

TWENTY
21



ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The consolidated and separate financial statements on pages 16 to 126 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	2
Directors' responsibility and approval	5
Declaration by company secretary	5
Directors' report	6
Independent auditor's report	12
Consolidated statement of profit or loss and other comprehensive income	16
Consolidated statement of financial position	17
Consolidated statement of changes in equity	18
Consolidated statement of cash flows	20
Notes to the consolidated financial statements	21
Separate financial statements	
Separate statement of profit or loss and other comprehensive income	116
Separate statement of financial position	116
Separate statement of changes in equity	117
Separate statement of cash flows	117
Notes to the separate financial statements	118
Corporate information	IBC



AUDIT COMMITTEE REPORT

The audit committee is pleased to present its report for the financial year ended 30 June 2021.

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 set out in its charter 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 in terms of its charter.

COMPOSITION AND FUNCTIONING OF THE COMMITTEE

All members of the committee are independent non-executive directors.

Committee members, Mr Mntungwa Morojele and Ms Dineo Molefe (chair), resigned as directors with effect from 1 September 2020 and 3 September 2020 respectively and vacated their positions on the committee on those dates.

On 15 October 2020, newly appointed independent non-executive directors, Ms Jesmane Boggenpoel and Messrs André Parker and Sandile Phillip, were elected to the committee and existing member, Ms Cora Fernandez, was nominated as committee chair. The appointments on 15 October 2020 were approved by shareholders at the annual general meeting on 23 December 2020. The committee therefore comprises of four independent non-executive directors. 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.

Two formal bi-annual meetings and three *ad hoc* 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 committee charter;
- reviewing the risk committee's 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 matters reported by this platform;
- reviewing the report from the chairman of the risk committee to assess the impact of any findings of the risk committee on financial reporting and other matters within the committee's purview; and
- considering matters referred to it by the board for review and recommendations.

The three additional committee meetings held during the financial year were to address the findings of the internal auditors, to assess the management of compliance, to confirm the requirements of a combined assurance model, to assess the appropriateness of the assessment on credit losses in a COVID-19 pandemic environment, to assess the potential impacts of COVID-19 on the group's liquidity, solvency and operations, as well as to assess the external audits of the group's foreign subsidiaries.

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 APPOINTMENT AND INDEPENDENCE

The audit committee has satisfied itself that the external auditor, KPMG Inc., 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 KPMG Inc. that demonstrate the internal governance processes within the audit firm that provide assurance to the representations on the independence of the audit firm. The committee also reviewed reports submitted to KPMG by IRBA in respect of its internal governance and related processes.

The committee has satisfied itself that the audit firm, KPMG Inc., and designated auditor, Mr Ivan Engels, are accredited on the JSE's list of auditors.

The committee has reviewed the information provided by KPMG Inc. 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 KPMG Inc. must be pre-approved by the committee. No non-audit services were provided by KPMG during the year, in line with KPMG's internal policy of not providing such services to their external audit clients.

The committee approved the external auditor's fees and terms of engagement for the financial year ended 30 June 2021.

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

Subsequent to year end, shareholders were advised that in anticipation of the mandatory audit firm rotation requirements of the IRBA, the company had concluded a Request for Proposal (RFP) process to appoint a new external audit firm for its 2022 financial year. A qualifying criterion of the RFP process was the independence of the proposed auditor to the company.

Pursuant to paragraph 3.75 of the JSE Listings Requirements the audit committee recommended, and the board of directors endorsed, the proposed appointment of PricewaterhouseCoopers Incorporated (PwC) as the external auditor of Spur Corporation, with Mr Anton Hugo as the designated individual audit partner, effective for the financial year ending 30 June 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.

PwC's appointment as external auditor will become effective as soon as KPMG's appointment concludes, subject to shareholder approval at the next annual general meeting (AGM) of the company. An ordinary resolution proposing the appointment of PwC as external auditor of the company will be included in the notice of AGM.

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 CEO and CFO in preparation for their responsibility statement in assessing the internal control effectiveness. The CEO and CFO responsibility statement is reflected on page 5 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.

INTERNAL AUDIT

The committee is responsible for overseeing the internal audit function.

The board has outsourced the internal audit function to Moore Risk Services Western Cape (Pty) Ltd (Moore). Moore is an independent service provider that has been contracted to assist the committee and the board to discharge its responsibilities.

The internal audit charter governs the authority, responsibilities and scope of activities of the internal audit function. The engagement partner of Moore has been appointed as the chief audit executive in terms of the internal audit charter and reports directly to the audit committee.

The committee reviews the internal audit charter and internal audit plan at least annually.

The committee has approved a three-year risk-based audit programme in terms of which the internal auditors will address those risks and controls identified by the committee that are key to financial reporting, operational sustainability and stakeholder reporting. The internal auditors provided detailed reports in accordance with the internal audit plan to the audit committee throughout the year.

The committee has evaluated the independence and resource capabilities of Moore.

The committee has not commissioned an independent assessment of the internal audit function; this decision will be re-evaluated during the year ahead.

The committee has conducted an internal assessment of the performance and effectiveness of the internal audit function and the chief audit executive and is satisfied that the internal audit function is effective in fulfilling its mandate as per the internal audit charter.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION

The committee has concluded that Cristina Teixeira, the group chief financial officer and financial director, possesses the appropriate expertise and experience to meet her responsibilities in that position.

The committee is satisfied as to the expertise, resources and experience of the company's finance function.

CONCLUSIONS BY THE COMMITTEE

The committee is satisfied that the separate and consolidated financial statements of the company for the year ended 30 June 2021 comply with the provisions of the Companies Act and IFRS and present, in all material respects, the financial position, financial performance and cash flows of the company and group.

The committee is of the opinion that it has met its objectives and recommends the separate and consolidated financial statements for the year ended 30 June 2021 for approval to the board.

No material weaknesses in financial controls that resulted in material financial loss, fraud or errors were identified during the year under review.



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 2021, 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 Wednesday, 22 September 2021 and are signed by



Mike Bosman
Chairman
(Authorised director)

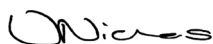


Val Nichas
Group chief executive officer
(Authorised director)

CEO AND CFO RESPONSIBILITY STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

The directors, whose names are stated below, hereby confirm that:

- the consolidated and separate financial statements for the year ended 30 June 2021 set out on pages 16 to 115 and 116 to 126 respectively (collectively, the Annual Financial Statements), fairly present in all material respects the financial position, financial performance and cash flows of the group and company respectively in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the company and its consolidated subsidiaries have been provided to effectively prepare the Annual Financial Statements; and
- 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 within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance™ for South Africa 2016 (King IV)¹. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



Val Nichas
Group chief executive officer
22 September 2021



Cristina Teixeira
Group chief financial officer
22 September 2021

¹ Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

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
22 September 2021

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR TWENTY-SECOND ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

NATURE OF THE BUSINESS

Spur Corporation Ltd (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 and one RocoMamas outlet in South Africa.

The group operates as franchisor for the Spur Steak Ranches (including Spur Grill & Go), Panarottis Pizza Pasta, John Dory's Fish Grill Sushi, The Hussar Grill, RocoMamas (including RocoGo), Casa Bella and Nikos brands. It trades predominantly in South Africa, but has a presence in Australia, New Zealand, Mauritius, the Middle East, 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 16 and reflects the group's financial results.

The global COVID-19 pandemic and the resultant national lockdown and trading restrictions in all countries of operation had a material impact on Spur Corporation's business operations and financial performance. Global franchised restaurant sales grew by 1.0% for the year notwithstanding the various trading restrictions that were in place for the entire financial year. This was partly due to the significant reduction in franchised restaurant turnovers locally during the fourth quarter of the 2020 financial year during which a prohibition of sit-down trade was in place. While trading has recovered somewhat in the current financial year, it continues to be impacted by changes in trading restrictions in response to variable levels of infection. Turnovers still lag those achieved in the pre-COVID 2019 financial year.

Franchised restaurant turnovers by brand are listed below:

Brand	2021 R'm	2020 R'm	% Change
Spur	3 646.4	3 552.2	2.7
Panarottis and Casa Bella	567.9	602.3	(5.7)
John Dory's	325.4	358.1	(9.1)
The Hussar Grill	154.1	168.0	(8.3)
RocoMamas	629.5	556.6	13.1
Nikos	46.4	53.3	(12.8)
Total South Africa	5 369.7	5 290.5	1.5
International	667.8	688.6	(3.0)*
Total group	6 037.5	5 979.1	1.0

* International restaurant turnovers increased by 1.1% on a constant exchange rate basis.

The resilience of the group's flagship brand, Spur, has again been demonstrated by the performance in the current year. RocoMamas continues to outperform the group's other brands as the brand's product mix is more conducive to takeaway and delivery trade, which has been a critical market during lockdown conditions. It is anticipated that the group's smaller brands will take longer to recover. The Hussar Grill in particular has been the most impacted by the decline in local and international tourism.

The number of restaurants (including those temporarily closed due to lockdown restrictions) are listed below:

Brand	30 June 2021			30 June 2020		
	South Africa	International	Total	South Africa	International	Total
Spur	296	34	330	298	34	332
Panarottis and Casa Bella	89	29	118	91	31	122
John Dory's	49	3	52	52	3	55
The Hussar Grill	20	2	22	22	2	24
RocoMamas	78	17	95	75	14	89
Nikos	7	–	7	9	–	9
Total South Africa	539	85	624	547	84	631

During the year, 19 restaurants were opened in South Africa and eight internationally, while 27 restaurants closed permanently in South Africa and seven internationally. The first Spur Drive Thru was opened in Pretoria in June this year and has been well received by customers. The group will continue to expand this convenient and lucrative channel to meet customer requirements for their favourite meals through accessible channels.

Group revenue declined by 10.5% despite the marginal increase in restaurant turnovers. The decline in revenue is due primarily to discounts in the franchise and marketing fee rates charged to franchisees during the year in an effort to support franchisees' financial sustainability.

Group profit before income tax increased by 16.0%, but declined by 16.0% excluding marketing funds. The marketing funds incurred a substantial deficit in the prior year of R20.2 million as a result of the hard lockdown imposed in the final quarter of the 2020 financial year, which was funded by the respective franchisors. The marketing funds underspent in the current year to the extent of R23.9 million in an effort to recoup the deficit in the prior year.

Profit before income tax for the current year includes a reversal of allowances for expected credit losses (net of actual credit losses) of R3.0 million (2020: an increase in the allowances (net of actual credit losses) of R2.4 million), net proceeds from COVID-19 business interruption insurance claims in respect of the group's company-owned restaurants of R14.2 million (for the period April 2020 to March 2021), a charge of R8.8 million relating to a retirement obligation to the group's former CEO, fees paid to non-executive directors of R2.7 million for additional assignments, development costs of R4.1 million and R3.9 million costs relating to voluntary retrenchments undertaken as part of the group's COVID-19 austerity measures. The prior year included impairments of property, plant and equipment, goodwill and trademarks of R7.1 million and costs of R1.9 million relating to the refurbishments of one of the group's company restaurants and the sauce manufacturing facility which could not be capitalised.

Excluding one-off and unusual items (including those listed above), and the marketing fund surplus/deficit, the group's profit before income tax declined by 18.6%. The decline exceeded the decline in revenue. This is typical of a high-margin franchise business where the majority of expenditure is employment-related and therefore not variable in the short term. Discretionary costs have been cut to the extent possible in the short term, without negatively impacting on operations.

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 2021.

In the prior year, at a meeting of shareholders on 25 September 2019, shareholders approved the repurchase and cancellation of 10 848 093 shares in the company (the GPI Shares) previously issued to a subsidiary of Grand Parade Investments Ltd in October 2014 as part of a broad-based black economic empowerment transaction, as well as the repurchase (by the company) and cancellation of 6 635 901 treasury shares (the Buy-back Shares) previously acquired by a wholly-owned subsidiary of the company. The transactions were implemented with effect from 15 October 2019. Consequently, the total number of shares in issue were reduced from 108 480 926 to 90 996 932 in October 2019.

Subsequent to the above transactions, during the prior year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 110 000 Spur Corporation Ltd shares at an average cost of R26.87 per share, totalling R2.956 million. In addition, a wholly-owned subsidiary of the company, Spur Group (Pty) Ltd, acquired 231 787 shares from The Spur Management Share Trust (a consolidated structured entity) to be held in escrow on behalf of participants of the Spur Group Forfeitable Share Plan (FSP) (refer note 24.4). During the prior year, 137 000 shares were issued to participants of the FSP in April 2020 as the second tranche of shares, granted April 2017, vested during the year.

At the reporting date, the group owned 595 587 (2020: 595 587) treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd. In addition 5 933 111 (2020: 5 933 111) shares are held by The Spur Management Share Trust and 500 000 (2020: 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 2021 was 83 968 234 (2020: 83 968 234).

EMPLOYEE SHARE-LINKED INCENTIVE SCHEMES

Details of employee share-linked incentive schemes are detailed in note 24.4 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

No dividend has been declared in respect of the 2021 financial year as a result of liquidity risks arising from the impact of the COVID-19 pandemic on the group. An interim cash dividend in respect of the 2020 financial year of R70.978 million (78.0 cents per share) (interim 2020 dividend) was declared on 26 February 2020. Shareholders were advised on 30 March 2020, following the implementation of the hard lockdown in response to the COVID-19 pandemic in South Africa, that payment of the interim 2020 dividend would be deferred until 5 October 2020. Shareholders were further advised on 3 September 2020 that payment of the dividend had been further deferred as the board was not able to conclude that, in the event the dividend was to be paid on 5 October 2020, the company would meet the liquidity and solvency requirements of the Companies Act under all reasonably foreseeable future conditions for a period of 12 months following the payment date of the dividend. Shareholders were advised at the time of releasing interim results for the six months ended 31 December 2020 on 2 March 2021 that the board had reached a similar conclusion as a result of the continuing impact of COVID-19 on the business and had deferred a decision on the payment of the interim 2020 dividend until September 2021. At its meeting on 22 September 2021, the board resolved to proceed with payment of the interim 2020 dividend on Monday, 25 October 2021.

SPECIAL RESOLUTIONS

On 23 December 2020, 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. 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 the inside back cover of this report.

Further to the announcement to shareholders on 20 July 2020, former chief executive officer (CEO) and executive director, Mr Pierre van Tonder, retired with effect from 31 December 2020. He was succeeded as CEO by Ms Val Nichas, who was appointed as an executive director with effect from 1 January 2021.

As detailed in the announcement to shareholders on 31 August 2020, former group chief operating officer and executive director, Mr Mark Farrelly, resigned with effect from 31 August 2020. He was succeeded by Mr Kevin Robertson, who was appointed as group chief operations officer and executive director with effect from 15 October 2020.

On 3 September 2020, shareholders were advised that Mr Mntungwa Morojele and Ms Dineo Molefe had resigned as non-executive directors with effect from 1 September 2020 and 3 September 2020 respectively.

On 1 October 2020, shareholders were advised of the appointments of Ms Jesmane Boggenpoel, Ms Lerato Molebatsi, Mr André Parker and Mr Sandile Phillip as independent non-executive directors and Mr Sacha du Plessis (group chief marketing officer) and Mr Graeme Kiewitz (group human resources executive) as executive directors to the board with effect from 15 October 2020. As detailed in this announcement, former group chief financial officer (CFO), Mr Phillip Matthee, resigned as CFO and a director of the company on 31 January 2021 and Ms Cristina Teixeira succeeded him as CFO and an executive director with effect from 1 February 2021.

At the AGM of 23 December 2020, shareholders approved the aforementioned appointments of directors with effect from 15 October 2020. In addition, shareholders supported the re-election of independent non-executive directors, Mr Mike Bosman, Ms Cora Fernandez and Dr Shirley Zinn, who retired by rotation on 23 December 2020 in accordance with the company's Memorandum of Incorporation (MOI), to the board.

Shareholders were advised on 19 January 2021 that Mr Graeme Kiewitz ceased being a director with effect from 18 January 2021, following his passing.

Shareholders were advised on 23 August 2021 that Mr Sacha du Plessis has resigned as director with effect from 15 September 2021.

Shareholders will be asked to ratify the aforementioned executive director appointments and resolutions to this effect will be tabled at the AGM on 10 December 2021.

In terms of the company's MOI, Mr André Parker, Mr Sandile Phillip 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 10 December 2021.

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.

Kilgetty Statutory Services (South Africa) (Pty) Ltd served as company secretary until 28 February 2021, following which Mr Donfrey Meyer was appointed as company secretary with effect from 1 March 2021. The board has considered, and is satisfied, that Mr 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 44 of the consolidated financial statements.

Shares

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

	2021			2020		
	Direct beneficial	Indirect beneficial	Held by associates	Direct beneficial	Indirect beneficial	Held by associates
Kevin Roberson ¹	15 350 ⁶	–	–	–	–	–
Sacha du Plessis ^{1,5}	10 000 ⁷	–	–	–	–	–
Pierre van Tonder ²	–	–	–	30 000	–	–
Mark Farrelly ³	–	–	–	20 000	–	–
Phillip Matthee ⁴	–	–	–	10 000	–	–
Total	25 350	–	–	60 000	–	–
% interest*	0.0	–	–	0.1	–	–

¹ Appointed with effect from 15 October 2020.

² Resigned with effect from 31 December 2020.

³ Resigned with effect from 31 August 2020.

⁴ Resigned with effect from 31 January 2021.

⁵ Resigned with effect from 15 September 2021.

⁶ Of these shares, 10 000 shares are subject to a holding period expiring on 1 April 2022, during which the shares may not be freely traded.

⁷ Of these shares, 5 000 shares are subject to a holding period expiring on 1 April 2022, during which the shares may not be freely traded.

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

The above shares have been issued to the individuals in terms of the group's long-term FSP (as detailed in note 24.4 of the consolidated financial statements). While the shares have vested and are beneficially owned by the participants, certain of the shares are still subject to a holding period of two years following the vesting date, during which the participants may not freely trade in the shares, as indicated. In addition, pursuant to the group's FSP, 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 (as detailed in the table below). During the vesting period of three years from grant date, the participants are not permitted to trade in these shares, to exercise any voting rights attached to these shares, or entitled to any dividends accruing to these shares and accordingly have no beneficial rights of ownership. The participants become entitled to voting and dividend rights only after the initial three-year vesting period, provided they remain employed by the group throughout the period.

	2021	2020
Kevin Roberson ¹	5 000	–
Sacha du Plessis ¹	9 000	–

¹ Appointed with effect from 15 October 2020.

There have been no changes in directors' interests in share capital from 30 June 2021 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 2021:

	No. of shares	%*
Coronation Fund Managers	15 807 462	17.5
Allan Gray	8 922 424	9.9
Grand Parade Investments Ltd	8 447 731	9.3
Foord Asset Management	8 320 244	9.2
Aylett & Co	3 925 224	4.3
Alexander Forbes Investments	3 121 900	3.5
Goldman Sachs (Custodian)	3 000 000	3.3

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

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	2	25 350	–
Subsidiaries holding treasury shares	2	595 587	0.7
The Spur Foundation Trust	1	500 000	0.5
The Spur Management Share Trust	1	5 933 111	6.5
Major shareholder	1	15 807 462	17.4
Public shareholders	4 532	68 135 422	74.9
Total	4 539	90 996 932	100.0

Analysis of shareholding

An analysis of the spread of shareholding is presented below:

	No. of shareholders	%	No. of shares	%
Shareholder spread				
1 – 10 000 shares	4 164	91.8	2 848 462	3.1
10 001 – 25 000 shares	156	3.4	2 611 665	2.9
25 001 – 50 000 shares	80	1.8	2 903 810	3.2
50 001 – 100 000 shares	41	0.9	2 905 696	3.2
100 001 – 500 000 shares	65	1.4	14 724 757	16.2
500 001 – 1 000 000 shares	15	0.3	9 989 843	11.0
1 000 001 shares and over	18	0.4	55 012 699	60.4
Total	4 539	100.0	90 996 932	100.0

	No. of shareholders	%	No. of shares	%
Distribution of shareholders				
Banks/brokers	27	0.6	4 771 859	5.2
Endowment Funds	21	0.5	576 716	0.6
Individuals	3 952	87.1	3 838 058	4.2
Insurance companies	23	0.5	1 965 045	2.2
Medical funds	6	0.1	202 740	0.2
Mutual funds	95	2.1	50 826 074	55.9
Pension and retirement funds	171	3.8	10 043 796	11.0
Own holdings	2	0.0	595 587	0.7
Spur Management Share Trust	1	0.0	500 000	0.5
The Spur Foundation Trust	1	0.0	5 933 111	6.5
Other corporate bodies	240	5.3	11 743 946	13.0
Total	4 539	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 2021.

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 46 of the consolidated financial statements.

SUBSEQUENT EVENTS

Details of material events occurring subsequent to 30 June 2021 but prior to the date of issue of this report are detailed in note 45 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 2021 to the date of this report.

The beginning of the 2022 financial year was adversely impacted by widespread civil unrest in KwaZulu-Natal. This resulted in nine of the group's franchised restaurants being looted and vandalised, with damages to franchisees totalling R29.5 million. Franchised restaurant turnover loss in July 2021 alone was R14.6 million due to the closure of the restaurants. The impact on the group in terms of lost revenue from franchise and marketing fees is estimated at R1.5 million and R0.972 million respectively.

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 Memorandum of Incorporation.

COMPANY INFORMATION

The company's registration number and registered address are presented on the inside back cover of this report. 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 LTD

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Spur Corporation Limited (the Group and Company) set out on pages 16 to 126, which comprise the consolidated and separate statements of financial position as at 30 June 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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 as at 30 June 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 are independent of the Group and Company 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)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

The key audit matter below related to our audit of the consolidated financial statements and no key audit matters have been identified in relation to our audit of the separate financial statements.

Impairment of intangible assets and goodwill

Refer to note 15 of the consolidated financial statements, accounting estimates and judgements notes 3.1.5 and 3.2.4, as well as significant accounting policies 47.1.5, 47.5 and 47.7.1 to the consolidated financial statements.

Key audit matter

Intangible assets and goodwill comprise a significant portion (40%) of the total assets of the group in the consolidated statement of financial position.

As required by IAS 36 – *Impairment of Assets* (IAS 36), the directors conduct annual impairment assessments to test the recoverability of the carrying amounts of the intangible assets with an indefinite useful life and goodwill. The impairment assessments are performed for each cash generating unit (CGU) to determine the recoverable amount of each CGU based on their value-in-use.

A discounted cash flow valuation methodology is applied in the determination of the recoverable amounts of the CGUs. Note 15.3 to the consolidated financial statements discloses a number of key assumptions applied in determining the value-in-use of each CGU. Value-in-use was considered appropriate to determine the recoverable amount as there is not an active market or binding sale agreement to determine fair value less costs to sell.

These key assumptions are inputs into the discounted cash flow model and include:

- Revenue forecasts;
- Forecast cash outflows including operating expenditure;
- Perpetuity growth rates; and
- The discount rates applied to the projected future cash flows.

Due to the magnitude of the aggregated carrying amounts of goodwill and other intangible assets, the significant judgements required by the directors in determining the value-in-use of each CGU to which these assets are allocated, the increased complexities in making these assumptions as a result of the continued impact of the COVID-19 pandemic and the significant audit effort required which included the involvement of our own specialists, impairment of goodwill and other intangible assets was considered a key audit matter in the audit of the consolidated financial statements.

How the matter was addressed in our audit

Our audit procedures included the following:

- We critically evaluated the discounted cash flow models used by the directors to calculate the value-in-use of the individual CGU's to evaluate the relevance, reliability and appropriateness of these cash flow models.
- We evaluated the valuation methodology for compliance with the requirements of IAS 36.
- We engaged our corporate finance specialists to test and challenge the impairment assessments performed by the directors, particularly focusing on the assumptions made, by performing the following procedures:
 - evaluating the appropriateness of the discount rates used for each CGU and the perpetuity growth rates used in relation to external market data; and
 - assessing the reasonableness of key assumptions used relating to revenue and cash flow growth, for each CGU, in relation to our knowledge of the group, the industry in which it operates and the current macro-economic environment including the continued effects of COVID-19, and through performing the procedures on the projected cash flow as described below:
 - comparing the projected cash flow, including the key assumptions relating to revenue forecasts, cash outflows including operating expenditure, growth and perpetuity growth rates, against historical performance, adjusted for conditions based on the potential impact of COVID-19 on future cash flows, to assess the accuracy and reliability of the directors' projections.
- We assessed the adequacy of the disclosures in the consolidated financial statements against the requirements of IAS 36.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "2021 Spur Corp Annual Financial Statements", which includes the Audit Committee Report, the Declaration by Company Secretary and the Directors' Report as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Spur Corp Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's opinion 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 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 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 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 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 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 and 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 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 KPMG Inc. has been the auditor of Spur Corporation Limited for 22 years.



KPMG Inc.

