SPUR CORP.
LEADING FOR THE GREATER GOOD

# ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June
**2023**

**Spur Corporation Limited**
(Registration number: 1998/000828/06)

# CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

# CONTENTS



The consolidated and separate financial statements on pages 15 to 98 of this report have been audited in accordance with the requirements of section 30 of the Companies Act of South Africa (Act No. 71 of 2008, as amended) and have been prepared under the supervision of the group chief financial officer, Cristina Teixeira CA(SA).

# Audit committee report

The audit committee is pleased to present its report for the financial year ended 30 June 2023.

The audit committee is constituted in terms of section 94 of the Companies Act (Act No. 71 of 2008, as amended) (the Companies Act) to provide oversight of the company's system of internal controls, compliance with laws and regulations, the financial reporting process and the audit process. The committee's activities are guided by its terms of reference approved by the board, which is informed by the Companies Act, JSE Ltd Listing Requirements (Listings Requirements) and the King IV Report on Corporate Governance for South Africa, 2016 (King IV™).

The committee has discharged the functions delegated to it as set out in its terms of reference.

## Composition and functioning of the committee

The committee comprises of three independent non-executive directors, Ms Cora Fernandez as the committee chair, Ms Jesmane Boggenpoel and Mr André Parker. Mr Sandile Phillip resigned from the committee and the board with effect from 24 March 2023.

The committee members' biographies are available on the group's website.

The committee discharges all audit committee responsibilities of all local subsidiaries within the group.

Three formal annual meetings were held during the financial year at which the committee discharged its responsibilities including, in addition to items listed in the remainder of this report:

- reviewing the group's interim and annual results (including the annual financial statements) prior to publication;
- reviewing the company's sustainability information included in the integrated report to assess its consistency and accuracy with representations and reports submitted by management to the committee and other board subcommittees;
- reviewing the internal auditor's reports for the period under review;
- reviewing the internal audit charter;
- reviewing the assessment of information technology (IT) risks insofar as these had an impact on financial reporting and ensuring that these had been mitigated;
- confirming that an appropriate anonymous ethics hotline was in place and considering any relevant matters reported by this platform. No matters were reported during the period;
- considering matters referred to it by the board for review and recommendations; and
- approving internal and external audit plans and fees for the 2023 financial year, as noted below.

The committee met with internal and external auditors to evaluate, and consider possible changes to, the internal audit plan and the external audit plan, for approval and recommendation to the board.

The external and internal auditors have unrestricted access to the committee.

Committee members reviewed all potentially price sensitive information published by the company, prior to release.

All findings and recommendations of the committee were reported to the board at the following board meeting.

All members attended all meetings held during the year.

## External auditor independence

Pursuant to paragraph 3.75 of the Listings Requirements, the audit committee recommended, and the board of directors endorsed, the proposed re-appointment of PricewaterhouseCoopers Incorporated (PwC) as the external auditor of Spur Corporation, with Mr Anton Hugo as the designated individual audit partner, effective for this financial year ended 30 June 2023. An ordinary resolution proposing the re-appointment of PwC as external auditor of the company was included in the notice of the AGM and the appointment of PwC was approved by shareholders on 9 December 2022.

The audit committee has satisfied itself that the external auditor, PwC, is independent of the company, as set out in section 94(8) of the Companies Act, which included considering previous appointments of the auditor, the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence and conflicts of interest as prescribed by the Independent Regulatory Board for Auditors (IRBA).

The committee has reviewed the reports from PwC that demonstrate the internal governance processes within the audit firm that provide assurance on the independence of the audit firm. The committee also reviewed reports submitted to PwC by the IRBA in respect of its internal governance and related processes, as well as previous inspection findings of PwC by the IRBA.

The committee has satisfied itself that the audit firm, PwC, and designated auditor, Mr Anton Hugo, are accredited on the JSE's list of auditors.

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

A formal policy is in place which deals with non-audit services provided by the external auditor. In accordance with this policy, any non-audit services provided by PwC must be pre-approved by the committee. The non-audit services provided by PwC during the year related to reviewing the 2022 Remuneration Report and agreed-upon procedures report on Regulation 3(3) to the Consumer Protection Act, 2008. The total non-audit fee was not material in relation to the audit fee.

The committee approved the external auditor's fees and terms of engagement for the financial year ended 30 June 2023.

The committee is satisfied that, based on the outcomes of the matters raised above, PwC is independent of the company and the group.

## Internal auditor independence

The board appointed BDO Advisory Services (Pty) Ltd (BDO), an outsourced independent service provider, to provide internal audit services with effect from 1 July 2022.

The audit committee has satisfied itself that the internal auditor, BDO, is independent of the company.

## Financial statements and accounting practices

The committee has reviewed the accounting policies as well as the consolidated and separate financial statements of the company, and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS).

The committee has considered the practice notes issued by the JSE Ltd in relation to financial reporting.

The committee has considered representations from management in order to support the going concern assertion as a basis of preparation for the interim and annual financial statements.

The committee has reviewed and considered significant areas of judgement in the preparation of the financial statements and the committee is satisfied that the appropriate care and skill were exercised in those judgements.

The committee notes that no internal or external complaints had been received relating to the group's accounting practices, internal audit, external audit, internal financial controls and related matters.

## Internal financial controls

In evaluating the integrity of the company's financial information and the effectiveness of internal financial controls, the committee relied on the work performed by internal audit, representations by management and the external auditor's management report.

The committee acknowledges that it is not the external auditor's responsibility to identify control deficiencies but considers the content of the report to be a key indicator of the effectiveness of the financial control environment holistically.

The committee considered the risk management and compliance processes as well as the work performed by the group chief executive officer (CEO) and group chief financial officer (CFO) in preparation for their responsibility statement in assessing the internal control effectiveness. The CEO and CFO responsibility statement is reflected on page 4 of this report.

Based on these interactions and assessments, the committee confirms that it has no reason to believe that there were any material breakdowns in the internal financial controls during the period under review.

## Evaluation of the expertise and experience of the financial director and finance function

In accordance with the Listings Requirements, the committee must consider and be satisfied, on an annual basis, of the appropriateness of the expertise and experience of the financial director – the committee has concluded that Cristina Teixeira, the CFO and financial director, possesses the appropriate expertise and experience to meet her responsibilities in that position. The committee has further assessed the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function and concludes that these are adequate.

## Going concern

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

**Cora Fernandez**
*Audit committee chair*

# Directors' responsibility and approval

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Spur Corporation Ltd, comprising the consolidated and separate statements of financial position at 30 June 2023, the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and group to continue as going concerns, and have concluded that the businesses will be going concerns in the year ahead. The rationale for this conclusion is detailed in note 2 to the consolidated financial statements.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS.

## Approval of the consolidated and separate annual financial statements

The consolidated and separate financial statements of Spur Corporation Ltd, as identified in the first paragraph were approved by the board of directors on Monday, 21 August 2023 and are signed by

**Mike Bosman**
Chairman
(Authorised director)

**Val Nichas**
Group chief executive officer
(Authorised director)

## CEO and CFO responsibility statement for the year ended 30 June 2023

Each of the directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 15 to 98, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

(b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the issuer has been provided to effectively prepare the annual financial statements of the issuer;

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

(e) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and

(f) we are not aware of any fraud involving directors.

**Val Nichas**
Group chief executive officer
21 August 2023

**Cristina Teixeira**
Group chief financial officer
21 August 2023

# Declaration by company secretary

In terms of section 88(2)(e) of the Companies Act (Act No. 71 of 2008, as amended), I certify that the company has lodged with the Commissioner all such returns and notices as required by the Companies Act and that all such returns and notices appear to be true, correct and up to date.

**Donfrey Meyer**
Company secretary
21 August 2023

# Directors' report

**The directors present their twenty-fourth annual report for the year ended 30 June 2023.**

## Nature of the business

Spur Corporation Limited (company registration number: 1998/000828/06), which is domiciled and incorporated in the Republic of South Africa and listed on the JSE Ltd, the recognised securities exchange in South Africa, is an investment holding company. Through various subsidiaries, the group carries on the business of franchisor in predominantly the family sit-down and quick service restaurant markets. Through other subsidiaries, the group provides marketing and promotional services to franchisees. A subsidiary of the company, Spur Group Properties (Pty) Ltd, owns certain properties which are owner-occupied from a group perspective. A subsidiary, Share Buy-back (Pty) Ltd, holds treasury shares as authorised by shareholders by way of special resolution on an annual basis. The company also has indirect interests in five local entities that operate four The Hussar Grills, one RocoMamas and one Modrockers (pilot proof of concept) outlet in South Africa.

The group operates as franchisor for the Spur Steak Ranches, Panarottis Pizza Pasta, John Dory's Fish Grill Sushi, The Hussar Grill, RocoMamas (including RocoGo), Casa Bella, Nikos and Modrockers brands. It trades predominantly in South Africa, but has a presence in Australia, Mauritius, the Middle East, India and certain African countries (outside of South Africa) including Namibia, Nigeria, Zambia and Kenya.

## Financial review

The group's statement of profit or loss and other comprehensive income is presented on page 15 and reflects the group's financial results.

The group achieved a strong trading performance with franchised restaurant sales increasing by 23.0% over the prior financial year.

In the first half of the 2023 financial year, franchised restaurant sales grew by 31.5% over the comparable period of the prior financial year.  Although economic conditions remain challenging in the face of higher inflation and severe pressure on consumer disposable income, the group's business model continues to demonstrate its resilience. In the second half of the year, group sales increased by 15.1% over the comparable period of the prior financial year.

Franchised restaurant turnovers by brand are listed below:

| Brand | 2023 R'm | 2022 R'm | % Change |
|---|---|---|---|
| Spur | **5 925.2** | 4 744.8 | 24.9 |
| Panarottis | **828.3** | 698.4 | 18.6 |
| John Dory's | **449.6** | 413.4 | 8.7 |
| RocoMamas | **865.0** | 789.0 | 9.6 |
| Speciality brands (The Hussar Grill, Casa Bella, Nikos) | **511.8** | 359.8 | 42.2 |
| **Total South Africa** | **8 579.9** | 7 005.4 | 22.5 |
| International | **939.8** | 736.4 | 27.6* |
| **Total group** | **9 519.7** | 7 741.8 | 23.0 |

* International restaurant turnovers increased by 17.8% on a constant exchange rate basis.

The number of restaurants are listed below:

| | 30 June 2023 | | | 30 June 2022 | | |
|---|---|---|---|---|---|---|
| Brand | South Africa | International | Total | South Africa | International | Total |
| Spur | **304** | **30** | **334** | 297 | 32 | 329 |
| Panarottis | **78** | **35** | **113** | 82 | 33 | 115 |
| John Dory's | **42** | **2** | **44** | 47 | 2 | 49 |
| RocoMamas | **85** | **22** | **107** | 85 | 15 | 100 |
| Speciality brands (The Hussar Grill, Casa Bella, Nikos) | **40** | **1** | **41** | 36 | 2 | 38 |
| **Total South Africa** | **549** | **90** | **639** | 547 | 84 | 631 |

## Financial review continued

During the year, 22 restaurants were opened in South Africa and ten internationally, while 20 restaurants closed permanently in South Africa and four internationally as a result of marginal performance, unable to sustain current market conditions. The group will continue to expand to meet customer requirements for their favourite meals through accessible channels.

Group revenue increased by 27.4% to R3 045.2 million (2022: R2 391.2 million).

Group profit before income tax increased by 51.9% to R318.4 million (2022: R209.7 million).

The prior year includes a material once-off charge against earnings of R22.0 million, previously paid to the South African Revenue Service (SARS). Of this charge, R14.0 million was reflected as an income tax expense and R8.0 million as an interest expense in the prior year. The prior year's results also include a fair value loss charged against earnings of R2.5 million relating to the contingent consideration receivable due on the purchase of 51% of the Nikos business.

Headline earnings increased by 75.9% to R213.1 million, with diluted headline earnings per share 81.0% higher at 260.01 cents. Earnings increased by 75.0% to R212.2 million, with diluted earnings per share 80.0% higher at 258.86 cents.

## Share capital

The number of authorised shares has remained at 201 000 000 ordinary shares of 0.001 cents each, for the year ended 30 June 2023.

During the current year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 1 309 000 (2022: 1 475 000) Spur Corporation Ltd shares at an average cost of R21.16 (2022: R20.16) per share, totalling R27.7 million (2022: R29.7 million). During the current year, a wholly-owned subsidiary of the company, Spur Group (Pty) Ltd, acquired 190 891 shares at a cost of R4.3 million, relating to the October 2021 tranche of forfeitable share plan shares (FSPs), which are being held for the benefit of the FSP participants, pending their vesting. During the year, in November 2022, 166 281 shares were issued to participants of the November 2019 tranche of FSPs. During the prior year, in November 2021, 183 200 shares were issued to participants of the November 2018 tranche of FSPs.

At the reporting date, the group owned 3 225 104 (2022: 1 887 387) treasury shares held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd. In addition 5 929 004 (2022: 5 933 111) shares are held by The Spur Management Share Trust and 500 000 (2022: 500 000) by The Spur Foundation Trust. The Spur Management Share Trust and The Spur Foundation Trust are special purpose entities that are required to be consolidated by the group for financial reporting purposes only. Consequently, the net number of shares in issue at 30 June 2023 was 81 342 824 (2022: 82 676 434).

## Employee share-linked incentive schemes

Details of employee share-linked incentive schemes are detailed in note 22.4 of the consolidated financial statements.

## Interest in subsidiary companies

Details of the share capital and the company's interests in the subsidiary companies are included in note 4 of the consolidated financial statements.

## Cash dividend

At its meeting on 22 February 2023, the board of directors declared an interim dividend for the 2023 financial year of 82.0 cents per share. At its meeting on 21 August 2023, the board of directors has approved a final dividend of 110.0 cents per share in respect of the 2023 financial year, funded by income reserves, to be paid in cash on 18 September 2023. The dividend is subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962, as amended) (dividend withholding tax) of 20%. The net dividend is therefore 88.0 cents per share for shareholders liable to pay dividend withholding tax.

## Special resolutions

On 9 December 2022, at the company's annual general meeting (AGM), a special resolution was passed in terms of which the directors were granted the authority to contract the company, or one of its wholly-owned subsidiaries, to acquire shares in the company issued by it, should the company comply with the relevant statutes and authorities applicable thereto. Further resolutions were passed to amend the company's Memorandum of Incorporation (MOI) to grant the directors of the company the authority to communicate with its shareholders by means of electronic communication and to propose an odd lot offer in terms of the JSE Listings Requirements to its shareholders, should it be deemed appropriate to reduce administrative costs. At the same meeting, special resolutions were passed in terms of which the directors were granted the authority to cause the company to provide financial assistance to any entity which is related or inter-related to the company, and to remunerate non-executive directors for their services as directors.

Full details of the special resolutions passed will be made available to shareholders on request.

## Directors and secretary

Details of the directors as at the date of this report, together with the name, business and postal address of the company secretary, are set out on page 99.

At the AGM of 9 December 2022, shareholders confirmed the re-election of Mr Mike Bosman, Ms Cora Fernandez, Dr Shirley Zinn and Ms Jesmane Boggenpoel, who retired by rotation at the AGM in accordance with the company's MOI, to the board.

Mr Sandile Phillip (independent non-executive director) resigned as director of the company with effect from 24 March 2023.

In terms of the company's MOI, Mr André Parker and Ms Lerato Molebatsi retire at the forthcoming AGM and, being eligible, offer themselves for re-election. Resolutions to this effect will be tabled at the AGM of 1 December 2023.

Service agreements with the directors of Spur Corporation at the date hereof do not impose any abnormal notice periods on the company or the directors in question.

The board has considered, and is satisfied, that Mr Donfrey Meyer has the necessary competence, qualifications and experience to adequately fulfil the role of company secretary.

## Directors' interests

No contracts in which the directors or officers of the company or group had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries were entered into during the year, save for those disclosed in note 40 of the consolidated financial statements.

### SHARES

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

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Direct beneficial** | **Indirect beneficial** | **Held by associates** | Direct beneficial | Indirect beneficial | Held by associates |
| Kevin Robertson | **15 700[1]** | **–** | **–** | 10 700 | – | – |
| **Total** | **15 700** | **–** | **–** | 10 700 | – | – |
| **% interest** | **0.0** | **–** | **–** | 0.0 | – | – |

[1] Of these shares, 5 000 shares are subject to a holding period which expires on 22 November 2024.

In addition to the above shares, pursuant to the group's long-term FSP (as detailed in note 22.4 of the consolidated financial statements), certain shares have been acquired by a wholly-owned subsidiary to hold in escrow on behalf of the participants of the scheme but have not vested at the reporting date. In respect of these shares held at 30 June 2023, during the vesting period of three years from grant date, the participants are not permitted to trade in these shares, but are able to exercise any voting rights attached to these shares, and are entitled to any dividends accruing to these shares. In respect of these shares held at 30 June 2022, during the vesting period of three years from grant date, the participants were not permitted to trade in these shares, to exercise any voting rights attached to these shares, or entitled any dividends accruing to these shares.

| | **2023** | 2022 |
|---|---|---|
| Val Nichas | **28 065** | – |
| Cristina Teixeira | **23 387** | – |
| Kevin Roberson | **17 812** | 5 000 |

There have been no changes in directors' interests in share capital from 30 June 2023 to the date of issue of this report.

## Shareholders' interest in shares

### MAJOR SHAREHOLDERS

The following are shareholders (excluding directors and consolidated structured entities) holding 3% or more of the company's issued share capital at 30 June 2023:

| | **No. of shares** | %* |
|---|---|---|
| Coronation Fund Managers | **14 274 944** | 16.3 |
| Allan Gray | **8 831 392** | 10.1 |
| Government Employees Pension Fund | **5 354 549** | 6.1 |
| Aylett & Co | **4 525 981** | 5.2 |
| Foord Asset Management | **3 684 871** | 4.2 |
| Goldman Sachs (Custodian) | **3 300 000** | 3.8 |

* These percentages are based on shares in issue less shares repurchased by subsidiary companies, Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd.

## **Shareholders' interest in shares** continued

**PUBLIC/NON-PUBLIC SHAREHOLDERS**

An analysis of public and non-public shareholders is presented below:

| | No. of shareholders | No. of shares | % |
|---|---|---|---|
| ***Non-public shareholders*** | | | |
| Directors and associates | 1 | 15 700 | – |
| Subsidiaries holding treasury shares | 2 | 3 225 104 | 3.5 |
| The Spur Foundation Trust | 1 | 500 000 | 0.5 |
| The Spur Management Share Trust | 1 | 5 929 004 | 6.5 |
| Major shareholder | 1 | 14 274 944 | 15.8 |
| ***Public shareholders*** | 11 983 | 67 052 180 | 73.7 |
| **Total** | 11 989 | 90 996 932 | 100.0 |

**ANALYSIS OF SHAREHOLDING**

An analysis of the spread of shareholding is presented below:

| ***Shareholder spread*** | No. of shareholders | % | No. of shares | % |
|---|---|---|---|---|
| 1 – 10 000 shares | 11 564 | 96.4 | 4 037 554 | 4.4 |
| 10 001 – 25 000 shares | 175 | 1.4 | 2 876 559 | 3.2 |
| 25 001 – 50 000 shares | 83 | 0.7 | 2 983 691 | 3.3 |
| 50 001 – 100 000 shares | 54 | 0.5 | 3 874 693 | 4.3 |
| 100 001 – 500 000 shares | 77 | 0.6 | 17 972 118 | 19.8 |
| 500 001 – 1 000 000 shares | 18 | 0.2 | 12 379 074 | 13.6 |
| 1 000 001 shares and over | 18 | 0.2 | 46 873 243 | 51.4 |
| **Total** | 11 989 | 100.0 | 90 996 932 | 100.0 |

| ***Distribution of shareholders*** | No. of shareholders | % | No. of shares | % |
|---|---|---|---|---|
| Banks/brokers | 39 | 0.3 | 4 731 351 | 5.2 |
| Endowment Funds | 25 | 0.2 | 778 581 | 0.9 |
| Individuals | 11 092 | 92.5 | 5 038 000 | 5.5 |
| Insurance companies | 21 | 0.2 | 1 852 949 | 2.0 |
| Medical funds | 7 | 0.1 | 1 037 474 | 1.1 |
| Mutual funds | 105 | 0.9 | 45 455 273 | 50.1 |
| Pension and retirement funds | 201 | 1.7 | 18 262 512 | 20.1 |
| Own holdings | 2 | 0.0 | 3 225 104 | 3.5 |
| Spur Management Share Trust | 1 | 0.0 | 5 929 004 | 6.5 |
| The Spur Foundation Trust | 1 | 0.0 | 500 000 | 0.5 |
| Other corporate bodies | 495 | 4.1 | 4 186 684 | 4.6 |
| **Total** | 11 989 | 100.0 | 90 996 932 | 100.0 |

## Borrowings

In terms of the MOI of the company and its main local operating entity, Spur Group (Pty) Ltd, the borrowing powers of the directors of these companies are unlimited. The group has no formal borrowings as at 30 June 2023.

## Going concern

The financial statements have been prepared on the going concern basis.

The board has performed a review of the company and group's ability to continue trading as going concerns in the foreseeable future and, based on this review, considers that the presentation of the financial statements on this basis is appropriate. Further details are included in note 2 of the consolidated financial statements.

There are no pending or threatened legal or arbitration proceedings which have had or may have a material effect on the financial position of the company or group, save for those disclosed in note 42 of the consolidated financial statements.

## Subsequent events

Details of material events occurring subsequent to 30 June 2023 but prior to the date of issue of this report are detailed in note 41 of the consolidated financial statements. Save for these matters, there have been no material changes in the financial or trading position of the company or group after 30 June 2023 to the date of this report.

## Compliance with applicable laws

The board confirms that the company has complied with the provisions of the Companies Act relating to the company's incorporation and that the company is operating in conformity with its MOI.

## Company information

The company's registration number and registered address are presented on page 99. Shareholders and members of the public are advised that the register of the interests of directors, executives, senior management and other shareholders in the shares of the company is available upon request from the company secretary.

# Independent auditor's report

## To the shareholders of Spur Corporation Limited

## Report on the audit of the consolidated and separate financial statements

**OUR OPINION**

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Spur Corporation Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

### What we have audited

Spur Corporation Limited's consolidated and separate financial statements set out on pages 15 to 98 comprise:

- the consolidated and separate statements of financial position as at 30 June 2023;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

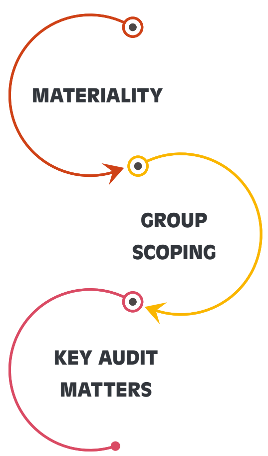
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

**OUR AUDIT APPROACH**

### Overview




| | |
|---|---|
| | ***Overall group materiality***<br>– Overall group materiality: R15 921 200 which represents 5% of consolidated profit before income tax. |
| | ***Group audit scope***<br>A combination of full scope audits and specified audit procedures were performed for components that were financially significant and components scoped in based on indicators such as their contribution to consolidated assets, consolidated revenue and consolidated profit before tax. Analytical review procedures were performed over the remaining components that were insignificant. |
| | ***Key audit matters***<br>– Impairment assessment of goodwill and intangible assets with indefinite useful lives. |

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

## Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|---|---|
| **Overall group materiality** | R15 921 200 |
| **How we determined it** | 5% of consolidated profit before income tax. |
| **Rationale for the materiality benchmark applied** | We chose consolidated profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. |

## How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of the Company and its thirty-three subsidiaries (directly and indirectly held, and which represent trading entities, marketing entities, dormant entities, a property company and two trusts) (each considered a 'component' for purposes of our group audit scope). The Group's main operating subsidiary is Spur Group Proprietary Limited. Full scope audits were performed on all financially significant components based on their contribution to consolidated profit before tax. Specified audit procedures were performed over those components that were not considered to be financially significant but contributed significantly to consolidated assets, consolidated revenue or consolidated profit before tax of the Group. Analytical review procedures were performed over the remaining components that were considered to be insignificant.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team in order to issue our audit opinion on the consolidated financial statements of the Group. All work was performed by the group engagement team. We also performed procedures in respect of the consolidation process, in order to gain sufficient evidence over the consolidated financial statements.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report in respect of the separate financial statements.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of goodwill and intangible assets with indefinite useful lives**<br><br>This key audit matter relates to the consolidated financial statements.<br><br>Refer to the following notes to the consolidated financial statements for disclosures relating to this key audit matter:<br>– Note 3.2.3: Assumptions and estimates: Impairment of non-financial assets;<br>– Note 14: Intangible assets and goodwill;<br>– Note 43.5: Significant accounting policies – Intangibles assets (other than goodwill); and<br>– Note 43.7.1: Significant accounting policies – Impairment – Non-financial assets.<br><br>As at 30 June 2023 the Group recognised goodwill with a carrying value of R71.1 million, which arose from business combinations undertaken in prior years and due to the nature of the business, the Group has also recognised intangible assets with indefinite useful lives relating to trademarks and intellectual property with a carrying value of R288.9 million.<br><br>International Accounting Standards (IAS) 36 – *Impairment of Assets* requires management to conduct an annual impairment test, or more frequently if there is an indication of impairment, to assess the recoverability of carrying value of goodwill and the indefinite life intangible assets.<br><br>The Group performs an impairment test on intangible assets with indefinite useful lives and goodwill at every reporting date, irrespective of whether an indication of impairment exists. The recoverable amounts of the cash-generating units (CGUs) to which trademarks and intellectual property and goodwill have been allocated have been determined based on their value-in-use.<br><br>Given the nature of the franchise and retail restaurant business, it is submitted that the fair value less costs to sell of the CGUs are unlikely to differ significantly from their values-in-use. No impairment was recognised. The key assumptions applied by management in their value-in-use calculation are disclosed in note 14.3 to the consolidated financial statements. The impairment assessment of goodwill and intangible assets with indefinite useful lives was considered to be a matter of most significance to the current year audit due to the following:<br>– significant judgement and estimation applied by management in determining the value-in-use of each CGU or group of CGU's; and<br>– the magnitude of the carrying amounts of intangible assets with indefinite useful lives and goodwill in relation to the consolidated financial statements. | Our audit addressed this key audit matter as follows:<br><br>We obtained management's value-in-use calculation per CGU which formed the basis of our audit work.<br><br>With regard to management's value-in-use calculations, our audit procedures included an assessment of the reasonableness of management's key assumptions by performing the following procedures:<br>– We assessed the reasonableness of the budgeting process applied by management, by comparing the current year actual results for the 2023 financial year to the budgeted amounts and compared the actual results for July 2023 to the budgeted amount for July 2023. We found management's cash flow forecasts to be within an acceptable range consistent with the historical actual results.<br>– We tested the mathematical accuracy of the value-in-use calculations and found no material exceptions.<br>– We assessed the reasonableness of the cash outflows used in the discounted cash flow analysis through discussions with management to understand the basis for the assumptions used in respect of the cash outflows and corroborated their explanations against historic performance as well as the other strategic initiatives implemented by management. We assessed the cash outflows to be reasonable.<br>– We utilised our valuations experts to independently calculate a discount rate considering independently obtained data. This was compared to the discount rate used by management. We further applied these independently sourced calculated inputs to management's forecasts and compared the recoverable amount of each CGU to the results of our independent calculations. We found management's valuation to be within an acceptable range.<br>– We assessed the reasonableness of the terminal growth rates by comparing the terminal growth rates to long term growth rates obtained from independent sources. The growth rates used by management were assessed as reasonable.<br>– We tested the mathematical accuracy of the discounted cash flow model and made use of our valuations expertise to assess the discounted cash flow model's compliance with the market practice and applicable requirements of IAS 36. We did not note any aspects which required further consideration.<br>– We assessed the reasonableness of the discount rates, long-term growth rates and forecasted cash flows by performing a sensitivity analysis to determine the impact that any changes in discount rates, long-term growth rates and forecast cash flows would have on the discounted cash flow analysis and the resultant recoverable amount. We compared the results of our sensitivity analysis to management's results in order to identify those CGUs considered sensitive to a change in assumptions for disclosure purposes. We did not note any aspects requiring further consideration. |

#### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Spur Corp. Annual Financial Statements 2023"*, which includes the Directors' Report, the Audit Committee's Report and the Declaration by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled *"Spur Corp. Integrated Annual Report 2023"*, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Spur Corporation Limited for two years.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**

Director: Anton Hugo
Registered Auditor
Cape Town, South Africa
21 August 2023

SPUR CORP.
LEADING FOR THE GREATER GOOD

# Consolidated statement of profit or loss and other comprehensive income

## for the year ended 30 June

| | Note | 2023 R'000 | 2022 R'000 | % Change |
|---|---|---|---|---|
| **Revenue** | 6 | **3 045 201** | 2 391 192 | 27.4 |
| Cost of sales | | **(2 113 305)** | (1 695 194) | 24.7 |
| **Gross profit** | | **931 896** | 695 998 | 33.9 |
| Other income | 7 | **3 402** | 3 958 | (14.0) |
| Administration expenses | | **(208 221)** | (183 430) | 13.5 |
| Impairment losses – expected and actual credit losses – financial instruments | 8 | **(2 622)** | (2 957) | (11.3) |
| Marketing expenses | | **(299 097)** | (175 111) | 70.8 |
| Operations expenses | | **(93 045)** | (95 123) | (2.2) |
| Other non-trading losses | 8 | **(1 776)** | (2 525) | (29.7) |
| Retail company store expenses | | **(38 078)** | (31 889) | 19.4 |
| **Operating profit before net finance income** | 8 | **292 459** | 208 921 | 40.0 |
| Net finance income | 9 | **25 965** | 747 | 3 375.9 |
| Interest income | | **28 659** | 13 325 | |
| Interest expense | | **(2 694)** | (12 578) | |
| **Profit before income tax** | | **318 424** | 209 668 | 51.9 |
| Income tax expense | 10 | **(97 414)** | (81 328) | 19.8 |
| **Profit** | | **221 010** | 128 340 | 72.2 |
| **Other comprehensive income**# | | **3 084** | (1 146) | |
| Foreign currency translation differences for foreign operations | | **3 303** | (1 256) | |
| Foreign exchange (loss)/gain on net investments in foreign operations | | **(278)** | 135 | |
| Current tax on foreign exchange loss/(gain) on net investments in foreign subsidiaries | | **59** | (25) | |
| **Total comprehensive income** | | **224 094** | 127 194 | 76.2 |
| **Profit attributable to:** | | | | |
| Equity owners of the company | | **212 176** | 121 235 | 75.0 |
| Non-controlling interests | | **8 834** | 7 105 | |
| **Profit** | | **221 010** | 128 340 | 72.2 |
| **Total comprehensive income attributable to:** | | | | |
| Equity owners of the company | | **215 260** | 120 089 | 79.3 |
| Non-controlling interests | | **8 834** | 7 105 | |
| **Total comprehensive income** | | **224 094** | 127 194 | 76.2 |
| **Earnings per share (cents)** | | | | |
| Basic earnings | 11 | **260.03** | 144.33 | 80.2 |
| Diluted earnings | 11 | **258.86** | 143.80 | 80.0 |

