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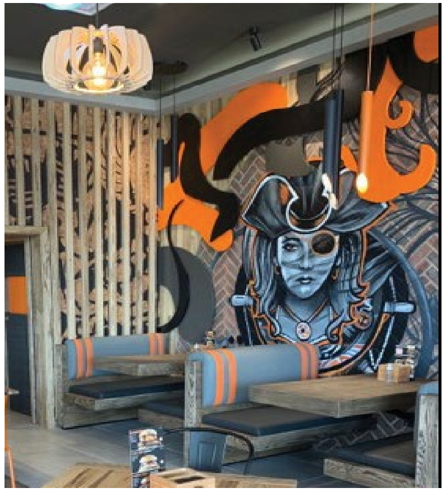
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021



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

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

HIGHLIGHTS

Franchised restaurant sales
+28.3%
to **R3.7bn**

Revenue
+40.3%
to **R440.7m**

Profit before income tax
+139.6%
to **R103.4m**

Comparable profit before income tax
+96.3%
to **R97.6m**

Earnings per share
+119.6%
to **70.18 cents**

Diluted earnings per share
+119.3%
to **69.92 cents**

Headline earnings per share
+119.3%
to **70.10 cents**

Diluted headline earnings per share
+119.1%
to **69.84 cents**

Interim dividend per share
49 cents

Cash generated from operations
R103.8m
(H1 2021: R29.5m)

Net asset value per share
+22.7%
to **R8.26**

Net gearing
Nil

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COMMENTARY ON RESULTS AND CASH DIVIDEND

INTRODUCTION

Spur Corporation is a leading casual dining restaurant franchise group of 627 outlets across South Africa, the rest of Africa, Mauritius and the Middle East. The group owns seven well-established and diverse brands, including one of South Africa's most iconic family restaurant brands, Spur Steak Ranches.

The virtual kitchen (VK) brands launched during the hard lockdown in 2020 have continued to gain traction. At the end of December 2021, 171 of the group's restaurants were participating in the VK brand offering.

The first Spur Drive Thru, which opened in Pretoria at the end of the previous financial year, has been well received by customers. Further potential sites have been identified which include two RocoMamas Drive Thrus that are currently being built. The group will continue to expand this convenient and lucrative channel to meet customer needs for their favourite meals through accessible channels.

The group's newest brand, Modrockers, is an innovative plant-based quick service restaurant. Based in Rosebank, Johannesburg, the restaurant is in the fourth month of its pilot phase and the group aims to capitalise on the growth and awareness of plant-based eating. In this early phase of the proof of concept, the youthful target market defined as 'flexitarians' are seeking a value meal with a greater purpose and have eagerly embraced Modrockers.

TRADING CONDITIONS

Franchised restaurant sales grew by 28.3% during the period compared to the six months to December 2020 ("previous comparable period"), when significant restrictions on sit-down trade were in place, and by 18.0% over the preceding six-month period ended 30 June 2021.

Trading conditions were in some months impacted by varying levels of COVID-19 restaurant trading restrictions. These challenging conditions were exacerbated by widespread civil unrest in specifically KwaZulu-Natal ("KZN") in the second week of July 2021.

Following the reduction in lockdown levels and easing of trading restrictions, customer counts in restaurants improved from August to December 2021, with strong trading in the fourth quarter of calendar 2021. As a result, the group's performance continued to recover in the first half of F2022.

The group continued to respond to the pandemic fuelled market conditions with resilience, focusing on everyday value and convenience solutions through takeaways, click and collect services and third-party deliveries. In addition, the close collaboration and partnership with the franchise network enabled several strategic initiatives to be implemented during the period, including supply chain improvements.

While some uncertainty still exists on the continued effects of the COVID-19 pandemic, the group demonstrated a pleasing recovery in trading performance, which is reflected in the financial results for the period.

RESTAURANT SALES

	Total restaurant sales growth (%)	
	6 months to Dec 2021 vs 6 months to Dec 2020	6 months to Dec 2021 vs 6 months to June 2021
Spur	32.6	17.7
Panarottis	33.4	17.4
John Dory's	31.5	14.3
RocoMamas	29.4	21.9
Speciality brands*	41.8	20.7
Total South Africa	32.6	18.1
Total International	(1.8)	17.7
Total group	28.3	18.0

* Speciality brands include The Hussar Grill, Casa Bella and Nikos

While the group reported a pleasing recovery for the period, group franchised restaurant turnovers for the period remain 9.5%^ behind pre-COVID 19 levels.

In South Africa, growth in volume was driven mainly by the Spur brand, which increased restaurant sales by 32.6%. Panarottis, John Dory's and RocoMamas all increased restaurant sales by a third and The Hussar Grill in the speciality portfolio increased by 45.0%. RocoMamas, with its fast casual hospitality and distinctive Smashburger range, remains poised to attract a high proportion of takeaway and delivery sales.

The group's core offering is casual dining and fast casual restaurants, with takeaways during the period representing 20% of the group's South African turnover. The top two contributing brands in terms of percentage of takeaways to total sales are RocoMamas (53%) and Panarottis (40%).

Convenience and online purchases continue to be driven by technology and touchless solutions, with click and collect being the most used form of takeaway orders, and Mr D second due to its larger national footprint, followed by Uber Eats.

International franchised restaurant sales declined by 1.8%. Based on a constant exchange rate, international restaurant sales were 4.7% higher. Sales in Australasia declined by 52.7%** as the group reduces its focus on the region, while sales from the rest of the international restaurants increased by 16.8%**. Mauritius experienced lengthy severe lockdowns and was impacted by global travel bans which resulted in a 9.0%** decline in turnover.

^ Six months ended 31 December 2021 versus six months ended 31 December 2019
** Based on a constant exchange rate

RESTAURANT FOOTPRINT

In South Africa, 16 restaurants were opened during the period, including seven RocoMamas, three Spur and two Panarottis restaurants. Pleasingly, the speciality brands have opened two new The Hussar Grill and two new Nikos restaurants in recent months. 10 local restaurants closed that were already marginal and could not sustain the current market conditions.

The group's international growth strategy is focused on areas in Africa where the brands resonate with local consumers, such as in Zambia, Namibia, Kenya and Mauritius.

During the period, four restaurants opened internationally in Zambia, Namibia and India and a total of seven international restaurants were closed.

The group continued to de-risk its presence in Australia and New Zealand, with only three remaining restaurants in this region.

	31 December 2021			30 June 2021		
Active agreements: franchised restaurants	**South Africa**	**International**	**Total**	South Africa	International	Total
Spur	296	32	328	296	34	330
Panarottis	82	30	112	84	29	113
John Dory's	49	2	51	49	3	52
RocoMamas	82	16	98	78	17	95
Speciality Brands	36	2	38	32	2	34
The Hussar Grill	22	2	24	20	2	22
Casa Bella	5	-	5	5	-	5
Nikos	9	-	9	7	-	7
Total	545	82	627	539	85	624

FINANCIAL PERFORMANCE

R'000	Unaudited six months ended 31 December 2021	Restated unaudited six months ended 31 December 2020	% change
South Africa			
External revenue	422 367	299 375	41.1
Profit before income tax	98 068	39 659	147.3
International			
External revenue	18 336	14 838	23.6
Profit before income tax	5 288	3 483	51.8
Group			
External revenue	440 703	314 213	40.3
Profit before income tax	103 356	43 142	139.6

Franchise and marketing fee concessions across all brands were notable in July 2021, to support loss of franchisees' sales as a result of the KZN unrest and the prohibition on sit-down trade in that month. Insurance proceeds were paid by insurers to franchisees following the unrest, and five of the nine stores have re-opened post looting. Support continues in sites that are still severely impacted by the COVID-19 restrictions, such as high-volume sites, casinos, resorts and airports. The turnover decline in airports was in excess of 40% which is attributed to the travel restrictions and reduced tourist traffic, specifically in regions like the Western Cape.

As trading conditions improved, the level of support required by franchisees was significantly lower than that required during the previous comparable period leading to a recovery of growth in group revenue and profit.

Higher sales in the five company-owned restaurants (+40.5%), increased sales from the manufacturing and distribution division (+14.0%) and improved restaurant turnovers combined with reduced discounting of franchise and marketing fee structures, contributed to group revenue increasing by 40.3% to R440.7 million (H1 2021: R314.2 million) and to profit before income tax increasing by 139.6% to R103.4 million (H1 2021: R43.1 million). Profit before tax in the South African operations was also impacted with the consolidation of net marketing contributions of R26.2 million (H1 2021: R7.7 million). Excluding the marketing fund surplus, profit before income tax in the South African operations increased by 124.7%.

The group has already seen good traction on its new supply chain strategy which is aimed at increasing volume in strategic categories to improve franchisee profitability while offering consumers a quality product at the best price. Supply chain initiatives include eliminating single use packaging, phasing out avoidable packaging and working with ethical and environmentally aware suppliers to procure responsibly. In addition to sustainable seafood procurement, the group has also centrally listed cage free eggs. The group continues to monitor its use of energy, water and waste to reduce these responsibly.

The cash related to the R14.8 million in COVID-19 business interruption insurance claims in the company-owned stores, recognised as earnings in the second half of the 2021 financial year, was received in the current period.

The prior period comparative was impacted by costs of R3.3 million related to a voluntary retrenchment programme as well as the present value of one-off employee benefit liabilities of R8.5 million.

The most material single once-off item in the current period is a charge against earnings of R22.034 million, previously paid to the South African Revenue Service (“SARS”), relating to a tax dispute in respect of which judgement was issued against the group, as reported on SENS in October 2021. Of this charge, R13.996 million is reflected as a tax expense and R8.038 million as a finance expense. The effective tax rate reduces from 40.3% to 24.9% excluding this adjustment. The group has no further legal recourse on this matter.

The current period’s results include a charge against earnings of R3.890 million relating to the contingent consideration receivable due on the purchase of 51% of the Nikos Coalgrill Greek business. During the current period, the group extended the period of the purchase price determination by 12 months. The contingent consideration receivable represents the present value of the estimated amount repayable by the sellers to the group following the finalisation of the financial performance of the business to July 2022.

