SPUR CORP
LEADING FOR THE GREATER GOOD

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December

2023

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Spur Corporation Limited

(Registration number: 1998/000828/06)

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

HIGHLIGHTS

for the six months ended 31 December 2023

Franchised restaurant turnovers
up 10.4% to
R5.386 billion
up 9.0% excluding Doppio Collection*

Earnings per share
up 16.3% to
159.53 cents

Diluted headline earnings per share
up 14.8% to
156.85 cents

Revenue
up 15.2% to
R1.766 billion
up 13.5% excluding Doppio Collection*

Diluted earnings per share
up 14.7% to
156.79 cents

Interim dividend per share
up 15.9% to
95 cents
(2023: 82 cents)

Profit before income tax
up 13.9% to
R191.8 million
up 12.1% excluding Doppio Collection*

Headline earnings per share
up 16.4% to
159.59 cents

Unrestricted cash and cash equivalents
R288.0 million
(2023: R293.5 million)

Net gearing
Nil

* Refer note 2.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2023

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NOTE: The results for the six months ended 31 December 2023 incorporate the contribution of the recently acquired Doppio Collection for the period from 1 December 2023 to 31 December 2023 (refer note 2).

Commentary on results and cash dividend

INTRODUCTION

Spur Corporation is a leading casual dining restaurant franchise group with 687 outlets trading across South Africa and 13 countries in the rest of Africa, Mauritius and the Middle East. The group owns ten well-established and diverse brands, including one of South Africa's most iconic family restaurant brands, Spur Steak Ranches.

Total restaurant sales of R5.4 billion was traded in the period, 10.4% higher than the prior comparable period.

The group's core competency in casual dining hospitality remains its strategic competitive advantage in the restaurant industry on the African continent. The group also trades in the fast casual segment with the RocoMamas brand and in the speciality dining segment with its bespoke brands, The Hussar Grill, Casa Bella and Nikos as well as the recently acquired Doppio Collection brands of Doppio Zero, Piza e Vino and Modern Tailors.

As communicated to shareholders on 7 December 2023, Spur Corporation's acquisition of a 60% interest in Doppio Collection was implemented with effect from 1 December 2023. The Doppio Collection includes a portfolio of 37 franchised and company-owned restaurants, as well as Doppio's bakery and central supply business with ten of the restaurants company-owned. Restaurant sales for the one month's trade contributed R66.7 million to the total reported restaurant sales.

Excluding the contribution to restaurant sales from the Doppio Collection, total restaurant sales increased by 9.0%.

The Spur brand accounts for 69% of the group's South African restaurant sales followed by the RocoMamas and Panarottis brands which each represent 10% of South African restaurant sales. The international restaurants represent 10% of group restaurant sales.

The highlight of this reporting period was the evolution of the 57-year-old Spur brand, with the brand's corporate identity undergoing a creative transformation. The new contemporary brand icon has been designed in a more inclusive, colourful and refreshed style, with the bold new look catapulting the brand distinctiveness, accompanied by a refreshed dining experience.

The new look and repositioning of Panarottis has also been a resounding success. Four new-look Spurs and 20 new-look Panarottis are trading currently, and all the revamped stores are reporting double-digit turnover growth.

The virtual kitchen (VK) brands are fully integrated into the brand offerings, with 322 restaurants participating. The VK offering continues to allow the group's full-service restaurants to leverage their existing infrastructure to enjoy increased market share of the online food business. Pizza Pug and Just Wingz are currently the top performing VK brands.

STRATEGY AND FOCUSED BUSINESS MODEL DELIVERING RETURNS

The core of the group's business model is 'Brands Lead the Experience'. The group continues to assess all customer touch points to refine and innovate so that its brands remain relevant and appealing to customers. The offering of a high standard of family dining experience continues, supported by aggressive marketing activity to ensure the maximum awareness and usage of the brands.

The business focus has also delivered improved supply chain results for franchisees despite challenging market conditions, with high food inflation.

The commitment of *Leading for the Greater Good* by attracting more black franchisees to the network has seen a growth from 22% black ownership in 2021 to the current level of 31%. The largest black multiple franchisee owns 14 restaurants.

The group's growth strategy is being supported by its capital management programme and principles, which is founded on assessing efficient and effective allocation of capital for the sustainable long-term growth of the group and returns to its stakeholders. Capital which is surplus to the needs of the business will be returned to shareholders through consistent dividend payments and share repurchases and will be applied to accelerate the group's expansion into new categories and markets, as reflected in the acquisition of Doppio Collection.

TRADING CONDITIONS

The first quarter of the reporting period delivered a strong performance off a high base which translated to increased customer foot traffic. While the second quarter was marked by slower trading patterns, restaurant turnovers were boosted by strong trading in December 2023. This is reflected in 251 of the 305 Spur restaurants in South Africa exceeding their turnover records in December 2023.

High tourism numbers in the Western Cape enabled the group to deliver double-digit growth for the festive season trading period, with the group's brands benefiting from the increased levels of tourism in many high traffic sites. The group's brands performed well in KwaZulu-Natal in December 2023 despite the reported impact of roadworks, heavy rains and ongoing beach closures on tourism in the region.

However, cost of living and economic constraints continues to impact household spend and disposable income. Lower- and middle-income consumers are diverting a greater share of their wallets to fund the increasing cost of food, housing, energy and transport. Consumer confidence continues to decline.

Despite the mounting pressure on disposable income, the group continued to attract customers into restaurants with its distinct and differentiated value proposition.

The group enjoys the support of its loyal customers, evident in the continued increase of the Spur Family Club loyalty voucher redemption rate of 76%. Sales generated by Family Club members represent 49% of the Spur brand's restaurant turnover. The Spur Family Club was voted the best loyalty club (largest base in the restaurant category) at the 2023 South African Loyalty Awards.

Operating costs continue to place pressure on franchisee profitability, with the costs of alternative power solutions now an everyday expense. Currently, the challenge is continuous repair and replacement of generators, with 99% of restaurants equipped with alternative power solutions. The inability in certain regions to access a reliable, clean water supply is becoming more prevalent, requiring franchisees to seek alternatives. 217 stores have invested in infrastructure to secure a supply of usable water. The need to invest in alternative water reserves at restaurants will be a key focus in future. The group continues to engage with its franchisee network and consider requests for short-term financial support.

While the new national minimum wage effective 1 March 2024 will add further cost pressure, it does bolster the earning power of employees, lessen the wealth divide and also expand our customer base. The impact of the higher minimum wage on the restaurant operating model has been assessed and strategies are being implemented to mitigate the impact on restaurant profitability.

RESTAURANT SALES INCREASE BY 10.4% IN A VOLATILE TRADING ENVIRONMENT

The group achieved a good trading performance with franchised restaurant sales increasing by 10.4% over the prior comparable reporting period and 16.1% up on the prior six months ended 30 June 2023.

	Total restaurant sales (R'000)			Total restaurant sales growth (%)	
	Six months to Dec 2023	Six months to Dec 2022	Six months to June 2023	**Six months to Dec 2023 vs six months to Dec 2022**	Six months to Dec 2023 vs six months to June 2023
Spur	**3 340 033**	3 036 944	2 888 271	**10.0**	15.6
Panarottis	**469 602**	426 708	401 568	**10.1**	16.9
John Dory's	**235 385**	237 208	212 358	**(0.8)**	10.8
RocoMamas	**480 014**	452 815	412 199	**6.0**	16.4
Speciality brands[1]	**347 476**	250 536	261 286	**38.7**[2]	33.0[3]
Total South Africa	**4 872 510**	4 404 211	4 175 682	**10.6**	16.7
Total International	**513 750**	475 690	464 125	**8.0**[4]	10.7
Total group	**5 386 260**	4 879 901	4 639 807	**10.4**[5]	16.1

1 Speciality brands comprise The Hussar Grill, Casa Bella, Nikos, Doppio Zero, Piza e Vino and Modern Tailors.
2 Excluding Doppio Collection restaurants, sales in Speciality brands increased by 12.1%.
3 Excluding Doppio Collection restaurants, sales in Speciality brands increased by 7.4%.
4 International restaurant turnovers increased by 15.0% on a constant currency basis.
5 Excluding Doppio Collection restaurants, total group restaurant sales increased by 9.0%.

In South Africa, volume growth was mainly driven by the Spur brand which increased restaurant sales by 10.0%. The Spur brand has been well positioned to meet customers' needs during load shedding hours, with the grills remaining on, offering a safe place for kids to eat and play, and for parents when they are unable to feed their families at home. The brand has delivered a high level of marketing activity this year, including driving value-added campaigns, engaging the Springbok rugby sponsorship and creating strong outdoor advertising exposure.

Panarottis increased restaurant sales by 10.1% with RocoMamas increasing by 6.0%. John Dory's sales were 0.8% lower and the strategy of securing strategic sites, including the opening of six new restaurants late in 2023, is expected to benefit turnover in the second half of the financial year.

The Speciality brands increased sales by 38.7%. Excluding the three new Doppio Collection brands, the existing Speciality brands increased restaurant turnovers by a pleasing 12.1% which was mainly driven by The Hussar Grill, following an increase in both local and international tourism.

The group continues to capitalise on consumer demand for convenience. Local takeaway sales now represent 14% of total restaurant sales, with 55% as collect orders (call, click or walk in). The balance is delivered by Mr D and Uber Eats, with Uber Eats showing a greater growth than its major competitor.

International franchised restaurant sales increased by 8.0%. Mauritius represents 21.6% of international franchised restaurant sales. The Spur brand represents 39.9% of the group's international restaurant sales, followed by Panarottis at 32.7% and RocoMamas at 25.6%.

RESTAURANT FOOTPRINT

At the end of December 2023, the group traded out of 687 restaurants in 14 countries (June 2023: 639).

In South Africa, 14 restaurants were opened during the six-month period, comprising two Spur, five Panarottis, six John Dory's and one RocoMamas restaurant. The acquisition of the Doppio Collection added 25 Doppio Zero, 10 Piza e Vino and 1 Modern Tailors restaurant to the network, bringing the South Africa restaurant footprint to 595. During the period, four restaurants were closed in South Africa.

The group's network development strategy, known as the 'R8 model', which focuses on restaurant revamps, relocation and revival strategies to evolve the brand networks into leading experiences for customers, is gaining traction across all brands.

Internationally, two new restaurants opened in the six-month period, being a RocoMamas outlet in Zimbabwe and a Panarottis in Zambia. The Hussar Grill in Zambia was closed. The acquisition of the Doppio Collection added one Doppio Zero in Botswana, bringing the international store network to 92.

The global macro environment shaped by geopolitical tensions, political uncertainty and supply chain challenges continues to place pressure on the economies of the African continent in which the group trades, with significant currency devaluations in certain of the group's African markets, including Nigeria, Zambia and Kenya.

