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SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

Prepared under the supervision of the chief financial officer, Cristina Teixeira CA(SA).

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

HIGHLIGHTS

Revenue
-40.2%
to **R314.2m**

Profit before income tax
-73.3%
to **R43.1m**

Comparable profit before income tax
-67.0%
to **R49.7m**

Earnings per share
-74.6%
to **31.96 cents**

Diluted earnings per share
-74.5%
to **31.89 cents**

Headline earnings per share
-74.6%
to **31.96 cents**

Diluted headline earnings per share
-74.5%
to **31.88 cents**

Interim dividend per share
Nil
(H1 F2020: 78 cents)

Cash and cash equivalents at period end
+R12.8m
to **R178.1m**

Net asset value per share
-13.3%
to **R6.73**

Net gearing
Nil

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COMMENTARY ON RESULTS

TRADING PERFORMANCE

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

Lockdown trading restrictions, compounded by the second wave of the pandemic and weaker consumer disposable income, were the main contributors to the 31% decline in franchised restaurant sales for the six months to December 2020 ("the period") as compared to the six months ended 31 December 2019 ("prior comparable period") in South Africa.

International franchised restaurant sales, for the same period, decreased by 17.3%.

The impact of the curfew in South Africa on evening restaurant trading hours is reflected in dinner-sales for the group declining by 39%, and by 48% for the restaurant brands of The Hussar Grill, Casa Bella and Nikos in the period. Group alcohol sales were also 39% lower for the period as a result of the ban on sale of all alcoholic drinks for part of the period.

After the hard lockdown, 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.

Online ordering systems and the ongoing partnerships with third party delivery services, Mr D Food and Uber Eats, helped drive customer support during the pandemic. Take-away sales increased by 108% and now represent 27% of the group's total restaurant sales in the period, with take-away sales accounting for 53% of RocoMamas' total restaurant sales. Trading via Mr D Food grew by 72% in the period, with the Spur brand doubling its volume of sales through the platform. Sales through Uber Eats increased by 41% in the period.

The VK (virtual kitchen) brands, which were established by the group and launched during lockdown, traded from May 2020, with 423 of the group's restaurants staggered participation across the wide range of VK brands. The burger and pizza categories have generated the highest sales among these brands, with the Bento burger brand reporting an encouraging re-order rate of approximately 25%.

Improved trading conditions were experienced from September 2020 through to November 2020 as the relaxation of the national curfew extended trading hours and alcohol sales were permitted. Sales for the months of September and November 2020 declined by 26.2% and 21.0% respectively in South Africa relative to the prior year, with October 2020 being a particularly strong trading month in South Africa, trading behind the prior year by only 7.2%. The improved performance in October was largely due to the re-opening of the children's play areas in restaurants.

The second wave of COVID-19 infections resulted in government's reintroduction of a national curfew and restrictions on social activity in December 2020. The imposition of the adjusted level 3 lockdown regulations in late December impacted restaurant sales, with the national curfew again limiting trading hours. The ban on the sale of alcohol together with the stringent reduction on seating capacity further reduced restaurant foot traffic. In addition, the closure of beaches immediately impacted restaurants in coastal regions in the traditionally high trading month, with sales declining by 40%.

Restaurant turnover for December 2020 in South Africa declined by 25.8% compared to December 2019, while international restaurant turnover decreased by 11.1% in rand terms (8.3% on a constant exchange rate basis) for the same period.

The group supported its franchise partners throughout the lockdown, including discounting franchise and marketing fees and granting extended payment terms on certain loans. The concessions have gradually been revised as trading conditions have improved and lockdown restrictions eased. In addition, the loss in franchise fees due to reduced restaurant sales totalled approximately R52 million for the period. The reduction in restaurant sales compared to the same period last year equalled R1.2 billion.

Franchised restaurant sales as a percentage of prior year comparable month (%)	July	Aug	Sept	Oct	Nov	Dec
Spur	**34.6**	**56.2**	**72.1**	**93.9**	**79.8**	**74.4**
Panarottis and Casa Bella	**31.7**	**49.6**	**63.2**	**89.3**	**75.4**	**70.2**
John Dory's	**24.8**	**45.1**	**66.5**	**78.9**	**72.9**	**68.3**
The Hussar Grill	**22.6**	**45.6**	**93.7**	**80.4**	**69.3**	**63.1**
RocoMamas	**66.5**	**78.6**	**86.5**	**103.7**	**86.4**	**87.0**
Nikos	**41.7**	**61.3**	**85.3**	**82.2**	**67.2**	**65.5**
Total South Africa	**36.5**	**56.7**	**73.8**	**92.8**	**79.0**	**74.2**
International	**76.0**	**69.0**	**83.9**	**97.5**	**86.5**	**88.9**
Total group	**40.9**	**58.2**	**74.8**	**93.3**	**79.8**	**75.6**

EXPANDING RESTAURANT FOOTPRINT

In South Africa, 17 restaurants were opened and 18 closed, while seven restaurants were opened and four closed internationally during the period.

At 31 December 2020, the group's restaurant base comprised 633 outlets (30 June 2020: 631), including 87 outlets (30 June 2020: 84) operating outside of South Africa.

Restaurant footprint	30 June 2020			31 December 2020		
Active agreements – franchised restaurants	South Africa	International	Total	South Africa	International	Total
Spur	298	34	332	**297**	**34**	**331**
Panarottis and Casa Bella	91	31	122	**92**	**31**	**123**
John Dory's	52	3	55	**52**	**3**	**55**
The Hussar Grill	22	2	24	**20**	**2**	**22**
RocoMamas	75	14	89	**78**	**17**	**95**
Nikos	9	–	9	**7**	**–**	**7**
	547	84	631	**546**	**87**	**633**

FINANCIAL PERFORMANCE

Group revenue declined by 40.2% from R525.0 million reported in the prior comparable period to R314.2 million for the period. Revenue from the South African operations accounts for 95.3% of total group revenue. The balance represents international revenue which declined by 28.9%.

South African franchise revenue in Spur declined by 43.6%, Panarottis and Casa Bella by 46.7%, John Dory's by 49.8%, The Hussar Grill by 41.5%, RocoMamas by 23.8% and Nikos by 48.7%.

The decline in revenue in each of the brands was higher than the decline in store turnover owing to the concessions (temporary discount in fees) granted to franchise partners for franchise fees. Revenue from company-owned restaurants reduced by 42.7%; four of the five company-owned restaurants are The Hussar Grill outlets, which were significantly affected by the restriction on the sale of alcohol and the ban on foreign travel.

Revenue in the manufacturing and distribution division declined by 17.5% as a result of reduced franchised restaurant sales. Sales from the group's sauce manufacturing facility declined by 27.8%, in line with lower restaurant sales, while commission income earned on the value of products distributed by the group's outsourced distribution network to franchisees declined by 37.6%.

Profit before income tax in the South African operations declined by 75.1% mainly due to profit earned from the franchise segments reducing by 49.9%. Revenue was impacted by both lower restaurant turnovers and discounted franchise fees, while the majority of expenditure in the franchise businesses is employment costs and therefore not variable in the short term. In addition, profit in the manufacturing and distribution segment declined by 34.1%. This was partially offset by a 17.3% increase in sales of the group's retail sauces. Following the decrease in revenue reported by the company-owned stores, the segment reported a loss of R1.9 million for the period.

In the international division, revenue from the operations in the rest of Africa (including Mauritius) and the Middle East declined by 24.9%. Revenue in Australasia declined by 21.3%. As with South Africa, the rest of Africa was similarly impacted by various degrees of lockdown.

Profit before income tax declined by 73.3%. In addition to the pressure from the reduced levels of trading, earnings were further impacted by costs related to a voluntary retrenchment programme undertaken during the period as part of the group's austerity measures in response to COVID-19 of R3.3 million. In addition, a charge against earnings was recorded in the current period to recognise the present value of one-off employee benefit liabilities of R8.5 million.

The prior comparable period includes a financial instrument impairment net reversal of R10.2 million relating to the termination of the Grand Parade Investments Ltd ("GPI") black economic empowerment transaction which is not repeated in the current period.

In addition, net finance income declined as a result of the conclusion of the GPI share repurchase during the prior period to December 2019 and lower cash generated from trading activities as a result of COVID-19.

Comparable profit before income tax, excluding exceptional and one-off items including those listed above, and the impact of marketing funds, declined by 67.0%.

Earnings per share is thus reported at 31.96 cents (H1 F2020: 125.88), a 74.6% decrease over the prior comparable period.

Headline earnings decreased by 76.4% to R26.8 million, with diluted headline earnings per share 74.5% lower at 31.88 cents.

The group's balance sheet remains ungeared.

DEFERRAL OF PAYMENT OF CASH DIVIDEND

As a result of the low level of trading, and consequently lower free cash generation in the period, no interim dividend has been declared for the period.

In addition, shareholders are notified of the board of directors' ("board's") decision to further defer the payment of the declared and accrued interim dividend related to the six months to 31 December 2019 ("the interim 2020 dividend").

On 26 February 2020, the board declared an interim 2020 dividend of R70.978 million, payable on 6 April 2020 subject to compliance with the JSE Listings Requirements and the South African Companies Act (Act No. 71 of 2008), as amended ("Companies Act").

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 interim 2020 dividend would be deferred until 5 October 2020. On 3 September 2020, and in response to reports of a second wave of infections being imminent, the board advised shareholders that payment of the interim 2020 dividend would be further deferred, with a decision on the payment date expected to be announced in March 2021.

As detailed above, trading improved in the second quarter of the period, although still down on pre-lockdown levels. In addition, the second wave of COVID-19 infections, coupled with the government's reintroduction of a national curfew and restrictions on social activity in December 2020, has again impacted profitability and cash generation in December 2020 through to February 2021.

While the board is confident that trading will continue to improve, there is no guarantee that this will be case.