The allowance for expected credit losses increased in line with increased trade receivables as operating activities improved in an environment of more relaxed COVID-19 trading restrictions, with a net charge against earnings of R7.868 million (H1 2021: net credit of R0.580 million). Probability of default and loss given default rates were consistent with those applied in previous periods with higher probability of default rates assigned to areas of risk such as Saudi Arabia.

In October 2021, the first tranche of long-term incentive awards was issued in terms of the new shareholder-approved schemes. A charge of R2.043 million is reflected in the current period relating to these new equity-settled share incentive schemes as well as the costs associated with the November 2018 and November 2019 tranches of equity-settled share awards granted in terms of the previous incentive schemes.

A net finance expense is reflected as a result of the charge of R8.038 million interest on the SARS matter referred to earlier. Finance income increased as a result of higher cash generated by the group.

In the international operations, profit before income tax increased to R5.288 million (H2 2021: R3.483 million) as a result of reduced losses in Australia, improved trading in the rest of Africa and a net surplus in international marketing funds.

Comparable profit before income tax, excluding once-off and unusual items such as those detailed above, as well as the impact of marketing funds, thus increased by 96.3%.

Headline earnings increased by 119.4% to R58.9 million, with diluted headline earnings per share 119.1% higher at 69.84 cents. Earnings increased by 119.7% to R59.0 million, with diluted earnings per share 119.3% higher at 69.92 cents.

The allocation of the group’s available capital remains a key focus area of, and requires the approval of, the board. Allocations are aligned to the group’s strategy and strategic priorities. The balance sheet remains ungeared with unrestricted cash of R259.1 million as at 31 December 2021.

CASH DIVIDEND

Shareholders are advised that the board of directors of the company has, on Tuesday, 22 February 2022, resolved to declare an interim cash dividend for the six months ended 31 December 2021 of R44.588 million, which equates to 49.0 cents per share for each of the 90 966 932 shares in issue, subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962), as amended (“dividend withholding tax”).

The dividend has been declared from income reserves. The dividend withholding tax is 20% and a net dividend of 39.2 cents per share will be paid to those shareholders who are not exempt from dividend withholding tax.

The company’s income tax reference number is 9695015033. The company has 90 966 932 shares in issue at the date of declaration.

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

Event	**Date**
Last day to trade “cum dividend”	Tuesday, 15 March 2022
Shares commence trading “ex dividend”	Wednesday, 16 March 2022
Record date	Friday, 18 March 2022
Payment date	Tuesday, 22 March 2022

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

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 March 2022 and Friday, 18 March 2022, both days inclusive.

OUTLOOK

Prohibitions on sit-down trade, restrictions on alcohol sales, limited trading hours and restaurant capacity restrictions, to varying degrees during the pandemic, have had marked consequences for the South African restaurant industry. The Restaurant Association of South Africa estimates that over 1 000 restaurants have closed since the onset of the pandemic. The restaurant franchising sector has also faced increases in operating costs resulting in a need to adjust staffing levels, reduce menu size, introduce value offerings and simplify operations to offset the increases in petrol, power and key food input costs. The recent increase in the minimum wage will continue to place pressure on restaurant business models especially while turnovers have not fully recovered.

According to Euromonitor, the Limited Services Restaurant Segment (which includes fast food, chained and independent restaurants) in South Africa has experienced a decline in sales of 27% since the onset of the pandemic.

The restaurant segment CAGR (compound annual growth rate) from 2021 to 2025 is projected at 4.5% (R39.3 billion sales), which offers a positive outlook and an opportunity for the group to leverage this projected growth.

COMMENTARY ON RESULTS AND CASH DIVIDEND continued

A review of the Deloitte Global State of the Consumer Tracker indicates that we may be expecting the reversal of a multi-decade trend. Post-pandemic activity, when benchmarked against pre-pandemic behaviour, indicates an implied expansion in 'Cook at Home', 'Buy Fresh Food', and 'Order Food for Take Away' due to consumers working more from home, consumers needing to monitor and manage reduced levels of disposable income and a personal preference to avoid large crowds.

The widespread changes in the trading environment and the shifting consumer trends provide opportunities for innovation for the group, including new meal solutions, expansion of restaurant formats and alternative trading channels.

New trends include the call for convenience in prepared or near-finished meals. Online and food delivery is expected to continue to grow. Health options will gain momentum as vegan, vegetarian and plant-based offerings increase. There remains a constant need for providing value and reward.

The group is currently rolling out a new network development strategy, the R8 model, that focuses on restaurant revamps, relocations and revival strategies to evolve the brand networks into leading experiences for customers. This will continue in the second half of the financial year across all brands in South Africa and internationally. The group is on track to achieve its previously reported plans to open 32 new restaurants in South Africa and seven internationally for the current financial year.

For and on behalf of the board

M Bosman
Independent non-executive chairman

V Nichas
Group chief executive officer

24 February 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2021

R'000		**Unaudited six months ended 31 December 2021**	Unaudited six months ended 31 December 2020	% change	Audited year ended 30 June 2021
Revenue	4	**440 703**	314 213	40.3	681 436
Cost of sales		**(94 155)**	(87 944)	7.1	(165 428)
Gross profit		**346 548**	226 269	53.2	516 008
Other income	5	**2 592**	2 049	26.5	27 071
Administration expenses		**(92 610)**	(82 781)	11.9	(155 540)
Impairment (losses)/reversal – financial instruments and lease receivable	6	**(7 868)**	580		2 523
Marketing expenses		**(74 142)**	(48 563)	52.7	(120 130)
Operations expenses		**(46 166)**	(43 074)	7.2	(93 189)
Other non-trading losses	6	**(3 890)**	(280)		(7 677)
Retail company-owned store expenses		**(16 183)**	(12 283)	31.8	(24 335)
Operating profit before net finance (expense)/income	6	**108 281**	41 917	158.3	144 731
Net finance (expense)/income		**(4 925)**	1 225	(502.0)	3 508
Interest income[1]		**5 413**	3 670		8 273
Interest expense[2]		**(10 338)**	(2 445)		(4 765)
Profit before income tax		**103 356**	43 142	139.6	148 239
Income tax expense[3]	7	**(41 690)**	(13 638)	205.7	(48 480)
Profit		**61 666**	29 504	109.0	99 759
Other comprehensive income[4]		**(750)**	(133)		14
Foreign currency translation differences for foreign operations		**(794)**	(232)		(80)
Foreign exchange gain on net investments in foreign operations		**49**	99		115
Current tax on foreign exchange gain on net investments in foreign subsidiaries		**(5)**	–		(21)
Total comprehensive income		**60 916**	29 371	107.4	99 773
Profit attributable to:					
Equity owners of the company		**58 952**	26 839	119.7	93 082
Non-controlling interests		**2 714**	2 665		6 677
Profit		**61 666**	29 504	109.0	99 759
Total comprehensive income attributable to:					
Equity owners of the company		**58 202**	26 706	117.9	93 096
Non-controlling interests		**2 714**	2 665		6 677
Total comprehensive income		**60 916**	29 371	107.4	99 773
Earnings per share (cents)					
Basic earnings	8	**70.18**	31.96	119.6	110.85
Diluted earnings	8	**69.92**	31.89	119.3	110.48

1 Interest income comprises interest revenue calculated using the effective interest method.

2 Interest expense includes interest on tax liabilities of R8.038 million (refer note 15.1), lease liabilities of R1.922 million (six months ended 31 December 2020: R2.419 million; year ended 30 June 2021: R4.441 million) and interest on employee benefits of R0.225 million (six months ended 31 December 2020: Rnil; year ended 30 June 2021: R0.302 million) (refer note 10).

3 Income tax expense for the current period includes R13.996 million of tax relating to the group's 2004-2009 share incentive scheme previously paid to SARS but disputed and charged against earnings in the period as a result of a judgement by the Supreme Court of Appeals in October 2021 (refer note 15.1). The year ended 30 June 2021 includes a charge of R4.110 million relating to withholding tax credits not deducted by franchisees on payments of franchise fees in foreign jurisdictions in prior years.

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

AS AT 31 DECEMBER 2021

R'000		**Unaudited as at 31 December 2021**	Unaudited as at 31 December 2020	Audited as at 30 June 2021
ASSETS				
Non-current assets		**502 374**	514 381	500 311
Property, plant and equipment[1]		**93 618**	97 697	93 957
Right-of-use assets[2]		**36 385**	41 141	36 002
Intangible assets and goodwill[3]		**365 052**	365 955	365 402
Loans receivable[4]		**618**	2 400	962
Deferred tax		**6 701**	7 188	3 988
Current assets		**429 494**	329 783	409 038
Inventories[5]		**18 619**	13 981	11 618
Tax receivable[6]		**4 218**	25 593	25 168
Trade and other receivables[7]		**116 458**	96 050	93 978
Loans receivable[4]		**849**	3 944	1 359
Contingent consideration receivable[8]		**274**	2 803	4 047
Restricted cash[9]		**30 005**	9 314	11 998
Cash and cash equivalents		**259 071**	178 098	260 870
TOTAL ASSETS		**931 868**	844 164	909 349
EQUITY				
Total equity		**694 707**	565 285	635 173
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		**28 276**	28 879	29 026
Share-based payments reserve	9	**3 982**	3 615	4 751
Retained earnings		**630 757**	502 497	568 890
Total equity attributable to owners of the company		**682 207**	554 183	621 859
Non-controlling interests		**12 500**	11 102	13 314
LIABILITIES				
Non-current liabilities		**109 548**	129 005	116 291
Employee benefits	10	**–**	5 569	2 304
Contract liabilities[10]		**25 680**	26 506	24 771
Lease liabilities[2, 11]		**34 596**	40 967	33 690
Deferred tax		**49 272**	55 963	55 526
Current liabilities		**127 613**	149 874	157 885
Tax payable[12]		**10 816**	2 737	6 772
Trade and other payables	11	**88 055**	60 540	60 922
Loans payable		**196**	196	196
Provision for lease obligation	12	**7 752**	–	7 175
Employee benefits	10	**6 829**	2 933	4 300
Contract liabilities[10]		**4 910**	5 535	4 749
Lease liabilities[2, 11]		**8 293**	11 676	7 514
Shareholders for dividend[13]		**762**	66 257	66 257
TOTAL EQUITY AND LIABILITIES		**931 868**	844 164	909 349

1 Property, plant and equipment comprises predominantly owner-occupied land and buildings, but includes plant and equipment relating to the group's corporate offices, manufacturing facilities and retail company-owned stores.