# All items included in other comprehensive income are items that are, or may be, reclassified to profit or loss.

# Consolidated statement of financial position

**as at 30 June**

| | Note | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **476 061** | 489 339 |
| Property, plant and equipment | 12 | **87 202** | 92 516 |
| Right-of-use assets | 13 | **19 944** | 27 555 |
| Intangible assets and goodwill | 14 | **362 957** | 364 300 |
| Loans receivable | 15 | **–** | 350 |
| Deferred tax | 16 | **5 958** | 4 618 |
| **Current assets** | | **690 892** | 558 637 |
| Inventories | 17 | **121 213** | 97 692 |
| Tax receivable | 18 | **233** | 2 325 |
| Trade and other receivables | 19 | **112 958** | 101 352 |
| Loans receivable | 15 | **–** | 597 |
| Contingent consideration receivable | 20 | **–** | 1 594 |
| Restricted cash | 21 | **81 679** | 64 381 |
| Cash and cash equivalents | 21 | **374 809** | 290 696 |
| **TOTAL ASSETS** | | **1 166 953** | 1 047 976 |
| **EQUITY** | | | |
| **Total equity** | | **751 709** | 686 017 |
| Ordinary share capital | 22.1 | **1** | 1 |
| Share premium | | **34 309** | 34 309 |
| Shares repurchased by subsidiaries | 22.2 | **(76 848)** | (44 852) |
| Foreign currency translation reserve | 22.3 | **30 964** | 27 880 |
| Share-based payments reserve | 22.4 | **18 205** | 8 248 |
| Retained earnings | | **731 511** | 647 720 |
| **Total equity attributable to owners of the company** | | **738 142** | 673 306 |
| Non-controlling interests | 23 | **13 567** | 12 711 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | **87 303** | 92 187 |
| Contract liabilities | 24 | **26 060** | 23 458 |
| Lease liabilities | 25 | **18 341** | 26 039 |
| Deferred tax | 16 | **42 902** | 42 690 |
| **Current liabilities** | | **327 941** | 269 772 |
| Tax payable | 26 | **10 746** | 11 424 |
| Trade and other payables | 27 | **239 588** | 184 847 |
| Loans payable | 28 | **–** | 196 |
| Provision for lease obligation | 29 | **8 390** | 7 514 |
| Contract liabilities | 24 | **59 124** | 56 226 |
| Lease liabilities | 25 | **8 660** | 8 679 |
| Shareholders for dividend | 30 | **1 433** | 886 |
| **TOTAL EQUITY AND LIABILITIES** | | **1 166 953** | 1 047 976 |

# Consolidated statement of changes in equity

**for the year ended 30 June**

| R'000 | Note | Attributable to equity owners of the company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **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 30 June 2021** | | 1 | 34 309 | (15 118) | 29 026 | 4 751 | 564 752 | 617 721 | 13 314 | 631 035 |
| **Total comprehensive income** | | – | – | – | (1 146) | – | 121 235 | 120 089 | 7 105 | 127 194 |
| **Profit** | | – | – | – | – | – | 121 235 | 121 235 | 7 105 | 128 340 |
| **Other comprehensive income** | | – | – | – | (1 146) | – | – | (1 146) | – | (1 146) |
| **Transactions with owners recorded directly in equity** | | | | | | | | | | |
| **Contributions by and distributions to owners** | | – | – | (29 734) | – | 3 497 | (38 267) | (64 504) | (7 708) | (72 212) |
| Equity-settled share-based payment | 22.4 & 10.5 | – | – | – | – | 6 309 | 155 | 6 464 | – | 6 464 |
| Transfer within equity on vesting of equity-settled share-based payment | 22.4 | – | – | – | – | (2 812) | 2 812 | – | – | – |
| Purchase of treasury shares | 22.2 | | – | (29 734) | – | – | – | (29 734) | – | (29 734) |
| Dividends | 30 | – | – | – | – | – | (41 234) | (41 234) | (7 708) | (48 942) |
| **Balance at 30 June 2022** | | 1 | 34 309 | (44 852) | 27 880 | 8 248 | 647 720 | 673 306 | 12 711 | 686 017 |
| **Total comprehensive income** | | **–** | **–** | **–** | **3 084** | **–** | **212 176** | **215 260** | **8 834** | **224 094** |
| **Profit** | | **–** | **–** | **–** | **–** | **–** | **212 176** | **212 176** | **8 834** | **221 010** |
| **Other comprehensive income** | | **–** | **–** | **–** | **3 084** | **–** | **–** | **3 084** | **–** | **3 084** |
| **Transactions with owners recorded directly in equity** | | | | | | | | | | |
| **Contributions by and distributions to owners** | | **–** | **–** | **(31 996)** | **–** | **9 957** | **(127 735)** | **(149 774)** | **(7 911)** | **(157 685)** |
| Equity-settled share-based payment | 22.4 & 10.5 | **–** | **–** | **–** | **–** | **12 998** | **333** | **13 331** | **–** | **13 331** |
| Indirect costs arising on intragroup sale of shares related to equity-settled share-based payment | 22.4 & 10.5 | **–** | **–** | **–** | **–** | **–** | **(15)** | **(15)** | **–** | **(15)** |
| Transfer within equity on vesting of equity-settled share-based payment | 22.4 | **–** | **–** | **–** | **–** | **(3 041)** | **3 041** | **–** | **–** | **–** |
| Purchase of treasury shares | 22.2 | | **–** | **(31 996)** | **–** | **–** | **–** | **(31 996)** | **–** | **(31 996)** |
| Dividends | 30 | **–** | **–** | **–** | **–** | **–** | **(131 094)** | **(131 094)** | **(7 911)** | **(139 005)** |
| **Changes in ownership interests in subsidiaries** | | **–** | **–** | **–** | **–** | **–** | **(650)** | **(650)** | **(67)** | **(717)** |
| Acquisition of non-controlling interest in subsidiary without a change in control | 20 | **–** | **–** | **–** | **–** | **–** | **(650)** | **(650)** | **(67)** | **(717)** |
| **Total transactions with owners** | | **–** | **–** | **(31 996)** | **–** | **9 957** | **(128 385)** | **(150 424)** | **(7 978)** | **(158 402)** |
| **Balance at 30 June 2023** | | **1** | **34 309** | **(76 848)** | **30 964** | **18 205** | **731 511** | **738 142** | **13 567** | **751 709** |

# Consolidated statement of cash flows

**for the year ended 30 June**

| | Note | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Operating profit before working capital changes | 31 | **348 952** | 305 159 |
| Working capital changes | 32 | **6 900** | 856 |
| **Cash generated from operations** | | **355 852** | 306 015 |
| Interest income received | 33 | **28 152** | 12 930 |
| Interest expense paid | 34 | **(2 694)** | (4 044) |
| Tax paid | 35 | **(97 565)** | (75 768) |
| Dividends paid | 36 | **(136 817)** | (113 509) |
| **Net cash flow from operating activities** | | **146 928** | 125 624 |
| **Cash flow from investing activities** | | | |
| Additions of intangible assets | | **–** | (48) |
| Additions of property, plant and equipment | 12 | **(5 457)** | (7 997) |
| Proceeds from disposal of property, plant and equipment | 37 | **80** | 353 |
| Repayment of loans receivable | 15 | **1 070** | 2 268 |
| **Net cash flow from investing activities** | | **(4 307)** | (5 424) |
| **Cash flow from financing activities** | | | |
| Acquisition of treasury shares | 22.2 | **(31 996)** | (29 734) |
| Payment of lease liabilities | 25 | **(9 146)** | (8 348) |
| **Net cash flow from financing activities** | | **(41 142)** | (38 082) |
| **Net movement in cash and cash equivalents** | | **101 479** | 82 118 |
| Effect of foreign exchange fluctuations | | **(68)** | 91 |
| Net cash and cash equivalents at beginning of year | 21 | **355 077** | 272 868 |
| **Net cash and cash equivalents at end of year** | 21 | **456 488** | 355 077 |

# Notes to the consolidated financial statements

**for the year ended 30 June**

## 1. About these financial statements

### 1.1 REPORTING ENTITY

Spur Corporation Limited (the company) is a company domiciled in South Africa. The consolidated financial statements of the company as at and for the year ended 30 June 2023 comprise the company, its subsidiaries and consolidated structured entities, together referred to as the group.

Where reference is made to the group in the accounting policies, it should be interpreted as referring to the company where the context requires, unless otherwise stated.

### 1.2 BASIS OF ACCOUNTING

The annual separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee, and comply with the Financial Pronouncements as issued by the Financial Reporting Standards Council and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the Companies Act of South Africa (Act no. 71 of 2008, as amended).

Details of the group's accounting policies are set out in note 43 and have been applied consistently, in all material respects, to all years presented in these consolidated and separate financial statements.

The 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 Monday, 21 August 2023. The financial statements were published on Tuesday, 22 August 2023.

The financial statements are presented in South African rands, which is the company's functional currency and the group's presentation currency, rounded to the nearest thousand, unless otherwise stated. They are prepared on the going concern basis.

The financial statements have been prepared on the historical cost basis.

## 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 until 22 June 2022. A general correlation existed between economic activity and the severity of the lockdown restrictions that were in place at any point in time, and the commensurate level of trading within the group's franchise network. The trading restrictions had a severe impact on the South African economy and, relevant to the group's performance, employment, discretionary income, consumer confidence and the ability of the group's regular customer base to frequent restaurants. This had a direct impact on the group's independently owned franchises and, as a consequence, the group's business and financial performance.

## 2. Impact of COVID-19 and Going Concern continued

A timeline of trading restrictions imposed on the restaurant industry in South Africa for the years reported on in these financial statements is listed below:

| | |
|---|---|
| **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 |
| **5 April 2022** | – State of disaster lifted, although capacity limitations as before still in place |
| **22 June 2022** | – Remaining regulations repealed; no trading restrictions in place |

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

### 2.1 THE IMPACT ON THE GROUP

Most of the group's revenue is either directly or indirectly linked to restaurant sales. The trading restrictions imposed negatively impacted franchised restaurant sales which saw a negative impact on the group's revenue and resulting profitability. While the worst of the impact of these restrictions was experienced prior to the period covered by this report, the first half of the financial year ended 30 June 2022 still experienced some of the impact. Subsequent to the trading restrictions being lifted, the group's franchise network has for the most part returned to normal pre-COVID-19 trading levels and the group's revenue and profitability have similarly recovered.

During the prior year, the group temporarily discounted its franchise and marketing fund contribution fee structures* to 3% and 1% of restaurant turnovers respectively for the month of July 2021 in response to the prohibition of sit-down trade for that month. The combined impact of lower restaurant sales and the lower fee rates resulted in relatively low group revenue for the month of July 2021.

Most of the group's austerity measures implemented during the initial hard lockdown to preserve cash have been withdrawn. The deferred interim 2020 dividend declared on 26 February 2020 was settled in cash on 25 October 2021. The group had suspended its short-term profit share and thirteenth cheque bonus schemes in June 2020; 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, based on individual performance, in the prior year (December 2021)#.

### 2.2 THE ABILITY OF THE GROUP TO CONTINUE TO MEET CURRENT OBLIGATIONS FOR THE 12 MONTHS FOLLOWING THE DATE OF THIS REPORT

The ability of the group to trade through the COVID-19 pandemic, which had a detrimental impact on the South African economy and consumer, demonstrated the relative resilience of the group. The complete withdrawal of trading restrictions in South Africa on 22 June 2022 and the similar relaxation of restrictions internationally saw a recovery in the group's performance that was better and quicker than originally anticipated.

The potential for future waves and variants of COVID-19 (or similar biological threats) still exists. In addition, in South Africa, the risk of prolonged bouts of load shedding, and indeed some risk of a complete electricity blackout, remains. Increasing interest rates, fuel and electricity costs, food inflation and costs of living generally, combined with high unemployment, particularly among the youth, raise the risk of wide-scale civil unrest similar to that experienced in July 2021. For this reason, the board continues to adopt a cautious stance on cash retention and capital allocation.

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, even taking into account a moderate severity black swan event. In addition, the group remains ungeared with potential access to credit if necessary. 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.

* Standard franchise fees for all brands are 5% of restaurant turnover. Standard marketing fees for Spur, Panarottis and John Dory's are 4% of restaurant turnover, and 2% for the other brands.

\# Approximately 50% of the bonus pool was accrued for in the financial year ended 30 June 2021; resulting in a net charge of the balance of approximately 50% of the bonus pool being expensed in the financial year ended 30 June 2022.

## 3. Accounting estimates and judgements

The preparation of the consolidated and separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements, assumptions and estimates made in applying the group's accounting policies that potentially have a significant effect on the amounts recognised in the financial statements are as follows:

### 3.1 JUDGEMENTS

#### 3.1.1 Accounting for marketing funds (notes 6, 21 and 24.1)

The franchise agreements concluded between the group and its franchisees provide for the payment by franchisees to the group of an ongoing franchise fee and a marketing fund contribution. Both the franchise fee and the marketing fund contribution are determined as a percentage of the franchised restaurants' sales. The franchise fee is paid by the franchisee to the group for the franchise support services provided by the group in terms of the franchise agreement, and for the ongoing access to intellectual property required by the franchisee to operate the franchised restaurant. The marketing fund contributions paid by the franchisee to the group are required, in terms of the franchise agreements, to be accounted for by the group separately to its own funds, and must be used on marketing-related costs for the benefit of the respective bodies of franchisees contributing to the respective marketing funds, save to the extent that the group may retain, for its own benefit, that amount of the marketing fund contributions required to defray the costs of administering the respective marketing funds on behalf of the respective bodies of franchisees. The group has accordingly established, and administers, a number of marketing funds, in accordance with the franchise agreements, to discharge its obligations to its franchisees in this regard.

*IFRS 15 – Revenue from Contracts with Customers* requires that the revenue attributable to a performance obligation be recognised to depict the transfer of control of the promised goods or services. In applying the provisions of IFRS 15, the group has considered whether its separate legal obligations to provide franchise support services to franchisees and administer the marketing fund contributions received from franchisees on their behalf are separate and distinct performance obligations or a single performance obligation. Upon detailed analysis of the obligations specified in the franchise agreements specifically relating to the provision of marketing services and the spending of marketing fund contributions on marketing-related costs, the group has determined that there is sufficient justification to treat the two separate legal obligations referred to above as two distinct performance obligations in terms of IFRS 15. The recognition of revenue relating to the respective performance obligations may accordingly differ.

Ongoing franchise fee income is treated as a sales-based royalty, with revenue recognised in the period in which the sales (on which the fees are calculated) are made by franchisees to customers (refer note 43.13).

In relation to the marketing services as a distinct performance obligation, the obligation to incur marketing-related costs for the benefit of the respective bodies of franchisees is an obligation that is satisfied over time. Revenue relating to marketing fund contributions is accordingly recognised over time as the performance obligation is satisfied i.e. as the marketing fund contributions are utilised to pay for marketing-related costs incurred (refer note 43.13). The marketing funds do not operate with a profit motive as any revenue is, in terms of the franchise agreement, required to be utilised for marketing-related expenditure for the benefit of franchisees. The group has assessed that the input method contemplated by IFRS 15 is therefore the most appropriate method to measure progress towards satisfying the obligation over time. The input costs considered in measuring the extent to which the marketing services performance obligation is satisfied includes all costs (direct marketing expenditure as well as employment and administrative costs associated with the provision of the marketing services) which are necessarily incurred and paid for by the marketing fund contributions (as permitted by the franchise agreements).

Any unspent marketing fund contributions represent an unsatisfied obligation to incur marketing costs for the benefit of franchisees in the future.

Marketing fund revenue is therefore recognised to the extent that it has been utilised in satisfying the marketing services performance obligation and deferred to the extent that it has not been utilised. The disbursement of marketing fund contributions on marketing services is recognised as an expense (disclosed as *Marketing expenses* in the statement of profit or loss and other comprehensive income) as incurred (refer note 43.18.3). In the event that a marketing fund incurs marketing-related costs in excess of the revenue collected (which would typically be funded by the franchisor), such excess is effectively accounted for as a loss on the contract and recognised in profit or loss. To the extent that such a cumulative deficit is recovered from marketing fund contributions received in a subsequent period, a profit is recognised in profit or loss in that subsequent period.

# 3. Accounting estimates and judgements continued

## 3.1 JUDGEMENTS continued

### 3.1.2 Accounting for initial franchise fees (notes 6 and 24.2)

Franchisees are charged an initial fixed-value franchise fee by the group, as franchisor, upon signature of the franchise agreements concluded with franchisees. The initial franchise fee is non-refundable. The franchise agreements oblige the group to undertake activities for the duration of the franchise agreement to, *inter alia,* support the franchisee's brand, where such activities significantly affect the intellectual property to which the franchisee has rights, without resulting in a transfer of control of specific goods or services. Accordingly, the group's performance obligation in relation to the initial franchise fee is satisfied over time, and IFRS 15 therefore requires that the revenue be recognised on a straight-line basis over the term of the franchise agreement.

### 3.1.3 Assessment of control and significant influence (note 4)

The group has considered whether it controls certain entities, despite not owning a majority of shareholder rights, in accordance with the requirements of *IFRS 10 – Consolidated Financial Statements*. The board has determined that the group controls the entities below:

- The Spur Foundation Trust is a benevolent foundation established by the group on Mandela Day 2012. The purpose of the trust is to consolidate and implement the group's corporate social investment projects which have reputational benefits for the group. The reputational benefits are considered to be a key return to the group from its involvement with the trust. The trust deed defines who the beneficiaries of the trust are and these beneficiaries exclude any group entity. While there is no direct economic benefit to the group from the trust, in light of the fact that the trustees of the trust are appointed by the group, the group is able to control the key activities of the trust which affect the intangible returns for the group arising from the trust's activities.
- The Spur Management Share Trust was established in 2004. It initially served as a finance vehicle for the purchase of shares for the group's 2004 – 2009 management share incentive scheme. Upon winding up of that scheme, the trust acquired shares in the company which continue to be used in the group's share incentive schemes. The trustees of the trust serve at the behest of the company. The company is the only capital beneficiary of the trust. The main objective of the trust is to maintain a motivated and aligned work force through monetary and share incentives in order to improve future profitability of the group. On this basis, the group has concluded that it is able to exercise control over the relevant activities of the trust in order to influence the intangible returns for the group arising from the trust's activities.

### 3.1.4 Sales of franchisee supplies by outsourced distributor (notes 6, 17 and 27)

The group has appointed an outsourced distribution company to procure, warehouse, supply and distribute certain restaurant supplies to its franchised restaurants. In accordance with IFRS 15, the group has considered whether it acts as principal or agent with regards to the sale of these supplies. The outsourced distributor procures products from suppliers, warehouses the products and sells and delivers the products to the group's franchisees. The margin earned on the sales by the distributor is determined in consultation between the distributor and the group, such that the margin is sufficient to provide the distributor with its required profit margin, and the remaining margin is then paid by the distributor to the group as a commission.

In assessing whether the group acts as agent or principal, for the purposes of IFRS 15, in this commercial relationship, the following factors have been taken into account:

- The group's internal procurement department is responsible for approving suppliers and products supplied to the distributor, to ensure that these comply with the group's strict food safety and ethical sourcing policies and to ensure that the reputations of the group's brands are protected in this regard.
- The group's procurement department negotiates with these suppliers on behalf of franchisees to secure competitive pricing on goods supplied to the distributor.
- The distributor has a direct relationship with the suppliers of the goods in question and is responsible for placing orders, confirming receipt, processing invoices, and making payment in respect of the goods procured.
- The group has no obligations to the suppliers in question and the suppliers have no recourse to the group for whatever reason.
- The distributor takes physical possession of the goods delivered by the suppliers.
- The distributor has legal title of the goods from the date of delivery by the supplier until the goods are delivered to franchisees and carries substantially all of the day-to-day operational risk of inventory loss (including for insured events).
- The group has indemnified the distributor against losses arising from product defects and deficiencies, claims, damages, and any other liability arising from any cause to the extent that such liability is not directly attributable to the distributor. Such losses have incurred infrequently in the past.
- The distributor is operationally primarily responsible for providing the goods to franchisees and the franchisees interact directly with the distributor.
- The distributor is responsible for invoicing franchisees, maintaining delivery records and collecting the sales proceeds from franchisees.
- The distributor carries the full risk of credit losses arising from the sale of the goods to franchisees.
- While the group has influence in determining the selling price of the goods charged by the distributor to franchisees, the next most significant factor in determining the selling price (other than the cost price of the goods to the distributor) is the distributor's required distribution margin, which is negotiated by the distributor and the group from time to time.

## 3. Accounting estimates and judgements continued

### 3.1 JUDGEMENTS continued

#### 3.1.4 Sales of franchisee supplies by outsourced distributor (notes 6, 17 and 27) continued

The group has considered the provisions of IFRS 15 in relation to a number of related commercial agreements, including the franchise agreements concluded between the group and franchisees, the distribution agreement concluded between the group and the distributor and the agreements concluded between the group and suppliers to the distributor. Critical to the determination of whether the group acts as principal or agent is whether the group obtains control of the inventory in question before the inventory is ultimately sold to customers. In determining whether the group obtains control, it is necessary to assess a number of factors including whether the group is exposed to the significant risks and rewards of ownership of the inventory prior to delivery to franchisees.

In this regard, the group notes:

- The distribution agreement provides for the group indemnifying the distributor for any losses not directly attributable to the distributor.
- The group is obligated to purchase any inventory held by the distributor in the event of termination of the agreement for whatever reason.
- The group has absolute discretion over selling prices to franchisees as well as the products and suppliers of those products supplied by the distributor to franchisees.

The group has therefore concluded that it acts as principal, and not agent, with regards to the sales of product by the distributor to franchisees. Revenue is accordingly recorded on a gross basis, with the cost paid (by the distributor) to the supplier and the distributor's distribution margin (effectively paid by the group to the distributor) recorded in *Cost of sales* in the consolidated statement of profit or loss and other comprehensive income.

#### 3.1.5 Intangible assets (note 14)

The directors reassess at each reporting date the appropriateness of the indefinite useful life assumption with regard to certain of the group's intangible assets, with particular reference to trademarks and related intellectual property. In this regard, the board considers its strategy relating to the intangible assets in question and the group's ability to execute that strategy, whether there is any technical, technological, commercial or other type of obsolescence applicable to the assets, expected usage and lifecycle of the assets, future costs required to continue to obtain benefits from the assets and the period over which the group is legally able to control the assets. The directors confirm their assessment that the group's trademarks and related intellectual property have indefinite useful lives.

#### 3.1.6 Leases (notes 13 and 25)

Accounting for leases in accordance with IFRS 16 requires an assessment of the term of the lease.

In considering the term of a lease, the board has had to consider the likelihood of the group exercising any option of renewal. In this regard, the board considers each lease on a case-by-case basis. Where the underlying right-of-use asset is considered essential to the ongoing operations of the business, and there is no known reasonable alternative, the board is likely to conclude that any renewal option will be exercised.

### 3.2 ASSUMPTIONS AND ESTIMATES

#### 3.2.1 Fair values

A number of the group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

Fair value measurements and adjustments are made under the supervision of the group's chief financial officer. To the extent practicable, fair values are derived by external experts and, as far as possible, utilising market observable data. Any significant valuation issues are reported to the group's audit committee.

Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following note:

- Grant-date fair values of equity-settled share-based payments (refer note 22.4)

## 3. Accounting estimates and judgements continued

### 3.2 ASSUMPTIONS AND ESTIMATES continued

#### 3.2.2 Impairment of financial assets

At each reporting date, the group records an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. This requires an assessment of the probability of default as well as the potential loss in the event of default for each financial asset or group of assets. Further information is disclosed in note 38.3.1.

#### 3.2.3 Impairment of non-financial assets (notes 12 and 14)

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually. Intangible assets which do not have indefinite useful lives and property, plant and equipment are considered for impairment when an indication of possible impairment exists.

Determining if non-financial assets are impaired requires an estimation of the values-in-use of the cash-generating units to which goodwill, intangible assets and property, plant and equipment have been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that is reflective of the cash-generating unit's risk profile in order to calculate the present value. The variables applied in determining the above have been disclosed in the relevant notes to the financial statements with specific reference to notes 12 and 14.

#### 3.2.4 Leases (notes 13 and 25)

Accounting for leases in accordance with IFRS 16 requires an assessment of an appropriate discount rate.

In most cases, the interest rate implicit in a lease which is legally structured as an operating lease is not readily determinable. The board has therefore needed to consider the group's incremental borrowing rate to serve as a proxy for an appropriate discount rate in accordance with IFRS 16. The group currently has no formal external debt and an incremental borrowing rate is consequently also not readily determinable. The board has therefore considered the nature of the assets that are the subject of the leases and concluded that the prime overdraft rate of interest is a reasonable proxy for an appropriate discount rate.

#### 3.2.5 Property, plant and equipment (note 12)

Items of property, plant and equipment are depreciated over the assets' remaining useful lives, taking into consideration their estimated residual values. The remaining useful lives and residual values of these assets are reviewed and considered at each reporting date, taking into account the nature and condition of the assets.

#### 3.2.6 Share-based payments (note 22.4)

Accounting for equity-settled share-based payments, specifically relating to the group's Forfeitable Share Plan (FSP) and Share Appreciation Rights (SAR) long-term incentive schemes, requires a determination of the grant-date fair values of the rights/shares awarded. These are subject to a number of variables. In addition, the group is required to estimate the proportion of shares/rights that are likely to vest based on: employees meeting the required service conditions; and the extent to which the group is expected to achieve certain non-market performance conditions. The detailed inputs into the determination of grant-date fair values, as well as the estimates made with regards to vesting conditions, are detailed in note 22.4.

#### 3.2.7 Withholding tax credits (note 18)

The group has considered projections of future taxable income for wholly-owned subsidiary, Steak Ranches International BV, in order to assess the recoverability of the asset recognised in respect of withholding tax credits available to the entity, as detailed in note 18.

# 4. Group entities

## 4.1 GROUP STRUCTURE

Details of the share capital and the company's interests in the subsidiary companies are as follows:

| | Country of incorporation and place of business | Issued capital R'000 | Loan from subsidiary R'000 | Effective % interest in company |
|---|---|---|---|---|
| **Trading** | | | | |
| ***Direct*** | | | | |
| – Share Buy-back (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| – Spur Group (Pty) Ltd | South Africa | 0.1 | 119 993 (2022: 60 059) | 100.0 |
| – Spur Group Properties (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| ***Indirect*** | | | | |
| – Green Point Burger Joint (Pty) Ltd trading as RocoMamas Green Point | South Africa | 0.1 | | 90.0[&] |
| – John Dory's Advertising (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| – Nikos Franchise (Pty) Ltd | South Africa | 11 052.3 | | 62.37* (2022: 51.0) |
| – Nickilor (Pty) Ltd trading as The Hussar Grill Rondebosch | South Africa | 0.1 | | 100.0 |
| – Opilor (Pty) Ltd trading as The Hussar Grill Mouille Point | South Africa | 17 500.1 | | 68.0 |
| – Opiset (Pty) Ltd trading as The Hussar Grill Camps Bay | South Africa | 0.1 | | 100.0 |
| – Panarottis Advertising (Pty) Ltd | South Africa | 0.2 | | 100.0 |
| – RocoMamas Advertising (Pty) Ltd | South Africa | 0.1 | | 70.0 |
| – RocoMamas Franchise Co (Pty) Ltd | South Africa | 0.1 | | 70.0 |
| – Spur Advertising (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| – Nikos Advertising (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| – The Hussar Grill Advertising (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| – The Morningside Grill (Pty) Ltd trading as The Hussar Grill Morningside | South Africa | 0.1 | | 100.0 |
| – Spur International Ltd | British Virgin Islands | 104 099 | | 100.0 |
| – Steak Ranches International BV | The Netherlands | 240 675.0 | | 100.0 |
| – Spur Advertising Namibia (Pty) Ltd | Namibia | 0.1 | | 100.0 |
| – Spur Services Namibia (Pty) Ltd | Namibia | 0.1 | | 100.0 |
| – Spur Corporation Australia Pty Ltd | Australia | 16 129.1 | | 100.0 |
| **Dormant**[#] | | 0.5 | | 100.0 |

[&] The group is able to control 100% of the voting rights.
* Refer note 20.
[#] A schedule of these companies is available upon request.

The interest of the company in the aggregate after tax profits and losses of subsidiaries is as follows:

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Profits | **213 389** | 126 913 |
| Losses | **(3 150)** | (3 034) |

# 4. Group entities continued

## 4.1 GROUP STRUCTURE continued

In addition to those entities in which the group holds a majority shareholder interest, the group has concluded that it controls The Spur Management Share Trust and The Spur Foundation Trust (refer note 3.1.3). These entities are consequently consolidated.

There were no changes to the group structure during the year, save for the increase in shareholding in Nikos Franchise (Pty) Ltd (refer note 20).

Details of material non-controlling interests are included in note 23.

There are no significant restrictions on the ability of the group to realise assets or settle liabilities of any of its subsidiaries.

## 4.2 CONSOLIDATED STRUCTURED ENTITIES

With regard consolidated structured entities, The Spur Management Share Trust and The Spur Foundation Trust:

- There are no contractual obligations on the company or any of its subsidiaries to provide financial support; and
- A wholly-owned subsidiary donated R0.390 million (2022: R0.390 million) to The Spur Foundation Trust during the year to assist in funding the trust's benevolent activities.

# 5. Operating segments

Operating segments are identified based on financial information regularly reviewed by the Spur Corporation Ltd executive directors (identified as the Chief Operating Decision Maker (CODM) of the group for *IFRS 8 – Operating Segments* reporting purposes) for performance assessments and resource allocations. In accordance with IFRS 8, no segment assets or liabilities have been disclosed as such information is not regularly provided to the CODM. 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 following reportable segments have been identified:

South Africa: Franchise

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

South Africa: Manufacturing and distribution

- Sauce manufacturing, warehousing and product distribution business including sales by the group's outsourced distributor to franchisees (refer note 3.1.4), rebates and sales of retail sauces to supermarkets

South Africa: Retail company stores

- Four company-owned The Hussar Grill restaurants, operating in Camps Bay, Rondebosch and Mouille Point in the Western Cape and Morningside in Gauteng; a RocoMamas outlet 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. Any surplus recognised in profit is in respect of the recovery of a prior year's cumulative marketing fund deficit and is accordingly not for the benefit of the owners of the company and will not, in the ordinary course of business, be distributable to shareholders. Losses are only recognised to the extent that a marketing fund is in a cumulative deficit position.

South Africa: Other

- Comprises the group's training division, export business, décor manufacturing business and call centre which are each individually not material

## 5. Operating segments continued

International: Australasia

- Franchise business in Australia and New Zealand. The group's only franchisee in New Zealand ceased trading during the current year.

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.

The CODM reviews the performance of each of the franchise brands, the retail company stores business, marketing funds and other business wunits independently of each other to assess the risks and contribution of each business unit, and, where appropriate, the possibility and financial feasibility of expanding, ceasing or outsourcing operations.