	Dec 2023			June 2023		
Number of restaurants	**South Africa**	**Inter-national**	**Group**	South Africa	Inter-national	Group
Spur	**305**	**30**	**335**	304	30	334
Panarottis	**82**	**36**	**118**	78	35	113
John Dory's	**48**	**2**	**50**	42	2	44
RocoMamas	**85**	**23**	**108**	85	22	107
Speciality brands	**75**	**1**	**76**	40	1	41
The Hussar Grill	**26**	**–**	**26**	26	1	27
Doppio Zero	**25**	**1**	**26**	–	–	–
Piza e Vino	**10**	**–**	**10**	–	–	–
Casa Bella	**6**	**–**	**6**	6	–	6
Nikos	**7**	**–**	**7**	8	–	8
Modern Tailors	**1**	**–**	**1**	–	–	–
Total	**595**	**92**	**687**	549	90	639

GOOD GROWTH IN REVENUE AND PROFITABILITY

R'000	**H1 2024**	H1 2023	% change
South Africa			
External revenue	**1 730 931**	1 502 894	15.2
Profit before income tax	**181 271**	160 725	12.8
International			
External revenue	**35 279**	30 863	14.3
Profit before income tax	**10 423**	7 679	35.7
Group			
External revenue	**1 766 210**	1 533 757	15.2[6]
Profit before income tax	**191 843**	168 404	13.9[7]

6 Excluding Doppio Collection, group revenue increased by 13.5%.
7 Excluding Doppio Collection, group profit before income tax increased by 12.1%.

Commentary on results and cash dividend continued

The trading performance led to a continued strong growth in both group revenue and profit.

Group revenue increased by 15.2% to R1.8 billion (H1 2023: R1.5 billion). The revenue growth was supported by higher sales in the retail company stores (+47.4%) (excluding Doppio Collection, +0.3%), increased sales from the manufacturing and distribution division (+12.4%) (excluding Doppio Collection, +12.2%) and improved franchised restaurant turnovers.

Revenue in the South African operations includes marketing fund revenue of R176.7 million (H1 2023: R141.4 million) and international revenue includes marketing fund revenue of R3.6 million (H1 2023: R3.3 million). Marketing fund revenue is used exclusively to fund marketing-related costs and is therefore not for the benefit of shareholders.

Group profit before income tax increased by 13.9% to R191.8 million (H1 2023: R168.4 million).

Profit before income tax in the South African operations grew by 12.8% to R181.3 million (H1 2023: R160.7 million) and includes a marketing fund deficit of R2.3 million (H1 2023: R0.02 million).

In the international operations, profit before income tax increased to R10.4 million (H1 2023: R7.7 million).

Interest income increased due to higher interest rates relative to the comparable period. Interest expense increased with the introduction of lease liabilities in the retail company stores of the Doppio Collection.

Group headline earnings increased by 15.4% to R129.5 million (H1 2023: R112.2 million), with diluted headline earnings per share 14.8% higher at 156.85 cents (H1 2023: 136.65 cents). Profit attributable to shareholders increased by 15.4% to R129.5 million (H1 2023: R112.2 million), with diluted earnings per share 14.7% higher at 156.79 cents (H1 2023: 136.65 cents).

During the six months to 31 December 2023, the company repurchased 248 661 ordinary shares as part of the group's long-term forfeitable share scheme. This resulted in the reduction in the weighted average number of shares in issue to 81.2 million (30 June 2023: 81.6 million).

The balance sheet remains ungeared with unrestricted cash of R288.0 million at 31 December 2023 (30 June 2023: R374.8 million).

The cash generation and the allocation of the group's capital remains a key focus area of the executive directors and the Board.

UPDATE ON LEGAL DISPUTE WITH GPS FOODS – CONTINGENT LIABILITY

As previously reported, on 24 December 2019, two companies within the group were served with a summons by GPS Food Group RSA (Pty) Ltd with two claims of between R95.8 million and R167.0 million.

The parties agreed to refer the matter to arbitration. The arbitration commenced on 23 October 2023, but was adjourned on 6 November 2023. The arbitration recommenced on 21 February until 29 February 2024. At the time of publication, it is anticipated that the arbitration will be further adjourned until July 2024.

No liability has been raised at the reporting date regarding the matter. Refer to Note 14.1 of the unaudited condensed consolidated financial statements for further details.

CASH DIVIDEND

Shareholders are advised that the board of directors of the company has, on 27 February 2024, resolved to declare an interim gross cash dividend for the six months ended 31 December 2023 of R86.447 million, (31 December 2022: R 74.617 million) which equates to 95.0 cents per share (31 December 2022: 82 cents per share) and an increase of 15.9% on the prior period, for each of the 90 996 932 shares in issue, subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962), as amended (dividend withholding tax).

The dividend has been declared from income reserves. The dividend withholding tax is 20% and a net dividend of 76.0 cents per share will be paid to those shareholders who are not exempt from dividend withholding tax.

The company's income tax reference number is 9695015033. The company has 90 996 932 shares in issue at the date of declaration.

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

Event	Date
Last day to trade "cum dividend"	Monday, 18 March 2024
Shares commence trading "ex dividend"	Tuesday, 19 March 2024
Record date	Friday, 22 March 2024
Payment date	Monday, 25 March 2024

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

Share certificates may not be dematerialised or rematerialised between Tuesday, 19 March 2024 and Friday, 22 March 2024, both days inclusive.

OUTLOOK

While South Africa's GDP growth is forecast by some to double in the year ahead, this is unlikely to translate into improved trading conditions. The forecast growth is not sufficient to address the myriad of socioeconomic challenges including electricity shortages, water supply inconsistency, unemployment levels over 32% and widespread challenges in the supply chain. High interest rates and the weakening currency are dampening consumer sentiment and economic prospects.

Uncertainty ahead of the general elections on 29 May 2024 poses a further risk to the trading environment.

Spur Corporation's new three-year growth lifecycle strategy commenced in the 2024 financial year, with the board and management recognising the importance of a game-changing strategy to transition from a period of repair to a season of reinvention.

Supported by a portfolio of ten distinctive restaurant brands, Spur Corporation is well positioned to gain market share in various categories, regions and countries. Market share growth in the competitive and volatile trading environment will be driven by exceptional customer experience, fanatical attention to product quality and added value to captivate consumers and ensure sustainable growth.

The group continues to secure key trading sites and plans to open 41 new restaurants in South Africa and 12 internationally by the end of financial year. Great interest has been received from the franchise network on the Doppio Collection portfolio of speciality brands.

While trading conditions will remain challenging owing to pressure on consumer spending in the weak macroeconomic climate, the group remains positive on its prospects and will continue to work closely with stakeholders in responding to the changing environment with a reinvention ethos and growth mindset.

For and on behalf of the board

Mike Bosman
Independent non-executive chairman

Val Nichas
Group chief executive officer

29 February 2024

SPUR CORP
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Unaudited condensed consolidated statement of profit or loss and other comprehensive income

for the six months ended 31 December 2023

R'000	Note	**Unaudited six months ended 31 December 2023**	Unaudited six months ended 31 December 2022	% Change	Audited year ended 30 June 2023
Revenue	5	**1 766 210**	1 533 757	15.2	3 045 201
Cost of sales[1]		**(1 232 651)**	(1 079 098)	14.2	(2 113 305)
Gross profit		**533 559**	454 659	17.4	931 896
Other income	6	**3 423**	1 684	103.3	3 402
Administration expenses		**(110 519)**	(97 537)	13.3	(208 221)
Impairment losses – expected and actual credit losses – financial instruments	7	**(2 877)**	(4 294)	(33.0)	(2 622)
Marketing expenses[2]		**(168 058)**	(128 626)	30.7	(299 097)
Operations expenses[3]		**(55 556)**	(49 594)	12.0	(93 045)
Other non-trading losses	7	**–**	–		(1 776)
Retail company store expenses[4]		**(25 004)**	(18 047)	38.5	(38 078)
Operating profit before net finance income	7	**174 968**	158 245	10.6	292 459
Net finance income		**16 726**	10 159	64.6	25 965
Interest income[5]		**18 702**	11 563	61.7	28 659
Interest expense[6]		**(1 976)**	(1 404)	40.7	(2 694)
Share of profit of equity-accounted investee (net of income tax)[7]		**149**	–		–
Profit before income tax		**191 843**	168 404	13.9	318 424
Income tax expense	8	**(55 177)**	(51 351)	7.5	(97 414)
Profit		**136 666**	117 053	16.8	221 010
Other comprehensive income[8]		**(818)**	1 008		3 084
Foreign currency translation differences for foreign operations		**(855)**	1 095		3 303
Foreign exchange gain/(loss) on net investments in foreign operations		**48**	(109)		(278)
Current tax on foreign exchange (gain)/loss on net investments in foreign subsidiaries		**(11)**	22		59
Total comprehensive income		**135 848**	118 061	15.1	224 094
Profit attributable to:					
Equity owners of the company		**129 490**	112 237	15.4	212 176
Non-controlling interests[9]		**7 176**	4 816	49.0	8 834
Profit		**136 666**	117 053	16.8	221 010
Total comprehensive income attributable to:					
Equity owners of the company		**128 672**	113 245	13.6	215 260
Non-controlling interests[9]		**7 176**	4 816	49.0	8 834
Total comprehensive income		**135 848**	118 061	15.1	224 094
Earnings per share (cents)					
Basic earnings	9	**159.53**	137.14	16.3	260.03
Diluted earnings	9	**156.79**	136.65	14.7	258.86

1 Includes cost of inventory expense of R1 124.5 million (H1 F23: R976.7 million; FY F23: R1 919.7 million).
2 Marketing expenses are those items of expenditure that are incurred by the marketing funds administered by the group on behalf of the respective bodies of franchisees and which are funded by marketing fund contributions, sales of marketing materials and marketing supplier contributions (refer note 5).
3 The current period includes R2.982 million relating to the Doppio Collection (refer note 2).
4 The current period includes R7.706 million relating to the Doppio Collection (refer note 2).
5 Interest income comprises interest revenue calculated using the effective interest method.
6 Interest expense includes interest on lease liabilities of R1.948 million (H1 F23: R1.362 million; FY F23: R2.648 million).
7 The share of profit of equity-accounted investee relates to the 50% equity interest held by Doppio Collection in an entity which operates a retail company store (refer note 2).
8 All items included in other comprehensive income are items that are, or may be, reclassified to profit or loss.
9 Refer note 2 for the profit attributable to non-controlling interests of Doppio Collection.