2 Right-of-use assets and related lease liabilities are in respect of primarily the group's Johannesburg corporate office and retail company-owned store premises, but includes the group's fleet of vehicles used by operations personnel.

3 Intangible assets and goodwill comprises predominantly the value of the Spur, Panarottis, John Dory's, The Hussar Grill, RocoMamas and Nikos trademarks and related intellectual property and goodwill relating to The Hussar Grill restaurant and franchise operations and RocoMamas franchise operations, but includes software licences.

4 Loans receivable at 31 December 2020 included a gross loan of R2.2 million (with a net carrying amount of R2.061 million after an allowance for expected credit losses) advanced to the group's former CEO, Pierre van Tonder. At 30 June 2021, the loan was offset against the payable to Mr Van Tonder in terms of a mutual separation agreement concluded between him and the group (refer note 10).

5 The increase in inventories relates primarily to the purchase of shop fitting inventory for specific export orders which had not been shipped at the reporting date.

6 Tax receivable as at 31 December 2020 and 30 June 2021 included payments of tax and interest related to the group's 2004-2009 share incentive scheme dispute with SARS (refer note 15.1) of R22.034 million. Tax receivable also includes an asset in respect of withholding tax credits of R3.835 million (31 December 2020: R4.382 million; 30 June 2021: R3.893 million) which are expected to be utilised within a reasonable period as a credit against foreign taxes payable.

7 Trade and other receivables comprise largely accruals for franchise fee and related income receivable in respect of the last month of the financial reporting period. The increase relative to December 2020 is due to restaurant sales in December 2021 being significantly higher than in December 2020, with the group's franchised restaurants operating under less stringent lockdown trading restrictions relative to the prior year. Due to the seasonal nature of the group's business, trade receivables are generally higher at December than June. The balance at 30 June 2021 included accruals of R14.773 million for business interruption insurance claims (refer footnote 4 to note 5).

8 The contingent consideration receivable relates to the purchase consideration of 51% of the Nikos Coalgrill Greek business acquired in August 2018. The total purchase consideration was initially calculated as five times earnings before interest tax and depreciation (EBITDA) 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 previously reflected the estimated amount repayable by the sellers to the group following the finalisation of the financial performance of the business to July 2021. During the current period, following the passing of one of the founders of the brand, and in consideration of the impact of COVID-19 on the business, the group extended the period of the purchase price determination by 12 months, such that the total purchase consideration is now calculated as five times EBITDA for the period August 2021 to July 2022. The contingent consideration receivable at 31 December 2021 accordingly represents the present value of the estimated amount repayable by the sellers to the group following the finalisation of the financial performance of the business to July 2022. Refer also note 16.1.

9 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 franchise businesses, as well as cash held in reserve to honour unredeemed gift vouchers.

10 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.

11 The reduction in lease liabilities as at 31 December 2021 and 30 June 2021 relative to 31 December 2020 relates primarily to the derecognition of a lease for a franchised restaurant in Australia, Apache Spur, in the amount of R7.012 million (refer note 12).

12 The increase in tax payable as at 31 December 2021 and 30 June 2021 relative to 31 December 2020 relates to accruals of foreign withholding tax payable (refer footnote 3 to the statement of profit or loss and other comprehensive income). The further increase at 31 December 2021 relative to 30 June 2021 relates to underestimated local provisional tax payments for the period.

13 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 resolved, in compliance with the Companies Act and the directors' fiduciary duties, to defer the payment of the dividend until future cash flows could be predicted with a greater confidence level. At its meeting on 22 September 2021, the board resolved to proceed with the payment of the interim 2020 dividend on 25 October 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2021

		Equity attributable to owners of the company								
R'000	Note	**Ordinary share capital**	**Share premium**	**Shares repurchased by subsidiaries**	**Foreign currency translation reserve**	**Share-based payments reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 July 2020		1	34 309	(15 118)	29 012	3 473	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	9	–	–	–	–	142	157	299	–	299
Balance at 31 December 2020		1	34 309	(15 118)	28 879	3 615	502 497	554 183	11 102	565 285
Total comprehensive income for the period		–	–	–	147	–	66 243	66 390	4 012	70 402
Profit		–	–	–	–	–	66 243	66 243	4 012	70 255
Other comprehensive income		–	–	–	147	–	–	147	–	147
Transactions with owners recorded directly in equity										
Contributions by and distributions to owners		–	–	–	–	1 136	150	1 286	(1 800)	(514)
Equity-settled share-based payment	9	–	–	–	–	1 136	150	1 286	–	1 286
Dividends		–	–	–	–	–	–	–	(1 800)	(1 800)
Balance at 30 June 2021		**1**	**34 309**	**(15 118)**	**29 026**	**4 751**	**568 890**	**621 859**	**13 314**	**635 173**
Total comprehensive income		**–**	**–**	**–**	**(750)**	**–**	**58 952**	**58 202**	**2 714**	**60 916**
Profit		**–**	**–**	**–**	**–**	**–**	**58 952**	**58 952**	**2 714**	**61 666**
Other comprehensive income		**–**	**–**	**–**	**(750)**	**–**	**–**	**(750)**	**–**	**(750)**
Transactions with owners recorded directly in equity										
Contributions by and distributions to owners		**–**	**–**	**–**	**–**	**(769)**	**2 915**	**2 146**	**(3 528)**	**(1 382)**
Equity-settled share-based payment	9	**–**	**–**	**–**	**–**	**2 043**	**103**	**2 146**	**–**	**2 146**
Transfer within equity on vesting of equity-settled share-based payment	9	**–**	**–**	**–**	**–**	**(2 812)**	**2 812**	**–**	**–**	**–**
Dividends		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3 528)**	**(3 528)**
Balance at 31 December 2021		**1**	**34 309**	**(15 118)**	**28 276**	**3 982**	**630 757**	**682 207**	**12 500**	**694 707**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2021

R'000		**Unaudited six months ended 31 December 2021**	Unaudited six months ended 31 December 2020	Audited year ended 30 June 2021
Cash flow from operating activities				
Operating profit before working capital changes	13	**122 440**	58 920	171 486
Working capital changes		**(18 607)**	(29 406)	(29 782)
Cash generated from operations		**103 833**	29 514	141 704
Interest income received		**5 413**	3 101	7 561
Interest expense paid[1]		**(2 075)**	(2 445)	(4 117)
Tax paid		**(33 510)**	(13 510)	(41 071)
Dividends paid		**(69 023)**[2]	–	(1 800)[3]
Net cash flow from operating activities		**4 638**	16 660	102 277
Cash flow from investing activities				
Additions of intangible assets		**(50)**	(1 056)	(1 119)
Additions of property, plant and equipment		**(4 250)**	(1 318)	(1 935)
Loans receivable advanced		**–**	(815)	–
Proceeds from disposal of property, plant and equipment		**114**	545	131
Repayment of loans receivable		**1 355**	1 799	3 307
Net cash flow from investing activities		**(2 831)**	(845)	384
Cash flow from financing activities				
Payment of lease liabilities		**(3 701)**	(3 065)	(7 088)
Net cash flow from financing activities		**(3 701)**	(3 065)	(7 088)
Net movement in cash and cash equivalents		**(1 894)**	12 750	95 573
Effect of foreign exchange fluctuations		**95**	(4)	(55)
Net cash and cash equivalents at beginning of period		**260 870**	165 352	165 352
Net cash and cash equivalents at end of period		**259 071**	178 098	260 870

[1] Includes interest on lease liabilities of R1.922 million (six months ended 31 December 2020: R2.419 million net of R0.286 million in respect of sublease not settled in cash; year ended 30 June 2021: R4.441 million net of interest of R0.346 million in respect of sublease not settled in cash). Excludes SARS interest of R8.038 million which was settled in cash in previous years (refer note 15.1).

[2] Refer footnote 13 of statement of financial position.

[3] The dividend paid in the year to 30 June 2021 relates to dividends paid by a subsidiary company to non-controlling interests.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 31 December 2021 (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 (No. 71 of 2008 amended). The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by *IAS 34 – Interim Financial Reporting*. The accounting policies applied in the preparation of the condensed 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 2021. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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 (refer note 2). The condensed financial statements have been prepared on the historical cost basis except in the case of the contingent consideration receivable which is measured at fair value.

The condensed financial statements were prepared under the supervision of the group chief financial officer, Cristina Teixeira CA(SA), and authorised for issue by the directors on Tuesday, 22 February 2022.
The condensed financial statements were published on Thursday, 24 February 2022.

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. In an attempt to curb the spread of the virus, the South African government imposed various trading restrictions (which impacted on restaurant businesses) in South Africa from 27 March 2020. A general correlation exists between economic activity and the severity of the lockdown restrictions in place at any point in time, and the commensurate level of trading within the group's franchise network. The trading restrictions have had a severe impact on the South African economy and continue to impact on employment, discretionary income, consumer confidence and the ability of the group's target market to frequent restaurants. This has had a direct impact on the group's independently owned franchises and, as a consequence, the group's business and financial performance.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

2. IMPACT OF COVID-19 AND GOING CONCERN continued

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

27 March 2020 to 30 April 2020 (first wave)	Complete prohibition on trading
1 May 2020 to 31 May 2020	Trading for delivery business only
1 June 2020 to 28 June 2020	Trading for delivery and collection business only
29 June 2020	Sit-down trade recommenced, subject to strict social distancing protocols (including capacity limitations)
18 August 2020	Resumption of alcohol sales in restaurants permitted
20 September 2020	Lockdown level reduced to level 1; restaurants still subject to social distancing protocols
29 December 2020 to 31 January 2021 (second wave)	Lockdown level 3 re-imposed; sale of alcohol prohibited; capacity restricted to lower of 50% capacity or 50 people; beaches closed in designated hot spots; trading time limited to 20:00
1 February 2021	Trading time extended to 22:00; resumption of alcohol sales permitted
1 March 2021	Lockdown level reduced to level 1; trading time extended to 23:00; capacity restricted to 100 people, subject to social distancing protocols
15 June 2021	Lockdown level 3 re-imposed; trading time limited to 21:00; capacity restricted to lower of 50% capacity or 50 people
28 June 2021 to 25 July 2021 (third wave)	Lockdown level 4 re-imposed; sit-down trade prohibited; trading time limited to 20:00
26 July 2021	Lockdown level reduced to level 3; sit-down trade permitted subject to capacity restrictions (lower of 50% capacity or 50 people); trading time extended to 21:00
13 September 2021	Lockdown level reduced to level 2; capacity limited to 250 people observing social distancing requirements (or 50% of capacity if venue cannot accommodate 250 people); trading time extended to 22:00
1 October 2021	Lockdown level reduced to level 1; trading time extended to 23:00; capacity limitations increased to lower of 50% of capacity or 750 people
31 December 2021	Curfew scrapped; capacity limitations increased to lower of 50% of capacity or 1 000 people

While the fourth wave commenced in South Africa in December 2021, more stringent lockdown restrictions were not implemented in South Africa.