Intersegment transactions are accounted for on the same basis as equivalent transactions with parties external to the group.

| | | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|---|
| **R'000** | Note | **Total revenues** | **Less: Inter-segment revenues** | **External revenues** | Total revenues | Less: Inter-segment revenues | External revenues |
| **South Africa** | | | | | | | |
| Franchise | | **424 237** | **8 980** | **415 257** | 340 381 | 6 986 | 333 395 |
| Spur | | **295 941** | **1 126** | **294 815** | 233 041 | 874 | 232 167 |
| Panarottis | | **38 938** | **298** | **38 640** | 31 589 | 322 | 31 267 |
| John Dory's | | **20 084** | **410** | **19 674** | 18 305 | 357 | 17 948 |
| RocoMamas | | **46 074** | **3 276** | **42 798** | 41 384 | 2 811 | 38 573 |
| Speciality brands | | **23 200** | **3 870** | **19 330** | 16 062 | 2 622 | 13 440 |
| Manufacturing and distribution | c | **2 241 316** | **128 887** | **2 112 429** | 1 811 463 | 101 049 | 1 710 414 |
| Retail company stores | | **86 610** | **–** | **86 610** | 62 907 | – | 62 907 |
| Marketing | | **324 707** | **4 837** | **319 870** | 203 659 | 4 121 | 199 538 |
| Other segments | e | **57 076** | **8 983** | **48 093** | 44 342 | 7 583 | 36 759 |
| Total South African segments | | **3 133 946** | **151 687** | **2 982 259** | 2 462 752 | 119 739 | 2 343 013 |
| Shared services | | **30 583** | **30 120** | **463** | 30 604 | 30 393 | 211 |
| **Total South Africa** | | **3 164 529** | **181 807** | **2 982 722** | 2 493 356 | 150 132 | 2 343 224 |
| **International** | | | | | | | |
| Australasia | | **678** | **–** | **678** | 645 | – | 645 |
| Rest of Africa and Middle East | g | **55 557** | **193** | **55 364** | 42 481 | 119 | 42 362 |
| Marketing | | **6 437** | **–** | **6 437** | 4 961 | – | 4 961 |
| Total International segments | | **62 672** | **193** | **62 479** | 48 087 | 119 | 47 968 |
| Shared services | | **530** | **530** | **–** | 415 | 415 | – |
| **Total International** | | **63 202** | **723** | **62 479** | 48 502 | 534 | 47 968 |
| **Total** | | **3 227 731** | **182 530** | **3 045 201** | 2 541 858 | 150 666 | 2 391 192 |

Refer to page 29 for notes.

## 5. Operating segments continued

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| R'000 | Note | Profit/ (loss) before income tax | Capital expenditure | Profit/ (loss) before income tax | Capital expenditure |
| **South Africa** | | | | | |
| Franchise | | 342 352 | – | 258 933 | – |
| Spur | a | 257 116 | – | 194 990 | – |
| Panarottis | | 26 845 | – | 19 794 | – |
| John Dory's | | 11 427 | – | 6 641 | – |
| RocoMamas | b | 29 911 | – | 27 876 | – |
| Speciality brands | | 17 053 | – | 9 632 | – |
| Manufacturing and distribution | | 80 707 | 2 146 | 73 612 | 1 298 |
| Retail company stores | d | 4 871 | 752 | (1 185) | 2 531 |
| Marketing | | 1 104 | 534 | 2 410 | 90 |
| Other segments | e | 2 710 | – | (3 981) | – |
| Total South African segments | | 431 744 | 3 432 | 329 789 | 3 919 |
| Shared services | f | (129 047) | 2 004 | (132 328) | 4 062 |
| **Total South Africa** | | 302 697 | 5 436 | 197 461 | 7 981 |
| **International** | | | | | |
| Australasia | | 85 | – | (119) | – |
| Rest of Africa and Middle East | | 25 489 | – | 18 938 | – |
| Marketing | | – | – | – | – |
| Total international segments | | 25 574 | – | 18 819 | – |
| Shared services | h | (9 847) | 21 | (6 612) | 16 |
| **Total International** | | 15 727 | 21 | 12 207 | 16 |
| **Total** | | 318 424 | 5 457 | 209 668 | 7 997 |

Refer note 6 for further details of revenue.

**GEOGRAPHICAL ALLOCATION OF NON-CURRENT ASSETS**

The group's non-current assets are allocated to the following geographic regions:

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| South Africa | 469 982 | 484 171 |
| Other countries | 121 | 200 |
| **Total non-current assets** | 470 103 | 484 371 |

For the purposes of the above analysis, non-current assets exclude deferred tax assets and loans receivable.

Refer to page 29 for notes.

## 5. Operating segments continued

**Notes**

***a) South Africa Franchise – Spur***

Profit for the prior year includes development costs of R4.088 million.

***b) South Africa Franchise – RocoMamas***

Profit for the year includes a one-off contribution to the RocoMamas marketing fund of R1.0 million to facilitate the implementation of the brand's marketing strategy.

***c) South Africa Manufacturing and distribution***

Manufacturing and distribution external revenue includes sales by the group's outsourced distributor of R2.022 billion (2022: R1.633 billion).

***d) South Africa Retail company stores***

Current year segment result includes property, plant and equipment impairment losses of R1.210 million relating to the Modrockers proof of concept pilot restaurant and R0.566 million relating to the RocoMamas store in Green Point (refer note 12.1).

During the prior year, the group undertook a major refurbishment of The Hussar Grill in Morningside to the amount of R2.200 million of which R2.109 million was capitalised and R0.091 million was expensed.

***e) South Africa Other segments***

The increase in revenue and profit for other segments relates largely to improved volumes in the group's Décor manufacturing and Export business units post COVID-19. The group's training division has also reduced losses as training activities recover to pre-COVID-19 levels.

***f) South Africa Shared services***

| The segment loss includes: | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Marketing fund administration cost recoveries (intersegment)[1] | **15 456** | 14 552 |
| Net finance income[2] | **22 652** | 2 302 |
| Impairment (loss)/reversal – net expected credit losses on other financial instruments (refer note 38.3.1) | **(1 137)** | 562 |
| Equity-settled share-based payment charge (refer note 22.4) | **(12 998)** | (6 309) |
| Consulting fees – due diligence costs (refer note 41.2) | **(1 911)** | – |
| Contingent consideration fair value gain/(loss) (net of allowance for expected credit losses) (refer note 20) | **115** | (2 453) |
| Loss (before net finance income) of The Spur Foundation Trust, all of which is attributable to non-controlling interests | **(29)** | (145) |
| Non-executive directors' fees (including VAT where applicable)[3] | **(5 461)** | (5 317) |

[1] The group recovers certain of the costs of administering the marketing funds on behalf of franchisees from the marketing funds.
[2] Net finance income increased as a result of greater cash balances and higher interest rates relative to the prior year. In addition, the prior year includes an interest charge of R8.038 million relating to the SARS dispute (refer note 10.2).
[3] The non-executive directors fees are paid by a company which cannot claim VAT inputs where applicable.

***g) Rest of Africa and Middle East***

Rest of Africa and Middle East revenue includes sales by the group's outsourced distributor of R15.538 million (2022: R10.602 million).

***h) International Shared services***

| The segment loss includes: | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Impairment loss – net expected and actual credit losses on financial instruments (refer note 38.3.1) | **(256)** | (2 035) |
| Foreign exchange (loss)/gain | **(3 807)** | 467 |

## 5. Operating segments continued

Included in profit before income tax are depreciation and amortisation, interest expense and interest income allocated to the following segments:

| R'000 | 2023 Depreciation and amortisation | 2023 Interest expense | 2023 Interest income | 2022 Depreciation and amortisation | 2022 Interest expense | 2022 Interest income |
|---|---|---|---|---|---|---|
| **South Africa** | | | | | | |
| Franchise | (2 156) | (228) | – | (2 587) | (225) | – |
| Spur | (1 369) | (159) | – | (1 468) | (126) | – |
| Panarottis | (367) | (25) | – | (567) | (41) | – |
| John Dory's | (301) | (25) | – | (444) | (35) | – |
| Speciality brands | (119) | (19) | – | (108) | (23) | – |
| Manufacturing and distribution | (2 514) | – | – | (2 603) | (4) | – |
| Retail company stores | (7 237) | (1 705) | – | (7 252) | (2 752) | – |
| Marketing | (93) | – | 5 279 | (171) | – | 1 510 |
| Other segments | (560) | (18) | – | (740) | (39) | – |
| Total South African segments | (12 560) | (1 951) | 5 279 | (13 353) | (3 020) | 1 510 |
| Shared services | (6 694) | (714) | 23 366 | (7 410) | (9 499) | 11 801 |
| **Total South Africa** | (19 254) | (2 665) | 28 645 | (20 763) | (12 519) | 13 311 |
| **International** | | | | | | |
| Australasia | – | (1) | – | – | (27) | – |
| Rest of Africa and Middle East | – | – | – | – | – | – |
| Total International segments | – | (1) | – | – | (27) | – |
| Shared services | (125) | (28) | 14 | (108) | (32) | 14 |
| **Total International** | (125) | (29) | 14 | (108) | (59) | 14 |
| **Total** | (19 379) | (2 694) | 28 659 | (20 871) | (12 578) | 13 325 |

## 5. Operating segments continued

The group's single largest overhead cost is employment costs. Employment costs are allocated to segments as follows:

| R'000 | 2023 Employment costs | 2022 Employment costs |
|---|---|---|
| **South Africa** | | |
| Franchise | **57 490** | 61 528 |
| Spur | **29 160** | 30 112 |
| Panarottis | **8 687** | 8 989 |
| John Dory's | **6 299** | 9 314 |
| RocoMamas | **8 718** | 8 153 |
| Speciality brands | **4 626** | 4 960 |
| Manufacturing and distribution | **16 872** | 15 753 |
| Retail company stores | **15 709** | 12 392 |
| Marketing | **26 653** | 23 785 |
| Other segments | **8 709** | 15 098 |
| Total South African segments | **125 433** | 128 556 |
| Shared services | **84 951** | 79 131 |
| **Total South Africa** | **210 384** | 207 687 |
| **International** | | |
| Australasia | **–** | – |
| Rest of Africa and Middle East | **11 386** | 10 555 |
| Total International segments | **11 386** | 10 555 |
| Shared services | **3 724** | 3 403 |
| **Total International** | **15 110** | 13 958 |
| **Total** | **225 494** | 221 645 |

## 6. Revenue

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Sales-based royalties | **447 639** | 357 607 |
| Ongoing franchise fee income | **447 639** | 357 607 |
| Recognised at a point in time | **2 266 689** | 1 824 133 |
| Sales of franchisee supplies (outsourced distributor) | **2 037 731** | 1 643 400 |
| Sales of purchased and manufactured sauces | **84 487** | 71 761 |
| Retail company stores' sales | **86 610** | 62 907 |
| Sales of franchisee supplies | **40 948** | 29 464 |
| Sales of marketing materials | **10 734** | 10 302 |
| Rebate income | **6 179** | 6 299 |
| Recognised over time | **330 873** | 209 452 |
| Initial franchise fee income | **6 994** | 7 161 |
| Marketing fund contributions | **300 331** | 181 984 |
| Services rendered | **8 192** | 8 029 |
| Marketing supplier contributions | **15 356** | 12 278 |
| **Total revenue** | **3 045 201** | 2 391 192 |

## 6. Revenue continued

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

| R'000 | Sales-based royalties | Recognised at a point in time | Recognised over time | Total |
|---|---|---|---|---|
| **2023** | | | | |
| **South Africa** | | | | |
| Franchise | 410 321 | 164 | 4 772 | 415 257 |
| Spur | 292 516 | – | 2 299 | 294 815 |
| Panarottis | 37 726 | 164 | 750 | 38 640 |
| John Dory's | 19 522 | – | 152 | 19 674 |
| RocoMamas | 41 526 | – | 1 272 | 42 798 |
| Speciality brands | 19 031 | – | 299 | 19 330 |
| Manufacturing and distribution | – | 2 112 429 | – | 2 112 429 |
| Retail company stores | – | 86 610 | – | 86 610 |
| Marketing | – | 10 734 | 309 136 | 319 870 |
| Other segments | – | 40 321 | 7 772 | 48 093 |
| Total South African segments | 410 321 | 2 250 258 | 321 680 | 2 982 259 |
| Shared services | – | 463 | – | 463 |
| **Total South Africa** | 410 321 | 2 250 721 | 321 680 | 2 982 722 |
| **International** | | | | |
| Australasia | 538 | – | 140 | 678 |
| Rest of Africa and Middle East | 36 780 | 15 968 | 2 616 | 55 364 |
| Marketing | – | – | 6 437 | 6 437 |
| **Total International** | 37 318 | 15 968 | 9 193 | 62 479 |
| **Total external revenue** | 447 639 | 2 266 689 | 330 873 | 3 045 201 |
| **2022** | | | | |
| **South Africa** | | | | |
| Franchise | 328 954 | 273 | 4 168 | 333 395 |
| Spur | 230 488 | – | 1 679 | 232 167 |
| Panarottis | 30 363 | 273 | 631 | 31 267 |
| John Dory's | 17 576 | – | 372 | 17 948 |
| RocoMamas | 37 386 | – | 1 187 | 38 573 |
| Speciality brands | 13 141 | – | 299 | 13 440 |
| Manufacturing and distribution | – | 1 710 414 | – | 1 710 414 |
| Retail company stores | – | 62 907 | – | 62 907 |
| Marketing | – | 10 302 | 189 236 | 199 538 |
| Other segments | – | 28 980 | 7 779 | 36 759 |
| Total South African segments | 328 954 | 1 812 876 | 201 183 | 2 343 013 |
| Shared services | – | 211 | – | 211 |
| **Total South Africa** | 328 954 | 1 813 087 | 201 183 | 2 343 224 |
| **International** | | | | |
| Australasia | 558 | – | 87 | 645 |
| Rest of Africa and Middle East | 28 095 | 11 046 | 3 221 | 42 362 |
| Marketing | – | – | 4 961 | 4 961 |
| **Total International** | 28 653 | 11 046 | 8 269 | 47 968 |
| **Total external revenue** | 357 607 | 1 824 133 | 209 452 | 2 391 192 |

## 7. Other income

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Expired gift vouchers[1] | **1 379** | 1 598 |
| Fair value gain on contingent consideration receivable (refer note 20) | **61** | – |
| Gain on derecognition of lease | **1** | – |
| Derecognition of lease liabilities on early termination of leases (refer note 25) | **75** | – |
| Derecognition of right-of-use assets on early termination of leases (refer note 13) | **(74)** | – |
| Profit on disposal of property, plant and equipment | **69** | 125 |
| Rental concession income (refer note 25) | **–** | 201 |
| Spur Foundation donation income[2] | **1 112** | 1 378 |
| Other | **780** | 656 |
| **Total other income** | **3 402** | 3 958 |

[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] 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 consolidated statement of profit or loss and other comprehensive income.

## 8. Operating profit before net finance income

The following items have been taken into account in determining operating profit before net finance income (other than those items disclosed in other income (refer note 7)):

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Auditor's remuneration[1] | **6 395** | 5 533 |
| Amortisation – intangible assets (refer note 14) | **1 343** | 1 150 |
| Consulting fees | **24 152** | 14 985 |
| Consulting fees – due diligence costs (refer note 41.2) | **1 911** | – |
| Depreciation – property, plant and equipment (refer note 12) | **8 984** | 9 210 |
| Depreciation – right-of-use assets (refer note 13) | **9 052** | 10 511 |
| Employment costs | **225 494** | 221 645 |
| Salaries and wages (excluding executive directors and prescribed officer)[2] | **186 451** | 190 150 |
| Executive directors' and prescribed officer's emoluments (refer note 39)[3] | **26 045** | 25 186 |
| Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 22.4) | **12 998** | 6 309 |
| Foreign exchange loss | **3 651** | – |
| Impairment losses – expected and actual credit losses – financial instruments | **2 622** | 2 957 |
| Trade receivables (refer note 19) | **2 292** | 2 822 |
| Bad debts – trade receivables | **582** | 345 |
| Movement in Impairment allowance | **1 710** | 2 477 |
| Loan receivables (refer note 15) | **384** | 207 |
| Impairment allowance | **506** | 395 |
| Reversal of impairment allowance | **(122)** | (188) |
| Impairment allowance reversed against actual write off of loans receivable | **(2 766)** | (1 310) |
| Write off of loans receivable | **2 766** | 1 310 |
| Reversal of impairment of contingent consideration receivable (refer note 20) | **(54)** | (72) |
| Other non-trading losses | **1 776** | 2 525 |
| Fair value loss on contingent consideration receivable (refer note 20) | **–** | 2 525 |
| Impairment of plant, property and equipment (refer note 12.1) | **1 776** | – |
| Subscriptions[4] | **17 614** | 10 247 |

[1] Remuneration of the company's external auditor for services to the company and its subsidiaries.
[2] Includes short-term performance bonuses and short-term incentive scheme costs (refer note 27.1).
[3] Includes short-term performance bonuses but excludes equity compensation benefits disclosed separately within employment costs.
[4] Subscriptions comprise recurring service costs and include software-as-a-service costs, certain annual IT-related licence costs, wide area network (WAN) IT infrastructure costs and outsourced call centre costs.

## 9. Net finance income

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Finance income and expense recognised in profit before income tax** | | |
| Interest income on bank deposits | **27 721** | 12 619 |
| Interest income on financial assets measured at amortised cost | **938** | 706 |
| **Interest income** | **28 659** | 13 325 |
| Interest expense on financial liabilities measured at amortised cost | **(46)** | (361) |
| Interest on tax liability (refer note 10.2) | **–** | (8 038) |
| Interest expense on employee benefit liability* | **–** | (496) |
| Interest expense on lease liabilities (refer note 25) | **(2 648)** | (3 683) |
| **Interest expense** | **(2 694)** | (12 578) |
| **Net interest income recognised in profit before income tax** | **25 965** | 747 |

* The present value of the restraint of trade payment referenced in the footnote to note 31 was accrued in earlier years. The interest charged to profit or loss relates to the unwinding of the discounting applied for accounting purposes.

## 10. Income tax

### 10.1 INCOME TAX EXPENSE

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **South African corporate income tax** | | **88 765** | 75 852 |
| Current | – current year | **89 237** | 71 153 |
| | – prior year (over)/under provision[1] | **(6)** | 17 559 |
| Deferred | – current year | **(1 067)** | (7 656) |
| | – prior year under/(over) provision | **601** | (3 672) |
| | – rate change | **–** | (1 532) |
| **South African dividend withholding tax** | | **1 897** | 581 |
| **Namibian corporate income tax** | | **(295)** | 298 |
| Current | – prior year (over)/under provision | **(295)** | 298 |
| **Dutch corporate income tax** | | **2 620** | 1 374 |
| Current | – current year | **2 454** | 2 045 |
| | – prior year under/(over) provision | **24** | (419) |
| Deferred | – current year | **79** | (159) |
| | – prior year under provision | **63** | – |
| | – rate change | **–** | (93) |
| **Dutch withholding tax** | | **4 261** | 3 160 |
| | – current year | **4 261** | 3 706 |
| | – prior year over provision | **–** | (546) |
| **Australian corporate tax** | | **166** | 63 |
| Deferred | – current year | **35** | 27 |
| | – prior year under provision | **131** | – |
| | – rate change | **–** | 36 |
| **Income tax expense** | | **97 414** | 81 328 |
| Total current corporate income tax | | **91 414** | 90 636 |
| Total deferred corporate tax (refer note 16) | | **(158)** | (13 049) |
| Total withholding taxes | | **6 158** | 3 741 |
| **Income tax expense** | | **97 414** | 81 328 |

[1] The 2022 prior year under provision includes R13.996 million relating to the tax dispute that was resolved during the prior year (refer note 10.2).

# 10. Income tax continued

### 10.2 INCOME TAX DISPUTE IN RESPECT OF 2004-2009 SHARE INCENTIVE SCHEME – RESOLVED DURING THE PRIOR YEAR

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 were charged to profit or loss as additional income tax and interest expense respectively in the prior financial year. 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 prior year.

### 10.3 RECONCILIATION OF TAX RATE

| | **2023 %** | 2022 % |
|---|---|---|
| South African corporate income tax rate | **27.0** | 28.0 |
| Non-deductible loan impairments | **0.3** | – |
| Non-deductible interest and penalties | **–** | 1.1 |
| Non-deductible listings related costs | **0.8** | 1.2 |
| Non-deductible fair value loss on contingent consideration receivable | **–** | 0.3 |
| Non-deductible marketing expenditure | **25.6** | 24.5 |
| Non-deductible other expenditure (capital items and items not in production of income) | **0.5** | 0.5 |
| Non-taxable marketing income | **(25.7)** | (24.7) |
| Non-taxable reversal of impairment allowance for expected credit losses | **(0.2)** | – |
| Prior year net under provision | **0.2** | 6.3 |
| Tax losses on which deferred tax asset not recognised | **0.1** | 0.2 |
| Tax losses utilised on which deferred tax not previously recognised | **(0.1)** | – |
| Tax on foreign attributed income not included in profit | **0.2** | 0.3 |
| Tax at rates other than corporate income tax rate | **0.2** | 0.1 |
| Tax rate change | **–** | (0.8) |
| Withholding taxes | **1.7** | 1.8 |
| **Effective tax rate** | **30.6** | 38.8 |

During the prior year, the South African Minister of Finance enacted a change in the corporate income tax rate from 28% to 27% effective for the group's current financial year. The group's local deferred tax balances at 30 June 2022 were adjusted in the prior year to reflect the reduced corporate income tax rate.

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

### 10.4 TAX LOSSES

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Estimated group tax losses available for set-off against future taxable income | **30 694** | 27 274 |

A deferred tax asset has not been recognised in respect of R30.694 million of these tax losses, which comprises predominantly losses incurred by foreign subsidiaries which continue to incur tax losses and there is no reasonable certainty that future taxable income will be earned against which these losses may be offset.

None of these losses expire if not used.

## 10. Income tax continued

### 10.5 TAX (CREDITED)/CHARGED DIRECTLY TO EQUITY

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Current tax on intercompany transfer of treasury shares (refer note 22.4) | **10** | – |
| Current tax on foreign exchange (loss)/gain on net investments in foreign subsidiaries | **(59)** | 25 |
| Deferred tax on equity-settled share-based payment[1] (refer note 16) | **(333)** | (155) |
| **Total tax credited directly to equity** | **(382)** | (130) |

[1] The deferred tax credited to equity in respect of the equity-settled share-based payment is the amount of the deferred tax credit relating to the group's long-term share incentive schemes (refer note 22.4) that exceeds 27% of the share-based payment expense included in profit before income tax.

## 11. Earnings per share

### 11.1 STATISTICS

| | 2023 Cents | 2022 Cents |
|---|---|---|
| Basic earnings per share | **260.03** | 144.33 |
| Diluted earnings per share | **258.86** | 143.80 |
| Headline earnings per share | **261.18** | 144.22 |
| Diluted headline earnings per share | **260.01** | 143.68 |

The earnings used for diluted earnings per share are the same as the earnings used for basic earnings per share, which equates to profit attributable to the owners of the company of R212.176 million (2022: R121.235 million) for the group.

### 11.2 RECONCILIATION OF SHARES IN ISSUE TO WEIGHTED AVERAGE AND DILUTIVE WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

| | 2023 '000 | 2022 '000 |
|---|---|---|
| Shares in issue at beginning of year | **90 997** | 90 997 |
| Shares repurchased at beginning of year (refer note 22.2) | **(8 320)** | (7 029) |
| Shares repurchased during the year weighted for period held by the group (refer note 22.2) | **(1 180)** | (80) |
| Shares issued during the year weighted for period in issue (refer note 22.4) | **99** | 109 |
| **Weighted average number of ordinary shares in issue for the year** | **81 596** | 83 997 |
| Dilutive potential ordinary shares weighted for period outstanding (refer note 22.4) | **368** | 313 |
| **Dilutive weighted average number of shares in issue for the year** | **81 964** | 84 310 |

### 11.3 RECONCILIATION OF HEADLINE EARNINGS

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Profit attributable to owners of the company | **212 176** | 121 235 |
| Impairment of property, plant and equipment (refer note 12.1) | **990** | – |
| Profit on disposal of property, plant and equipment | **(54)** | (98) |
| **Headline earnings** | **213 112** | 121 137 |

| R'000 | Gross | Income tax | Non-controlling interests | Attributable to owners of the company |
|---|---|---|---|---|
| **2023** | | | | |
| Impairment of property, plant and equipment (refer note 12.1) | **1 776** | **(480)** | **(306)** | **990** |
| Profit on disposal of property, plant and equipment | **(69)** | **15** | **–** | **(54)** |
| | **1 707** | **(465)** | **(306)** | **936** |
| **2022** | | | | |
| Profit on disposal of property, plant and equipment | (125) | 27 | – | (98) |
| | (125) | 27 | – | (98) |

## 12. Property, plant and equipment

| R'000 | Land and buildings | Leasehold improve-ments | Furniture and fittings | Plant, equipment and vehicles | Computer equipment | Total |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| **COST** | | | | | | |
| Balance at 1 July 2022 | 77 911 | 17 873 | 17 167 | 29 791 | 25 654 | 168 396 |
| Additions | 82 | 74 | 290 | 3 562 | 1 449 | 5 457 |
| Disposals | – | – | – | – | (30) | (30) |
| **Balance at 30 June 2023** | 77 993 | 17 947 | 17 457 | 33 353 | 27 073 | 173 823 |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES** | | | | | | |
| Balance at 1 July 2022 | (6 666) | (10 807) | (13 146) | (22 213) | (23 048) | (75 880) |
| Disposals | – | – | – | – | 19 | 19 |
| Depreciation | (670) | (1 898) | (1 498) | (3 309) | (1 609) | (8 984) |
| Impairment (refer note 12.1) | – | (912) | (184) | (565) | (115) | (1 776) |
| **Balance at 30 June 2023** | (7 336) | (13 617) | (14 828) | (26 087) | (24 753) | (86 621) |
| **CARRYING AMOUNT** | | | | | | |
| Balance at 1 July 2022 | 71 245 | 7 066 | 4 021 | 7 578 | 2 606 | 92 516 |
| Additions | 82 | 74 | 290 | 3 562 | 1 449 | 5 457 |
| Disposals | – | – | – | – | (11) | (11) |
| Depreciation | (670) | (1 898) | (1 498) | (3 309) | (1 609) | (8 984) |
| Impairment (refer note 12.1) | – | (912) | (184) | (565) | (115) | (1 776) |
| **Balance at 30 June 2023** | 70 657 | 4 330 | 2 629 | 7 266 | 2 320 | 87 202 |
| **2022** | | | | | | |
| **COST** | | | | | | |
| Balance at 1 July 2021 | 77 911 | 15 990 | 15 566 | 27 210 | 24 772 | 161 449 |
| Additions | – | 1 883 | 1 601 | 2 756 | 1 757 | 7 997 |
| Disposals | – | – | – | (175) | (875) | (1 050) |
| **Balance at 30 June 2022** | 77 911 | 17 873 | 17 167 | 29 791 | 25 654 | 168 396 |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES** | | | | | | |
| Balance at 1 July 2021 | (5 999) | (8 889) | (11 539) | (19 040) | (22 025) | (67 492) |
| Disposals | – | – | – | 97 | 725 | 822 |
| Depreciation | (667) | (1 918) | (1 607) | (3 270) | (1 748) | (9 210) |
| **Balance at 30 June 2022** | (6 666) | (10 807) | (13 146) | (22 213) | (23 048) | (75 880) |
| **CARRYING AMOUNT** | | | | | | |
| Balance at 1 July 2021 | 71 912 | 7 101 | 4 027 | 8 170 | 2 747 | 93 957 |
| Additions | – | 1 883 | 1 601 | 2 756 | 1 757 | 7 997 |
| Disposals | – | – | – | (78) | (150) | (228) |
| Depreciation | (667) | (1 918) | (1 607) | (3 270) | (1 748) | (9 210) |
| **Balance at 30 June 2022** | 71 245 | 7 066 | 4 021 | 7 578 | 2 606 | 92 516 |

Additions for the current year include predominantly routine maintenance/replacement plant, equipment and computer equipment including the group's sauce manufacturing facility and retail company stores. Prior year additions included the fit-out of a pilot proof of concept, Modrockers, the refurbishment of The Hussar Grill Morningside and routine asset replacements for other retail company stores.

**12.1 IMPAIRMENTS**

The pilot proof of concept restaurant, Modrockers, has to date not been successful in generating positive cash flows. The recoverable amount of the assets attributable to the restaurant is considered negligible. The group has accordingly impaired the carrying amounts of all tangible property, plant and equipment.

The retail company store, RocoMamas Green Point, has failed to generate positive cash flows for two consecutive years. It is anticipated that the movable plant and equipment will be able to be transferred to an alternative location following the termination of the lease in March 2024. The carrying amount of immovable leasehold improvements has been impaired.

## 12. Property, plant and equipment continued

### 12.1 IMPAIRMENTS continued

| | 2023 R'000 |
|---|---|
| Impairment of carrying amount of property, plant and equipment relating to Modrockers | 1 210 |
| Impairment of carrying amount of movable plant and equipment relating to RocoMamas Green Point | 566 |
| **Total impairment of property, plant and equipment** | **1 776** |

The impairments are attributable to the *Retail company stores* operating segment.

## 13. Right-of-use assets

| R'000 | Property | Vehicles | Total |
|---|---|---|---|
| **2023** | | | |
| **Balance at 1 July 2022 – net carrying amount** | 23 787 | 3 768 | 27 555 |
| Additions (refer note 25) | – | 441 | 441 |
| Depreciation | (5 880) | (3 172) | (9 052) |
| Re-measurement of right-of-use assets (refer note 25) | – | 1 044 | 1 044 |
| Derecognition on early termination of leases | – | (74) | (74) |
| Cost | – | (3 476) | (3 476) |
| Accumulated depreciation | – | 3 402 | 3 402 |
| Effect of foreign exchange fluctuations | 30 | – | 30 |
| Cost | 103 | – | 103 |
| Accumulated depreciation | (73) | – | (73) |
| **Balance at 30 June 2023 – net carrying amount** | 17 937 | 2 007 | 19 944 |
| Cost | 42 356 | 12 575 | 54 931 |
| Accumulated depreciation | (24 419) | (10 568) | (34 987) |
| **2022** | | | |
| **Balance at 1 July 2021 – net carrying amount** | 30 882 | 5 120 | 36 002 |
| Additions (refer note 25) | 1 418 | 819 | 2 237 |
| Depreciation | (6 361) | (4 150) | (10 511) |
| Re-measurement of right-of-use assets (refer note 25) | (2 155) | 1 979 | (176) |
| Derecognition on early termination of leases | – | – | – |
| Cost | – | (1 553) | (1 553) |
| Accumulated depreciation | – | 1 553 | 1 553 |
| Effect of foreign exchange fluctuations | 3 | – | 3 |
| Cost | 40 | – | 40 |
| Accumulated depreciation | (37) | – | (37) |
| **Balance at 30 June 2022 – net carrying amount** | 23 787 | 3 768 | 27 555 |
| Cost | 42 253 | 14 566 | 56 819 |
| Accumulated depreciation | (18 466) | (10 798) | (29 264) |

All leased assets are situated in South Africa, with the exception of a property lease in The Netherlands.

The additions to vehicles in the current and prior years relate to *ad hoc* vehicle lease renewals.

The additions to property in the prior year related primarily to a new property lease for the premises of pilot restaurant concept, Modrockers.

The re-measurements to vehicles in the current and prior years relate to a number of extensions of the vehicle leases beyond the original lease terms, during the respective years. The re-measurement to properties in the prior year related predominantly to the property lease of retail company store, RocoMamas Green Point, where the group had previously assessed that it was highly likely that a renewal option would be exercised, but re-evaluated that assessment in the prior year to determine that it was no longer highly likely.