Registered Auditor

Per IM Engels
Chartered Accountant (SA)
Registered Auditor
Director
22 September 2021

The Halyard
4 Christiaan Barnard Street
Cape Town City Centre
8000

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME **FOR THE YEAR ENDED 30 JUNE**

	Note	2021 R'000	2020 R'000
Revenue	6	681 436	761 620
Cost of sales		(165 428)	(198 132)
Gross profit		516 008	563 488
Other income	7	27 071	7 449
Administration expenses		(155 540)	(143 463)
Impairment reversal/(losses) - financial instruments and lease receivable	8	2 523	(2 805)
Marketing expenses		(120 130)	(173 962)
Operations expenses		(93 189)	(98 994)
Other non-trading losses	8	(7 677)	(7 076)
Retail company store expenses		(24 335)	(30 434)
Operating profit before finance income	8	144 731	114 203
Net finance income	9	3 508	14 034
Interest income	9	8 273	19 336
Interest expense	9	(4 765)	(5 302)
Share of loss of equity-accounted investee (net of income tax)	10	–	(463)
Profit before income tax		148 239	127 774
Income tax expense	11	(48 480)	(57 117)
Profit		99 759	70 657
Other comprehensive income*		14	(1 357)
Foreign currency translation differences for foreign operations		(80)	(1 575)
Foreign exchange gain/(loss) on net investments in foreign operations		115	(30)
Current tax on foreign exchange gain on net investments in foreign subsidiaries		(21)	–
Reclassification of foreign currency loss from other comprehensive income to profit or loss, on abandonment of foreign operations		–	248
Total comprehensive income		99 773	69 300
Profit attributable to:			
Equity owners of the company		93 082	66 924
Non-controlling interests		6 677	3 733
Profit		99 759	70 657
Total comprehensive income attributable to:			
Equity owners of the company		93 096	65 567
Non-controlling interests		6 677	3 733
Total comprehensive income		99 773	69 300
Earnings per share (cents)			
Basic earnings	12	110.85	76.87
Diluted earnings	12	110.48	76.62

* 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	2021 R'000	Restated 2020* R'000	Restated 2019* R'000
ASSETS				
Non-current assets		500 311	518 466	519 516
Property, plant and equipment	13	93 957	102 182	100 390
Right-of-use assets	14	36 002	41 921	38 286
Intangible assets and goodwill	15	365 402	365 253	369 092
Lease receivable	17	–	–	3 480
Loans receivable	16	962	2 929	5 391
Deferred tax	18	3 988	6 181	2 877
Current assets		409 038	282 440	559 741
Inventories	19	11 618	16 148	10 299
Tax receivable	20	25 168	28 073	36 939
Trade and other receivables	21	93 978	55 619	106 011
Lease receivable	17	–	–	664
Loans receivable	16	1 359	4 022	105 961
Contingent consideration receivable	22	4 047	4 555	–
Restricted cash	23	11 998	8 671	18 009
Cash and cash equivalents	23	260 870	165 352	281 858
TOTAL ASSETS		909 349	800 906	1 079 257
EQUITY				
Total equity		635 173	535 615	871 543
Ordinary share capital	24.1	1	1	1
Share premium		34 309	34 309	294 663
Shares repurchased by subsidiaries	24.2	(15 118)	(15 118)	(126 811)
Foreign currency translation reserve	24.3	29 026	29 012	30 369
Share-based payments reserve	24.4	4 751	3 473	4 400
Retained earnings		568 890	475 501	658 015
Total equity attributable to owners of the company		621 859	527 178	860 637
Non-controlling interests	25	13 314	8 437	10 906
LIABILITIES				
Non-current liabilities		116 291	127 883	124 665
Contingent consideration liability	22	–	1 589	1 011
Employee benefits	26	2 304	–	–
Contract liabilities	27	24 771	29 342	29 045
Lease liabilities	28	33 690	39 740	37 469
Deferred tax	18	55 526	57 212	57 140
Current liabilities		157 885	137 408	83 049
Tax payable	29	6 772	2 229	1 396
Trade and other payables	30	60 922	49 710	68 194
Loans payable	31	196	196	–
Provision for lease obligation	32	7 175	–	–
Employee benefits	26	4 300	–	–
Contract liabilities	27	4 749	5 808	4 226
Lease liabilities	28	7 514	13 208	8 519
Shareholders for dividend	33	66 257	66 257	714
TOTAL EQUITY AND LIABILITIES		909 349	800 906	1 079 257

* Restated. Refer note 41.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE

R'000	Note	Attributable to owners of the company			Attributable to owners of the company						
		Number of shares (net of treasury shares) '000	Ordinary share capital	Share premium	Shares repurchased by subsidiaries	Foreign currency translation reserve	Share-based payments reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 July 2019		94 789	1	294 663	(126 811)	30 369	4 400	658 015	860 637	10 906	871 543
Total comprehensive income											
Profit		–	–	–	–	–	–	66 924	66 924	3 733	70 657
Other comprehensive income (OCI)		–	–	–	–	(1 357)	–	–	(1 357)	–	(1 357)
Foreign currency translation differences for foreign operations		–	–	–	–	(1 575)	–	–	(1 575)	–	(1 575)
Foreign exchange loss on net investments in foreign subsidiaries		–	–	–	–	(30)	–	–	(30)	–	(30)
Reclassification of foreign currency loss from OCI to profit or loss, on abandonment of foreign operations		–	–	–	–	248	–	–	248	–	248
Total comprehensive income		–	–	–	–	(1 357)	–	66 924	65 567	3 733	69 300
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners		(10 821)	–	(260 354)	111 693	–	(927)	(249 438)	(399 026)	(6 202)	(405 228)
Equity-settled share-based payment	24.4 & 11.4	–	–	–	–	–	2 228	347	2 575	–	2 575
Indirect costs arising on intra-group sale of shares related to equity-settled share-based payment	24.4	–	–	–	–	–	–	(898)	(898)	–	(898)
Issue of shares on vesting of FSP awards	24.4	137	–	–	–	–	(3 155)	3 155	–	–	–
Repurchase and cancellation of shares	24.2	(10 848)	–	(260 354)	114 649	–	–	(114 649)	(260 354)	–	(260 354)
Costs relating to repurchase and cancellation of shares	24.2	–	–	–	–	–	–	(2 702)	(2 702)	–	(2 702)
Purchase of treasury shares	24.2	(110)	–	–	(2 956)	–	–	–	(2 956)	–	(2 956)
Dividends	33	–	–	–	–	–	–	(134 691)	(134 691)	(6 202)	(140 893)
Total transactions with owners		(10 821)	–	(260 354)	111 693	–	(927)	(249 438)	(399 026)	(6 202)	(405 228)
Balance at 30 June 2020		83 968	1	34 309	(15 118)	29 012	3 473	475 501	527 178	8 437	535 615
Total comprehensive income											
Profit		–	–	–	–	–	–	93 082	93 082	6 677	99 759
OCI		–	–	–	–	14	–	–	14	–	14
Foreign currency translation differences for foreign operations		–	–	–	–	(80)	–	–	(80)	–	(80)
Foreign exchange gain on net investments in foreign subsidiaries		–	–	–	–	115	–	–	115	–	115
Current tax on foreign exchange gain on net investments in foreign subsidiaries		–	–	–	–	(21)	–	–	(21)	–	(21)
Total comprehensive income		–	–	–	–	14	–	93 082	93 096	6 677	99 773
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners		–	–	–	–	–	1 278	307	1 585	(1 800)	(215)
Equity-settled share-based payment	24.4 & 11.4	–	–	–	–	–	1 278	307	1 585	–	1 585
Dividends	33	–	–	–	–	–	–	–	–	(1 800)	(1 800)
Total transactions with owners		–	–	–	–	–	1 278	307	1 585	(1 800)	(215)
Balance at 30 June 2021		83 968	1	34 309	(15 118)	29 026	4 751	568 890	621 859	13 314	635 173

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	Notes	2021 R'000	Restated 2020* R'000
Cash flow from operating activities			
Operating profit before working capital changes	34	171 486	147 804
Working capital changes	35	(29 782)	30 129
Cash generated from operations		141 704	177 933
Interest income received	36	7 561	56 638
Interest expense paid	37	(4 117)	(4 721)
Tax paid	38	(41 071)	(53 410)
Dividends paid	39	(1 800)	(75 350)
Net cash flow from operating activities		102 277	101 090
Cash flow from investing activities			
Additions of intangible assets	15	(1 119)	(2 817)
Additions of property, plant and equipment	13	(1 935)	(14 565)
Increase in investment in associate	10	–	(899)
Loans receivable advanced	16	–	(3 879)
Proceeds from disposal of property, plant and equipment	40	131	592
Proceeds from settlement of GPI receivable	16.5	–	72 328
Repayment of loans receivable	16	3 307	5 737
Net cash flow from investing activities		384	56 497
Cash flow from financing activities			
Acquisition of treasury shares	24.2	–	(2 956)
Loan received from non-controlling shareholders	31	–	196
Payment of lease liabilities	28	(7 088)	(8 335)
Repurchase of shares (including transaction costs)	24.2	–	(263 056)
Net cash flow from financing activities		(7 088)	(274 151)
Net movement in cash and cash equivalents		95 573	(116 564)
Effect of foreign exchange fluctuations		(55)	58
Net cash and cash equivalents at beginning of year		165 352	281 858
Net cash and cash equivalents at end of year	23	260 870	165 352

* Restated. Refer note 41.

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 2021 comprise the company, its subsidiaries, consolidated structured entities and the group's interests in equity-accounted investees, 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 separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, 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 47 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 Wednesday, 22 September 2021. The financial statements were published on Thursday, 23 September 2021.

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 (refer note 2).

The financial statements have been prepared on the historical cost basis except in the case of the contingent consideration receivable/liability measured at fair value (refer note 22).

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 a complete (hard) national lockdown in South Africa commencing on 27 March 2020. Subsequent to the hard lockdown, while lockdown trading restrictions have eased, various levels of more severe trading restrictions have been re-imposed for certain periods in response to the second and third waves of the pandemic in South Africa.

The immediate impact of the hard lockdown was a sudden and severe reduction in economic activity in the second quarter of the 2020 calendar year. Economic activity subsequently recovered to some extent following the easing of lockdown trading restrictions. A general correlation exists between economic activity and the severity of the lockdown restrictions in place at any point in time, and the commensurate level of trading within the group's franchise network. Notwithstanding the modest improvements in economic activity following the hard lockdown, the continuing impact of the pandemic has resulted in lower formal employment, lower discretionary income and a drop in consumer confidence, which have impacted on the ability of the group's target market to frequent restaurants.

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

2. IMPACT OF COVID-19 AND GOING CONCERN continued

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

27 March 2020 to 30 April 2020 (first wave)	– Complete prohibition on trading
1 May 2020 to 31 May 2020	– Trading for delivery business only
1 June 2020 to 28 June 2020	– Trading for delivery and collection business only
29 June 2020	– Sit-down trade recommenced, subject to strict social distancing protocols (including capacity limitations)
18 August 2020	– Resumption of alcohol sales in restaurants permitted
20 September 2020 to 28 December 2020	– Lockdown level reduced to level 1; restaurants still subject to social distancing protocols
29 December 2020 to 31 January 2021 (second wave)	– Lockdown level 3 re-imposed; sale of alcohol prohibited; capacity restricted to lower of 50% capacity or 50 people; beaches closed in designated hot spots; trading time limited to 20:00
1 February 2021	– Trading time extended to 22:00; resumption of alcohol sales permitted
1 March 2021 to 14 June 2021	– Lockdown level reduced to level 1; trading time extended to 23:00; capacity restricted to 100 people, subject to social distancing protocols
15 June 2021 to 27 June 2021	– Lockdown level 3 re-imposed; trading time limited to 21:00; capacity restricted to lower of 50% capacity or 50 people
28 June 2021 to 25 July 2021 (third wave)	– Lockdown level 4 re-imposed; sit-down trade prohibited; trading time limited to 20:00
26 July 2021	– Lockdown level reduced to level 3; sit-down trade permitted subject to capacity restrictions (lower of 50% capacity or 50 people); trading time extended to 21:00
13 September 2021	– Lockdown level reduced to level 2; capacity limited to 250 people observing social distancing requirements (or 50% of capacity if venue cannot accommodate 250 people); trading time extended to 22:00

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

2.1 The impact on our franchisees

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

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

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

The hard lockdown therefore resulted in franchisees incurring significant cash flow losses for that period. These losses have been limited with the resumption of sit-down trade. While restaurants are able to mitigate losses to some extent by serving takeaway and delivery customers, sit-down business is essential to ensure financial sustainability. Current capacity restrictions limit the extent to which franchisees are able to trade profitably, and to recoup their losses incurred during the hard lockdown. The group moved decisively with the introduction of virtual kitchen (VK) prototype brands and a focus on sales via third party aggregators in an attempt to compensate for lost sales.

Most franchisees have been able to take advantage of the South African government's Temporary Employee/Employer Relief Scheme (TERS) which partially funded reduced employee wages during the various lockdown periods.

In most cases, the single biggest overhead cost for franchisees is property rentals. Most franchisees approached their landlords for temporary relief. Various formal and informal arrangements have been concluded between certain franchisees and landlords, but this is not the case in all instances. The negotiation of repayment plans and restructuring of rentals between franchisees and landlords is ongoing.

The group discounted its franchise and marketing fund contribution fee structures in response to the various lockdown levels in an effort to assist franchisees' cash flow. In addition, extended payment terms were granted to franchisees in response to the initial hard lockdown: upon application, payment of franchise and marketing fund contribution fees for March 2020 were deferred until October 2020; upon application, payment holidays of up to six months were extended on certain franchisees' historic debts and loans (which recommenced no later than October 2020).

2. IMPACT OF COVID-19 AND GOING CONCERN continued

2.2 The impact on the group

The combined impact of lower restaurant sales and discounted franchise and marketing fund contribution fees has resulted in a material reduction in revenue (franchise and marketing fund contribution fee revenue) from April 2020, with severity directly related to the level of trading restrictions in force in any particular trading month. Reduced trading hours, along with a ban on alcohol sales at various times during the pandemic, have negatively impacted restaurant sales volumes significantly.

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

As a franchise business, most of the group's franchise-related overhead costs are employment-related costs. These are not directly variable in the short term. As part of the group's austerity measures, the group:

- reduced the standard workweek of all employees to four days (or 30 hours) and reduced salaries commensurately across the board by 20%* with effect from 1 June 2020 to 30 September 2020;
- implemented a voluntary retrenchment programme locally: 15 employees accepted the voluntary retrenchment offer which comprised a severance payment of two weeks' salary for each completed year of service. A further post was made redundant in the Australian operations. The aggregate cost of the retrenchments was R3.9 million; and
- suspended its short-term profit share and thirteenth cheque bonus schemes in June 2020. This resulted in a reversal of all related accruals in the prior year. The board subsequently authorised an *ex gratia* payment of a half month's salary to all employees in December 2020, the cost of which is included in the current financial year. No short-term profit share incentives are payable for the 2021 financial year, although provision has been made for a half month's thirteenth cheque which may be payable to eligible employees in December 2021, subject to certain performance criteria.

Marketing expenses are typically funded by marketing fund contributions from franchisees. The reduction in marketing fund contribution revenue during the fourth quarter of the 2020 financial year necessitated an immediate and substantial reduction in marketing expenditure which was implemented from April 2020. A number of suppliers of marketing-related services are subject to contractual terms for defined periods. The group engaged with all suppliers subject to more than a one-month contract period or notice period to negotiate more favourable terms with mixed success. Despite these interventions, the marketing funds incurred substantial losses to the end of the 2020 financial year of R20.209 million in aggregate. These losses were largely recouped during the current year, with the marketing funds realising a surplus of R23.934 million in aggregate. To the extent that the respective marketing funds are in a cumulative deficit position, this deficit has been funded by the group and will be recovered from future marketing fund contribution revenue by planned underspending in the respective marketing funds in future years.

All other discretionary costs have been reduced to the extent possible, without having a negative impact on the group's operations.

The group deferred payment of the interim 2020 dividend declared on 26 February 2020.

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

2. IMPACT OF COVID-19 AND GOING CONCERN continued

2.2 The impact on the group continued

The tables below provide details on trading performance and fees during the period from the commencement of the initial hard lockdown.

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

Number of restaurants trading per month (excluding temporarily closed restaurants)	May 2020*	June 2020						No. of active franchise agreements June 2021
			July 2020	Sept 2020	Dec 2020	March 2021	June 2021	
Spur	142	210	263	288	296	294	294	296
Panarottis and Casa Bella	42	56	74	80	90	89	87	89
John Dory's	23	36	44	47	49	48	48	49
The Hussar Grill	1	5	17	20	20	20	20	20
RocoMamas	57	61	69	75	78	78	78	78
Nikos	3	6	7	7	7	7	7	7
Total South Africa	268	374	474	517	540	536	534	539
International	64	80	81	83	87	84	83	85
Total group	332	454	555	600	627	620	617	624

* April 2020 is not presented as trading was prohibited for the month.

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

%	March 2020*	May 2020*	June 2020*	July 2020*	Aug 2020*	Sept 2020*	Oct 2020*	Nov 2020*	Dec 2020*
Spur	54.8	8.8	12.8	34.6	56.2	72.1	93.9	79.8	74.4
Panarottis and Casa Bella	51.0	11.1	17.2	31.7	49.6	63.2	89.3	75.4	70.2
John Dory's	46.3	4.3	11.0	24.8	45.1	66.5	78.9	72.9	68.3
The Hussar Grill	62.1	0.2	2.5	22.6	45.6	93.7	80.4	69.3	63.1
RocoMamas	47.9	47.1	46.8	66.5	78.6	86.5	103.7	86.4	87.0
Nikos	51.8	15.2	26.9	41.7	61.3	85.3	82.2	67.2	65.5
Total South Africa	53.3	12.8	16.4	36.5	56.7	73.8	92.8	79.0	74.2
International	62.5	26.8	60.6	76.0	69.0	83.9	97.5	86.5	88.9
Total group	54.2	14.3	21.0	40.9	58.2	74.8	93.3	79.8	75.6

	Jan 2021*	Feb 2021*	March 2021#	April 2021#	May 2021#	June 2021#
Spur	66.7	82.4	78.9	104.3	101.2	77.5
Panarottis and Casa Bella	64.5	76.8	68.1	90.3	90.8	69.4
John Dory's	55.9	75.3	69.3	92.1	85.1	67.3
The Hussar Grill	32.6	61.2	81.2	93.2	106.0	84.3
RocoMamas	87.9	97.2	89.4	111.9	93.2	87.2
Nikos	47.0	71.6	64.0	82.9	73.4	60.8
Total South Africa	66.3	81.8	77.9	101.9	97.9	76.9
International	87.0	72.4	62.9	67.5	89.3	70.7
Total group	68.5	80.8	76.4	98.0	97.0	76.2

* Relative to corresponding month in previous calendar year.

Relative to corresponding month in 2019 calendar year.

2. IMPACT OF COVID-19 AND GOING CONCERN continued

2.2 The impact on the group continued

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

% FF:MF	March 2020*	May – July 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021
Spur [#] (standard 5:4)	4.0:3.0	3.0:1.0	3.0:1.0	4.0:2.0	4.0:3.0	4.5:3.5	4.5:3.5	3.5:2.5	4.0:3.0
Panarottis and Casa Bella [#] (standard 5:4)	4.0:3.0	3.0:1.0	3.0:1.0	3.5:1.5	4.0:2.0	4.0:2.5	4.0:2.5	3.5:2.5	3.5:2.5
John Dory's (standard 5:4)	4.0:3.0	3.0:1.0	3.0:1.0	3.5:1.5	3.5:2.0	4.0:2.5	4.0:3.0	3.5:2.5	3.5:2.5
The Hussar Grill (standard 5:2)	4.0:2.0	3.0:1.0	3.0:1.0	3.5:1.5	4.5:1.5	4.5:1.5	4.5:1.5	4.5:1.5	4.5:1.5
RocoMamas [#] (standard 5:2)	4.0:2.0	3.0:1.0	3.5:1.5	4.5:1.5	4.5:1.5	5.0:2.0	5.0:2.0	4.5:1.5	5.0:2.0
Nikos (standard 5:2)	4.0:2.0	3.0:1.0	3.0:1.0	3.5:2.0	3.5:2.0	4.0:2.0	4.0:2.0	3.0:1.5	3.0:1.5

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

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

Subsequent to February 2021, the standard fees were reinstated, but individual restaurants have been granted discounts month-to-month depending on their financial circumstances at the time, determined on a case-by-case basis.

The recovery trajectory has been positive, although the analysis above depicts the strong correlation between trading performance and the various levels of trading restrictions.

2. IMPACT OF COVID-19 AND GOING CONCERN continued

2.3 Impact on specific elements of the consolidated financial statements

In addition to the impact on revenue and trading profits highlighted above, the following items have been impacted by COVID-19:

Item	Impact – prior year	Update – current year	Reference
Property, plant and equipment	Subdued future prospects in relation to company-owned retail restaurants resulted in an impairment of The Hussar Grill in Morningside's property, plant and equipment.	No further impairments necessary.	13.1
Goodwill, trademarks and intellectual property	The impact of a protracted economic recovery resulted in impairments of goodwill, and trademarks and related intellectual property attributable to Nikos Coalgrill Greek.	No further impairments necessary.	15.3
Expected credit losses – loan, lease and trade receivables	The economic impact of COVID-19 has generally resulted in a significant increase in the probability of default on financial instruments, and in particular in the group's Australian operations. This resulted in additional impairments in the prior year on Australian loan, lease and trade receivables as well as higher allowances for expected credit losses on local receivables.	Relative to the prior year, the probabilities of default have generally been assessed as lower, given the lower uncertainty based on the experience of the past year, although still higher than pre-COVID-19 levels. This has resulted in lower allowances for expected credit losses on local receivables.	16 and 17 and 42.3.1
Tax receivable	The short-term impact on the group's international business's profitability and the significant uncertainty regarding the likelihood of being able to realise the benefit of the foreign withholding tax credits (by reducing tax payable on future taxable income) resulted in an impairment of the withholding tax receivable.	No further impairments necessary.	20
Leave pay and incentives	The accruals for short-term incentives and bonuses were reduced to nil in the prior year. No share price-linked long-term incentive awards in issue were anticipated to vest. Those employees who were unable to work during the lockdown period in the prior financial year were required to take half of the time off as leave which resulted in a substantial reduction in the accrual for leave pay as at June 2020 (where employees had gone into negative leave, a receivable for leave pay was recognised).	The group was able to claim a TERS benefit for the forced leave taken in the prior year; employees were consequently credited in the current year with some of the leave previously taken which has resulted in an increase in the leave pay provision in the current year (and a reduction in the leave pay receivable). While no short-term incentives are payable in respect of the current year, an accrual has been raised for half a thirteenth cheque bonus for eligible employees payable in December 2021, subject to certain performance criteria.	21 and 24.4 and 30
Insurance claims	–	Subsequent to the reporting date, the group received business interruption insurance proceeds as compensation for COVID-19-related loss of profits attributable to the group's retail company stores for the period from April 2020 to March 2021, which were accrued for in the 2021 financial year.	7

2. IMPACT OF COVID-19 AND GOING CONCERN continued

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

As highlighted above, there has been a reasonable recovery in trading performance during the year compared to the last quarter of the previous financial year. While the group consumed cash during the initial hard lockdown and the months up to September 2020, the group has been able to recover this lost cash and generate further cash, despite the impact of the second and third waves of the pandemic. This has demonstrated the relative resilience of the group.

The directors have considered the group's projected cash flows for a period of 12 months following the date of issue of this report. The projected cash flows are based on the operating budgets approved by the board, which in turn are based on detailed operating plans prepared by the executives and approved by the board.

The following broad principles have been applied in setting the budgets:

- Restaurant turnovers (and resulting group revenue) are budgeted based on actual turnovers achieved over the past 12 months, taking cognisance of the group's experience during the first and second waves of infection. While the impact of subsequent waves of infection has not been specifically budgeted for, a conservative outlook has been adopted such that turnovers are budgeted to be lower than pre-COVID-19 levels in nominal terms until June 2022. It is anticipated that the roll out of vaccines locally should culminate in a reasonable degree of community immunity by the end of the 2022 financial year. Turnovers are accordingly expected to recover to 2019 financial year turnovers in nominal terms only during the 2023 financial year.
- Expense budgets are in line with actual costs incurred for the second half of the 2021 financial year, adjusted by inflation, known changes in operating capacity and the impact of key strategic projects. Most of the group's costs are relatively fixed in the short term and can therefore be forecast with a relatively high confidence level.

Based on the base case budgeted cash flows, the group will be able to meet its financial obligations for a period of at least 12 months from the date of this report.

In order to mitigate the significant uncertainty regarding the continuing financial impact of COVID-19 on the group and its impact on the going concern assessment, the board has considered alternative likely scenarios, all of which indicate that the group will be able to meet its obligations for a period of 12 months from the date of this report.

The break-even scenario indicates that, in the event that budgeted costs continue to be incurred, revenue would need to fall to 24% of that budgeted for the 12 months to September 2022 for the group's cash flow reserves to be exhausted by September 2022. The directors consider the probability of this scenario materialising to be negligible, given the group's experience of the first, second and third waves. 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.

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 (note 6)

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.

The group's separate legal obligations to provide franchise support services to franchisees and administer the marketing fund contributions received from franchisees on their behalf, cannot be considered separate and distinct performance obligations in accordance with IFRS 15 – *Revenue from Contracts with Customers*, as the two legal obligations are integrally linked: a franchisee may not separately benefit from the marketing funds' activities without being a franchisee of the group and being entitled to the support services provided by the group to all its franchisees in terms of the franchise agreements. The services provided by the respective marketing funds are for the benefit of the respective brands and bodies of franchisees as a whole, and not specific individual franchisees or locations. The two legal obligations are accordingly highly interrelated and interdependent on each other, and considered a single performance obligation as contemplated by IFRS 15.

IFRS 15 requires that the revenue attributable to a performance obligation is recognised to depict the transfer of control of the promised goods or services. As there is only one performance obligation in terms of IFRS 15, the separate legal obligations cannot be accounted for separately. Accordingly, the marketing fund contributions are recognised as revenue on the same basis as franchise fee revenue. Both franchise fee revenue and marketing fund contributions are considered to be sales-based royalties as contemplated by IFRS 15, and are therefore recognised in the period in which the related franchisee sales are recognised. The disbursement of marketing fund contributions on marketing services are accordingly recognised as an expense (disclosed as marketing expenses in the statement of profit or loss and other comprehensive income) as incurred. In addition, the respective marketing funds sell specific products to franchisees: these are recognised as revenue as the goods are sold, with the corresponding cost of goods sold recognised in cost of sales in the consolidated statement of profit or loss and other comprehensive income. The resulting surplus or deficit in any period is recognised in profit or loss, although any such cumulative profit/surplus is not for the benefit of the owners of the company, and will not, in the ordinary course of business, be distributable to shareholders. Any surplus funds are identified as "restricted" cash balances as the group can only use these funds for future marketing purposes.