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

2.1 The impact on the group

The group discounted its franchise and marketing fund contribution fee structures for certain periods in response to the various lockdown levels in an effort to assist franchisees' cash flow.

The combined impact of changes in restaurant sales and the temporarily revised franchise and marketing fund contribution fee rates has resulted in a 'multiplier effect' on the group's revenue (franchise and marketing fund contribution fee revenue).

Most of the group's revenue is either directly or indirectly linked to restaurant sales. The group has therefore seen commensurate changes in revenue earned on the sales of sauces and peripheral supplies through its manufacturing division, as well as distribution income revenue earned on the sales of restaurant supplies through the group's outsourced distributor, as franchised restaurant sales have been affected by changes in the trading restrictions imposed.

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 (and non-executive directors' fees) commensurately across the board by 20%* with effect from 1 June 2020 to 30 September 2020;
- implemented a voluntary retrenchment program locally during the prior year: 15 employees accepted the voluntary retrenchment offer which comprised a severance payment of two weeks' salary for each completed year of service. A further post was made redundant in the Australian operations. The aggregate cost of the retrenchments in the prior financial year was R3.9 million; and
- suspended its short-term profit share and thirteenth cheque bonus schemes in June 2020. The board subsequently authorised an *ex gratia* payment of a half month's salary to all employees in December 2020, the cost of which is included in the previous financial year. No short-term profit share incentives were payable for the 2021 financial year, although an accrual was made in the year ended 30 June 2021 for a half month's thirteenth cheque. The board subsequently authorised an *ex gratia* payment pool equivalent to a full month's salary bill which was allocated and paid to all employees in December 2021, based on individual performance, which has been expensed in the six month period ended 31 December 2021 (net of the reversal of the accrual raised in the prior year). A new short-term incentive scheme was implemented in respect of the financial year ending 30 June 2022.

All other discretionary costs were reduced to the extent possible, without having a negative impact on the group's operations. Certain suspended projects have recommenced in the current reporting period.

The group deferred payment of the interim 2020 dividend declared on 26 February 2020. This dividend was settled on 25 October 2021.

The group's retail company-owned stores have also been impacted by the trading restrictions and experienced a significant decline in profitability relative to pre-COVID-19 times. During the current period, the group received business interruption insurance proceeds in the amount of R14.773 million as compensation for COVID-19-related loss of profits attributable to the group's retail company-owned stores for the period from April 2020 to March 2021, which were accrued for in the 2021 financial year.

* 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.

2. IMPACT OF COVID-19 AND GOING CONCERN continued

2.1 The impact on the group continued

The tables below provide details on trading performance and fees during the respective reporting periods.

Following the initial hard lockdown during which trade was prohibited, the vast majority of the group's restaurants have recommenced trading.

Franchised restaurant sales as a percentage of corresponding month in pre-COVID-19 year

%	July 2020*	Aug 2020*	Sept 2020*	Oct 2020*	Nov 2020*	Dec 2020*
Spur	34.6	56.2	72.1	93.9	79.8	74.4
Panarottis[@]	34.5	53.3	66.7	91.7	77.5	72.2
John Dory's	24.8	45.1	66.5	78.9	72.9	68.3
RocoMamas	66.5	78.6	86.5	103.7	86.4	87.0
Speciality brands[@]	22.4	41.9	78.9	78.0	66.2	60.8
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

%	**July 2021*[#]**	**Aug 2021***	**Sept 2021***	**Oct 2021***	**Nov 2021***	**Dec 2021***
Spur	**54.0**	**85.0**	**96.5**	**121.9**	**94.5**	**95.5**
Panarottis	**59.2**	**81.8**	**88.9**	**118.8**	**91.3**	**90.3**
John Dory's	**40.4**	**70.8**	**85.4**	**104.4**	**84.8**	**85.2**
RocoMamas	**89.5**	**99.3**	**108.2**	**137.7**	**111.1**	**112.8**
Speciality brands	**30.8**	**74.7**	**97.9**	**106.6**	**93.4**	**87.9**
Total South Africa	**56.0**	**84.6**	**96.2**	**121.1**	**95.1**	**95.4**
International	**73.5**	**72.5**	**83.0**	**92.3**	**79.4**	**92.2**
Total group	**58.0**	**83.2**	**94.9**	**117.9**	**93.5**	**95.1**

* Relative to corresponding month in the 2019 calendar year.
[#] July 2021 was negatively impacted by the prohibition of sit-down trade for the month and the civil unrest experienced in KwaZulu-Natal and Gauteng. The civil unrest resulted in nine franchised restaurants being looted and vandalised, with damages totalling approximately R30 million.
[@] Brand information for the prior period has been restated in line with the change in the composition of reporting segments during the current period as referred to in note 3.

Base franchise fee (FF) and marketing fund contribution fee (MF) (percentage of restaurant turnover charged per month)

% FF:MF	Standard	July 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020
Spur[^]	5.0 : 4.0	3.0 : 1.0	3.0 : 1.0	4.0 : 2.0	4.0 : 3.0	4.5 : 3.5	4.5 : 3.5
Panarottis[^]	5.0 : 4.0	3.0 : 1.0	3.0 : 1.0	3.5 : 1.5	4.0 : 2.0	4.0 : 2.5	4.0 : 2.5
John Dory's	5.0 : 4.0	3.0 : 1.0	3.0 : 1.0	3.5 : 1.5	3.5 : 2.0	4.0 : 2.5	4.0 : 3.0
RocoMamas[^]	5.0 : 2.0	3.0 : 1.0	3.5 : 1.5	4.5 : 1.5	4.5 : 1.5	5.0 : 2.0	5.0 : 2.0
Speciality brands	4.0 : 1.0	3.0 : 1.0	3.0 : 1.0	3.5 : 1.0	4.0 : 1.0	4.0 : 1.0	4.0 :1.0
The Hussar Grill	5.0 : 2.0	3.0 : 1.0	3.0 : 1.0	3.5 : 1.5	4.5 : 1.5	4.5 : 1.5	4.5 : 1.5
Casa Bella	4.0 : 1.0	3.0 : 1.0	3.0 : 1.0	3.5 : 1.0	4.0 : 1.0	4.0 : 1.0	4.0 :1.0
Nikos	5.0 : 2.0	3.0 : 1.0	3.0 : 1.0	3.5 : 2.0	3.5 : 2.0	4.0 : 2.0	4.0 : 2.0

% FF:MF	Standard	Jan 2021	Feb 2021	Mar – Jun 2021[%]	**July 2021[&]**	**Aug – Dec 2021[%]**
Spur[^]	5.0 : 4.0	3.5 : 2.5	4.0 : 3.0		**3.0 : 1.0**	
Panarottis[^]	5.0 : 4.0	3.5 : 2.5	3.5 : 2.5		**3.0 : 1.0**	
John Dory's	5.0 : 4.0	3.5 : 2.5	3.5 : 2.5		**3.0 : 1.0**	
RocoMamas[^]	5.0 : 2.0	4.5 : 1.5	5.0 : 2.0		**3.0 : 1.0**	
Speciality brands						
The Hussar Grill	5.0 : 2.0	4.5 : 1.5	4.5 : 1.5		**3.0 : 1.0**	
Casa Bella	4.0 : 1.0	2.0 : 1.0	2.0 : 1.0		**3.0 : 1.0**	
Nikos	5.0 : 2.0	3.0 : 1.5	3.0 : 1.5		**3.0 : 1.0**	

The recovery trajectory has been positive, although, for the most part, restaurant turnovers remain slightly behind pre-COVID-19 levels in nominal terms.

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

While the group consumed cash during the initial hard lockdown and the months up to September 2020, the group has been able to recover this lost cash and generate further cash, despite the impact of the second, third and fourth waves of the pandemic. This has demonstrated the relative resilience of the group.

The prevalence of new variants of the virus and the relatively high level of reluctance to vaccinate within the population are continuing causes for concern that further waves of the pandemic are likely. While the most recent Omicron variant appears to have been relatively mild, the severity of future variants is unknown. The risk therefore remains of further disruption to restaurant trade in the coming months and years, with the possibility of a commensurate negative financial impact on the group. The board therefore deems it appropriate to continue to manage cash reserves conservatively.

The South African government's response to future waves is uncertain, but the recent precedents set by Government indicate that a hard lockdown is unlikely to recur. Given the group's recovery trajectory to date and based on the impact of the various past waves of the pandemic on trading performance and cash generation, the board has assessed that the group's current cash resources will be sufficient to meet the group's financial obligations for a period of at least 12 months from the date of this report notwithstanding the adverse effects of all likely future scenarios which may materialise during this period. In addition, the group remains ungeared. On this basis, 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.