In terms of the Companies Act, prior to sanctioning the payment of the interim 2020 dividend, the board must consider all reasonably foreseeable financial circumstances of the company at the time and for a period of 12 months immediately after payment of the interim 2020 dividend. The board believes that it is a reasonably foreseeable possible event that more stringent trading restrictions could be re-imposed if the COVID-19 infection rate increases, which could have a further negative impact on the business of the group. Similarly, should the current restrictions be extended over the long term, the current projected recovery will be delayed. Based on an assessment of the most likely projected cash flows and currently available information, the board is confident that the group's current cash reserves will be sufficient for the foreseeable future. The payment of the interim 2020 dividend would however significantly reduce the group's available cash reserves and would result in a cash deficit should certain of the scenarios projected occur.

Accordingly, in compliance with the Companies Act, as well as the fiduciary responsibilities of its directors, the board determined it appropriate to defer the payment of the interim 2020 dividend until future cash flows can be predicted with a greater confidence level and will reassess the financial circumstances of the group ahead of the publication of its results for the year ending 30 June 2021, which are expected to be released in September 2021. A further announcement will be made at that time regarding the interim 2020 dividend.

TRADING UPDATE FOR JANUARY AND FEBRUARY 2021

The adjusted level 3 restrictions imposed on 29 December 2020 included the reintroduction of a national curfew which limited trading hours, the ban on the sale of alcohol and the stringent reduction on restaurant seating capacity. This contributed to restaurant sales in South Africa declining to 66.3% for January 2021 relative to the prior year.

The partial lifting of restrictions effective from 2 February 2021 relaxed the curfew which allowed for trading hours to be extended to 22:00 as well as allowing alcohol sales. South African restaurant trading showed a marked improvement for the month of February 2021, with sales at 82%* of the prior year sales. The strongest performing brands were Spur and RocoMamas. By early February 2021, RocoMamas had recovered and was trading close to the levels of the previous year.

THE WAY FORWARD

The COVID-19 pandemic has impacted the world, our country and our communities. The pandemic, its restrictions and safety protocols have also had a dramatic influence on consumer lifestyle habits, shopping behaviour and food consumption patterns. Customers are spending more time at home, and their use of technology and online connections have dramatically increased. Online shopping and home deliveries have grown exponentially as consumers limit social contact to reduce exposure to COVID-19. Consumers are opting to dine closer to home at local neighbourhood restaurants which has resulted in a decline in foot traffic in larger shopping malls. Customers are gravitating to their trusted brands to ensure a quality, reliable meal experience for their spend, which is now under pressure. Younger consumers are embracing change and willing to try new options, explore different brands and service offerings. They are setting new trends, primarily all starting from home or any remote wifi-enabled locations. They are creating the ground rules for the new normal, a world characterised by no physical office, no standard working hours, exploring and socialising online, and engaging in experiences and products which are new and relevant to their personal needs. To be successful, the group will need to respond proactively to this changing landscape.

The pandemic safety measures and protocols have become a way of life and the group's restaurants and business remain disciplined and compliant with all pandemic regulations. The safety of employees, franchise partners and customers is paramount.

The multi-level cycle of lockdown restrictions has directly impacted the restaurant industry in many ways: curfew hours and alcohol restrictions continue to place pressure on restaurant sales due to reduced trading hours and capacity restrictions. Management expects these erratic trading patterns to continue and the brands will need to be nimble, adaptable and responsive to shifting pandemic trends.

The commitment to franchise partners continues and these long-standing relationships will ensure collaboration to identify solutions that are best for the business and partnership. Franchisees embraced the trialling of the VK brands that provided an immediate and complementary revenue stream during lockdown. Improved trading sites will need to be identified, especially for restaurants experiencing mediocre footfall in the malls which are currently not trading optimally.

The new management aims to adopt a strategic direction which will steer the business towards a common purpose: FOR THE GREATER GOOD. The focus will be on the brand experience. For each brand, we will define the experience, outline the process, develop a strategy and plan to stimulate growth. We will protect its core value and change only what needs to be more relevant to our target audience. The target audiences are employees, customers, franchisees and shareholders.

* Provisional information available at time of publication.

COMMENTARY ON RESULTS continued

This approach is aimed at building and growing brands that LEAD THE EXPERIENCE. The new management team believes that the group is well poised to own the 'experience' high ground as there are already unique experiential attributes associated with several of the brands.

The main drivers to expand the current brand experiences are transformation and innovation.

Through transformation, the group's mission will be to make a marked difference in society. This will span transformation around employment equity, environment awareness and societal transformation.

A new focus and thrust around innovation is aimed at catapulting the brands to a new level. Innovations will be developed around the future needs of customers and will be on trend with global and local lifestyle changes.

Evidence of this innovation is the planned extensions to trading formats, with the introduction of a RocoMamas drive-thru, Spur drive-thru-clip-on, a Bento's drive-thru click & collect and a speciality restaurant extension. Seven of the VK brands which have been trialled since May 2020 will move into the next phase of testing.

In addition to revamps and renovations planned for the 2021 calendar year, new restaurant development will include an estimated eight to ten outlets locally. New sites include a Spur (Rustenburg), RocoMamas (Southgate Mall) and an iconic Nikos site (Montecasino-Fourways).

In the international business, an estimated four to six new sites will be opened, with the growth focused on countries where the group has a presence and the brands are well received by customers, including Zambia, Botswana and Kenya.

President Ramaphosa's announcement on Sunday, 28 February 2021, of the relaxation of lockdown restrictions in South Africa to alert level 1 with effect from 1 March 2021, is a welcome development for the group, its franchisees and customers. The resumption of normal trading hours, without being limited by a curfew, and the increase in permitted restaurant seating capacity are expected to have a positive impact on trading in South Africa for all brands.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

R'000	**Unaudited six months ended 31 December 2020**	**Unaudited six months ended 31 December 2019**	% change	Audited year ended 30 June 2020
Revenue (note 4)	**314 213**	525 012	(40.2%)	761 620
Cost of sales	**(87 944)**	(123 032)	(28.5%)	(198 132)
Gross profit	**226 269**	401 980	(43.7%)	563 488
Other income	**2 049**	1 389		7 449
Administration expenses	**(82 781)**	(79 829)		(143 463)
Impairment reversal/(losses) – financial instruments and lease receivable	**580**	10 034		(2 805)
Marketing expenses	**(48 563)**	(109 300)		(173 962)
Operations expenses	**(43 074)**	(56 062)		(98 994)
Other non-trading losses	**(280)**	(114)		(7 076)
Retail operating expenses	**(12 283)**	(16 364)		(30 434)
Operating profit before net finance income (note 5)	**41 917**	151 734	(72.4%)	114 203
Net finance income	**1 225**	10 505	(88.3%)	14 034
Interest income[1]	**3 670**	12 907		19 336
Interest expense[2]	**(2 445)**	(2 402)		(5 302)
Share of loss of equity-accounted investee (net of income tax)	**–**	(463)		(463)
Profit before income tax	**43 142**	161 776	(73.3%)	127 774
Income tax expense (note 6)[3]	**(13 638)**	(45 036)		(57 117)
Profit	**29 504**	116 740	(74.7%)	70 657
Other comprehensive income[4]	**(133)**	(1 248)		(1 357)
Foreign currency translation differences for foreign operations	**(232)**	(1 287)		(1 575)
Foreign exchange gain/(loss) on net investments in foreign operations	**99**	39		(30)
Reclassification of foreign currency loss from other comprehensive income to profit or loss, on abandonment of foreign operations	**–**	–		248
Total comprehensive income	**29 371**	115 492	(74.6%)	69 300
Profit attributable to:				
Equity owners of the company	**26 839**	113 585	(76.4%)	66 924
Non-controlling interests	**2 665**	3 155		3 733
Profit	**29 504**	116 740	(74.7%)	70 657
Total comprehensive income attributable to:				
Equity owners of the company	**26 706**	112 337	(76.2%)	65 567
Non-controlling interests	**2 665**	3 155		3 733
Total comprehensive income	**29 371**	115 492	(74.6%)	69 300
Earnings per share (cents)				
Basic earnings (note 7)	**31.96**	125.88	(74.6%)	76.87
Diluted earnings (note 7)	**31.89**	124.99	(74.5%)	76.62

1 Interest income comprises interest revenue calculated using the effective interest method.
2 Interest expense includes interest on lease liabilities of R2.419 million (six months ended 31 December 2019: R2.363 million; year ended 30 June 2020: R5.245 million).
3 The year to 30 June 2020 includes an impairment of foreign withholding tax credits of R11.746 million.
4 All items included in other comprehensive income are items that are, or may be, reclassified to profit or loss.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