3.1.2 Accounting for initial franchise fees (note 6)

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. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

3.1 Judgements continued

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 and are currently all employees of 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 Distribution income (note 47.13)

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 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 risk of inventory loss.
- While the contract between the group and the distributor makes provision for penalties payable by the group on excess or slow-moving inventories, these have occurred infrequently in the past and have not been significant, and are therefore considered incidental to the commercial relationship.
- The distributor is 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 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 determined at the discretion of the distributor.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

3.1 Judgements continued

3.1.4 Distribution income (note 47.13) continued

Based on the above factors, the directors have concluded that the outsourced distributor obtains control, more than momentarily, of the goods before they are transferred to franchisees. The group merely facilitates the transactions between franchisees and the distributor by giving the distributor access to both the approved suppliers and franchisees. Accordingly, the distributor's role, as contemplated by IFRS 15, in the commercial transaction is more that of principal than agent, and the group's role is therefore more that of agent than principal.

3.1.5 Intangible assets (note 15)

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 14 and 28)

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 Contingent consideration receivable/liability (note 22)

In assessing the possible aggregate purchase consideration due in terms of the contingent consideration arrangement for the acquisition of the Nikos Coalgrill Greek business, the directors need to estimate the business's profit to July 2021. The directors need to extrapolate a restaurant development plan and quantify the associated costs and revenues.

A number of scenarios are considered and a probability applied to each scenario to determine a probability-weighted likely outcome. The other variables in determining the carrying amount of the asset/liability at the reporting date as well as the sensitivities thereto are detailed in notes 22 and 42.2 respectively.

3.2.2 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 notes:

- Financial instruments including contingent consideration asset/liability (refer note 22)
- Grant-date fair values of equity-settled share-based payments (refer note 24.4)

3. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

3.2 Assumptions and estimates continued

3.2.3 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 42.3.1.

3.2.4 Impairment of non-financial assets (notes 13 and 15)

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 13 and 15.

3.2.5 Leases (notes 14 and 28)

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.

3.2.6 Property, plant and equipment (note 13)

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.

3.2.7 Share-based payments (note 24.4)

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 24.4.

3.2.8 Withholding tax credits (refer note 20)

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 20.

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	90 636 (2020: 23 315)	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		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	104 049.0 (2020: 95 055.6)		100.0
– Steak Ranches International BV	The Netherlands	240 675.0 (2020: 231 631.7)		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 (2020: 0.7)		100.0

[#] 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:

	2021 R'000	2020 R'000
Profits	108 849	105 009
Losses	(8 163)	(36 610)

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.

The only change to the group structure during the year related to the deregistration of Spur Advertising Australia (Pty) Ltd and Panarottis Advertising Australia (Pty) Ltd.

Details of material non-controlling interests are included in note 25.

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

Regarding 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 R0.280 million to The Spur Foundation Trust during the prior 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 group identified the following reportable segments, with no individual customer accounting for more than 10% of revenue:

South Africa Franchise:

- Spur (Spur Steak Ranches and Spur Grill & Go)
- Panarottis Pizza Pasta and Casa Bella
- John Dory's (John Dory's Fish Grill Sushi)
- The Hussar Grill
- RocoMamas
- Nikos (Nikos Coalgrill Greek)

South Africa: Manufacturing and distribution

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

South Africa: Retail company stores

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

South Africa and International: Marketing

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

South Africa: Other

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

International: Australasia

- Franchise business in Australia and New Zealand

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 units 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.

5. OPERATING SEGMENTS continued

R'000	Note	2021			2020		
		Total revenues	Less: Inter- segment revenues	External revenues	Total revenues	Less: Inter- segment revenues	External revenues
South Africa							
Franchise		235 749	5 210	230 539	253 112	5 921	247 191
Spur		159 766	788	158 978	172 225	1 332	170 893
Pinarottis and Casa Bella		23 284	297	22 987	27 441	315	27 126
John Dory's		12 712	390	12 322	15 681	416	15 265
The Hussar Grill		6 394	1 288	5 106	7 446	2 029	5 417
RocoMamas		31 890	2 415	29 475	27 914	1 801	26 113
Nikos		1 703	32	1 671	2 405	28	2 377
Manufacturing and distribution		194 264	13	194 251	185 756	288	185 468
Retail company stores		41 376	–	41 376	53 694	–	53 694
Marketing		167 857	2 370	165 487	187 135	2 847	184 288
Other segments	e	26 810	6 773	20 037	69 571	12 368	57 203
Total South African segments		666 056	14 366	651 690	749 268	21 424	727 844
Shared services		28 569	27 662	907	35 925	34 750	1 175
Total South Africa		694 625	42 028	652 597	785 193	56 174	729 019
International							
Australasia		1 709	–	1 709	1 817	–	1 817
Rest of Africa and Middle East		23 612	225	23 387	26 613	343	26 270
Marketing		3 743	–	3 743	4 514	–	4 514
Total International segments		29 064	225	28 839	32 944	343	32 601
Shared services		382	382	–	460	460	–
Total International		29 446	607	28 839	33 404	803	32 601
Total		724 071	42 635	681 436	818 597	56 977	761 620

5. OPERATING SEGMENTS continued

R'000	Note	2021		2020	
		Profit/(loss) before income tax and share of loss of equity accounted investee	Capital expenditure	Profit/(loss) before income tax and share of loss of equity- accounted investee	Capital expenditure
South Africa					
Franchise		156 816	–	168 921	–
Spur	a	120 049	–	134 461	–
Pinarottis and Casa Bella		10 060	–	13 202	–
John Dory's		1 808	–	5 053	–
The Hussar Grill		2 905	–	4 025	–
RocoMamas		21 278	–	17 645	–
Nikos	b	716	–	(5 465)	–
Manufacturing and distribution	c	62 210	112	58 564	8 216
Retail company stores	d	11 725	364	(3 761)	6 267
Marketing		24 300	40	(19 115)	82
Other segments	e	(7 074)	–	(2 122)	–
Total South African segments		247 977	516	202 487	14 565
Shared services	f	(104 750)	1 419	(69 199)	–
Total South Africa		143 227	1 935	133 288	14 565
International					
Australasia	g	(1 543)	–	(9 822)	–
Rest of Africa and Middle East		12 376	–	12 509	–
Marketing		(366)	–	(1 094)	–
Total international segments		10 467	–	1 593	–
Shared services	h	(5 455)	–	(6 644)	–
Total International		5 012	–	(5 051)	–
Total		148 239	1 935	128 237	14 565
Share of loss of equity-accounted investee (net of income tax)		–	–	(463)	–
Profit before income tax		148 239	–	127 774	–

Geographical allocation of non-current assets

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

	2021 R'000	2020 R'000
South Africa	495 078	508 900
Other countries	283	456
Total non-current assets	495 361	509 356

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

5. OPERATING SEGMENTS continued

Notes

a) South Africa Franchise – Spur

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

b) South Africa Franchise – Nikos

Profit for the prior year includes impairments of goodwill (R3.722 million) and trademarks and related intellectual property (R2.032 million) (refer note 15).

c) South Africa Manufacturing and distribution

The group's sauce manufacturing facility undertook a revamp during the prior year at a cost of R8.529 million of which R1.770 million could not be capitalised and is included in the profit for the prior year. The current year includes retrenchment costs of R0.025 million as part of the group's COVID-19 austerity measures.

d) South Africa Retail company stores

Profit for the current financial year includes business interruption insurance proceeds of R14.773 million as compensation for COVID-19-related loss of profits for the period from April 2020 to March 2021. An accrual of R0.583 million has been raised in respect of rental rebates which are refundable to landlords as a result of the insurance claims.

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

The profit for the prior year includes an impairment of property, plant and equipment relating to The Hussar Grill Morningside of R1.322 million (refer note 13).

e) South Africa Other

The decline in revenue and profit is attributable to a significant reduction in sales volumes in the group's export and décor manufacturing businesses as a result of fewer restaurant openings and refurbishments locally and abroad. Profit for the current year includes retrenchments costs of R0.515 million as part of the group's austerity measures implemented in response to COVID-19.

f) South Africa Shared services

	2021 R'000	2020 R'000
The segment loss includes:		
Marketing fund administration cost recoveries (intersegment)	13 943	16 245
Net finance income	7 453	16 886
Impairment reversal – GPI receivable (refer note 16.5)	–	10 812
Impairment reversal/(loss) – net expected credit losses on other financial instruments (refer note 42.3.1)	2 103	(5 367)
Equity-settled share-based payment charge (refer note 24.4)	(1 278)	(2 228)
Contingent consideration fair value adjustment (net of allowance for expected credit losses) (refer note 22)	1 081	3 977
Retrenchment costs	(2 824)	–
Retirement benefit (excluding interest) (refer note 26)	(8 502)	–
Loss (before net finance income) of The Spur Foundation Trust, all of which is attributable to non-controlling interests	(416)	(135)
Non-executive directors' fees (including VAT where applicable)	(7 917)	(3 606)

The group recovers certain of the costs of administering the marketing funds on behalf of franchisees from the marketing funds. The administration cost recovery is determined as a percentage of the marketing fund contribution revenue earned by the marketing funds. The reduction in the cost recovery is as a result of lower marketing fund contribution revenue following the implementation of COVID-19 lockdown restrictions in March 2020 that continued through to the 2021 financial year.

Net finance income declined as a result of the conclusion of the GPI share repurchase during the prior year (refer note 24.2), lower interest rates and lower cash generated from trading activities as a result of COVID-19.

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

Non-executive directors' fees for the current year include R2.757 million (including VAT where applicable) for additional assignments, as approved by shareholders at the annual general meeting on 23 December 2020.

5. OPERATING SEGMENTS continued

g) Australasia

	2021 R'000	2020 R'000
The segment loss includes:		
Impairment reversal/(loss) – expected and actual credit losses on financial instruments (refer note 42.3.1)	190	(3 639)
Impairment reversal/(loss) – expected and actual credit losses on lease receivable (refer note 17) and Apache lease deposit (refer note 21)	314	(2 997)
Provision for lease obligation (refer note 32) net of gain on derecognition of lease liability on early termination of lease (refer note 28) relating to Apache Spur	(665)	–
Impairment of investment in associate (refer note 10)	–	(436)
Retrenchment costs	(550)	(308)
Foreign exchange gain	4	19
h) International shared services		
The segment loss includes:		
Impairment reversal/(loss) – expected credit losses on financial instruments (refer note 42.3.1)	370	(734)
Foreign exchange loss	(732)	(126)

Included in profit/loss before income tax and share of loss of equity-accounted investee are depreciation and amortisation, interest expense and interest income allocated to the following segments:

	2021			2020		
R'000	Depre- ciation and amorti- sation	Interest expense	Interest income	Depre- ciation and amorti- sation	Interest expense	Interest income
South Africa						
Franchise	(2 663)	(455)	–	(2 632)	(516)	–
Spur	(1 512)	(258)	–	(1 470)	(291)	–
Panarottis and Casa Bella	(581)	(98)	–	(607)	(118)	–
John Dory's	(505)	(92)	–	(498)	(103)	–
The Hussar Grill	(65)	(7)	–	(57)	(4)	–
Manufacturing and distribution	(2 816)	(44)	–	(2 277)	(74)	–
Retail company stores	(6 230)	(2 588)	–	(7 144)	(2 818)	–
Marketing	(299)	–	247	(378)	–	377
Other segments	(760)	(89)	–	(799)	(108)	–
Total South African segments	(12 768)	(3 176)	247	(13 230)	(3 516)	377
Shared services	(8 664)	(1 187)	7 543	(10 907)	(1 111)	17 998
Total South Africa	(21 432)	(4 363)	7 790	(24 137)	(4 627)	18 375
International						
Australasia	–	(389)	483	–	(619)	940
Rest of Africa and Middle East	–	–	–	(65)	(39)	–
Total International segments	–	(389)	483	(65)	(658)	940
Shared services	(107)	(13)	–	(111)	(17)	21
Total International	(107)	(402)	483	(176)	(675)	961
Total	(21 539)	(4 765)	8 273	(24 313)	(5 302)	19 336

6. REVENUE

	2021 R'000	2020 R'000
Sales-based royalties	395 649	436 528
Ongoing franchise fee income	247 495	266 081
Marketing fund contributions	148 154	170 447
Recognised at a point in time	259 029	300 573
Sales of purchased and manufactured sauces	148 921	137 863
Retail company stores' sales	41 376	53 694
Distribution income	41 572	43 653
Sales of franchisee supplies	15 569	50 975
Sales of marketing materials	7 391	9 809
Rebate income	4 200	4 579
Recognised over time	26 758	24 519
Initial franchise fee income	7 356	6 432
Services rendered	5 586	8 349
Marketing supplier contributions	13 816	9 738
Total revenue	681 436	761 620

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
2021				
South Africa				
Franchise	224 822	141	5 576	230 539
Spur	156 624	–	2 354	158 978
Panarottis and Casa Bella	21 735	141	1 111	22 987
John Dory's	11 844	–	478	12 322
The Hussar Grill	4 896	–	210	5 106
RocoMamas	28 130	–	1 345	29 475
Nikos	1 593	–	78	1 671
Manufacturing and distribution	–	194 251	–	194 251
Retail company stores	–	41 376	–	41 376
Marketing	144 411	7 391	13 685	165 487
Other South Africa	–	14 521	5 516	20 037
Total South African segments	369 233	257 680	24 777	651 690
Shared services	–	907	–	907
Total South Africa	369 233	258 587	24 777	652 597
International				
Australasia	1 305	–	404	1 709
Rest of Africa and Middle East	21 368	442	1 577	23 387
Marketing	3 743	–	–	3 743
Total International	26 416	442	1 981	28 839
Total external revenue	395 649	259 029	26 758	681 436

6. REVENUE continued

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

7. OTHER INCOME

	2021 R'000	2020 R'000
Bad debts recovered	–	61
Expired gift vouchers	2 249	–
Fair value gain on contingent consideration liability (refer note 22)	901	4 283
Gain on derecognition of lease	7 069	–
Derecognition of lease liabilities on early termination of leases (refer note 28)	9 845	–
Derecognition of right-of-use assets on early termination of leases (refer note 14)	(2 776)	–
Insured loss recoveries	14 773	–
Profit on disposal of property, plant and equipment	131	259
Rental concession income (refer note 28)	646	757
Spur Foundation donation income	725	1 865
Other	577	224
Total other income	27 071	7 449

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.

Insured loss recoveries are business interruption insurance proceeds received (subsequent to the reporting date) as compensation for COVID-19-related loss of profits attributable to the group's retail company stores for the period from April 2020 to March 2021.

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

8. OPERATING PROFIT BEFORE FINANCE INCOME

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

	2021 R'000	2020 R'000
Auditor's remuneration ¹	3 477	2 158
Amortisation – intangible assets (refer note 15)	970	902
Depreciation – property, plant and equipment (refer note 13)	10 160	11 118
Depreciation – right-of-use assets (refer note 14)	10 409	12 293
Employment costs	199 108	186 716
Salaries and wages (excluding executive directors and prescribed officer)	168 267	166 776*
Executive directors' and prescribed officer's emoluments (refer note 43) ²	17 147	17 404*
Retirement benefit (refer note 26)	8 502	–
Retrenchment costs ³	3 914	308*
Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 24.4)	1 278	2 228
Foreign exchange loss	724	340
Impairment (reversal) losses – financial instruments and lease receivable	(2 523)	2 805
Trade receivables (refer note 21)	(1 193)	6 348
Bad debts – trade receivables	838	444
Write off of lease deposit	937	–
Movement in impairment allowance	(2 968)	5 904
Loan receivables (refer note 16)	101	(7 282)
Impairment allowance	881	5 058
Reversal of impairment allowance	(855)	(12 340)
Impairment allowance reversed against actual write off of loans receivable	(4 000)	(5 286)
Write off of loans receivable	4 075	5 286
Impairment of loan advanced to equity-accounted investee (refer note 10)	–	436
(Reversal of)/impairment of contingent consideration receivable (refer note 22)	(180)	306
Lease receivables (refer note 17)	(1 251)	2 997
Impairment allowance	–	2 977
Impairment allowance reversed against actual write off of lease receivable	(8 263)	–
Write off of lease receivable	7 012	–
Loss on derecognition of lease	–	35
Derecognition of lease liabilities on early termination of leases (refer note 28)	–	(393)
Derecognition of right-of-use assets on early termination of leases (refer note 14)	–	428
Other non-trading losses	7 677	7 076
Impairment of goodwill (refer note 15.2)	–	3 722
Impairment of trademarks and intellectual property (refer note 15.1)	–	2 032
Impairment of plant, property and equipment (refer note 13)	–	1 322
Provision for lease obligation (refer note 32)	7 677	–

* The prior year analysis of employment costs has been restated to accord with current year classifications.

¹ Remuneration of the company's auditor for services to the company and its subsidiaries.

² Includes short-term performance bonuses but excludes equity compensation benefits and retirement lumpsum disclosed separately within employment costs.

³ The retrenchments costs relate to 16 posts that were made redundant during the year; as part of the group's COVID-19 austerity measures, the group implemented a voluntary retrenchment programme.

9. NET FINANCE INCOME

	2021 R'000	2020 R'000
Finance income and expense recognised in profit before income tax		
Interest income on bank deposits	7 447	14 427
Interest income on financial assets measured at amortised cost	480	4 328
Interest income on lease receivable (refer note 17)	346	581
Interest income	8 273	19 336
Interest expense on financial liabilities measured at amortised cost	(22)	(57)
Interest expense on employee liabilities	(302)	–
Interest expense on lease liabilities (refer note 28)	(4 441)	(5 245)
Interest expense	(4 765)	(5 302)
Net interest income recognised in profit before income tax	3 508	14 034

10. INTEREST IN EQUITY-ACCOUNTED INVESTEE

	2021 R'000	2020 R'000
Balance at beginning of year	–	–
Loan advanced to investee	–	899
Share of loss of equity-accounted investee (net of income tax)	–	(463)
Impairment of loan recognised in terms of IFRS 9	–	(436)
Balance at end of year	–	–

10.1 RocoMamas Australia

The group had previously acquired 45% of the issued share capital in RocoMamas Restaurants Australia Pty Ltd (RRA), a newly incorporated company incorporated and domiciled in Australia, for a nominal consideration. The purpose of the investment was to establish a partnership with entrepreneurs having industry expertise in Australia to launch the RocoMamas brand in that country. The group granted RRA a master franchise agreement, in terms of which RRA was granted rights to exploit the RocoMamas trademarks and related intellectual property in Australasia. The group advanced a loan to RRA during the prior year to fund continuing trading losses, before selling its equity interest in RRA to the remaining shareholders for an amount of AU\$1, with effect from 1 October 2019. The loan advanced was impaired in full immediately prior to the disposal of the shares, and the loan was subsequently forgiven upon disposal of the shares.

11. INCOME TAX

		2021 R'000	2020 R'000
11.1	Income tax expense		
	South African corporate income tax	38 853	42 661
Current	– current year	39 205	43 415
	– prior year under provision	785	189
Deferred	– current year	126	1 092
	– prior year over provision	(1 263)	(2 035)
	South African dividend withholding tax	–	1 826
	Namibian corporate income tax	(28)	49
Current	– current year	–	49
	– prior year over provision	(25)	–
Deferred	– prior year over provision	(3)	–
	Namibian withholding tax	(25)	–
	Dutch corporate income tax	1 394	20
Current	– current year	1 012	–
	– prior year under provision	190	–
Deferred	– current year	192	(316)
	– prior year under provision	–	336
	Dutch withholding tax	7 045	13 701
	– current year	2 935	1 955
	– prior year under provision	4 110	–
	– impairment (refer note 20)	–	11 746
	Australian corporate tax	1 241	(1 140)
Deferred	– current year	1 241	(1 126)
	– prior year over provision	–	(14)
	Income tax expense	48 480	57 117
	Total current corporate income tax	41 167	43 653
	Total deferred corporate tax (refer note 18)	293	(2 063)
	Total withholding taxes	7 020	15 527
	Income tax expense	48 480	57 117

Also refer contingent liability note 46.1.

The prior year under provision in respect of Dutch withholding tax relates to an accrual for withholding taxes not deducted by franchisees on payments of franchise fees in foreign jurisdictions in prior years.

11. INCOME TAX continued

	2021 %	2020 %
11.2 Reconciliation of tax rate		
South African corporate income tax rate	28.0	28.0
Non-deductible bad debts	0.8	–
Non-deductible intangible asset impairments	–	0.8
Non-deductible listings related costs	2.1	1.5
Non-deductible loan impairments	–	0.9
Non-deductible marketing expenditure	23.4	41.6
Non-deductible provision for lease obligation	1.4	–
Non-deductible retrenchment costs	0.6	–
Non-deductible other expenditure (capital items and items not in production of income)	1.6	1.6
Non-taxable interest income	–	(0.6)
Non-taxable fair value gain on contingent consideration receivable	(0.2)	(0.9)
Non-taxable gain on derecognition of lease liability	(1.3)	–
Non-taxable marketing income	(28.1)	(36.7)
Non-taxable other income	–	(0.2)
Non-taxable reversal of impairment allowance for expected credit losses	(0.8)	(2.2)
Prior year under/(over) provision	2.6	(1.2)
Share of loss of equity-accounted investee	–	0.1
Tax losses on which deferred tax asset not recognised	0.9	1.1
Tax losses utilised on which deferred tax not previously recognised	(0.1)	(1.3)
Tax on foreign attributed income not included in profit	–	0.1
Tax at rates other than corporate income tax rate	(0.2)	(0.1)
Withholding taxes	2.0	3.0
Withholding tax impairment	–	9.2
Effective tax rate	32.7	44.7

The statutory rates of tax applicable to group entities in the Netherlands, Australia and Namibia are 25%, 26% (2020: 27.5%) and 32% respectively. The tax rate in the Netherlands operates on a sliding scale.

	2021 R'000	2020 R'000
11.3 Tax losses		
Estimated group tax losses available for set-off against future taxable income	22 385	19 866

A deferred tax asset has not been recognised in respect of R21.198 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, prior to their expiration. A deferred tax asset has been recognised in respect of the remaining tax losses of R1.187 million, which relates predominantly to company-owned restaurants. These losses relate to recent trading losses arising from COVID-19 trading restrictions which are anticipated to be of a temporary nature.

R18.242 million of these tax losses are subject to restrictions on the period for which the losses can be carried forward of five years, while the balance has no such restriction.

11. INCOME TAX continued

	2021 R'000	2020 R'000
11.4 Tax (credited)/charged directly to equity		
Current tax on inter-company transfer of treasury shares	–	823
Current tax on foreign exchange gain on net investments in foreign subsidiaries	21	–
Deferred tax on equity-settled share-based payment	(307)	(347)
Deferred tax on transition to IFRS 16	–	918
Total tax (credited)/charged directly to equity	(286)	1 394

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 24.4) that exceeds 28% of the share-based payment expense included in profit before income tax.

12. EARNINGS PER SHARE

	2021 cents	2020 cents
12.1 Statistics		
Basic earnings per share	110.85	76.87
Diluted earnings per share	110.48	76.62
Headline earnings per share	110.74	83.23
Diluted headline earnings per share	110.37	82.96

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 R93.082 million (2020: R66.924 million) for the group.

	2021 '000	2020 '000
12.2 Reconciliation of shares in issue to weighted average and dilutive weighted average number of ordinary shares		
Shares in issue at beginning of year	90 997	108 481
Shares repurchased at beginning of year (refer note 24.2)	(7 029)	(13 692)
Shares repurchased during the year weighted for period held by the group (refer note 24.2)	–	(63)
Specific share repurchase and cancellation weighted for period held by the group (refer note 24.2)	–	(7 698)
Shares issued during the year weighted for period in issue (refer note 24.4)	–	33
Weighted average number of ordinary shares in issue for the year	83 968	87 061
Dilutive potential ordinary shares weighted for period outstanding (refer note 24.4)	285	282
Dilutive weighted average number of shares in issue for the year	84 253	87 343

	2021 R'000	2020 R'000
12.3 Reconciliation of headline earnings		
Profit attributable to owners of the company	93 082	66 924
Impairment of intangible assets	–	4 468
Impairment of property, plant and equipment	–	951
Profit on disposal of property, plant and equipment	(94)	(128)
Reclassification of foreign currency loss from other comprehensive income to profit, on abandonment of foreign operations	–	248
Headline earnings	92 988	72 463

12. EARNINGS PER SHARE continued

12.3 Reconciliation of headline earnings continued

R'000	Gross	Income tax	Non-controlling interests	Attributable to owners of the company
2021				
Profit on disposal of property, plant and equipment	(131)	37	–	(94)
	(131)	37	–	(94)
2020				
Impairment of intangible assets (refer note 15)	5 754	(569)	(717)	4 468
Impairment of property, plant and equipment (refer note 13)	1 322	(371)	–	951
Profit on disposal of property, plant and equipment	(259)	132	(1)	(128)
Reclassification of foreign currency loss from other comprehensive income to profit, on abandonment of foreign operations	248	–	–	248
	7 065	(808)	(718)	5 539

13. PROPERTY, PLANT AND EQUIPMENT

R'000	Land and buildings	Leasehold improvements	Furniture and fittings	Plant, equipment and vehicles	Computer equipment	Total
2021						
COST						
Balance at 1 July 2020	77 911	15 941	17 005	32 799	25 558	169 214
Additions	–	49	220	567	1 099	1 935
Disposals	–	–	(1 659)	(6 156)	(1 868)	(9 683)
Effect of foreign exchange fluctuations	–	–	–	–	(17)	(17)
Balance at 30 June 2021	77 911	15 990	15 566	27 210	24 772	161 449
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2020	(5 332)	(7 088)	(11 444)	(21 954)	(21 214)	(67 032)
Disposals	–	–	1 659	6 156	1 868	9 683
Depreciation	(667)	(1 801)	(1 754)	(3 242)	(2 696)	(10 160)
Effect of foreign exchange fluctuations	–	–	–	–	17	17
Balance at 30 June 2021	(5 999)	(8 889)	(11 539)	(19 040)	(22 025)	(67 492)
CARRYING AMOUNT						
Balance at 1 July 2020	72 579	8 853	5 561	10 845	4 344	102 182
Additions	–	49	220	567	1 099	1 935
Disposals	–	–	–	–	–	–
Depreciation	(667)	(1 801)	(1 754)	(3 242)	(2 696)	(10 160)
Balance at 30 June 2021	71 912	7 101	4 027	8 170	2 747	93 957
2020						
COST						
Balance at 1 July 2019	77 911	10 242	15 145	28 132	24 469	155 899
Additions	–	5 873	2 038	5 188	1 466	14 565
Disposals	–	(174)	(178)	(521)	(426)	(1 299)
Effect of foreign exchange fluctuations	–	–	–	–	49	49
Balance at 30 June 2020	77 911	15 941	17 005	32 799	25 558	169 214
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2019	(4 665)	(4 394)	(9 656)	(18 960)	(17 834)	(55 509)
Disposals	–	23	90	437	416	966
Depreciation	(667)	(1 694)	(1 748)	(3 267)	(3 742)	(11 118)
Impairment (refer note 13.1)	–	(1 023)	(130)	(164)	(5)	(1 322)
Effect of foreign exchange fluctuations	–	–	–	–	(49)	(49)
Balance at 30 June 2020	(5 332)	(7 088)	(11 444)	(21 954)	(21 214)	(67 032)
CARRYING AMOUNT						
Balance at 1 July 2019	73 246	5 848	5 489	9 172	6 635	100 390
Additions	–	5 873	2 038	5 188	1 466	14 565
Disposals	–	(151)	(88)	(84)	(10)	(333)
Depreciation	(667)	(1 694)	(1 748)	(3 267)	(3 742)	(11 118)
Impairment (refer note 13.1)	–	(1 023)	(130)	(164)	(5)	(1 322)
Balance at 30 June 2020	72 579	8 853	5 561	10 845	4 344	102 182

13. PROPERTY, PLANT AND EQUIPMENT continued

13.1 Impairments

The impact of COVID-19, and the resultant hard lockdown and subsequent trading restrictions during the prior year in particular, had a significantly negative impact on the performance of the group's company-owned restaurants. This was an indication in the prior year that the restaurants, as cash-generating units, could be impaired. The group accordingly assessed the recoverable amounts of these cash-generating units as at the prior year reporting date. The recoverable amounts for the cash-generating units were based on their values-in-use. Based on the recoverable amounts determined at the time, no impairments were considered necessary, save for The Hussar Grill Morningside as detailed below:

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

There has been no significant deterioration in the assessment of the group's operations relative to the prior year which would indicate any further impairment. Accordingly, other than the mandatory impairment tests conducted for goodwill and trademarks and intellectual property with indefinite useful lives, the recoverable amounts of other cash-generating units to which property, plant and equipment have been allocated have not been determined again as at the current year reporting date.