[^] Refers only to the main brand variant of each segment; the smaller brand variants are not material.
[%] Standard fees were reinstated for these periods.
[&] The July 2021 base fees were reduced in response to the prohibition of sit-down trade for the month of July 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

3. OPERATING SEGMENTS

R'000	Unaudited six months ended 31 December 2021	Restated unaudited six months ended 31 December 2020*	% change	Restated year ended 30 June 2021*
External revenue				
South Africa				
Franchise	**156 611**	102 353	53.0	230 539
Spur	**109 211**	70 013	56.0	158 978
Panarottis	**14 496**	9 630	50.5	21 575
John Dory's	**8 489**	5 472	55.1	12 322
RocoMamas	**18 780**	13 525	38.9	29 475
Speciality brands	**5 635**	3 713	51.8	8 189
Manufacturing and distribution	**111 108**	97 471	14.0	194 251
Retail company-owned stores	**27 620**	19 657	40.5	41 376
Marketing	**112 638**	65 936	70.8	165 487
Other segments	**14 186**	12 786	10.9	20 037
Total South African segments	**422 163**	298 203	41.6	651 690
Shared services	**204**	1 172	(82.6)	907
Total South Africa	**422 367**	299 375	41.1	652 597
International				
Australasia	**318**	944	(66.3)	1 709
Rest of Africa and Middle East	**15 408**	12 234	25.9	23 387
Marketing	**2 610**	1 660	57.2	3 743
Total International	**18 336**	14 838	23.6	28 839
Total external revenue	**440 703**	314 213	40.3	681 436

* 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. Following a restructure of the business and responsibilities of certain brand chief operating officers during the period, the financial information reviewed by the CODM has been reconfigured during the current period and segmental information has been updated accordingly. The following changes were made:
- A new segment has been created, 'Franchise - Speciality brands'.
- Casa Bella was previously reported with Panarottis as a single segment and is now reported under Speciality brands.
- The Hussar Grill and Nikos were both previously reported separately and are now reported under Speciality brands.
- Expenses of the group's procurement department were previously reported under Shared services and are now reported under Manufacturing and distribution (where the related distribution and rebate revenue was previously, and continues to be, included).

Accordingly, the group has restated the previously reported segment information for the six months ended 31 December 2020 and year ended 30 June 2021.

R'000	Note	Unaudited six months ended 31 December 2021	Restated unaudited six months ended 31 December 2020*	% change	Restated year ended 30 June 2021*
Profit/(loss) before income tax					
South Africa					
Franchise		**117 640**	68 976	70.6	156 816
Spur		**90 365**	53 305	69.5	120 049
Panarottis		**7 950**	3 401	133.8	9 665
John Dory's		**2 696**	623	332.7	1 808
RocoMamas		**13 340**	9 813	35.9	21 278
Speciality brands		**3 289**	1 834	79.3	4 016
Manufacturing and distribution		**35 527**	25 994	36.7	56 610
Retail company-owned stores	a	**(1 021)**	(1 866)	45.3	11 725
Marketing	b	**26 198**	7 677	241.3	24 300
Other segments	c	**(3 662)**	(3 015)	(21.5)	(7 074)
Total South African segments		**174 682**	97 766	78.7	242 377
Shared services	d	**(76 614)**	(58 107)	(31.8)	(99 150)
Total South Africa		**98 068**	39 659	147.3	143 227
International					
Australasia	e	**(125)**	(569)	78.0	(1 543)
Rest of Africa and Middle East		**8 676**	7 636	13.6	12 376
Marketing		**721**	(667)	208.1	(366)
Total international segments		**9 272**	6 400	44.9	10 467
Shared services	f	**(3 984)**	(2 917)	(36.6)	(5 455)
Total International		**5 288**	3 483	51.8	5 012
Profit before income tax		**103 356**	43 142	139.6	148 239

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

3. OPERATING SEGMENTS continued

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 (Panarottis Pizza Pasta)
- John Dory's (John Dory's Fish Grill Sushi)
- RocoMamas (including RocoGo)
- Speciality brands (The Hussar Grill, Casa Bella and Nikos Coalgrill Greek)

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

South Africa: Retail company-owned stores
- Four company-owned The Hussar Grill restaurants, operating in Camps Bay, Rondebosch and Mouille Point in the Western Cape and Morningside in Gauteng; a RocoMamas restaurant in Green Point in the Western Cape and a pilot proof of concept, ModRockers, in Rosebank in Gauteng

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 year. 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 segments
- 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

International: Rest of Africa and Middle East
- Franchise operations in the rest of Africa (including Mauritius), India and the Middle East. Rest of Africa comprises the majority of the segment. 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 2 of this report. The notes below provide additional quantitative information on specific items that have impacted on the financial performance of each segment.

a) South Africa Retail company-owned stores

Profit for the year to 30 June 2021 included business interruption insurance proceeds of R14.773 million as compensation for COVID-19-related loss of profits for the period from April 2020 to March 2021; an accrual of R0.583 million was raised in respect of rental rebates which are refundable to landlords as a result of the insurance claims. The loss for the current period includes penalties and interest of R0.500 million in respect of underpayment of provisional tax relating to the financial year ended 30 June 2021, which arose following the receipt of the aforementioned insurance proceeds subsequent to the end of the 2021 financial year.

b) South Africa Marketing

Profit for the period includes impairment allowance for expected credit losses of R0.957 million (six months ended 31 December 2020: R0.717 million; year ended 30 June 2021: R0.234 million).

c) South Africa Other segments

Loss for the prior period to 31 December 2020 and year to 30 June 2021 includes retrenchments costs of R0.515 million as part of the group's austerity measures implemented in response to COVID-19.

3. OPERATING SEGMENTS continued

Notes continued

d) South Africa Shared services

R'000	**Unaudited six months ended 31 December 2021**	Restated unaudited six months ended 31 December 2020*	Restated year ended 30 June 2021*
The segment loss includes:			
Marketing fund administration cost recoveries (intersegment)[1]	**7 587**	5 532	13 943
Interest expense on SARS dispute (refer note 15.1)	**(8 038)**	–	–
Interest expense on employee liability (refer note 10)	**(225)**	–	(302)
Other net finance income	**4 959**	3 477	7 755
Impairment (loss)/reversal – net expected credit losses on financial instruments (refer footnote 2 of note 6)	**(5 038)**	373	2 283
Equity-settled share-based payment charge (refer note 9)	**(2 043)**	(142)	(1 278)
Contingent consideration fair value adjustment[2]	**(3 890)**	(280)	901
Retrenchment costs[3]	**–**	(2 524)	(2 824)
Retirement benefit (excluding interest) (refer note 10)	**–**	(8 502)	(8 502)
Loss (before net finance income) of The Spur Foundation Trust, all of which is attributable to non-controlling interests	**(642)**	(168)	(416)
Non-executive directors' fees (including VAT where applicable)[4]	**(2 731)**	(5 202)	(7 917)

[1] The group recovers certain of the costs of administering the marketing funds on behalf of franchisees from the marketing funds. The administration cost recovery is determined as a percentage of the marketing fund contribution revenue earned by the marketing funds.

[2] Refer footnote 8 to the statement of financial position.

[3] Retrenchment costs in the prior periods relate to the voluntary retrenchment of employees as part of the group's austerity measures implemented in response to COVID-19.

[4] Non-executive directors' fees for the current period include R0.161 million (six months ended 31 December 2020: R2.616 million; year ended 30 June 2021: R2.757 million) (including VAT where applicable) in fees for additional assignments, as approved by shareholders at the annual general meeting.

* Refer asterisk on page 18.

R'000	**Unaudited six months ended 31 December 2021**	Restated unaudited six months ended 31 December 2020*	Restated year ended 30 June 2021*
e) Australasia			
The segment loss includes:			
Impairment reversal – expected and actual credit losses on financial instruments	**69**	676	190
Impairment reversal – expected and actual credit losses on lease receivable and Apache lease deposit (refer note 12)	**–**	315	314
Provision for lease obligation net of gain on derecognition of lease liability on early termination of lease relating to Apache Spur (refer note 12)	**–**	–	(665)
Retrenchment costs	**–**	(276)	(550)
f) International Shared services			
The segment loss includes:			
Impairment (loss)/reversal – net expected credit losses on financial instruments (refer footnote 2 of note 6)	**(1 673)**	78	370
Foreign exchange gain/(loss)	**440**	(178)	(732)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

4. REVENUE

R'000	**Unaudited six months ended 31 December 2021**	Unaudited six months ended 31 December 2020	Audited year ended 30 June 2021
Sales-based royalties	**274 954**	169 738	395 649
Ongoing franchise fee income	**167 968**	110 521	247 495
Marketing fund contributions	**106 986**	59 217	148 154
Recognised at a point in time	**153 885**	132 479	259 029
Sales of purchased and manufactured sauces	**82 010**	76 287	148 921
Retail company-owned stores' sales	**27 620**	19 657	41 376
Distribution income	**26 638**	19 788	41 572
Sales of franchisee supplies	**11 100**	11 969	15 569
Sales of marketing materials	**3 780**	3 249	7 391
Rebate income	**2 737**	1 529	4 200
Recognised over time	**11 864**	11 996	26 758
Initial franchise fee income	**3 853**	4 795	7 356
Services rendered	**3 513**	2 064	5 586
Marketing supplier contributions	**4 498**	5 137	13 816
Total external revenue	**440 703**	314 213	681 436

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

R'000	**Sales-based royalties**	**Recognised at a point in time**	**Recognised over time**	**Total**
Unaudited six months ended 31 December 2021				
South Africa				
Franchise	**154 394**	**127**	**2 090**	**156 611**
Spur	**108 326**	**–**	**885**	**109 211**
Panarottis	**14 046**	**127**	**323**	**14 496**
John Dory's	**8 311**	**–**	**178**	**8 489**
RocoMamas	**18 180**	**–**	**600**	**18 780**
Speciality brands	**5 531**	**–**	**104**	**5 635**
Manufacturing and distribution	**–**	**111 108**	**–**	**111 108**
Retail company-owned stores	**–**	**27 620**	**–**	**27 620**
Marketing	**104 376**	**3 780**	**4 482**	**112 638**
Other South Africa	**–**	**10 768**	**3 418**	**14 186**
Total South African segments	**258 770**	**153 403**	**9 990**	**422 163**
Shared services	**–**	**204**	**–**	**204**
Total South Africa	**258 770**	**153 607**	**9 990**	**422 367**
International				
Australasia	**254**	**–**	**64**	**318**
Rest of Africa and Middle East	**13 320**	**278**	**1 810**	**15 408**
Marketing	**2 610**	**–**	**–**	**2 610**
Total International	**16 184**	**278**	**1 874**	**18 336**
Total external revenue	**274 954**	**153 885**	**11 864**	**440 703**