R'000	Unaudited as at 31 December 2020	Restated[&] unaudited as at 31 December 2019	Restated[&] audited as at 30 June 2020
ASSETS			
Non-current assets	**514 381**	534 525	518 466
Property, plant and equipment	**97 697**	107 558	102 182
Right-of-use assets	**41 141**	44 849	41 921
Intangible assets and goodwill	**365 955**	368 983	365 253
Lease receivable	**–**	3 063	–
Loans receivable (note 8)	**2 400**	4 483	2 929
Deferred tax	**7 188**	5 589	6 181
Current assets	**329 783**	341 205	282 440
Inventories	**13 981**	13 737	16 148
Lease receivable	**–**	747	–
Tax receivable	**25 593**	29 543	28 073
Trade and other receivables[5]	**96 050**	132 928	55 619
Loans receivable (note 8)	**3 944**	3 408	4 022
Contingent consideration receivable[6]	**2 803**	735	4 555
Restricted cash[7]	**9 314**	14 923	8 671
Cash and cash equivalents	**178 098**	145 184	165 352
TOTAL ASSETS	**844 164**	875 730	800 906
EQUITY			
Total equity	**565 285**	650 978	535 615
Ordinary share capital	**1**	1	1
Share premium	**34 309**	34 309	34 309
Shares repurchased by subsidiaries	**(15 118)**	(15 118)	(15 118)
Foreign currency translation reserve	**28 879**	29 121	29 012
Share-based payments reserve[8]	**3 615**	7 335	3 473
Retained earnings	**502 497**	584 329	475 501
Total equity attributable to owners of the company	**554 183**	639 977	527 178
Non-controlling interests	**11 102**	11 001	8 437
LIABILITIES			
Non-current liabilities	**129 005**	130 042	127 883
Contingent consideration liability[6]	**–**	1 860	1 589
Employee benefits obligation (note 9)	**5 569**	–	–
Contract liabilities[9]	**26 506**	29 550	29 342
Lease liabilities	**40 967**	41 729	39 740
Deferred tax	**55 963**	56 903	57 212
Current liabilities	**149 874**	94 710	137 408
Bank overdrafts	**–**	237	–
Tax payable	**2 737**	1 957	2 229
Trade and other payables[10]	**60 540**	75 329	49 710
Loans payable	**196**	–	196
Lease liabilities	**11 676**	11 953	13 208
Contract liabilities[9]	**5 535**	4 520	5 808
Employee benefits obligation (note 9)	**2 933**	–	–
Shareholders for dividend[11]	**66 257**	714	66 257
TOTAL EQUITY AND LIABILITIES	**844 164**	875 730	800 906

5 Trade and other receivables is comprised largely of accruals for franchise fee and related income receivable in respect of the last month of the period. As expected, trading conditions in December 2020 were better than those at June 2020, with the end of the 2020 financial year trading under stricter lockdown regulations than the last months of the 2020 calendar year. Similarly, the December 2020 balance is lower than that at December 2019, due to levels of trading not at pre-COVID-19 December 2019 levels as yet.

6 The contingent consideration receivable relates to the purchase consideration of 51% of the Nikos business acquired in August 2018. The total purchase consideration is calculated as five times earnings before interest, tax and depreciation of the Nikos business for the period August 2020 to July 2021. An initial amount of R5 million was paid to the sellers on the acquisition date and the contingent consideration receivable reflects the estimated amount repayable by the sellers to the group in July 2021.

7 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, other than those cash balances that have been funded by the respective group franchise businesses, as well as cash held in reserve to honour unredeemed gift vouchers (refer note 17.2).

8 The share-based payments reserve arises from the group's equity-settled long-term share-linked incentive schemes. No new awards were granted and no existing awards vested during the current period.

9 Contract liabilities relate to the initial franchise fees paid by franchisees to the group on conclusion of franchise agreements. The revenue is recognised over the period of the franchise agreement.

10 The decrease in trade and other payables relative to December 2019 is partly due to a R12.1 million reduction in leave pay and short-term bonus accruals. The increase relative to June 2020 includes an accrual of R3.4 million in respect of additional fees payable to non-executive directors as approved by shareholders at the December 2020 annual general meeting, as well as higher trade payables and VAT payable due to increased activity relative June 2020.

11 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. Accordingly, in compliance with the 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 and will reassess the solvency and liquidity test of the group ahead of the publication of its results for the year ending 30 June 2021, which are expected to be released in September 2021. A further announcement will be made at that time regarding the interim 2020 dividend.

& Refer note 17.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

R'000	Ordinary share capital and share premium (net of treasury shares)	Share-based payments reserve	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders of the company	Non-controlling interests	Total equity
Balance at 1 July 2019	167 853	4 400	30 369	658 015	860 637	10 906	871 543
Total comprehensive income for the period	–	–	(1 248)	113 585	112 337	3 155	115 492
Profit	–	–	–	113 585	113 585	3 155	116 740
Other comprehensive income	–	–	(1 248)	–	(1 248)	–	(1 248)
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners	(148 661)	2 935	–	(187 271)	(332 997)	(3 060)	(336 057)
Equity-settled share-based payment	–	2 935	–	154	3 089	–	3 089
Indirect costs arising on intragroup sale of shares related to equity-settled share-based payment	–	–	–	(898)	(898)	–	(898)
Purchase and cancellation of shares (including costs) (note 7.4)	(145 705)	–	–	(117 351)	(263 056)	–	(263 056)
Purchase of treasury shares[12]	(2 956)	–	–	–	(2 956)	–	(2 956)
Dividends	–	–	–	(69 176)	(69 176)	(3 060)	(72 236)
Balance at 31 December 2019	19 192	7 335	29 121	584 329	639 977	11 001	650 978
Total comprehensive income for the period	–	–	(109)	(46 661)	(46 770)	578	(46 192)
Profit	–	–	–	(46 661)	(46 661)	578	(46 083)
Other comprehensive income	–	–	(109)	–	(109)	–	(109)
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners	–	(3 862)	–	(62 167)	(66 029)	(3 142)	(69 171)
Equity-settled share-based payment	–	(707)	–	193	(514)	–	(514)
Issue of shares on vesting of share incentive awards	–	(3 155)	–	3 155	–	–	–
Dividends	–	–	–	(65 515)	(65 515)	(3 142)	(68 657)
Balance at 30 June 2020 (audited)	**19 192**	**3 473**	**29 012**	**475 501**	**527 178**	**8 437**	**535 615**
Total comprehensive income for the period	**–**	**–**	**(133)**	**26 839**	**26 706**	**2 665**	**29 371**
Profit	**–**	**–**	**–**	**26 839**	**26 839**	**2 665**	**29 504**
Other comprehensive income	**–**	**–**	**(133)**	**–**	**(133)**	**–**	**(133)**
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners	**–**	**142**	**–**	**157**	**299**	**–**	**299**
Equity-settled share-based payment	**–**	**142**	**–**	**157**	**299**	**–**	**299**
Balance at 31 December 2020	**19 192**	**3 615**	**28 879**	**502 497**	**554 183**	**11 102**	**565 285**

[12] A wholly owned subsidiary of the company acquired 110 000 Spur Corporation Ltd shares at an average cost of R26.87 per share, totalling R2.956 million, during the prior period to December 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

R'000	**Unaudited six months ended 31 December 2020**	Restated[&] unaudited six months ended 31 December 2019	Restated[&] audited year ended 30 June 2020
Cash flow from operating activities			
Operating profit before working capital changes	**58 920**	157 424	143 568
Working capital changes	**(29 406)**	(24 449)	34 365
Cash generated from operations	**29 514**	132 975	177 933
Interest income received[13]	**3 101**	50 169	56 638
Interest expense paid[14]	**(2 445)**	(2 402)	(4 721)
Tax paid	**(13 510)**	(41 098)	(53 410)
Dividends paid[15]	**–**	(72 236)	(75 350)
Net cash flow from operating activities	**16 660**	67 408	101 090
Cash flow from investing activities			
Additions of intangible assets	**(1 056)**	(348)	(2 817)
Additions of property, plant and equipment[16]	**(1 318)**	(12 685)	(14 565)
Loans receivable advanced	**(815)**	(58)	(3 879)
Proceeds from disposal of property, plant and equipment	**545**	214	592
Repayment of loans receivable	**1 799**	5 330	5 737
Proceeds from settlement of GPIRF receivable (note 7.4)	**–**	72 328	72 328
Increase in investment in associate	**–**	(899)	(899)
Net cash flow from investing activities	**(845)**	63 882	56 497
Cash flow from financing activities			
Payment of lease liabilities	**(3 065)**	(4 952)	(8 335)
Acquisition of treasury shares	**–**	(2 956)	(2 956)
Repurchase of shares (note 7.4)	**–**	(260 354)	(263 056)
Loan received from non-controlling shareholders	**–**	–	196
Net cash flow from financing activities	**(3 065)**	(268 262)	(274 151)
Net movement in cash and cash equivalents	**12 750**	(136 972)	(116 564)
Effect of foreign exchange fluctuations	**(4)**	61	58
Net cash and cash equivalents at beginning of period	**165 352**	281 858	281 858
Net cash and cash equivalents at end of period	**178 098**	144 947	165 352

& Refer notes 17.1 and 17.2.
13 The periods ending December 2019 and June 2020 include interest on the GPIRF receivable of R40.832 million received in cash (note 7.4).
14 Includes interest on lease liabilities of R2.419 million net of interest of R0.286 million in respect of sublease not settled in cash (period ended December 2019: R2.363 million net of interest of R0.296 million in respect of sublease not settled in cash; year ended June 2020: R5.245 million net of interest of R0.581 million in respect of sublease not settled in cash).
15 Refer footnote 11.
16 Additions for the prior period to December 2019 and year to June 2020 include R6.759 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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2020 ("condensed financial statements") are prepared in accordance with the requirements of the JSE Ltd Listings Requirements ("Listings Requirements") for provisional reports and the requirements of the Companies Act of South Africa (Act No. 71 of 2008), as amended ("Companies Act"). 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 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 2020. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The condensed financial statements 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. The condensed financial statements have been prepared on the historical cost basis except in the case of the contingent consideration receivable/liability which is measured at fair value.

The condensed financial statements were not reviewed or audited by the group's external auditors.

The condensed financial statements are prepared under the supervision of the group chief financial officer ("CFO"), Cristina Teixeira CA(SA), and authorised for issue by the directors on Monday, 1 March 2021. The condensed financial statements were published on Tuesday, 2 March 2021.

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. After 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, therefore, 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.

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.

2.1 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).

A 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 without a ban on alcohol sales.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. IMPACT OF COVID-19 AND GOING CONCERN continued

2.1 The impact on our franchisees continued

The group's brands have been predominantly targeted at sit-down customers – the impact of not being able to serve the sit-down market was therefore expected to be more pronounced and the group moved decisively with the introduction of VK prototype brands and a focus on sales via third party aggregators in an attempt to compensate for lost sales. The exception was the RocoMamas brand, where the brand's product is more conducive to delivery and takeaway.