## 14. Intangible assets and goodwill

| R'000 | Trademarks and intellectual property | Goodwill | Software licences | Total |
|---|---|---|---|---|
| **2023** | | | | |
| **COST** | | | | |
| Balance at 1 July 2022 | **290 915** | **81 357** | **11 335** | **383 607** |
| Disposals | **–** | **–** | **(937)** | **(937)** |
| **Balance at 30 June 2023** | **290 915** | **81 357** | **10 398** | **382 670** |
| **ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES** | | | | |
| Balance at 1 July 2022 | **(2 032)** | **(10 234)** | **(7 041)** | **(19 307)** |
| Amortisation | **–** | **–** | **(1 343)** | **(1 343)** |
| Disposals | **–** | **–** | **937** | **937** |
| **Balance at 30 June 2023** | **(2 032)** | **(10 234)** | **(7 447)** | **(19 713)** |
| **CARRYING AMOUNT** | | | | |
| Balance at 1 July 2022 | **288 883** | **71 123** | **4 294** | **364 300** |
| Amortisation | **–** | **–** | **(1 343)** | **(1 343)** |
| **Balance at 30 June 2023** | **288 883** | **71 123** | **2 951** | **362 957** |
| **2022** | | | | |
| **COST** | | | | |
| Balance at 1 July 2021 | 290 915 | 81 357 | 11 287 | 383 559 |
| Additions | – | – | 48 | 48 |
| **Balance at 30 June 2022** | 290 915 | 81 357 | 11 335 | 383 607 |
| **ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES** | | | | |
| Balance at 1 July 2021 | (2 032) | (10 234) | (5 891) | (18 157) |
| Amortisation | – | – | (1 150) | (1 150) |
| **Balance at 30 June 2022** | (2 032) | (10 234) | (7 041) | (19 307) |
| **CARRYING AMOUNT** | | | | |
| Balance at 1 July 2021 | 288 883 | 71 123 | 5 396 | 365 402 |
| Additions | – | – | 48 | 48 |
| Amortisation | – | – | (1 150) | (1 150) |
| **Balance at 30 June 2022** | 288 883 | 71 123 | 4 294 | 364 300 |

None of the above intangible assets are internally generated.

## 14. Intangible assets and goodwill continued

### 14.1 TRADEMARKS AND INTELLECTUAL PROPERTY

Trademarks and intellectual property consists of the Spur, Panarottis, John Dory's, The Hussar Grill, RocoMamas and Nikos trademarks and related intellectual property. The directors evaluated the indefinite useful life assumption of the assets at the reporting date and concluded that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the group (refer note 3.1.5).

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **The carrying amounts of the trademarks and intellectual property intangible assets with indefinite useful lives are allocated to the following cash-generating units:** | | |
| Spur Franchise operations | **230 475** | 230 475 |
| Panarottis Franchise operations | **32 925** | 32 925 |
| John Dory's Franchise operations | **8 465** | 8 465 |
| The Hussar Grill Franchise operations | **9 904** | 9 904 |
| RocoMamas Franchise operations | **7 114** | 7 114 |
| Nikos Franchise operations – net carrying amount | **–** | – |
| Gross carrying amount | **2 032** | 2 032 |
| Impairment | **(2 032)** | (2 032) |
| **Total carrying amount** | **288 883** | 288 883 |

### 14.2 GOODWILL

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **For the purposes of impairment testing, goodwill is allocated to the following cash-generating units:** | | |
| John Dory's Franchise operations | **178** | 178 |
| The Hussar Grill Franchise operations | **13 870** | 13 870 |
| RocoMamas Franchise operations | **43 102** | 43 102 |
| Nikos Franchise operations – net carrying amount | **–** | – |
| Gross carrying amount | **3 722** | 3 722 |
| Impairment | **(3 722)** | (3 722) |
| The Hussar Grill retail operations* | **13 973** | 13 973 |
| **Total carrying amount** | **71 123** | 71 123 |

* This comprises three cash-generating units, namely The Hussar Grills in Camps Bay, Rondebosch and Mouille Point, all in the Western Cape.

### 14.3 IMPAIRMENTS OF TRADEMARKS AND INTELLECTUAL PROPERTY AND GOODWILL

In accordance with the group's accounting policies, impairment tests on intangible assets with indefinite useful lives and goodwill are performed at every reporting date irrespective of whether an indication of impairment exists. The recoverable amounts of the cash-generating units to which the trademarks and intellectual property and goodwill are allocated have been determined based on their values-in-use. Given the nature of the franchise and retail restaurant business, it is submitted that the fair values less costs to sell of the cash-generating units are unlikely to differ significantly from their values-in-use.

## 14. Intangible assets and goodwill continued

### 14.3 IMPAIRMENTS OF TRADEMARKS AND INTELLECTUAL PROPERTY AND GOODWILL continued

In determining the values-in-use of the cash-generating units, the following key assumptions have been applied, which are based largely on approved budgets for the 2024 financial year as a starting point. The approved budgets for the 2024 financial year are based on the group's actual performance for the 2023 financial year taking into account a best estimate of expected organic growth considering expected inflation and economic growth. Forecasts beyond the 2024 financial year are largely inflation-related, with organic growth consistent with past experience:

#### Franchise operations

- Cash inflows comprise mainly franchise-related fee income determined as a percentage of franchised restaurant sales. Budgeted 2024 restaurant sales are based on actual sales achieved in the 2023 financial year, adjusted for inflation and expected organic growth (based on past experience). Restaurant sales for existing businesses have been forecast to increase at 6% per annum for all brands, with the exception of The Hussar Grill, which is the top end of the targeted South African inflation rate range of between 3% and 6%, from the 2025 financial year onwards. Restaurant sales for existing businesses for The Hussar Grill have been forecast to increase at 7% (2022: 6%) per annum, from the 2025 financial year onwards, as the brand's higher-income target market tends to be more resilient to potential negative economic conditions. The contribution of new restaurants to revenue has been determined based on past experience and taking into consideration the potential for organic growth of each brand.
- Cash outflows for the 2024 financial year are estimated based on approved budgets, taking actual costs incurred for the 2023 financial year into account, adjusted for known changes, and increased by inflation. Operating costs comprise predominantly employment-related costs. Employment-related costs have been budgeted to increase by approximately 6.5% for the 2024 financial year. Overhead costs have been forecast to increase by inflation of 5% for the forecast horizon beyond the 2024 financial year, being slightly above the mid-point of the South African Reserve Bank's targeted inflation rate range of 3% to 6%, while employment-related costs have been forecast to increase by 6.0% per annum for the same period. Adjustments have been made for known capacity changes required to support the forecasted growth in revenue.
- Growth in perpetuity of cash flows beyond the five-year forecast horizon is estimated at 4.5%, being the mid-point in the targeted inflation rate range.
- After-tax cash flows are discounted at an after-tax discount rate of 18.9% (2022: 18.1%), being the weighted average cost of capital of the company adjusted for risk factors specific to the cash-generating units. The increase in the discount rate is largely as a result of higher prevailing interest rates relative to the prior year. The equivalent pre-tax discount rates equate to:

| | **2023 %** | 2022 % |
|---|---|---|
| Spur Franchise operations | **24.5** | 23.4 |
| Panarottis Franchise operations | **24.4** | 23.2 |
| John Dory's Franchise operations | **24.3** | 23.2 |
| The Hussar Grill Franchise operations | **24.1** | 23.0 |
| RocoMamas Franchise operations | **24.4** | 23.2 |
| Nikos Franchise operations | **24.2** | 22.8 |

#### Retail operations

- Cash inflows comprise predominantly restaurant sales. Budgeted 2024 restaurant sales have been based on actual sales achieved in the 2023 financial year, adjusted for inflation. Restaurant sales thereafter have been forecast to grow by 7% (2022: 6%) per annum which is slightly higher than the targeted South African inflation rate range of between 3% and 6%, as the brand's higher-income target market is generally more resilient to potential negative economic conditions.
- Cash outflows for the 2024 financial year and beyond were based on approved budgets for the 2024 financial year as detailed below.
- Variable costs are projected based on the percentages of revenue that have historically been achieved in the respective businesses.
- Semi-variable costs are adjusted in part for anticipated inflation and in part by the change in anticipated turnover.
- Fixed costs are estimated to increase at 5% per annum, being slightly higher than the mid-point of the targeted South African inflation rate range of between 3% and 6%.
- Rental costs are forecast in accordance with the lease agreements.
- Growth in perpetuity of cash flows beyond the five-year forecast horizon is estimated at 4.5% (2022: 4.5%), being the mid-point in the targeted inflation rate range.

## 14. Intangible assets and goodwill continued

### 14.3 IMPAIRMENTS OF TRADEMARKS AND INTELLECTUAL PROPERTY AND GOODWILL continued

#### Retail operations continued

- After-tax cash flows are discounted at an after-tax discount rate of 19.9% (2022: 20.1%), being the weighted average cost of capital of the company adjusted for risk factors specific to the cash-generating units. The slight decrease in the discount rate relative to the prior year, notwithstanding the increase in prevailing interest rates during the year, is due to a lower forecasting risk adjustment factor as cash flows from retail restaurants are significantly more predictable than they were during the period immediately following the COVID-19 crisis.
  The equivalent pre-tax discount rates equate to:

| | **2023 %** | 2022 % |
|---|---|---|
| The Hussar Grill Camps Bay | **25.7** | 25.8 |
| The Hussar Grill Mouille Point | **25.6** | 26.2 |
| The Hussar Grill Rondebosch | **25.3** | 26.4 |

#### Conclusion and sensitivity analysis

Based on the value-in-use calculations prepared on the assumptions detailed above, no further impairments for either trademarks and intellectual property or goodwill are required as at the reporting date.

Two key variable assumptions that impact most significantly on the calculation of the recoverable amounts are the discount rate and growth in restaurant turnovers. It is unlikely that any reasonable, likely change in these two key assumptions will result in a different conclusion.

## 15. Loans receivable

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| **Total gross carrying amount** | **9 610** | 12 209 |
| Impairment allowance | **(9 610)** | (11 262) |
| Opening impairment allowance | **(11 262)** | (11 989) |
| Current year impairment allowance | **(506)** | (395) |
| Reversal of impairment allowance | **122** | 188 |
| Effect of foreign exchange fluctuations | **(730)** | (376) |
| Impairment allowance reversed against actual write off | **2 766** | 1 310 |
| **Total net carrying amount** | **–** | 947 |
| Current portion included in current assets | **–** | 597 |
| Non-current portion included in non-current assets | **–** | 350 |

Further details regarding the calculation of the impairment allowances for expected credit losses are included in note 38.3.1.

### 15.1 FRANCHISEES (AUSTRALIA)

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| **Gross carrying amount** | **–** | 2 602 |
| Impairment allowance | **–** | (2 602) |
| Opening impairment allowance | **(2 602)** | (3 759) |
| Impairment allowance reversed against actual write off | **2 766** | 1 310 |
| Effect of foreign exchange fluctuations | **(164)** | (153) |
| **Net carrying amount** | **–** | – |

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

The loan to the franchisee of Apache Spur amounted to AU$231 484 at 30 June 2022. The franchisee had previously defaulted on the loan and the loan was consequently fully impaired in previous years. During the prior year, the franchisee commenced with voluntary liquidation proceedings. The loan was written off in the current year following the finalisation of the liquidation and the cumulative impairment allowance for expected credit losses previously raised has been reversed against the actual credit loss incurred in the current year.

## 15. Loans receivable continued

### 15.1 FRANCHISEES (AUSTRALIA) continued

The loan to the franchisee of Panarottis Wanneroo amounted to AU$118 683 at 30 June 2021. The franchisee had previously defaulted on the loan and the loan was consequently fully impaired in previous financial years. The franchisee ceased trading in the prior year and the loan was consequently written off in the prior year. The cumulative impairment allowance for expected credit losses previously raised had been reversed against the actual credit loss incurred in the prior year.

### 15.2 FRANCHISEES (LOCAL)

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Gross carrying amount** | **75** | 1 144 |
| Impairment allowance | **(75)** | (197) |
| Opening impairment allowance | **(197)** | (221) |
| Reversal of impairment allowance | **122** | 24 |
| **Net carrying amount** | **–** | 947 |
| Current portion included in current assets | **–** | 597 |
| Non-current portion included in non-current assets | **–** | 350 |

The loans to franchisees bear interest at 2% above the prime overdraft rate of interest and are repayable by December 2024. The loans are secured by way of, *inter alia*, personal suretyships from the owners of the respective franchises.

### 15.3 HUNGA BUSTERS PTY LTD

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Gross carrying amount** | **5 422** | 4 856 |
| Impairment allowance | **(5 422)** | (4 856) |
| Opening impairment allowance | **(4 856)** | (4 637) |
| Effect of foreign exchange fluctuations | **(566)** | (219) |
| **Net carrying amount** | **–** | – |

This loan arose on the disposal of two former retail company restaurants in Australia by the group to the borrower during the 2015 financial year. The loan is denominated in Australian dollars with a gross carrying amount of AU$431 983 (2022: AU$431 983). The loan is secured by a personal suretyship of the shareholder of the borrower and a pledge of the shares in the borrowing entity. The borrower had previously defaulted on the loan and the loan was consequently fully impaired in previous financial years. During the 2021 financial year, the entity commenced with liquidation proceedings. The prospects of recovering any amount of the loan is considered negligible.

### 15.4 KG HOLDINGS FAMILY TRUST

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Gross carrying amount** | **4 113** | 3 607 |
| Impairment allowance | **(4 113)** | (3 607) |
| Opening impairment allowance | **(3 607)** | (3 212) |
| Current year impairment allowance | **(506)** | (395) |
| **Net carrying amount** | **–** | – |

The receivable arose from the disposal of the Captain DoRegos business by the group to the borrower in the 2018 financial year. The receivable was payable in equal monthly instalments over 48 months commencing from 1 June 2018 and bears penalty interest at 2% above the prime overdraft rate of interest. The receivable is secured by a personal guarantee from the purchaser and a trust which holds immovable property.

The borrower previously defaulted on the loan. The financial status of the borrower was negatively impacted by COVID-19 trading restrictions and it is considered unlikely that any significant amount will be recovered. The loan was accordingly fully impaired in previous financial years.

## 15. Loans receivable continued

### 15.5 WHITE CLOUD RESTAURANT PTY LTD

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Gross carrying amount** | – | – |
| Impairment allowance | – | – |
| Opening impairment allowance | – | (160) |
| Reversal of impairment allowance | – | 164 |
| Effect of foreign exchange fluctuations | – | (4) |
| **Net carrying amount** | – | – |

This loan was denominated in Australian dollars with a gross carrying amount of AU$35 549 at 30 June 2021. The entity operated a Spur restaurant in New Zealand. A former director, Mr Mark Farrelly, owned 95% of the franchisee. The loan was previously advanced to assist the franchisee in funding the fit-out costs of the group's first franchised restaurant in New Zealand. The loan was subject to interest at a fixed 4.5% per annum and was repayable by 30 June 2021. The loan was settled in full during the prior year, and the allowance for expected credit losses was accordingly reversed during the prior year.

## 16. Deferred tax

| R'000 | Balance at beginning of year | Recognised in profit or loss | Recognised in other comprehensive income[1] | Recognised directly in equity (retained earnings) | Balance at end of year |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Accruals | 695 | (285) | – | – | 410 |
| Contract liabilities | 7 511 | 388 | 451 | – | 8 350 |
| Income received in advance | 1 188 | (1 056) | 32 | – | 164 |
| Intangible assets | (65 214) | – | – | – | (65 214) |
| Inventory | 295 | 247 | – | – | 542 |
| Lease liabilities | 9 319 | (2 583) | – | – | 6 736 |
| Leave pay accrual | 1 941 | 2 | 6 | – | 1 949 |
| Long-term employee benefits | 3 336 | 55 | – | 333[2] | 3 724 |
| Prepaid expenses | (469) | (504) | – | – | (973) |
| Property, plant and equipment | (11) | 257 | – | – | 246 |
| Right-of-use assets | (6 469) | 2 139 | – | – | (4 330) |
| Short-term employee incentives | 7 540 | 1 360 | 1 | – | 8 901 |
| Trade receivables | 2 266 | 138 | 147 | – | 2 551 |
| **Total net deferred tax liability** | **(38 072)** | **158** | **637** | **333** | **(36 944)** |
| **2022** | | | | | |
| Accruals | 191 | 504 | – | – | 695 |
| Contract liabilities | 7 976 | (483) | 18 | – | 7 511 |
| Income received in advance | 416 | 771 | 1 | – | 1 188 |
| Intangible assets | (67 629) | 2 415 | – | – | (65 214) |
| Inventory | 407 | (112) | – | – | 295 |
| Lease liabilities | 11 458 | (2 139) | – | – | 9 319 |
| Leave pay accrual | 2 122 | (181) | – | – | 1 941 |
| Leave pay receivable | (17) | 17 | – | – | – |
| Long-term employee benefits | 4 425 | (1 244) | – | 155[2] | 3 336 |
| Prepaid expenses | (740) | 271 | – | – | (469) |
| Property, plant and equipment | 68 | (79) | – | – | (11) |
| Right-of-use assets | (9 053) | 2 584 | – | – | (6 469) |
| Short-term employee incentives | 1 309 | 6 231 | – | – | 7 540 |
| Trade receivables | (2 563) | 4 826 | 3 | – | 2 266 |
| Unutilised tax losses | 332 | (332) | – | – | – |
| **Total net deferred tax liability** | (51 298) | 13 049 | 22 | 155 | (38 072) |

[1] Relates to foreign currency translation differences for foreign operations.
[2] Refer note 10.5.

## 16. **Deferred tax** continued

| | Deferred tax asset | | Deferred tax liability | |
|---|---|---|---|---|
| **R'000** | **2023** | 2022 | **2023** | 2022 |
| **The deferred tax asset/(liability) comprises deductible/ (taxable) temporary differences relating to:** | | | | |
| Accruals | **5** | 20 | **405** | 675 |
| Contract liabilities | **4 558** | 4 069 | **3 792** | 3 442 |
| Income received in advance | **48** | 293 | **116** | 895 |
| Intangible assets | **(1 921)** | (1 921) | **(63 293)** | (63 293) |
| Inventory | **–** | – | **542** | 295 |
| Lease liabilities | **2 256** | 3 814 | **4 480** | 5 505 |
| Leave pay accrual | **248** | 254 | **1 701** | 1 687 |
| Long-term employee benefits | **–** | – | **3 724** | 3 336 |
| Prepaid expenses | **(68)** | (118) | **(905)** | (351) |
| Property, plant and equipment | **452** | 192 | **(206)** | (203) |
| Right-of-use assets | **(1 088)** | (3 452) | **(3 242)** | (3 017) |
| Short-term employee incentives | **608** | 684 | **8 293** | 6 856 |
| Trade receivables | **860** | 783 | **1 691** | 1 483 |
| | **5 958** | 4 618 | **(42 902)** | (42 690) |

## 17. **Inventories**

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Raw materials | **2 771** | 2 438 |
| Packaging | **555** | 902 |
| Finished goods[1] | **7 691** | 9 114 |
| Finished goods (outsourced distributor)[2] | **110 196** | 85 238 |
| **Total inventories** | **121 213** | 97 692 |
| **Cost of inventory expense included in cost of sales** | **1 919 661** | 1 528 083 |

1 Finished goods includes manufactured décor and sauces for sale to franchisees, food items for resale in retail company stores and goods purchased for resale to foreign franchisees by the group's export division.

2 Finished goods (outsourced distributor) are goods held by the group's outsourced distributor for sale to the group's franchisees. As the group has assessed that it acts as principal in relation to the sales of the inventory to franchisees (refer note 3.1.4), the group has recognised the inventory with a corresponding payable to the outsourced distributor (refer note 27).

## 18. **Tax receivable**

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Withholding tax credits[1] | **73** | 2 272 |
| Excess of provisional tax payments relative to estimated taxable income of subsidiaries | **160** | 53 |
| **Total tax receivable at end of year** | **233** | 2 325 |

1 The withholding tax credits accrue to wholly-owned subsidiary, Steak Ranches International BV (SRIBV), the group's franchisor for restaurants outside of South Africa, and relate largely to taxes withheld in African jurisdictions. The withholding tax credits may be utilised by SRIBV to reduce future corporate tax payable in The Netherlands on franchise-related taxable income in future years. Total withholding tax credits available to SRIBV at the reporting date amounted to R21.975 million (2022: R18.557 million), in respect of which an asset of R0.073 million (2022: R2.272 million) has been recognised and no asset has been recognised for the remaining balance of R21.902 million (2022: R16.285 million).

## 19. Trade and other receivables

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Gross trade receivables | **114 748** | 104 009 |
| Impairment allowance[1] | **(11 260)** | (9 090) |
| Opening impairment allowance | **(9 090)** | (6 896) |
| Increase in impairment allowance for the year | **(1 710)** | (2 477) |
| Effect of foreign exchange fluctuations | **(460)** | 283 |
| Net trade receivables | **103 488** | 94 919 |
| Prepayments | **6 207** | 4 755 |
| Deposits | **1 353** | 1 038 |
| Employee loans (net of impairment allowance) | **34** | 41 |
| VAT and other indirect taxes receivable | **1 876** | 599 |
| **Total trade and other receivables** | **112 958** | 101 352 |

Trade receivables include receivables from related parties of R2.036 million (2022: R2.253 million) that arise in the ordinary course of business in respect of the transactions recorded in note 40. No individual receivable is significant and the terms of the receivables are the same as those for receivables with parties who are not related.

[1] The impairment allowance is determined using the expected credit loss (ECL) approach. The group has applied the simplified approach and determined the ECLs based on lifetime ECLs. Refer note 38.3.1 for more details on accounting for ECLs.

## 20. Contingent consideration receivable

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **The movement in the receivable during the year was as follows:** | | |
| Balance at beginning of year | **1 594** | 4 047 |
| Fair value gain/(loss) recognised in profit or loss | **61** | (2 525) |
| Reversal of impairment allowance | **54** | 72 |
| Amount offset against loan payable (refer note 28) | **(196)** | – |
| Amount offset against dividend payable (refer note 36) | **(796)** | – |
| Amount settled by the transfer of shares in Nikos from minority shareholders to the group | **(717)** | – |
| **Balance at end of year** | **–** | 1 594 |
| Current portion included in current assets | **–** | 1 594 |
| Gross receivable | **–** | 1 648 |
| Impairment allowance | **–** | (54) |

The purchase consideration for 51% of the Nikos Coalgrill Greek business (Nikos), acquired on 1 August 2018, was initially determined as five times Nikos' profit before interest, tax, depreciation and amortisation (EBITDA) of the fourth year following the date of acquisition (i.e. from August 2021 to July 2022). An initial amount of R5.012 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 2022. During the current year, the total amount receivable from the sellers was recovered as follows:

- the loans payable to the sellers of R0.196 million (refer note 28) were offset against the total receivable;
- a dividend was declared during the year and the dividends payable to the sellers of R0.796 million (net of withholding tax) were offset against the total receivable; and
- the balance of the amount receivable of R0.717 million was settled by the transfer of 11.37% of the total shares in issue from the sellers to the group on 30 June 2023 (as detailed below).

With effect from 30 June 2023, the group acquired a further 11.37% interest in Nikos, increasing the group's equity interest in the entity from 51% to 62.37%. The effective purchase consideration was R0.717 million, being the value of the receivable owing to the group by the original sellers as detailed above. The number of shares transferred to extinguish the receivable was determined by applying the same methodology applied to the determination of the final purchase price of the initial 51% interest.

## 20. Contingent consideration receivable continued

The changes in the group's ownership interest in Nikos is summarised below:

| | 2023 R'000 |
|---|---|
| Carrying amount of net assets of Nikos included in the consolidated statement of financial position at 30 June 2023 prior to further acquisition | **592** |
| Less: Carrying amount of net assets attributable to NCI at 30 June 2023 prior to further acquisition | **(290)** |
| Group's 51% ownership interest at 30 June 2023 prior to further acquisition | **302** |
| Acquisition of further 11.37% interest on 30 June 2023 | **67** |
| **Group's 62.37% ownership interest at 30 June 2023 after further acquisition** | **369** |
| Purchase consideration for additional 11.37% interest | **717** |
| Less: Reduction in NCI | **(67)** |
| **Excess of purchase consideration over reduction in NCI charged to equity (retained earnings)** | **650** |
| Purchase consideration for additional 11.37% interest | **717** |
| Settled by way of reduction in loan claim receivable | **(717)** |
| **Cash flow impact of acquisition of additional interest** | **–** |

## 21. Cash and cash equivalents and restricted cash

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Cash and cash equivalents** | | |
| Current, call and short-term deposit accounts | **374 809** | 290 696 |
| **Restricted cash** | | |
| Current, call and short-term deposit accounts | **81 679** | 64 381 |
| **Total cash and cash equivalents** | **456 488** | 355 077 |

Restricted cash relates to:

- Surplus funds in the marketing funds: These funds are identified as "restricted" cash balances as the funds are not available for general use by the group but are only available to fund future marketing costs in accordance with franchise agreements concluded between the group and its franchisees (refer note 3.1.1).
- Unredeemed gift vouchers: Funds held by the group in respect of unredeemed gift vouchers are, in accordance with the applicable legislation, held in custody on behalf of the gift voucher holders until the date of expiration, and are accordingly treated as restricted cash as they are not available for general use by the group.

## 22. Capital and reserves

### 22.1 ORDINARY SHARE CAPITAL

| | Number of shares | | | |
|---|---|---|---|---|
| | 2023 '000 | 2022 '000 | 2023 R'000 | 2022 R'000 |
| **Authorised** | | | | |
| Ordinary shares of 0.001 cents each | **201 000** | 201 000 | **2** | 2 |
| **Issued and fully paid** | | | | |
| Gross number of shares in issue at reporting date | **90 997** | 90 997 | **1** | 1 |
| Cumulative shares repurchased by subsidiaries | **(3 225)** | (1 888) | **–** | – |
| Cumulative shares held by The Spur Management Share Trust (consolidated structured entity) | **(5 929)** | (5 933) | **–** | – |
| Cumulative shares held by The Spur Foundation Trust (consolidated structured entity) | **(500)** | (500) | **–** | – |
| **Net number of shares in issue at reporting date** | **81 343** | 82 676 | **1** | 1 |

The ordinary shares have equal rights to dividends declared by the company.

In terms of the company's Memorandum of Incorporation, the unissued shares of the company may be issued by the directors of the company only with the approval of the shareholders by way of an ordinary resolution passed at a general meeting. No such authority has been granted.

The company does not have any unlisted shares.

## 22. Capital and reserves continued

### 22.2 SHARES REPURCHASED

#### Shares repurchased by subsidiaries

During the year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 1 309 000 (2022: 1 475 000) Spur Corporation Ltd shares at an average cost of R21.16 (2022: R20.16) per share, totalling R27.699 million (2022: R29.734 million). In addition, a wholly-owned subsidiary company, Spur Group (Pty) Ltd, acquired 190 891 Spur Corporation Ltd shares at an average cost of R22.51 per share, totalling R4.297 million, in order to allocate to participants of the Spur Group Forfeitable Share Plan (FSP) relating to the October 2021 tranche of FSPs (refer note 22.4).

166 281 (2022: 183 200) shares held by a wholly-owned subsidiary of the company, Spur Group (Pty) Ltd, in escrow on behalf of participants of the FSP, were vested with participants (refer note 22.4) during the year.

At the reporting date, the group owned 3 225 104 (2022: 1 887 387) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd.

The balance per the statement of financial position comprises the cost of the Spur Corporation Ltd shares that have been repurchased by subsidiaries, Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, those held by The Spur Management Share Trust, a consolidated structured entity, for the purposes of the group's share incentive schemes (refer note 22.4) and those held by The Spur Foundation Trust, a consolidated structured entity. At the reporting date, the entities in question held 9 654 108 (2022: 8 320 498) of the company's shares in aggregate.

### 22.3 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as foreign exchange gains/losses relating to loans that are considered part of the net investments in foreign operations.

### 22.4 SHARE-BASED PAYMENTS RESERVE

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Balance at beginning of year | **8 248** | 4 751 |
| Share-based payments expense for the year | **12 998** | 6 309 |
| FSP – November 2018 tranche | **–** | 204 |
| FSP – November 2019 tranche | **282** | 616 |
| FSP – October 2021 tranche | **1 210** | 1 235 |
| SAR – October 2021 tranche | **5 024** | 4 254 |
| FSP – November 2022 tranche | **948** | – |
| SAR – November 2022 tranche | **5 534** | – |
| Transfer to retained earnings on vesting of shares/rights | **(3 041)** | (2 812) |
| **Balance at end of year** | **18 205** | 8 248 |
| Comprising: | | |
| FSP – November 2019 tranche | **–** | 2 759 |
| FSP – October 2021 tranche | **2 445** | 1 235 |
| SAR – October 2021 tranche | **9 278** | 4 254 |
| FSP – November 2022 tranche | **948** | – |
| SAR – November 2022 tranche | **5 534** | – |

| | **2023** | | **2022** | |
|---|---|---|---|---|
| **Number of shares/rights in issue** | **FSP shares** | **SAR rights** | FSP shares | SAR rights |
| Balance at beginning of year | **547 740** | **4 187 851** | 416 347 | 5 040 492 |
| Change in estimate | **(46 355)[1]** | **–** | – | – |
| Granted during the year | **381 645** | **3 238 776** | 373 459 | 2 409 745 |
| Forfeited/lapsed during the year | **(24 635)** | **(2 176 532)** | (58 866) | (3 262 386) |
| Vested during the year | **(166 281)** | **–** | (183 200) | – |
| **Balance at end of year** | **692 114** | **5 250 095** | 547 740 | 4 187 851 |
| Comprising: | | | | |
| November 2019 tranche | **–** | **–** | 174 281 | 2 037 101 |
| October 2021 tranche | **310 469** | **2 052 935** | 373 459 | 2 150 750 |
| November 2022 tranche | **381 645** | **3 197 160** | – | – |

Refer footnotes on page 51.

## 22. Capital and reserves continued

### 22.4 SHARE-BASED PAYMENTS RESERVE continued

The November 2019 tranche related 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 and November 2022 tranches of long-term incentive awards were issued in terms of these new schemes.

The terms of each tranche are as follows:

| *FSP* | November 2019 tranche | October 2021 tranche | November 2022 tranche |
|---|---|---|---|
| Date of grant | 26 November 2019 | 7 October 2021 | 17 November 2022 |
| Number of shares awarded | 231 787 | 327 104[1] | 381 645[4] |
| Initial vesting date | 25 November 2022 | 16 August 2025[2] | 17 November 2026[5] |
| Date from which shares may be traded | 22 November 2024 | 16 August 2025[2] | 17 November 2026[5] |
| Service condition | 3 years from grant date | 4 years from grant date | 4 years from grant date[5] |
| Performance conditions | Personal performance | N/A[3] | N/A[3] |
| Grant-date fair value per share (R) | 18.29 | 18.10 | 16.46 |
| Proportion of shares expected to vest as assessed at reporting date (based on number of employees expected to meet service condition) (%) | N/A | 92.1 | 97.5 |
| Number of shares that vested | 166 281 | N/A | N/A |

The 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 had none of the rights ordinarily associated with shares (including voting rights, or the right to dividends). During the initial vesting period, as ownership of the shares was not unconditional, the shares held in escrow were not recognised as shares in issue, but instead as shares held in treasury. During the period from the initial vesting date to when the shares may be traded by the participants, the participants are entitled to exercise voting rights that attach to the shares and are entitled to receive dividends on the shares. The shares are treated as issued when ownership becomes on conditional on the initial vesting date.