R'000	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
Restated unaudited six months ended 31 December 2020*				
South Africa				
Franchise	99 003	75	3 275	102 353
Spur	68 504	–	1 509	70 013
Panarottis	9 101	75	454	9 630
John Dory's	5 233	–	239	5 472
RocoMamas	12 752	–	773	13 525
Speciality brands	3 413	–	300	3 713
Manufacturing and distribution	–	97 471	–	97 471
Retail company-owned stores	–	19 657	–	19 657
Marketing	57 557	3 249	5 130	65 936
Other South Africa	–	10 722	2 064	12 786
Total South African segments	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 year ended 30 June 2021*				
South Africa				
Franchise	224 822	141	5 576	230 539
Spur	156 624	–	2 354	158 978
Panarottis	20 532	141	902	21 575
John Dory's	11 844	–	478	12 322
RocoMamas	28 130	–	1 345	29 475
Speciality brands	7 692	–	497	8 189
Manufacturing and distribution	–	194 251	–	194 251
Retail company-owned stores	–	41 376	–	41 376
Marketing	144 411	7 391	13 685	165 487
Other South Africa	–	14 521	5 516	20 037
Total South African segments	369 233	257 680	24 777	651 690
Shared services	–	907	–	907
Total South Africa	369 233	258 587	24 777	652 597
International				
Australasia	1 305	–	404	1 709
Rest of Africa and Middle East	21 368	442	1 577	23 387
Marketing	3 743	–	–	3 743
Total International	26 416	442	1 981	28 839
Total external revenue	395 649	259 029	26 758	681 436

* Segmental information has been restated in line with the change in the composition of reporting segments as referred to in note 3.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

5. OTHER INCOME

R'000	**Unaudited six months ended 31 December 2021**	Unaudited six months ended 31 December 2020	Audited year ended 30 June 2021
Expired gift vouchers[1]	**1 012**	561	2 249
Fair value gain on contingent consideration receivable	**–**	–	901
Foreign exchange gain	**438**	–	–
Gain on derecognition of lease	**–**	70	7 069
Derecognition of lease liabilities on early termination of leases[2]	**–**	2 482	9 845
Derecognition of right-of-use assets on early termination of leases[3]	**–**	(2 412)	(2 776)
Insured loss recoveries[4]	**–**	–	14 773
Profit on disposal of property, plant and equipment	**77**	5	131
Rental concession income	**380**	747	646
Spur Foundation donation income[5]	**510**	347	725
Other	**175**	319	577
Total other income	**2 592**	2 049	27 071

1 Expired gift vouchers relate to the value of gift vouchers sold to customers which have not been redeemed within a period of three years from date of issue. The validity period of three years is prescribed by local legislation.

2 Includes the early termination of leases for corporate offices as well as the early termination of the Apache Spur lease (refer note 12).

3 Comprises predominantly part of the property utilised for the group's Johannesburg corporate offices where the lease was terminated early.

4 Insured loss recoveries were business interruption insurance proceeds received (during the current period) as compensation for COVID-19-related loss of profits attributable to the group's retail company-owned stores for the period from April 2020 to March 2021, and accrued for in the prior year.

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

6. OPERATING PROFIT BEFORE NET FINANCE (EXPENSE)/INCOME

The following items have been taken into account in determining operating profit before net finance (expense)/income (other than those items disclosed in other income (refer note 5)):

R'000	**Unaudited six months ended 31 December 2021**	Unaudited six months ended 31 December 2020	Audited year ended 30 June 2021
Amortisation – intangible assets	**400**	354	970
Depreciation – property, plant and equipment	**4 552**	5 263	10 160
Depreciation – right-of-use assets	**5 349**	5 444	10 409
Employment costs	**112 142**	101 558	199 108
Salaries and wages	**110 099**	89 599	185 414
Retirement benefit (refer note 10)	**–**	8 502	8 502
Retrenchment costs[1]	**–**	3 315	3 914
Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 9)	**2 043**	142	1 278
Foreign exchange loss	**–**	171	724
Impairment losses/(reversal) – financial instruments and lease receivable	**7 868**	(580)	(2 523)
Trade receivables	**7 978**	(16)	(1 193)
Bad debts – trade receivables	**183**	136	838
Write off of lease deposit (refer note 12)	**–**	–	937
Movement in impairment allowance[2]	**7 795**	(152)	(2 968)
Loan receivables	**7**	(132)	101
Impairment allowance	**171**	208	881
Reversal of impairment allowance	**(164)**	(340)	(855)
Impairment allowance reversed against actual write-off of loans receivable	**–**	–	(4 000)
Write-off of loans receivable	**–**	–	4 075
Reversal of impairment of contingent consideration receivable	**(117)**	(117)	(180)
Lease receivable (refer note 12)	**–**	(315)	(1 251)
Reversal of impairment	**–**	(315)	–
Impairment allowance reversed against actual write-off of lease receivable	**–**	–	(8 263)
Write-off of lease receivable	**–**	–	7 012
Other non-trading losses	**3 890**	280	7 677
Fair value loss on contingent consideration liability (refer footnote 8 to the statement of financial position)	**3 890**	280	–
Provision for lease obligation (refer note 12)	**–**	–	7 677

1 Retrenchment costs relate to 15 posts for the six months ended 31 December 2020 and 16 posts for the year ended 30 June 2021 made redundant; the group implemented a voluntary retrenchment programme as part of its COVID-19 austerity measures.

2 The allowance for expected credit losses in the current year increased in line with increased trade receivables as operating activities improved in an environment of more relaxed COVID-19 trading restrictions. Probability of default and loss given default rates were consistent with those applied in previous periods. In addition, the group's franchisee in Saudi Arabia has defaulted on its debt to the group, and further allowances have accordingly been raised against these receivables (relating to unpaid franchise fees and export orders).

7. TAX RATE RECONCILIATION

%	**Unaudited six months ended 31 December 2021**	Unaudited six months ended 31 December 2020	Audited year ended 30 June 2021
South African corporate income tax rate	**28.0**	28.0	28.0
Non-deductible bad debts	**–**	–	0.8
Non-deductible interest and penalties[1]	**2.3**	–	–
Non-deductible listings related costs	**1.1**	4.3	2.1
Non-deductible marketing expenditure	**22.1**	33.5	23.4
Non-deductible provision for lease obligation	**–**	–	1.4
Non-deductible retrenchment costs	**–**	2.0	0.6
Non-deductible other expenditure (capital items and items not in production of income)	**0.6**	1.6	1.6
Non-deductible fair value loss/(non-taxable fair value gain) on contingent consideration receivable	**1.0**	0.2	(0.2)
Non-taxable gain on derecognition of lease liability	**–**	–	(1.3)
Non-taxable marketing income	**(29.2)**	(38.6)	(28.1)
Non-taxable other income	**–**	(1.1)	–
Non-taxable reversal of impairment allowance for expected credit losses	**–**	(0.2)	(0.8)
Prior year under/(over) provision[2]	**13.1**	(1.3)	2.6
Tax losses on which deferred tax asset not recognised	**0.1**	1.5	0.9
Tax losses utilised on which deferred tax not previously recognised	**–**	(0.1)	(0.1)
Tax on foreign attributed income not included in profit	**0.2**	–	–
Tax at rates other than corporate income tax rate	**(0.3)**	(0.7)	(0.2)
Tax rate change	**(0.1)**	–	–
Utilisation of withholding tax credits	**(0.2)**	–	–
Withholding taxes	**1.6**	2.5	2.0
Effective tax rate	**40.3**	31.6	32.7

The statutory rates of tax applicable to group entities in the Netherlands, Australia and Namibia are 25.8% (2021: 25.0%), 25% (2021: 26%) and 32% respectively. The tax rate in the Netherlands operates on a sliding scale.

1 Current period includes interest of R8.038 million relating to the 2004-2009 share incentive scheme SARS dispute (refer note 15.1).
2 Current period includes tax of R13.996 million relating to the 2004-2009 share incentive scheme SARS dispute (refer note 15.1).

8. EARNINGS PER SHARE

8.1 Statistics

’000	**Unaudited six months ended 31 December 2021**	Unaudited six months ended 31 December 2020	% change	Audited year ended 30 June 2021
Total shares in issue	**90 997**	90 997	–	90 997
Less: shares repurchased by wholly-owned subsidiary companies	**(412)**	(596)		(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	**84 152**	83 968	0.2	83 968
Weighted average number of shares in issue	**84 005**	83 968	0.0	83 968
Diluted weighted average number of shares in issue	**84 316**	84 170	0.2	84 253
Earnings per share (cents)				
Basic earnings	**70.18**	31.96	119.6	110.85
Diluted earnings	**69.92**	31.89	119.3	110.48
Headline earnings per share (cents)				
Basic headline earnings	**70.10**	31.96	119.3	110.74
Diluted headline earnings	**69.84**	31.88	119.1	110.37
Net asset value per share (rands)	**8.26**	6.73	22.7	7.56
Dividend per share (cents)[1]	**49.00**	–		–

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

8. EARNINGS PER SHARE continued

8.2 Reconciliation of weighted average number of shares in issue

'000	**Unaudited six months ended 31 December 2021**	Unaudited six months ended 31 December 2020	Audited year ended 30 June 2021
Gross shares in issue at beginning of period	**90 997**	90 997	90 997
Less: Cumulative shares repurchased by subsidiary companies and consolidated structured entities at beginning of period	**(7 029)**	(7 029)	(7 029)
Plus: Shares issued during the period weighted for period in issue (vested long-term share-linked incentive awards) (refer note 9)	**37**	–	–
Weighted average number of shares in issue for the period	**84 005**	83 968	83 968
Dilutive potential ordinary shares weighted for period outstanding (non-vested long-term share-linked incentive awards) (refer note 9)	**311**	202	285
Diluted weighted average number of shares in issue for the period	**84 316**	84 170	84 253

8.3 Reconciliation of headline earnings

R'000	**Unaudited six months ended 31 December 2021**	Unaudited six months ended 31 December 2020	% change	Audited year ended 30 June 2021
Profit attributable to equity owners of the company	**58 952**	26 839	119.7	93 082
Headline earnings adjustments:				
Profit on disposal of property, plant and equipment	**(77)**	(5)		(131)
Income tax impact of above adjustments	**14**	1		37
Headline earnings	**58 889**	26 835	119.4	92 988