The group discounted its franchise and marketing fund contribution fee structures during the pandemic to assist franchisees' cash flow. These reduced fees, at various levels of discount depending on the brand, remain in force for February 2021. In addition, extended payment terms have been granted to franchisees, upon application, for payment of franchise and marketing fund contribution fees and payment holidays on certain franchisees' historic debts and loans.

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 reduction in revenue (franchise and marketing fund contribution fee revenue), with severity directly related to the level of trading restrictions in force in any particular trading month. Reduced trading hours, along with a ban on alcohol sales at various times during the pandemic, have negatively impacted restaurant sales volumes significantly.

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 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. Several voluntary retrenchments were approved during the period.

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. 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. This places further pressure on the group's available free cash.

As detailed above, trading improved in the second quarter of the period, although still down on pre-lockdown levels. In addition, the second wave of COVID-19 infections, coupled with the government's reintroduction of a national curfew and restrictions on social activity in December 2020, has again impacted profitability and cash generation in December 2020 through to February 2021.

While the board is confident that trading will continue to improve, there is no guarantee that this will be case.

As a result of the low level of trading, and consequently lower free cash generation in the period, no interim dividend has been declared for the period.

In addition, shareholders are notified of the board's decision to further defer the payment of the declared and accrued interim dividend related to the six months to 31 December 2019 ("the interim 2020 dividend"). Refer to commentary on page 4 for further detail.

* 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 six months ended 31 December 2020 and January 2021.

Number of restaurants trading per month

	2020						**2021**
	July	Aug	Sept	Oct	Nov	Dec	**Jan**
Spur	263	277	288	291	294	296	**296**
Panarottis and Casa Bella	74	79	80	83	88	90	**90**
John Dory's	44	46	47	47	49	49	**49**
The Hussar Grill	17	19	20	21	20	20	**19**
RocoMamas	69	74	75	75	76	78	**78**
Nikos	7	7	7	7	7	7	**7**
Total South Africa	474	502	517	524	534	540	**539**
International	81	81	83	88	87	87	**85**
Total group	555	583	600	612	621	627	**624**

Franchised restaurant sales as a percentage of prior year comparable month

	2020						**2021**
%	July	Aug	Sept	Oct	Nov	Dec	**Jan**
Spur	34.6	56.2	72.1	93.9	79.8	74.4	**66.8**
Panarottis and Casa Bella	31.7	49.6	63.2	89.3	75.4	70.2	**64.7**
John Dory's	24.8	45.1	66.5	78.9	72.9	68.3	**56.1**
The Hussar Grill	22.6	45.6	93.7	80.4	69.3	63.1	**33.4**
RocoMamas	66.5	78.6	86.5	103.7	86.4	87.0	**88.0**
Nikos	41.7	61.3	85.3	82.2	67.2	65.5	**48.6**
Total South Africa	36.5	56.7	73.8	92.8	79.0	74.2	**66.4**
International	76.0	69.0	83.9	97.5	86.5	88.9	**87.0**
Total group	40.9	58.2	74.8	93.3	79.8	75.6	**68.6**

Base franchise fees (FF) and marketing fees (MF) (percentage of restaurant turnover charged per month)

	2020						**2021**
% FF:MF	July	Aug	Sept	Oct	Nov	Dec	**Jan**
Spur*	3:1	3:1	4:2	4:3	4.5:3.5	4.5:3.5	**3.5:2.5**
Panarottis*	3:1	3:1	3.5:1.5	4:2	4:2.5	4:2.5	**3.5:2.5**
John Dory's	3:1	3:1	3.5:1.5	3.5:2	4:2.5	4:3	**3.5:2.5**
The Hussar Grill	3:1	3:1	3.5:1.5	4.5:1.5	4.5:1.5	4.5:1.5	**4.5:1.5**
RocoMamas*	3:1	3.5:1.5	4.5:1.5	4.5:1.5	5:2	5:2	**4.5:1.5**
Nikos	3:1	3:1	3.5:2	3.5:2	4:2	4:2	**3:1.5**

* Refers only to the main brand variant of each segment; the smaller brand variants are not material.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. IMPACT OF COVID-19 AND GOING CONCERN continued

2.3 Impact on specific elements of the consolidated financial statements

Item	Impact as at 30 June 2020	Update
Property, plant and equipment	Lower prospects in relation to company-owned retail restaurants had resulted in certain impairments of property, plant and equipment in F2020 – specifically, The Hussar Grill in Morningside.	No further impairments are deemed necessary.
Goodwill, trademarks and intellectual property	The immediate short-term impact on profitability and the extent of a protracted recovery in the longer term had resulted in impairments of goodwill, and trademarks and related intellectual property in F2020 – specifically, in relation to Nikos.	Goodwill and trademarks represent a material portion of the group's net asset value. No further impairments are deemed necessary at this stage.
Expected credit losses – loan and trade receivables and lease receivable	The Australian business, which was already under strain prior to COVID-19, continues to be particularly hard hit by the hard lockdowns imposed in Australia. This has had a severe impact on those franchisees. Generally, this had resulted in a considerable increase in the probability of default on loans granted to Australian franchisees as well as the Australian lease receivable in F2020. Given that the primary collateral for the Australian franchisee loans is the shares in the franchised restaurant businesses, the value of which had also been negatively impacted by poor trade, the extent of anticipated losses in the event of default had also increased in F2020. Accordingly, significantly higher allowances for expected credit losses were raised against the Australian receivables in F2020. The impact of COVID-19 on individual franchisees can vary significantly; each debtor (local and international) was therefore assessed separately in terms of probability of default. The disruption to business generally resulted in a greater probability of default as at 30 June 2020, which resulted in allowances for expected credit losses in F2020 generally being higher than in previous years.	There has been no material change in the group's assessment of credit risk in respect of the counterparts to the group's financial assets, relative to 30 June 2020.
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, 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. Therefore, the tax receivable relating to these withholding tax credits was impaired in F2020.	No further adjustments were deemed required in the current period.

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 lower cash reserves compared to historic trends.

The board has considered its most likely base case cash flow projections at the date of approval of these results 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, to stress test the sensitivity of this base case, the board has considered several 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Scenario	Assumptions	Result
Scenario 1	– No increased lockdown restrictions or third wave of COVID-19 infections – Increase in franchise fees to reach standard rate of fees from March 2021 onwards – Increase in marketing fees to reach standard rate of fees from March 2021 onwards	Cash balances continue to increase.
Scenario 2	– Assume third wave of COVID-19 infections and re-imposition of more stringent lockdown restrictions in line with second wave (soft lockdown) – Assumptions on: • length of time to reach third wave • period of lockdown • extent of regulations based on first and second wave experience including: • levels of restaurant sales and • extent of fee discounts provided – Post the assumed third wave lockdown period, estimate gradual growth with recovery based on sales turnovers realised post wave one and two, but with some increased credit risk, so a slower return to total active store trading	Cash balances maintained at adequate levels. The second wave of COVID-19 infections and the related restrictions limited any significant cash generation in the short term and thus a third wave would limit the group in the same manner.
Scenario 3	– Assume further lockdown with a third wave of COVID-19 infections in South Africa – Assumptions on: • length of time to reach third wave and • period of lockdown based on first and second wave experience, with extent of regulations more aggressive, including reduction in capacity of sit-down trade – Further credit risk expected with closure of circa 10% of stores	Marginal cash balances on hand.
Scenario 4	– Assume further lockdown with a third wave of COVID-19 infections in South Africa – Assumptions on: • length of time to reach third wave and • period of lockdown based on second wave experience, but extent of regulations more aggressive, including reduction in capacity of sit-down trade – Further credit risk expected with closure of circa 10% of stores	Cash balances at below adequate but sufficient levels.

Note: The above analysis was based on the group's January 2021 trading and financial performance as a starting point and assumes interim 2020 dividend not paid.

Commentary

The board notes that at current levels of trading, the group's existing cash reserves will sustain the business for the foreseeable future. It is the board's expectation that restaurant turnovers should continue to gradually recover to pre-COVID-19 levels in the 2022 financial year.

However, the likelihood of a third wave of infections cannot be underestimated.

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 foreseeable scenarios.

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

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

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

Conclusion

If current sales trends continue, the board is satisfied that the group will generate sustainable cash flows indefinitely. If sales reduce for whatever reason, the board is confident that there are sufficient options available to the group 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENTS

R'000	**Unaudited six months ended 31 December 2020**	Unaudited six months ended 31 December 2019	% change	Audited year ended 30 June 2020
EXTERNAL REVENUE				
South Africa				
Franchise	**102 353**	177 480	(42.3%)	247 191
Spur	**70 013**	124 105	(43.6%)	170 893
Panarottis and Casa Bella	**10 319**	19 346	(46.7%)	27 126
John Dory's	**5 472**	10 911	(49.8%)	15 265
The Hussar Grill	**2 217**	3 789	(41.5%)	5 417
RocoMamas	**13 525**	17 757	(23.8%)	26 113
Nikos	**807**	1 572	(48.7%)	2 377
Manufacturing and distribution (note b)	**97 471**	118 095	(17.5%)	185 468
Retail company stores (note c)	**19 657**	34 302	(42.7%)	53 694
Marketing	**65 936**	132 658	(50.3%)	184 288
Other	**12 786**	41 563	(69.2%)	57 203
Total South Africa segments	**298 203**	504 098	(40.8%)	727 844
Shared services	**1 172**	33	3 451.5%	1 175
Total South Africa	**299 375**	504 131	(40.6%)	729 019
International				
Australasia	**944**	1 199	(21.3%)	1 817
Rest of Africa and Middle East	**12 234**	16 292	(24.9%)	26 270
Marketing	**1 660**	3 390	(51.0%)	4 514
Total International	**14 838**	20 881	(28.9%)	32 601
TOTAL EXTERNAL REVENUE	**314 213**	525 012	(40.2%)	761 620

