible termination settlements	**–**	0.6	0.3
Non-taxable interest income	**(0.5)**	(1.0)	(1.0)
Non-deductible fair value adjustment on Nikos contingent consideration liability	**–**	–	0.2
Non-deductible other expenditure (capital items and items not in the production of income)	**1.3**	1.2	1.2
Non-taxable marketing fund surplus	**–**	(0.1)	(0.1)
Non-taxable reversal of expected credit losses on loans (refer note 5)	**(2.1)**	–	–
Prior year underprovision	**–**	0.3	0.2
Tax losses on which deferred tax not raised	**0.3**	0.3	1.5
Tax losses utilised on which deferred tax not provided	**(0.9)**	(0.5)	(0.5)
Withholding taxes not recoverable	**1.4**	1.6	1.6
Other	**0.2**	0.2	0.2
Effective rate of tax	**27.8**	32.1	32.9

* Refer note 11.

5. LOANS RECEIVABLE

R'000	Unaudited as at 31 December 2019	Restated* unaudited as at 31 December 2018	Audited as at 30 June 2019
Total gross loans at end of period	**18 599**	**135 618**	**138 500**
Impairment allowance	**(10 708)**	**(17 715)**	**(27 148)**
Opening impairment allowance	(27 148)	(13 559)	(13 559)
Current period impairment allowance	(913)	(7 153)	(16 670)
Reversal of impairment allowance	12 770	–	52
Effect of foreign exchange	(108)	81	113
Impairment allowance reversed against actual write-off	4 691	2 916	2 916
Current portion included in current assets	(3 408)	(108 226)	(105 961)
Total non-current loans receivable	**4 483**	**9 677**	**5 391**
Comprising:			
Grand Parade Investments 1 (RF) (Pty) Ltd			
Gross carrying amount	**–**	**105 344**	**110 225**
Impairment allowance	**–**	**(8 428)**	**(10 812)**
Opening impairment allowance	(10 812)	(4 124)	(4 124)
Current period impairment allowance	–	(4 304)	(6 688)
Reversal of impairment allowance	10 812	–	–
Current portion included in current assets	–	(96 916)	(99 413)
Net carrying amount	**–**	**–**	**–**
Other loans^			
Gross carrying amount	**18 599**	30 274	28 275
Impairment allowance	**(10 708)**	(9 287)	(16 336)
Opening impairment allowance	(16 336)	(9 435)	(9 435)
Current period impairment allowance	(913)	(2 849)	(9 982)
Reversal of impairment allowance	1 958	–	52
Effect of foreign exchange	(108)	81	113
Impairment allowance reversed against actual write-off	4 691	2 916	2 916
Current portion included in current assets	(3 408)	(11 310)	(6 548)
Net carrying amount	**4 483**	**9 677**	**5 391**

^ Refer note 14 to the consolidated financial statements on page 142 of the annual integrated report for the year ended 30 June 2019.

* Refer note 11.

5. LOANS RECEIVABLE (continued)

Total credit losses and impairments included in profit before income tax relating to financial instruments amount to:

R'000	Unaudited six months ended 31 December 2019	Restated* unaudited six months ended 31 December 2018	Audited year ended 30 June 2019
Loans receivable	**(11 857)**	7 153	16 618
Lease receivable	**(301)**	–	–
Trade receivables	**1 680**	645	146
Investment in associate	**436**	–	3 357
Bad debts	**8**	72	254
	(10 034)	7 870	20 375

* Refer note 11.

5.1 Grand Parade Investments

The receivable from Grand Parade Investments 1 (RF) (Pty) Ltd ("GPIRF") was previously advanced in October 2014 to partially fund the acquisition by that entity of 10 848 093 shares in Spur Corporation Ltd ("the GPIRF Shares") as part of a broad-based black economic empowerment transaction. The receivable was secured by a reversionary interest in the GPIRF Shares, but ranked behind the debt owing by GPIRF to an external finance company. Based on the Spur Corporation Ltd share price at the respective previous reporting dates, 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 external debt. Accordingly, additional impairment allowances for expected credit losses amounting to R4.304 million and R6.688 million were provided for and included in profit in the six months to 31 December 2018 and year ended 30 June 2019 respectively. The cumulative impairment allowance at 30 June 2019 amounted to R10.812 million.