14. RIGHT-OF-USE ASSETS

R'000	Property	Vehicles	Plant and equipment	Total
2021				
Balance at 1 July 2020 – net carrying amount	27 781	13 587	553	41 921
Additions (refer note 28)	–	342	–	342
Depreciation	(6 035)	(4 121)	(253)	(10 409)
Re-measurement of right-of-use assets (refer note 28)	7 037	(63)	–	6 974
Reclassification	4 606	(4 606)	–	–
Derecognition on early termination of leases	(2 457)	(19)	(300)	(2 776)
Cost	(4 132)	(136)	(829)	(5 097)
Accumulated depreciation	1 675	117	529	2 321
Effect of foreign exchange fluctuations	(50)	–	–	(50)
Cost	(73)	–	–	(73)
Accumulated depreciation	23	–	–	23
Balance at 30 June 2021 – net carrying amount	30 882	5 120	–	36 002
Cost	42 950	13 321	–	56 271
Accumulated depreciation	(12 068)	(8 201)	–	(20 269)
2020				
Balance at 1 July 2019 – net carrying amount	35 940	2 346	–	38 286
Additions (refer note 28)	–	16 403	829	17 232
Depreciation	(7 820)	(4 197)	(276)	(12 293)
Re-measurement of right-of-use assets (refer note 28)	–	(965)	–	(965)
Derecognition on early termination of leases	(428)	–	–	(428)
Effect of foreign exchange fluctuations	89	–	–	89
Balance at 30 June 2020 – net carrying amount	27 781	13 587	553	41 921
Cost	35 512	17 784	829	54 125
Accumulated depreciation	(7 731)	(4 197)	(276)	(12 204)

14. RIGHT-OF-USE ASSETS continued

All leased assets are situated in South Africa, with the exception of two property leases, one each in Namibia and The Netherlands. The early terminations in the current year related predominantly to the group's Johannesburg corporate office where the leases of parts of the existing premises were terminated as part of the group's COVID-19 austerity measures; the term of the lease of the remaining parts of the existing premises were extended resulting in the remeasurement of the corresponding right-of-use asset. In the prior year, the early termination related to the termination of the Namibian office lease prior to its planned expiration.

The additions to vehicles in the prior year followed the expiration of the leases (which are typically three year contracts) of most of the group's fleet during that year, while the additions in the current year relate to other *ad hoc* vehicle lease renewals. The additions to plant and equipment in the prior year related to the lease of a bottling plant used in the group's sauce manufacturing facility, which was subsequently terminated in the current year prior to its planned expiration.

The reclassification relates to the correction of an incorrect classification of the cost of a property lease as vehicles in the prior year.

15. INTANGIBLE ASSETS AND GOODWILL

R'000	Trademarks and intellectual property	Goodwill	Software licences	Total
2021 COST				
Balance at 1 July 2020	290 915	81 357	10 168	382 440
Additions	–	–	1 119	1 119
Balance at 30 June 2021	290 915	81 357	11 287	383 559
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2020	(2 032)	(10 234)	(4 921)	(17 187)
Amortisation	–	–	(970)	(970)
Balance at 30 June 2021	(2 032)	(10 234)	(5 891)	(18 157)
CARRYING AMOUNT				
Balance at 1 July 2020	288 883	71 123	5 247	365 253
Additions	–	–	1 119	1 119
Amortisation	–	–	(970)	(970)
Balance at 30 June 2021	288 883	71 123	5 396	365 402

15. INTANGIBLE ASSETS AND GOODWILL continued

R'000	Trademarks and intellectual property	Goodwill	Software licences	Total
2020				
COST				
Balance at 1 July 2019	290 915	81 357	7 351	379 623
Additions	–	–	2 817	2 817
Balance at 30 June 2020	290 915	81 357	10 168	382 440
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2019	–	(6 512)	(4 019)	(10 531)
Amortisation	–	–	(902)	(902)
Impairment (refer note 15.3)	(2 032)	(3 722)	–	(5 754)
Balance at 30 June 2020	(2 032)	(10 234)	(4 921)	(17 187)
CARRYING AMOUNT				
Balance at 1 July 2019	290 915	74 845	3 332	369 092
Additions	–	–	2 817	2 817
Amortisation	–	–	(902)	(902)
Impairment (refer note 15.3)	(2 032)	(3 722)	–	(5 754)
Balance at 30 June 2020	288 883	71 123	5 247	365 253

None of the above intangible assets are internally generated.

15.1 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).

	2021 R'000	2020 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

15. INTANGIBLE ASSETS AND GOODWILL continued

15.2 Goodwill

	2021 R'000	2020 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.

15.3 Impairments of trademarks and intellectual property and goodwill

The impairment of trademarks and intellectual property and goodwill relating to Nikos was recognised in the prior year, following the detrimental impact of COVID-19 on the brand:

	2020 R'000
Carrying amount of cash-generating unit	5 971
Trademarks and intellectual property and goodwill	5 754
Corporate assets	413
Other net liabilities	(196)
Recoverable amount based on value-in-use	217
Maximum impairment	5 754
Impairment applied to trademarks and intellectual property	2 032
Impairment applied to goodwill	3 722

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.

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 2022 financial year as a starting point and then historic performance adjusted for the impact of COVID-19, taking into account a reasonable period over which the businesses are expected to recover to pre-COVID-19 levels, for the forecast horizon beyond the 2022 financial year:

15. INTANGIBLE ASSETS AND GOODWILL continued

15.3 Impairments of trademarks and intellectual property and goodwill continued

Franchise operations

- Cash inflows, comprising mainly franchise-related fee income determined as a percentage of franchised restaurant sales are estimated to continue to be impacted by COVID-19 lockdown trading restrictions in the 2022 financial year in line with the 2021 financial year. It is anticipated that trading restrictions will be lifted by the end of the 2022 financial year such that a reasonably strong recovery in revenue is expected in the 2023 financial year and, to a lesser extent, the 2024 financial year. Revenue from existing business (based on the 2019 financial year, the last financial year of trade before COVID-19) is expected to grow at 6% thereafter, which is the top end of the targeted South African inflation rate range of between 3% and 6%. The discounted franchise fee rates applied during the 2020 and 2021 financial years are not anticipated to recur during the forecast horizon. In addition to the growth in revenue from existing business, revenue is expected to benefit from the contribution of new restaurants. The number of new restaurants projected in the forecast horizon is based on what was historically achieved prior to COVID-19. The longer term macroeconomic impact of the COVID-19 pandemic, and the resulting effect on consumer spend, is a significant uncertainty at this stage.
- Spur Franchise operations' revenue is expected to recover to nominal pre-COVID-19 levels by the 2023 financial year, to real pre-COVID-19 levels by the 2025 financial year for the existing business, and to real pre-COVID-19 levels by the 2024 financial year if planned new restaurants are included. Given the maturity of the brand and its historic resilience to depressed economic cycles, the recovery after the COVID-19 pandemic trading restrictions are removed is anticipated to happen relatively quickly.
- Panarottis Franchise operations' revenue is expected to recover to nominal pre-COVID-19 levels by the 2023 financial year; while it is not anticipated that the existing business will recover to real pre-COVID-19 levels by the 2026 financial year forecast horizon, if new restaurants are included, the brand is expected to recover to real pre-COVID-19 levels by the 2025 financial year. The highly competitive landscape in the pizza pasta segment is anticipated to result in a longer recovery period than the more established brands.
- John Dory's Franchise operations' revenue is expected to recover to nominal pre-COVID-19 levels by the 2023 financial year; while it is not anticipated that the existing business will recover to real pre-COVID-19 levels by the 2026 financial year forecast horizon, if new restaurants are included, the brand is expected to recover to real pre-COVID-19 levels by the 2026 financial year. The operating model of the brand is more sensitive to economic factors and it is anticipated that the brand will require a longer period to recover than the more established brands.
- The Hussar Grill Franchise operations' revenue is expected to recover to nominal pre-COVID-19 levels by the 2023 financial year – both in nominal and real terms. This brand in particular has been significantly impacted by restrictions in both local and international travel. It is anticipated that these travel restrictions will be lifted in the 2023 financial year, which should see a significant recovery in revenue. In addition, The Hussar Grill's higher-income consumer target market is anticipated to be more resilient to the negative medium term macroeconomic factors.
- RocoMamas Franchise operations' revenue is expected to recover to nominal pre-COVID-19 levels by the 2023 financial year – both in nominal and real terms. This business is the brand within the group's portfolio which has been the least impacted by COVID-19 trading restrictions, as its core products are conducive to delivery and takeaway business which have been relatively robust during lockdown. The expected recovery is therefore anticipated to happen fairly quickly.
- Nikos Franchise operations' revenue is expected to recover to nominal pre-COVID-19 levels by the 2023 financial year – both in nominal and real terms. This business is growing off a small base, and the inclusion of a relatively small number of new businesses will have a significant impact on revenue.
- The assumptions applied in performing the revenue forecasts for the current financial year are generally more optimistic than the previous year as the prior year reporting date followed a period of hard lockdown, with the uncertainty regarding the future impact of the pandemic and government's response thereto being at a high level. Trading conditions have since stabilised and the impact of the pandemic on the group's performance as well as government's response to the various subsequent waves of the pandemic can be predicted with a greater level of confidence.
- Cash outflows for the 2022 financial year are estimated based on approved budgets, taking actual costs incurred for the 2019 (the last financial year prior to COVID-19) and 2021 (most recent) financial years into account, adjusted for known changes, and increased by inflation. Operating costs comprise predominantly employment-related costs and have been estimated to increase at 5% (2020: 6%) per annum, being slightly above the mid-point of the South African Reserve Bank's targeted inflation range of 3% to 6%. For the remaining forecast horizon, employment costs and other overheads have been forecast to increase by 5% (2020: 6%), with adjustments 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 are estimated at 4.5% (2020: 3%), being the mid-point in the targeted inflation range.

15. INTANGIBLE ASSETS AND GOODWILL continued

15.3 Impairments of trademarks and intellectual property and goodwill continued

- After-tax cash flows are discounted at an after-tax discount rate of 18.1% (2020: 15.0%), being the weighted average cost of capital of the company adjusted for risk factors specific to the cash-generating units. For the calculations conducted for the previous financial year, an additional risk premium of 2% was added to the discount rate in discounting cash flows for the 2021 and 2022 financial years due to the significant uncertainty at the time, and related increase in forecasting risk, caused by the COVID-19 pandemic. In the case of Nikos Franchise operations, a further premium of 3% was added to the discount rate in the prior year given the small size of the business and the high variability in cash flows from relatively small changes in assumptions. The increase in the discount rate relative to the prior year is due to: a) an increase in long-term interest rates; and b) an adjustment for forecasting risk in the current year (the prior year cash flow forecasts were extremely conservative given the uncertainty at the time while the current year forecasts are more normalised but as COVID-19 still results in a greater level of uncertainty, rather than adjusting cash flows, a forecast premium was added to the discount rate). The equivalent pre-tax discount rates equate to:

	2021 %	2020 %
Spur Franchise operations	23.5	19.4
Panarottis Franchise operations	23.3	19.3
John Dory's Franchise operations	23.2	19.2
The Hussar Grill Franchise operations	23.0	19.4
RocoMamas Franchise operations	23.2	19.5
Nikos Franchise operations	23.2	20.4

Retail operations

As referred to above, it is anticipated that trading restrictions will be lifted by the end of the 2022 financial year such that a reasonably strong recovery in restaurant sales is expected in the 2023 financial year and, to a lesser extent, the 2024 financial year. Also, as mentioned above, sales for The Hussar Grill restaurants are significantly influenced by local and domestic tourism and it is anticipated that travel restrictions will be reduced significantly by the 2023 financial year.

- Consequently, cash inflows, comprising restaurant sales are estimated to recover to nominal pre-COVID-19 levels by 2023, real pre-COVID-19 levels by 2024, and thereafter to grow by 6% per annum which is at the top end of the targeted South African inflation rate range of between 3% and 6%.
- Cash outflows for the 2022 financial year and beyond were based on approved budgets for the 2022 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 agreement.
- Growth in perpetuity of cash flows beyond the five year forecast horizon are estimated at 4.5% (2020: 3%), being the mid-point in the targeted inflation range.
- After-tax cash flows are discounted at an after-tax discount rate of 19.1% (2020: 15.0%), being the weighted average cost of capital of the company adjusted for risk factors specific to the cash-generating units. For the calculations prepared for the prior financial year, an additional risk premium of 2% was added to the discount rate in discounting cash flows for the 2021 and 2022 financial years due to the significant uncertainty, and related increase in forecasting risk, caused by the COVID-19 pandemic. The equivalent pre-tax discount rates equate to:

	2021 %	2020 %
The Hussar Grill Camps Bay	24.1	18.8
The Hussar Grill Mouille Point	24.5	19.5
The Hussar Grill Rondebosch	24.3	19.4

15. INTANGIBLE ASSETS AND GOODWILL continued

15.3 Impairments of trademarks and intellectual property and goodwill continued

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 reasonably possible change in these two key assumptions will result in a different conclusion.

16. LOANS RECEIVABLE

	2021 R'000	2020 R'000
Total gross carrying amount of loans at end of year	14 310	24 066
Impairment allowance	(11 989)	(17 115)
Opening impairment allowance	(17 115)	(27 148)
Current year impairment allowance	(881)	(5 058)
Reversal of impairment allowance	855	12 340
Effect of foreign exchange fluctuations	1 152	(2 535)
Impairment allowance reversed against actual write off	4 000	5 286
Current portion included in current assets	(1 359)	(4 022)
Total non-current loans receivable	962	2 929

Further details regarding the calculation of the impairment allowances for expected credit losses are included in note 42.3.1.

16. LOANS RECEIVABLE continued

16.1 Avecor Investments Pty Ltd trading as Panarottis Tuggerah

	2021 R'000	2020 R'000
Gross carrying amount	–	4 165
Impairment allowance	–	(4 165)
Opening impairment allowance	(4 165)	(646)
Current year impairment allowance	–	(2 972)
Impairment allowance reversed against actual write off	4 000	–
Effect of foreign exchange fluctuations	165	(547)
Current portion included in current assets	–	–
Non-current portion	–	–

This loan was previously advanced to an Australian franchisee. The loan was denominated in Australian dollars with a gross carrying amount of AU\$348 242 at the prior year reporting date. The loan was subject to interest at a fixed rate of 4.5% and was repayable in 60 equal monthly instalments which commenced in March 2018. The loan was secured by a pledge of shares in the borrower and personal suretyship of the borrower's shareholder. The entity had previously been unable to honour its commitments in terms of the loan as a result of deteriorating trading conditions in Australia, exacerbated by COVID-19. As a result of the entity's poor financial performance, the shares serving as security were considered to have negligible value. Accordingly an allowance for ECLs had been raised in respect of the full loan in previous years. During the current year, the loan (with a value of R4.075 million) was formally forgiven, in exchange for the franchisee agreeing to terminate its franchise agreement prematurely.

16.2 Franchisees (other Australia)

Gross carrying amount	3 759	4 154
Impairment allowance	(3 759)	(4 154)
Opening impairment allowance	(4 154)	(2 532)
Current year impairment allowance	(33)	(966)
Effect of foreign exchange fluctuations	428	(656)
Current portion included in current assets	–	–
Non-current portion	–	–

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

The loan to the franchisee of Panarottis Wanneroo amounts to AU\$118 683 (2020: AU\$115 760) at the reporting date, and is subject to interest at a fixed rate of 6% per annum. The loan is due to be repaid in monthly instalments until June 2022. No loan repayments were made during the current year. The franchisee continues to be significantly impacted by COVID-19 and is unable to honour its current commitments. There is a high likelihood that the loan will not be recoverable. The loan was fully impaired in previous years.

The loan to the franchisee of Apache Spur amounts to AU\$231 484 (2020: AU\$231 484) at the reporting date. The loan was fully impaired in previous years and no repayments have been made during the current year. During the current year, the franchisee commenced with voluntary liquidation proceedings. The prospects of recovering any amount of the loan is considered negligible. Also refer note 17 regarding a lease receivable with the entity.

16. LOANS RECEIVABLE continued

	2021 R'000	2020 R'000
16.3 Franchisees (other foreign)		
Gross carrying amount	–	–
Impairment allowance	–	–
Opening impairment allowance	–	(102)
Reversal of impairment allowance	–	124
Effect of foreign exchange fluctuations	–	(22)
Current portion included in current assets	–	–
Non-current portion	–	–
16.4 Franchisees (local)		
Gross carrying amount	2 320	4 338
Impairment allowance	(221)	(670)
Opening impairment allowance	(670)	(894)
Reversal of impairment allowance	449	224
Current portion included in current assets	(1 137)	(2 070)
Non-current portion	962	1 598
The loans to franchisees bear interest at between the prime overdraft rate of interest and 3% above the prime overdraft rate of interest. Repayment terms are between one and five years. The loans are secured by way of, <i>inter alia</i> , personal suretyships from the owners of the respective franchises.		
16.5 GPI Investments 1 (RF) (Pty) Ltd		
Gross carrying amount	–	–
Impairment allowance	–	–
Opening impairment allowance	–	(10 812)
Reversal of impairment allowance	–	10 812
Current portion included in current assets	–	–
Non-current portion	–	–

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

During the prior year, with effect from 15 October 2019, the group re-acquired the GPIRF Shares from GPIRF at a cost of R260.354 million (refer note 24.2). The receivable, with a gross value of R113.160 million at the date of the transaction, was settled by GPIRF in cash on the same date. Accordingly, the full cumulative impairment allowance as at 30 June 2019 of R10.812 million was reversed to profit in the prior year.

The gross inflow on settlement of the loan is allocated in the statement of cash flows in the prior year as follows:

	2020 R'000
Capital repayment included in cash flows from investing activities	72 328
Cumulative interest repayment included in cash flows from operating activities	40 832
Total cash inflow	113 160

16. LOANS RECEIVABLE continued

	2021 R'000	2020 R'000
16.6 Hunga Busters Pty Ltd*		
Gross carrying amount	4 637	5 167
Impairment allowance	(4 637)	(5 167)
Opening impairment allowance	(5 167)	(5 032)
Reversal of impairment allowance	–	464
Impairment allowance reversed against actual write off	–	324
Effect of foreign exchange fluctuations	530	(923)
Current portion included in current assets	–	–
Non-current portion	–	–
This loan arose on the disposal of two former company-owned 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 (2020: AU\$431 983), bears interest at 1.5% above the Reserve Bank of Australia's cash rate of interest and is repayable in 60 equal monthly instalments which commenced in October 2015. No loan repayments were made during the year. 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 loan was fully impaired in previous financial years. During the current year, the entity commenced with liquidation proceedings. The prospects of recovering any amount of the loan is considered negligible.		
* Related party. Refer note 44.		
16.7 KG Holdings Family Trust		
Gross carrying amount	3 212	2 955
Impairment allowance	(3 212)	(2 364)
Opening impairment allowance	(2 364)	(1 383)
Current year impairment allowance	(848)	(981)
Current portion included in current assets	–	(313)
Non-current portion	–	278
The receivable arose from the disposal of the Captain DoRegos business by the group to the borrower in the 2018 financial year. The receivable is payable in equal monthly instalments over 48 months commencing from 1 June 2018 and bears interest at the prime overdraft rate of interest. The receivable is secured by a personal guarantee from the purchaser and a trust which holds immovable property.		
The borrower was in arrears with the instalments due on the loan prior to COVID-19 and has not been able to make any payments since lockdown restrictions were imposed. Given the deteriorating financial state of the borrower, it is considered unlikely that any significant amount will be recoverable. An additional impairment allowance has accordingly been raised in the current year.		
16.8 Panawest Pty Ltd trading as Panarottis MacArthur		
Gross carrying amount	–	–
Impairment allowance	–	–
Opening impairment allowance	–	(4 691)
Impairment allowance reversed against actual write off	–	4 962
Effect of foreign exchange fluctuations	–	(271)
Current portion included in current assets	–	–
Non-current portion	–	–
This loan was previously advanced to an Australian franchisee. The restaurant in question ceased trading during the 2018 financial year and commenced with liquidation proceedings in the prior year. The loan, amounting to R4.962 million and which had been impaired in full in previous financial years, was written off during the prior year.		

16. LOANS RECEIVABLE continued

	2021 R'000	2020 R'000
16.9 Pierre van Tonder*		
Gross carrying amount	–	2 200
Impairment allowance	–	(139)
Opening impairment allowance	(139)	–
Current year impairment allowance	–	(139)
Reversal of impairment allowance	139	–
Current portion included in current assets	–	(1 008)
Non-current portion	–	1 053
This loan was subject to interest at the prime overdraft rate of interest and was secured over Mr Van Tonder's provident fund and group life cover. The loan was originally repayable in equal monthly instalments of R100 000 from July 2020. During the year, the group concluded a mutual separation agreement with the former group CEO as detailed in note 26, which modified the terms of the original loan, such that the full amount of the loan of R2.2 million was deductible from the amount owing to Mr Van Tonder in terms of the mutual separation agreement.		
16.10 White Cloud Restaurant Pty Ltd*		
Gross carrying amount	382	1 087
Impairment allowance	(160)	(456)
Opening impairment allowance	(456)	(1 056)
Reversal of impairment allowance	267	716
Effect of foreign exchange fluctuations	29	(116)
Current portion included in current assets	(222)	(631)
Non-current portion	–	–

This loan is denominated in Australian dollars with a gross carrying amount of AU\$35 549 (2020: AU\$90 885) at the reporting date. The entity operates a Spur restaurant in New Zealand. The loan was advanced in the 2017 financial year to assist the franchisee in funding the fit-out costs of the group's first franchised restaurant in New Zealand. The loan is subject to interest at a fixed rate of 4.5% and was repayable by 30 June 2019. During the year, the loan terms were amended such that the loan was repayable in full by 30 June 2021. While the restaurant was trading profitably prior to COVID-19, the entity is under-capitalised and has had liquidity constraints since it commenced operations. The onset of COVID-19 has negatively impacted on the liquidity of the entity further. The security provided (in the form of a personal suretyship of the shareholder of the franchisee) is restricted to the jurisdiction of New Zealand and is therefore considered to be insufficient to mitigate the risk of expected credit losses in the event of default. Payments were made against the loan during the current and prior years, which resulted in a partial reversal of the impairment allowance previously recognised. The remaining balance of the loan was settled in full subsequent to the reporting date.

* Related party. Refer note 44.

17. LEASE RECEIVABLE

	2021 R'000	2020 R'000
Balance at beginning of year – net carrying amount	–	4 144
Gross carrying amount	7 141	8 288
Impairment allowance	(7 141)	(4 144)
Interest income for the year (refer note 9)	346	581
Lease payments made by sublessee directly to lessor during the year (refer note 28)	(1 597)	(1 996)
Effect of foreign exchange fluctuations	–	268
Current year impairment reversal/(allowance)	8 263	(2 997)
Write off	(7 012)	–
Balance at end of year – net carrying amount	–	–
Gross carrying amount	–	7 141
Impairment allowance	–	(7 141)

The group had previously leased the premises of a restaurant in Australia (Apache Spur – refer note 28) which it in turn sublet to the franchisee of the restaurant in question. The lease between the group and the franchisee was classified as a finance lease. The group had recognised a lease liability in respect of the lease with the landlord and a corresponding lease receivable from the franchisee. Following the commencement of liquidation proceedings of the sublessee during the year, the group has formally written off the lease receivable. An allowance for ECLs for the full receivable had been raised in previous years as a result of regular non-compliance with the sublease and has been reversed against the actual credit loss in the current year.