R'000	**Unaudited six months ended 31 December 2020**	Unaudited six months ended 31 December 2019	% change	Audited year ended 30 June 2020
PROFIT/(LOSS) BEFORE INCOME TAX				
South Africa				
Franchise	**68 976**	137 695	(49.9%)	168 921
Spur	**53 305**	104 246	(48.9%)	134 461
Panarottis and Casa Bella	**3 843**	11 479	(66.5%)	13 202
John Dory's	**623**	5 399	(88.5%)	5 053
The Hussar Grill	**1 046**	3 143	(66.7%)	4 025
RocoMamas	**9 813**	13 229	(25.8%)	17 645
Nikos (note a)	**346**	199	73.9%	(5 465)
Manufacturing and distribution (note b)	**29 010**	43 988	(34.1%)	58 564
Retail company stores (note c)	**(1 866)**	1 783	(204.7%)	(3 761)
Marketing (note d)	**7 677**	3 234	137.4%	(19 115)
Other (note e)	**(3 015)**	1 353	(322.8%)	(2 122)
Total South Africa segments	**100 782**	188 053	(46.4%)	202 487
Shared services (note f)	**(61 123)**	(28 871)	(111.7%)	(69 199)
Total South Africa	**39 659**	159 182	(75.1%)	133 288
International				
Australasia (note g)	**(569)**	(2 325)	75.5%	(9 822)
Rest of Africa and Middle East	**7 636**	8 636	(11.6%)	12 509
Marketing	**(667)**	(193)	(245.6%)	(1 094)
Total International segments	**6 400**	6 118	4.6%	1 593
Shared services (note h)	**(2 917)**	(3 061)	4.7%	(6 644)
Total International	**3 483**	3 057	13.9%	(5 051)
Profit before income tax and share of loss of equity-accounted investee	**43 142**	162 239	(73.4%)	128 237
Share of loss of equity-accounted investee (net of income tax)	**–**	(463)	100.0%	(463)
PROFIT BEFORE INCOME TAX	**43 142**	161 776	(73.3%)	127 774

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENTS continued

Operating segments are identified based on financial information regularly reviewed by the Spur Corporation Ltd executive directors (identified as the chief operating decision maker ("CODM") of the group) for performance assessments and resource allocations.

No segment assets or liabilities have been disclosed as such information is not regularly provided to the CODM.

As the group operates predominantly as a franchise business, there are limited tangible assets directly attributable to individual segments. The key driver for making decisions regarding resource allocation is primarily profitability. Working capital is managed at a group level.

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

South Africa Franchise:
- Spur: Spur Steak Ranches and Spur Grill & Go
- Panarottis Pizza Pasta and Casa Bella
- John Dory's: John Dory's Fish Grill Sushi
- The Hussar Grill
- RocoMamas
- Nikos

South Africa: Manufacturing and distribution
- Sauce manufacturing, warehousing and product distribution business including commissions from sales by the group's outsourced logistics service provider to franchisees, rebates and sales of retail sauces to supermarkets

South Africa: Retail company stores
- Four company-owned The Hussar Grill restaurants, operating in Camps Bay, Rondebosch and Mouille Point in the Western Cape and Morningside in Gauteng, as well as a RocoMamas outlet in Green Point in the Western Cape

South Africa and International: Marketing
- These segments comprise the surplus or deficit of marketing fund contributions from franchisees 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

South Africa: Other
- The group's training division, export business, décor manufacturing business, call centre and radio station which are each individually not material

International: Australasia
- Franchise business in Australia and New Zealand

Rest of Africa and Middle East
- Franchise operations in the rest of Africa (including Mauritius), Cyprus, India and the Middle East. Rest of Africa comprises the majority of the segment. Cyprus, India and Middle East components are not individually material, operate on the same basis as the rest of Africa and are exposed to similar risks.

Notes

An explanation of the financial and operating performance for each material segment is included in the commentary on page 1 of these condensed financial statements. The notes below provide additional quantitative information on specific items that have impacted on the financial performance of each segment.

South Africa

a) Franchise: Nikos

Profit for the prior year to June 2020 includes impairment losses related to goodwill (R3.722 million) and trademarks and related intellectual property (R2.032 million).

b) Manufacturing and distribution

Revenue from the group's sauce manufacturing facility as well as commission and rebate revenue declined in line with lower franchisee restaurant turnovers in the current period relative to the prior period. In addition, the group's sauce manufacturing facility undertook a revamp during the prior period at a total cost of R8.529 million, of which R1.770 million could not be capitalised and is included in profit for the prior period to December 2019 and year to June 2020.

c) Retail company stores

The group undertook a major refurbishment of The Hussar Grill in Camps Bay during the prior period. The total cost of the refurbishment in the prior year was R4.5 million, of which R0.169 million could not be capitalised and was included in profit for the prior period to December 2019 and year to June 2020. The restaurant was unable to trade for the six-week period of the refurbishment.

Profit for the prior year to June 2020 includes an impairment loss in respect of property, plant and equipment relating to The Hussar Grill Morningside of R1.322 million.

d) Marketing

Profit for the current period includes impairment allowances for expected credit losses relating to trade receivables of R0.717 million.

e) Other

Total retrenchment costs for the period amount to R3.315 million and relate to the voluntary retrenchment of 13 employees in South Africa, with a total cost of R3.039 million, as part of the group's austerity measures implemented in response to COVID-19, and a redundant post in Australia impacting one employee at an additional cost of R0.276 million. Of the total retrenchments costs, R0.515 million relates to three employees in the group's décor manufacturing and export businesses included in South Africa: Other segments.

3. OPERATING SEGMENTS continued

Notes continued

South Africa continued

f) Shared services

R'000	**Unaudited six months ended 31 December 2020**	Unaudited six months ended 31 December 2019	Audited year ended 30 June 2020
The segment loss includes:			
Marketing fund admin cost recoveries (intersegment)[17]	**5 532**	11 910	16 245
Net finance income[18]	**3 477**	11 651	16 887
Impairment reversal – GPIRF receivable (note 7.4)	**–**	10 812	10 812
Impairment reversal/(loss) – net expected credit losses on other financial instruments	**373**	(37)	(5 673)
Equity-settled share-based payment charge	**(142)**	(2 935)	(2 228)
Employee benefits obligation (note 9)	**(8 502)**	–	–
Retrenchment costs[19]	**(2 524)**	–	
Non-executive director fees (including VAT where applicable)[20]	**5 202**	1 938	3 606
Contingent consideration fair value adjustment	**(280)**	(114)	4 283
Loss from The Spur Foundation Trust, all attributable to non-controlling interests	**(168)**	(83)	(135)

[17] The group recovers certain of its 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 which is largely attributable to COVID-19.

[18] Net finance income declined as a result of the conclusion of the GPI share repurchase during the prior period to December 2019 (note 7.4) and lower cash generated from trading activities as a result of COVID-19.

[19] Total retrenchment costs for the period amount to R3.315 million and relate to the voluntary retrenchment of 13 employees in South Africa, with a total cost of R3.039 million, as part of the group's austerity measures implemented in response to COVID-19, and a redundant post in Australia impacting one employee at an additional cost of R0.276 million. Of the total retrenchments costs, R2.524 million relates to ten employees in the group's South Africa: Shared services division.

[20] Non-executive directors' fees for the current period include R2.616 million (including VAT where applicable) in consulting fees, as approved by shareholders at the annual general meeting on 23 December 2020.

Notes continued

International

g) Australasia

R'000	**Unaudited six months ended 31 December 2020**	Unaudited six months ended 31 December 2019	Audited year ended 30 June 2020
The segment loss includes:			
Impairment reversal/(loss) – expected credit losses on financial instruments	**676**	(391)	(3 639)
Impairment reversal/(loss) – expected credit losses on lease receivable	**315**	301	(2 997)
Impairment of investment in equity-accounted investee	**–**	(436)	(436)
Retrenchment costs[21]	**(276)**	(305)	(308)
Foreign exchange gain/(loss)	**7**	(10)	19

h) Shared services

R'000	**Unaudited six months ended 31 December 2020**	Unaudited six months ended 31 December 2019	Audited year ended 30 June 2020
The segment loss includes:			
Impairment reversal/(loss) – expected credit losses on financial instruments	**78**	(2)	(734)
Foreign exchange (loss)/gain	**(178)**	130	(126)

[21] Total retrenchment costs for the period amount to R3.315 million and relate to the voluntary retrenchment of 13 employees in South Africa, with a total cost of R3.039 million, as part of the group's austerity measures implemented in response to COVID-19, and a redundant post in Australia impacting one employee at an additional cost of R0.276 million. Of the total retrenchments costs, R0.276 million relates to one employee in the International: Australasia segment. Retrenchments costs attributed to the segment in the prior period and year relate to a single post that was made redundant.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE

R'000	**Unaudited six months ended 31 December 2020**	Restated[&] unaudited six months ended 31 December 2019	Audited year ended 30 June 2020
Sales-based royalties	**169 738**	314 988	436 528
Ongoing franchise fee income	**110 521**	190 219	266 081
Marketing fund contributions	**59 217**	124 769	170 447
Recognised at a point in time	**132 479**	197 345	300 573
Sales of purchased and manufactured sauces	**76 287**	84 135	137 863
Retail company stores' sales	**19 657**	34 302	53 694
Distribution income	**19 788**	31 336	43 653
Sales of franchisee supplies	**11 969**	37 827	50 975
Sales of marketing materials	**3 249**	7 121	9 809
Rebate income	**1 529**	2 624	4 579
Recognised over time	**11 996**	12 679	24 519
Initial franchise fee income	**4 795**	3 285	6 432
Services rendered	**2 064**	5 236	8 349
Marketing supplier contributions	**5 137**	4 158	9 738
Total external revenue	**314 213**	525 012	761 620

[&] Note 17.3.