SPUR CORP
LEADING FOR THE GREATER GOOD

Unaudited condensed consolidated statement of financial position

as at 31 December 2023

R'000	Note	**Unaudited as at 31 December 2023**	Unaudited as at 31 December 2022	Audited as at 30 June 2023
ASSETS				
Non-current assets		**687 097**	481 633	476 061
Property, plant and equipment[1]		**103 762**	89 013	87 202
Right-of-use assets[2]		**76 024**	22 913	19 944
Intangible assets and goodwill[3]		**500 044**	363 533	362 957
Interest in equity-accounted investee[4]		**2 252**	–	–
Loans receivable[5]		**–**	190	–
Deferred tax		**5 015**	5 984	5 958
Current assets		**730 680**	672 361	690 892
Inventories[6]		**192 153**	150 858	121 213
Tax receivable		**207**	1 592	233
Trade and other receivables[7]		**198 113**	159 371	112 958
Loans receivable[5]		**569**	1 996	–
Restricted cash[8]		**51 618**	65 039	81 679
Cash and cash equivalents		**288 020**	293 505	374 809
TOTAL ASSETS		**1 417 777**	1 153 994	1 166 953
EQUITY				
Total equity		**795 849**	710 108	751 709
Ordinary share capital		**1**	1	1
Share premium		**34 309**	34 309	34 309
Shares repurchased by subsidiaries	10.1	**(83 815)**	(76 848)	(76 848)
Foreign currency translation reserve		**30 146**	28 888	30 964
Share-based payments reserve	10.2	**27 351**	10 124	18 205
Retained earnings		**773 793**	699 030	731 511
Total equity attributable to owners of the company		**781 785**	695 504	738 142
Non-controlling interests		**14 064**	14 604	13 567
LIABILITIES				
Non-current liabilities		**145 323**	95 009	87 303
Contract liabilities[9]		**25 431**	26 549	26 060
Lease liabilities[2]		**61 126**	22 083	18 341
Deferred tax		**58 766**	46 377	42 902
Current liabilities		**476 605**	348 877	327 941
Tax payable		**10 951**	15 959	10 746
Trade and other payables	11	**303 610**	240 275	239 588
Loans payable[10]		**70 780**	196	–
Provision for lease obligation[11]		**8 335**	7 744	8 390
Contract liabilities[9]		**59 290**	74 906	59 124
Lease liabilities[2]		**21 951**	8 670	8 660
Shareholders for dividend		**1 688**	1 127	1 433
TOTAL EQUITY AND LIABILITIES		**1 417 777**	1 153 994	1 166 953

Refer note 2 for details of the impact on the statement of financial position of the Doppio Collection acquisition during the current period.

1 Property, plant and equipment comprises predominantly owner-occupied land and buildings, but includes plant and equipment relating to the group's corporate offices, manufacturing facilities and retail company stores. Refer note 7.1 for prior year impairments. The increase in the current period relates primarily to the acquisition of the Doppio Collection (refer note 2) and includes predominantly restaurant fit-out and equipment.

2 Right-of-use assets and related lease liabilities are in respect of primarily the group's Johannesburg corporate office and retail company store premises, but includes the group's fleet of vehicles used by operations employees. The significant increase relative to the prior periods relates largely to the restaurant, head office and bakery premises leases acquired as part of the acquisition of the Doppio Collection (refer note 2).

3 Intangible assets and goodwill for the comparable periods comprises predominantly the values of the Spur, Panarottis, John Dory's, The Hussar Grill, RocoMamas and Nikos trademarks and related intellectual property, and goodwill relating to The Hussar Grill restaurant and franchise operations and RocoMamas franchise operations, but includes software licences. The current period includes the value of the trademarks, intellectual property and goodwill arising from the acquisition of the Doppio Collection (refer note 2). In terms of the group's accounting policies, intangible assets (which have an indefinite useful life) and goodwill are tested for impairment annually. No assets were impaired during the current or prior periods.

4 The interest in equity-accounted investee relates to the 50% equity interest held by Doppio Collection in an entity which operates the Doppio Zero Clearwater Mall retail company store (refer note 2 and footnote 7 to the statement of profit or loss and other comprehensive income).

5 The net carrying amount of loans receivable in the prior period related predominantly to a refund of the purchase consideration due by the sellers of the group's interest in the Nikos Coalgrill Greek business (refer note 3) which was settled in H2 F23. The current year receivable is from the equity-accounted investee acquired as part of the acquisition of Doppio Collection (refer note 2).

6 In addition to the increase arising for the acquisition of the Doppio Collection (refer note 2), the increase in inventories relates primarily to the increase in inventory held at the group's outsourced distributor of R169.427 million (H1 F23: R137.776 million; FY F23: R110.196 million) as inventory levels are increased in anticipation of peak-season trade.

7 Trade and other receivables comprise largely accruals for ongoing franchise fee revenue, marketing fund contribution revenue, and related income receivable as well as receivables from the group's outsourced distributor for manufactured sauce sales and sales agent for retail sauce sales in respect of the last month of the financial reporting period. Due to the seasonal nature of the group's business, trade receivables are generally higher at December than June. The increase relative to H1 F23 relates largely to an increased receivable from the group's outsourced distributor in respect of manufactured sauce sales, which is impacted by the timing of purchases by the distributor to replenish inventory levels.

8 Restricted cash balances represent:
- cash surpluses in the group's marketing funds that may be used exclusively for marketing purposes in accordance with the franchise agreements concluded between franchisees and the group, other than those cash balances that have been funded by the respective franchise businesses; and
- cash held in reserve to honour unredeemed gift vouchers.

9 Contract liabilities relate to:
- the initial franchise fees paid by franchisees to the group on conclusion of franchise agreements: revenue is recognised over the period of the franchise agreement; and
- marketing fund contributions paid by franchisees to the respective brands' marketing funds: revenue is recognised over time as the marketing fund contributions are utilised to fund marketing-related expenditure on behalf of franchisees. To the extent that the marketing fund contributions are not utilised at the reporting date, the related revenue is deferred until such time as the funds are utilised, at which point they are recognised as revenue.

10 The loan in the prior period was payable to the minority shareholders of the Nikos Coalgrill Greek business. Refer note 3 for details on how the loan was extinguished. The loans payable in the current period relate to the funding of the Doppio Collection acquisition and are owing to minority shareholders of Doppio Collection (refer note 2).

11 The lease obligation relates to a lease concluded by the group for a retail property for the Apache Spur in Australia, which was sublet to the franchisee operating the restaurant. During the 2021 financial year, the landlord terminated the head lease due to non-payment by the sublessee who had commenced liquidation proceedings. 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). The premises have remained vacant subsequent to the cancellation. While the landlord has not taken formal legal action to recover these amounts from the group, as a liability exists for the group to compensate the landlord for proven damages, a provision was raised in the 2021 financial year for the full gross amounts due in terms of the lease from the date of termination to the expiration of the original lease. The timing and amount of the potential cash outflows are uncertain as at the reporting date.

SPUR CORP
LEADING FOR THE GREATER GOOD

Unaudited condensed consolidated statement of changes in equity

for the six months ended 31 December 2023

R'000	Note	Attributable to equity owners of the company								
		Ordinary share capital	Share premium	Shares repurchased by subsidiaries	Foreign currency translation reserve	Share-based payments reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 July 2022		1	34 309	(44 852)	27 880	8 248	647 720	673 306	12 711	686 017
Total comprehensive income for the period		–	–	–	1 008	–	112 237	113 245	4 816	118 061
Profit		–	–	–	–	–	112 237	112 237	4 816	117 053
Other comprehensive income		–	–	–	1 008	–	–	1 008	–	1 008
Transactions with owners recorded directly in equity										
Contributions by and distributions to owners		–	–	(31 996)	–	1 876	(60 927)	(91 047)	(2 923)	(93 970)
Equity-settled share-based payment	10.2	–	–	–	–	4 917	185	5 102	–	5 102
Indirect costs arising on intragroup sale of shares related to equity-settled share-based payment	10.2	–	–	–	–	–	(15)	(15)	–	(15)
Transfer within equity on vesting of equity-settled share-based payment	10.2	–	–	–	–	(3 041)	3 041	–	–	–
Purchase of treasury shares	10.1	–	–	(31 996)	–	–	–	(31 996)	–	(31 996)
Dividends		–	–	–	–	–	(64 138)	(64 138)	(2 923)	(67 061)
Balance at 31 December 2022		1	34 309	(76 848)	28 888	10 124	699 030	695 504	14 604	710 108
Total comprehensive income for the period		–	–	–	2 076	–	99 939	102 015	4 018	106 033
Profit		–	–	–	–	–	99 939	99 939	4 018	103 957
Other comprehensive income		–	–	–	2 076	–	–	2 076	–	2 076
Transactions with owners recorded directly in equity										
Contributions by and distributions to owners		–	–	–	–	8 081	(66 808)	(58 727)	(4 988)	(63 715)
Equity-settled share-based payment	10.2	–	–	–	–	8 081	148	8 229	–	8 229
Dividends		–	–	–	–	–	(66 956)	(66 956)	(4 988)	(71 944)
Changes in ownership interests in subsidiaries		–	–	–	–	–	(650)	(650)	(67)	(717)
Acquisition of non-controlling interest in subsidiary without a change in control	3	–	–	–	–	–	(650)	(650)	(67)	(717)
Total transactions with owners		–	–	–	–	8 081	(67 458)	(59 377)	(5 055)	(64 432)
Balance at 30 June 2023		**1**	**34 309**	**(76 848)**	**30 964**	**18 205**	**731 511**	**738 142**	**13 567**	**751 709**
Total comprehensive income for the period		**–**	**–**	**–**	**(818)**	**–**	**129 490**	**128 672**	**7 176**	**135 848**
Profit		**–**	**–**	**–**	**–**	**–**	**129 490**	**129 490**	**7 176**	**136 666**
Other comprehensive income		**–**	**–**	**–**	**(818)**	**–**	**–**	**(818)**	**–**	**(818)**
Transactions with owners recorded directly in equity										
Contributions by and distributions to owners		**–**	**–**	**(6 967)**	**–**	**9 146**	**(87 208)**	**(85 029)**	**(6 679)**	**(91 708)**
Equity-settled share-based payment	10.2	**–**	**–**	**–**	**–**	**9 146**	**2 446**	**11 592**	**–**	**11 592**
Indirect costs arising on intragroup sale of shares related to equity-settled share-based payment	10.2	**–**	**–**	**–**	**–**	**–**	**(178)**	**(178)**	**–**	**(178)**
Purchase of treasury shares	10.1	**–**	**–**	**(6 967)**	**–**	**–**	**–**	**(6 967)**	**–**	**(6 967)**
Dividends		**–**	**–**	**–**	**–**	**–**	**(89 476)**	**(89 476)**	**(6 679)**	**(96 155)**
Total transactions with owners		**–**	**–**	**(6 967)**	**–**	**9 146**	**(87 208)**	**(85 029)**	**(6 679)**	**(91 708)**
Balance at 31 December 2023		**1**	**34 309**	**(83 815)**	**30 146**	**27 351**	**773 793**	**781 785**	**14 064**	**795 849**