Maturity analysis

The undiscounted lease payments to be received after the reporting date are shown below:

	2020 R'000
Less than one year	2 164
One to three years	4 524
More than three years	1 760
Total undiscounted lease receivable at end of year	8 448
Unearned finance income	(1 039)
Effect of foreign exchange fluctuations	(268)
Carrying amount of lease receivable before impairment	7 141
Impairment allowance	(7 141)
Net carrying amount of lease receivable at end of year	–

18. 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
2021					
Accruals	164	27	–	–	191
Contract liabilities	9 467	(1 084)	(407)	–	7 976
Lease receivable	1 025	(984)	(41)	–	–
Income received in advance	1 201	(765)	(20)	–	416
Intangible assets	(67 629)	–	–	–	(67 629)
Inventory	–	167	–	–	167
Lease liabilities	21 670	(10 211)	(1)	–	11 458
Leave pay accrual	1 329	800	(7)	–	2 122
Leave pay receivable	(240)	223	–	–	(17)
Long-term employee benefits	1 002	3 116	–	307	4 425
Prepaid expenses	(1 161)	421	–	–	(740)
Property, plant and equipment	167	(99)	–	–	68
Right-of-use assets	(20 808)	11 755	–	–	(9 053)
Short-term employee incentives	242	1 067	–	–	1 309
Trade receivables	2 540	(5 058)	(45)	–	(2 563)
Unutilised tax losses	–	332	–	–	332
Total net deferred tax liability	(51 031)	(293)	(521)	307	(51 538)
2020					
Accruals	152	12	–	–	164
Contract liabilities	9 317	(477)	627	–	9 467
Lease receivable	–	899	126	–	1 025
Income received in advance	348	853	–	–	1 201
Intangible assets	(68 198)	569	–	–	(67 629)
Lease liabilities	–	10 950	–	10 720 ²	21 670
Leave pay accrual	1 910	(587)	6	–	1 329
Leave pay receivable	–	(240)	–	–	(240)
Long-term employee benefits	1 228	(573)	–	347 ³	1 002
Marketing fund surplus	(2 035)	2 035	–	–	–
Operating lease liability	754	–	–	(754) ²	–
Prepaid expenses	(975)	(186)	–	–	(1 161)
Property, plant and equipment	(199)	366	–	–	167
Right-of-use assets	–	(9 924)	–	(10 884) ²	(20 808)
Short-term employee incentives	3 506	(3 264)	–	–	242
Trade receivables	847	1 630	63	–	2 540
Total net deferred tax liability	(53 345)	2 063	822	(571)	(51 031)

¹ Relates to foreign currency translation differences for foreign operations.

² Arises on initial adoption of IFRS 16 – Leases in the prior year.

³ Refer note 11.4.

18. DEFERRED TAX continued

R'000	Deferred tax asset		Deferred tax liability	
	2021	2020	2021	2020
The deferred tax asset/(liability) comprises deductible/(taxable) temporary differences relating to:				
Accruals	–	–	191	164
Contract liabilities	2 623	3 428	5 353	6 039
Lease receivable	–	1 025	–	–
Income received in advance	292	–	124	1 201
Intangible assets	–	–	(67 629)	(67 629)
Lease liabilities	2 521	8 629	8 937	13 041
Leave pay accrual	103	198	2 019	1 131
Leave pay receivable	–	–	(17)	(240)
Long-term employee benefits	–	–	4 425	1 002
Inventory	–	–	167	–
Prepaid expenses	(22)	(81)	(718)	(1 080)
Property, plant and equipment	275	370	(207)	(203)
Right-of-use assets	(1 993)	(8 341)	(7 060)	(12 467)
Short-term employee incentives	20	242	1 289	–
Trade receivables	169	711	(2 732)	1 829
Unutilised tax losses	–	–	332	–
	3 988	6 181	(55 526)	(57 212)

19. INVENTORIES

	2021 R'000	2020 R'000
Raw materials	3 264	2 955
Packaging	666	879
Finished goods	7 688	12 314
Total inventories	11 618	16 148

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.

20. TAX RECEIVABLE

	2021 R'000	2020 R'000
Withholding tax credits	3 893	5 783
Prepayment of income tax relating to tax query 2004-2009 Share incentive scheme query (refer note 46.1)	22 034	22 034
(Deficit)/excess of provisional tax payments relative to estimated taxable income of subsidiaries with net tax receivables	(759)	256
Total tax receivable at end of year	25 168	28 073

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

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

Total withholding tax credits available to SRIBV at the reporting date amounted to R29.616 million (2020: R31.550 million), in respect of which an asset of R3.893 million (2020: R5.783 million) has been recognised and no asset has been recognised for the remaining balance of R25.723 million (2020: R25.737 million).

21. TRADE AND OTHER RECEIVABLES

	2021 R'000	2020 R'000
Gross trade receivables	79 042	52 052
Impairment allowance	(6 896)	(9 614)
Opening impairment allowance	(9 614)	(3 821)
Reduction/(increase) in impairment allowance for the year	2 968	(5 904)
Effect of foreign exchange fluctuations	(250)	111
Net trade receivables	72 146	42 438
Insurance receivable	14 773	–
Prepayments	5 466	6 685
Deposits	1 038	2 083
Employee loans (net of impairment allowance)	55	81
VAT and other indirect taxes receivable	439	2 937
Leave pay receivable	61	901
Other	–	494
Total trade and other receivables	93 978	55 619

Trade receivables include receivables from related parties of R2.686 million (2020: R1.123 million) that arise in the ordinary course of business in respect of the transactions recorded in note 44. No individual receivable is significant and the terms of the receivables are the same as those for receivables with parties who are not related.

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 42.3.1 for more details on accounting for ECLs.

The insurance receivable relates to the business interruption insurance proceeds received (subsequent to the reporting date) as compensation for COVID-19-related loss of profits attributable to the group's retail company stores (refer note 7).

The decline in deposits relates primarily to an amount of R0.937 million which was a cash deposit pledged as security against the lease liability relating to the Apache Spur in Australia (refer note 28). The deposit was appropriated by the landlord upon cancellation of the lease, and accordingly written off to profit or loss, during the year.

The leave pay receivable arises from negative leave balances of employees, which resulted from employees being required to take a portion of the COVID-19 lockdown period in the prior year as leave if they were unable to work from home.

22. CONTINGENT CONSIDERATION RECEIVABLE/(LIABILITY)

	2021 R'000	2020 R'000
The movement in the receivable/(liability) during the year was as follows:		
Balance at beginning of year	2 966	(1 011)
Fair value adjustment recognised in profit before income tax	901	4 283
Reversal of/(impairment) allowance	180	(306)
Balance at end of year	4 047	2 966
Current portion included in current assets	4 047	4 555
Gross receivable	4 173	4 861
Impairment allowance	(126)	(306)
Non-current portion included in non-current liabilities	–	(1 589)

Maturity analysis

The undiscounted cash flows arising after the reporting date relating to the contingent consideration are shown below:

	2021 R'000	2020 R'000
Less than one year	4 229	4 933
More than one year	–	(1 952)
Total undiscounted cash flows at end of year	4 229	2 981

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

Subsequent to the acquisition date, the parties agreed to deem the partial refunds of the purchase consideration due to the group on the first and second anniversaries of the effective date (31 July 2019 and 31 July 2020 respectively) to be Rnil.

As at the reporting date, the total expected purchase consideration had decreased to R0.771 million (2020: R2.020 million), largely as a result of the negative impact of COVID-19 on the performance of the business in the current and prior years. The group is accordingly entitled to a refund of an estimated R4.229 million on the third anniversary of the transaction, being 31 July 2021. A receivable for the present value of this refund has therefore been recognised, net of an impairment allowance for ECLs. The current year fair value adjustment arises as a result of the reduced gross contingent consideration and an adjustment for the time value of money.

22. CONTINGENT CONSIDERATION RECEIVABLE/(LIABILITY) continued

Fair value measurement

The fair value is based on the expected aggregate purchase consideration payments, discounted to present value using a discount rate of 19.06% (2020: 21.05%), being the weighted average cost of capital of the company, adjusted for risk factors specific to Nikos.

The expected purchase consideration payments were determined by considering various possible scenarios, and the probability of each scenario, taking into consideration:

- the expected restaurant rollout plan, the average turnover of new outlets, and the anticipated growth in restaurant turnover of existing outlets;
- the expected human resources requirement to support the restaurant base; and
- inflationary increases in anticipated costs.

The receivable is designated as a level 3 financial instrument in terms of the fair value hierarchy (refer note 3.2.2) as inputs into the valuation model are not based on observable market data. However, given the short-term nature of the receivable, any changes in key variables used in determining the fair value are unlikely to have a significant impact on either profit or loss or the carrying amount of the receivable.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2021 R'000	2020* R'000
Cash and cash equivalents		
Current, call and short-term deposit accounts	260 870	165 352
Restricted cash	11 998	8 671

* Restated. Refer note 41.

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.

24. CAPITAL AND RESERVES

		Number of shares			
		2021 '000	2020 '000	2021 R'000	2020 R'000
24.1	Ordinary share capital				
	Authorised				
	Ordinary shares of 0.001 cents each	201 000	201 000	2	2
	Issued and fully paid				
	In issue at beginning of year	90 997	108 481	1	1
	Repurchase and cancellation of shares by the company	–	(10 848)	–	–
	Cumulative shares repurchased by subsidiaries	(596)	(7 232)*	–	–
	Cumulative shares held by The Spur Management Share Trust (consolidated structured entity)	(5 933)	(5 933)	–	–
	Cumulative shares held by The Spur Foundation Trust (consolidated structured entity)	(500)	(500)	–	–
	In issue at end of year	83 968	83 968	1	1

* Includes 6 635 901 shares previously repurchased by a subsidiary and cancelled during the prior year.

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.

24.2 Shares repurchased

Shares repurchased by the company during the prior year

During the prior year, at a meeting of shareholders on 25 September 2019, shareholders approved the repurchase and cancellation of 10 848 093 shares in the company (the GPI Shares) previously issued to a subsidiary of Grand Parade Investments Ltd in October 2014 as part of a broad-based black economic empowerment transaction, as well as the repurchase and cancellation of 6 635 901 treasury shares (the Buy-back Shares) previously acquired by the group. The transactions were implemented with effect from 15 October 2019. The purchase consideration of the GPI Shares was R260.354 million.

The total legal and advisory costs, regulatory fees, and securities transfer tax relating to the transactions amounted to R2.806 million. Of this amount, R2.702 million was charged directly against equity (retained earnings) as it related to the transaction for the company to reacquire its own shares, and R0.104 million was charged to profit or loss, in the prior year.

During the prior year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 110 000 Spur Corporation Ltd shares at an average cost of R26.87 per share, totalling R2.956 million, following the sale of the 6 635 901 shares to the company referred to above and their subsequent cancellation.

In addition, a wholly-owned subsidiary of the company, Spur Group (Pty) Ltd, acquired 231 787 shares to be held in escrow on behalf of participants of the Spur Group Forfeitable Share Plan (refer note 24.4), at a cost of R6.218 million from The Spur Management Share Trust, while, in terms of the same plan, 137 000 shares were vested with participants (refer note 24.4).

At the reporting date, the group owned 595 587 (2020: 595 587) 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 24.4) and those held by The Spur Foundation Trust, a consolidated structured entity. At the reporting date, the entities in question held 7 028 698 (2020: 7 028 698) of the company's shares in aggregate.

24. CAPITAL AND RESERVES continued

24.3 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.

24.4 Share-based payments reserve

The share-based payments reserve relates to the two equity-settled share incentive schemes for managers and directors, approved by shareholders at the annual general meeting of 4 December 2015: the Spur Group Forfeitable Share Plan (FSP) and Spur Group Share Appreciation Rights (SAR) Scheme. Shareholders authorised the use of the company's shares held by The Spur Management Share Trust (consolidated structured entity) for the purposes of the schemes.

Cumulative share-based payments expense	2021 R'000	2020 R'000
Balance at beginning of year	3 473	4 400
Share-based payments expense for the year	1 278	2 228
FSP – tranche 2	–	798
FSP – tranche 3	1 004	990
SAR – tranche 3	–	(1 429)
FSP – tranche 4	1 320	823
SAR – tranche 4	(1 046)	1 046
Transfer to retained earnings on vesting of shares/rights	–	(3 155)
Balance at end of year	4 751	3 473
Comprising:		
FSP – tranche 3	2 608	1 604
FSP – tranche 4	2 143	823
SAR – tranche 4	–	1 046

24. CAPITAL AND RESERVES continued

24.4 Share-based payments reserve continued

Number of shares/rights in issue	2021		2020	
	FSP shares	SAR rights	FSP shares	SAR rights
Balance at beginning of year	422 347	6 050 224	338 800	5 382 302
Granted during the year	–	–	231 787	2 899 115
Forfeited during the year	(6 000)	(1 009 732)	(11 240)	(2 231 193)
Vested during the year	–	–	(137 000)	–
Balance at end of year	416 347	5 040 492	422 347	6 050 224
Comprising:				
Tranche 3	196 200	2 655 406	196 200	3 151 109
Tranche 4	220 147	2 385 086	226 147	2 899 115

The terms of each tranche are as follows:

FSP	Tranche 2	Tranche 3	Tranche 4
Date of grant	3 April 2017	26 November 2018	26 November 2019
Number of shares awarded	159 000	209 800	231 787
Strike price per share (R)	–	–	–
Initial vesting date	2 April 2020	25 November 2021	25 November 2022
Date from which shares may be traded	1 April 2022	24 November 2023	22 November 2024
	3 years from grant date	3 years from grant date	3 years from grant date
Service condition	None	Personal performance	Personal performance
Performance conditions	23.03	15.35	18.29
Grant-date fair value per share (R)			
Proportion of shares expected to vest as assessed at reporting date (based on number of employees expected to meet service condition) (%)	N/A	93.5	95.0
Number of shares that vested	137 000	N/A	N/A

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

The shares awarded during the prior year were existing treasury shares held by a consolidated structured entity, The Spur Management Share Trust. Costs and capital gains tax associated with the transfer amounted to:

	2020 R'000
Costs on inter-company transfer of treasury shares	75
Current tax on inter-company transfer of treasury shares	823
Total costs charged to equity	898

24. CAPITAL AND RESERVES continued

24.4 Share-based payments reserve continued

SAR	Tranche 2	Tranche 3	Tranche 4
Date of grant	3 April 2017	26 November 2018	26 November 2019
Number of rights awarded	2 619 226	3 189 176	2 899 115
Strike price per right (R)	33.15	23.13	27.01
Initial vesting date	2 April 2020	25 November 2021	25 November 2022
Date from which shares may be traded	1 April 2022	24 November 2023	22 November 2024
Service conditions	3 years from grant date	3 years from grant date	3 years from grant date
Performance conditions	Return on equity and growth in adjusted headline earnings per share.	Return on equity, growth in adjusted headline earnings per share and personal performance.	Return on equity, growth in adjusted headline earnings per share and personal performance.
Grant-date fair value per right (R)	5.36	4.91	5.96
Proportion of rights expected to vest as assessed at reporting date (based on number of employees expected to meet service condition) (%)	N/A	83.3	82.3
Proportion of rights expected to vest based on meeting of non-market performance conditions (%)	N/A	–	–
No. of rights that vested	–	N/A	N/A

The value of each share appreciation right, determined as the difference between the 10-day volume-weighted average share price of the company's shares at the initial vesting date and the strike price, is to be settled by the issue of an equivalent number of full value shares at the initial vesting date. The 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 initial vesting date.

Performance conditions applicable to SARs:	Tranche 3		Tranche 4	
	Criteria	Vesting (%)	Criteria	Vesting (%)
Return on equity (%)	12.75 to 17.25	0 to 100	14.45 to 19.55	0 to 100
Adjusted headline earnings per share growth at compounded annual growth rate (%)	CPI to CPI+6	33 to 100	CPI to CPI+6	33 to 100

Fair value measurement

The grant-date fair values of the FSP shares and SAR Scheme rights were determined at the grant date by an independent external professional financial instruments specialist using the Black-Scholes European Call Option pricing model, based on the following assumptions:

	Tranche 2	Tranche 3	Tranche 4
Risk-free rate (based on R186 South African Government bond) (%)	7.5	7.5	7.4
Expected dividend yield (based on historic dividend yield over historic period equivalent to vesting period) (%)	4.8	5.5	5.1
Expected volatility (based on historic volatility over historic period equivalent to vesting period) (%)	32.4	39.0	38.7
Liquidity discount due to trade restriction (5 years in the case of FSP) (%)	13.7	19.6	19.6
Liquidity discount due to trade restriction (2 years in the case of SAR) (%)	7.0	7.0	7.0

Dilution

The FSP forfeitable shares granted resulted in 284 881 (2020: 282 191) dilutive potential ordinary shares for the year (refer note 12.2). As the performance conditions of the SAR Scheme rights, as assessed at the reporting date, had not been met to result in any vesting of the rights, no adjustment has been made to the dilutive weighted average number of shares in issue in respect of these contingently issuable shares.

25. 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	
			2021 %	2020 %
RocoMamas Franchise Co (Pty) Ltd	South Africa	South Africa Franchise – RocoMamas	30	30
Opilor (Pty) Ltd	South Africa	South Africa Retail company stores	32	32
Green Point Burger Joint (Pty) Ltd	South Africa	South Africa Retail company stores	10	10
The Spur Foundation Trust	South Africa	South Africa shared services	100	100
Nikos Franchise (Pty) Ltd	South Africa	South Africa Franchise – Nikos	49	49

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.

2021						
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
Revenue	36 213	12 574	7 721	1 714		
Profit/(loss) and total comprehensive income	17 880	4 725	(996)	439		
Profit/(loss) and total comprehensive income attributable to NCI	5 364	1 512	(99)	215	(315)	6 677
Current assets	21 186	8 004	554	1 587		
Non-current assets	7 680	13 668	11 251	517		
Current liabilities	(2 443)	(2 355)	(4 240)	(845)		
Non-current liabilities	(4 844)	(5 991)	(8 632)	(679)		
Net assets/(liabilities)	21 579	13 326	(1 067)	580		
Carrying amount of NCI	6 474	4 265	(107)	284	2 398	13 314
Cash flows from operating activities	10 859	2 565	42	402		
Cash flows from investing activities	(291)	(247)	(35)	(125)		
Cash flows from financing activities	80	(760)	(212)	227		
Net increase/(decrease) in cash and cash equivalents	10 648	1 558	(205)	504		
Dividends paid to NCI during the year	1 800	–	–	–	–	1 800

25. NON-CONTROLLING INTERESTS continued

	2020					
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
Revenue	33 000	15 488	8 440	2 507		
Profit/(loss) and total comprehensive income	14 976	234	(1 136)	(1 511)		
Profit/(loss) and total comprehensive income attributable to NCI	4 493	(532)	(114)	(819)	705	3 733
IFRS 16 adjustment on initial application taken to retained earnings	–	304	22	–	–	326
Current assets	8 640	895	630	978		
Non-current assets	7 631	15 679	12 415	133		
Current liabilities	(1 745)	(1 315)	(4 155)	(615)		
Non-current liabilities	(4 829)	(6 658)	(8 962)	(355)		
Net assets/(liabilities)	9 697	8 601	(72)	141		
Carrying amount of NCI	2 910	2 753	(8)	69	2 713	8 437
Cash flows from operating activities	(2 758)	174	977	(390)		
Cash flows from investing activities	(805)	(539)	(581)	(208)		
Cash flows from financing activities	(216)	(563)	(959)	326		
Net decrease in cash and cash equivalents	(3 779)	(928)	(563)	(272)		
Dividends paid to NCI during the year	5 640	562	–	–	–	6 202

26. EMPLOYEE BENEFITS

	2021 R'000	2020 R'000
Retirement benefit payable to former director		
Accrual charged to profit or loss	8 502	–
Interest charged to profit or loss	302	–
Set off of loan to former director (refer note 16.9)	(2 200)	–
Balance at end of year	6 604	–
Current portion included in current liabilities	4 300	–
Long-term portion included in non-current liabilities	2 304	–

In July 2020, the group concluded a mutual separation agreement with former group CEO, Pierre van Tonder, in terms of which Mr Van Tonder retired as the group CEO and executive director of the company with effect from 31 December 2020, after 38 years of service of which 24 was as group CEO. Mr Van Tonder's employment agreement provided for a six-month notice period and 24-month restraint of trade. The group accordingly agreed to pay Mr Van Tonder his monthly salary of R516 615 (total guaranteed remuneration) per month for the months of January 2021 to June 2021, amounting to R3.1 million in aggregate, which is included in profit or loss for the current year.

In terms of the mutual separation agreement, a further amount of R9.3 million (the equivalent of 18 months' guaranteed remuneration) was to be paid to Mr Van Tonder from July 2021 in 18 equal monthly instalments and was linked to Mr Van Tonder's compliance with his restraint, and other material, provisions of the mutual separation agreement. Mr Van Tonder was entitled to retain any long-term share-linked incentive allocations granted to him as at the date the mutual separation agreement was concluded. Mr Van Tonder passed away on 9 May 2021. The restraint of trade period would have terminated on 31 December 2022. An accrual equivalent to the present value of the R9.3 million has been recognised in the current year. The group had previously advanced a loan to Mr Van Tonder, the outstanding balance of which was, in terms of the mutual separation agreement, set off against the payments due to Mr Van Tonder by the company at 30 June 2021.

27. CONTRACT LIABILITIES

	2021 R'000	2020 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	35 150	33 271
New contracts concluded	3 348	5 776
Total recognised in profit or loss as revenue during the year	(7 356)	(6 287)
Revenue recognised over time	(5 824)	(4 559)
Revenue recognised due to accelerated recognition on early termination of contract	(1 532)	(1 728)
Effect of foreign exchange fluctuations	(1 622)	2 390
Balance at end of year	29 520	35 150
Current portion included in current liabilities	4 749	5 808
Non-current portion included in non-current liabilities	24 771	29 342

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, is recognised in profit or loss immediately.

28. LEASE LIABILITIES

	2021 R'000	2020 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	52 948	45 988
New leases concluded during the year (refer note 14)	342	17 232
Amounts recognised in profit or loss	(6 050)	4 095
Interest expense (refer note 9)	4 441	5 245
Derecognition on early termination of leases (refer notes 7 and 8)	(9 845)	(393)
Reduction in lease liabilities relating to COVID-19 rent concessions (refer note 7)	(646)	(757)
Lease payments during the year	(11 183)	(12 996)
Lease payments made by sublessee directly to lessor during the year (refer note 17)	(1 597)	(1 996)
Re-measurement of lease liability (refer note 14)	6 974	(965)
Effect of foreign exchange fluctuations	(230)	1 590
Balance at end of year	41 204	52 948
Current portion included in current liabilities	7 514	13 208
Non-current portion included in non-current liabilities	33 690	39 740

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

The property leases range from five to ten years, subject to renewal periods of a further five years in certain cases. These renewal periods have been included in the determination of the lease periods, and therefore in determining the lease liabilities, as the group is likely to exercise the options to extend the leases. 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 had previously concluded a lease for a retail property for the Apache Spur in Australia, which it previously sublet to a franchisee in Australia. A lease liability and corresponding lease receivable were therefore recognised in respect of the head lease and sublease respectively. In terms of the sublease, the franchisee previously settled the lease payments directly to the landlord. Any reduction in the lease receivable arising from rental payments was previously recognised as a reduction in the corresponding lease liability. Refer note 17 for details of the lease receivable relating to the sublease. The landlord terminated the head lease on 17 February 2021 due to non-payment by the sublessee who had commenced liquidation proceedings earlier during the financial year. Consequently, the group has derecognised the lease obligation (amounting to R7.012 million), but has raised a corresponding provision for the full gross amounts due in terms of the lease from the date of termination to the expiration of the original lease (refer note 32).

The remaining balance of the derecognition of leases relates predominantly to the early termination of the leases of parts of the premises rented for the group's Johannesburg corporate offices, while the re-measurement relates to the extension of the leases of the remaining parts of the premises as explained in note 14.

Lease payments in foreign currencies have been translated into rands at the exchange rates prevailing at the reporting date.

The group received rent concessions for certain of its retail company stores during the current and previous financial years due to COVID-19. The group has elected to apply the practical expedient permitted by IFRS 16 which allows the group to account for the change in lease payments in profit or loss, and not as a modification of the lease contract.

28. LEASE LIABILITIES continued

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

	2021 R'000	2020 R'000
The following amounts have accordingly been recognised in profit or loss as incurred:		
Low-value leases	9	66
Short-term leases	–	119
Variable lease payments	322	–
	331	185
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	(7 088)	(8 335)
Interest expense paid included in cash flows from operating activities	(4 095)	(4 661)
	(11 183)	(12 996)
Maturity analysis		
The undiscounted lease payments to be made after the reporting date are shown below:		
Payments due within one year	10 886	15 539
Payments due within one to three years	15 694	24 747
Payments due after three years	27 794	28 154
Total undiscounted lease liabilities at end of year	54 374	68 440

29. TAX PAYABLE

	2021 R'000	2020 R'000
Current tax payable	2 467	2 229
Withholding tax payable	4 305	–
Balance at end of year	6 772	2 229

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.

30. TRADE AND OTHER PAYABLES

	2021 R'000	Restated 2020* R'000
Trade payables	29 876	23 801
Income received in advance	1 857	7 761
Short-term employee benefits	13 043	6 587
Short-term profit share incentive scheme (refer note 30.1)	–	–
Leave pay and other short-term employee benefits	13 043	6 587
VAT and other indirect taxes payable	8 817	2 980
Unredeemed gift vouchers	6 849	7 940
Other sundry payables	480	641
Total trade and other payables	60 922	49 710

* Restated. Refer note 41.

Income received in advance in the current year comprises predominantly initial franchise fee receipts where the related franchise agreement has not been signed as at the reporting date, while the prior year comprises largely upfront payments by franchisees in respect of export sales orders.