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

Unaudited six months ended 31 December 2020 R'000	**Sales-based royalties**	**Recognised at a point in time**	**Recognised over time**	**Total**
South Africa				
Franchise	**99 003**	**75**	**3 275**	**102 353**
Spur	**68 504**	**–**	**1 509**	**70 013**
Panarottis and Casa Bella	**9 679**	**75**	**565**	**10 319**
John Dory's	**5 233**	**–**	**239**	**5 472**
The Hussar Grill	**2 067**	**–**	**150**	**2 217**
RocoMamas	**12 752**	**–**	**773**	**13 525**
Nikos	**768**	**–**	**39**	**807**
Manufacturing and distribution	**–**	**97 471**	**–**	**97 471**
Retail company stores	**–**	**19 657**	**–**	**19 657**
Marketing	**57 557**	**3 249**	**5 130**	**65 936**
Other	**–**	**10 722**	**2 064**	**12 786**
Total South Africa segment	**156 560**	**131 174**	**10 469**	**298 203**
Shared services	**–**	**1 172**	**–**	**1 172**
Total South Africa	**156 560**	**132 346**	**10 469**	**299 375**
International				
Australasia	**807**	**–**	**137**	**944**
Rest of Africa and Middle East	**10 711**	**133**	**1 390**	**12 234**
Marketing	**1 660**	**–**	**–**	**1 660**
Total International	**13 178**	**133**	**1 527**	**14 838**
Total external revenue	**169 738**	**132 479**	**11 996**	**314 213**

Restated[&] unaudited six months ended 31 December 2019 R'000	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
South Africa				
Franchise	173 711	523	3 246	177 480
Spur	122 466	–	1 639	124 105
Panarottis and Casa Bella	18 519	486	341	19 346
John Dory's	10 627	37	247	10 911
The Hussar Grill	3 729	–	60	3 789
RocoMamas	16 952	–	805	17 757
Nikos	1 418	–	154	1 572
Manufacturing and distribution	–	118 095	–	118 095
Retail company stores	–	34 302	–	34 302
Marketing	121 379	7 121	4 158	132 658
Other	–	36 352	5 211	41 563
Total South Africa segments	295 090	196 393	12 615	504 098
Shared services	–	33	–	33
Total South Africa	295 090	196 426	12 615	504 131
International				
Australasia	1 065	70	64	1 199
Rest of Africa and Middle East	15 443	849	–	16 292
Marketing	3 390	–	–	3 390
Total International	19 898	919	64	20 881
Total external revenue	314 988	197 345	12 679	525 012

[&] Note 17.3.

Audited year ended 30 June 2020 R'000	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
South Africa				
Franchise	241 268	631	5 292	247 191
Spur	168 625	–	2 268	170 893
Panarottis and Casa Bella	25 815	529	782	27 126
John Dory's	14 722	102	441	15 265
The Hussar Grill	5 290	–	127	5 417
RocoMamas	24 769	–	1 344	26 113
Nikos	2 047	–	330	2 377
Manufacturing and distribution	–	185 468	–	185 468
Retail company stores	–	53 694	–	53 694
Marketing	165 933	9 809	8 546	184 288
Other	–	49 107	8 096	57 203
Total South Africa segments	407 201	298 709	21 934	727 844
Shared services	–	1 175	–	1 175
Total South Africa	407 201	299 884	21 934	729 019
International				
Australasia	1 632	62	123	1 817
Rest of Africa and Middle East	23 181	627	2 462	26 270
Marketing	4 514	–	–	4 514
Total International	29 327	689	2 585	32 601
Total external revenue	436 528	300 573	24 519	761 620

5. OPERATING PROFIT BEFORE NET FINANCE INCOME

The following items have been charged/(credited) to operating profit before net finance income:

R'000	**Unaudited six months ended 31 December 2020**	Unaudited six months ended 31 December 2019	Audited year ended 30 June 2020
Amortisation – intangible assets	**354**	457	902
Depreciation	**5 263**	4 728	11 118
Depreciation – right-of-use assets	**5 444**	6 995	12 293
Fair value gain on contingent consideration liability	**–**	–	(4 283)
Foreign exchange loss/(gain)	**171**	(130)	92
Impairment (reversal)/losses – financial instruments and lease receivable	**(580)**	(10 034)	2 805
Trade receivables	**(16)**	1 688	6 348
Bad debts	**136**	8	444
Impairment allowance	**–**	1 680	5 904
Reversal of impairment allowance	**(152)**	–	–
Loans receivable	**(132)**	(11 857)	(7 282)
Impairment allowance	**208**	913	5 058
Reversal of impairment allowance	**(340)**	(12 770)	(12 340)
Impairment allowance reversed against actual write off of loans receivable	**–**	(4 691)	(5 286)
Write off of loans receivable	**–**	4 691	5 286
Loan advanced to equity-accounted investee	**–**	436	436
Contingent consideration receivable	**–**	–	306
Reversal of impairment of contingent consideration receivable	**(117)**	–	–
Lease receivable	**–**	–	2 997
Reversal of impairment of lease receivable	**(315)**	(301)	–
Other non-trading losses	**280**	114	7 076
Fair value loss on contingent consideration liability	**280**	114	–
Impairment of trademarks (note 3a)	**–**	–	2 032
Impairment of goodwill (note 3a)	**–**	–	3 722
Impairment of plant, property and equipment (note 3c)	**–**	–	1 322

6. 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 2020**	Unaudited six months ended 31 December 2019	Audited year ended 30 June 2020
South African corporate income tax rate	**28.0**	28.0	28.0
Non-deductible intangible asset impairments	**–**	–	0.8
Non-deductible JSE listings-related costs and non-executive directors' fees	**4.3**	0.7	1.5
Non-deductible loan impairments	**–**	0.1	0.9
Non-deductible marketing expenditure	**33.5**	–	41.6
Non-deductible retrenchment costs	**2.0**	–	–
Non-deductible other expenditure (capital items and items not in production of income)	**1.6**	0.6	1.6
Non-taxable interest income	**–**	(0.5)	(0.6)
Non-deductible/(non-taxable) fair value loss/(gain) on contingent consideration receivable/liability	**0.2**	–	(0.9)
Non-taxable marketing income	**(38.6)**	–	(36.7)
Non-taxable other income	**(1.1)**	(0.1)	(0.2)
Non-taxable reversal of impairment allowance for expected credit losses	**(0.2)**	(2.1)	(2.2)
Prior year over provision	**(1.3)**	–	(1.2)
Share of loss of equity-accounted investee	**–**	0.1	0.1
Tax losses on which deferred tax asset not recognised	**1.5**	0.3	1.1
Tax losses utilised on which deferred tax asset not previously recognised	**(0.1)**	(0.9)	(1.3)
Tax on foreign attributed income not included in profit	**–**	–	0.1
Tax at rates other than corporate income tax rate	**(0.7)**	0.2	(0.1)
Withholding taxes not recoverable	**2.5**	1.4	3.0
Withholding tax impairment	**–**	–	9.2
Effective tax rate	**31.6**	27.8	44.7

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. EARNINGS

7.1 Statistics

000's	**Unaudited six months ended 31 December 2020**	Unaudited six months ended 31 December 2019	% change	Audited year ended 30 June 2020
Total shares in issue at end of period	**90 997**	90 997		90 997
Less: shares repurchased by wholly-owned subsidiary companies	**(596)**	(733)		(596)
Less: shares held by The Spur Management Share Trust (consolidated structured entity)	**(5 933)**	(5 933)		(5 933)
Less: shares held by The Spur Foundation Trust (consolidated structured entity)	**(500)**	(500)		(500)
Net shares in issue at end of period	**83 968**	83 831		83 968
Weighted average number of shares in issue	**83 968**	90 232		87 061
Diluted weighted average number of shares in issue	**84 170**	90 874		87 343
Earnings per share (cents)				
Basic earnings	**31.96**	125.88	(74.6%)	76.87
Diluted earnings	**31.89**	124.99	(74.5%)	76.62
Headline earnings per share (cents)				
Basic headline earnings	**31.96**	125.81	(74.6%)	83.34
Diluted headline earnings	**31.88**	124.92	(74.5%)	83.07
Net asset value per share (rands)	**6.73**	7.77	(13.3%)	6.38
Dividend per share (cents)[22]	**–**	78.00	(100.0%)	78.00

[22] Refers to interim and final dividend declared for the respective financial year, as applicable.

7.2 Reconciliation of weighted average number of shares in issue

000's	**Unaudited six months ended 31 December 2020**	Unaudited six months ended 31 December 2019	Audited year ended 30 June 2020
Gross shares in issue at beginning of period	**90 997**	108 481	108 481
Less: shares repurchased at beginning of period	**(7 029)**	(13 692)	(13 692)
Less: shares repurchased during period weighted for period held by the group	**–**	(17)	(63)
Less: specific share repurchase and cancellation weighted for period (note 7.4)	**–**	(4 540)	(7 698)
Add: shares issued during the period weighted for period in issue (vested long-term share-linked incentive awards)	**–**	–	33
Weighted average number of shares in issue for the period	**83 968**	90 232	87 061
Dilutive potential ordinary shares weighted for period outstanding (non-vested long-term share-linked incentive awards)	**202**	642	282
Diluted weighted average number of shares in issue for the period	**84 170**	90 874	87 343

7. EARNINGS continued

7.3 Reconciliation of headline earnings

R'000	**Unaudited six months ended 31 December 2020**	Unaudited six months ended 31 December 2019	% change	Audited year ended 30 June 2020
Profit for the period attributable to equity owners of the company	**26 839**	113 585	(76.4%)	66 924
Headline earnings adjustments:				
Impairment of intangible assets (note 3a)	**–**	–		5 754
Impairment of property, plant and equipment (refer note 3c)	**–**	–		1 322
Profit on disposal of property, plant and equipment	**(5)**	(93)		(259)
Reclassification of foreign currency loss from other comprehensive income to profit, on abandonment of foreign operations	**–**	–		248
Income tax impact of above adjustments	**1**	26		(808)
Amount of above adjustments attributable to non-controlling interests	**–**	–		(718)
Headline earnings	**26 835**	113 518	(76.4%)	72 463

7.4 Prior year repurchase of shares from Grand Parade Investments and share cancellation

The group previously concluded a broad-based black economic empowerment transaction with Grand Parade Investments Ltd ("GPI") in October 2014. In terms of the transaction, the group previously advanced a loan to a wholly owned subsidiary of GPI, GPI Investments 1 (RF) (Pty) Ltd ("GPIRF"), for that company to acquire 10 848 093 shares in Spur Corporation Ltd ("the GPIRF Shares"). The loan had been partially impaired by R10.812 million as at 30 June 2019.