The October 2021 forfeitable shares were acquired by the group during the year and are held in escrow on behalf of the participants pending the fulfilment of the service condition. The shares are treated as treasury shares for the duration of the initial vesting period as ownership is not unconditional. The participants are entitled to dividends and are able to exercise the voting rights attached to the shares from the date that the shares are allocated. Of the total shares allocated, 132 106 shares were FSP shares allocated as part of earlier tranches which had been forfeited, 190 891 shares were newly acquired shares off the market (as referred to in note 22.2 above), and 4 107 shares were existing treasury shares held by The Spur Management Share Trust, a consolidated structured entity. Costs and capital gains tax associated with the transfer amounted to:

| | 2023 R'000 |
|---|---|
| Costs on intercompany transfer of shares | 5 |
| Current tax on intercompany transfer of shares | 10 |
| **Total costs charged to equity** | **15** |

The November 2022 forfeitable shares are contingently issuable shares determined with reference to the participants' short-term incentive (STI) payments calculated for the financial year ended 30 June 2023 which will only be finalised subsequent to the date of issue of this report.

Refer footnotes on page 51.

## 22. Capital and reserves continued

### 22.4 SHARE-BASED PAYMENTS RESERVE continued

| *SAR* | November 2019 tranche | October 2021 tranche | November 2022 tranche |
|---|---|---|---|
| Date of grant | 26 November 2019 | 7 October 2021 | 17 November 2022 |
| Number of rights awarded | 2 899 115 | 2 409 745 | 3 238 776 |
| Strike price per right (R) | 27.01 | 19.14 | 21.04 |
| Initial vesting date | 25 November 2022 | 7 October 2024 | 17 November 2025 |
| Date from which shares may be traded | 22 November 2024 | Dependent on exercise date[6] | Dependent on exercise date[6] |
| 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 | Growth in adjusted headline earnings and adjusted headline earnings per share and personal performance[7] | Growth in adjusted headline earnings and adjusted headline earnings per share and personal performance[7] |
| Grant-date fair value per right (R) | 5.96 | 8.48 | 8.97 |
| Proportion of rights expected to vest as assessed at reporting date (based on number of employees expected to meet service condition) (%) | N/A | 82.4 | 96.3 |
| Proportion of rights expected to vest based on meeting of non-market performance conditions (%) | N/A | 95.6 | 95.9 |
| No. of rights that vested | – | N/A | N/A |

The value of each vested share appreciation right, determined as the difference between the 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 2019 SARs were compulsorily exercisable on the initial vesting date. Once the rights have been exercised, the resulting shares will be held in escrow until the participants are free to trade in the shares. The participants are entitled to exercise the voting rights that attach to the shares and receive dividends accruing on the shares, from the exercise date.

| | October 2021 tranche[8] | | November 2022 tranche[9] | |
|---|---|---|---|---|
| **Performance conditions applicable to SARs:** | Criteria | Vesting (%) | Criteria | Vesting (%) |
| Adjusted headline earnings growth at compounded annual growth rate over initial vesting period (%) | CPI+GDP to CPI+GDP+2 | 30 to 100 | CPI+GDP+0.5 to CPI+GDP+3.5 | 30 to 100 |
| Adjusted headline earnings per share growth at compounded annual growth rate over initial vesting period (%) | CPI+GDP to CPI+GDP+2 | 30 to 100 | CPI+GDP+0.5 to CPI+GDP+3.5 | 30 to 100 |

All of the November 2019 tranche of SARs effectively lapsed during the year as the strike price of the rights exceeded the prevailing share price on the initial vesting date.

Refer footnotes on page 51.

## 22. Capital and reserves continued

### 22.4 SHARE-BASED PAYMENTS RESERVE continued

#### Fair value measurement

The grant-date fair values of the November 2019 FSP shares and SAR Scheme rights were determined by an independent external professional financial instruments specialist using the Black-Scholes European Call Option pricing model. The grant-date fair values of the October 2021 and November 2022 FSP shares and SARs were determined 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:

| | November 2019 tranche | October 2021 tranche | November 2022 tranche |
|---|---|---|---|
| Risk-free rate (based on R186 South African Government bond) (%) | 7.4 | 7.1 | 8.8 |
| Expected dividend yield (based on historic dividend yield over historic period equivalent to vesting period) (%) | 5.1 | 3.7 | 7.3 |
| Expected volatility (based on historic volatility over historic period equivalent to vesting period) (%) | 38.7 | 40.0 | 45.8 |

#### Dilution

The FSP forfeitable shares granted resulted in 321 053 (2022: 312 936) dilutive potential ordinary shares for the year (refer note 11). The October 2021 SARs resulted in 46 583 dilutive potential ordinary shares for the year. In the case of the November 2022 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.

[1] The value 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 ended 30 June 2022. The value of the FSP shares awarded is converted into a number of FSP shares based on the share price prevailing at the time of being allocated to the participants. The shares are therefore contingently issuable upon the determination of the STI. As at 30 June 2022, the number of shares previously estimated to be issued was 373 459. Subsequent to the finalisation of the STI payments for the 2022 financial year during the current year, the actual number of FSP shares was determined.
[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 previously at 30 June 2022 of 7 October 2025 was an estimate.
[3] As the October 2021 and November 2022 tranches of FSPs were/are awarded (and the actual number of shares determined) based on the group's STI (which incorporates performance conditions), no further performance conditions apply.
[4] The number of FSP shares awarded in respect of the November 2022 tranche is calculated with reference to the participants' STI payments relating to the financial year ended 30 June 2023. 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 2023 financial year, and is subject to change pending a final determination of the STI payments due subsequent to the reporting date (refer note 27.1).
[5] 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 30 November 2026.
[6] In respect of the October 2021 and November 2022 tranches 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.
[7] 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.
[8] Performance criteria are assessed on a point-to-point basis (i.e. the financial performance measures for the 2024 financial year are compared to the financial performance measures for the 2021 financial year, which are then compared to the targets stipulated).
[9] Performance criteria are assessed on an average basis (i.e. the year-on-year growth in the financial performance measures relative to the preceding year are compared to the targets stipulated, for each of the 2023, 2024 and 2025 financial years separately, and then an average of the vesting percentages over the three years is used).

## 23. Non-controlling interests

The following subsidiaries have non-controlling interests (NCI):

| Name | Principal place of business/ Country of incorporation | Operating segment | Ownership interests held by NCI | |
|---|---|---|---|---|
| | | | **2023 %** | 2022 % |
| RocoMamas Franchise Co (Pty) Ltd | South Africa | South Africa Franchise – RocoMamas | **30.0** | 30.0 |
| Opilor (Pty) Ltd | South Africa | South Africa Retail company stores | **32.0** | 32.0 |
| Green Point Burger Joint (Pty) Ltd | South Africa | South Africa Retail company stores | **10.0** | 10.0 |
| The Spur Foundation Trust | South Africa | South Africa Shared Services | **100.0#** | 100.0# |
| Nikos Franchise (Pty) Ltd | South Africa | South Africa Franchise – Speciality brands | **37.63*** | 49.0 |

* Refer note 20.
\# Refer note 3.1.3.

## 23. Non-controlling interests continued

The following table summarises financial information for material subsidiaries with NCI, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the group's accounting policies, as well as other individually immaterial subsidiaries. The information is before intercompany eliminations with other companies in the group.

| 2023<br>R'000 | RocoMamas Franchise Co (Pty) Ltd | Opilor (Pty) Ltd | Green Point Burger Joint (Pty) Ltd | Nikos Franchise (Pty) Ltd | Other individually immaterial subsidiaries | Total |
|---|---|---|---|---|---|---|
| ***Statement of profit or loss and other comprehensive income*** | | | | | | |
| **Revenue** | 226 339 | 24 514 | 8 743 | 3 838 | | |
| **Profit/(loss) and total comprehensive income** | 21 759 | 2 658 | (1 148) | 1 183 | | |
| **Profit/(loss) and total comprehensive income attributable to NCI** | 6 528 | 850 | (94) | 580 | 970 | 8 834 |
| ***Statement of financial position*** | | | | | | |
| Current assets | 22 552 | 7 143 | 305 | 1 351 | | |
| Non-current assets | 8 605 | 10 849 | 3 173 | 183 | | |
| Current liabilities | (5 153) | (3 405) | (5 988) | (558) | | |
| Non-current liabilities | (5 410) | (2 300) | (606) | (384) | | |
| **Net assets/(liabilities)** | 20 594 | 12 287 | (3 116) | 592 | | |
| **Carrying amount of NCI** | 6 179 | 3 932 | (312) | 223 | 3 545 | 13 567 |
| ***Statement of cash flows*** | | | | | | |
| Cash flows from operating activities | 4 989 | 2 550 | 790 | (730) | | |
| Cash flows from investing activities | (11) | (181) | (262) | 80 | | |
| Cash flows from financing activities | (464) | (1 263) | (655) | (400) | | |
| **Net increase/(decrease) in cash and cash equivalents** | 4 514 | 1 106 | (127) | (1 050) | | |
| **Dividends paid to NCI during the year** | 6 180 | 736 | – | 995 | – | 7 911 |

## 23. Non-controlling interests continued

| 2022<br>R'000 | RocoMamas Franchise Co (Pty) Ltd | Opilor (Pty) Ltd | Green Point Burger Joint (Pty) Ltd | Nikos Franchise (Pty) Ltd | Other individually immaterial subsidiaries | Total |
|---|---|---|---|---|---|---|
| ***Statement of profit or loss and other comprehensive income*** | | | | | | |
| **Revenue** | 198 323 | 18 500 | 10 830 | 2 705 | | |
| **Profit/(loss) and total comprehensive income** | 21 257 | 753 | (1 113) | 859 | | |
| **Profit/(loss) and total comprehensive income attributable to NCI** | 6 377 | 241 | (111) | 421 | 177 | 7 105 |
| ***Statement of financial position*** | | | | | | |
| Current assets | 17 901 | 6 100 | 456 | 2 208 | | |
| Non-current assets | 12 292 | 12 607 | 4 546 | 756 | | |
| Current liabilities | (4 633) | (2 898) | (5 250) | (786) | | |
| Non-current liabilities | (6 125) | (3 881) | (1 932) | (738) | | |
| **Net assets/(liabilities)** | 19 435 | 11 928 | (2 180) | 1 440 | | |
| **Carrying amount of NCI** | 5 831 | 3 818 | (218) | 705 | 2 575 | 12 711 |
| ***Statement of cash flows*** | | | | | | |
| Cash flows from operating activities | (160) | 4 607 | 443 | 1 372 | | |
| Cash flows from investing activities | (2 645) | (171) | (32) | 66 | | |
| Cash flows from financing activities | (327) | (991) | (281) | (227) | | |
| **Net increase/(decrease) in cash and cash equivalents** | (3 132) | 3 445 | 130 | 1 211 | | |
| **Dividends paid to NCI during the year** | 7 020 | 688 | – | – | – | 7 708 |

## 24. Contract liabilities

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| **The balance at the end of the year comprises:** | | |
| Deferred marketing fund contributions revenue (refer note 24.1) | **53 781** | 51 500 |
| Deferred initial franchise fee revenue (refer note 24.2) | **31 403** | 28 184 |
| **Total contract liabilities** | **85 184** | 79 684 |
| Current portion included in current liabilities | **59 124** | 56 226 |
| Non-current portion included in non-current liabilities | **26 060** | 23 458 |
| **The movement in the liabilities during the year was as follows:** | | |

### 24.1 DEFERRED MARKETING FUND CONTRIBUTIONS REVENUE

| | 2023<br>R'000 | 2022<br>R'000 |
|---|---|---|
| Balance at beginning of year | **51 500** | 3 520 |
| Total marketing fund contributions received/receivable | **302 612** | 229 964 |
| Total recognised in profit or loss as revenue during the year (refer note 6) | **(300 331)** | (181 984) |
| **Balance at end of year** | **53 781** | 51 500 |
| Current portion included in current liabilities | **53 781** | 51 500 |

Marketing fund contributions revenue is recognised over time as the marketing fund contributions are utilised to fund marketing-related expenditure on behalf of franchisees. To the extent that the marketing fund contributions are not utilised at the reporting date, the related revenue is deferred until such time as the funds are utilised, at which point they are recognised as revenue. Refer note 3.1.1 for a further explanation.

## 24. Contract liabilities continued

### 24.2 DEFERRED INITIAL FRANCHISE FEES REVENUE

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Balance at beginning of year | **28 184** | 29 520 |
| New contracts concluded | **7 401** | 5 757 |
| Total recognised in profit or loss as revenue during the year (refer note 6) | **(6 994)** | (7 161) |
| Revenue recognised over time | **(5 048)** | (4 854) |
| Revenue recognised due to accelerated recognition on early termination of contract | **(1 946)** | (2 307) |
| Effect of foreign exchange fluctuations | **2 812** | 68 |
| **Balance at end of year** | **31 403** | 28 184 |
| Current portion included in current liabilities | **5 343** | 4 726 |
| Non-current portion included in non-current liabilities | **26 060** | 23 458 |

These amounts relate to the initial non-refundable franchise fees which have not yet been recognised as revenue. As the group's performance obligation in relation to the initial franchise fee is satisfied over time, the revenue is recognised on a straight-line basis over the term of the franchise agreement. Where a franchise agreement is terminated prior to its expected expiration date, the balance of the contract liability, representing the value of the initial non-refundable franchise fee not already recognised in profit or loss as revenue, is recognised in profit or loss as revenue immediately.

## 25. Lease liabilities

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **The movement in the liability during the year was as follows:** | | |
| Balance at beginning of year | **34 718** | 41 204 |
| New leases concluded during the year (refer note 13) | **441** | 2 237 |
| Amounts recognised in profit or loss | **2 573** | 3 482 |
| Interest expense (refer note 9) | **2 648** | 3 683 |
| Derecognition on early termination of leases (refer note 7) | **(75)** | – |
| Reduction in lease liabilities relating to COVID-19 rent concessions (refer note 7) | **–** | (201) |
| Lease payments during the year | **(11 794)** | (12 031) |
| Re-measurement of lease liability (refer note 13) | **1 044** | (176) |
| Effect of foreign exchange fluctuations | **19** | 2 |
| **Balance at end of year** | **27 001** | 34 718 |
| Current portion included in current liabilities | **8 660** | 8 679 |
| Non-current portion included in non-current liabilities | **18 341** | 26 039 |

These leases include commercial properties for certain of the group's corporate offices, retail property leases for its retail company stores and vehicles for use by its operations teams.

The property leases range from three to ten years, subject to renewal periods of a further five years in certain cases. To the extent that it is highly likely that the group will exercise renewal options, these renewal periods have been included in the determination of the lease periods, and therefore in determining the lease liabilities. All property leases have fixed annual escalations.

The vehicle leases prescribe variable lease payments which are linked to the South African prime overdraft rate of interest.

The group received rent concessions for certain of its retail company stores during the previous financial year due to COVID-19. The group had elected to apply the practical expedient permitted by IFRS 16 which allowed the group to account for the change in lease payments in profit or loss, and not as a modification of the lease contract (refer note 7).

## 25. Lease liabilities continued

The recognition exemption permitted by IFRS 16 for short-term leases and for leases where the underlying assets are of low value has been applied.

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **The following amounts have accordingly been recognised in profit or loss as incurred:** | | |
| Low-value leases | **35** | 19 |
| Variable lease payments | **291** | 100 |
| | **326** | 119 |
| **The following amounts are recognised in the statement of cash flows relating to the lease liabilities:** | | |
| Capital amounts included in cash flows from financing activities | **(9 146)** | (8 348) |
| Interest expense paid included in cash flows from operating activities | **(2 648)** | (3 683) |
| | **(11 794)** | (12 031) |
| **Maturity analysis** | | |
| The undiscounted lease payments to be made after the reporting date are shown below: | | |
| Payments due within one year | **10 559** | 9 787 |
| Payments due within one to three years | **14 028** | 17 310 |
| Payments due after three years | **6 744** | 12 381 |
| **Total undiscounted lease liabilities at end of year** | **31 331** | 39 478 |

## 26. Tax payable

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Current tax payable | **5 106** | 6 530 |
| Dividend withholding tax payable | **845** | 804 |
| Withholding tax payable[1] | **4 795** | 4 090 |
| **Balance at end of year** | **10 746** | 11 424 |

[1] Withholding taxes payable relate to an accrual for withholding taxes not deducted by franchisees on payments of franchise fees in foreign jurisdictions in the current and prior years.

## 27. Trade and other payables

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Trade payables | **175 519** | 130 464 |
| Group payables | **63 323** | 44 159 |
| Payable to outsourced distributor (refer note 17) | **112 196** | 86 305 |
| Income received in advance[1] | **198** | 1 188 |
| Short-term employee benefits | **45 277** | 38 438 |
| Short-term incentive scheme (refer note 27.1) | **28 374** | 22 009 |
| Leave pay and other short-term employee benefits[2] | **16 903** | 16 429 |
| VAT and other indirect taxes payable | **8 798** | 9 069 |
| Unredeemed gift vouchers | **9 774** | 5 541 |
| Other sundry payables | **22** | 147 |
| **Total trade and other payables** | **239 588** | 184 847 |

[1] Income received in advance in the current and prior years comprises predominantly initial franchise fee receipts where the related franchise agreement has not been signed as at the reporting date.
[2] Other short-term employee benefits include an accrual for bonuses payable to employees who are not participants of the group's short-term incentive scheme. The bonus pool available is determined as one month's guaranteed remuneration for eligible employees and is allocated to individuals based on line manager recommendations and approval by the board. While no contractual obligation exists to pay these bonuses, there is a constructive obligation based on past experience.

## 27. Trade and other payables continued

### 27.1 SHORT-TERM INCENTIVE SCHEME

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Balance at beginning of year | **22 009** | – |
| Payment in respect of prior year incentive | **(21 156)** | – |
| Recognised in profit or loss | **27 521** | 22 009 |
| **Balance at end of year** | **28 374** | 22 009 |

The accrual for the short-term incentive (STI) scheme is determined in accordance with the rules of the scheme approved by the group's remuneration committee. Participants include middle management to executive directors. Each participant's incentive is determined with reference to their guaranteed remuneration, divisional performance, group performance and individual performance, subject to certain limits. The accrual represents the best estimate of the incentive payments due as at the date of issue of these financial statements; the actual incentive payments will only be finally determined subsequent to the date of issue of these financial statements.

In terms of the group's long-term incentive scheme, Forfeitable Share Plan (FSP) shares, the value of which is calculated with reference to the STI payments, are awarded to STI participants at the same time that the STI payments are settled. These FSP shares awarded are subject to the applicable scheme rules (refer note 22.4).

## 28. Loans payable

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Loans from non-controlling shareholders | **–** | 196 |

The loans were advanced in the 2020 financial year by the minority shareholders of subsidiary, Nikos Franchise (Pty) Ltd. Repayment of the loans during the current year was set off against the amount receivable from the minority shareholders in respect of the purchase consideration of the Nikos business (refer note 20).

## 29. Provision for lease obligation

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **Balance at beginning of year** | **7 514** | 7 175 |
| Effect of foreign exchange fluctuations | **876** | 339 |
| **Balance at end of year** | **8 390** | 7 514 |

A wholly owned subsidiary company previously (during the 2016 financial year) acquired a lease (terminating in March 2024) for a restaurant premises in Australia, which was sublet to the former franchisee of the former Apache Spur in Australia. During the 2020 financial year, the landlord cancelled the head lease with the group relating to these premises due to non-payment by the sublessee. 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. The extent of the liability is subject to the landlord mitigating its losses (including for example by reletting the premises). While the landlord has not taken formal legal action to recover these amounts from the group and the premises have been relet, the extent of the landlord's loss mitigation is unknown. The provision previously raised for the total gross value of the remaining lease payments over the term of the lease (from the date of cancellation) in previous years has accordingly been retained. The timing and amount of the potential cash outflows are uncertain as at the reporting date.

## 30. Dividends

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Interim 2022 – dividend of 49.0 cents per share | **–** | 44 588 |
| Final 2022 – dividend of 78.0 cents per share | **70 978** | – |
| Interim 2023 – dividend of 82.0 cents per share | **74 617** | – |
| **Total dividends to equity holders** | **145 595** | 44 588 |
| **Dividends external to the group are reconciled as follows:** | | |
| Gross dividends declared by the company | **145 595** | 44 588 |
| Dividends received on the company's shares held by the group | **(14 501)** | (3 354) |
| Total dividends declared by the company external to the group | **131 094** | 41 234 |
| Dividends declared by subsidiaries to non-controlling shareholders (refer note 23) | **7 911** | 7 708 |
| **Total dividends external to the group** | **139 005** | 48 942 |
| **Shareholders for dividends** | **1 433** | 886 |

At its meeting on 21 August 2023, the board of directors has approved a final dividend of 110.0 cents per share (the equivalent of R100.1 million) in respect of the 2023 financial year, funded by income reserves, to be paid in cash on 18 September 2023. The dividend is subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962, as amended) (dividend withholding tax) of 20%. The net dividend is therefore 88.0 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the 2023 financial year was 192.0 cents per share equating to R174.7 million.

## 31. Operating profit before working capital changes

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Profit before income tax | **318 424** | 209 668 |
| *Adjusted for:* | | |
| Amortisation – intangible assets (refer note 14) | **1 343** | 1 150 |
| Costs on intercompany transfer of treasury shares relating to FSP (refer note 22.4) | **(5)** | – |
| Depreciation (refer notes 12 and 13) | **18 036** | 19 721 |
| Fair value (gain)/loss on contingent consideration receivable (refer note 20) | **(61)** | 2 525 |
| Foreign exchange loss/(gain) (excluding losses/gains on intercompany accounts) | **3 651** | (306) |
| Foreign currency translations not disclosed elsewhere in the statement of cash flows | **6 676** | (724) |
| Impairment losses – financial instruments (refer note 8) | **2 622** | 2 957 |
| Impairment of property, plant and equipment (refer note 12) | **1 776** | – |
| Interest expense | **2 694** | 12 578 |
| Interest income | **(28 659)** | (13 325) |
| Gain on derecognition of lease | **(1)** | – |
| Derecognition of lease liabilities on early termination (refer note 25) | **(75)** | – |
| Derecognition of right-of-use assets on early termination of leases (refer note 13) | **74** | – |
| Movement in bonus, leave pay and short-term incentive accruals (refer note 27) | **6 839** | 25 456 |
| Movement in contract liabilities (refer note 24) | **2 688** | 46 576 |
| Profit on disposal of property, plant and equipment | **(69)** | (125) |
| Rental concession income (refer note 25) | **–** | (201) |
| Retirement benefit accrued in a previous year and paid in the prior year* | **–** | (7 100) |
| Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 22.4) | **12 998** | 6 309 |
| **Operating profit before working capital changes** | **348 952** | 305 159 |

* This relates to the restraint of trade payment due to the former group CEO in terms of a mutual separation agreement concluded with the group.

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **32.** | **Working capital changes** | | |
| | Increase in inventories | **(23 521)** | (21 597) |
| | Increase in trade and other receivables | **(14 513)** | (9 858) |
| | Increase in trade and other payables | **44 934** | 32 311 |
| | **Working capital changes** | **6 900** | 856 |
| **33.** | **Interest income received** | | |
| | **Interest income received is reconciled to the amount recognised in profit or loss as follows:** | | |
| | Interest income | **28 659** | 13 325 |
| | Interest income on loan receivables, not received in cash | **(507)** | (395) |
| | **Interest income received** | **28 152** | 12 930 |
| **34.** | **Interest expense paid** | | |
| | **Interest expense paid is reconciled to the amount recognised in profit or loss as follows:** | | |
| | Interest expense | **2 694** | 12 578 |
| | Interest expense on tax liability paid in cash in previous years (refer note 10.2) | **–** | (8 038) |
| | Interest expense on employee liability, not paid in cash (refer note 9) | **–** | (496) |
| | **Interest expense paid** | **2 694** | 4 044 |
| **35.** | **Tax paid** | | |
| | **Tax paid is reconciled to the amount recognised in profit or loss as follows:** | | |
| | Net amount (payable)/receivable at beginning of year | **(9 099)** | 18 396 |
| | Current and withholding tax charged to profit or loss (refer note 10.1) | **(97 572)** | (94 377) |
| | Current tax credited/(charged) to equity (refer note 10.5) | **49** | (25) |
| | Dividend withholding tax charged to equity and unpaid at the reporting date (refer note 26) | **(845)** | (804) |
| | Interest expense on tax liability paid in cash in previous years and previously recognised as a receivable (refer note 10.2) | **–** | (8 038) |
| | Effect of foreign exchange fluctuations | **(611)** | (19) |
| | Net amount payable at end of year | **10 513** | 9 099 |
| | **Tax paid** | **(97 565)** | (75 768) |
| **36.** | **Dividends paid** | | |
| | **Dividends paid are reconciled to the amount disclosed in the statement of changes in equity as follows:** | | |
| | Amount payable at beginning of year | **(886)** | (66 257) |
| | Total dividends external to the group (refer note 30) | **(139 005)** | (48 942) |
| | Dividend withholding tax charged to equity and unpaid at the reporting date (refer note 26) | **845** | 804 |
| | Dividend set off against receivable from Nikos minority shareholders (refer note 20) | **796** | – |
| | Amount payable at end of year | **1 433** | 886 |
| | **Dividends paid** | **(136 817)** | (113 509) |
| **37.** | **Proceeds from disposal of property, plant and equipment** | | |
| | Carrying amount of property, plant and equipment disposed of (refer note 12) | **11** | 228 |
| | Profit on disposal of property, plant and equipment | **69** | 125 |
| | **Proceeds from disposal of property, plant and equipment** | **80** | 353 |

## 38. Financial instruments

### 38.1 ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy (refer note 3.2.1). It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | | Carrying amount | | | Fair value |
|---|---|---|---|---|---|
| R'000 | Note | Amortised cost | Financial assets/ liabilities at fair value through profit or loss | Total | Level 3 |
| **2023** | | | | | |
| **Financial assets not measured at fair value** | | | | | |
| Loans receivable | 15 | **–** | **–** | **–** | |
| Financial assets included in trade and other receivables[&] | 19 | **104 875** | **–** | **104 875** | |
| Restricted cash | 21 | **81 679** | **–** | **81 679** | |
| Cash and cash equivalents | 21 | **374 809** | **–** | **374 809** | |
| | | **561 363** | **–** | **561 363** | |
| **Financial liabilities not measured at fair value** | | | | | |
| Financial liabilities included in trade and other payables[#] | 27 | **185 315** | **–** | **185 315** | |
| Loans payable | 28 | **–** | **–** | **–** | |
| Shareholders for dividend | 30 | **1 433** | **–** | **1 433** | |
| | | **186 748** | **–** | **186 748** | |
| **2022** | | | | | |
| **Financial assets not measured at fair value** | | | | | |
| Loans receivable | 15 | 947 | – | 947 | |
| Financial assets included in trade and other receivables[&] | 19 | 95 998 | – | 95 998 | |
| Restricted cash | 21 | 64 381 | – | 64 381 | |
| Cash and cash equivalents | 21 | 290 696 | – | 290 696 | |
| | | 452 022 | – | 452 022 | |
| **Financial asset measured at fair value** | | | | | |
| Contingent consideration receivable | 20 | – | 1 594 | 1 594 | 1 594 |
| **Financial liabilities not measured at fair value** | | | | | |
| Financial liabilities included in trade and other payables[#] | 27 | 136 152 | – | 136 152 | |
| Loans payable | 28 | 196 | – | 196 | |
| Shareholders for dividend | 30 | 886 | – | 886 | |
| | | 137 234 | – | 137 234 | |

[&] Includes trade receivables, staff loans, deposits and other financial assets as defined in terms of *IFRS 9 – Financial instruments*.

[#] Includes trade payables, unredeemed gift voucher liability and other financial liabilities as defined in terms of *IFRS 9 – Financial instruments*

The group has not disclosed the fair values of loans receivable, financial assets included in trade and other receivables, cash and cash equivalents, restricted cash, financial liabilities included in trade and other payables, loans payable and shareholders for dividend as their carrying amounts are a reasonable approximation of their fair values.

In the case of loans receivable, the terms of the loans (including in particular, the interest rates applicable) are considered to be commensurate with similar financial instruments between unrelated market participants and the carrying amounts are therefore assumed to approximate their fair values.

In the case of financial assets included in trade and other receivables, cash and cash equivalents, restricted cash, financial liabilities included in trade and other payables, loans payable 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.

# 38. Financial instruments continued

## 38.2 MEASUREMENT OF FAIR VALUES

### Financial instruments measured at fair value - level 3: contingent consideration receivable relating to the acquisition of Nikos (prior year)

The receivable for the contingent consideration referred to in note 20 was initially recognised at fair value and was subsequently recognised at fair value at each reporting date. The receivable was settled during the year (refer note 20). The asset was previously designated as a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model were not based on observable market data.

The fair value adjustment included in profit before income tax for the year is a gain of R0.061 million (2022: loss of R2.525 million), and related largely to changes in the gross contingent consideration and an adjustment for the time value of money during the respective financial periods. The changes to the gross contingent consideration were as a result of changes to the forecast EBITDA relative to the actual EBITDA.

## 38.3 FINANCIAL RISK MANAGEMENT

The group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing these risks, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The group's objective is to manage effectively each of the above risks associated with its financial instruments, in order to limit the group's exposure as far as possible to any financial loss associated with these risks.

The board of directors has overall responsibility for the establishment and overseeing of the group's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The audit committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group to the extent that these have an impact on the financial statements.

### 38.3.1 Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the group's receivables from customers, franchisees, operating partners and associated entities, and financial institutions with which the group holds monetary deposits.