9. SHARE-BASED PAYMENTS RESERVE/LONG-TERM INCENTIVES

R'000	**Unaudited as at 31 December 2021**	Unaudited as at 31 December 2020	Audited as at 30 June 2021
Balance at beginning of period	**4 751**	3 473	3 473
Share–based payments expense for the period	**2 043**	142	1 278
FSP – November 2018 tranche	**204**	506	1 004
FSP – November 2019 tranche	**434**	682	1 320
SAR – November 2019 tranche	**–**	(1 046)	(1 046)
FSP – October 2021 tranche	**281**	–	–
SAR – October 2021 tranche	**1 124**	–	–
Transfer to retained earnings on vesting of shares/rights	**(2 812)**	–	–
Balance at end of period	**3 982**	3 615	4 751
Comprising:			
FSP – November 2018 tranche	**–**	2 110	2 608
FSP – November 2019 tranche	**2 577**	1 505	2 143
FSP – October 2021 tranche	**281**	–	–
SAR – October 2021 tranche	**1 124**	–	–

	Unaudited as at 31 December 2021		Unaudited as at 31 December 2020	
Number of shares/rights in issue	**FSP shares**	**SAR rights**	FSP shares	SAR rights
Balance at beginning of period	**416 347**	**5 040 492**	422 347	6 050 224
Granted during the period	**263 507**	**2 409 745**	–	–
Forfeited during the period	**(32 000)**	**(2 878 713)**	(2 000)	(1 009 732)
Vested during the period	**(183 200)**	**–**	–	–
Balance at end of period	**464 654**	**4 571 524**	420 347	5 040 492
Comprising:				
November 2018 tranche	**–**	**–**	196 200	2 655 406
November 2019 tranche	**201 147**	**2 161 779**	224 147	2 385 086
October 2021 tranche	**263 507**	**2 409 745**	–	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

9. SHARE-BASED PAYMENTS RESERVE/LONG-TERM INCENTIVES continued

	Audited as at 30 June 2021	
Number of shares/rights in issue	FSP shares	SAR rights
Balance at beginning of year	422 347	6 050 224
Forfeited during the year	(6 000)	(1 009 732)
Balance at end of year	416 347	5 040 492
Comprising:		
November 2018 tranche	196 200	2 655 406
November 2019 tranche	220 147	2 385 086

The November 2018 and November 2019 tranches relate to two equity-settled share incentive schemes for managers and directors, approved by shareholders at the annual general meeting (AGM) of 4 December 2015: the Spur Group Forfeitable Share Plan (FSP) and Spur Group Share Appreciation Rights (SAR) Scheme. At the AGM of 23 December 2020, shareholders approved new equity-settled long-term incentive schemes. The October 2021 tranche of long-term incentive awards was issued in terms of these new schemes.

The terms of each tranche are as follows:

FSP	November 2018 tranche	November 2019 tranche	October 2021 tranche
Date of grant	26 November 2018	26 November 2019	7 October 2021
Number of shares awarded	209 800	231 787	263 507[1]
Initial vesting date	25 November 2021	25 November 2022	7 October 2025[2]
Date from which shares may be traded	24 November 2023	22 November 2024	7 October 2025[2]
Service condition	3 years from grant date	3 years from grant date	4 years from grant date[2]
Performance conditions	Personal performance	Personal performance	N/A[3]
Grant-date fair value per share (R)	15.35	18.29	18.10
Proportion of shares expected to vest as assessed at reporting date (based on number of employees expected to meet service condition) (%)	N/A	86.8	100.0
Number of shares that vested	183 200	N/A	N/A

1 The number of FSP shares awarded in respect of the October 2021 tranche is calculated with reference to the participants' short-term incentive (STI) payments relating to the financial year ending 30 June 2022. The shares are therefore contingently issuable upon the determination of the STI. The number of shares included is an estimate based on expected STI payments for the 2022 financial year, and is subject to change.

2 The initial vesting date is three years from the date on which the final number of shares awarded is determined (i.e. only when the STI amount is finalised and paid). The date included is an estimate, and is subject to change, but in any event will not be later than 31 October 2025.

3 As the October 2021 tranche of FSPs is awarded (and the actual number of shares determined) based on the group's STI (which incorporates performance conditions), no further performance conditions apply.

The November 2018 and November 2019 forfeitable shares awarded are held in escrow by Spur Group (Pty) Ltd until such time as the participants are free to trade in the shares. During the initial vesting period, participants have none of the rights ordinarily associated with shares (including voting rights, or the right to dividends). The shares held in escrow are accordingly not recognised as shares in issue, but instead as shares held in treasury, for the duration of the initial vesting period. During the period from the initial vesting date to when the shares may be traded by the participants, the participants are entitled to exercise voting rights that attach to the shares and are entitled to receive dividends on the shares.

The October 2021 forfeitable shares are contingently issuable shares determined with reference to the participants' short-term incentive (STI) payments calculated for the financial year ending 30 June 2022.

SAR	November 2018 tranche	November 2019 tranche	October 2021 tranche
Date of grant	26 November 2018	26 November 2019	7 October 2021
Number of rights awarded	3 189 176	2 899 115	2 409 745
Strike price per right (R)	23.13	27.01	19.14
Initial vesting date	25 November 2021	25 November 2022	7 October 2024
Date from which shares may be traded	24 November 2023	22 November 2024	Dependent on exercise date[4]
Service conditions	3 years from grant date	3 years from grant date	3 years from grant date
Performance conditions	Return on equity, growth in adjusted headline earnings per share and personal performance	Return on equity, growth in adjusted headline earnings per share and personal performance	Growth in adjusted headline earnings and adjusted headline earnings per share and personal performance[5]
Grant-date fair value per right (R)	4.91	5.96	8.48
Proportion of rights expected to vest as assessed at reporting date (based on number of employees expected to meet service condition) (%)	N/A	74.6	100.0
Proportion of rights expected to vest based on meeting of non-market performance conditions (%)	N/A	–	70.1
Number of rights that vested	–	N/A	N/A

4 In respect of the October 2021 tranche of SARs, participants will have a two-year period (starting from the initial vesting date) during which to exercise vested rights. Participants who are executive directors are required to hold the shares for a period of two years following the date that the SARs are exercised. Other participants are not subject to this restriction.

5 Performance conditions for participants who are executive directors include only the financial performance measures stipulated, although the participant must maintain a 'meets expectations' personal performance rating during the initial vesting period for the rights to vest. For all other participants, the performance conditions are split 50/50 between the financial performance measures stipulated and personal performance rating.

9. SHARE-BASED PAYMENTS RESERVE/LONG-TERM INCENTIVES continued

The value of each vested share appreciation right, determined as the difference between share price of the company's shares at the exercise date and the strike price, is to be settled by the issue of an equivalent number of full value shares at the exercise date. The November 2018 and November 2019 SARs are compulsorily exercisable on vesting date.

Performance conditions applicable to SARs:	November 2019 tranche Criteria	November 2019 tranche Vesting (%)	October 2021 tranche Criteria	October 2021 tranche Vesting (%)
Return on equity (%)	14.45 to 19.55	0 to 100	N/A	N/A
Adjusted headline earnings growth at compounded annual growth rate (%)	N/A	N/A	CPI+GDP to CPI+GDP+2	30 to 100
Adjusted headline earnings per share growth at compounded annual growth rate (%)	CPI to CPI+6	33 to 100	CPI+GDP to CPI+GDP+2	30 to 100

Fair value measurement

The grant-date fair values of the October 2021 tranche of FSP shares and SARs were determined at the grant date by an independent external professional financial instruments specialist using, in the case of the SARs, a Monte-Carlo pricing model and, in the case of the FSPs, the Black-Scholes European Call Option pricing model, based on the following assumptions:

	October 2021 tranche
Risk-free rate (based on R186 South African Government bond) (%)	7.1
Expected dividend yield (based on historic dividend yield over historic period equivalent to vesting period) (%)	3.7
Expected volatility (based on historic volatility over historic period equivalent to vesting period) (%)	40.0

Dilution

The FSP forfeitable shares granted resulted in 311 039 (six months ended 31 December 2020: 202 100; year ended 30 June 2021: 284 881) dilutive potential ordinary shares for the respective periods (refer note 8.2). As the performance conditions of the November 2019 SARs, as assessed at the reporting date, had not been met to result in any vesting of the rights, no adjustment has been made to the dilutive weighted average number of shares in issue in respect of these contingently issuable shares. In the case of the October 2021 SARs, while the performance conditions, as assessed at the reporting date, would have resulted in vesting, the rights are not dilutive as at the reporting date.

10. EMPLOYEE BENEFITS

R'000	**Unaudited as at 31 December 2021**	Unaudited as at 31 December 2020	Audited as at 30 June 2021
Retirement benefit payable to former director			
Balance at beginning of period	**6 604**	–	–
Accrual charged to profit or loss	**–**	8 502	8 502
Interest charged to profit or loss	**225**	–	302
Set off of loan to former director	**–**	–	(2 200)
Balance at end of period	**6 829**	8 502	6 604
Current portion included in current liabilities	**6 829**	2 933	4 300
Long-term portion included in non-current liabilities	**–**	5 569	2 304

In July 2020, the group concluded a mutual separation agreement (MSA) 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 was as group CEO. Mr Van Tonder's employment agreement provided for a six-month notice period and 24-month restraint of trade. The group accordingly agreed to pay Mr Van Tonder his 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, which was included in profit or loss for the prior year ended 30 June 2021.

In terms of the MSA, a further amount of R9.3 million (the equivalent of 18 months' guaranteed remuneration) was to be paid to Mr Van Tonder from July 2021 in 18 equal monthly instalments and was linked to Mr Van Tonder's compliance with his restraint, and other material, provisions of the MSA. An accrual equivalent to the present value of this amount was recognised in the prior financial year (on 31 December 2020). The group had previously advanced a loan to Mr Van Tonder, the outstanding balance of which, as at 30 June 2021, amounted to R2.2 million and was, in terms of the MSA, set off against the payments due to Mr Van Tonder by the company. Mr Van Tonder was entitled to retain any long-term share-linked incentive allocations granted to him as at the date the MSA was concluded. Mr Van Tonder passed away on 9 May 2021. Subsequent to Mr Van Tonder's passing, the enforceability of the MSA has been subject to legal review and negotiation with the executors of his estate, both of which have not been finalised as at the date of this report.