SPUR CORP
LEADING FOR THE GREATER GOOD

Unaudited condensed consolidated statement of cash flows

for the six months ended 31 December 2023

R'000	Note	**Unaudited six months ended 31 December 2023**	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2023
Cash flow from operating activities				
Operating profit before working capital changes	12	**174 898**	189 031	348 952
Working capital changes		**(74 744)**	(47 633)	6 900
Cash generated from operations		**100 154**	141 398	355 852
Interest income received		**18 434**	11 027	28 152
Interest expense paid[1]		**(1 976)**	(1 404)	(2 694)
Tax paid		**(54 913)**	(43 535)	(97 565)
Dividends paid		**(95 900)**	(66 820)	(136 817)
Net cash flow from operating activities		**(34 201)**	40 666	146 928
Cash flow from investing activities				
Additions of property, plant and equipment		**(2 227)**	(1 096)	(5 457)
Proceeds from disposal of property, plant and equipment		**153**	2	80
Repayment of loans receivable		**–**	522	1 070
Cash outflow arising from business combination	2	**(67 433)**	–	–
Net cash flow from investing activities		**(69 507)**	(572)	(4 307)
Cash flow from financing activities				
Acquisition of treasury shares	10.1	**(6 967)**	(31 996)	(31 996)
Payment of lease liabilities		**(6 088)**	(4 593)	(9 146)
Net cash flow from financing activities		**(13 055)**	(36 589)	(41 142)
Net movement in cash and cash equivalents		**(116 763)**	3 505	101 479
Effect of foreign exchange fluctuations		**(87)**	(38)	(68)
Net cash and cash equivalents at beginning of period		**456 488**	355 077	355 077
Net cash and cash equivalents at end of period		**339 638**	358 544	456 488

[1] Interest expense paid includes interest on lease liabilities of R1.948 million (H1 F23: R1.362 million; FY F23: R2.648 million).

Notes to the unaudited condensed consolidated financial statements

for the six months ended 31 December 2023

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 31 December 2023 (condensed financial statements) are prepared in accordance with the requirements of the JSE Ltd Listings Requirements (Listings Requirements) and the requirements of the Companies Act of South Africa (No. 71 of 2008 amended). The Listings Requirements require condensed consolidated financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and Financial Pronouncements as issued by the Financial Reporting Standards Council, and the *SAICA Financial Reporting Guides* as issued by the Accounting Practices Committee and to also, as a minimum, contain the information required by *IAS 34 – Interim Financial Reporting*.

The accounting policies applied in the preparation of the condensed financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements for the year ended 30 June 2023 (F23 financial statements). The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Throughout these condensed financial statements, the comparative six-month period ended 31 December 2022 is referenced as 'H1 F23', while the comparative year ended 30 June 2023 is referenced as 'FY F23'. The six-month period from January 2023 to June 2023 is referenced as 'H2 F23'.

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

The condensed financial statements are presented in South African rands, which is the group's presentation currency, rounded to the nearest thousand, unless otherwise stated. They are prepared on the going concern basis. The condensed financial statements have been prepared on the historical cost basis except in the case of assets and liabilities acquired as part of the Doppio Collection business combination (refer note 2) which were measured at fair value at acquisition date.

The condensed financial statements were prepared under the supervision of the group chief financial officer, Cristina Teixeira CA(SA), and authorised for issue by the directors on Tuesday, 27 February 2024. The condensed financial statements were published on Thursday, 29 February 2024.

2. ACQUISITION OF DOPPIO COLLECTION

On 26 July 2023, wholly-owned subsidiary, Spur Group (Pty) Ltd (Spur Group), concluded a binding heads of agreement with Nadostax (Pty) Ltd *et al* (Doppio Group) to acquire a 60% interest in certain business units of Doppio Group as part of a number of interlinked indivisible transactions. The transactions were subject to various conditions which were met and the transactions became effective on 1 December 2023. The transactions resulted in the establishment of a new entity, Doppio Collection (Pty) Ltd (DC), in which Spur Group acquired 60% of the shares (equity interests), which in turn acquired the aforementioned Doppio Group business units from Doppio Group.

The Doppio Group is owned by founders, Paul Christie (50%) and Miki Milovanovic (50%) (collectively, the Sellers, via intermediate legal entities), who opened the first Doppio Zero restaurant in 2002. The Sellers each own 20% of the equity interests in DC.

DC acquired speciality restaurant brands Doppio Zero, Piza e Vino and Modern Tailors with a portfolio of 37 restaurants. This included 27 franchised stores (19 Doppio Zero and 8 Piza e Vino stores) and 10 retail company stores (seven Doppio Zero stores including a 50% interest in one store, two Piza e Vino stores and one Modern Tailors restaurant) at the date of acquisition, as well as a bakery and central supply business, including franchise agreements, trademarks (registered and unregistered), copyrights and related intellectual property (Target Business). The Target Business constitutes a 'business' as defined by *IFRS 3 – Business Combinations*.

The acquisition will strengthen the group's position in the day-time speciality dining segment and accelerate the group's entry into the speciality coffee market. In addition, the Target Business is currently largely represented in Gauteng, and there are therefore opportunities to leverage the group's relationships with existing franchisees to expedite national expansion of the acquired brands.

STRUCTURE OF TRANSACTION

The acquisition of the Target Business by DC from the Doppio Group was transferred on loan account (between DC and Doppio Group). The Doppio Group ceded and assigned the loan receivable (from DC) in Doppio Group to the Sellers in equal proportion. Spur Group is to fund in cash its share of the total consideration payable by DC to Doppio Group, on shareholder's loan account with DC. As detailed below, Spur Group settled part of its share of the purchase consideration on the acquisition date, with the balance still payable. DC used the proceeds of the Spur Group shareholder's loan to part-settle the loans owing to the Sellers in equal share. The loans will be repaid out of future accumulated earnings.

ASSETS AND LIABILITIES ACQUIRED

The fair value of identifiable assets and liabilities acquired on 1 December 2023 comprise:

R'000	1 December 2023
Intangible assets	73 587
Doppio Zero trademarks and related intellectual property	61 964
Piza e Vino trademarks and related intellectual property	11 623
Right-of-use assets[1]	47 861
Property, plant and equipment[2]	18 511
Inventory	3 788
Interest in equity-accounted investee[3]	2 672
Cost of shares	2 103
Loan receivable	569
Trade and other receivables	
Lease deposits	2 851
Contract liabilities	
Deferred marketing fund contributions revenue[4]	(4 449)
Lease liabilities[1]	(47 861)
Trade and other payables	(3 729)
Trade payables	(300)
Trade payables owing to Doppio Group	(3 017)
Unredeemed gift vouchers	(412)
Loans owing to non-controlling interests (NCI)[5]	(16 432)
Deferred tax[6]	(19 054)
Fair value of net assets acquired	**57 745**
Purchase consideration for equity in DC	–
Purchase consideration for net assets acquired funded by Spur Group	73 069
Settled in cash on shareholder's loan account	67 433
Consideration still owing[7]	5 636
Purchase consideration for net assets acquired funded by non-controlling shareholders on loan account	48 712
Total purchase consideration	**121 781**
Less: identifiable net assets acquired	(57 745)
Goodwill recognised on acquisition of DC	**64 036**

The enterprise value (and thus purchase consideration) equates to a 4.5 times EBITDA (earnings before interest, tax, depreciation and amortisation) multiple of the Target Business.

1 Right-of-use assets and lease liabilities comprise the property leases for the retail company stores and the DC head office and bakery. The leases concluded by DC for the DC head office and bakery are with entities related to the Sellers. The terms of the leases are considered to be market-related.
2 Property, plant and equipment relates primarily to the restaurant fit-out and equipment assets in the company retail stores acquired as well as the equipment in the bakery.
3 The interest in equity-accounted investee comprises a 50% interest in a legal entity operating a retail company store. The group exercises joint control (with the other 50% shareholder) of the key activities of the investee.
4 The contract liabilities relate to marketing fund contributions received by the Doppio Group from franchisees which are in excess of the amounts spent by the Doppio Group on marketing for the respective brands as provided for in the respective franchise agreements concluded between the Doppio Group and its franchisees. The revenue will be recognised in future periods as it is used to fund future marketing expenditure on behalf of the bodies of franchisees.
5 Loans owing to non-controlling interests included in the identifiable net assets acquired relate to DC shareholders' loans to the extent that the loans are in excess of the *pro rata* shareholding of the respective shareholders. The excess loans arose from the sale of the Target Business by Doppio Group to DC on loan account (which was subsequently ceded and assigned to the Sellers in equal share). The loans have no fixed repayment terms. The non-controlling shareholders have a preferential right to repayment of these loans before any amount may be repaid on other shareholder loans which are in proportion to the respective shareholders' shareholding.
6 Deferred tax arises on the initial recognition of the intangible assets, right-of-use assets, lease liabilities and certain of the amounts owing to Doppio Group (included in trade an other payables).
7 This represents the balance of the purchase consideration for the net assets acquired due by Spur Group to DC in order for DC to settle the remaining amount owing by DC to the Doppio Group for the acquisition of the Target Business. The balance of the purchase consideration due by Spur Group will be paid once all values of assets and liabilities acquired by DC are confirmed between the parties.

2. ACQUISITION OF DOPPIO COLLECTION CONTINUED

ASSETS AND LIABILITIES ACQUIRED continued

The NCI is determined as the fair value of the equity of DC attributable to non-controlling shareholders' equity interest (40%) in the event of liquidation. As the equity of DC is nil at the acquisition date, the non-controlling shareholders' entitlement to the net assets of DC at the acquisition date is nil.

The goodwill arises principally from:

– the skills and expertise of the Sellers with specific reference to product development and innovation and speciality dining experience;
– the expertise gained by the group in the baked goods and speciality coffee markets;
– the customer relationships associated with the acquired brands (as these are not contractual, they have not been recognised as a separately identifiable intangible asset); and
– synergies expected to be realised as the DC business is integrated with the group's infrastructure which is expected to facilitate national expansion of the acquired brands.

None of the goodwill is deductible for income tax purposes.

CASH FLOW IMPACT

R'000	As at 31 December 2023
Shareholder's loan advanced by Spur Group to DC	**67 433**
The proceeds of the shareholder's loan were paid by DC to the Sellers in part-settlement of their shareholders' loan accounts as referred to above.	
Remaining amount still to be funded by Spur Group	**10 706**

The further funding to be provided by Spur Group will be advanced on shareholder loan account to DC. DC will use the further funding to settle the remaining purchase consideration payable to the Doppio Group of R5.636 million (as referred to above) and retain the balance of R5.070 million for working capital requirements (subsequent to the acquisition date). The further funding will be provided once all values of assets and liabilities acquired are confirmed between the parties (refer *Fair values measured on a provisional basis* on page 20).