***Exposure to credit risk and credit losses***

| | Carrying amount | |
|---|---|---|
| | **2023 R'000** | 2022 R'000 |
| **The aggregate of the carrying amounts of financial assets, as well as lease receivables, represents the group's maximum credit risk exposure:** | | |
| Cash and cash equivalents (refer note 21) | **374 809** | 290 696 |
| Restricted cash (refer note 21) | **81 679** | 64 381 |
| Financial assets included in trade and other receivables (refer note 19) | **104 875** | 95 998 |
| Loans receivable (refer note 15) | **–** | 947 |
| Contingent consideration receivable (refer note 20) | **–** | 1 594 |
| **Total exposure to credit risk** | **561 363** | 453 616 |
| **The expected credit loss allowances and actual credit losses recognised in profit or loss were as follows:** | | |
| Increase in expected credit loss allowance and bad debts on trade and other receivables | **2 292** | 2 822 |
| Expected credit loss allowance on loans receivable | **506** | 395 |
| Reversal of expected credit loss allowance on loans receivable | **(122)** | (188) |
| Reversal/decrease in expected credit loss allowance on contingent consideration receivable | **(54)** | (72) |
| **Total expected and actual credit losses** | **2 622** | 2 957 |

# 38. Financial instruments continued

## 38.3 FINANCIAL RISK MANAGEMENT continued

### 38.3.1 Credit risk continued

The group has performed an individual assessment of the compliance of each trade and loan receivable with the group's credit policy and loan agreements, based on conditions the group was aware of at the reporting date. The multiplication method is used to determine the allowance for expected credit losses (ECLs) which is applied by multiplying the exposure (being the gross carrying amount) by the assigned probability of default (PD) and loss given default (LGD) rates depending on the performance of the instruments as per the tables below. The group has considered the following information when assessing PDs:

- Past events to determine the relationship between default rates and macroeconomic variables;
- Current conditions to identify the point in the economic cycle and to determine whether adjustments need to be made to historical data; and
- Forecasts of economic conditions to determine conditional PD estimates.

| Stage | Description | Criteria | Standard PD | Standard LGD | ECL period |
|---|---|---|---|---|---|
| **Stage 1** | Performing | Substantial compliance with standard credit terms | 0.06% – 4.50% (2022: 1.09% – 3.51%) | 66.91% (2022: 50.21%) | 12 months for loan receivables and lifetime for trade receivables |
| **Stage 2** | Significantly increased credit risk[1] | Contractual payments >30 days past due; alternatively, extended credit terms required, but substantial compliance with extended credit terms | 31.25% (2022: 8.33%) | 66.91% (2022: 50.21%) | Lifetime |
| **Stage 3** | In default/ credit-impaired | Not in compliance with extended credit terms and/or contractual payments >90 days past due[2] | 100% | 66.91% (2022: 50.21%) but subject to individual assessment | Lifetime |

[1] A significant increase in credit risk occurs when the group considers the risk of default occurring to have increased based on the specific facts and circumstances of debtors, but a default event has not yet occurred.
[2] The group may also consider a financial asset to be credit impaired, even if not in default, when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full, before taking into account any credit enhancements held by the group.

***Probability of default***

To determine the PDs for trade receivables, a detailed analysis of the group's debtors ageing was conducted over a period of two years to assess the historic average likelihood of each ageing category ending up in a default position. Forward-looking PD term structures provided by Moody's KMV RiskCalc SA PD model were used to assess the reasonability of the internal PD rates calculated and whether any specific adjustments were required based on macroeconomic factors. Based on the Moody's model, it was noted that the market point-in-time and through-the-cycle probabilities of default curves were aligned as at 30 June 2023, indicating that the market is at the long-run average point of the economic cycle. No additional specific adjustments were therefore considered necessary to the internally calculated PDs.

The improved trading conditions and resultant payment performance of debtors in the current year resulted in a lower assessment of PD for stage 1 trade receivables. While the analysis indicated an increase in PD for stage 2 receivables, the proportion of debtors included in stage 2 is lower than the prior year.

***Loss given default***

The LGD rate was calculated by assessing the group's debtors book over a two-year period to determine the value of debtors which had defaulted over the observation period net of their subsequent recoveries (discounted for the time value of money). The increase in the LGD for the year is due in part to lower actual recoveries realised on debtors in default during the year, as well as higher interest rates (which increase the impact of the time value of money, which in turn reduce the real value of recoveries for debtors in default over time).

***Cash and cash equivalents and restricted cash***

The group's cash is placed with major South African and international financial institutions (in the respective jurisdictions in which the group trades) of high credit standing. The PD rates benchmarked against the external global rating equivalent to the credit rating of these financial institutions are negligible and ECLs are accordingly not anticipated to be material.

The group's policy is to place cash balances with multiple financial institutions to mitigate against the risk of loss to the group in the event that any one financial institution was to fail.

# 38. Financial instruments continued

## 38.3 FINANCIAL RISK MANAGEMENT continued

### 38.3.1 Credit risk continued

***Cash and cash equivalents and restricted cash*** *continued*

96.4% of the group's cash reserves are held at the following three institutions:

| Financial institution | Deposits at 30 June 2023 (R'm) | Credit rating |
|---|---|---|
| Firstrand Bank Limited | 269.8 | S&P short-term national scale rating za.A-1 + |
| Investec Bank Limited | 145.3 | S&P short-term national scale rating za.A-1 + |
| ABN Amro (the Netherlands) | 25.1 | S&P short-term rating A-1 |

***Financial assets included in trade and other receivables***

The group's exposure to credit risk is influenced mainly by the individual characteristics of each franchisee and customer. There are no significant concentrations of credit risk.

In the main, trade receivables comprise amounts owing by franchisees that have been transacting with the group for several years, and significant losses have occurred infrequently. In monitoring customer credit risk, customers are grouped together according to their geographic location, ageing profile and existence of previous financial difficulties. There is furthermore one significant wholesale customer. The risk of counterparties defaulting is controlled by the application of credit approvals, limits and monitoring procedures. In the event that a risk of default is identified for a particular franchisee, management actively engages with the franchisee to identify opportunities to assist the franchisee in an effort to limit the potential loss to the group.

The group does not require collateral in respect of trade and other receivables although all signatories to a franchise agreement sign a personal suretyship in favour of the group.

The group has applied the simplified approach permitted by IFRS 9 and calculated ECLs based on lifetime ECLs.

| | Gross carrying amount | |
|---|---|---|
| | **2023 R'000** | 2022 R'000 |
| **The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:** | | |
| Domestic | **107 550** | 97 952 |
| Euro-zone countries | **6 609** | 5 515 |
| Australasia | **589** | 542 |
| **Total trade receivables** | **114 748** | 104 009 |
| **The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:** | | |
| Wholesale customers | **14 607** | 12 673 |
| Franchisees (franchise businesses) | **100 141** | 91 336 |
| **Total trade receivables** | **114 748** | 104 009 |

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| **The movement in the impairment allowance for ECLs in respect of trade receivables during the year was as follows:** | | |
| Balance at beginning of year | **9 090** | 6 896 |
| Current year impairment losses recognised | **1 710** | 2 477 |
| Effect of foreign exchange fluctuations | **460** | (283) |
| **Balance at end of year** | **11 260** | 9 090 |
| **Total credit losses in respect of trade and other receivables:** | | |
| Current year impairment losses recognised | **1 710** | 2 477 |
| Irrecoverable debts written off (trade receivables) | **582** | 345 |
| **Total credit losses** | **2 292** | 2 822 |

# 38. Financial instruments continued

## 38.3 FINANCIAL RISK MANAGEMENT continued

### 38.3.1 Credit risk continued

***Financial assets included in trade and other receivables*** *continued*

The increase in the total allowance for ECLs in the current year, notwithstanding the lower PD rates applied to stage 1 debtors in the current year relative to the prior year, arises principally from:

- the increase in the debtors book in line with improved economic activity; and
- the greater absolute value of stage 3 debtors relative to the prior year (although lower as a proportion of total debtors than the prior year).

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

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **R'000** | **Gross carrying amount** | **% of total carrying amount** | **Impairment allowance** | Gross carrying amount | % of total carrying amount | Impairment allowance |
| Stage 1 | **102 849** | **89.7%** | **1 444** | 91 033 | 87.5% | 799 |
| Stage 2 | **1 747** | **1.5%** | **366** | 3 644 | 3.5% | 152 |
| Stage 3 | **10 152** | **8.8%** | **9 450** | 9 332 | 9.0% | 8 139 |
| **Total trade receivables** | **114 748** | **100.0%** | **11 260** | 104 009 | 100.0% | 9 090 |

***Loans receivable***

The group previously advanced loans to international franchisees to assist their funding in respect of start-up operations. Given the high risk associated with these loans, the group's international expansion strategy no longer includes the provision of loans to franchisees.

Loans to local franchisees are advanced only to those franchisees which have an established track record of generating cash sufficient to service the loan.

The group's policy is to obtain collateral in respect of material loans advanced. The extent of collateral held by the group in relation to loans receivable is detailed in note 15.

The group had previously advanced a number of loans to franchisees in Australia and New Zealand (refer notes 15.1, 15.3 and 15.5). Persistent difficult trading conditions, exacerbated by COVID-19, had increased the financial pressure on franchisees in those countries resulting in the franchisees commencing with liquidation proceedings. An allowance for ECLs equivalent to the full carrying amounts of these loans has accordingly been raised.

| | Gross carrying amount | |
|---|---|---|
| | **2023 R'000** | 2022 R'000 |
| **The maximum exposure to credit risk for loans receivable at the reporting date by geographical region was as follows:** | | |
| South Africa | **4 188** | 4 751 |
| Australasia | **5 422** | 7 458 |
| **Total gross carrying amounts of loans receivable** | **9 610** | 12 209 |

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **R'000** | **Gross carrying amount** | **Impairment allowance** | Gross carrying amount | Impairment allowance |
| **The following table presents an analysis of the credit quality of loan receivables and related impairment allowances:** | | | | |
| Stage 1 | **–** | **–** | 758 | 4 |
| Stage 3 | **9 610** | **9 610** | 11 451 | 11 258 |
| **Total loans receivable** | **9 610** | **9 610** | 12 209 | 11 262 |

There are no loans in stage 2.

## 38. Financial instruments continued

### 38.3 FINANCIAL RISK MANAGEMENT continued

### 38.3.1 Credit risk continued

***Loans receivable** continued*

| R'000 | 12-month ECL | Life-time ECL – not credit-impaired | Life-time ECL – credit-impaired | Total ECL |
|---|---|---|---|---|
| **The movement in the impairment allowance for loan receivables during the year was as follows:** | | | | |
| **Balance at beginning of year** | **4** | **–** | **11 258** | **11 262** |
| Current year impairment allowance | **–** | **–** | **506** | **506** |
| Reversal of impairment allowance | **(4)** | **–** | **(118)** | **(122)** |
| Effect of foreign exchange | **–** | **–** | **730** | **730** |
| Impairment allowance reversed against actual write off | **–** | **–** | **(2 766)** | **(2 766)** |
| **Balance at end of year** | **–** | **–** | **9 610** | **9 610** |

***Guarantees***

The group's policy is to provide financial guarantees only to subsidiaries domiciled in South Africa. At 30 June 2023 no material guarantees were outstanding from a group perspective (30 June 2022: Rnil).

### 38.3.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Restricted cash balances of R81.679 million (2022: R64.381 million), as detailed in note 21, are not available for general use and are not considered when assessing assets available to assist with liquidity.

The group's franchise divisions are typically, and have historically been, cash generating. The group's cash reserves are sufficient to sustain its fixed costs for a period of at least six months.

In terms of the Memorandum of Incorporation of the group's main local operating subsidiary, Spur Group (Pty) Ltd, that company has no limitations to its borrowing powers.

The group has no formal credit facilities in place with its bankers. Given that the group has a favourable relationship and credit rating with its principal bankers and an ungeared statement of financial position, the board is of the view that credit could be secured to manage any short-term liquidity risk, if the need arose.

| | | Contractual cash flows | | |
|---|---|---|---|---|
| R'000 | Carrying amount | Total | 1 – 12 months | 1 - 3 years |
| **The following are the contractual maturities of financial liabilities, including interest payments:** | | | | |
| **2023** | | | | |
| Financial liabilities included in trade and other payables | **185 315** | **185 315** | **185 315** | **–** |
| Shareholders for dividend | **1 433** | **1 433** | **1 433** | **–** |
| **2022** | | | | |
| Financial liabilities included in trade and other payables | 136 152 | 136 152 | 136 152 | – |
| Unsecured loans payable | 196 | 196 | 196 | – |
| Shareholders for dividend | 886 | 886 | 886 | – |

Where there are no formal repayment terms, the contractual cash flows are assumed to take place within 12 months and no interest is included.

The contractual cash flows relating to leases are detailed in note 25.

# 38. Financial instruments continued

## 38.3 FINANCIAL RISK MANAGEMENT continued

### 38.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the group's income or the carrying amounts of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

***Currency risk***

International operations

The group's international operations are structured such that items of revenue, expenses, monetary assets and monetary liabilities attributed to group entities are all denominated in the respective group companies' functional currencies to the extent possible, with the exception of the group's international franchise company, Steak Ranches International BV. That company is exposed to currency risk as revenue and related receivables are denominated in currencies other than that company's functional currency which is the euro. That company is, furthermore, exposed to currency risk in respect of inter company loan receivables denominated in currencies other than the euro. The most significant of these other currencies is the Australian dollar.

Trade receivables and payables, and loan receivables and payables are not hedged as the group's international operations trade in jurisdictions that are considered to have relatively stable currencies.

Exchange gains/losses relating to loans that are considered to be part of the net investment in a foreign operation are included in other comprehensive income.

Local operations

The group's local operations are exposed to currency risk only to the extent that it imports raw materials and certain merchandise for resale from time to time. The number and value of these transactions are not considered significant. The group uses forward exchange contracts to hedge its exposure to currency risk in respect of material imports. The group does not use forward exchange contracts or other derivative contracts for speculative purposes.

Exposure to currency risk

The group's material exposures to foreign currency risk (insofar as it relates to financial instruments) was as follows as at 30 June:

| | EUR '000 |
|---|---|
| **2023** | |
| **Assets** | |
| Cash and cash equivalents | **1 046** |
| Trade and other receivables | **326** |
| **Total assets** | **1 372** |
| **Liabilities** | |
| Trade and other payables | **(20)** |
| **Total liabilities** | **(20)** |
| **Total net exposure** | **1 352** |
| **2022** | |
| **Assets** | |
| Cash and cash equivalents | 680 |
| Trade and other receivables | 437 |
| **Total assets** | 1 117 |
| **Liabilities** | |
| Trade and other payables | (13) |
| **Total liabilities** | (13) |
| **Total net exposure** | 1 104 |

# 38. Financial instruments continued

## 38.3 FINANCIAL RISK MANAGEMENT continued

### 38.3.3 Market risk continued

The following significant exchange rates applied during the year:

| | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Euro 1 = R | **18.6400** | 17.1455 | **20.5578** | 17.0449 |

***Sensitivity analysis***
Any reasonable change in the above currencies against the rand are not expected to have a material impact on profit before income tax or equity.

***Interest rate risk***
The group adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis as far as possible. No derivative instruments are used to hedge interest rate risk.

***Interest rate risk profile***
All material interest-bearing financial instruments are at variable rates.

***Cash flow sensitivity analysis for variable rate instruments***
An increase of 50 basis points in interest rates for the year would impact profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Increase in profit before income tax R'000 | Increase in equity R'000 |
|---|---|---|
| **30 June 2023** | | |
| Variable-rate assets | **2 031** | **1 483** |
| **30 June 2022** | | |
| Variable-rate assets | 1 387 | 998 |

A decrease of 50 basis points in interest rates for the year would have had the equal but opposite effect to the amounts shown above on the basis that all other variables remain constant.

### 38.3.4 Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the demographic spread of shareholders, the level of distributions to ordinary shareholders, as well as the return on capital. Capital is allocated subject to the board's required return on invested capital being met. Capital consists of total shareholders' equity, excluding non-controlling interests.

From time to time the group purchases its own shares on the market; the timing of these purchases depends on market prices. The group does not have a defined share buy-back plan. However, depending on the availability of cash, prevailing market prices and committed capital expenditure, shares may be repurchased.

The value of the group is attributed largely to its trademarks and related intellectual property. These intangible assets are accounted for in the group's statement of financial position at historic cost. The group's statement of financial position does therefore not provide a true reflection of the value of the group. In addition, the group's equity, as reported in the statement of financial position, is influenced by changes in foreign exchange rates. The group also has no formalised external debt. Consequently, management does not formally report and track capital management financial ratios.

There were no changes in the group's approach to capital management during the year.

## 39. Directors', prescribed officer's and senior management's emoluments

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

| R'000 | Guaranteed remuneration[1] | Equity compensation benefits[2] | Variable remuneration: Prior year short-term incentive payment[3] | Variable remuneration: Prior year accrual for short-term incentive payment[3] | Variable remuneration: Petrol allowance | Variable remuneration: Current year short-term incentive accrual[4] | Total remuneration included in profit or loss |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| **Executive directors** | | | | | | | |
| **For services, as employees, to subsidiary companies** | | | | | | | |
| *Directors serving during the year* | | | | | | | |
| Val Nichas | 5 645 | 3 078 | 4 200 | (4 200) | 18 | 6 083 | 14 824 |
| Cristina Teixeira | 4 668 | 1 544 | 2 100 | (2 100) | 1 | 3 353 | 9 566 |
| Kevin Robertson | 3 650 | 1 207 | 1 599 | (1 599) | – | 2 646 | 7 503 |
| **Total executive directors** | 13 963 | 5 829 | 7 899 | (7 899) | 19 | 12 082 | 31 893 |

| R'000 | Base non-executive director fees[5] | Additional meeting fees – current year[6] | Total remuneration included in profit or loss |
|---|---|---|---|
| **Non-executive directors** | | | |
| ***For services, as directors, to the company[7]*** | | | |
| *Directors serving during the year* | | | |
| André Parker | 614 | 4 | 618 |
| Cora Fernandez | 659 | 30 | 689 |
| Jesmane Boggenpoel | 569 | 4 | 573 |
| Lerato Molebatsi | 614 | 4 | 618 |
| Mike Bosman | 1 280 | 30 | 1 310 |
| Sandile Phillip[8] | 427 | – | 427 |
| Shirley Zinn | 614 | 33 | 647 |
| **Total non-executive directors** | 4 777 | 105 | 4 882 |
| **Total remuneration** | | | 36 775 |

| | No. of November 2022 SARs | Fair value of SARs[9] R'000 | No. of November 2022 FSPs[10] | Fair value of FSPs[9] R'000 | Total fair value of instruments awarded R'000 |
|---|---|---|---|---|---|
| **The following share-linked long-term incentive (LTI) awards were granted to directors during the year:** | | | | | |
| Val Nichas | 818 185 | 7 339 | 28 945 | 676 | 8 015 |
| Cristina Teixeira | 422 861 | 3 793 | 23 935 | 559 | 4 352 |
| Kevin Robertson | 333 692 | 2 993 | 18 888 | 441 | 3 434 |
| **Total fair value of share-linked long-term incentive awards relating to the year** | | 14 125 | | 1 676 | 15 801 |

Refer to page 70 for footnotes.

## 39. Directors', prescribed officer's and senior management's emoluments continued

The following LTI awards previously allocated to directors vested during the year (refer note 22.4):

| | 2023 FSP | 2023 SAR |
|---|---|---|
| Kevin Robertson | | |
| – November 2019 tranche (no. of FSP shares/SAR rights) | **5 000** | **177 535** |
| – November 2019 tranche (value on vesting date (R'000)) | **104** | **–** |

The SAR rights vested during the year effectively lapsed as the strike price of the rights was above the prevailing share price at the vesting date.

| R'000 | Guaranteed remuneration[1] | Equity compensation benefits[2] (Variable remuneration) | *Ex gratia* bonus[11] (Variable remuneration) | Long service award (Variable remuneration) | Petrol allowance (Variable remuneration) | Termination leave[12] (Variable remuneration) | Current year short-term incentive accrual[13] (Variable remuneration) | Total remuneration included in profit or loss |
|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | |
| **Executive directors** | | | | | | | | |
| ***For services, as employees, to subsidiary companies*** | | | | | | | | |
| *Directors serving during the year* | | | | | | | | |
| Val Nichas | 5 200 | 1 182 | 1 500 | – | 4 | – | 4 200 | 12 086 |
| Cristina Teixeira | 4 300 | 560 | 750 | – | 1 | – | 2 100 | 7 711 |
| Kevin Robertson | 3 427 | 444 | 571 | 286 | – | – | 1 599 | 6 327 |
| Sacha du Plessis[14] | 853 | – | 213 | – | 8 | 187 | – | 1 261 |
| **Total executive directors** | 13 780 | 2 186 | 3 034 | 286 | 13 | 187 | 7 899 | 27 385 |

| R'000 | Base non-executive director fees[5] | Additional meeting fees – current year[6] | Total remuneration included in profit or loss |
|---|---|---|---|
| **Non-executive directors** | | | |
| ***For services, as directors, to the company***[7] | | | |
| *Directors serving during the year* | | | |
| André Parker | 576 | 29 | 605 |
| Cora Fernandez | 618 | 43 | 661 |
| Jesmane Boggenpoel | 534 | 29 | 563 |
| Lerato Molebatsi | 576 | – | 576 |
| Mike Bosman | 1 200 | – | 1 200 |
| Sandile Phillip | 534 | 39 | 573 |
| Shirley Zinn | 576 | 25 | 601 |
| **Total non-executive directors** | 4 614 | 165 | 4 779 |
| **Total remuneration** | | | 32 164 |

Refer to page 70 for footnotes.

## 39. Directors', prescribed officer's and senior management's emoluments continued

The following LTI awards were granted to directors during the prior year:

| | No. of October 2021 SARs | Fair value of SARs[9] R'000 | No. of October 2021 FSPs (revised)[15] | Fair value of FSPs (revised)[9,15] R'000 | Total fair value of instruments awarded R'000 |
|---|---|---|---|---|---|
| Val Nichas | 521 229 | 4 420 | 28 065 | 508 | 4 928 |
| Cristina Teixeira | 229 954 | 1 950 | 23 387 | 423 | 2 373 |
| Kevin Robertson | 175 133 | 1 485 | 17 812 | 322 | 1 807 |
| **Total fair value of share-linked long-term incentive awards relating to the year** | | 7 855 | | 1 253 | 9 108 |

The board considers there to be no prescribed officers (as defined in section 1 of the Companies Act).

No directors or prescribed officers were paid for services to associates.

Details of remuneration paid to the top three earning employees who are not directors or prescribed officers of the company are listed below. The composition of the individuals differs from year to year.

| | | Variable remuneration | | | | |
|---|---|---|---|---|---|---|
| **R'000** | **Guaranteed remuneration[1]** | **Equity compensation benefits[2]** | **Petrol allowance** | ***Ex gratia* bonus[11]** | **Short-term incentive[4,13]** | **Total remuneration included in profit or loss** |
| **2023** | | | | | | |
| **Senior managers** | | | | | | |
| Senior manager 1 | **2 620** | **446** | **–** | **–** | **819** | **3 885** |
| Senior manager 2 | **2 323** | **173** | **–** | **–** | **799** | **3 295** |
| Senior manager 3 | **2 330** | **389** | | **–** | **791** | **3 510** |
| **2022** | | | | | | |
| **Senior managers** | | | | | | |
| Senior manager 1 | 2 600 | 217 | 19 | 238 | 894 | 3 968 |
| Senior manager 2 | 2 460 | 206 | – | 205 | 846 | 3 717 |
| Senior manager 3 | 2 103 | 193 | – | 216 | 743 | 3 255 |

Refer to page 70 for footnotes.

## 39. Directors', prescribed officer's and senior management's emoluments continued

The table below lists the share-linked awards which have been allocated to directors and prescribed officers in terms of the equity-settled Forfeitable Share Plan (FSP) and Share Appreciation Rights (SAR) Scheme and were outstanding as at the reporting date (refer note 22.4):

| | No. of FSP shares | | No. of SAR rights | |
|---|---|---|---|---|
| | **2023**[10,15] | 2022[15] | **2023** | 2022 |
| **Executive directors and prescribed officer** | | | | |
| ***Current directors*** | | | | |
| Val Nichas – November 2022 tranche[10] | **28 945** | – | **818 185** | – |
| Val Nichas – October 2021 tranche[15] | **28 065** | 31 752 | **521 229** | 521 229 |
| Cristina Teixeira – November 2022 tranche[10] | **23 935** | – | **422 861** | – |
| Cristina Teixeira – October 2021 tranche[15] | **23 387** | 25 547 | **229 954** | 229 954 |
| Kevin Robertson – November 2022 tranche[10] | **18 888** | – | **333 692** | – |
| Kevin Robertson – October 2021 tranche[15] | **17 812** | 19 457 | **175 133** | 175 133 |
| Kevin Robertson – November 2019 tranche | **–** | 5 000 | **–** | 177 535 |
| ***Past directors*** | | | | |
| Pierre van Tonder[16] – November 2019 tranche[18] | **–** | – | **–** | 919 781 |
| Phillip Matthee[17] – November 2019 tranche[19] | **–** | – | **–** | 385 100 |
| **Total awards allocated** | **141 032** | 81 756 | **2 501 054** | 2 408 732 |

The cost of these awards (calculated in accordance with IFRS 2) has been expensed to profit or loss over the vesting period of the awards and has similarly been included in the emoluments disclosed for directors in each year of the vesting period. The actual vesting is therefore not reflected as additional remuneration in the year of vesting.

### Footnotes

1. Guaranteed remuneration includes any company/employee contributions to the provident fund and medical aid, as well as any travel allowance where applicable. Any change to provident fund and medical aid contributions will result in a corresponding opposite change to cash remuneration such that the guaranteed remuneration remains unchanged.
2. The equity compensation benefit is the *pro rata* share-based payments expense (in terms of *IFRS 2 – Share-based Payments*) attributable to each of the directors or employees. Refer note 22.4.
3. The short-term incentive (STI) payment relating to the prior year was settled in cash in the current year. Remuneration for the prior year included a best estimate of the amount of the STI. Refer also footnote 13.
4. This represents a best estimate of the likely STI payable in respect of the 2023 financial year. The actual amount will be determined in accordance with the scheme rules subsequent to the date of issue of this report and is expected to be settled in cash in September 2023. In addition to the cash payment, a number of FSP shares, calculated with reference to the actual STI payment, will be issued to the directors, which will be subject to the terms of the group's FSP scheme rules (refer note 22.4).
5. Comprises a base non-executive director fee per annum plus an additional fee as chair or member per subcommittee on which served, as approved at the AGM each year.
6. Fees paid to non-executive directors for additional meetings held during the year as approved at the AGM each year.
7. Certain of the non-executive directors' fees are subject to VAT. Notwithstanding that the company is not able to claim VAT input credits on these services, as the VAT paid is not for the benefit of the directors in question, the amounts disclosed are stated exclusive of VAT.
8. Resigned with effect from 24 March 2023.
9. Grant-date fair value of the share appreciate rights/forfeitable share plan shares granted (refer note 22.4).
10. This represents a best estimate of the likely number of FSPs that will be issued. The shares are expected to be acquired in September 2023. The actual number of shares will be determined based on a percentage of the final STI payable in respect of the 2023 financial year (which will be finalised subsequent to the date of issue of this report) as well as the prevailing share price on the date the shares are acquired.
11. An *ex gratia* bonus payment of approximately 50% of the directors' on-target short-term incentive bonus for the 2022 financial year was paid to directors in December 2021 in light of the fact that all incentive schemes were suspended during the COVID-19 period as part of the group's austerity measures. Other employees were typically paid a bonus of approximately one month's salary.
12. Leave balance on termination of employment settled in cash.
13. This represented a best estimate of the likely STI payable in respect of the 2022 financial year. The actual amount was determined in accordance with the scheme rules subsequent to the date of issue of the prior year's report and was settled in cash in September 2022. In addition to the cash payment, a number of FSP shares, calculated with reference to the actual STI payment, were issued to the directors, which are subject to the terms of the group's FSP scheme rules (refer note 22.4).
14. Resigned with effect from 15 September 2021.
15. The number of FSP awards relating to the 2022 financial year was determined as a percentage of the final STI payable in respect of the 2022 financial year (which was finalised subsequent to the date of issue of the prior year's report) as well as the prevailing share price on the date the shares were acquired (in September 2022). The prior year report therefore disclosed a best estimate of the number and value of FSP awards relating to the 2022 financial year. These estimates have been updated to reflect the actual number and grant-date fair value of the FSP awards relating to the 2022 financial year.
16. Resigned with effect from 31 December 2020.
17. Resigned with effect from 31 January 2021.
18. In accordance with the mutual separation agreement concluded with former CEO, Pierre van Tonder, Mr Van Tonder retained the non-vested SARs awarded to him as at the date of his resignation.
19. While Mr Matthee resigned as director, he remains as an employee of the group. He had therefore retained the non-vested SARs awarded to him prior to his resignation as a director.

## 40. Related party disclosures

### 40.1 TRANSACTIONS BETWEEN GROUP ENTITIES

During the year, in the ordinary course of business, certain companies within the group entered into transactions which have been eliminated on consolidation. Refer to note 13 of the separate financial statements on page 95 for guarantees given to subsidiary companies.

### 40.2 IDENTITY OF RELATED PARTIES

A number of the group's directors, former directors, and key management personnel (or parties related to them) hold positions in other entities, where they may have significant influence over the financial or operating policies of those entities. To the extent that the group has any relationship or dealings with those entities, they are listed as follows:

| Director/ former director/ prescribed officer | Related party | Cross reference to note 40.3 | Relationship with related party |
|---|---|---|---|
| Val Nichas (Son) (prior year) | VBN Consulting | | Sole proprietor |
| Kevin Robertson (Spouse) | Clearpan (Pty) Ltd (Panarottis Clear Water Mall)[1] | 6 | 20% Shareholder |
| Sacha du Plessis[2] (prior year) | Barleda 293 CC (Cancun Spur)[1] | | 6.25% Member |
| | Meltrade 286 CC (Casa Bella Grandwest)[1] | 12 | 25% Member |
| | Meltrade 286 CC (Silver Dollar Spur)[1] | 13 | 25% Member |
| | Nomivax (Pty) Ltd (The Hussar Grill Grandwest)[1] | 17 | 25% Shareholder |
| Sacha du Plessis[2] (Parent) (prior year) | Barleda 293 CC (Cancun Spur)[1] | | 3.12% Member |
| | Meltrade 286 CC (Casa Bella Grandwest)[1] | 12 | 12.5% Member |
| | Meltrade 286 CC (Silver Dollar Spur)[1] | 13 | 12.5% Member |
| | Nomivax (Pty) Ltd (The Hussar Grill Grandwest)[1] | 17 | 12.5% Shareholder |

| Key Management[3] | Related party | Cross reference to note 40.3 | Relationship with related party |
|---|---|---|---|
| Blaine Freer[4] (prior year) | Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)[1,5] | 2 | 36.5% Shareholder |
| | Calma Investments (Pty) Ltd (RocoMamas Middelburg)[1,6] | | 25% Shareholder |
| | Cloud Mountain Steak Ranch (Pty) Ltd (Cloud Mountain Spur)[1] | | 23% Shareholder |
| | Evening Star Trading 384 (Pty) Ltd (Maverick Spur)[1] | | 25% Shareholder |
| | K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)[1] | | 26% Shareholder |
| | K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stoneridge Mall)[1] | | 25% Shareholder |
| | Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)[1,5] | | 22% Shareholder |
| | Vegix (Pty) Ltd (Panarottis Rustenburg)[1] | 23 | 25% Shareholder |
| Brian Altriche[7] | Celapart (Pty) Ltd (Golden Falcon Spur)[1] | 5 | 70% Shareholder |
| | Celapart (Pty) Ltd (RocoGo Braamfontein)[1,6] | | 70% Shareholder |
| | Double Ring Trading 299 (Pty) Ltd (Falcon Arrow Spur)[1] | 7 | 100% Shareholder |
| | Little Haiwatha Trading CC (RocoMamas Rivonia)[1] | | 60% Member |
| | Pizzade Trading CC (RocoMamas Randburg)[1] | 18 | 70% Member |
| | Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur)[1] | 22 | 100% Shareholder |
| Brian Altriche[7] (Brother-in-law) | Little Haiwatha Trading CC (RocoMamas Rivonia)[1] | | 20% Member |
| | Nikos Ballito Bay (Pty) Ltd (Nikos Ballito)[1] | 14 | 50% Shareholder |

Refer to page 75 for footnotes.