11. TRADE AND OTHER PAYABLES

R'000	**Unaudited as at 31 December 2021**	Unaudited as at 31 December 2020	Audited as at 30 June 2021
Trade payables	**41 500**	30 402	29 876
Income received in advance	**1 846**	1 051	1 857
Short-term employee benefits	**19 925**	8 378	13 043
Short-term incentives accrual	**12 259**	670	4 674
Leave pay accrual	**7 666**	7 708	8 369
VAT and other indirect taxes payable	**16 332**	11 203	8 817
Unredeemed gift vouchers	**7 609**	8 836	6 849
Other sundry payables	**843**	670	480
Total trade and other payables	**88 055**	60 540	60 922

Income received in advance comprises predominantly initial franchise fee receipts where the related franchise agreement has not been signed as at the reporting date.

The short-term incentives accrual as at 31 December 2021 includes a *pro rata* amount for all short-term incentive payments anticipated to be made in respect of the 2022 financial year. The group had previously suspended its short-term profit share incentive scheme as part of its COVID-19 austerity measures. Consequently, the accrual at 30 June 2021 related only to 50% of the thirteenth cheques that were expected to be paid to those employees in December 2021 who would traditionally have qualified for a thirteenth cheque.

VAT and trade payables have increased in line with the higher level of operating activity relative to the prior periods, given the less stringent COVID-19 trading restrictions in the current reporting period.

12. PROVISION FOR LEASE OBLIGATION

R'000	**Unaudited as at 31 December 2021**	Unaudited as at 31 December 2020	Audited as at 30 June 2021
Balance at beginning of period	**7 175**	–	–
Provision raised charged to profit or loss	**–**	–	7 677
Effect of foreign exchange fluctuations	**577**	–	(502)
Balance at end of period	**7 752**	–	7 175

Apache Spur Australia

The group had previously concluded a lease for a retail property for the Apache Spur in Australia, which it previously sublet to a franchisee in Australia. A lease liability and corresponding lease receivable were therefore recognised in respect of the head lease and sublease respectively. In terms of the sublease, the franchisee previously settled the lease payments directly to the landlord. Any reduction in the lease receivable arising from rental payments was previously recognised as a reduction in the corresponding lease liability. An impairment allowance for ECLs in respect of the full gross carrying amount of the lease receivable had been recognised in previous years.

During the prior year, the landlord terminated the head lease on 17 February 2021 due to non-payment by the sublessee who had commenced liquidation proceedings earlier during the 2021 financial year. The lease makes provision for the lessee continuing to be liable for the aggregate rental payments due for the remainder of the unexpired lease term, notwithstanding the cancellation, on demand, although the landlord has not taken formal legal action to recover these amounts from the group as at the date of this report. The extent of the liability is subject to the landlord mitigating its losses (including for example by reletting the premises). The premises remain vacant. The timing and amount of the potential cash outflows are uncertain as at the reporting date. In the prior year, following the cancellation of the lease by the landlord, the group derecognised the lease obligation and derecognised the lease receivable (reversing the allowance for ECLs); however, as a liability exists for the group to compensate the landlord for proven damages, a provision was raised for the full gross amounts due in terms of the lease from the date of termination to the expiration of the original lease.

13. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

R'000	**Unaudited six months ended 31 December 2021**	Unaudited six months ended 31 December 2020	Audited year ended 30 June 2021
Profit before income tax	**103 356**	43 142	148 239
Adjusted for:			
Amortisation – intangible assets	**400**	354	970
Depreciation	**9 901**	10 707	20 569
Fair value loss/(gain) on contingent consideration receivable	**3 890**	280	(901)
Foreign exchange loss (excluding losses/gains on intercompany accounts)	**65**	171	555
Foreign currency translations not disclosed elsewhere in the statement of cash flows	**380**	(792)	(1 396)
Impairment losses/(reversal) – financial instruments and lease receivable	**7 868**	(580)	(2 523)
Interest expense	**10 338**	2 445	4 765
Interest income	**(5 413)**	(3 670)	(8 273)
Gain on derecognition of lease	**–**	(70)	(7 069)
Marketing funds' aggregate surpluses allocated to restricted cash	**(17 189)**	(643)	(3 435)
Movement in bonus and leave pay accruals	**6 892**	1 808	7 313
Movement in contract liabilities	**366**	(2 124)	(4 008)
Provision for lease obligation	**–**	–	7 677
Profit on disposal of property, plant and equipment	**(77)**	(5)	(131)
Rental concession income	**(380)**	(747)	(646)
Retirement benefit accrued, but not paid	**–**	8 502	8 502
Share-based payments expense – equity-settled – long-term employee share incentive schemes	**2 043**	142	1 278
Operating profit before working capital changes	**122 440**	58 920	171 486

14. SUBSEQUENT EVENTS

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

14.1 Dividend declaration

On 22 February 2022, the board declared an interim cash dividend for the year ending 30 June 2022 of R44.588 million, which equates to 49.0 cents per share for each of the 90 966 932 shares in issue, payable on 22 March 2022.

15. CONTINGENT LIABILITIES

15.1 Income tax in respect of 2004-2009 share incentive scheme – resolved during the period

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. SARS appealed the ruling. The appeal was heard by the Supreme Court of Appeals (SCA) on 17 August 2021, with judgement handed down on 15 October 2021. The SCA upheld SARS' appeal, effectively ruling against Spur Group and issued its judgement against Spur Group. Consequently, the aforementioned tax and interest previously recognised as an asset have been charged to profit or loss as additional income tax and interest expense respectively. In terms of the judgement, Spur Group may be required to settle SARS' legal costs which have not yet been determined. The group has estimated SARS' legal costs based on its own costs incurred and accrued for these in the current period. While Spur Group had applied for leave to appeal the SCA judgement to the Constitutional Court, the Constitutional Court dismissed the application on 22 February 2022. Spur Group accordingly has no further legal recourse on this matter.

15.2 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 the date of the claim.

The group denies the allegations. On 28 June 2021, the parties exchanged discovery affidavits. All parties have exchanged copies of all the documents in their respective discovery schedules and the group's attorneys, together with senior counsel, have assessed the probative value thereof, and presented a review of the merits and prospects of success. Supported by the opinion of its legal advisers, the board considers there to be reasonable prospects of defending the claims successfully. It is likely that it may take several years for a court to finally resolve the matter. No liability has been raised at the reporting date regarding the matter.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

16.1 Contingent consideration receivable

The receivable for the contingent consideration referred to in footnote 8 to the statement of financial position was initially recognised at fair value and is subsequently recognised at fair value at each reporting date. The receivable is designated as a level 3 financial instrument in terms of the fair value hierarchy (unchanged from previous reported periods) as inputs into the valuation model are not based on observable market data. The fair value is determined based on the expected aggregate purchase consideration payments (which are based on the forecast EBITDA of the acquired business), discounted to present value using a risk-adjusted discount rate of 19.4% (at 31 December 2020: 20.4%; at 30 June 2021: 19.1%), being the weighted average cost of capital specific to the acquired entity. The increase in the discount rate relative to 30 June 2021 is attributable to increases in both the risk-free and prime overdraft rates of interest during the period. The expected purchase consideration payments were determined by considering the business's projected EBITDA in various possible scenarios and the probability of each scenario. The fair value adjustment included in profit before income tax for the period is a charge of R3.890 million (six months ended 31 December 2020: R0.280 million; year ended 30 June 2021: credit of R0.901 million) and relates largely to the change in the estimated gross contingent consideration and an adjustment for the time value of money during the period (including the impact of the increased discount rate). The change to the gross contingent consideration results primarily from a change in the measurement period as referred to in footnote 8 to the statement of financial position. The significant unobservable inputs into the valuation model are the forecast EBITDA and the risk-adjusted discount rate. The estimated fair value of the contingent consideration receivable at the reporting date would change if the forecast EBITDA or the risk-adjusted discount rate were to change as follows:

R'000	(Decrease)/increase in fair value of asset and profit before income tax
Change in variable:	
Projected EBITDA	
Increased by 5%	(227)
Decreased by 5%	227
Discount rate	
Increased by 2%	(3)
Decreased by 2%	3

16. FAIR VALUE OF FINANCIAL INSTRUMENTS continued

16.2 Other financial instruments

No other financial instruments are required to be valued at fair value at the reporting date. The group has not disclosed the fair values of loans receivable, financial assets included in trade and other receivables, cash and cash equivalents, loans payable, 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 and loans payable, 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, 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.

17. RELATED PARTIES

Save for the items listed below, the identity of related parties as well as the nature and extent of transactions with related parties, are similar to those reported in note 44 to the consolidated financial statements for the year ended 30 June 2021:

- The remaining balance of the loan to White Cloud Restaurant Pty Ltd (95% owned by former group COO, Mark Farrelly), amounting to R0.382 million as at 30 June 2021, was settled in full during the current period.
- Retirement benefit payable to former group CEO (refer note 10).
- Consulting fees of R133 783 for the period were paid to VBN Consultants (Sole proprietor – Val Nichas' son).

18. 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.

COMPANY INFORMATION

ADMINISTRATION

Registration number: 1998/000828/06
(Incorporated in the Republic of South Africa)

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External auditors
PricewaterhouseCoopers Inc.

Sponsor
Questco Corporate Advisory Proprietary Limited

Company secretary
Mr D Meyer

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DIRECTORS AT THE DATE OF THIS REPORT

Mr M Bosman (independent non-executive chair)

Executive directors

Ms V Nichas (CEO)
Ms C Teixeira (CFO)
Mr K Robertson (COO)

Independent non-executive directors

Ms C Fernandez (lead independent)
Dr S Zinn
Ms J Boggenpoel
Ms L Molebatsi
Mr A Parker
Mr S Phillip

PAST DIRECTOR

Mr S du Plessis (executive) (resigned 15 September 2021)

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