IMPACT ON RESULTS REPORTED FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

R'000	Month of December 2023
Revenue from date of acquisition to 31 December 2023	**24 683**
Profit before income tax from date of acquisition to 31 December 2023	**3 111**
Net profit from date of acquisition to 31 December 2023	**2 312**
Profit attributable to equity owners of the company	**1 388**
Profit attributable to non-controlling interests	**924**

Transaction costs included in profit before income tax for the period ended 31 December 2023 amount to R2.533 million (H2 F23 and FY F23: R1.911 million) and relate largely to due diligence and legal professional services. The costs are included in *Administrative expenses* in the statement of profit or loss and other comprehensive income and within the *Shared services* operating segment.

It is not practicable at this time to estimate the group's consolidated revenue and net profit if the effective date of the acquisition was the beginning of the reporting period (1 July 2023), as required by IFRS 3. The reasons include:

– The group did not acquire an existing trading legal entity of the Sellers but rather acquired certain businesses and assets from the Doppio Group in a new entity, DC;
– In light of the fact that not all businesses and assets of Doppio Group were acquired, the allocation of certain corporate/head office costs to assets/businesses excluded from the transaction could not be reasonably estimated;
– The Doppio Group did not prepare financial information in accordance with IFRS (but IFRS for SMEs);
– Certain transactions were processed by the Doppio Group only on an annual basis (at their year-end, which is February) including depreciation, bonuses, and leave pay;
– Certain liabilities were excluded from the transaction (including external bank financing which would impact interest); and
– A detailed computation of expected credit losses on existing receivables was not done as historic trade receivables were not included in the acquisition.

2. ACQUISITION OF DOPPIO COLLECTION CONTINUED

FAIR VALUES MEASURED ON A PROVISIONAL BASIS

The following items have been measured on a provisional basis:

- Property, plant and equipment – a full verification of the existence, completeness and condition of assets is still in progress at the time of publication of this report;
- Intangible assets – the valuation of the identifiable trademarks and related intellectual property is still being finalised;
- Inventory – the valuation of inventories is still in the processing of being verified; and
- Goodwill – as goodwill is a function of the fair values of the identifiable net assets acquired, any change to the values of property, plant and equipment, inventories and intangible assets referred to above will result in a corresponding change to the value of goodwill.

In the event that new information becomes available within one year from the acquisition date which impacts on the fair values of the assets and liabilities identified above, the accounting for the acquisition will be revised retrospectively.

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3. PRIOR YEAR ACQUISITION OF ADDITIONAL INTEREST IN NIKOS

The group originally acquired a 51% interest in the Nikos Coalgrill Greek business (Nikos) on 1 August 2018.

The purchase consideration of the 51% interest was initially determined as five times Nikos' profit before interest, tax, depreciation and amortisation (EBITDA) of the fourth year following the date of acquisition (i.e. from August 2021 to July 2022). An initial amount of R5.012 million was paid to the sellers on the acquisition date. The actual purchase consideration was finally determined as R3.303 million, resulting in a receivable from the sellers of R1.709 million. During the prior year, the total amount receivable from the sellers was recovered as follows:

R'000	Audited year ended 30 June 2023
Balance at beginning of year	1 594
Fair value gain recognised in profit or loss	61
Reversal of impairment allowance	54
Amount offset against loan payable to minority shareholders	(196)
Amount offset against dividend payable to minority shareholders	(796)
Amount settled by the transfer of shares in Nikos from the minority shareholders to the group	(717)
Balance at end of year	–

The amount settled by the transfer of shares resulted in the group increasing its interest in Nikos by an additional 11.37% with effect from 30 June 2023.

SPUR CORP
LEADING FOR THE GREATER GOOD

Notes to the unaudited condensed consolidated financial statements continued

4. OPERATING SEGMENTS

EXTERNAL REVENUE

R'000	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022	% Change	Audited year ended 30 June 2023
South Africa				
Franchise	**234 294**	213 358	9.8	415 257
Spur	**165 399**	151 173	9.4	294 815
Panarottis	**21 652**	19 777	9.5	38 640
John Dory's	**10 284**	10 312	(0.3)	19 674
RocoMamas	**23 351**	22 637	3.2	42 798
Speciality brands[1]	**13 608**	9 459	43.9	19 330
Manufacturing and distribution[2]	**1 221 297**	1 086 599	12.4	2 112 429
Retail company stores[3]	**61 260**	41 554	47.4	86 610
Marketing[4]	**176 697**	141 407	25.0	319 870
Other segments[5]	**37 328**	19 742	89.1	48 093
Total South African segments	**1 730 876**	1 502 660	15.2	2 982 259
Shared services	**55**	234	(76.5)	463
Total South Africa	**1 730 931**	1 502 894	15.2	2 982 722
International				
Franchise – Australasia	**305**	415	(26.5)	678
Franchise – Rest of Africa and Middle East[6]	**31 367**	27 114	15.7	55 364
Marketing[4]	**3 607**	3 334	8.2	6 437
Total International	**35 279**	30 863	14.3	62 479
Total external revenue	**1 766 210**	1 533 757	15.2	3 045 201

Refer note 5 for further details of revenue.

1 Speciality brands comprise the group's franchise operations for The Hussar Grill, Casa Bella, Nikos Coalgrill Greek and, with effect from 1 December 2023, Doppio Zero and Piza e Vino (refer note 2).
2 Manufacturing and distribution comprises the group's sauce manufacturing, warehousing and product distribution business including sales by the group's outsourced distributor to franchisees, rebates and sales of retail sauces to supermarkets. Revenue includes sales by the group's outsourced distributor of R1.154 billion (H1 F23: R1.039 billion; FY F23: R2.022 billion). The Doppio Collection bakery and product distribution business has been included in this segment with effect from 1 December 2023 (refer note 2).
3 Retail company stores comprises the group's four company-owned The Hussar Grill restaurants (Camps Bay, Rondebosch, Mouille Point and Morningside); a RocoMamas restaurant in Green Point (Western Cape); a pilot proof of concept, Modrockers, in Rosebank (Gauteng); and, with effect from 1 December 2023, six Doppio Zero restaurants, two Piza e Vino restaurants and a Modern Tailors restaurant (refer note 2). The prior year segment result (in H2 FY23) includes property, plant and equipment impairment losses of R1.210 million relating to the Modrockers proof of concept pilot restaurant and R0.566 million relating to the RocoMamas store in Green Point (refer note 7.1). With effect from 1 September 2023, the group disposed of the Modrockers restaurant. With effect from 1 October 2023, the group let the assets and premises of the RocoMamas in Green Point to an external party for a period of one year; any restaurant sales revenue from 1 October 2023 is accordingly for the lessee's account.
4 These segments comprise the surplus or deficit of marketing fund contributions from franchisees relative to marketing fund expenses for the year. The group is obligated, in accordance with the franchise agreements concluded between franchisees and the group, to spend the marketing fund contributions for the benefit of franchisees. Any surplus recognised in profit is in respect of the recovery of a prior year's cumulative marketing fund deficit and is accordingly not for the benefit of the owners of the company and will not, in the ordinary course of business, be distributable to shareholders. Losses are only recognised to the extent that a marketing fund is in a cumulative deficit position. The loss for the current period in South Africa reflects the fact that two of the group's marketing funds are in a net overspent position. The deficit has been funded by the group. The Doppio Zero and Piza e Vino marketing funds have been included in this segment with effect from 1 December 2023 (refer note 2).
5 Other segments include the group's training division, export business, décor manufacturing business and call centre which are each individually not material. The increase in revenue relates largely to the increase in export sales to support new business development in Africa. The contribution to profit from these sales has however been offset by reduced profitability in the group's décor manufacturing facility and increased losses in the group's training department.
6 Franchise – Rest of Africa and Middle East comprises the group's 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. Segment revenue includes sales by the group's outsourced distributor of R9.345 million (H1 F23: R7.491 million; FY F23: R15.538 million).
7 South Africa Franchise – RocoMamas profit for H1 F23 and FY F23 included a one-off contribution to the RocoMamas marketing fund of R1.0 million to facilitate the implementation of the brand's marketing strategy.

PROFIT/(LOSS) BEFORE INCOME TAX

R'000	Note	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022	% Change	Audited year ended 30 June 2023
South Africa					
Franchise		**197 385**	175 805	12.3	342 352
Spur		**146 082**	131 780	10.9	257 116
Panarottis		**15 628**	13 976	11.8	26 845
John Dory's		**6 198**	5 975	3.7	11 427
RocoMamas[7]		**17 872**	15 894	12.4	29 911
Speciality brands[1]		**11 605**	8 180	41.9	17 053
Manufacturing and distribution[2]		**47 417**	44 666	6.2	80 707
Retail company stores[3]		**7 406**	3 421	116.5	4 871
Marketing[4]		**(2 278)**	(15)		1 104
Other segments[5]		**745**	708	5.2	2 710
Total South African segments		**250 675**	224 585	11.6	431 744
Shared services	a	**(69 404)**	(63 860)	(8.7)	(129 047)
Total South Africa		**181 271**	160 725	12.8	302 697
International					
Franchise – Australasia		**(43)**	131	(132.8)	85
Franchise – Rest of Africa and Middle East[6]		**13 437**	12 061	11.4	25 489
Total International segments		**13 394**	12 192	9.9	25 574
Shared services	b	**(2 971)**	(4 513)	34.2	(9 847)
Total International		**10 423**	7 679	35.7	15 727
Profit before income tax and share of profit of equity-accounted investee		**191 694**	168 404	13.8	318 424
Share of profit of equity-accounted investee		**149**	–		–
Profit before income tax		**191 843**	168 404	13.9	318 424

Refer page 24 for notes.