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 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 cost of the transactions amounted to R2.806 million and related to legal and advisory costs, regulatory fees, and securities transfer tax. 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 as it relates to the settlement of the receivable.

6. SHARE INCENTIVE SCHEMES

Following the approval by shareholders at the annual general meeting on 4 December 2015 of the Spur Group Forfeitable Share Plan ("FSP") and Spur Group Share Appreciation Rights ("SAR") Scheme, certain awards have been granted to certain senior managers and directors during the current and previous financial periods. Further particulars on the schemes as well as details of grants awarded in previous years are included in note 20.4 on page 150 of the annual integrated report for the year ended 30 June 2019.

During the current period, on 26 November 2019:

- 231 787 FSP shares were awarded to senior and middle management (excluding directors); and
- 2 899 115 SARs were awarded: 1 778 051 to executive directors; and 1 121 064 to senior management.

Existing treasury shares were used for the FSP shares granted during the period.

Number of shares/rights in issue:

	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018	Audited year ended 30 June 2019
FSP shares			
Balance at beginning of period	**338 800**	274 000	274 000
Granted during the period	**231 787**	209 800	209 800
Forfeited during the period	**(11 240)**	(4 000)	(12 000)
Vested during the period	**–**	–	(133 000)
Balance at end of period	**559 347**	479 800	338 800
SARs			
Balance at beginning of period	**5 382 302**	3 868 045	3 868 045
Granted during the period	**2 899 115**	3 189 176	3 189 176
Forfeited/lapsed during the period	**–**	–	(1 674 919)
Balance at end of period	**8 281 417**	7 057 221	5 382 302

6. SHARE INCENTIVE SCHEMES (continued)

The terms of the tranche granted during the period are as follows:

	Tranche 4 (November 2019)
FSP	
Date of grant	26 November 2019
Initial vesting date	25 November 2022
Date from which shares may be traded	24 November 2024
Service condition	3 years
Performance conditions	Personal performance
Grant-date fair value per share (R)	18.29
SAR	
Date of grant	26 November 2019
Initial vesting date	25 November 2022
Date from which shares may be traded	24 November 2024
Service conditions	3 years
Performance conditions – return on equity ("ROE")	Between 0% and 100% vesting where ROE is between 14.45% and 19.55%
Performance conditions – earnings	Between 33% and 100% vesting where adjusted headline earnings per share (including impairments) grows between CPI and CPI+6% per annum over initial vesting period
Strike price per right (R)	27.01
Grant-date fair value per right (R)	5.96
Number of rights expected to vest based on meeting of non-market performance conditions	2 899 115

The grant-date fair values of the forfeitable shares and share appreciation rights granted during the period were determined by an independent external professional financial instruments specialist using a Black–Scholes European Call Option Model, based on the following assumptions:

Risk-free rate (based on R186 South African Government bond)	7.41%
Expected dividend yield (based on historic dividend yield over historic period equivalent to vesting period)	5.09%
Expected volatility (based on historic volatility over historic period equivalent to vesting period)	38.71%
Liquidity discount due to trade restriction (five years in the case of FSP)	19.58%
Liquidity discount due to trade restriction (two years in the case of SAR)	6.98%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. SHARE INCENTIVE SCHEMES (continued)

The financial impact of the incentive schemes is summarised below:

R'000	**Unaudited six months ended 31 December 2019**	Unaudited six months ended 31 December 2018	Audited as at 30 June 2018
Cumulative share-based payments reserve:			
Balance at beginning of period	**4 400**	3 731	3 731
Share-based payment expense included in profit before income tax	**2 935**	1 493	3 272
Transfer to retained earnings on vesting	**–**	–	(2 603)
Balance at end of period	**7 335**	5 224	4 400
Income tax credit included in profit	**854**	304	638
Income tax credit/(charge) included in equity (retained earnings)	**154**	(59)	100
Capital gains tax arising on intra-group sale of shares charged to equity (retained earnings)	**823**	553	553
Transaction costs arising on intra-group sale of shares charged to equity (retained earnings)	**75**	57	57
Weighted average dilutive potential ordinary shares (FSP)	**641 646**	226 105	256 568

As the performance conditions of the share appreciation rights, as assessed at the reporting date, had not been met to result in any vesting of the rights, no adjustment has been made to the dilutive weighted average number of shares in issue in respect of these contingently issuable shares for all periods reported.