## 40. Related party disclosures continued

### 40.2 IDENTITY OF RELATED PARTIES continued

| Key Management[3] | Related party | Cross reference to note 40.3 | Relationship with related party |
|---|---|---|---|
| Cornelis Schutte[19] (current year) | Zinvostar (Pty) Ltd (Panarottis Somerset West)[1] | | 20% Shareholder |
| Derick Koekemoer | Abaya Investments CC (John Dory's The Grove, Windhoek (Namibia))[1] | 1 | 25% Member |
| | Barleda 293 CC (Cancun Spur)[1] | | 25% Member |
| | Gapecovako Investments CC (Panarottis Windhoek (Namibia))[1] | 9 | 25% Member |
| | Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia))[1] | 11 | 25% Member |
| | Little Thunder (Pty) Ltd (Tampico Spur)[1] | | 21% Shareholder |
| | Servigyn 25 CC (Thunder Bay Spur)[1] | | 32% Member |
| | Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)[1,8] | 19 | 0% (2022: 15%) Shareholder |
| Donovan Cronje[19] (current year) | Nitafin (Pty) Ltd (John Dory's Secunda)[1] | 15 | 10% Shareholder |
| | Tandistyle (Pty) Ltd (John Dory's Menlyn)[1] | 20 | 12% Shareholder |
| Justin Fortune | Alicente 144 CC (Golden Bay Spur)[1] | | 25% Member |
| | Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West)[1] | 3 | 25% Shareholder |
| | Laadned Trading 333 CC (Cajun Spur)[1] | | 25% Member |
| Justin Fortune (Partner) (prior year) | Luanne Lascaris | | Partner |
| Keith Getz[9] | Bernadt Vukic Potash & Getz | | Partner in principal legal firm |
| Leonard Coetzee | Founad Trading 89 CC (Grand Canyon Spur)[1,8] | 8 | 0% (2022: 10%) Member |
| | JJ Links CC (John Dory's Wilsons Wharf)[1,10] | 10 | 10% Member |
| | Nitafin (Pty) Ltd (John Dory's Secunda)[1] | 15 | 10% Shareholder |
| | Nitaprox (Pty) Ltd (Pine Creek Spur)[1] | 16 | 10% Shareholder |
| | Torinosun (Pty) Ltd (Navaho Springs Spur)[1] | 21 | 11.7% Shareholder |
| | Waterstone Trading 51 (Pty) Ltd (Atlanta Spur)[1] | | 10% Shareholder |
| Nkululeko Zulu | Celapart (Pty) Ltd (Golden Falcon Spur)[1] | 5 | 20% Shareholder |
| | Celapart (Pty) Ltd (RocoGo Braamfontein)[1,6] | | 20% Shareholder |
| Tyrone Herdman-Grant[11] (prior year) | Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)[1] | 2 | 16% Shareholder |
| | Calma Investments (Pty) Ltd (RocoMamas Middelburg)[1] | 4 | 25% Shareholder |
| | Cloud Mountain Steak Ranch (Pty) Ltd (Cloud Mountain Spur)[1] | | 23% Shareholder |
| | K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stoneridge Mall)[1] | | 25% Shareholder |
| | Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)[1] | 19 | 16.5% Shareholder |
| | Vegix (Pty) Ltd (Panarottis Rustenburg)[1] | 23 | 25% Shareholder |
| Wolbert Kamphuijs[12] (prior year) | TMF Group | | Director |

Refer to page 75 for footnotes.

## 40. Related party disclosures continued

### 40.3 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

#### Balances with related parties

Refer note 19 for details on trade receivables from related parties. No individual trade receivable is material. The trade receivables with related party franchisees are subject to the same credit terms as for independent franchisees. None of the trade receivables are considered overdue. The trade receivables are secured by personal suretyships issued by the signatories to the franchise agreements, as with all other franchise agreements.

There are no loans to related parties.

In terms of the group's Conflict of Interest Policy, the director, former director, prescribed officer or member of key management personnel in question is excluded from participating in any decision relating to any transaction with any restaurant in which he/she has an interest. Any temporary concession[13] granted to a restaurant in which a director or prescribed officer has an interest must be approved by a disinterested quorum of the board.

#### Transactions with related parties

Transactions with related parties that are restaurants are detailed in the table below:

| | | Temporary concession[13] | | Marketing assistance[14] | | |
|---|---|---|---|---|---|---|
| | R'000 | **2023** | 2022 | **2023** | 2022 | **Other transactions** |
| 1 | Abaya Investments CC (John Dory's The Grove, Windhoek (Namibia)) | **271** | 218 | **–** | – | |
| 2 | Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur) | **–** | – | **–** | – | **a** |
| 3 | Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West) | **–** | – | **–** | 1 | |
| 4 | Calma Investments (Pty) Ltd (RocoMamas Middelburg) | **–** | 3 | **–** | – | |
| 5 | Celapart (Pty) Ltd (Golden Falcon Spur) | **230** | 162 | **–** | – | |
| 6 | Clearpan (Pty) Ltd (Panarottis Clear Water Mall) | **–** | 9 | **–** | – | |
| 7 | Double Ring Trading 299 (Pty) Ltd (Falcon Arrow Spur) | **–** | – | **–** | – | **b** |
| 8 | Founad Trading 89 CC (Grand Canyon Spur) | **–** | – | **–** | 19 | |
| 9 | Gapecovako Investments Close Corporation (Panarottis Windhoek (Namibia)) | **391** | 288 | **–** | – | |
| 10 | JJ Links CC (John Dory's Wilsons Wharf) | **19** | 11 | **–** | – | |
| 11 | Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia)) | **242** | 221 | **–** | – | |
| 12 | Meltrade 286 CC (Casa Bella Grandwest) | **–** | 37 | **–** | – | |
| 13 | Meltrade 286 CC (Silver Dollar Spur) | **–** | 211 | **–** | – | |
| 14 | Nikos Ballito Bay (Pty) Ltd (Nikos Ballito) | **–** | 7 | **–** | – | |
| 15 | Nitafin (Pty) Ltd (John Dory's Secunda) | **454** | 410 | **–** | – | |
| 16 | Nitaprox (Pty) Ltd (Pine Creek Spur) | **–** | – | **–** | – | **c** |
| 17 | Nomivax (Pty) Ltd (The Hussar Grill Grandwest) | **–** | – | **–** | 1 | |
| 18 | Pizzade Trading CC (RocoMamas Randburg) | **–** | – | **–** | 9 | |
| 19 | Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur) | **–** | – | **–** | – | **d** |
| 20 | Tandistyle (Pty) Ltd (John Dory's Menlyn) | **191** | – | **25** | – | |
| 21 | Torinosun (Pty) Ltd (Navaho Springs Spur) | **–** | – | **–** | 11 | |
| 22 | Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur) | **–** | – | **–** | – | **e** |
| 23 | Vegix (Pty) Ltd (Panarottis Rustenburg) | **–** | 270 | **–** | – | **f** |
| | **Total** | **1 798** | 1 847 | **25** | 41 | |

**Notes**

a) Amarillo Spur: In the prior year, the group paid this outlet R1 565 for catering services[15] provided.
b) Falcon Arrow Spur: The entity was paid training fees[16] of R14 700 during the year.
c) Pine Creek Spur: In the prior year, the entity was paid training fees[16] of R39 200.
d) 7 Eagles Spur: In the prior year, the group paid R30 000 to this entity for billboard rental.
e) Falcon Peak Spur: The entity provides the consulting services of Brian Altriche[7] to the group in the amount of R1 200 000 (2022: R1 200 000).
f) Panarottis Rustenburg: In the prior year, the group paid R4 348 to this entity for billboard rental.

Refer to page 75 for footnotes.

## 40. Related party disclosures continued

### 40.3 TRANSACTIONS AND BALANCES WITH RELATED PARTIES continued

#### Transactions with related parties continued

Transactions with related parties that are not restaurants are detailed below:

***Bernadt Vukic Potash & Getz (Keith Getz[9])***
Bernadt Vukic Potash & Getz serves as the group's principal legal counsel and has provided legal services on various matters in the ordinary course of business to the value of R512 721 (2022: R334 217).

***Luanne Lascaris (Justin Fortune's partner)***
In the prior year, Luanne Lascaris provided marketing services to certain of the group's retail company stores in the amount of R80 050.

***TMF Group (Wolbert Kamphuijs[12])***
In the prior year, TMF Group provided consulting services to the group in the amount of R325 105.

***VBN Consulting (Val Nichas' son)***
In the prior year, VBN Consultants provided customer experience consulting expertise to the group amounting to R266 087.

### 40.4 KEY MANAGEMENT[3]

**The key management personnel compensation is as follows:**

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Ordinary remuneration and benefits | **20 847** | 21 033 |
| Leave pay (on termination of employment) | **–** | 682 |
| Short-term incentive[17] | **6 364** | 4 236 |
| Equity compensation benefits (refer note 22.4) | **2 640** | 1 217 |
| **Total remuneration included in profit before income tax** | **29 851** | 27 168 |
| The following share-linked long-term incentive (LTI) awards were granted to key management (excluding directors – refer note 39) during the year: | | |
| Fair value of SARs granted during the year[18] | **6 762** | 3 597 |
| Fair value of FSPs granted during the year[18] | **1 495** | 1 320 |
| **In addition to the above, emoluments to directors and prescribed officers amounted to (refer note 39)** | **36 775** | 32 314 |

Refer to page 75 for footnotes.

# 40. Related party disclosures continued

**Footnotes**

1 These entities are franchisees. Franchise fees and marketing fund contribution fees of 5% and between 2% and 4% of restaurant turnover (depending on the brand) respectively are collected by the group in terms of the standard franchise agreements, unless otherwise indicated under the related party transactions described above. The board does not intend authorising new key management or director interests in franchises.

2 In the prior year, Sacha du Plessis resigned as a director of Spur Corporation Ltd with effect from 15 September 2021 and accordingly his business interests ceased to be related parties from that date. Information presented relates to the prior year up to 15 September 2021.

3 Key management comprises 11 (2022: 9) employees (excluding directors and prescribed officers) as at the reporting date and includes brand chief operations officers and business unit heads reporting to the group CEO:

| | |
|---|---|
| Amanda van Wyk | COO: Spur Steak Ranches |
| Anton Geldenhuys (resigned as employee 15 September 2021) | COO: RocoMamas |
| Blaine Freer[4] | Group development executive |
| Brian Altriche[7] | Director of subsidiary RocoMamas Franchise Co (Pty) Ltd |
| Cornelis Schutte[19] | COO: Panarottis |
| Colleen Carr | Group people, leadership and culture executive |
| Derick Koekemoer | Franchise executive: Africa |
| Donovan Cronje[19] | COO: John Dory's |
| Justin Fortune | COO: Speciality brands |
| Leonard Coetzee | Group operations executive (previously COO: John Dory's) |
| Mark Watson (resigned as employee 30 November 2021) | COO: Spur Coastal |
| Moshe Apleni | Transformation and communications executive |
| Nkululeko Zulu | COO: RocoMamas |
| Nick Triandafillou (resigned as employee 30 October 2021) | COO: Nikos |
| Robin Charles | Group procurement executive |
| Tyrone Herdman-Grant[11] | COO: Pizza and Pasta |
| Vuyo Henda | Chief marketing officer |

4 In the prior year, Blaine Freer resigned as an employee on 28 February 2022 and his business interests ceased to be related parties from that date. Information presented relates to the prior year up to 28 February 2022.

5 Interest held indirectly through a trust. The member of key management in question is a trustee of the trust.

6 Restaurant closed during the prior year.

7 Brian Altriche is not an employee of the group but serves as a director of material subsidiary, RocoMamas Franchise Co (Pty) Ltd.

8 Interest disposed of during the current year - information presented relates to the period up to the date of disposal.

9 Keith Getz serves as a director on subsidiary companies, Steak Ranches International BV and Spur International Ltd. For these services during the year, he was paid R149 120 (2022: R205 746).

10 Restaurant closed during the current year.

11 Tyrone Herdman-Grant resigned as an employee on 28 February 2022 and his business interests ceased to be related parties from that date. Information presented relates to the prior year up to 28 February 2022.

12 Wolbert Kamphuijs served as director of wholly-owned subsidiary, Steak Ranches International BV, the group's international franchise company. He resigned as director with effect from 30 September 2021 and his business interests ceased to be related parties from that date. Information presented relates to the prior year up to 30 September 2021.

13 Temporary concession: A concession is a temporary reduction in the percentage of franchise and/or marketing fund contribution income that would ordinarily be collected by the group in terms of the standard franchise agreements. Franchise and marketing fund contribution fee concessions are granted to franchisees in the ordinary course of business to provide relief from some temporary external influence (outside of the franchisee's control) which has a negative impact on the franchisee's profitability and may threaten the sustainability of the outlet. Examples of such circumstances include increased competitive activity in the proximity of the restaurant, construction or other interference impeding foot traffic and excessive rentals (provided that these are in the process of being renegotiated). The concession is subject to strict authorisation protocols and is conditional upon the franchisee complying with all of the group's operational requirements. The concession may be withdrawn at the group's discretion at any time. Any franchisee (including one which is not a related party) is eligible for a concession should the circumstances so dictate and each case is considered on its own merits after careful scrutiny of franchisee financial records and other supporting documentation.

14 Marketing assistance: Marketing assistance is provided to franchisees as the need arises. Typically, this is to compensate a franchisee for piloting a new concept or to assist a franchisee in minimising the negative impact of competing brands in the outlet's proximity. The basis for determining the assistance is the same as for any other franchisee (which is not a related party).

15 Catering services: The group sponsors meals for sporting and charity events on an *ad hoc* basis and engages the services of franchisees to prepare these meals.

16 Training fees: Fees to restaurants which serve as training facilities are determined based on the number of delegates trained and the number of days each delegate is trained. The fee charged is the same fee charged by other training restaurants (which are not related parties).

17 This represents a best estimate of the likely short-term incentive (STI) payable in respect of the respective financial year. The actual amount is determined in accordance with the scheme rules subsequent to the publication of the respective financial year's financial statements and is settled in cash thereafter. In addition to the cash payment, a number of FSP shares, calculated with reference to the actual STI payment, are/will be issued to the participants, which are/will be subject to the terms of the group's FSP scheme rules (refer note 22.4).

18 Grant-date fair value of the share appreciate rights/forfeitable share plan shares granted in the respective financial years (refer note 22.4).

19 Appointed as key management during the year with effect from 1 July 2022. Information presented relates to the period from 1 July 2022.

## 41. Subsequent events

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

### 41.1 DIVIDEND

At its meeting on 21 August 2023, the board of directors has approved a final dividend of 110.0 cents per share (the equivalent of R100.1 million) in respect of the 2023 financial year, funded by income reserves, to be paid in cash on 18 September 2023. The dividend is subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962, as amended) (dividend withholding tax) of 20%. The net dividend is therefore 88.0 cents per share for shareholders liable to pay dividend withholding tax.

### 41.2 ACQUISITION OF DOPPIO GROUP

On 26 July 2023, wholly-owned subsidiary, Spur Group (Pty) Ltd (Spur Group), concluded a binding heads of agreement with Nadostax (Pty) Ltd *et al* (Doppio Group) to acquire a 60% interest in certain business units of Doppio Group as part of a number of interlinked indivisible transactions. Doppio Group owns speciality restaurant brands Doppio Zero, Piza e Vino and Modern Tailors with a portfolio of 37 franchised and company-owned restaurants as well as a bakery and central supply business.

The Doppio Group is currently owned by founders, Paul Christie (50%) and Miki Milovanovic (50%) (collectively, the Sellers), who opened the first Doppio Zero restaurant in 2002.

It is anticipated that the acquisition will strengthen the group's position in the day-time speciality dining segment and accelerate the group's entry into the speciality coffee market. In addition, the Doppio Group's owned and franchised restaurant businesses are currently largely represented in Gauteng, and there are therefore opportunities to leverage the group's relationships with existing franchisees to expedite national expansion of the acquired brands.

The business units (Target Business) to be acquired are:

- The speciality restaurant brands and franchise businesses: Doppio Zero (27 restaurants), Piza e Vino (nine restaurants) and Modern Tailors (one restaurant), including franchise agreements and all trademarks (registered and unregistered), copyrights and related intellectual property.
- A bakery facility
- A central supply business
- Nine retail company Doppio Zero stores (included in the 27 restaurants referenced above)
- Two retail company Piza e Vino stores (included in the 9 restaurants referenced above)
- The Modern Tailors retail company restaurant

In its financial year ended February 2023, the Doppio Group generated total restaurant sales of R600 million.

The Doppio Group employs approximately 669 employees and it is intended that all employees will be retained within the Target Business.

The purchase consideration for 60% of the Target Business is estimated at R70 million and will be settled in cash, but is subject to various adjustments depending on the value of certain assets and liabilities as at the effective date.

Transaction costs included in profit for the year ended 30 June 2023 amount to R1.911 million and relate largely to due diligence professional services executed by an independent corporate finance firm.

#### Effective date and suspensive conditions

The parties were originally targeting an effective date of 1 September 2023, but due to regulatory requirements, it is estimated that the effective date is likely to be mid-October 2023. The implementation of the transaction, and therefore the effective date, is subject to:

- The finalisation of various formal agreements to give effect to the binding heads of terms.
- South African Competition Commission approval.
- Consent from landlords and financiers of the existing Doppio Group to transfer existing leases and finance agreements to Newco.
- Transfer of various business and liquor licences, in particular relating to the retail company stores acquired.
- Advertising the transaction in terms of Section 34 of the Insolvency Act.
- Various other conditions precedent typical of a transaction of this nature.

## 42. Contingent liabilities

### 42.1 LEGAL DISPUTE WITH GPS FOODS

As previously reported, on 24 December 2019, two companies within the group (the Defendants) 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. It also engaged GPS regarding the prospects of concluding a joint venture to establish and acquire a rib processing facility.

GPS alleges that an oral agreement was concluded between GPS and the Defendants in terms of which the parties would, *inter alia*, 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, over a period, the Defendants repudiated the alleged oral agreement, thereby giving rise to a breach of contract and damages.

GPS alleges in the alternative that, in the event of it being found that the Defendants did not become bound by the oral joint venture agreement, the Defendants' conduct represented that they regarded themselves as bound by the agreement and that GPS could rely on such representations and implement its contribution to the alleged joint venture, thereby giving rise to a delictual claim for damages.

The quantum of GPS's claim has been amended on 11 July 2023, as follows:

i) Claim A – GPS claims damages of R167.0 million; alternatively R146.8 million; further alternatively R119.9 million comprising accumulated counterfactual profits less accumulated actual losses for the term of the alleged joint venture of 15 years; alternatively 10 years; further alternatively 5 years;

ii) Alternative Claim B – a delictual claim in the sum of approximately R95.8 million, comprising GPS's alleged accumulated losses to the date of the claim.

The Defendants have defended the claims in terms of their plea dated 12 February 2021 (which shall be consequently amended), in which they deny the allegations made, and plead certain defences including that the discussions held with the plaintiff did not amount to the conclusion of a joint venture. In amplification, any joint venture would have been subject to approval of the boards of the respective Defendants, and subject to the agreement(s) being reduced to writing. Neither of these events transpired and the terms of the alleged joint venture agreement constituted an unenforceable agreement to agree.

The matter has been set down for trial at 23 October 2023 for a period of three weeks. The parties are currently in discussions to refer the matter to arbitration. The arbitration is scheduled to be heard on the same dates.

The Defendants' attorneys, together with counsel, assessed and presented a review of the merits of the case and prospects of success, which conclude that it is more likely than not that the Defendants will be able to successfully defend the claims. Supported by the opinion of its legal advisers, the board considers that the probability of the occurrence of the claimed losses, at this point in the legal proceedings, is therefore not likely. No liability has accordingly been raised at the reporting date regarding the matter.

## 42. Contingent liabilities continued

### 42.2 LEGAL DISPUTE WITH FORMER FRANCHISEE – TZANEEN, SOUTH AFRICA

In January 2018, wholly-owned subsidiary, Spur Group, instituted legal action against Magnacorp 544 CC (Magnacorp) for outstanding franchise and marketing fees in the amount of R0.078 million. Magnacorp had previously operated a Spur Steak Ranch franchise restaurant in Tzaneen, South Africa, but Spur Group cancelled the franchise agreement after Magnacorp breached the terms of the franchise agreement. Magnacorp has defended the action and alleges that Spur Group repudiated the franchise agreement, in that the cancellation thereof was unlawful. Magnacorp has lodged a counterclaim in the amount of R19.488 million, primarily for loss of profits arising out of the alleged repudiation.

Spur Group denies the repudiation of the franchise agreement and maintains that the cancellation was valid. The board is confident that it will be able to defeat Magnacorp's counterclaim and noted an exception to Magnacorp's counterclaim in that, among other things, in terms of the franchise agreement, the franchisor is not liable to the franchisee for any consequential loss, loss of profits or any other form of indirect loss or damages howsoever arising or caused.

A court date to hear the matter has yet to be determined. There have been no further developments, correspondence or exchange of pleadings during the current financial year and up to the issue date of these financial statements, save for an attempt by Spur Group on 18 October 2022 to settle the matter on the basis that each party walks away from its respective claims and bears its own costs. The board, in consultation with its legal advisors, is confident that it will be able to successfully defend this claim and, consequently, no liability has been raised.

## 43. Significant accounting policies

### 43.1 BASIS OF CONSOLIDATION

#### 43.1.1 Investment in subsidiaries

The consolidated financial statements include the financial statements of the company and the entities that it controls. The group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity. The financial statements of subsidiaries are included in the consolidated financial statements of the group from the date that control commences until the date that control ceases.

The company carries its investments in subsidiaries at cost less impairment losses in its separate financial statements.

#### 43.1.2 Functional and presentation currency

All items in the financial statements of the group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The group's consolidated financial statements are presented in rands, which is the company's functional currency and the group's presentation currency.

#### 43.1.3 Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to rands at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to rands at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in equity in the foreign currency translation reserve (FCTR).

#### 43.1.4 Net investment in foreign operations

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, the exchange differences arising from such monetary item are considered to be part of the net investment in foreign operations and are recognised in other comprehensive income and presented in equity in the FCTR. When the investment in foreign operation is disposed of (including deregistration or abandonment of a foreign operation), the relevant amount in the FCTR is reallocated from other comprehensive income to profit or loss.

#### 43.1.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value, and the amount of any non-controlling interest in the acquiree.

Acquisition costs incurred are recognised as an expense in profit or loss.

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in accordance with *IFRS 9 – Financial Instruments*.

# 43. Significant accounting policies continued

## 43.1 BASIS OF CONSOLIDATION continued

### 43.1.5 Business combinations and goodwill continued

Goodwill is initially measured at cost, being the excess of the consideration transferred over the fair value of the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### 43.1.6 Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis, although the group has applied the latter in all cases to date. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' shares of subsequent changes in equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### 43.1.7 Transactions with non-controlling interests

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity (retained earnings) and attributed to owners of the company.

### 43.1.8 Loss of control

When the group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or directly to retained earnings).

## 43.2 FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between the carrying amount in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the carrying amount in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the respective functional currencies using the exchange rate at the date of the transaction. Foreign exchange differences arising on retranslation are recognised in profit or loss.

## 43.3 PROPERTY, PLANT AND EQUIPMENT

### 43.3.1 Recognition and measurement

Items of property, plant and equipment, including owner-occupied buildings, are stated at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

## 43. Significant accounting policies continued

### 43.3 PROPERTY, PLANT AND EQUIPMENT continued

### 43.3.2 Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing a part of such an item when the cost is incurred if it is probable that the economic benefits embodied within the item will flow to the group and the cost of the item can be measured reliably. In such cases, the carrying amount of the replaced part is derecognised. All other costs are recognised in profit or loss in the period they are incurred.

### 43.3.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date that they are ready for use. Leasehold improvements are depreciated over the shorter of the lease term or estimated useful life of the assets. Land is not depreciated.

Typically, the estimated useful lives for the current and prior periods are as follows:

| | |
|---|---|
| – buildings | 50 years |
| – plant, equipment and vehicles | 3 – 5 years |
| – furniture and fittings | 5 – 6.67 years |
| – computer equipment | 3 years |
| – leasehold improvements | lesser of lease term and 10 years |

Depreciation methods, useful lives and residual values are reassessed annually. Refer note 43.4.1 for details of depreciation in respect of right-of-use assets.

### 43.3.4 Derecognition

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised in profit or loss.

### 43.4 LEASES

### 43.4.1 Right-of-use assets

***Cost***
Right-of-use assets are recognised in respect of leases from the commencement date of the lease. Right-of-use assets are initially measured at cost, which comprises the initial amount of the corresponding lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

***Depreciation and impairment***
Each right-of-use asset is subsequently depreciated on a straight-line basis over the lesser of the lease term and the useful life of the underlying asset. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

***Derecognition***
Right-of-use assets are derecognised upon the loss of control by the group of the right to use the leased assets. Gains or losses on derecognition are determined by comparing the value of corresponding lease liabilities with the carrying amount of right-of-use assets and are recognised directly in profit or loss.

### 43.4.2 Lease liability

***Initial recognition***
Lease liabilities are recognised at the lease commencement date and initially measured at the present value of the future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses the group's incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include:

- fixed payments; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The period of the lease takes into consideration any extension or termination option, as applicable, once the group is reasonably certain that it is likely to exercise such an option.

## 43. Significant accounting policies continued

**43.4 LEASES** continued

### 43.4.2 Lease liability continued

***Subsequent measurement***

Lease liabilities are subsequently measured at amortised cost using the effective interest rate method, and reduced by future lease payments net of interest charged.

The group elected to apply the practical expedient for all rent concessions that arose as a direct consequence of the COVID-19 pandemic and that satisfied the criteria as specified in the amendment to IFRS 16. The effect of the change in lease payments was recognised in profit or loss in the period in which the rent concession was granted.

Lease liabilities are re-measured when there is a change in the future lease payments resulting from a change in an index or rate, or if the group changes its assessment of whether it will exercise any extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the cost of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments that do not depend on an index or rate are recognised in profit or loss in the period in which the event or condition which triggers the change in payment occurs.

***Derecognition***

Lease liabilities are derecognised when the obligation specified in the lease is discharged or cancelled or expires. Gains or losses on derecognition are determined by comparing the value of corresponding lease liabilities with the carrying amount of the related right-of-use assets and are recognised directly in profit or loss.

### 43.4.3 Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term (i.e. less than one year) leases. In these cases, the group recognises the lease payments as an expense on a straight-line basis over the lease term.

**43.5 INTANGIBLE ASSETS (OTHER THAN GOODWILL)**

### 43.5.1 Trademarks and software licences

Intangible assets are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. Intangible assets which have finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each asset from the date they are ready for use. Intangible assets which have indefinite useful lives are not amortised but are tested for impairment annually. No value is attached to internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks and brand names is recognised in profit or loss as incurred.

Typically, the estimated useful lives for the current and prior periods are as follows:

| | |
|---|---|
| – software licences | 5 years (where there is no limit to the use of the licence) or, if the licence is valid for a specific period less than 5 years, such shorter period |

Amortisation methods, useful lives and residual values are reassessed annually.

### 43.5.2 Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

### 43.5.3 Derecognition

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss when the asset is derecognised.

# 43. Significant accounting policies continued

## 43.6 FINANCIAL INSTRUMENTS

### 43.6.1 Timing of recognition

The group initially recognises loans and receivables and debt securities issued on the date when they originated. All other financial assets and financial liabilities are initially recognised on the trade date.

### 43.6.2 Classification and measurement

On initial recognition, a financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

Debt financial instruments are subsequently measured at FVPL, amortised cost, or fair value through other comprehensive income (FVOCI). The measurement is driven by the classification which is based on two criteria: the group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the SPPI criterion). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level as this best reflects the way the business is managed and information is provided to management.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that would change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the group's claim to cash flows from specified assets.

Subsequent measurement of each financial instrument is explained in more detail below.

***Loans receivable and trade and other receivables***
Loans receivable and trade and other receivables (excluding prepayments and VAT and other indirect taxes receivable) are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion, and are therefore classified at amortised cost and subsequently measured at amortised cost less impairment losses as appropriate.

***Cash and cash equivalents***
Cash and cash equivalents are measured at amortised cost, based on the relevant exchange rates at the reporting date.

***Financial liabilities (other than derivative instruments)***
Subsequent to initial recognition, financial liabilities are stated at amortised cost using the effective interest method.

### 43.6.3 Derecognition

***Financial assets***
A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the group transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

***Financial liabilities***
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

## 43. Significant accounting policies continued

### 43.7 IMPAIRMENT

#### 43.7.1 Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to those cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows relating to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the price that would be received, at the measurement date, from the sale of an asset or cash-generating unit in an orderly transaction between market participants less the costs of disposal. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment reversals are recognised in profit or loss.

#### 43.7.2 Financial assets and lease receivables

Impairment losses for financial assets are determined in accordance with the expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive. The shortfall is then discounted at a rate approximating the asset's original effective interest rate.

For debt financial assets (including lease receivables), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. In all cases, the group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The group considers a financial asset in default when contractual payments are more than 90 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. For trade and other receivables, the group has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Financial assets are written off when there are no reasonable prospects for recovery.

### 43.8 INVENTORIES

Inventories are measured at the lower of cost, determined on the first-in-first-out basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. The cost of inventory includes costs incurred in acquiring the inventory and costs incurred in bringing the inventory to its current location and condition.

Cost of manufactured goods includes direct material costs, direct labour costs and an appropriate share of overheads based on normal operating capacity.

## 43. Significant accounting policies continued

### 43.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### 43.10 RESTRICTED CASH

Restricted cash relates to surplus cash in the marketing funds and unredeemed gift cards.

The surplus cash in the marketing funds is identified as restricted as the cash is not available for general use by the group but is only available to fund future marketing costs in accordance with franchise agreements concluded between the group and its franchisees.

The group sells gift cards to the public which may be redeemed at franchised restaurants. The franchisees in turn are entitled to a reimbursement of the face value of the vouchers from the group, upon presentation. The cash balances corresponding to the liability for unredeemed gift cards are accordingly not available for general use by the group.

Restricted cash balances are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### 43.11 PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provision is recognised at an undiscounted amount if it is planned, or likely, that the provision will be settled within 12 months from the reporting date, otherwise the provision is discounted using the group's incremental borrowing rate.

### 43.12 SHARE CAPITAL

#### 43.12.1 Ordinary share capital

Ordinary share capital represents the par value of ordinary shares issued. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of taxes.

#### 43.12.2 Share premium

Share premium represents the excess consideration received by the company over the par value of ordinary shares issued, and is classified as equity.

#### 43.12.3 Repurchase of share capital

When shares of the company are acquired by the group, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity and the number of shares is deducted from the weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation.

Repurchases of share capital are included as a separate category of equity.

When treasury shares are sold or re-issued subsequently, the amount received is recognised as an increase in equity.