4. OPERATING SEGMENTS CONTINUED

Notes

a) South Africa Shared services

R'000	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2023
The segment loss includes:			
Marketing fund administration cost recoveries (intersegment)[8]	**8 209**	7 717	15 456
Net finance income[9]	**15 251**	9 412	22 652
Impairment loss – net expected and actual credit losses – financial instruments (refer footnote 2 to note 7)	**(2 326)**	(2 997)	(1 137)
Equity-settled share-based payment charge (refer note 10.2)	**(9 146)**	(4 917)	(12 998)
Consulting and legal fees – due diligence costs (refer note 2)	**(2 533)**	–	(1 911)
Contingent consideration[10] fair value adjustment (net of allowance for expected credit losses)	**–**	115	115
Litigation costs – GPS (refer note 14.1)	**(3 181)**	–	–
Loss (before net finance income) of The Spur Foundation Trust, all of which is attributable to non-controlling interests	**(298)**	(261)	(29)

[8] The group recovers certain of the costs of administering the marketing funds on behalf of franchisees from the marketing funds.
[9] Net finance income has increased due to higher cash balances and higher interest rates relative to the prior periods.
[10] Refer note 3 for comment on the Nikos contingent consideration.

b) International Shared services

R'000	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2023
The segment loss includes:			
Impairment reversal/(loss) – net expected and actual credit losses – financial instruments (refer footnote 2 to note 7)	**41**	(290)	(256)
Foreign exchange loss	**(461)**	(1 481)	(3 807)

5. REVENUE

R'000	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2023
Sales-based royalties	**252 637**	229 775	447 639
Ongoing franchise fee income	**252 637**	229 775	447 639
Recognised at a point in time	**1 330 657**	1 157 299	2 266 689
Sales of franchisee supplies (outsourced distributor)	**1 163 642**	1 046 943	2 037 731
Sales of purchased and manufactured sauces	**61 359**	43 879	84 487
Retail company stores' sales	**61 260**	41 554	86 610
Sales of franchisee supplies	**36 687**	16 036	40 948
Sales of marketing materials	**4 520**	5 410	10 734
Rebate income	**3 189**	3 477	6 179
Recognised over time	**182 916**	146 683	330 873
Initial franchise fee income	**3 510**	3 189	6 994
Marketing fund contributions	**172 192**	134 297	300 331
Services rendered	**3 590**	4 101	8 192
Marketing supplier contributions	**3 624**	5 096	15 356
Total external revenue	**1 766 210**	1 533 757	3 045 201

5. REVENUE CONTINUED

Revenue is disaggregated based on the method of recognition by segment as follows (refer note 4 for changes in composition of segments):

Unaudited six months ended 31 December 2023 R'000	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
South Africa				
Franchise	231 941	–	2 353	234 294
Spur	164 418	–	981	165 399
Panarottis	21 437	–	215	21 652
John Dory's	10 194	–	90	10 284
RocoMamas	22 721	–	630	23 351
Speciality brands	13 171	–	437	13 608
Manufacturing and distribution	–	1 221 297	–	1 221 297
Retail company stores	–	61 260	–	61 260
Marketing	–	4 520	172 177	176 697
Other South Africa	–	34 031	3 297	37 328
Total South African segments	231 941	1 321 108	177 827	1 730 876
Shared services	–	55	–	55
Total South Africa	231 941	1 321 163	177 827	1 730 931
International				
Franchise – Australasia	296	–	9	305
Franchise – Rest of Africa and Middle East	20 400	9 494	1 473	31 367
Marketing	–	–	3 607	3 607
Total International	20 696	9 494	5 089	35 279
Total external revenue	252 637	1 330 657	182 916	1 766 210

Unaudited six months ended 31 December 2022	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
South Africa				
Franchise	211 049	113	2 196	213 358
Spur	150 056	–	1 117	151 173
Panarottis	19 406	107	264	19 777
John Dory's	10 288	–	24	10 312
RocoMamas	21 982	6	649	22 637
Speciality brands	9 317	–	142	9 459
Manufacturing and distribution	–	1 086 599	–	1 086 599
Retail company stores	–	41 554	–	41 554
Marketing	–	5 410	135 997	141 407
Other South Africa	–	15 689	4 053	19 742
Total South African segments	211 049	1 149 365	142 246	1 502 660
Shared services	–	234	–	234
Total South Africa	211 049	1 149 599	142 246	1 502 894
International				
Franchise – Australasia	288	–	127	415
Franchise – Rest of Africa and Middle East	18 438	7 700	976	27 114
Marketing	–	–	3 334	3 334
Total International	18 726	7 700	4 437	30 863
Total external revenue	229 775	1 157 299	146 683	1 533 757

Audited year ended 30 June 2023 R'000	Sales-based royalties	Recognised at a point in time	Recognised over time	Total
South Africa				
Franchise	410 321	164	4 772	415 257
Spur	292 516	–	2 299	294 815
Panarottis	37 726	164	750	38 640
John Dory's	19 522	–	152	19 674
RocoMamas	41 526	–	1 272	42 798
Speciality brands	19 031	–	299	19 330
Manufacturing and distribution	–	2 112 429	–	2 112 429
Retail company stores	–	86 610	–	86 610
Marketing	–	10 734	309 136	319 870
Other South Africa	–	40 321	7 772	48 093
Total South African segments	410 321	2 250 258	321 680	2 982 259
Shared services	–	463	–	463
Total South Africa	410 321	2 250 721	321 680	2 982 722
International				
Franchise – Australasia	538	–	140	678
Franchise – Rest of Africa and Middle East	36 780	15 968	2 616	55 364
Marketing	–	–	6 437	6 437
Total International	37 318	15 968	9 193	62 479
Total external revenue	447 639	2 266 689	330 873	3 045 201

6. OTHER INCOME

R'000	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2023
Expired gift vouchers[1]	840	831	1 379
Fair value gain on contingent consideration receivable (refer note 3)	–	61	61
Gain on derecognition of lease	86	–	1
Derecognition of lease liabilities on early termination of leases	551	–	75
Derecognition of right-of-use assets on early termination of leases	(465)	–	(74)
Profit on disposal of property, plant and equipment	–	–	69
Spur Foundation donation income[2]	1 591	457	1 112
Rental income[3]	668	–	–
Other	238	335	780
Total other income	**3 423**	1 684	3 402

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

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

[3] Rental income comprises income earned on short-term leases in respect of certain group-owned properties rented to external parties, as well as the short-term lease of certain plant and equipment to the outsourced operator of the company-owned RocoMamas in Green Point.

7. OPERATING PROFIT BEFORE NET FINANCE INCOME

The following expenses have been taken into account in determining operating profit before net finance income (other than those items disclosed in other income (refer note 6)):

R'000	**Unaudited six months ended 31 December 2023**	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2023
Amortisation – intangible assets	**536**	767	1 343
Consulting fees	**10 732**	13 770	24 152
Consulting and legal fees – due diligence costs (refer note 2)	**2 533**	–	1 911
Depreciation – property, plant and equipment	**3 954**	4 597	8 984
Depreciation – right-of-use assets	**6 170**	5 269	9 052
Employment costs	**131 611**	108 110	225 494
Salaries and wages[1]	**122 465**	103 193	212 496
Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 10.2)	**9 146**	4 917	12 998
Foreign exchange loss	**360**	1 414	3 651
Impairment losses – expected and actual credit losses – financial instruments	**2 877**	4 294	2 622
Trade receivables	**2 609**	3 864	2 292
Bad debts – trade receivables (actual credit loss)	**133**	37	582
Movement in impairment allowance[2]	**2 476**	3 827	1 710
Loans receivable	**268**	484	384
Movement in impairment allowance	**268**	545	506
Reversal of impairment allowance	**–**	(61)	(122)
Impairment allowance reversed against actual write-off of loans receivable[3]	**–**	(2 686)	(2 766)
Write-off of loans receivable[3] (actual credit loss)	**–**	2 686	2 766
Reversal of impairment of contingent consideration receivable (refer note 3)	**–**	(54)	(54)
Loss on disposal of property, plant and equipment	**71**	–	–
Other non-trading losses	**–**	–	1 776
Impairment of plant, property and equipment (refer note 7.1)	**–**	–	1 776
Subscriptions[4]	**11 215**	7 794	17 614

1 Includes short-term performance bonuses and short-term incentive scheme costs (refer note 11.1).

2 The improved trading conditions and resultant payment performance of debtors has resulted in a lower assessment of probability of default (PD) for stage 1 trade receivables relative to H1 F23. While the PD for stage 2 receivables has increased relative to H1 F23, the proportion of debtors included in stage 2 is lower than H1 F23. The increase in the allowance is largely as a result of an increase in gross trade receivables in line with trading activities.

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

4 Subscriptions comprise recurring service costs and include software-as-a-service costs, certain annual IT-related licence costs, wide area network (WAN) IT infrastructure costs and outsourced call centre costs.

7.1 PRIOR PERIOD IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The pilot proof of concept company-owned restaurant, Modrockers, has not been successful in generating positive cash flows. The recoverable amount of the assets attributable to the restaurant was considered negligible at 30 June 2023 and the group accordingly impaired the carrying amounts of all tangible property, plant and equipment during H2 F23.

The retail company store, RocoMamas Green Point, had failed to generate positive cash flows for two consecutive years. It is anticipated that the movable plant and equipment will be able to be transferred to an alternative location following the termination of the lease in March 2024. The carrying amount of immovable leasehold improvements was impaired in H2 F23.

	Audited year ended 30 June 2023 R'000
Impairment of carrying amount of property, plant and equipment relating to Modrockers	1 210
Impairment of carrying amount of immovable property, plant and equipment relating to RocoMamas Green Point	566
Total impairment of property, plant and equipment	1 776

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

8. TAX RATE RECONCILIATION

	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2023
South African corporate income tax rate	**27.0**	27.0	27.0
Non-deductible listings related costs	**0.7**	0.8	0.8
Non-deductible loan impairment	**–**	0.1	0.3
Non-deductible marketing expenditure	**24.7**	21.9	25.6
Non-deductible other expenditure (capital items and items not in production of income)	**0.6**	0.7	0.5
Non-taxable marketing income	**(24.4)**	(21.9)	(25.7)
Non-taxable reversal of impairment allowance for expected credit losses	**–**	–	(0.2)
Prior year net under/(over) provision	**0.2**	(0.2)	0.2
Tax at rates other than corporate income tax rate	**(1.4)**	0.1	0.2
Tax losses on which deferred tax asset not recognised	**0.1**	–	0.1
Tax losses utilised on which deferred tax not previously recognised	**–**	–	(0.1)
Tax on foreign attributed income not included in profit	**0.2**	0.3	0.2
Utilisation of withholding tax credits (not previously recognised as an asset)	**(1.0)**	(0.2)	–
Withholding taxes	**2.1**	1.9	1.7
Effective tax rate	**28.8**	30.5	30.6

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

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Notes to the unaudited condensed consolidated financial statements continued

9. EARNINGS PER SHARE

9.1 STATISTICS

'000	**Unaudited six months ended 31 December 2023**	Unaudited six months ended 31 December 2022	% Change	Audited year ended 30 June 2023
Total shares in issue	**90 997**	90 997		90 997
Less: shares repurchased by wholly-owned subsidiary companies (refer note 10.1)	**(3 517)**	(3 225)		(3 225)
Less: shares held by The Spur Management Share Trust (consolidated structured entity)	**(5 886)**	(5 929)		(5 929)
Less: shares held by The Spur Foundation Trust (consolidated structured entity)	**(500)**	(500)		(500)
Net shares in issue	**81 094**	81 343		81 343
Weighted average number of shares in issue	**81 172**	81 844		81 596
Diluted weighted average number of shares in issue	**82 589**	82 136		81 964
Earnings per share (cents)				
Basic earnings	**159.53**	137.14	16.3	260.03
Diluted earnings	**156.79**	136.65	14.7	258.86
Headline earnings per share (cents)				
Basic headline earnings	**159.59**	137.14	16.4	261.18
Diluted headline earnings	**156.85**	136.65	14.8	260.01
Dividend per share (cents)[1]	**95.00**	82.00	15.9	192.00