The increase in leave pay and other short-term employee benefits arises in part from the fact that employees who were unable to work during the COVID-19 lockdown period in the prior year were required to take half of the time off as leave resulting in a decline in the liability for leave pay in the prior year; these leave balances were partially reinstated during the current year following compensation received by the company from the South African government's TERS (Temporary Employer/Employee Relief Scheme) benefit. In addition, in the prior year, no accrual was raised in respect of 'thirteenth cheque' bonuses as the board had resolved not to declare a thirteenth cheque bonus as part to the group's COVID-19 austerity measures. An accrual has been raised for half a thirteenth cheque bonus for those who would ordinarily qualify for such a bonus in the current year.

30.1 Short-term profit share incentive scheme

Balance at beginning of year	–	7 302
Payment in respect of prior year incentive	–	(7 082)
Recognised in profit before income tax	–	(220)
Balance at end of year	–	–

The accrual for the short-term profit share incentive scheme is determined in accordance with the rules of the scheme approved by the group's remuneration committee. Each participant's incentive is determined with reference to their guaranteed remuneration, divisional performance, group performance and individual performance, subject to certain limits. No accruals were raised in respect of both the current and previous financial years as the group's performance, impacted by COVID-19, has resulted in a suspension of the scheme.

31. LOANS PAYABLE

	2021 R'000	2020 R'000
Loans from non-controlling shareholders	196	196

The loans were advanced in the prior year by the minority shareholders of subsidiary, Nikos Franchise (Pty) Ltd. The loans are unsecured and repayable on demand. Provided that the loans are in proportion to the respective shareholders' shareholding in the subsidiary in question, the loans are interest free.

32. PROVISION FOR LEASE OBLIGATION

	2021 R'000	2020 R'000
Provision raised charged to profit or loss	7 677	–
Effect of foreign exchange fluctuations	(502)	–
Balance at end of year	7 175	–

As detailed in notes 17 and 28, the landlord of the former Apache Spur premises in Australia has cancelled the head lease concluded with the group relating to this 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, the premises remain vacant, and a provision has accordingly been raised for the total gross value of the remaining lease payments over the term of the lease. The timing and amount of the potential cash outflows are uncertain as at the reporting date.

33. DIVIDENDS

	2021 R'000	2020 R'000
Final 2019 – dividend of 73.0 cents per share	–	79 191
Interim 2020 – dividend of 78.0 cents per share	–	70 978
Total dividends to equity holders	–	150 169
Dividends external to the group are reconciled as follows:		
Gross dividends declared by the company	–	150 169
Dividends received on the company's shares held by the group	–	(15 478)
Total dividends declared by the company external to the group	–	134 691
Dividends declared by subsidiaries to non-controlling shareholders	1 800	6 202
Total dividends external to the group	1 800	140 893
Shareholders for dividends	66 257	66 257

The interim 2020 dividend was declared on 26 February 2020 and was due to be paid on 6 April 2020. Following the outbreak of COVID-19 and the potential impact of long-term trading restrictions on the group's cash reserves, the board advised shareholders on 30 March 2020 that payment of the dividend would be deferred until 5 October 2020. Shareholders were further advised on 3 September 2020 that payment of the interim 2020 dividend had been further deferred as the board was not able to conclude that, in the event the dividend was to be paid on 5 October 2020, the company would meet the liquidity and solvency requirements of the Companies Act under all reasonably foreseeable future conditions for a period of 12 months following the payment date of the dividend. Shareholders were advised at the time of releasing interim results for the six months ended 31 December 2020 on 2 March 2021 that the board had reached a similar conclusion as a result of the continuing impact of COVID-19 on the business and had deferred a decision on the payment of the interim 2020 dividend until September 2021. At its meeting on 22 September 2021, the board resolved to proceed with payment of the interim 2020 dividend on Monday, 25 October 2021.

34. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	2021 R'000	2020 R'000
Profit before income tax	148 239	127 774
Adjusted for:		
Amortisation – intangible assets (refer note 15)	970	902
Depreciation (refer notes 13 and 14)	20 569	23 411
Expenses charged directly to equity (retained income) (refer note 24.4)	–	(75)
Fair value gain on contingent consideration receivable/liability (refer note 22)	(901)	(4 283)
Foreign exchange loss (excluding losses/gains on intercompany accounts)	555	603
Foreign currency translations not disclosed elsewhere in the statement of cash flows	(1 396)	3 919
Gain on rent concession (refer note 28)	(646)	(757)
Impairment losses – financial instruments and lease receivable (refer note 8)	(2 523)	2 805
Impairment of intangible assets and goodwill (refer note 15)	–	5 754
Impairment of property, plant and equipment (refer note 13)	–	1 322
Interest expense	4 765	5 302
Interest income	(8 273)	(19 336)
(Gain)/loss on derecognition of lease	(7 069)	35
Derecognition of lease liabilities on early termination (refer note 28)	(9 845)	(393)
Derecognition of right-of-use assets on early termination of leases (refer note 14)	2 776	428
Marketing fund (surplus)/deficit allocated to restricted cash (refer note 23)	(3 435)	13 574
Movement in bonus and leave pay accruals	7 313	(15 315)
Movement in contract liabilities (refer note 27)	(4 008)	(511)
Provision for lease obligation (refer note 32)	7 677	–
Profit on disposal of property, plant and equipment	(131)	(259)
Reclassification of foreign currency loss from other comprehensive income to profit, on abandonment of foreign operations	–	248
Retirement benefit accrued, but not paid (refer note 26)	8 502	–
Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 24.4)	1 278	2 228
Share of loss of equity-accounted investee (net of income tax) (refer note 10)	–	463
Operating profit before working capital changes	171 486	147 804
35. WORKING CAPITAL CHANGES		
Decrease/(increase) in inventories	4 530	(5 849)
(Increase)/decrease in trade and other receivables	(38 843)	44 249
Increase/(decrease) in trade and other payables	4 531	(8 271)*
Working capital changes	(29 782)	30 129

* Restated. Refer note 41.

36. INTEREST INCOME RECEIVED

	2021 R'000	2020 R'000
Interest income received is reconciled to the amount recognised in profit before income tax as follows:		
Interest accrued but not received at beginning of year	–	37 883
Interest income	8 273	19 336
Interest income on lease receivable relating to sublease, not received in cash (refer note 17)	(346)	(581)
Interest income on loan receivables, not received in cash	(366)	–
Interest income received	7 561	56 638

37. INTEREST EXPENSE PAID

Interest expense paid is reconciled to the amount recognised in profit before income tax as follows:		
Interest expense	4 765	5 302
Interest expense on lease liability relating to sublease, not paid in cash (refer note 17)	(346)	(581)
Interest expense on employee liability, not paid in cash (refer note 26)	(302)	–
Interest expense paid	4 117	4 721

38. TAX PAID

Tax paid is reconciled to the amount recognised in profit or loss as follows:		
Net amount receivable at beginning of year	25 844	35 543
Current and withholding tax charged to profit or loss (refer note 11.1)	(48 187)	(59 180)
Current tax charged to equity (refer note 11.4)	(21)	(823)
Effect of foreign exchange fluctuations	(311)	(3 106)
Net amount receivable at end of year	(18 396)	(25 844)
Tax paid	(41 071)	(53 410)

39. 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	(66 257)	(714)
Total dividends external to the group (refer note 33)	(1 800)	(140 893)
Amount payable at end of year	66 257	66 257
Dividends paid	(1 800)	(75 350)

40. PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Carrying amount of property, plant and equipment disposed of (refer note 13)	–	333
Profit on disposal of property, plant and equipment	131	259
Proceeds from disposal of property, plant and equipment	131	592

41. CORRECTION OF ERROR

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

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

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

The value of unredeemed gift cards was erroneously set off against the corresponding balance of the dedicated bank account used by the outsourced service provider to fund the gift card redemptions, and the net balance recorded as cash and cash equivalents in all previously reporting periods.

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

The *statements of financial position* as at 1 July 2019 and 30 June 2020 have been restated to correctly reflect the value of unredeemed gift cards as a liability, and to reflect the cash balances equivalent to the aggregate value of all unredeemed gift vouchers as restricted cash. The *statement of cash flows* for the prior year ended 30 June 2020 has been restated to reflect the correct movement in the liability for unredeemed gift vouchers and cash that is not restricted cash.

The restatements had no impact on the consolidated statements of profit or loss and other comprehensive income previously reported.

The impact of the restatements referred to above are listed below:

Extract from consolidated statements of financial position

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

R'000	As at 1 July 2019 as previously reported*	Correction of gift vouchers	Restated as at 1 July 2019
ASSETS			
Current assets			
Restricted cash	14 305	3 704	18 009
Cash and cash equivalents	283 979	(2 121)	281 858
Total current assets	558 158	1 583	559 741
TOTAL ASSETS	1 077 674	1 583	1 079 257
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	66 611	1 583	68 194
Total current liabilities	81 466	1 583	83 049
TOTAL EQUITY AND LIABILITIES	1 077 674	1 583	1 079 257

* Based on 30 June 2019, after transitional adjustment to IFRS 16 on 1 July 2019.

41. CORRECTION OF ERROR continued

Extract from consolidated statement of cash flows

R'000	Year ended 30 June 2020 as previously reported	Correction of gift vouchers	Restated year ended 30 June 2020
Cash flow from operating activities			
Operating profit before working capital changes	147 804	–	147 804
Working capital changes	29 945	184	30 129
Cash generated from operations	177 749	184	177 933
Interest income received	56 638	–	56 638
Interest expense paid	(4 721)	–	(4 721)
Tax paid	(53 410)	–	(53 410)
Dividends paid	(75 350)	–	(75 350)
Net cash flow from operating activities	100 906	184	101 090
Net cash flow from investing activities	56 497	–	56 497
Net cash flow from financing activities	(274 151)	–	(274 151)
Net movement in cash and cash equivalents	(116 748)	184	(116 564)
Effect of foreign exchange fluctuations	58	–	58
Net cash and cash equivalents at beginning of year	283 979	(2 121)	281 858
Net cash and cash equivalents at end of year	167 289	(1 937)	165 352

42. FINANCIAL INSTRUMENTS

42.1 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 3.2.2). 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.

R'000	Note	Carrying amount			Fair value
		Amortised cost	Financial assets/ liabilities at fair value through profit or loss	Total	Level 3
2021					
Financial assets not measured at fair value					
Loans receivable	16	2 321	–	2 321	
Financial assets included in trade and other receivables ^{&}	21	88 012	–	88 012	
Restricted cash	23	11 998	–	11 998	
Cash and cash equivalents	23	260 870	–	260 870	
		363 201	–	362 201	
Financial asset measured at fair value					
Contingent consideration receivable	22	–	4 047	4 047	4 047
Financial liabilities not measured at fair value					
Financial liabilities included in trade and other payables [#]	30	37 205	–	37 205	
Loans payable	31	196	–	196	
Shareholders for dividend	33	66 257	–	66 257	
		103 658	–	103 658	
Restated 2020*					
Financial assets not measured at fair value					
Loans receivable	16	6 951	–	6 951	
Financial assets included in trade and other receivables ^{&}	21	45 096	–	45 096	
Restricted cash	23	8 671	–	8 671	
Cash and cash equivalents	23	165 352	–	165 352	
		226 070	–	226 070	
Financial asset measured at fair value					
Contingent consideration receivable	22	–	4 555	4 555	4 555
Financial liabilities not measured at fair value					
Financial liabilities included in trade and other payables [#]	30	32 382	–	32 382	
Loans payable	31	196	–	196	
Shareholders for dividend	33	66 257	–	66 257	
		98 835	–	98 835	
Financial liability measured at fair value					
Contingent consideration liability	22	–	1 589	1 589	1 589

* Restated. Refer note 41.

[&] 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.

42. FINANCIAL INSTRUMENTS continued

42.1 Accounting classification and fair values continued

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.

42.2 Measurement of fair values

Financial instruments measured at fair value – level 3: contingent consideration receivable/liability relating to the acquisition of Nikos

The asset/liability for the contingent consideration referred to in note 22 was initially recognised at fair value and is subsequently recognised at fair value at each reporting date. The asset/liability is designated as a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on observable market data.

The fair value is determined based on the expected aggregate purchase consideration payments (which are based on forecast EBITDA), discounted to present value using a risk-adjusted discount rate of 19.1% (2020: 21.1%) at the reporting date, being the weighted average cost of capital specific to the acquired entity. The reduction in the discount rate since the prior year is due to a reduction in the prime overdraft rate of interest during the year, and lower forecasting risk given the short-term nature of the instrument. The expected purchase consideration payments were determined by considering the business's projected EBITDA in various possible scenarios, and the probability of each scenario.

The fair value adjustment included in profit before income tax for the year is a credit of R0.901 million (2020: R4.283 million), and relates largely to changes in the gross contingent consideration and an adjustment for the time value of money during the financial year (including the impact of the reduced discount rate). The changes to the gross contingent consideration are as a result of changes to the forecast EBITDA (refer to note 22).

The significant unobservable inputs are the forecast EBITDA and the risk-adjusted discount rate. Any reasonably likely change in either the forecast EBITDA or risk-adjusted discount rate is not expected to have a material impact on the fair value of the contingent consideration receivable/payable.

42.3 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.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 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	
	2021 R'000	Restated 2020* 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 23)	260 870	165 352
Restricted cash (refer note 23)	11 998	8 671
Financial assets included in trade and other receivables (refer note 21)	88 012	45 096
Loans receivable (refer note 16)	2 321	6 951
Contingent consideration receivable (refer note 22)	4 047	4 555
Total exposure to credit risk – financial instruments	367 248	230 625
Lease receivable (refer note 17)	–	–
Total exposure to credit risk	367 248	230 625
The loss allowances and actual credit losses recognised in profit or loss were as follows:		
(Reversal of)/loss allowance and bad debts on trade and other receivables	(1 193)	6 348
Loss allowance on loans receivable and loan receivables written off	956	5 494
Reversal of loss allowance on loans receivable	(855)	(12 340)
(Reversal of)/loss allowance on contingent consideration receivable	(180)	306
Total reversal of credit losses – financial instruments	(1 272)	(192)
(Reversal of)/loss allowance on lease receivable	(1 251)	2 997
Total (reversal of)/credit losses	(2 523)	2 805

* Restated. Refer note 41.

42. FINANCIAL INSTRUMENTS continued

42.3 Measurement of fair values continued

42.3.1 Credit risk continued

The group has historically calculated the impairment allowance for expected credit losses (ECLs) individually for loan receivables and on an aggregated portfolio basis for trade and other receivables. However, given the significant impact of COVID-19 on the group's business and franchisees, for both the current and prior years, an individual assessment has been performed for each debtor based on conditions the group was aware of at the reporting date. The multiplication method is used to determine 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:

Stage	Description	Criteria	Standard PD	Standard LGD	ECL period
Stage 1	Performing	Substantial compliance with standard credit terms	10% (2020: 15%)	42%	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	25% – 50% (2020: 30% – 50%)	42%	Lifetime
Stage 3	In default/credit-impaired	Not in compliance with extended credit terms and/or contractual payments >90 days past due ²	100%	42% – 50% 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.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 Credit risk continued

In determining PDs, in the absence of historic credit risk ratings at origination of a loan or receivable, or information on the changes in credit risk since origination, the PDs associated with international global credit ratings have been used as a starting point, and are adjusted as appropriate for circumstances specific to the financial asset. The COVID-19 pandemic has had a significant impact on the group and its debtors (trade and loan receivables), although to a lesser extent at the current year reporting date relative to the prior year. This has resulted in less conservative assessments of PDs relative to the prior year. The determination of PDs is detailed below:

Stage 1: Prior to COVID-19, the standard PD rate was benchmarked against the global average default rate for entities with a credit rating of B- (the lowest non-investment grade rating), which was 7.15%. The PD applied in the prior year was double this benchmark, taking into account the detrimental impact of the COVID-19 pandemic on the group's debtors leading up to 30 June 2020. The PD applied in the current year is lower than the prior year based on the past year's experience which has shown a reasonable recovery, but still higher than the benchmark due to the uncertain medium to long-term systemic macroeconomic impact of the pandemic on the local and global economies. Only those franchisees who were actively trading at the respective reporting dates were considered for stage 1, and those franchisees who were not trading at the respective reporting dates were immediately categorised as either stage 2 or stage 3.

Stage 2: Prior to COVID-19, the standard PD was benchmarked against the global average default rate for entities with a credit rating of CCC (which falls in the substantial risk category), which was 20.48%. The PD applied in the prior year was increased relative to the benchmark due to COVID-19; in the current year the PD was reduced, but is still higher than the benchmark for the same reasons as explained above. Although the benchmark is a 12-month PD, it is used as a proxy for the lifetime PD as receivables are amortised and there is no information available to indicate that the 12-month PD is not representative of the lifetime PD. Franchisees who required extended credit terms to address liquidity concerns resulting from COVID-19 have immediately been allocated to stage 2 as the need for extended credit terms indicates a significant increase in credit risk. Provided the approved extended credit terms are complied with, the receivable remains in stage 2.

Stage 3: For financial assets classified as stage 3, the debtor has defaulted on contractual payments (including alternative payment arrangements where applicable) at the reporting date and are therefore assigned a standard PD rate of 100%.

The LGD rate used as a benchmark is based on the Basel Committee guidelines of percentages used by banks and financial institutions in South Africa. Prior to COVID-19, banks and financial institutions have generally used a LGD rate of between 40% and 50% for unsecured corporate exposures globally and between 40% and 45% for unsecured exposures to small and medium sized enterprises locally. Although the group's loans and receivables are typically secured through personal suretyships and other similar arrangements, practically the group is not able to determine the value of this collateral without undue cost or effort. Therefore, for the purpose of calculating ECLs, the group's receivables have been deemed as unsecured and the base LGD rate of 42% determined at the mid-point of the aforementioned range.

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.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 Credit risk continued

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. Such measures include, but are not limited to, assisting with landlord negotiations, granting extended credit terms and assisting in negotiating with financial institutions to restructure debt.

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.

Other non-trade receivable financial assets comprise primarily a receivable from a reputable insurance company with a high credit rating relating to the business interruption insurance claims referred to in note 7.

	Carrying amount	
	2021 R'000	2020 R'000
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:		
Domestic	74 084	47 423
Euro-zone countries	4 283	3 506
Australasia	675	1 123
Total trade receivables (gross carrying amount)	79 042	52 052
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:		
Wholesale customers	9 013	7 272
Franchisees (franchise businesses)	70 029	44 780
Total trade receivables (gross carrying amount)	79 042	52 052

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 Credit risk continued

	2021 R'000	2020 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	9 614	3 821
Current year (reversal of)/impairment losses recognised	(2 968)	5 904
Effect of foreign exchange fluctuations	250	(111)
Balance at end of year	6 896	9 614
Total credit losses in respect of trade and other receivables:		
Current year (reversal of)/impairment losses recognised	(2 968)	5 904
Irrecoverable debts written off (trade receivables)	838	444
Write off of lease deposit	937	–
Total (reversal of)/credit losses	(1 193)	6 348

The decrease in the allowance for ECLs in the current year, notwithstanding that gross receivables have increased relative to prior year, arises due to the fact that:

- the PD rates applied have decreased relative to prior year as explained above; and
- relative to the prior year, the majority of franchisees re-commenced trading early in the current financial year and have complied with normal credit terms granted, resulting in a greater number of debtors being restaged from stage 2 or 3 to stage 1.

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

	2021		2020	
R'000	Gross carrying amount	Impairment allowance	Gross carrying amount	Impairment allowance
Stage 1	69 122	3 231	25 672	1 734
Stage 2	3 821	417	14 525	1 942
Stage 3	6 099	3 248	11 855	5 938
Total trade receivables	79 042	6 896	52 052	9 614

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 16.

The group has advanced a number of loans to franchisees in Australia and New Zealand (refer notes 16.1, 16.2, 16.6, 16.8 and 16.10). Persistent difficult trading conditions, exacerbated by COVID-19, have increased the financial pressure on franchisees in those countries, increasing the risk of default on the loans in question as explained in the respective aforementioned notes.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 Credit risk continued

	2021 R'000	2020 R'000
The maximum exposure to credit risk for loans receivable at the reporting date by geographical region was as follows:		
South Africa	5 532	9 493
Australasia	8 778	14 573
Total gross carrying amounts of loans receivable	14 310	24 066

	2021		2020	
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	1 230	52	3 181	200
Stage 2	1 341	264	2 807	376
Stage 3	11 739	11 673	18 078	16 539
Total loans receivable	14 310	11 989	24 066	17 115

		2021			
	Note	Gross carrying amount R'000	Impairment allowance R'000	PD %	LGD %
The impairment allowances have been determined by categorising the loan receivables in the following way:					
Stage 1					
Franchisees (local)	16.4	1 230	52	10	42
The standard PD and LGD rates have been applied to these loans.					
Stage 2					
Franchisees (local)*	16.4	959	104	25	42
White Cloud Restaurant Pty Ltd	16.10	382	160	100	42
		1 341	264		
Stage 3					
Franchisees (other Australia)	16.2	3 759	3 759	100	100
Hunga Busters Pty Ltd	16.6	4 637	4 637	100	100
KG Holdings Family Trust	16.7	3 212	3 212	100	100
Franchisees (local)	16.4	131	65	100	50
		11 739	11 673		

* These loans comprise certain loans to local franchisees who were granted extended credit terms in response to COVID-19 and who were in compliance with those extended credit terms.

All loans to Australian franchisees have been impaired in full given the significant financial difficulties experienced by these franchisees and the security provided (either personal suretyship by the shareholders of the borrowers or pledge of shares of the borrowers) being valued as negligible.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.1 Credit risk continued

R'000	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime 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	200	376	16 539	17 115
Transfer to lifetime ECL – not credit-impaired	–	456	(456)	–
Current year impairment allowance – loans receivable	(148)	316	713	881
Reversal of impairment allowance – loans receivable	–	(855)	–	(855)
Effect of foreign exchange	–	(29)	(1 123)	(1 152)
Impairment allowance reversed against actual write off	–	–	(4 000)	(4 000)
Balance at end of year	52	264	11 673	11 989

The reduction in the impairment allowance during the year relates primarily to the reversal of the allowance on the loan to Avecor Investments Pty Ltd, which was written off in full during the year.

Guarantees

The group's policy is to provide financial guarantees only to subsidiaries domiciled in South Africa. At 30 June 2021 no material guarantees were outstanding from a group perspective (30 June 2020: Rnil).

42.3.2 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 R11.998 million (2020: R8.671 million), as detailed in note 23, 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 impact of trading restrictions imposed during the current and prior years in response to COVID-19 resulted in a significant and sudden reduction in revenue. However, revenues have generally sustained a positive recovery in the second half of the financial year. The majority of the group's cost base is employment related and therefore generally not considered variable in the short term. While the group sustained cash flow losses for the months of April 2020 to September 2020 at the height of the initial first wave of the pandemic, cash has been generated since then. In an effort to reduce costs, a reduced work week and temporary salary reductions were implemented across the board for the months of June 2020 to September 2020, marketing expenditure was reduced to the absolute minimum and all other discretionary, non-contracted costs were reduced as far as possible. Where practicable, payment holidays or discounted payments were negotiated with suppliers subject to contract. The board is confident that current cash balances and projected cash flows should be sufficient to sustain operations for a period of at least 12 months from the date of this report. Refer note 2 for further analysis of the impact of COVID-19 on the group and going concern considerations.

In response to the liquidity concerns referred to above, the group has deferred payment of its interim 2020 dividend (refer note 33).

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. This decision was taken following the implementation of legislation in South Africa which requires banks to comply with more stringent capital adequacy requirements and which has resulted in South African banks introducing a commitment fee in respect of unutilised credit facilities. 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.

The board and risk committee continue to review group cash flow forecasts regularly to ensure that liquidity is maintained during the pandemic.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.2 Liquidity risk continued

R'000	Carrying amount	Contractual cash flows		
		Total	1 – 12 months	1 – 3 years
The following are the contractual maturities of financial liabilities, including interest payments:				
30 June 2021				
Non-derivative financial liabilities				
Financial liabilities included in trade and other payables	37 205	37 205	37 205	–
Unsecured loans payable	196	196	196	–
Shareholders for dividend	66 257	66 257	66 257	–
30 June 2020				
Non-derivative financial liabilities				
Contingent consideration liability	1 589	1 952	–	1 952
Financial liabilities included in trade and other payables*	32 382	32 382	32 382	–
Unsecured loans payable	196	196	196	–
Shareholders for dividend	66 257	66 257	66 257	–

* Restated. Refer note 41.

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 28.

42.3.3 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 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 imports. The group does not use forward exchange contracts or other derivative contracts for speculative purposes.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.3 Market risk continued

Currency risk continued

Exposure to currency risk

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

	AUD '000	EUR '000
2021		
Assets		
Cash and cash equivalents	4	388
Trade and other receivables	18	173
Loans receivable	21	–
Total assets	43	561
Liabilities		
Trade and other payables	(29)	(18)
Total liabilities	(29)	(18)
Total net exposure	14	543
2020		
Assets		
Cash and cash equivalents	12	213
Trade and other receivables	109	14
Loans receivable	53	–
Total assets	174	227
Liabilities		
Trade and other payables	(32)	(42)
Total liabilities	(32)	(42)
Total net exposure	142	185

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
AUD 1 = R	11.4853	10.4964	10.7339	11.9615
Euro 1 = R	18.3573	17.3244	16.9612	19.5215

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.

42. FINANCIAL INSTRUMENTS continued

42.3 Financial risk management continued

42.3.3 Market risk continued

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 at the reporting date 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 2021		
Variable-rate assets	1 087	782
30 June 2020		
Variable-rate assets	1 409	1 014

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

42.3.4 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 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. No shares will be repurchased until such time as the interim 2020 dividend has been paid, and then only if the group is able to meet the prescribed liquidity and solvency tests.

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 significantly 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.