With effect from 15 October 2019, the group re-acquired the GPIRF Shares from GPIRF at a cost of R260.354 million. The loan 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 was reversed to profit in the prior period to December 2019.

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 was charged directly against equity (retained earnings) in the prior period as it related to the transactions for the company to re-acquire its own shares, and R0.104 million was charged to profit or loss in the prior period.

8. LOANS RECEIVABLE

R'000	**Unaudited as at 31 December 2020**	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Total gross carrying amount at end of period	**22 549**	18 599	24 066
***Less*: Impairment allowance**	**(16 205)**	(10 708)	(17 115)
Opening impairment allowance	**(17 115)**	(27 148)	(27 148)
Current period impairment allowance	**(208)**	(913)	(5 058)
Reversal of impairment allowance	**340**	12 770	12 340
Effect of foreign exchange	**778**	(108)	(2 535)
Impairment allowance reversed against actual write off	**–**	4 691	5 286
Net loans at end of period	**6 344**	7 891	6 951
Current portion included in current assets	**3 944**	3 408	4 022
Long-term portion included in non-current assets	**2 400**	4 483	2 929
Net loans at end of period	**6 344**	7 891	6 951

Comprising:

8.1 Local loans receivable

R'000	**Unaudited as at 31 December 2020**	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Gross carrying amount at end of period	**7 111**	6 006	7 293
***Less*: Impairment allowance**	**(3 050)**	(1 477)	(3 034)
Opening impairment allowance	**(3 034)**	(2 276)	(2 276)
Current period impairment allowance	**(96)**	–	(981)
Reversal of impairment allowance	**80**	799	223
Net loans at end of period	**4 061**	4 529	4 259
Current portion included in current assets	**2 710**	2 008	2 383
Long-term portion included in non-current assets	**1 351**	2 521	1 876
Net loans at end of period	**4 061**	4 529	4 259

Local loans receivable consist of loans to franchisees and the KG Holdings Family Trust.

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

The receivable from KG Holdings Family Trust arose from the disposal of the Captain DoRegos business by the group to the borrower in the 2018 financial year. The amount is payable in equal monthly instalments over 48 months commencing from 1 June 2018 and bears interest at the prime overdraft rate of interest. The receivable is secured by a personal guarantee from the purchaser and a trust which holds immovable property. The borrower was in arrears with the instalments due on the loan prior to COVID-19 and has not been able to make any payments since lockdown restrictions were imposed.

As at 30 June 2020, relative to the prior year, the group considered there to be an increase in credit risk in relation to the borrowers, which resulted in an increase in the allowance for expected credit losses. The increase in credit risk is attributable to the adverse impact of trading restrictions imposed in response to COVID-19 on these entities. There has been no material change in the credit risk assessment since 30 June 2020.

8 LOANS RECEIVABLE continued

8.2 Foreign loans receivable – Australasia

R'000	**Unaudited as at 31 December 2020**	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Gross carrying amount at end of period	**13 238**	12 593	14 573
***Less*: Impairment allowance**	**(13 016)**	(9 231)	(13 942)
Opening impairment allowance	**(13 942)**	(14 060)	(14 060)
Current period impairment allowance	**(112)**	(913)	(3 938)
Reversal of impairment allowance	**260**	1 159	1 305
Effect of foreign exchange	**778**	(108)	(2 535)
Impairment allowance reversed against actual write off	**–**	4 691	5 286
Net loans at end of period	**222**	3 362	631
Current portion included in current assets	**222**	1 400	631
Long-term portion included in non-current assets	**–**	1 962	–
Net loans at end of period	**222**	3 362	631

These balances comprise loans to franchisees. During the prior year, all loans, except the loan to White Cloud Restaurant Pty Ltd, a New Zealand franchisee, were fully impaired as a result of the impact COVID-19 lockdown trading restrictions had on the related franchisees. There has been no material change in the credit risk assessment associated with these entities during the period. The reversal of the impairment allowance in the current period arose following certain payments received on the loans.

The remaining carrying amount (net of impairment allowances) of the loans relates to White Cloud Restaurants Pty Ltd, and is repayable by 30 June 2021.

8.3 Local loan receivable from related party – former executive director

R'000	**Unaudited as at 31 December 2020**	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Gross carrying amount at end of period	**2 200**	–	2 200
***Less*: Impairment allowance**	**(139)**	–	(139)
Opening impairment allowance	**(139)**	–	–
Current period impairment allowance	**–**	–	(139)
Net loan at end of period	**2 061**	–	2 061
Current portion included in current assets	**1 012**	–	1 008
Long-term portion included in non-current assets	**1 049**	–	1 053
Net loan at end of period	**2 061**	–	2 061

This loan was advanced during F2020 to the group's former CEO, Pierre van Tonder. 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 original loan was repayable in equal monthly instalments of R100 000 from July 2020, until the debt was extinguished. In July 2020, the group concluded a mutual separation agreement with Mr Van Tonder (refer note 9) which modified the terms of the loan agreement, such that the full amount of the loan of R2.2 million will be deducted from the payments due to Mr Van Tonder in accordance with the mutual separation agreement, from July 2021. In the intervening period, January 2021 to June 2021, interest on the loan will continue to be serviced monthly by way of salary deduction.

8.4 Local loan receivable – GPI Investments 1 (RF) (Pty) Ltd

R'000	**Unaudited as at 31 December 2020**	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Gross carrying amount at end of period	**–**	–	–
***Less*: Impairment allowance**	**–**	–	–
Opening impairment allowance (note 7.4)	**–**	(10 812)	(10 812)
Reversal of impairment allowance (note 7.4)	**–**	10 812	10 812
Net loan at end of period	**–**	–	–

9. EMPLOYEE BENEFITS OBLIGATION

R'000	**Unaudited as at 31 December 2020**	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Benefit payable to former director			
Current portion included in current liabilities	**2 933**	–	–
Non-current portion included in non-current liabilities	**5 569**	–	–
Net liability at end of period	**8 502**	–	–

In July 2020, the group concluded a mutual separation agreement with former group CEO, Pierre van Tonder, in terms of which Mr Van Tonder retired as the group CEO and executive director of the company with effect from 31 December 2020, after 38 years of service of which 24 were as group CEO. Mr Van Tonder's employment agreement provides for a six-month notice period and an additional 18-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. This will be expensed as incurred over the following six months.

A further amount of R9.3 million (the equivalent of 18 months' guaranteed remuneration) will be paid to Mr Van Tonder from 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 will be entitled to retain any long-term share-linked incentive allocations granted to him as at the date the mutual separation agreement was concluded. The restraint of trade period terminates on 31 December 2022. An accrual equivalent to the present value of the R9.3 million has been recognised in the current period. Mr Van Tonder currently has a loan payable to the group (refer note 8.3), the outstanding balance of which will be deducted from the payments due to Mr Van Tonder by the company from July 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. ESTIMATES AND CONTINGENCIES

The group makes estimates and assumptions concerning the future, particularly with regard to provisions, arbitrations, claims and various fair value accounting policies. Accounting estimates and judgements can, by definition, only approximate results, as the actual results may differ from such estimates. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

11. CONTINGENT LIABILITIES

There have been no material changes to the status of contingent liabilities referred to in the consolidated financial statements for the year ended 30 June 2020. The more material matters include:

11.1 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 Income 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.

11.2 Legal dispute with GPS Foods

As previously reported, 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 group raised certain exceptions to the GPS plea, which were dismissed by the Western Cape Division of the High Court on 18 December 2020 and, on 12 February 2021, the group submitted its plea in response to the summons issued. It is 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 advisors, 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.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The group has not disclosed the fair values of loans receivable, lease receivables, financial assets included in trade and other receivables, cash and cash equivalents, loans payable, lease payables, 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 receivables, loans payable, and lease payables, 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.

13. RELATED PARTIES

There have been no material changes in the nature or value of the related party transactions reported in the consolidated financial statements for the year ended 30 June 2020.

14. CHANGE TO THE BOARD OF DIRECTORS

A previously announced, with effect from 31 December 2020, Mr Pierre van Tonder resigned as group CEO and executive director. He was succeeded by Ms Val Nichas on 1 January 2021. Mr Phillip Matthee resigned as group CFO and executive director with effect from 31 January 2021; he was succeeded by Ms Cristina Teixeira with effect from 1 February 2021.

15. APPOINTMENT OF COMPANY SECRETARY

The board of directors confirms the appointment of Mr Donfrey Meyer as company secretary with effect from 1 March 2021.

16. SUBSEQUENT EVENTS

16.1 Dividend

As a result of the low level of trading, and consequently lower free cash generation in the period, no interim dividend has been declared for the period.

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. Accordingly, in compliance with the Companies Act, as well as the directors' fiduciary responsibilities, the directors have determined it appropriate to defer the payment of the dividend until future cash flows can be predicted with a greater confidence level and will reassess the solvency and liquidity test of the group ahead of the publication of the group's results for the year ending 30 June 2021, which are expected to be released in September 2021. A further announcement will be made at that time regarding the interim 2020 dividend.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. CORRECTION OF ERRORS

17.1 Change in statement of cash flows relating to interest received on GPIRF loan receivable

As detailed in note 7.4, the loan advanced to GPIRF in 2014 was repaid in full in October 2019. The interest (included in the gross carrying amount of the receivable) received in cash in October 2019 was erroneously included with the capital received in *cash flows from investing activities* in the *statement of cash flows* for the prior period ended 31 December 2019. In accordance with *IAS 7 – Statement of Cash Flows*, interest should be included in *cash flows from operating activities*.