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

9.2 RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE

R'000	**Unaudited six months ended 31 December 2023**	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2023
Gross shares in issue at beginning of period	**90 997**	90 997	90 997
Less: Cumulative shares repurchased by subsidiary companies and consolidated structured entities at beginning of period	**(9 654)**	(8 320)	(8 320)
Less: Shares repurchased during period weighted for period held by the group	**(171)**	(866)	(1 180)
Plus: Shares issued during the period weighted for period in issue (vested long-term share-linked incentive awards) (refer note 10.2)	**–**	33	99
Weighted average number of shares in issue for the period	**81 172**	81 844	81 596
Dilutive potential ordinary shares weighted for period outstanding (non-vested long-term share-linked incentive awards) (refer note 10.2)	**1 417**	292	368
Diluted weighted average number of shares in issue for the period	**82 589**	82 136	81 964

9.3 RECONCILIATION OF HEADLINE EARNINGS

R'000	**Unaudited six months ended 31 December 2023**	Unaudited six months ended 31 December 2022	% Change	Audited year ended 30 June 2023
Profit attributable to equity owners of the company	**129 490**	112 237	15.4	212 176
Headline earnings adjustments:				
Impairment of property, plant and equipment	**–**	–		1 776
Loss/(profit) on disposal of property, plant and equipment	**71**	–		(69)
Income tax impact of above adjustments	**(19)**	–		(465)
Amount of above adjustments attributable to non-controlling interests	**–**	–		(306)
Headline earnings	**129 542**	112 237	15.4	213 112

10. CAPITAL AND RESERVES

10.1 SHARES REPURCHASED

	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2023
Number of shares acquired by wholly-owned subsidiary, Share Buy-back (Pty) Ltd, during the period ('000)	–	1 309	1 309
Number of shares acquired by wholly-owned subsidiary, Spur Group (Pty) Ltd, as shares to be held in escrow on behalf of Forfeitable Share Plan participants, for the period (refer note 10.2) ('000)	249	190	191
Total number of shares acquired by wholly-owned subsidiaries for the period ('000)	**249**	1 499	1 500
Total cost of shares acquired by Share Buy-back (Pty) Ltd for the period (R'000)	–	27 699	27 699
Total cost of shares acquired by Spur Group (Pty) Ltd for the period (R'000)	6 967	4 297	4 297
Total cost of shares acquired by wholly-owned subsidiaries for the period (R'000)	**6 967**	31 996	31 996
Average cost per share of shares acquired during the period (R)	**27.98**	21.34	21.33

During the prior period (H1 F23 and FY F23), 166 281 shares held by Spur Group (Pty) Ltd in escrow on behalf of participants of the Spur Group Forfeitable Share Plan, were vested with participants (refer note 10.2).

At the reporting date, the group owned 3 516 771 (H1 F23: 3 225 104; FY F23: 3 225 104) 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 10.2) and those held by The Spur Foundation Trust, a consolidated structured entity. Refer also note 9.1.

10.2 SHARE-BASED PAYMENTS RESERVE

At the annual general meeting (AGM) of 23 December 2020, shareholders approved new equity-settled long-term incentive schemes: the Spur Group Forfeitable Share Plan (FSP) and Spur Group Share Appreciation Rights (SAR) Scheme. All current tranches of long-term incentive awards were issued in terms of these new schemes.

R'000	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2023
Balance at beginning of period	**18 205**	8 248	8 248
Share-based payments expense for the period	**9 146**	4 917	12 998
FSP – November 2019 tranche	–	282	282
FSP – October 2021 tranche	**759**	603	1 210
SAR – October 2021 tranche	**2 599**	2 694	5 024
FSP – November 2022 tranche	**575**	200	948
SAR – November 2022 tranche	**4 444**	1 138	5 534
FSP – November 2023 tranche	**185**	–	–
SAR – November 2023 tranche	**584**	–	–
Transfer to retained earnings on vesting of shares/rights	–	(3 041)	(3 041)
Balance at end of period	**27 351**	10 124	18 205
Comprising:			
FSP – October 2021 tranche	**3 204**	1 838	2 445
SAR – October 2021 tranche	**11 877**	6 948	9 278
FSP – November 2022 tranche	**1 523**	200	948
SAR – November 2022 tranche	**9 978**	1 138	5 534
FSP – November 2023 tranche	**185**	–	–
SAR – November 2023 tranche	**584**	–	–

	Unaudited six months ended 31 December 2023		Unaudited six months ended 31 December 2022	
Number of shares/rights in issue	**FSP shares**	**SAR rights**	FSP shares	SAR rights
Balance at beginning of period	**692 114**	**5 250 095**	547 740	4 187 851
Change in estimate	**(69 343)**[1]	–	–	–
Granted during the period	**285 181**	**3 200 624**	395 013	3 238 776
Forfeited during the period	**(8 870)**	**(37 651)**	(64 119)	(2 113 804)
Vested during the period	–	–	(166 281)	–
Balance at end of period	**899 082**	**8 413 068**	712 353	5 312 823
Comprising:				
October 2021 tranche	**305 659**	**2 035 279**	317 340	2 086 467
November 2022 tranche	**308 242**	**3 177 165**	395 013	3 226 356
November 2023 tranche	**285 181**	**3 200 624**	–	–

[1] The value of FSP shares awarded in respect of the November 2022 tranche is calculated with reference to the participants' short-term incentive (STI) payments relating to the financial year ended 30 June 2023. The value of the FSP shares awarded is converted into a number of FSP shares based on the share price prevailing at the time of being allocated to the participants. The shares are therefore contingently issuable upon the determination of the STI. As at 30 June 2023, the number of shares previously estimated to be issued was 381 645. Subsequent to the finalisation of the STI payments for the 2023 financial year during the current year, the actual number of FSP shares was determined.

10. CAPITAL AND RESERVES CONTINUED

10.2 SHARE-BASED PAYMENTS RESERVE continued

Number of shares/rights in issue	Audited year ended 30 June 2023 FSP shares	Audited year ended 30 June 2023 SAR rights
Balance at beginning of year	547 740	4 187 851
Change in estimate	(46 355)[2]	–
Granted during the year	381 645	3 238 776
Forfeited/lapsed during the year	(24 635)	(2 176 532)
Vested during the year	(166 281)	–
Balance at end of year	692 114	5 250 095
Comprising:		
October 2021 tranche	310 469	2 052 935
November 2022 tranche	381 645	3 197 160

The terms of each tranche are as follows:

FSP	October 2021 tranche	November 2022 tranche	November 2023 tranche
Date of grant	7 October 2021	17 November 2022	16 November 2023
Number of shares awarded	327 104	312 302[1]	285 181[5]
Initial vesting date	16 August 2025	14 August 2026[4]	16 November 2027[6]
Date from which shares may be traded	16 August 2025	14 August 2026[4]	16 November 2027[6]
Service condition	Approximately four years from grant date to initial vesting date	Approximately four years from grant date to initial vesting date	Approximately four years from grant date[6]
Performance conditions	N/A[3]	N/A[3]	N/A[3]
Grant-date fair value per share (R)	18.10	16.46	20.64
Proportion of shares expected to vest as assessed at reporting date (based on number of employees expected to meet service condition) (%)	84.5	98.7	100.0
Number of shares that vested	N/A	N/A	N/A

The October 2021 and November 2022 forfeitable shares were acquired by the group during the prior period and current period respectively and are held in escrow on behalf of the participants pending the fulfilment of the service condition. The shares are treated as treasury shares for the duration of the initial vesting period as ownership is not unconditional. The participants are entitled to dividends and are able to exercise the voting rights attached to the shares from the date that the shares are allocated.

[1] The value of FSP shares awarded in respect of the November 2022 tranche is calculated with reference to the participants' short-term incentive (STI) payments relating to the financial year ended 30 June 2023. The value of the FSP shares awarded is converted into a number of FSP shares based on the share price prevailing at the time of being allocated to the participants. The shares are therefore contingently issuable upon the determination of the STI. As at 30 June 2023, the number of shares previously estimated to be issued was 381 645. Subsequent to the finalisation of the STI payments for the 2023 financial year during the current year, the actual number of FSP shares was determined.

[2] The value of FSP shares awarded in respect of the October 2021 tranche is calculated with reference to the participants' short-term incentive (STI) payments relating to the financial year ended 30 June 2022. The value of the FSP shares awarded is converted into a number of FSP shares based on the share price prevailing at the time of being allocated to the participants. The shares are therefore contingently issuable upon the determination of the STI. As at 30 June 2022, the number of shares previously estimated to be issued was 373 459. Subsequent to the finalisation of the STI payments for the 2022 financial year during the prior year, the actual number of FSP shares was determined.

[3] As the FSPs were/are awarded (and the actual number of shares determined) based on the group's STI (which incorporates performance conditions), no further performance conditions apply.

[4] The initial vesting date is three years from the date on which the final number of shares awarded is determined (i.e. only when the STI amount is finalised and paid). The date included previously at 30 June 2023 of 17 November 2026 was an estimate.

[5] The number of FSP shares awarded in respect of the November 2023 tranche is calculated with reference to the participants' STI payments relating to the financial year ending 30 June 2024. The shares are therefore contingently issuable upon the determination of the STI. The number of shares included is an estimate based on expected STI payments for the 2024 financial year, and is subject to change pending a final determination of the STI payments due subsequent to the reporting date (refer note 11.1).

[6] The initial vesting date is three years from the date on which the final number of shares awarded is determined (i.e. only when the STI amount is finalised and paid). The date included is an estimate, and is subject to change, but in any event will not be later than 30 November 2027.

Of the total shares allocated in respect of the November 2022 tranche of FSPs, 20 635 shares were FSP shares allocated as part of earlier tranches which had been forfeited, 248 661 shares were newly acquired shares off the market (as referred to in note 10.1 above), and 43 006 shares were existing treasury shares held by The Spur Management Share Trust, a consolidated structured entity. Costs and capital gains tax associated with the transfer amounted to:

R'000	**Unaudited six months ended 31 December 2023**	Unaudited six months ended 31 December 2022
Costs on intercompany transfer of shares	**16**	5
Current tax on intercompany transfer of shares	**162**	10
Total costs charged to equity	**178**	15

The November 2023 forfeitable shares are contingently issuable shares determined with reference to the participants' short-term incentive (STI) payments calculated for the financial year ending 30 June 2024 which will only be finalised subsequent to 30 June 2024.