## 43. Significant accounting policies continued

### 43.13 REVENUE

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

| Item of revenue | Nature and timing of satisfaction of performance obligation | Determination of transaction price and significant payment terms | Recognition of revenue |
|---|---|---|---|
| Ongoing franchise fee income | The group provides ongoing franchise support services and access to intellectual property to franchisees in accordance with standard franchise agreements. | A standard franchise fee percentage, as per each franchise agreement, is applied to the total sales of each franchised restaurant each month.<br><br>Fees are payable by the 15th of the month following the month to which the franchisees' sales (on which the fees are calculated) relate. | Sales-based royalty recognised in the period in which the sales (on which the fees are calculated) are made by franchisees to their customers. |
| Sales of franchisee supplies (outsourced) | The group acts as principal* earning gross revenue from the sales of goods by an outsourced distributor to the group's franchisees.<br><br>The group's performance obligation is to facilitate the provision of specified products by the outsourced distributor to franchisees, which is satisfied on delivery of these products to franchisees by the distributor. | Standalone selling price.<br><br>Franchisees pay the outsourced distributor. Credit terms range from cash-on-delivery to 30 days from statement depending on the credit history of the franchisee. | Revenue is recognised at a point in time when the related products are delivered by the distributor to franchisees. |
| Sales of purchased and manufactured sauces<br><br>Sales of franchisee supplies@<br><br>Sales of marketing materials | The group's performance obligation is to procure or manufacture, and deliver#, certain goods to customers.<br><br>The performance obligation is satisfied on delivery of the products to customers. | Standalone selling price.<br><br>Payment terms are 30 days from the end of the month in which the goods are supplied. | Revenue is recognised at a point in time when the goods are delivered to customers. |
| Export sales of purchased and manufactured sauces, franchisee supplies and marketing materials | There are two separate performance obligations:<br>1. Delivery of supplies to the freight forwarder. Control will transfer once the supplies have been loaded on the transportation.<br>2. Transportation to the customer's destination point. | Standalone selling price.<br><br>Payment terms are usually cash upfront prior to the goods departing the port of origin. | Revenue relating to the sale of goods is recognised at a point in time when the goods have been loaded on the transportation.<br><br>Revenue relating to the transportation fee is recognised at a point in time when the goods reach the customer's destination point. |

* Refer note 3.1.4 concerning judgements applied in reaching the conclusion that the group acts as a principal.
@ Sales of manufactured décor items and sales of other peripheral franchisee supplies.
\# As the group's performance obligation includes the delivery of the goods in question, the costs of delivery are included in cost of sales in the statement of profit or loss and other comprehensive income, and recognised as an expense at the same time that the related revenue on the sale of the goods is recognised.

## 43. Significant accounting policies continued

### 43.13 REVENUE continued

| Item of revenue | Nature and timing of satisfaction of performance obligation | Determination of transaction price and significant payment terms | Recognition of revenue |
|---|---|---|---|
| Retail company stores' sales | The group's performance obligation is to supply food and related products to customers at its owned restaurants.<br>The performance obligation is satisfied on delivery of the products to customers. | Standalone selling price. Payment is due on delivery. | Revenue is recognised at a point in time when the goods are delivered to customers. |
| Rebate income | The group acts as agent, earning a commission on the value of certain products sold by certain suppliers directly to the group's franchisees.<br>The group's performance obligation is to facilitate the provision of specified products by these suppliers to franchisees, which is satisfied on provision of the products to franchisees by the suppliers. | The group recognises revenue on a net basis corresponding with the commission determined with reference to a range of percentages as per the contract with each supplier, applied to the value of sales of goods by the respective suppliers to franchisees.<br>Calculated quarterly and typically settled within 60 days from the end of the quarter to which the sales to franchisees relate. | Revenue is recognised at a point in time when the related products (on which the commission is calculated) are delivered by the suppliers to franchisees. |
| Initial franchise fees | Franchisees are charged an initial franchise fee by the group, as franchisor, upon signature of the franchise agreements concluded with franchisees.<br>The group is obliged to support the franchisee's brand for the duration of the franchise agreement, where such activities significantly affect the intellectual property to which the franchisee has rights, without resulting in a transfer of control of specific goods or services. | Agreed fee as per the franchise agreement – a standard fee per brand is applicable.<br>Payment is due on signature date of the franchise agreement. | Revenue is recognised over time, being on a straight-line basis over the initial term of the franchise agreement (which is typically 10 years). |
| Marketing fund contributions | The group provides marketing services to franchisees, as required by the franchise agreements. The group is obligated to spend the marketing fund contributions on marketing-related expenditure for the benefit of franchisees. The performance obligation is satisfied as the marketing fund contributions are spent on marketing-related expenditure. | A standard marketing fee percentage, as per each franchise agreement, is applied to the total sales of each franchised restaurant each month.<br>Fees are payable by the 15th of the month following the month to which the franchisees' sales (on which the fees are calculated) relate. | Marketing fund contributions revenue is recognised over time in the period in which the contributions are spent on marketing-related expenditure. |

## 43. Significant accounting policies continued

### 43.13 REVENUE continued

| Item of revenue | Nature and timing of satisfaction of performance obligation | Determination of transaction price and significant payment terms | Recognition of revenue |
|---|---|---|---|
| Services rendered | The group renders training and architectural services to franchisees.<br><br>The performance obligation is satisfied as the services are rendered by the group to franchisees. | Standalone service price agreed in advance.<br><br>Payment is due within 30 days of the month following which the services are provided. | Revenue is recognised over time, on a straight-line basis from the time the services commence until the services are concluded.<br><br>This period is usually a few days and rarely exceeds one month. |
| Marketing supplier contributions | The group agrees to co-brand certain promotions and events with suppliers.<br><br>The performance obligation is satisfied by exposing the suppliers' brands and products to franchisees' customers for the duration of the promotion or event. | Agreed fee as per contract.<br><br>Payment terms are typically on signature of the contract, but may be up to 30 days from the end of the month in which the contract is concluded. | Revenue is recognised over time, on a straight-line basis from commencement of the promotion or event until the termination thereof.<br><br>Promotions and events are typically for short durations, not exceeding two months. |

### 43.14 INTEREST INCOME AND EXPENSE

#### 43.14.1 Interest income

Interest income is recognised on a time apportionment basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

#### 43.14.2 Interest expense

Interest expense comprises interest payable on borrowings calculated using the effective interest method.

### 43.15 EMPLOYEE BENEFITS

#### 43.15.1 Short-term employee benefits

The costs of all short-term employee benefits are recognised in profit or loss during the period in which the employee renders the related service.

The accruals for employee entitlements to salaries and leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

#### 43.15.2 Long-term employee benefits

The cost of retirement benefits payable over a period longer than 12 months are initially accounted for at a value equivalent to the present value of the expected payments, discounted using the group's incremental borrowing rate. The subsequent unwinding of the discounting is recognised as an interest expense.

#### 43.15.3 Defined contribution plans

Obligations for contributions to defined contribution pension plans are included in the employees' guaranteed cost-to-company and therefore are recognised in profit or loss in the period during which related services are rendered by employees.

## 43. Significant accounting policies continued

### 43.15 EMPLOYEE BENEFITS continued

#### 43.15.4 Share-based payment transactions

In respect of equity-settled transactions, the grant-date fair value of share appreciation rights or shares awarded is recognised as an employee expense in profit or loss with a corresponding increase in equity over the vesting period of the rights or shares. The amount recognised as an expense is adjusted to reflect the number of rights or shares for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

### 43.16 COST OF SALES

Cost of sales represents the carrying value of inventory (determined in accordance with note 43.8) sold, as well as costs incurred that are directly related to fulfilling the performance obligation of delivering the sold products to the end-customer, and is recognised as an expense at the same time that revenue from the related sale is recognised (as detailed in note 43.13). Such costs include transport costs to deliver products to customers (including the distribution margin payable to the group's outsourced distributor on sales by the distributor to customers).

### 43.17 INCOME (NOT ADDRESSED BY ANOTHER POLICY)

Income is recognised on the accrual basis, when the right to receive payment has been met.

### 43.18 EXPENDITURE (NOT ADDRESSED BY ANOTHER POLICY)

Expenditure is recognised in the year that it is incurred.

#### 43.18.1 Administration expenses

Administration expenses comprise items of expenditure not allocated to any other line item in the consolidated statement of profit or loss and other comprehensive income.

#### 43.18.2 Operations expenses

Operations expenses are those items of expenditure that are directly attributable to the franchise operations and manufacturing and distribution divisions as identified in the operating segment information disclosed in note 5.

#### 43.18.3 Marketing expenses

Marketing expenses are those items of expenditure that are incurred by the marketing funds administered by the group on behalf of the respective bodies of franchisees and which are funded by marketing fund contributions, marketing sales and marketing supplier contributions.

#### 43.18.4 Retail company store expenses

Retail company store expenses are those items of expenditure that are directly attributable to the six retail restaurants owned and operated by the group and included in the retail company stores operating segment information disclosed in note 5.

### 43.19 TAX

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for: taxable temporary differences arising on initial recognition of goodwill not deductible for tax purposes, the initial recognition of assets or liabilities in a transaction that is not part of a business combination that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that the group is able to control the timing of the reversal of the temporary differences and they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## 43. Significant accounting policies continued

### 43.19 TAX continued

Where the company withholds tax on behalf of its shareholders on dividends declared, such amounts are not recognised as part of the company's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholding tax recognised as part of income tax expense unless it is reimbursable, in which case it is recognised as an asset.

Withholding taxes deducted from payments by customers in respect of items of revenue are recognised as a prepayment of income tax if such withholding taxes may be credited against tax payable on the group's income and there is reasonable certainty as to whether future tax may be payable against which to deduct the withholding taxes, or, if not, as an income tax expense.

### 43.20 DIVIDENDS

Dividends are recognised as a liability in the period in which they are declared and approved by the board.

### 43.21 EARNINGS PER SHARE

The group presents basic and diluted earnings per share (EPS) and basic and diluted headline earnings per share (HEPS) for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the dilutive effects of all potential ordinary shares granted to employees.

Headline earnings is calculated in accordance with *Circular 1/2023: Headline Earnings* issued by the South African Institute of Chartered Accountants at the request of the JSE. The JSE Listings Requirements require the calculation of headline earnings for all entities listed on the JSE in South Africa. Basic HEPS is calculated by dividing headline earnings by the weighted average number of ordinary shares outstanding during the period. Diluted HEPS is determined by dividing headline earnings by the weighted average number of ordinary shares outstanding during the period adjusted for the dilutive effects of all potential ordinary shares granted to employees.

### 43.22 CONTINGENT LIABILITIES

A contingent liability is either: a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured reliably. In both cases the existence of the contingent liability is disclosed, but no liability is recognised in the statement of financial position.

## 44. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following new or amended standards are applicable to the group, none of which is expected to have a significant impact on the group's financial statements:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – effective for annual reporting periods beginning on or after 1 January 2023*
- Definition of Accounting Estimates (Amendments to IAS 8) – effective for annual reporting periods beginning on or after 1 January 2023*
- Deferred Tax – Assets and Liabilities arising from a single transaction (Amendments to IAS 12) – effective for annual reporting periods beginning on or after 1 January 2023*
- Classification of liabilities as current or non-current (Amendments to IAS 1) – effective for annual reporting periods beginning on or after 1 January 2024#

* Effective for the group's financial year ending 30 June 2024.
# Effective for the group's financial year ending 30 June 2025.

# Separate statement of profit or loss and other comprehensive income

**for the year ended 30 June**

| | Note | **2023 R'000** | 2022 R'000 |
|---|---|---|---|
| Dividend income | 14 | **90 000** | 100 000 |
| Distribution received from trust | 1 | **3 700** | 5 450 |
| Interest income | | **16 043** | 8 381 |
| Operating expenses | 2 | **(9 776)** | (8 680) |
| **Profit before income tax** | 2 | **99 967** | 105 151 |
| Income tax expense | 3 | **(4 330)** | (2 345) |
| **Profit** | | **95 637** | 102 806 |
| **Total comprehensive income** | | **95 637** | 102 806 |

# Separate statement of financial position

**at 30 June**

| | Note | **2023 R'000** | 2022 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Interest in subsidiary companies | 4 | **11 214** | 11 214 |
| **Total non-current assets** | | **11 214** | 11 214 |
| **Current assets** | | | |
| Prepaid expenses | | **71** | 72 |
| Cash and cash equivalents | 5 | **148 564** | 137 899 |
| **Total current assets** | | **148 635** | 137 971 |
| **TOTAL ASSETS** | | **159 849** | 149 185 |
| **EQUITY** | | | |
| Ordinary share capital | 6 | **1** | 1 |
| Share premium | | **34 309** | 34 309 |
| Retained earnings | | **3 872** | 53 748 |
| **Total equity** | | **38 182** | 88 058 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accrued expenses | | **52** | 151 |
| Shareholders for dividend | 7 | **1 384** | 886 |
| Tax payable | | **238** | 31 |
| Loan from subsidiary company | 8 | **119 993** | 60 059 |
| **Total current liabilities** | | **121 667** | 61 127 |
| **TOTAL EQUITY AND LIABILITIES** | | **159 849** | 149 185 |

# Separate statement of changes in equity

**for the year ended 30 June**

| R'000 | Ordinary share capital | Share premium | Retained earnings/ (accumulated deficit) | Total equity |
|---|---|---|---|---|
| **Balance at 1 July 2021** | 1 | 34 309 | (4 470) | 29 840 |
| **Total comprehensive income** | | | | |
| Profit | – | – | 102 806 | 102 806 |
| **Transactions with owners recorded directly in equity** | | | | |
| Dividends (refer note 7) | – | – | (44 588) | (44 588) |
| **Balance at 30 June 2022** | 1 | 34 309 | 53 748 | 88 058 |
| **Total comprehensive income** | | | | |
| Profit | **–** | **–** | **95 637** | **95 637** |
| **Transactions with owners recorded directly in equity** | **–** | **–** | **(145 513)** | **(145 513)** |
| Vesting of income by trust (refer note 1) | **–** | **–** | **92** | **92** |
| Income tax on vesting of income by trust (refer note 3.3) | **–** | **–** | **(10)** | **(10)** |
| Dividends (refer note 7) | **–** | **–** | **(145 595)** | **(145 595)** |
| **Balance at 30 June 2023** | **1** | **34 309** | **3 872** | **38 182** |

# Separate statement of cash flows

**for the year ended 30 June**

| | Note | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Operating loss before working capital changes | 9 | **(9 776)** | (8 680) |
| Working capital changes | 10 | **(98)** | (86) |
| **Cash utilised by operations** | | **(9 874)** | (8 766) |
| Interest received | | **16 043** | 8 381 |
| Tax paid | 11 | **(4 133)** | (2 405) |
| Dividends received | | **90 000** | 100 000 |
| Distribution received from trust | 1 | **3 700** | 5 450 |
| Dividends paid | 7 | **(145 097)** | (115 442) |
| Income vested by trust | 1 | **92** | – |
| **Net cash flow from operating activities** | | **(49 269)** | (12 782) |
| **Cash flow from financing activities** | | | |
| Loans received from subsidiary companies | | **323 934** | – |
| Loans repaid to subsidiary companies | | **(264 000)** | (30 577) |
| **Net cash flow from financing activities** | | **59 934** | (30 577) |
| **Net movement in cash and cash equivalents** | | **10 665** | (43 359) |
| Cash and cash equivalents at beginning of year | | **137 899** | 181 258 |
| **Cash and cash equivalents at end of year** | 5 | **148 564** | 137 899 |

# Notes to the separate financial statements

**for the year ended 30 June**

## 1. Spur Management Share Trust

The Spur Management Share Trust (the Trust) made a discretionary distribution of the Trust's capital of R3.700 million (2022: R5.450 million) to the company, as sole capital beneficiary, which is included in profit before income tax for the current year.

In addition, the Trust vested income of R0.092 million with the company, as a beneficiary of the Trust, during the year. The income arose from the sale of the company's shares and was accordingly not recognised as income, but rather credited directly against equity (retained earnings). The income was subject to income tax of R0.010 million, which was similarly charged directly to equity (retained earnings).

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **2. Profit before income tax** | | |
| The following items have been taken into account in determining profit before income tax: | | |
| Consulting fees | **2 269** | 1 845 |
| Directors emoluments (refer note 12) | **4 882** | 4 779 |
| JSE listing fees and other related costs | **934** | 794 |
| **3. Income tax** | | |
| **3.1 INCOME TAX EXPENSE** | | |
| South African current corporate tax – current year | **4 330** | 2 345 |

| | 2023 % | 2022 % |
|---|---|---|
| **3.2 RECONCILIATION OF RATE OF TAX** | | |
| South African normal corporate tax rate | **27.0** | 28.0 |
| Non-taxable dividend and distribution income | **(25.3)** | (28.1) |
| Non-deductible operating expenditure (capital items and items not in production of income) | **2.6** | 2.3 |
| **Effective tax rate** | **4.3** | 2.2 |

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| **3.3 TAX CHARGED DIRECTLY TO EQUITY** | | |
| Current tax on income vested by trust (refer note 1) | **10** | – |
| **4. Interest in subsidiary companies** | | |
| Shares at cost less impairment losses | **1** | 1 |
| Equity-settled share-based payments on behalf of subsidiary | **11 213** | 11 213 |
| **Total interest in subsidiary companies** | **11 214** | 11 214 |

Equity-settled share-based payments, determined in accordance with *IFRS2 – Share-based Payments*, by a subsidiary of the company in previous financial years were treated as a further investment in the subsidiary in question.

## 4. Interest in subsidiary companies continued

Details of the share capital and the company's interests in the subsidiary companies are as follows:

| | Country of incorporation/ place of business | Issued capital R'000 | Loan from subsidiary R'000 | % interest in company |
|---|---|---|---|---|
| **Trading** | | | | |
| ***Direct*** | | | | |
| – Share Buy–back (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| – Spur Group (Pty) Ltd | South Africa | 0.1 | 119 993 (2022: 60 659) | 100.0 |
| – Spur Group Properties (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| ***Indirect*** | | | | |
| – Green Point Burger Joint (Pty) Ltd trading as RocoMamas Green Point | South Africa | 0.1 | | 90.0& |
| – John Dory's Advertising (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| – Nikos Franchise (Pty) Ltd | South Africa | 11 052.3 | | 62.37 (2022: 51.0)* |
| – Nickilor (Pty) Ltd trading as The Hussar Grill Rondebosch | South Africa | 0.1 | | 100.0 |
| – Opilor (Pty) Ltd trading as The Hussar Grill Mouille Point | South Africa | 17 500.1 | | 68.0 |
| – Opiset (Pty) Ltd trading as The Hussar Grill Camps Bay | South Africa | 0.1 | | 100.0 |
| – Panarottis Advertising (Pty) Ltd | South Africa | 0.2 | | 100.0 |
| – RocoMamas Advertising (Pty) Ltd | South Africa | 0.1 | | 70.0 |
| – RocoMamas Franchise Co (Pty) Ltd | South Africa | 0.1 | | 70.0 |
| – Spur Advertising (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| – Nikos Advertising (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| – The Hussar Grill Advertising (Pty) Ltd | South Africa | 0.1 | | 100.0 |
| – The Morningside Grill (Pty) Ltd trading as The Hussar Grill Morningside | South Africa | 0.1 | | 100.0 |
| – Spur International Ltd | British Virgin Islands | 104 099.0 | | 100.0 |
| – Steak Ranches International BV | The Netherlands | 240 675.0 | | 100.0 |
| – Spur Advertising Namibia (Pty) Ltd | Namibia | 0.1 | | 100.0 |
| – Spur Services Namibia (Pty) Ltd | Namibia | 0.1 | | 100.0 |
| – Spur Corporation Australia Pty Ltd | Australia | 16 129.1 | | 100.0 |
| **Dormant#** | | 0.5 | | 100.0 |

& The group is able to control 100% of the voting rights.
* Refer note 20 of the consolidated financial statements on page 46 of this report for further details.
# A schedule of these companies is available upon request.

Investments in subsidiaries are carried at cost less impairment losses in accordance with the company's accounting policy in this regard.

The interest of the company in the aggregate after tax profits and losses of subsidiaries is as follows:

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Profits | **213 389** | 126 913 |
| Losses | **(3 150)** | (3 034) |

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **5.** | **Cash and cash equivalents** | | |
| | Cash and cash equivalents comprise: | | |
| | Current, call and short-term deposit accounts | **148 564** | 137 899 |
| **6.** | **Ordinary share capital** | | |
| | **Authorised** | | |
| | 201 000 000 ordinary shares of 0.001 cents each | **2** | 2 |
| | **Issued and fully paid** | | |
| | 90 996 932 (2021: 90 996 932) ordinary shares of 0.001 cents each | **1** | 1 |

The ordinary shares have equal rights to dividends declared by the company.

In terms of the company's Memorandum of Incorporation, the unissued shares of the company may be issued by the directors of the company only with the approval of the shareholders by way of an ordinary resolution passed at a general meeting. No such authority has been granted.

The company does not have any unlisted shares.

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **7.** | **Dividends** | | |
| | Dividends declared are as follows: | | |
| | Interim 2022 – dividend of 49.0 cents per share | **–** | 44 588 |
| | Final 2022 – dividend of 78.0 cents per share | **70 978** | – |
| | Interim 2023 – dividend of 82.0 cents per share | **74 617** | – |
| | **Total dividends to equity holders** | **145 595** | 44 588 |
| | **Shareholders for dividends** | **1 384** | 886 |

At its meeting on 21 August 2023, the board of directors has approved a final dividend of 110.0 cents per share (the equivalent of R100.1 million) in respect of the 2023 financial year, funded by income reserves, to be paid in cash on 18 September 2023. The dividend is subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962, as amended) (dividend withholding tax) of 20%. The net dividend is therefore 88.0 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the 2023 financial year was 192.0 cents per share equating to R174.7 million.

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| | Dividends paid are reconciled to the amount disclosed above as follows: | | |
| | Amount payable at beginning of year | **(886)** | (71 740) |
| | Dividends declared | **(145 595)** | (44 588) |
| | Amount payable at end of year | **1 384** | 886 |
| | **Dividends paid** | **(145 097)** | (115 442) |
| **8.** | **Loan from subsidiary company** | | |
| | Spur Group (Pty) Ltd | **119 993** | 60 059 |

This loan is unsecured, interest free and repayable on demand.

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **9.** | **Operating loss before working capital changes** | | |
| | Profit before income tax | **99 967** | 105 151 |
| | *Adjusted for* | | |
| | Dividend income | **(90 000)** | (100 000) |
| | Distribution received from trust | **(3 700)** | (5 450) |
| | Interest income | **(16 043)** | (8 381) |
| | **Operating loss before working capital changes** | **(9 776)** | (8 680) |

| | | 2023 R'000 | 2022 R'000 |
|---|---|---|---|
| **10.** | **Working capital changes** | | |
| | Decrease/(increase) in prepaid expenses | **1** | (72) |
| | Decrease in accrued expenses | **(99)** | (14) |
| | **Working capital changes** | **(98)** | (86) |
| **11.** | **Tax paid** | | |
| | Tax paid is reconciled to the amount disclosed in profit or loss as follows: | | |
| | Amount payable at beginning of year | **(31)** | (91) |
| | Current tax charged to profit or loss | **(4 330)** | (2 345) |
| | Current tax charged directly to equity | **(10)** | – |
| | Amount payable at end of year | **238** | 31 |
| | **Tax paid** | **(4 133)** | (2 405) |
| **12.** | **Directors' emoluments** | | |
| | The following emoluments were paid by the company: | | |
| | ***For services as directors to the company*** | | |
| | André Parker | **618** | 605 |
| | Cora Fernandez | **689** | 661 |
| | Jesmane Boggenpoel | **573** | 563 |
| | Lerato Molebatsi | **618** | 576 |
| | Mike Bosman | **1 310** | 1 200 |
| | Sandile Phillip[1] | **427** | 601 |
| | Shirley Zinn | **647** | 573 |
| | **Total directors' emoluments** | **4 882** | 4 779 |

All other emoluments were paid by subsidiaries of the company. Refer note 39 of the consolidated financial statements on page 67 of this report for further details.

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

[1] Resigned with effect from 24 March 2023.

## 13. Guarantees

The company has provided unlimited guarantees to financial institutions in respect of debts of certain local subsidiary companies. Also refer note 15.2.1.

## 14. Related party disclosures

### 14.1 IDENTITY OF RELATED PARTIES

Refer note 4 for a detailed list of subsidiaries.

### 14.2 RELATED PARTY TRANSACTIONS

Refer note 8 for the details of the loan from subsidiary company.

| | 2023 R'000 | 2022 R'000 |
|---|---|---|
| Dividend/distribution income was received from the following related parties: | | |
| Spur Group (Pty) Ltd | **90 000** | 100 000 |
| Spur Management Share Trust (included in profit or loss) (refer note 1) | **3 700** | 5 450 |
| Spur Management Share Trust (included in equity) (refer note 1) | **92** | – |

Details of directors' emoluments are included in note 12.

# 15. Financial instruments

## 15.1 ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following table shows the carrying amounts of financial assets and liabilities. No financial instruments are required to be subsequently recognised at fair value at the reporting date. Fair value information for financial assets and liabilities not measured at fair value is not disclosed if the carrying amount is a reasonable approximation of fair value.

| | | Carrying amount – amortised cost | |
|---|---|---|---|
| **R'000** | Note | **2023 R'000** | 2022 R'000 |
| Cash and cash equivalents | 5 | **148 564** | 137 899 |
| **Financial assets** | | **148 564** | 137 899 |
| Accrued expenses | | **52** | 151 |
| Shareholders for dividend | 7 | **1 384** | 886 |
| Loan from subsidiary company | 8 | **119 993** | 60 059 |
| **Financial liabilities** | | **121 429** | 61 096 |

The company has not disclosed the fair values of the above financial instruments as their carrying amounts are a reasonable approximation of their fair values, given that all the instruments are short-term in nature.

## 15.2 FINANCIAL RISK MANAGEMENT

The company is exposed to credit risk, liquidity risk and market risk from its use of financial instruments.

The company's objective is to manage effectively each of the above risks associated with its financial instruments, in order to limit the company's exposure as far as possible to any financial loss associated with these risks.

The board of directors has overall responsibility for the establishment and overseeing of the company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The audit committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company to the extent that these have an impact on these financial statements.

### 15.2.1 Credit risk

Credit risk is the risk of financial loss to the company if a counterparty to a financial asset fails to meet its contractual obligations, and arises principally from financial institutions with which the company holds monetary deposits.

The aggregate carrying amounts of financial assets represents the maximum credit risk exposure and is detailed below:

| | Carrying amount | |
|---|---|---|
| | **2023 R'000** | 2022 R'000 |
| Cash and cash equivalents | **148 564** | 137 899 |
| **Maximum credit risk exposure** | **148 564** | 137 899 |

The company's cash is placed only with major South African financial institutions of high credit standing. The probability of default rates benchmarked against the external global credit rating equivalent to the credit rating of these financial institutions are negligible and expected credit losses within 12 months from the reporting date are therefore not expected to be material.

As detailed in note 13, the company has provided unlimited guarantees to financial institutions in respect of debts of certain local subsidiaries. The directors regularly review this exposure. As at the reporting date, and for the duration of the year, the directors consider the risk of being called upon to act in terms of the guarantee within 12 months from the reporting date as negligible.

## 15. Financial instruments continued

### 15.2 FINANCIAL RISK MANAGEMENT continued

### 15.2.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company's primary source of income is the dividends received from subsidiary companies and interest on short-term investments. The group's subsidiaries are typically, and have historically been, cash generative.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

| | | Contractual cash flows | |
|---|---|---|---|
| **R'000** | **Carrying amount** | **Total** | **1 – 12 months** |
| **2023** | | | |
| Accrued expenses | **52** | **52** | **52** |
| Shareholders for dividend | **1 384** | **1 384** | **1 384** |
| Loan from subsidiary company | **119 993** | **119 993** | **119 993** |
| **2022** | | | |
| Accrued expenses | 151 | 151 | 151 |
| Shareholders for dividend | 886 | 886 | 886 |
| Loan from subsidiary company | 60 059 | 60 059 | 60 059 |

Where there are no formal repayment terms, the contractual cash flows are assumed to take place within 12 months and no interest is included.

The company has sufficient cash reserves to settle all financial liabilities as at the reporting date.

### 15.2.3 Market risk

The company is not exposed to currency risk as it only transacts in local currency.

The company is not exposed to any price risk.

***Interest rate risk***

The company's only interest-bearing financial instruments are its cash and cash equivalents. All other financial instruments are non-interest bearing.

In the event that interest rates had increased by 50 basis points for the duration of the year, the table below gives the impact on profit or loss before income tax and equity:

| | **2023 R'000** | 2022 R'000 |
|---|---|---|
| Increase in profit or loss before income tax | **716** | 798 |
| Increase in equity | **523** | 575 |

A decrease of 50 basis points in the interest rate would have had an equal, but opposite, impact on profit or loss before income tax and equity to that described above.

## 15. **Financial instruments** continued

### 15.3 CAPITAL MANAGEMENT

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the demographic spread of shareholders, the level of distributions to ordinary shareholders, as well as the return on capital. Capital is allocated subject to the board's required return on invested capital being met. Capital consists of total shareholders' equity.

There were no changes in the company's approach to capital management during the year.

## 16. Accounting policies

The separate financial statements were prepared using the accounting policies disclosed in note 43 of the consolidated financial statements (on page 78 of this report) to the extent relevant.

None of the standards issued, but not yet applicable in the preparation of these financial statements, as detailed in note 44 of the consolidated financial statements (on page 89 of this report), are expected to have any material impact on the company's financial statements once they become effective.

## 17. Subsequent events

Refer note 7 regarding the declaration of a dividend subsequent to the reporting date.

## 18. Going concern

These financial statements have been prepared on the going concern basis. The board has performed a review of the company's ability to continue trading as a going concern for the foreseeable future and, based on this review, considers that the presentation of the financial statements on this basis is appropriate. Also refer note 2 of the consolidated financial statements on page 19 of this report.

# Corporate information

## Administration

**Registration number:** 1998/000828/06

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

**Postal address:** PO Box 166, Century City, 7446

**Telephone:** +27 21 555 5100

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**Email:** spur@spur.co.za

**Internet:** https://www.spurcorporation.com

**Transfer secretaries**
Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132
Telephone: +27 11 370 5000

**External auditors:** PricewaterhouseCoopers Inc.

**Internal auditors:** BDO Advisory Services Proprietary Limited

**Attorneys:** Bernadt Vukic Potash & Getz

**Sponsor:** Questco Corporate Advisory Proprietary Limited

**Company secretary**
Donfrey Meyer
14 Edison Way, Century Gate Business Park, Century City, 7441
PO Box 166 Century City, 7441
Telephone: +27 21 555 5100
Email address: companysecretary@spurcorp.com

## Directors at the date of this report

**Independent non-executive directors**
Mr Mike Bosman – independent non-executive chair
Dr Shirley Zinn – lead independent*
Ms Cora Fernandez*
Ms Jesmane Boggenpoel
Ms Lerato Molebatsi
Mr André Parker

**Executive directors**
Ms Val Nichas – group chief executive officer
Ms Cristina Teixeira – group chief financial officer
Mr Kevin Robertson – group chief operations officer

## Past directors

Mr Sandile Phillip – independent non-executive director (resigned 24 March 2023)

* Dr Shirley Zinn succeeded Ms Cora Fernandez as lead independent director on 18 August 2022. Ms Fernandez served as lead independent director for two years. Dr Zinn's appointment as lead independent director was for a period of one year (subject to reappointment) in terms of the company's lead independent director charter. At its meeting of 21 August 2023, the board confirmed Dr Zinn's reappointment as lead independent director for another year.

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www.linkedin.com/company/spur-group