43. 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	Variable remuneration					Total remuneration included in profit or loss
		Equity compensation benefits ²	Ex gratia bonus ³	Leave pay ⁴	Termination leave ⁵	Retirement benefit ⁶	
2021							
Executive directors and prescribed officer							
<i>For services, as employees, to subsidiary companies</i>							
<i>Directors serving during the year</i>							
Val Nichas ⁷	2 600	–	–	–	–	–	2 600
Cristina Teixeira ⁸	1 792	–	–	–	–	–	1 792
Kevin Robertson ⁹	2 480	(36)	130	–	–	–	2 574
Sacha du Plessis ⁹	1 895	(17)	105	–	–	–	1 983
Pierre van Tonder ¹⁰	2 784	(202)	220	77	–	8 502	11 381
Mark Farrelly ¹¹	1 466	–	–	179	176	–	1 821
Phillip Matthee ¹²	1 736	(99)	135	50	–	–	1 822
Graeme Kiewitz ^{9, 13}	577	(5)	81	–	87	–	740
Total executive directors	15 330	(359)	671	306	263	8 502	24 713
<i>Prescribed officer</i>							
Kevin Robertson ¹⁴	577	(12)	–	–	–	–	565
Total executive directors and prescribed officer	15 907	(371)	671	306	263	8 502	25 278

R'000	Base non-executive director fees ¹⁵	Additional meeting fees – prior year ¹⁶	Additional meeting fees – current year ¹⁷	Non-executive director additional fees ¹⁸	Total remuneration included in profit or loss
2021					
Non-executive directors					
<i>For services, as directors, to the company¹⁹</i>					
<i>Directors serving during the year</i>					
André Parker ⁹	432	–	25	–	457
Cora Fernandez	582	24	116	454	1 176
Jesmane Boggenpoel ⁹	401	–	24	25	450
Lerato Molebatsi ⁹	432	–	4	50	486
Mike Bosman	1 140	15	84	1 050	2 289
Sandile Phillip ⁹	401	–	24	–	425
Shirley Zinn	547	15	88	825	1 475
Dineo Molefe ²⁰	77	24	28	–	129
Mntungwa Morojele ²¹	82	25	28	–	135
Total non-executive directors	4 094	103	421	2 404	7 022
Total remuneration					32 300

Refer to page 95 for footnotes.

43. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS continued

R'000	Guaranteed remuneration ¹	Variable remuneration			Total remuneration included in profit or loss
		Equity compensation benefits ²	Performance bonus ²³	Leave pay ⁴	
2020					
Executive directors and prescribed officer					
<i>For services, as employees, to subsidiary companies</i>					
<i>Directors serving during the year</i>					
Pierre van Tonder	6 096	(18)	502	–	6 580
Mark Farrelly	3 920	4	323	60	4 307
Phillip Matthee	3 190	(15)	263	–	3 438
Total executive directors	13 206	(29)	1 088	60	14 325
<i>Prescribed officer</i>					
Kevin Robertson	2 836	(9)	214	–	3 041
Total executive directors and prescribed officer	16 042	(38)	1 302	60	17 366

R'000	Base non-executive director fees ¹⁵	Total remuneration included in profit or loss
2020		
Non-executive directors		
<i>For services, as directors, to the company¹⁹</i>		
<i>Directors serving during the year</i>		
Cora Fernandez	487	487
Dineo Molefe ²⁰	526	526
Mike Bosman	959	959
Mtungwa Morojele ²¹	561	561
Muzi Kuzwayo ²⁴	213	213
Shirley Zinn	492	492
Total non-executive directors	3 238	3 238
Total remuneration		20 604

The board considers there to be no prescribed officers (as defined in section 1 of the Companies Act) with the exception of Kevin Robertson, who was appointed as a director during the year.

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

Refer to page 95 for footnotes.

43. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS continued

R'000	Guaranteed remuneration ¹	Variable remuneration					Total remuneration included in profit or loss
		Equity compensation benefits ²	Ex gratia bonus ³	Leave pay ⁴	Termination leave ⁵	Retirement lumpsum	
2021							
Senior managers²²							
Senior manager 1	1 222	–	–	183	680	550	2 635
Senior manager 2	2 006	26	81	93	–	–	2 206
Senior manager 3	1 853	13	81	86	–	–	2 033

R'000	Guaranteed remuneration ¹	Variable remuneration			Total remuneration included in profit or loss
		Equity compensation benefits ²	Performance bonus ²³	Leave pay ⁴	
2020					
Senior managers²²					
Senior manager 1	2 467	54	320	37	2 878
Senior manager 2	2 202	–	–	–	2 202
Senior manager 3	2 076	60	323	31	2 490

The following share awards allocated to directors, prescribed officers and senior managers in terms of the equity-settled Forfeitable Share Plan (FSP) vested during the year (refer note 24.4):

Tranche 2	2021 '000	2020 '000
Pierre van Tonder	–	15
Mark Farrelly	–	10
Phillip Matthee	–	5
Kevin Robertson (prescribed officer)	–	10
Senior manager 1	–	5
Senior manager 3	–	5
	–	50

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.

Refer to page 95 for footnotes.

43. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS continued

The following share-linked awards have been allocated to directors, prescribed officers and senior managers in terms of the equity-settled FSP and Share Appreciation Rights (SAR) Scheme and were outstanding as at the reporting date (refer note 24.4):

R'000	FSP shares		SAR rights	
	2021	2020	2021	2020
Executive directors and prescribed officer				
Pierre van Tonder ¹⁰ – tranche 3 ²⁵	–	–	964	964
Pierre van Tonder ¹⁰ – tranche 4 ²⁵	–	–	920	920
Mark Farrelly ¹¹ – tranche 3 ²⁶	–	–	–	496
Mark Farrelly ¹¹ – tranche 4 ²⁶	–	–	–	473
Phillip Matthee ¹² – tranche 3 ²⁷	–	–	403	403
Phillip Matthee ¹² – tranche 4 ²⁷	–	–	385	385
Kevin Robertson – tranche 3	–	–	329	329
Kevin Robertson – tranche 4	5	5	178	178
Sacha du Plessis ⁹ – tranche 3	4	–	161	–
Sacha du Plessis ⁹ – tranche 4	5	–	165	–
	14	5	3 505	4 148
Senior managers²²				
Senior manager 1 – tranche 3	–	4	–	161
Senior manager 1 – tranche 4	–	5	–	165
Senior manager 2 – tranche 3	4	–	61	–
Senior manager 2 – tranche 4	5	–	57	–
Senior manager 3 – tranche 3	5	4	85	61
Senior manager 3 – tranche 4	5	5	97	57
	19	18	300	444
Total awards allocated	33	23	3 805	4 592

Refer to page 95 for footnotes.

43. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS continued

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. In response to the impact of COVID-19 on the group's cash reserves, the group reduced its workweek to four days and reduced salaries of all employees (including executive directors) commensurately by 20% from 1 June 2020 until 30 September 2020.
- ² The equity compensation benefit is the pro rata share-based payments expense (in terms of IFRS 2 – Share-based Payments) attributable to each of the directors or employees. Refer note 24.4.
- ³ An ex gratia bonus payment of 50% of monthly cost to company was paid to all employees (including executive directors) in December 2020, in recognition of the efforts of all employees to trade through COVID-19 lockdown.
- ⁴ The group's HR policies do not typically permit employees to encash leave. However, following the 20% reduction in salaries from 1 June 2020 to 30 September 2020 as part of the group's COVID-19 austerity measures, employees (including executive directors) were permitted to sell up to four days of leave per month back to the company in exchange for cash.
- ⁵ Leave balance on termination of employment settled in cash.
- ⁶ Refer note 26 regarding retirement benefit to the former CEO, Pierre van Tonder. The amount disclosed represents the present value on the date of retirement of the gross value of payments of R9.3m, which is to be settled in instalments from July 2021.
- ⁷ Appointed with effect from 1 January 2021.
- ⁸ Appointed with effect from 1 February 2021.
- ⁹ Appointed with effect from 15 October 2020 (remuneration includes full month of October 2020).
- ¹⁰ Resigned with effect from 31 December 2020.
- ¹¹ Resigned with effect from 31 August 2020.
- ¹² Resigned with effect from 31 January 2021.
- ¹³ Resigned with effect from 18 January 2021 (deceased).
- ¹⁴ Prior to being appointed an executive director (refer footnote 9).
- ¹⁵ Comprises base non-executive director fee per annum plus an additional fee as chair or member per subcommittee on which served; reduced by 20% for the months of June 2020 to September 2020 as part of the group's COVID-19 austerity measures (in line with the salary reduction applied to all salaried employees (including executive directors)).
- ¹⁶ Fees paid to non-executive directors for additional meetings held during the 2020 financial year (refer special resolution 3.1 adopted by shareholders at the AGM of 23 December 2020).
- ¹⁷ Fees paid to non-executive directors for additional meetings held during the 2021 financial year (refer special resolution 3.3 adopted by shareholders at the AGM of 23 December 2020).
- ¹⁸ Fees paid to non-executive directors for additional assignments (as approved by the board) during the 2021 financial year (refer special resolution 3.3 adopted by shareholders at the AGM of 23 December 2020).
- ¹⁹ 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.
- ²⁰ Resigned with effect from 3 September 2020.
- ²¹ Resigned with effect from 1 September 2020.
- ²² Senior managers are the top three earning employees, who are not directors or prescribed officers of the company, in the respective financial years. The composition of these senior managers varies from year to year, although comparatives are not adjusted in this regard.
- ²³ Includes payments during the financial year (relating to performance criteria in respect of the prior year), but excludes accrual for payments due in the subsequent financial year (relating to performance criteria in respect of the current year). Refer note 30.1.
- ²⁴ Retired with effect from 6 December 2019.
- ²⁵ In accordance with the mutual separation agreement concluded with Mr Van Tonder, Mr Van Tonder retained the non-vested FSP shares and SARs awarded to him as at the date of his resignation.
- ²⁶ In accordance with the rules of the respective schemes, upon resignation, Mr Farrelly forfeited all non-vested FSP shares and SARs awarded to him.
- ²⁷ While Mr Matthee resigned as director, he remains as an employee of the group. He has therefore retained the non-vested FSP shares and SARs awarded to him prior to his resignation as a director.

44. RELATED PARTY DISCLOSURES

44.1 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. Note 10 provides detail on a loan to an associate in the prior year. Also refer to note 14 of the separate financial statements on page 122 for guarantees given to subsidiary companies.

44.2 Identity of related parties

A number of the group's directors, previous directors, prescribed officers 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 44.3	Relationship with related party
Kevin Robertson (Spouse)	Clearpan (Pty) Ltd (Panarottis Clear Water Mall) ¹		20% Shareholder
Mark Farrelly ²	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur) ¹		26.5% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa) ¹	10	26% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stoneridge Mall) ^{1,3}	11	0% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur) ¹		20% Shareholder
	White Cloud Restaurant Ltd (White Cloud Spur (New Zealand)) ¹	27	95% Shareholder
Mark Farrelly ² (Brother)	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur) ¹		10% Shareholder
Sacha du Plessis ⁴	Barleda 293 CC (Cancun Spur) ¹		6.25% Member
	Meltrade 286 CC (Casa Bella Grandwest) ¹	14	25% Member
	Meltrade 286 CC (Silver Dollar Spur) ¹	15	25% Member
	Nomivax (Pty) Ltd (The Hussar Grill Grandwest) ¹	20	25% Shareholder
Sacha du Plessis ⁴ (Parent)	Barleda 293 CC (Cancun Spur) ¹		3.12% Member
	Meltrade 286 CC (Casa Bella Grandwest) ¹	14	12.5% Member
	Meltrade 286 CC (Silver Dollar Spur) ¹	15	12.5% Member
	Nomivax (Pty) Ltd (The Hussar Grill Grandwest) ¹	20	12.5% Shareholder

Refer to page 101 for footnotes.

44. RELATED PARTY DISCLOSURES continued

44.2 Identity of related parties continued

Key Management ⁵	Related party	Cross reference to note 44.3	Relationship with related party
Blaine Freer	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur) ^{1, 6}		36.5% Shareholder
	Calma Investments (Pty) Ltd (John Dory's Middelburg) ^{1, 7}	4	25% Shareholder
	Calma Investments (Pty) Ltd (RocoMamas Middelburg) ¹	5	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 l'Langa) ¹	10	26% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stoneridge Mall) ¹	11	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur) ^{1, 6}	25	22% Shareholder
	Vegix (Pty) Ltd (Panarottis Rustenburg) ¹		25% Shareholder
Brian Altriche ⁸	Celapart (Pty) Ltd (Golden Falcon Spur) ¹	6	70% Shareholder
	Celapart (Pty) Ltd (RocoGo Braamfontein) ¹	7	70% Shareholder
	Double Ring Trading 299 (Pty) Ltd (Falcon Arrow Spur) ¹		100% Shareholder
	Little Haiwatha Trading CC (RocoMamas Rivonia) ¹		60% Member
	Pizzade Trading CC (RocoMamas Randburg) ¹	22	70% Member
	Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur) ¹	24	100% Shareholder
Brian Altriche ⁸ (Brother-in-law)	Little Haiwatha Trading CC (RocoMamas Rivonia) ¹		20% Member
	Nikos Ballito Bay (Pty) Ltd (Nikos Ballito) ¹	17	50% 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
	Frontier Restaurants Co (Pty) Ltd (Wild Falcon Spur) ^{1, 3}		0% Shareholder
	Gapecovako Investments CC (Panarottis Windhoek (Namibia)) ¹	8	25% Member
	Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia)) ¹	12	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		15% Shareholder
	Ten Cents Investments 16 CC (Sarasota Spur) ^{1, 7}		50% Member

Refer to page 101 for footnotes.

44. RELATED PARTY DISCLOSURES continued

44.2 Identity of related parties continued

Key Management ⁵	Related party	Cross reference to note 44.3	Relationship with related party
Duncan Werner ⁹ (Spouse)	Design Form		Sole proprietor
José Vilar ⁹	Hunga Busters Pty Ltd (Silver Spur (Australia)) ^{1, 7}	9	50% Shareholder
	Panpen Pty Ltd (Panarottis Penrith (Australia)) ^{1, 10}	21	50% Shareholder
Justin Fortune	Alicente 144 CC (Golden Bay Spur) ¹		25% Member
	Ambicor 195 CC (Cincinnati Spur) ^{1, 11}	2	0% (2020: 25%) Member
	Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West) ¹	3	25% Shareholder
	Laadned Trading 333 CC (Cajun Spur) ¹	13	25% Member
Justin Fortune (Partner)	Luanne Lascaris		Sole proprietor
Keith Getz ¹²	Bernadt Vukic Potash & Getz		Partner
Leonard Coetzee	Founad Trading 89 CC (Grand Canyon Spur) ¹		10% Member
	JJ Links CC (John Dory's Wilsons Wharf) ¹		10% Member
	Monnani (Pty) Ltd (John Dory's Watercrest Mall) ^{1, 7}	16	12.5% Shareholder
	Nitafin (Pty) Ltd (John Dory's Secunda) ¹	18	10% (2020: 10.5%) Shareholder
	Nitaprox (Pty) Ltd (Pine Creek Spur) ¹	19	10% Shareholder
	Torinosun (Pty) Ltd (Navaho Springs Spur) ¹	23	11.7% Shareholder
	Waterstone Trading 51 (Pty) Ltd (Atlanta Spur) ¹	26	10% Shareholder
Tyrone Herdman-Grant	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur) ¹		16% Shareholder
	Calma Investments (Pty) Ltd (John Dory's Middelburg) ^{1, 7}	4	25% Shareholder
	Calma Investments (Pty) Ltd (RocoMamas Middelburg) ¹	5	25% Shareholder
	Cloud Mountain Steak Ranch (Pty) Ltd (Cloud Mountain Spur) ¹		23% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa) ¹	10	26% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stoneridge Mall) ¹	11	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur) ¹		16.5% Shareholder
	Vegix (Pty) Ltd (Panarottis Rustenburg) ¹	25	25% Shareholder
Tyrone Herdman-Grant (Spouse)	Cynergy Social Media Management (Pty) Ltd		100% Shareholder
Vivy Novos ⁹ (Spouse)	Jonathan Novos		Sole proprietor
Wolbert Kamphuijs ¹³	TMF Group		Director

Refer to page 101 for footnotes.

44. RELATED PARTY DISCLOSURES continued

44.3 Transactions with related parties

Balances with related parties

Refer note 21 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.

Loans to/from related parties are detailed in notes 16 and 31.

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

In terms of the group's Conflict of Interest Policy, the director, previous 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 concession¹⁴ granted to a restaurant in which a director or prescribed officer has an interest must be approved by a disinterested quorum of the board.

R'000		Temporary concession ¹⁴		Marketing assistance ¹⁵		Other
		2021	2020	2021	2020	
1	Abaya Investments CC (John Dory's The Grove, Windhoek (Namibia))	219	381	–	–	
2	Ambicor 195 CC (Cincinnati Spur)	–	139	–	–	
3	Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West)	–	–	–	4	
4	Calma Investments (Pty) Ltd (John Dory's Middelburg)	–	133	–	–	
5	Calma Investments (Pty) Ltd (RocoMamas Middelburg)	141	143	–	–	
6	Celapart (Pty) Ltd (Golden Falcon Spur)	60	114	–	9	
7	Celapart (Pty) Ltd (RocoGo Braamfontein)	–	–	–	–	a
8	Gapecovako Investments Close Corporation (Panarottis Windhoek (Namibia))	229	287	–	–	
9	Hunga Busters Pty Ltd (Silver Spur, Penrith (Australia))	–	1 793	–	–	b
10	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)	–	–	–	–	c
11	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stoneridge Mall)	–	–	–	–	d
12	Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia))	144	225	–	–	
13	Laadned Trading 333 CC (Cajun Spur)	–	169	–	–	
14	Meltrade 286 CC (Casa Bella Grandwest)	30	89	–	–	
15	Meltrade 286 CC (Silver Dollar Spur)	73	183	–	–	
16	Monnani (Pty) Ltd (John Dory's Watercrest Mall)	–	279	–	–	
17	Nikos Ballito Bay (Pty) Ltd (Nikos Ballito)	20	–	–	4	
18	Nitafin (Pty) Ltd (John Dory's Secunda)	236	298	–	–	
19	Nitaprox (Pty) Ltd (Pine Creek Spur)	195	–	–	–	
20	Nomivax (Pty) Ltd (The Hussar Grill Grandwest)	–	–	–	2	
21	Panpen Pty Ltd (Panarottis Penrith (Australia))	624	292	–	–	
22	Pizzade Trading CC (RocoMamas Randburg)	–	–	14	5	e
23	Torinosun (Pty) Ltd (Navaho Springs Spur)	–	189	–	–	
24	Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur)	145	–	–	–	f
25	Vegix (Pty) Ltd (Panarottis Rustenburg)	97	156	–	17	g
26	Waterstone Trading 51 (Pty) Ltd (Atlanta Spur)	11	–	–	–	
27	White Cloud Restaurant Ltd (White Cloud Spur (New Zealand))	–	634	–	–	h
Total		2 224	5 504	14	41	

Notes

a) RocoGo Braamfontein: The entity was paid training fees¹⁶ of R27 500 during the prior year.

b) Silver Spur (Australia): Refer to note 16.6 for details of a loan advanced to this entity.

c) RocoMamas I'Langa: The entity was paid training fees¹⁶ of R9 000 during the prior year.

d) RocoMamas Stoneridge Mall: The entity was paid training fees¹⁶ of R94 650 during the prior year.

e) RocoMamas Randburg: During the prior year, the group paid R37 500 to this entity for billboard rental, R144 450 for product research and development, R115 732 for travel to Australia to assist Australian franchisees and R1 660 for catering services¹⁷ provided.

f) Falcon Peak Spur: During the current year, the entity provided the consulting services of Brian Altriche (following his resignation as an employee of the group on 28 February 2021) to the group in the amount of R400 000. During the prior year, the group paid this outlet R4 569 for catering services provided¹⁷.

g) Panarottis Rustenburg: During the prior year, the group paid R5 304 to this entity for billboard rental.

h) White Cloud Spur (New Zealand): Refer to note 16.10 for details of a loan advanced to this entity.

Refer to page 101 for footnotes.

44. RELATED PARTY DISCLOSURES continued

44.3 Transactions with related parties continued

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

Bernadt Vukic Potash & Getz (Keith Getz¹²)

Bernadt Vukic Potash & Getz serves as the group's principal legal counsel and has provided legal services (other than services included with directors' emoluments per note 43) on various matters in the ordinary course of business to the value of R597 290 (2020: R1 543 964).

Cynergy Social Media Management (Tyrone Herdman-Grant's spouse)

Cynergy Social Media Management provides marketing services to the group amounting to R60 298 (2020: R184 213).

Design Form (Duncan Werner's⁹ spouse)

Karen Werner, trading as Design Form, provided architectural and design services to the group in the prior year of R69 457. The services were provided largely to franchisees (with their consent) and any costs so incurred by the group were recovered, for the most part, from franchisees.

Jonathan Novos (Vivy Novos's⁹ spouse)

Jonathan Novos provided electrical contractor services to the group in the prior year of R88 145.

Luanne Lascaris (Justin Fortune's partner)

Luanne Lascaris provided marketing services to certain of the group's company-owned restaurants in the amount of R38 271.

Pierre van Tonder¹⁸

Refer note 16.9 for details of a loan advanced to Pierre van Tonder during the prior year.

TMF Group (Wolbert Kamphuijs)

TMF Group provided consulting services to the group in the amount of R469 774 (2020: R215 082).

44.4 Key management⁵

The key management personnel compensation is as follows:

	2021 R'000	2020 R'000
Ordinary remuneration and benefits	18 959	30 892
Leave pay ¹⁹	361	166
Equity compensation benefits (refer note 24.4)	381	797
Total remuneration included in profit before income tax	19 701	31 855
During the prior year, 53 000 Spur Corporation Ltd shares were issued to key management personnel in terms of the group's equity-settled Forfeitable Share Plan (refer note 24.4).		
In addition to the above, emoluments to directors and prescribed officers amounted to (refer note 43)	32 300	20 604

Refer to page 101 for footnotes.

44. 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. Due to the COVID-19 pandemic and the resultant lockdowns that were imposed by the respective governments in the territories in which the group's franchised restaurants trade, adjustments were made to the base franchise and marketing fund contribution fee rates applicable to all franchisees between March 2020 and February 2021 as detailed in note 2. These reduced fees are not included in the quantification of the value of temporary concessions¹⁴ included in note 44.3.
- ² Resigned as a director of Spur Corporation Ltd with effect from 31 August 2020.
- ³ Interest disposed of during the prior year.
- ⁴ Appointed as a director on 15 October 2020.
- ⁵ Key management comprises 12 (2020: 17) employees (excluding directors and prescribed officers) as at June 2021 and includes brand chief operations officers and business unit heads reporting to the group CEO:
- | | |
|---|---|
| Amanda van Wyk (appointed as key management during the year) | COO: Spur Inland |
| Anton Geldenhuys | COO: RocoMamas |
| Blaine Freer | Group development executive |
| Brian Altriche (resigned as employee 28 February 2021) | Director of subsidiary RocoMamas Franchise Co (Pty) Ltd |
| Chris Lotter (no longer key management from 1 July 2020) | Group technology executive |
| Cobus Jooste (no longer key management from 1 July 2020) | National training executive |
| Colleen Carr (appointed during the year) | Group HR executive |
| Derick Koekemoer | Franchise executive: Africa |
| Duncan Werner (no longer key management from 1 July 2020) | COO: Spur Grill & Go |
| Graeme Kiewitz (deceased 18 January 2021) | Group HR executive |
| José Vilar (no longer key management from 1 July 2020) | Franchise executive: Australia |
| Justin Fortune | COO: The Hussar Grill |
| Leonard Coetzee | COO: John Dory's |
| Mark Watson (appointed as key management during the year) | COO: Spur Coastal |
| Moshe Apleni (appointed as key management during the year) | Transformation and communications executive |
| Nazrana Hawa (resigned 31 July 2019) | Company secretary/Group legal and compliance executive |
| Nick Triandafyllou (appointed as key management during the year) | COO: Nikos |
| Patrick Lawson (no longer key management from 1 July 2020) | Group strategy executive |
| Robin Charles | National procurement executive |
| Sacha du Plessis ⁴ (key management to 15 October 2020) | Chief Marketing Officer |
| Tyrone Herdman-Grant | COO: Pizza and Pasta |
| Vivv Novos (no longer key management from 1 July 2020) | Group finance executive |
- ⁶ Interest held indirectly through a trust. The member of key management in question is a trustee of the trust.
- ⁷ Restaurant closed during the prior year.
- ⁸ Brian Altriche resigned as an employee on 28 February 2021, but remains as a director of subsidiary, RocoMamas Franchise Co (Pty) Ltd.
- ⁹ Ceased to be key management with effect from 1 July 2020.
- ¹⁰ Restaurant closed during the current year.
- ¹¹ Interest disposed of during the current year.
- ¹² Keith Getz serves as a director on subsidiary companies, Steak Ranches International BV and Spur International Ltd.
- ¹³ Wolbert Kamphuijs is a director of wholly-owned subsidiary, Steak Ranches International BV, the group's international franchise company.
- ¹⁴ 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.
- ¹⁵ 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).
- 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 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.
- ¹⁸ Pierre van Tonder resigned as a director and group CEO with effect from 31 December 2020.
- ¹⁹ Includes leave pay on termination of employment and leave encashed. The group's HR policies do not typically permit employees to encash leave; however, following the 20% reduction in salaries with effect from 1 June 2020 to 30 September 2020 as part of the group's COVID-19 austerity measures, employees were permitted to sell up to four days of leave per month back to the company in exchange for cash.

45. SUBSEQUENT EVENTS

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

45.1 Payment of interim 2020 dividend

On 22 September 2021, the board resolved to pay the interim 2020 dividend as detailed in note 33.

45.2 Nikos Coalgrill Greek purchase price settlement arrangement

Details of the contingent consideration arrangement relating to the acquisition of the Nikos Coalgrill Greek business on 1 August 2018 are detailed in note 22. In respect of the contingent consideration receivable recognised at 30 June 2021, the amount receivable was due to be recovered after finalisation of the purchase price based on the financial performance of the acquired business to 31 July 2021. One of the founding shareholders of the business has tragically passed away. The amount due has accordingly not been recovered subsequent to the reporting date. The board is considering the group's options, including potentially extending the period over which the purchase consideration is determined. As at the date of this report, no agreement has yet been concluded in this regard with the sellers.