SAR	October 2021 tranche	November 2022 tranche	November 2023 tranche
Date of grant	7 October 2021	17 November 2022	16 November 2023
Number of rights awarded	2 409 745	3 238 776	3 200 624
Strike price per right (R)	19.14	21.04	27.70
Initial vesting date	7 October 2024	17 November 2025	13 November 2026
Date from which shares may be traded	Dependent on exercise date[7]	Dependent on exercise date[7]	Dependent on exercise date[7]
Service conditions	3 years from grant date	3 years from grant date	3 years from grant date
Performance conditions	Growth in adjusted headline earnings and adjusted headline earnings per share (HEPS) and personal performance[8]	Growth in adjusted headline earnings and adjusted HEPS and personal performance[8]	Growth in adjusted headline earnings and adjusted HEPS, new business return on investment (ROI) and personal performance[9]
Grant-date fair value per right (R)	8.48	8.97	6.21
Proportion of rights expected to vest as assessed at reporting date (based on number of employees expected to meet service condition) (%)	84.5	98.1	100.0
Proportion of rights expected to vest based on meeting of non-market performance conditions (%)	92.4	93.6	71.4
No. of rights that vested	N/A	N/A	N/A

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

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

[9] Performance conditions for participants who are executive directors are: 80% based on average of growth in adjusted headline earnings and adjusted HEPS; 20% based on return on investment in respect of any acquired businesses, and the participant must maintain a 'meets expectations' personal performance rating during the initial vesting period for the rights to vest. For all other participants, the performance conditions are: 50% based on growth in average adjusted headline earnings and adjusted HEPS; 50% based on personal performance rating.

10. CAPITAL AND RESERVES CONTINUED

10.2 SHARE-BASED PAYMENT RESERVE continued

The value of each vested share appreciation right, determined as the difference between the share price of the company's shares at the exercise date and the strike price, is to be settled by the issue of an equivalent number of full-value shares at the exercise date. Once the rights have been exercised, the resulting shares will be held in escrow until the participants are free to trade in the shares. The participants are entitled to exercise the voting rights that attach to the shares and receive dividends accruing on the shares, from the exercise date.

Performance conditions applicable to SARs:	October 2021 tranche[10] Criteria	November 2022 tranche[11] Criteria	November 2023 tranche[11] Criteria	Vesting (%)
Adjusted headline earnings growth at compounded annual growth rate (%)	CPI+GDP to CPI+GDP+2	CPI+GDP+0.5 to CPI+GDP+3.5	CPI+GDP to CPI+GDP+3.5	30 to 100
Adjusted HEPS growth at compounded annual growth rate (%)	CPI+GDP to CPI+GDP+2	CPI+GDP+0.5 to CPI+GDP+3.5	CPI+GDP to CPI+GDP+3.5	30 to 100
New Business Return on Investment (%)[12]	N/A	N/A	17.4 to 22.2	50 to 100

FAIR VALUE MEASUREMENT

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

	October 2021 tranche	November 2022 tranche	November 2023 tranche
Risk-free rate (based on R186 South African Government bond) (%)	7.1	8.8	9.1
Expected dividend yield (based on historic dividend yield over historic period equivalent to vesting period) (%)	3.7	7.3	7.8
Expected volatility (based on historic volatility over historic period equivalent to vesting period) (%)	40.0	45.8	30.8

DILUTION

The FSP forfeitable shares and SARs in issue resulted in 417 792 (H1 F23: 291 529; FY F23: 321 053) and 999 361 (H1 F23: nil; FY F23: 46 583) dilutive potential ordinary shares respectively for the respective periods (refer note 9.2).

[10] Performance criteria are assessed on a point-to-point basis (i.e. the financial performance measures for the 2024 financial year are compared to the financial performance measures for the 2021 financial year, which are then compared to the targets stipulated).
[11] Performance criteria are assessed on an average basis (i.e. the year-on-year growth in the financial performance measures relative to the preceding year are compared to the targets stipulated for each of the financial years during the vesting period separately, and an average of the vesting percentages over the three years is then applied).
[12] Return on investment (ROI) in respect of future acquisitions, calculated as the group's share of the target's profit after tax before interest, expressed as a percentage of the group's initial cost of the acquisition plus the group's share of any increase in the target's tangible assets and working capital from acquisition date; calculated as an average of the annual ROI for each full-financial-year included in the Performance Period.

11. TRADE AND OTHER PAYABLES

R'000	Unaudited as at 31 December 2023	Unaudited as at 31 December 2022	Audited as at 30 June 2023
Trade payables	**245 589**	190 124	175 519
Group payables	**73 997**	50 895	63 323
Payable to outsourced distributor[1]	**171 592**	139 229	112 196
Income received in advance[2]	**1 604**	2 507	198
Short-term employee benefits	**27 976**	25 074	45 277
Short-term incentive accrual (refer note 11.1)	**14 232**	13 552	28 374
Leave pay accrual and other short-term employee benefits[3]	**13 744**	11 522	16 903
VAT and other indirect taxes payable	**15 359**	15 327	8 798
Unredeemed gift vouchers	**13 082**	7 081	9 774
Other sundry payables	**–**	162	22
Total trade and other payables	**303 610**	240 275	239 588

[1] This payable relates to inventory held by the group's outsourced distributor which is recognised as inventory of the group (refer footnote 6 to the statement of financial position) as the group is considered to act as principal in relation to the sales of this inventory.
[2] Income received in advance comprises predominantly initial franchise fee receipts where the related franchise agreement has not been signed as at the reporting date.
[3] Other short-term employee benefits include an accrual for bonuses payable in December 2024 to employees who are not participants of the group's short-term incentive scheme. The bonus pool available is determined as one month's guaranteed remuneration for eligible employees and is allocated to individuals based on line manager recommendations and approval by the board. While no contractual obligation exists to pay these bonuses, there is a constructive obligation based on past experience.

11.1 SHORT-TERM INCENTIVE SCHEME

R'000	Unaudited as at 31 December 2023	Unaudited as at 31 December 2022	Audited as at 30 June 2023
Balance at beginning of period	**28 374**	22 009	22 009
Payment in respect of prior year incentive	**(28 960)**	(21 156)	(21 156)
Recognised in profit before income tax	**14 818**	12 699	27 521
Balance at end of period	**14 232**	13 552	28 374

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

In terms of the group's long-term incentive scheme, Forfeitable Share Plan (FSP) shares, the value of which is calculated with reference to the STI payments, are awarded to STI participants at the same time that the STI payments are settled. These FSP shares awarded are subject to the applicable scheme rules (refer note 10.2).

12. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

R'000	**Unaudited six months ended 31 December 2023**	Unaudited six months ended 31 December 2022	Audited year ended 30 June 2023
Profit before income tax	**191 843**	168 404	318 424
Adjusted for:			
Amortisation – intangible assets	**536**	767	1 343
Costs arising on intragroup transfer of shares relating to equity-settled share-based payments charged directly to equity (retained earnings)	**(16)**	(5)	(5)
Depreciation	**10 124**	9 866	18 036
Fair value gain on contingent consideration receivable	**–**	(61)	(61)
Foreign exchange loss (excluding losses/gains on intercompany accounts)	**360**	1 414	3 651
Foreign currency translations not disclosed elsewhere in the statement of cash flows	**(1 207)**	1 804	6 676
Impairment losses – financial instruments	**2 877**	4 294	2 622
Impairment of property, plant and equipment	**–**	–	1 776
Interest expense	**1 976**	1 404	2 694
Interest income	**(18 702)**	(11 563)	(28 659)
Gain on derecognition of lease	**(86)**	–	(1)
Derecognition of lease liabilities on early termination of leases	**(551)**	–	(75)
Derecognition of right-of-use assets on early termination of leases	**465**	–	74
Movement in bonus, leave pay and short-term incentive accruals	**(17 301)**	(13 364)	6 839
Movement in contract liabilities	**(4 574)**	21 154	2 688
Loss/(profit) on disposal of property, plant and equipment	**71**	–	(69)
Share of profit of equity-accounted investee (net of income tax)	**(149)**	–	–
Share-based payments expense – equity-settled – long-term employee share incentive schemes	**9 146**	4 917	12 998
Operating profit before working capital changes	**174 898**	189 031	348 952

13. SUBSEQUENT EVENTS

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

13.1 DIVIDEND DECLARATION

On 27 February 2023, the board declared a gross interim cash dividend for the year ending 30 June 2024 of R86.447 million, which equates to 95.0 cents per share for each of the 90 996 932 shares in issue, payable on 25 March 2024.

14. CONTINGENT LIABILITIES

There have been no significant changes to the status of contingent liabilities reported in note 42 to the audited consolidated financial statements for the year ended 30 June 2023 as published on 22 August 2023 other than as disclosed below.

14.1 LEGAL DISPUTE WITH GPS FOODS

As previously reported, on 24 December 2019, two companies within the group (the Defendants) were served with a summons by GPS Food Group RSA (Pty) Ltd (GPS). GPS is a subsidiary of a global business specialising in the management of the procurement, production, logistics and marketing elements of supply chain. The group has engaged with GPS over several years regarding product supply. It also engaged GPS regarding the prospects of concluding a joint venture to establish and acquire a rib processing facility.

GPS alleges that an oral agreement was concluded between GPS and the Defendants in terms of which the parties would, *inter alia*, establish a joint venture to acquire, develop and manage a rib processing facility. No written agreement was ever executed with GPS. GPS further alleges that, over a period, the Defendants repudiated the alleged oral agreement, thereby giving rise to a breach of contract and damages.

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

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

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

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

The Defendants have defended the claims in terms of their plea dated 12 February 2021 (consequently amended on 11 October 2023 following GPS's aforementioned amended claim) in which they deny the allegations made, and plead certain defences including that the discussions held with GPS did not amount to the conclusion of a joint venture. In amplification, any joint venture would have been subject to approval of the boards of the respective Defendants, and subject to the agreement(s) being reduced to writing. Neither of these events transpired and the terms of the alleged joint venture agreement constituted an unenforceable agreement to agree.

14. CONTINGENT LIABILITIES CONTINUED

14.1 LEGAL DISPUTE WITH GPS FOODS continued

The matter was set down for trial at 23 October 2023 for a period of three weeks. The parties agreed to refer the matter to arbitration. The arbitration commenced on 23 October 2023, but was adjourned on 6 November 2023 until 21 February 2024. At the time of publication, it is anticipated that the arbitration will be further adjourned until July 2024.

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

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

16. RELATED PARTIES

The identity of related parties as well as the nature and extent of transactions with related parties are similar to those reported in note 40 to the audited consolidated financial statements for the year ended 30 June 2023 as published on 22 August 2023, with the exception of certain relationships relating to the recently acquired DC (refer note 2). DC has concluded leases relating to its head office and bakery premises with entities controlled by the minority shareholders (who are also directors) of DC. The rentals payable in terms of the leases are considered market-related.

Company information

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Internal auditors: BDO Advisory Services (Pty) Ltd
Attorneys: Bernadt Vukic Potash & Getz
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DIRECTORS SERVING AT THE DATE OF THIS REPORT

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Mr Mike Bosman (chair)
Dr Shirley Zinn (lead independent)
Ms Jesmane Boggenpoel
Ms Cora Fernandez
Ms Lerato Molebatsi
Mr André Parker

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

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