The *statement of cash flows* for the prior period ended 31 December 2019 has been restated to correctly account for the interest included in the proceeds received on the GPIRF receivable as a *cash flow from operating activities*.

17.2 Changes in statements of financial position and cash flows relating to restricted cash and unredeemed gift vouchers

The group sells gift vouchers to the public which may be redeemed at franchised restaurants. The franchisees in turn are entitled to a reimbursement of the face value of the vouchers from the group, upon presentation. The group makes use of two types of vouchers (collectively, "the gift vouchers"): corporate paper vouchers administered entirely by the group; and physical and virtual gift cards which are managed by an outsourced service provider.

The value of unredeemed corporate paper vouchers has been correctly recorded as a current liability, while the cash received on the sale of the vouchers has been included in cash and cash equivalents in all previous reporting periods.

The value of unredeemed physical and virtual gift cards managed by the outsourced service provider was erroneously set off against the corresponding balance of the dedicated bank account used by the outsourced service provider to fund the gift card redemptions in all previously reporting periods.

In both cases, a liability exists in respect of the unredeemed gift vouchers and the corresponding cash balances, which, notwithstanding that the bank accounts are in the name of the group, are property of the bearers of the gift vouchers as prescribed by section 63(3) of the Consumer Protection Act (Act No. 68 of 2008), as amended. The cash balances corresponding to the liability for unredeemed gift vouchers are accordingly not available for general use by the company as contemplated by IAS 7.

The *statements of financial position* as at 31 December 2019 and 30 June 2020 have been restated to correctly reflect the value of unredeemed physical and virtual vouchers managed by the outsourced service provider as a liability, and to reflect the cash balances equivalent to the aggregate value of all unredeemed gift vouchers as restricted cash. The statements of cash flows for the prior periods ended 31 December 2019 and 30 June 2020 have been restated to reflect the correct movement in the liability for unredeemed gift vouchers and cash that is not restricted cash. While the originally presented consolidated financial statements for the year ended 30 June 2020 have been audited, the adjustments made in respect of the above have not been audited by the external auditors.

The impact of the restatements referred to in 17.1 and 17.2 are listed below:

Extract from condensed consolidated statements of financial position

R'000	Unaudited as at 31 December 2019 as previously reported	Correction of gift vouchers (17.2)	Restated as at 31 December 2019
ASSETS			
Current assets			
Restricted cash	6 482	8 441	14 923
Cash and cash equivalents	147 602	(2 418)	145 184
Total current assets	335 182	6 023	341 205
TOTAL ASSETS	869 707	6 023	875 730
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	69 306	6 023	75 329
Total current liabilities	88 687	6 023	94 710
TOTAL EQUITY AND LIABILITIES	869 707	6 023	875 730

R'000	Audited as at 30 June 2020 as previously reported	Correction of gift vouchers (17.2)	Restated as at 30 June 2020
ASSETS			
Current assets			
Restricted cash	731	7 940	8 671
Cash and cash equivalents	167 289	(1 937)	165 352
Total current assets	276 437	6 003	282 440
TOTAL ASSETS	794 903	6 003	800 906
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	43 707	6 003	49 710
Total current liabilities	131 405	6 003	137 408
TOTAL EQUITY AND LIABILITIES	794 903	6 003	800 906

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. CORRECTION OF ERRORS continued

The impact of the restatements referred to in 17.1 and 17.2 are listed below continued:

Extract from condensed consolidated statements of financial position continued

R'000	Audited as at 30 June 2019 as previously reported	Correction of gift vouchers (17.2)	Restated as at 30 June 2019
ASSETS			
Current assets			
Restricted cash	14 305	3 704	18 009
Cash and cash equivalents	283 979	(2 121)	281 858
Total current assets	557 494	1 583	559 077
TOTAL ASSETS	1 038 838	1 583	1 040 421
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	66 611	1 583	68 194
Total current liabilities	72 947	1 583	74 530
TOTAL EQUITY AND LIABILITIES	1 038 838	1 583	1 040 421

Extract from condensed consolidated statements of cash flows

R'000	Unaudited six months ended 31 December 2019 as previously reported	Correction of interest income received (17.1)	Correction of gift vouchers (17.2)	Restated unaudited six months ended 31 December 2019
Cash flow from operating activities				
Operating profit before working capital changes	162 161	–	(4 737)	157 424
Working capital changes	(28 889)	–	4 440	(24 449)
Cash generated from operations	133 272	–	(297)	132 975
Interest income received	9 337	40 832	–	50 169
Interest expense paid	(2 402)	–	–	(2 402)
Tax paid	(41 098)	–	–	(41 098)
Dividends paid	(72 236)	–	–	(72 236)
Net cash flow from operating activities	26 873	40 832	(297)	67 408
Net cash flow from investing activities	104 714	(40 832)	–	63 882
Net cash flow from financing activities	(268 262)	–	–	(268 262)
Net movement in cash and cash equivalents	(136 675)	–	(297)	(136 972)
Effect of foreign exchange fluctuations	61	–	–	61
Net cash and cash equivalents at beginning of period	283 979	–	(2 121)	281 858
Net cash and cash equivalents at end of period	147 365	–	(2 418)	144 947

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. CORRECTION OF ERRORS continued

The impact of the restatements referred to in 17.1 and 17.2 are listed below continued:

Extract from condensed consolidated statements of cash flows continued

R'000	Audited year ended 30 June 2020 as previously reported	Correction of gift vouchers (17.2)	Restated year ended 30 June 2020
Cash flow from operating activities			
Operating profit before working capital changes	147 804	(4 236)	143 568
Working capital changes	29 945	4 420	34 365
Cash generated from operations	177 749	184	177 933
Interest income received	56 638	–	56 638
Interest expense paid	(4 721)	–	(4 721)
Tax paid	(53 410)	–	(53 410)
Dividends paid	(75 350)	–	(75 350)
Net cash flow from operating activities	100 906	184	101 090
Net cash flow from investing activities	56 497	–	56 497
Net cash flow from financing activities	(274 151)	–	(274 151)
Net movement in cash and cash equivalents	(116 748)	184	(116 564)
Effect of foreign exchange fluctuations	58	–	58
Net cash and cash equivalents at beginning of period	283 979	(2 121)	281 858
Net cash and cash equivalents at end of period	167 289	(1 937)	165 352

17.3 Reclassifications of revenue disclosure

Certain items of revenue disclosed in the condensed consolidated financial statements for the prior period ended 31 December 2019 were incorrectly allocated to the classifications of revenue required by *IFRS 15 – Revenue from Contracts with Customers*. In particular, distribution and rebate income were incorrectly disclosed as *sales-based royalties* instead of revenue *recognised at a point in time*, and *marketing supplier contributions* and revenue from *services rendered* were erroneously disclosed as revenue *recognised at a point in time* instead of revenue *recognised over time*. The revenue was correctly recognised in accordance with the provisions of *IFRS 15*, but incorrectly disclosed. Revenue disclosures in the audited financial statements for the years ended 30 June 2019 and 30 June 2020 were correctly classified.

The revenue note (refer note 4) in respect of the condensed consolidated financial statements for the period to 31 December 2019 has been restated to correctly disclose revenue allocated to the classifications as required by *IFRS 15*. The impact of the restatement is as follows:

Revenue

R'000	Unaudited six months ended 31 December 2019 as previously reported	Correction of error (17.3)	Restated unaudited six months ended 31 December 2019
Sales-based royalties	348 948	(33 960)	314 988
Distribution and rebate income	33 960	(33 960)	–
Ongoing franchise fee income	190 219	–	190 219
Marketing fund contributions	124 769	–	124 769
Recognised at a point in time	172 779	24 566	197 345
Sales of purchased and manufactured sauces	84 135	–	84 135
Retail company stores' sales	34 302	–	34 302
Distribution income	–	31 336	31 336
Sales of franchisee supplies	37 852	(25)	37 827
Sales of marketing materials	7 121	–	7 121
Marketing supplier contributions	4 158	(4 158)	–
Other sundry services rendered	5 211	(5 211)	–
Rebate income	–	2 624	2 624
Recognised over time	3 285	9 394	12 679
Initial franchise fee income	3 285	–	3 285
Services rendered	–	5 236	5 236
Marketing supplier contributions	–	4 158	4 158
Total revenue	525 012	–	525 012

The disaggregation of revenue by segment has similarly been adjusted and restated.

COMPANY INFORMATION

ADMINISTRATION

Incorporated in the Republic of South Africa

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

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DIRECTORS AT THE DATE OF THIS REPORT

Independent non-executive directors

Mr M Bosman (Chairman)
Ms C Fernandez (Lead Independent)
Prof S Zinn
Ms J Boggenpoel[1]
Ms L Molebatsi[1]
Mr A Parker[1]
Mr S Phillip[1]

Executive directors

Ms V Nichas (CEO)[2]
Ms C Teixeira (CFO)[3]
Mr K Robertson (COO)[1]
Mr S du Plessis (CMO)[1]

Transfer secretaries

Computershare Investor Services (Pty) Ltd

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Private Bax X9000, Saxonwold 2132

Telephone: +27 11 370 5000

External auditors

KPMG Inc.

Sponsor

Sasfin Capital (a member of the Sasfin Group)

Company secretary

Mr D Meyer[4]

Email: companysecretary@spurcorp.com

[1] Appointed with effect from 15 October 2020
[2] Appointed with effect from 1 January 2021
[3] Appointed with effect from 1 February 2021
[4] Appointed with effect from 1 March 2021

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