45.3 Resignation of executive director

Mr Sacha du Plessis has resigned as executive director and chief marketing officer with effect from 15 September 2021.

45.4 COVID-19 business interruption insurance claim

On 8 September 2021, certain subsidiaries of the group reached agreement on disputed COVID-19-related business interruption insurance claims with their insurer. The claims relate to loss of profits incurred in the group's company-owned restaurants as a result of the COVID-19 lockdown trading restrictions from March 2020. The claims were initially lodged in March 2020 and rejected by the insurer. Following various court cases (not involving the group) relating to similar claims, the insurer reinstated the claims on 6 January 2021, subject to quantification of the losses. The quantification of the losses was agreed on 8 September 2021. As the claims relate to compensation for a loss event occurring prior to the reporting date, the claim amounts have been accrued as income in the 2021 financial year (refer note 7). The claim amounts have been settled in cash subsequent to the reporting date.

46. CONTINGENT LIABILITIES

46.1 Income tax in respect of 2004-2009 share incentive scheme

As previously reported, SARS had previously issued additional assessments to wholly-owned subsidiary, Spur Group (Pty) Ltd (Spur Group), in respect of the 2005 to 2012 years of assessment totalling R22.034 million (comprising R13.996 million in additional income tax and R8.038 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. The total of the additional assessments was paid in previous financial years. Following failed alternative dispute resolution proceedings, the matter was heard in the Income Tax Court in February 2018. The Tax Court found in favour of Spur Group, but SARS appealed the ruling. The appeal was heard by a full bench of the Income Tax Court on 29 July 2019 and judgement was issued on 26 November 2019 in favour of Spur Group to dismiss SARS' appeal and award costs to Spur Group. In December 2019, SARS applied for leave to appeal the matter to the Supreme Court of Appeals, and the leave to appeal was subsequently granted. The appeal was heard by the Supreme Court of Appeals on 17 August 2021, with judgement having been reserved. The board, in consultation with its tax advisors, remains confident that the probability of SARS' appeal being successful is low. Consequently, no liability has been raised in respect of the assessments issued to date and the payments made to date are accounted for as prepayments of income tax (refer note 20). In the event that the matter is ultimately resolved in Spur Group's favour, interest on the overpayment of tax would be payable to Spur Group. This interest has not been accrued for.

46. CONTINGENT LIABILITIES continued

46.2 Legal dispute with GPS Foods

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

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

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

The group denies the allegations. To date, the parties have not sought to address the merits of the case and legal correspondence has focused on remedying deficiencies in pleas. It is consequently not considered feasible at this early stage of legal proceedings to determine with any reasonable certainty the likelihood of the group successfully defending the matter or the value of a successful claim against the group. A further assessment of the merits has been conducted as the parties have, on 28 June 2021, exchanged discovery affidavits. All parties have exchanged copies of all the documents in their respective discovery schedules and the group's attorneys, together with senior counsel, have assessed the probative value thereof, and presented a review of the merits and prospects of success. Supported by the opinion of its legal advisers, the board considers there to be reasonable prospects of defending the claims successfully. It is likely that it may take several years for a court to finally resolve the matter. As a result of the uncertainty referred to above, no liability has been raised at the reporting date regarding the matter.

46.3 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. The board, in consultation with its legal advisers, is confident that it will be able to successfully defend this claim and, consequently, no liability has been raised.

47. SIGNIFICANT ACCOUNTING POLICIES

47.1 Basis of consolidation

47.1.1 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.

47.1.2 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.

47.1.3 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).

47.1.4 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.

47.1.5 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*.

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.

47.1.6 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.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.1 Basis of consolidation continued

47.1.7 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 and attributed to owners of the company.

47.1.8 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).

47.2 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.

47.3 Property, plant and equipment

47.3.1 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.

47.3.2 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.

47.3.3 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 47.4.1 for details of depreciation in respect of right-of-use assets.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.3 Property, plant and equipment continued

47.3.4 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.

47.4 Leases

47.4.1 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.

47.4.2 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.

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 arise as a direct consequence of the COVID-19 pandemic and that satisfy the criteria as specified in the amendment to IFRS 16. The effect of the change in lease payments is recognised in profit or loss in the period in which the rent concession is 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 expired. 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.

47.4.3 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.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.4 Leases continued

47.4.4 Lease receivable

Where the group acts as a sublessor of fixed property (an intermediate lessor), the lease transfers substantially all of the risks and rewards incidental to ownership of the right-of-use asset. As such, a lease receivable is recognised instead of a right-of-use asset.

The group accounts for the liability for the head lease and the receivable for the sublease separately. The lease receivable is recognised at the commencement date of the sublease. The asset is initially measured at the present value of the future lease payments discounted using the interest rate applied in determining the head lease liability.

The lease receivable is subsequently measured at amortised cost, reduced by payments made by the sublessee to the lessor. The derecognition and impairment requirements of IFRS 9 are applied to the lease receivable.

47.5 Intangible assets (other than goodwill)

47.5.1 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.

47.5.2 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.

47.5.3 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.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.6 Financial instruments

47.6.1 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.

47.6.2 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.

47.6.3 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, cancelled or expires.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.7 Impairment

47.7.1 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 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.

47.7.2 Financial assets and lease receivables

Impairment losses for financial assets and lease receivables 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 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.

47.8 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.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.9 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.

47.10 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.

47.11 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 for the reporting date, otherwise the provision is discounted using the group's incremental borrowing rate.

47.12 Share capital

47.12.1 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.

47.12.2 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.

47.12.3 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.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.13 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. The group also administers marketing funds on behalf of franchisees, as required by the franchise agreements.	A standard franchise fee percentage and marketing fee percentage, as per each franchise agreement, is applied to the total sales of each franchised restaurant each month.	Sales-based royalty recognised in the period in which the sales (on which the fees are calculated) are made by franchisees to their customers.
Marketing fund contributions		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 of purchased and manufactured sauces	The group's performance obligation is to procure or manufacture, and deliver [#] , certain goods to customers.	Standalone selling price. 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.
Sales of franchisee supplies [*]	The performance obligation is satisfied on delivery of the products to customers.		
Sales of marketing materials			
Export sales of purchased and manufactured sauces, franchisee supplies and marketing materials	There are two separate performance obligations: 1. Delivery of supplies to the freight forwarder. Control will transfer once the supplies have been loaded on the transportation. 2. Transportation to the customer's destination point.	Standalone selling price. 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. Revenue relating to the transportation fee is recognised at a point in time when the goods reach the customer's destination point.

^{*} Sales of acquired goods for export, 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.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.13 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. 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.
Distribution income	The group acts as agent*, earning a commission on the value of certain products sold by an outsourced distributor to the group's franchisees. The group's performance obligation is to facilitate the provision of specified products by the outsourced distributor to franchisees, which is satisfied on provision of these products to franchisees by the distributor.	The group recognises revenue on a net basis corresponding to the commission. The commission is determined with reference to a range of percentages as per the contract with the outsourced distributor, applied to the value of sales of goods by the distributor to franchisees. Payable within 30 days of the end of the month 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 distributor to franchisees.
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. 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. 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. 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. 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).

* Refer note 3.1.4 concerning judgements applied in reaching the conclusion that the group acts as agent.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.13 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 as well as access to the group's internal radio station (TasteFM). The performance obligation is satisfied as the services are rendered by the group to franchisees.	Standalone service price agreed in advance. 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. 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. 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. 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. Promotions and events are typically for short durations, not exceeding two months.

47.14 Interest income and expense

47.14.1 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.

47.14.2 Interest expense

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

47.15 Employee benefits

47.15.1 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.

Where employees have negative leave balances, and the group is legally permitted to recover the cost of such negative leave from the employee on termination of employment, a receivable is recognised for negative leave. The receivable is calculated at undiscounted amounts based on current salary rates.

47.15.2 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.

47.15.3 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.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.15 Employee benefits continued

47.15.4 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.

47.16 Cost of sales

Cost of sales represents the carrying value of inventory (determined in accordance with note 47.8) sold, and is recognised as an expense at the same time that revenue from the related sale is recognised (as detailed in note 47.13).

47.17 Income (not addressed by another policy)

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

47.18 Expenditure (not addressed by another policy)

Expenditure is recognised in the year that it is incurred.

47.18.1 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.

47.18.2 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.

47.18.3 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, funded by marketing fund contributions, marketing sales and marketing supplier contributions.

47.18.4 Retail company store expenses

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

47.19 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.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.19 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.

47.20 Dividends

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

47.21 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 1/2021: 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.

47.22 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.

48. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following new or amended standards are not expected to have a significant impact on the group's financial statements:

- The Conceptual Framework (Amendments to IFRS 3) – effective for annual reporting periods beginning on or after 1 January 2022
- Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16) – effective for annual reporting periods beginning on or after 1 January 2022
- Onerous Contracts – Costs of fulfilling a contract (Amendments to IAS 37) – effective for annual reporting periods beginning on or after 1 January 2022
- Classification of liabilities as current or non-current (Amendments to IAS 1) – effective for annual reporting periods beginning on or after 1 January 2023
- 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

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Note	2021 R'000	2020 R'000
Dividend income		–	284 990
Distribution received from trust	1	–	2 900
Interest income		4 675	8 353
Operating expenses		(10 971)	(7 029)
(Loss)/profit before income tax	2	(6 296)	289 214
Income tax expense	3	(1 308)	(2 337)
(Loss)/profit		(7 604)	286 877
Total comprehensive income		(7 604)	286 877

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

	Note	2021 R'000	2020 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		–	20
Cash and cash equivalents	5	181 258	121 664
Total current assets		181 258	121 684
TOTAL ASSETS		192 472	132 898
EQUITY			
Ordinary share capital	6	1	1
Share premium		34 309	34 309
(Accumulated deficit)/retained earnings		(4 470)	3 134
Total equity		29 840	37 444
LIABILITIES			
Current liabilities			
Accrued expenses		165	74
Shareholders for dividend	7	71 740	71 740
Tax payable		91	325
Loan from subsidiary company	8	90 636	23 315
Total current liabilities		162 632	95 454
TOTAL EQUITY AND LIABILITIES		192 472	132 898

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE

R'000	Ordinary share capital	Share premium	(Accumulated deficit)/ retained earnings	Total equity
Balance at 1 July 2019	1	294 663	9 201	303 865
Total comprehensive income				
Profit	–	–	286 877	286 877
Transactions with owners recorded directly in equity	–	(260 354)	(292 944)	(553 298)
Vesting of income by trust (refer note 1)	–	–	4 152	4 152
Income tax on vesting of income by trust (refer note 3.3)	–	–	(823)	(823)
Repurchase and cancellation of shares (refer note 6)	–	(260 354)	(143 402)	(403 756)
Costs relating to repurchase and cancellation of shares (refer note 6)	–	–	(2 702)	(2 702)
Dividends (refer note 7)	–	–	(150 169)	(150 169)
Balance at 30 June 2020	1	34 309	3 134	37 444
Total comprehensive income				
Loss	–	–	(7 604)	(7 604)
Balance at 30 June 2021	1	34 309	(4 470)	29 840

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

	Note	2021 R'000	2020 R'000
Cash flow from operating activities			
Operating loss before working capital changes	9	(10 971)	(7 029)
Working capital changes	10	111	(17)
Cash utilised by operations		(10 860)	(7 046)
Interest received		4 675	8 353
Tax paid	11	(1 542)	(2 912)
Dividends received	12	–	203 990
Distribution received from trust	1	–	2 900
Dividends paid	7	–	(79 143)
Income vested by trust	1	–	4 152
Net cash flow from operating activities		(7 727)	130 294
Cash flow from investing activities			
Repayment of loan to subsidiary		–	106 016
Net cash flow from investing activities		–	106 016
Cash flow from financing activities			
Loans received from subsidiary companies		67 321	281 315
Loans repaid to subsidiary companies		–	(177 000)
Repurchase and cancellation of shares (including transaction costs)	6	–	(406 458)
Net cash flow from financing activities		67 321	(302 143)
Net movement in cash and cash equivalents		59 594	(65 833)
Cash and cash equivalents at beginning of year		121 664	187 497
Cash and cash equivalents at end of year	5	181 258	121 664

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE

1. SPUR MANAGEMENT SHARE TRUST

During the prior year, the Spur Management Share Trust (the Trust) made a discretionary distribution of the Trust's capital of R2.9 million to the company, as sole capital beneficiary, which is included in profit before income tax for the prior year.

In addition, the Trust vested income of R4.152 million with the company, as a beneficiary of the Trust, in the prior 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 R0.823 million, which was similarly charged directly to equity (retained earnings) in the prior year.

2. (LOSS)/PROFIT BEFORE INCOME TAX

	2021 R'000	2020 R'000
The following items have been taken into account in determining (loss)/profit before income tax:		
Consulting fees	395	431
Directors emoluments (refer note 13)	7 022	3 238
JSE listing fees and other related costs	835	577

3. INCOME TAX

3.1 Income tax expense

South African current corporate tax – current year	1 308	2 337
--	-------	-------

3.2 Reconciliation of rate of tax

	2021 %	2020 %
South African normal corporate tax rate	28.0	28.0
Non-taxable dividend and distribution income	–	(27.9)
Non-deductible operating expenditure (capital items and items not in production of income)	(48.8)	0.7
Effective tax rate	(20.8)	0.8

3.3 Tax charged directly to equity

Current tax on income vested by trust (refer note 1)	–	823
--	---	-----

4. INTEREST IN SUBSIDIARY COMPANIES

	2021 R'000	2020 R'000
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

In terms of the group's accounting policies, equity-settled share-based payments, determined in accordance with *IFRS2 – Share-based Payments*, by a subsidiary of the company in previous financial years are 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	90 636 (2020: 23 315)	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		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		104 099.0 (2020: 95 055.6)		100.0
– Steak Ranches International BV	The Netherlands	240 675.0 (2020: 231 631.7)		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 (2020:0.7)		100.0

[#] 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:

	2021 R'000	2020 R'000
Profits	108 849	105 009
Losses	(8 163)	(36 610)

5. CASH AND CASH EQUIVALENTS

	2021 R'000	2020 R'000
Cash and cash equivalents comprise:		
Current, call and short-term deposit accounts	181 258	121 664

6. ORDINARY SHARE CAPITAL

Authorised		
201 000 000 ordinary shares of 0.001 cents each	2	2
Issued and fully paid		
90 636 932 (2020: 90 636 932) 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.

During the prior year, at a meeting of shareholders on 25 September 2019, shareholders approved the repurchase and cancellation of 10 848 093 shares in the company previously issued to a subsidiary of Grand Parade Investments Ltd in October 2014 as part of a broad-based black economic empowerment transaction, as well as the repurchase and cancellation of 6 635 901 treasury shares previously acquired by subsidiary, Share Buy-back (Pty) Ltd. The transactions were implemented with effect from 15 October 2019, for purchase considerations of R260.354 million and R143.402 million respectively, allocated directly to equity (to share premium and retained earnings respectively). Transaction costs (including legal, valuations', reporting accountant's, advisory, scrutiny and printing costs) amounted to R2.702 million and were charged directly to equity (retained earnings).

7. DIVIDENDS

	2021 R'000	2020 R'000
Dividends declared are as follows:		
Final 2019 – dividend of 73.0 cents per share	–	79 191
Interim 2020 – dividend of 78.0 cents per share	–	70 978
Total dividends to equity holders	–	150 169
Shareholders for dividends	71 740	71 740

No dividend in respect of the 2021 financial year has been declared, as a result of COVID-19.

The total gross dividend declared relating to the prior financial year was 78 cents per share equating to R70.978 million (the interim 2020 dividend).

The interim 2020 dividend was declared on 26 February 2020 and was due to be paid on 6 April 2020. Following the outbreak of COVID-19 and the potential impact of long-term trading restrictions on the group's cash reserves, the board advised shareholders on 30 March 2020 that payment of the dividend would be deferred until 5 October 2020. Shareholders were further advised on 3 September 2020 that payment of the interim 2020 dividend had been further deferred as the board was not able to conclude that, in the event the dividend was to be paid on 5 October 2020, the company would meet the liquidity and solvency requirements of the Companies Act under all reasonably foreseeable future conditions for a period of 12 months following the payment date of the dividend. Shareholders were advised at the time of releasing interim results for the six months ended 31 December 2020 on 2 March 2021 that the board had reached a similar conclusion as a result of the continuing impact of COVID-19 on the business and had deferred a decision on the payment of the interim 2020 dividend until September 2021. At its meeting on 22 September 2021, the board resolved to proceed with payment of the interim 2020 dividend on Monday, 25 October 2021.

7. DIVIDENDS continued

	2021 R'000	2020 R'000
Dividends paid are reconciled to the amount disclosed above as follows:		
Amount payable at beginning of year	(71 740)	(714)
Dividends declared	–	(150 169)
Amount payable at end of year	71 740	71 740
Dividends paid	–	(79 143)

8. LOAN FROM SUBSIDIARY COMPANY

Spur Group (Pty) Ltd	90 636	23 315
This loan is unsecured and interest free. The loan is repayable on demand. The loan was reduced during the prior year by the dividend in specie declared by Share Buy-back (Pty) Ltd (SBB) of R21 million (refer note 12).		
In addition, during the prior year, SBB advanced a loan of R60 million to the company. SBB subsequently declared a dividend <i>in specie</i> of the loan to the company (refer note 12) in the prior year, extinguishing the company's obligation to repay the loan.		
The movement in the balance is reconciled as follows:		
Balance at beginning of year	23 315	–
Loans received	67 321	281 315
Loans repaid	–	(177 000)
Loans extinguished by dividend <i>in specie</i>	–	(81 000)
Balance at end of year	90 636	23 315

9. OPERATING LOSS BEFORE WORKING CAPITAL CHANGES

(Loss)/profit before income tax	(6 296)	289 214
Adjusted for		
Dividend income	–	(284 990)
Distribution received from trust	–	(2 900)
Interest income	(4 675)	(8 353)
Operating loss before working capital changes	(10 971)	(7 029)

10. WORKING CAPITAL CHANGES

Decrease/(increase) in prepaid expenses	20	(20)
Increase in accrued expenses	91	3
Working capital changes	111	(17)

11. TAX PAID

Tax paid is reconciled to the amount disclosed in profit or loss as follows:		
Amount payable at beginning of year	(325)	(77)
Current tax charged to profit or loss	(1 308)	(2 337)
Current tax charged directly to equity	–	(823)
Amount payable at end of year	91	325
Tax paid	(1 542)	(2 912)

12. DIVIDENDS RECEIVED

Dividend income recognised in profit or loss	–	284 990
Less: dividend income received <i>in specie</i>	–	(81 000)
Dividends received in cash	–	203 990

The *in specie* dividend was received from subsidiary, Share Buy-back (Pty) Ltd, in the prior year and comprised loans receivable from Spur Corporation Ltd and Spur Group (Pty) Ltd of R60.0 million and R21.0 million respectively (refer note 8).

13. DIRECTORS' EMOLUMENTS

	2021 R'000	2020 R'000
The following emoluments were paid by the company:		
For services as directors to the company		
André Parker ¹	457	–
Cora Fernandez	1 176	487
Jesmane Boggenpoel ¹	450	–
Dineo Molefe ²	129	526
Lerato Molebatsi ¹	486	–
Michael Bosman	2 289	959
Mtungwa Morojele ³	135	561
Muzi Kuzwayo ⁴	–	213
Shirley Zinn	1 475	492
Sandile Phillip ¹	425	–
Total directors' emoluments	7 022	3 238

All other emoluments were paid by subsidiaries of the company. Refer note 43 of the consolidated financial statements on page 91 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 Appointed with effect from 15 October 2020 (remuneration includes full month of October 2020).

² Resigned with effect from 3 September 2020.

³ Resigned with effect from 1 September 2020.

⁴ Retired with effect from 6 December 2019.

14. GUARANTEES

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

15. RELATED PARTY DISCLOSURES

Identity of related parties

Refer note 4 for a detailed list of subsidiaries.

Related party transactions

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

Dividend/distribution income was received from the following related parties:

	2021 R'000	2020 R'000
Spur Group (Pty) Ltd	–	203 990
Share Buy-back (Pty) Ltd	–	81 000
Spur Management Share Trust (included in profit or loss) (refer note 1)	–	2 900
Spur Management Share Trust (included in equity) (refer note 1)	–	4 152

Details of directors' emoluments are included in note 13.

16. FINANCIAL INSTRUMENTS

16.1 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.

	Note	Carrying amount – Amortised cost	
		2021 R'000	2020 R'000
Cash and cash equivalents	5	181 258	121 664
Financial assets		181 258	121 664
Accrued expenses		165	74
Shareholders for dividend	7	71 740	71 740
Loan from subsidiary company	8	90 636	23 315
Financial liabilities		162 541	95 129

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.

16.2 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.

16. FINANCIAL INSTRUMENTS continued

16.2 Financial risk management continued

16.2.1 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	
	2021 R'000	2020 R'000
Cash and cash equivalents	181 258	121 664
Maximum credit risk exposure	181 258	121 664

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 14, 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.

16.2.2 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 impact of trading restrictions imposed during the current and prior years in response to COVID-19 resulted in a significant and sudden reduction in revenue of these subsidiaries. However, revenues have generally sustained a positive recovery in the second half of the financial year. The majority of these subsidiaries' cost base is employment related and therefore generally not considered variable in the short term. While the subsidiaries sustained cash flow losses for the months of April 2020 to September 2020 at the height of the initial first wave of the pandemic, cash has been generated since then. Various cost saving initiatives have been implemented by the subsidiaries, including: a reduced work week and temporary salary reductions across the board for the months of June 2020 to September 2020; marketing expenditure was reduced to the absolute minimum; all other discretionary, non-contracted costs were reduced as far as possible; and where practicable, payment holidays or discounted payments were negotiated with suppliers subject to contract. In addition, the company has deferred the payment of its interim 2020 dividend.

Historically, the group's subsidiaries ensured that they had sufficient cash on demand to meet expected operational expenses for a period of at least six months, including the servicing of financial obligations. As a consequence, the companies in question were able to sustain the lockdown period from a cash flow perspective and, taking the post lockdown recovery trajectory into consideration, the board is confident that current cash balances should be sufficient to sustain operations. Refer note 2 of the consolidated financial statements on page 21 of this report for further analysis of the impact of COVID-19 on the group and going concern considerations. The directors are able to use their influence, as representatives of the sole shareholder of the subsidiaries, to manage the dividend policy of the subsidiaries. In addition, other group subsidiaries have provided unlimited guarantees to the company's bankers in respect of any debts incurred by the company to those bankers.

16. FINANCIAL INSTRUMENTS continued

16.2 Financial risk management continued

16.2.2 Liquidity risk continued

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

R'000	Carrying amount	Contractual cash flows	
		Total	1 – 12 months
2021			
Non-derivative financial liabilities			
Accrued expenses	165	165	165
Shareholders for dividend	71 740	71 740	71 740
Loan from subsidiary company	90 636	90 636	90 636
2020			
Non-derivative financial liabilities			
Accrued expenses	74	74	74
Shareholders for dividend	71 740	71 740	71 740
Loan from subsidiary company	23 315	23 315	23 315

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

16.2.3 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:

	2021 R'000	2020 R'000
Increase in profit or loss before income tax	757	773
Increase in equity	545	557

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.

16.3 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 consists of total shareholders' equity.

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

17. ACCOUNTING POLICIES

The separate financial statements were prepared using the accounting policies disclosed in note 47 of the consolidated financial statements (on page 104 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 48 of the consolidated financial statements (on page 115 of this report), are expected to have any material impact on the company's financial statements once they become effective.

18. SUBSEQUENT EVENTS

Shareholders were advised on 23 August 2021 that Mr Sacha du Plessis has resigned as director with effect from 15 September 2021.

Refer note 7 regarding the decision by the board to pay the interim 2020 dividend.

No other significant transactions occurred subsequent to the reporting date and up to the date of this report.

19. 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 in the foreseeable future and, based on this review, considers that the presentation of the financial statements on this basis is appropriate. Refer note 2 of the consolidated financial statements on page 21 of this report.

CORPORATE INFORMATION

REPORTS 2022

Interim results for six months ended 31 December 2021 to be published March 2022

Integrated report and financial statements for the year ended 30 June 2022 to be published September 2022

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

Fax: +27 21 555 5111

Email: spur@spur.co.za

Internet: <http://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: KPMG Inc.

Internal auditors: Moore Risk Services

Attorneys: Bernadt Vukic Potash & Getz

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

Company secretary

Donfrey Meyer (appointed 1 March 2021)

14 Edison Way, Century Gate Business Park, Century City, 7441

PO Box 166 Century City, 7441

Telephone: +27 21 555 5100

Email address: companysecretary@spur.co.za

DIRECTORS AT THE DATE OF THIS REPORT

Mr Mike Bosman – independent non-executive chair

Executive directors

Ms Val Nichas – group chief executive officer¹

Ms Cristina Teixeira – group chief financial officer²

Mr Kevin Robertson – group chief operations officer³

Independent non-executive directors

Ms Cora Fernandez – lead independent

Dr Shirley Zinn

Ms Jesmane Boggenpoel³

Ms Lerato Molebatsi³

Mr André Parker³

Mr Sandile Phillip³

PAST DIRECTORS

Mr Pierre van Tonder – group chief executive officer⁴

Mr Phillip Matthee – group chief financial officer⁵

Mr Mark Farrelly – group chief operating officer⁶

Mr Sacha du Plessis – chief marketing officer^{3,7}

Mr Graeme Kiewitz – group human resources executive^{3,8}

Ms Dineo Molefe – independent non-executive director⁹

Mr Mntungwa Morojele – independent non-executive director¹⁰

¹ Appointed 1 January 2021.

² Appointed 1 February 2021.

³ Appointed 15 October 2020.

⁴ Resigned 31 December 2020.

⁵ Resigned 31 January 2021.

⁶ Resigned 31 August 2020.

⁷ Resigned 15 September 2021.

⁸ Resigned 18 January 2021 (deceased).

⁹ Resigned 3 September 2020.

¹⁰ Resigned 1 September 2020.

SPURCORPORATION.COM

<https://www.linkedin.com/company/spur-group>