7. SUBSEQUENT EVENTS

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

7.1 Dividend

A dividend of 78 cents per ordinary share in issue, amounting to R70.978 million, was declared by the board on 26 February 2020 and is payable on 6 April 2020.

8. CONTINGENT LIABILITIES

8.1 Income tax in respect of 2004 to 2009 share incentive scheme

As reported in note 40.1 to the consolidated financial statements on page 186 of the annual integrated report for the year ended 30 June 2019, 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 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. Spur Group has opposed the application, but the court has not yet ruled on the further application for leave to appeal. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. CONTINGENT LIABILITIES (continued)

8.2 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. Supported by the opinion of its attorneys and counsel, the board considers there to be reasonable prospects of defending the claims successfully. On this basis, no liability has been raised at the reporting date regarding the matter.

8.3 Other contingent liabilities

There have been no further changes to the status of other contingent liabilities referred to in note 40 to the consolidated financial statements on page 186 of the annual integrated report for the year ended 30 June 2019.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The group has not disclosed the fair values of loans receivable, lease receivable, financial assets included in trade and other receivables, cash and cash equivalents, loans payable, lease liabilities, bank overdrafts, financial liabilities included in trade and other payables and shareholders for dividend as their carrying amounts are a reasonable approximation of their fair values. In the case of loans receivable, lease receivable, loans payable, and lease liabilities, the directors consider the terms of the instruments (including in particular, the interest rates applicable) to be commensurate with similar financial instruments between unrelated market participants and the carrying amounts are therefore assumed to approximate their fair values. In the case of financial assets included in trade and other receivables, cash and cash equivalents, bank overdrafts, financial liabilities included in trade and other payables and shareholders for dividend, the durations of the financial instruments are short and it is therefore assumed that the carrying amounts approximate their fair values.

10. RELATED PARTIES

There have been no material changes in the nature or value of the related party transactions reported in note 38 to the consolidated financial statements on page 178 of the annual integrated report for the year ended 30 June 2019.

11. CORRECTION OF ERROR

IFRS 15 – Revenue from Contracts with Customers was adopted during the prior year on a fully retrospective basis. The relevant accounting policies were changed and applied in the preparation of the consolidated financial statements for the year ended 30 June 2019 ("2019 AFS"), the details of which were included in note 41.1 to the 2019 AFS included on page 190 of the annual integrated report for the year ended 30 June 2019. The condensed consolidated financial statements for the six months ended 31 December 2018 ("Prior Period Financial Statements"), published on 28 February 2019, were prepared by applying certain aspects of the changes in accounting policies implemented in the 2019 AFS, save for the accounting treatment of marketing funds and marketing fund administration fees, in error.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. CORRECTION OF ERROR (continued)

An explanation of the accounting treatment for marketing funds and the changes required to correctly apply IFRS 15 is detailed in note 41.1 to the 2019 AFS as mentioned above. The Prior Period Financial Statements have been restated to correctly account for the treatment of marketing funds and marketing fund administration fees, in line with the 2019 AFS. The impact of the restatement is as follows:

Condensed consolidated statement of profit or loss and other comprehensive income R'000	Unaudited six months ended 31 December 2018 as previously reported	Correction of error	Restated unaudited six months ended 31 December 2018
Revenue	**370 244**	**114 071**	**484 315**
Gross profit	**271 302**	**108 901**	**380 203**
Operating profit before finance income	**113 881**	**6 165**	**120 046**
Interest income	16 649	(722)	**15 927**
Interest expense	(10)	–	**(10)**
Share of loss of equity-accounted investee	(547)	–	**(547)**
Profit before income tax	**129 973**	**5 443**	**135 416**
Income tax expense	(42 214)	(1 327)	**(43 541)**
Profit before income tax	**87 759**	**4 116**	**91 875**
Other comprehensive income	**958**	**–**	**958**
Foreign currency translation differences for foreign operations	1 051	–	**1 051**
Foreign exchange loss on net investments in foreign operations	(93)	–	**(93)**
Total comprehensive income	**88 717**	**4 116**	**92 833**
Profit attributable to:			
Owners of the company	83 892	4 116	**88 008**
Non-controlling interests	3 867	–	**3 867**
Profit for the period	**87 759**	**4 116**	**91 875**
Total comprehensive income attributable to:			
Owners of the company	84 850	4 116	**88 966**
Non-controlling interests	3 867	–	**3 867**
Total comprehensive income for the period	**88 717**	**4 116**	**92 833**
Headline earnings	**83 899**	**4 116**	**88 015**
Earnings per share (cents)			
Basic earnings	88.01	4.32	**92.33**
Diluted earnings	87.80	4.31	**92.11**
Headline earnings	88.02	4.32	**92.34**
Diluted headline earnings	87.81	4.31	**92.12**

11. CORRECTION OF ERROR (continued)

Condensed consolidated statement of financial position R'000	Unaudited as at 31 December 2018 as previously reported	Correction of error	Restated unaudited as at 31 December 2018
ASSETS			
Non-current assets	**495 313**	**(7 137)**	**488 176**
Loans receivable	20 773	(11 096)	**9 677**
Deferred tax	527	3 959	**4 486**
Current assets	**537 401**	**(2 220)**	**535 181**
Loans receivable	110 446	(2 220)	**108 226**
Restricted cash	–	9 866	**9 866**
Cash and cash equivalents	253 979	(9 866)	**244 113**
TOTAL ASSETS	**1 032 714**	**(9 357)**	**1 023 357**
EQUITY			
Total equity	**858 055**	**2 818**	**860 873**
Retained earnings	639 977	2 818	**642 795**
LIABILITIES			
Non-current liabilities	**83 619**	**3 805**	**87 424**
Deferred tax	51 333	3 805	**55 138**
Current liabilities	**91 040**	**(15 980)**	**75 060**
Loans payable	15 980	(15 980)	**–**
TOTAL EQUITY AND LIABILITIES	**1 032 714**	**(9 357)**	**1 023 357**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. CORRECTION OF ERROR (continued)

Condensed consolidated statement of cash flows R'000	Unaudited six months ended 31 December 2018 as previously reported	Correction of error	**Restated unaudited six months ended 31 December 2018**
Cash flow from operating activities			
Operating profit before working capital changes	130 166	5 720	**135 886**
Working capital changes	(30 043)	(8 068)	**(38 111)**
Cash generated from operations	**100 123**	**(2 348)**	**97 775**
Interest income received	11 475	(722)	**10 753**
Interest expense paid	(10)	–	**(10)**
Tax paid	(37 937)	–	**(37 937)**
Dividends paid	(61 294)	–	**(61 294)**
Net cash flow from operating activities	**12 357**	**(3 070)**	**9 287**
Net cash flow from investing activities	**(2 828)**	**–**	**(2 828)**
Net cash flow from financing activities	**(15 395)**	**–**	**(15 395)**
Net movement in cash and cash equivalents	**(5 866)**	**(3 070)**	**(8 936)**
Effect of foreign exchange fluctuations	(50)	–	**(50)**
Net cash and cash equivalents at beginning of period	259 895	(6 796)	**253 099**
Net cash and cash equivalents at end of period	**253 979**	**(9 866)**	**244 113**

ADMINISTRATION

DIRECTORS

Chairman: MJ Bosman

Chief executive officer: P van Tonder

Executive: M Farrelly, P Matthee

Independent non-executive: C Fernandez, M Kuzwayo (*retired 6 December 2019*), D Molefe, M Morojele, S Zinn

Company secretary: Kilgetty Statutory Services (South Africa) (Pty) Ltd
(contact: companysecretary@spur.co.za)

COMPANY INFORMATION

Spur Corporation Ltd

Registration number: 1998/000828/06

Share code: SUR **ISIN:** ZAE000022653

Registered office: 14 Edison Way, Century Gate Business Park, Century City, 7441

Transfer Secretaries: Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Sponsor: Sasfin Capital (A member of the Sasfin Group)

Telephone: 021-555-5100

E-mail: spur@spur.co.za

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