SPUR Corporation Limited

2014

REVIEWED CONDENSED CONSOLIDATED RESULTS AND CASH DIVIDEND DECLARATION

for the year ended 30 June 2014

Restaurant sales:	Revenue:	Dividend per share:	Comparable profit:
13.5% ↑	9.1% ↑	9.0% ↑ to 121 cents	9.9% ↑




OUR PROMISE

Food is our passion and
welcoming you, our pleasure.
When you meet at your home away from
home you are treated as family.
Our greatest reward is presenting our
delicious meals to our families and friends.

We never hold back on our generosity
or deliciously prepared food, our laughter
or our welcome. We go big on quantity,
aroma and especially on taste.
Nothing satisfies us more than
pleasing you, our customer.

This is our simple philosophy –
bringing our customers together over great
food to create outstanding memories.

Prepared under the supervision of the Chief Financial Officer, Ronel van Dijk CA(SA)

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RESULTS COMMENTARY

TRADING PERFORMANCE

Spur Corporation delivered solid results as trading conditions became increasingly challenging in the second half of the year. The fundamentals of the group's flagship brands remain strong and continue to deliver competitive growth.

Revenue increased by 9.1% to R732.6 million. Total restaurant sales across the group increased by 13.5% to R5.5 billion, with sales from existing restaurants increasing by 9.8% and sales in South Africa growing by 12.8%, driven by robust performers Spur and Panarottis.

Constrained spending is evident among lower and middle income families, with marked spikes in mid-month and month-end pay day spending patterns becoming the norm.

Spur Steak Ranches showed a very encouraging 11.3% growth in local restaurant sales, supported by continued investments in upgrades and refurbishments by franchisees to create and maintain an environment that appeals to families. Existing restaurants increased sales by 9.8%. The brand currently has 1.7 million Spur Family Card members who now account for 44% of total restaurant sales, up from 38% last year. The Spur Family Card loyalty programme has been a profound success and a key differentiating factor for the brand.

Panarottis Pizza Pasta delivered excellent results, increasing restaurant sales by 28.2% in South Africa, with turnover from existing restaurants increasing 15.2%. Higher visibility and marketing of the brand on radio and television contributed to the strong growth, supported by the breakfast and Sunday lunch promotions. Customers have responded well to the use of imported Italian ingredients and improved quality of the product offering.

John Dory's grew local restaurant sales by 21.0%, driven by the opening of five new restaurants. Sales from existing outlets increased by 12.0%. The brand was promoted on national television for the first time this year, and has the support of highly committed franchisees. The menu offering continues to take into account the sustainability of fish stocks while improving the quality perception of the brand.

Captain DoRegos' performance reflects the financial realities of its lower LSM target market. Local restaurant sales declined by 13.8%, partially impacted by the closure of 15 redundant outlets.

The Hussar Grill has shown encouraging growth since being acquired in January 2014. Increasing customer support, interest from potential franchisees and the opportunity to expand nationally create exciting growth prospects for the brand.

Restaurant sales in the international operations were 20.2% higher in Rand terms, favourably impacted by the depreciation of the Rand during the year. Based on a constant exchange rate, international sales increased by 6.6%. Africa performed well, growing at 22.3% in Rand terms mainly due to the opening of seven new franchised outlets comprising additional restaurants in Swaziland, Tanzania, Namibia, Nigeria and Zambia.

Restaurant sales revenue in the UK increased by 18.5% in Rand terms, but was flat on the prior year when applying a constant exchange rate. It is positive that the region has maintained total turnover, despite pressure from increased competition and a decline in footfall caused by a protracted economic recovery in the region. Australia delivered a reasonable performance in a difficult and competitive environment, with restaurant sales increasing in Rand terms by 12.1% and by 6.7% on a constant exchange rate basis. One new franchised restaurant was opened in Perth (Australia) during the year.

The group opened 18 Spur, eight Panarottis, five John Dory's and four Captain DeRegos outlets worldwide, while 63 Spur outlets were refurbished locally with a franchisee investment of approximately R54 million.

The restaurant footprint at 30 June 2014 was as follows:

Franchise brand	South Africa	International	Total
Spur Steak Ranches	270	39	309
Panarottis Pizza Pasta	68	11	79
John Dory's Fish Grill Sushi	33	–	33
Captain DoRegos	61	2	63
The Hussar Grill	6	–	6
Total	**438**	**52**	**490**

FINANCIAL PERFORMANCE

Local franchise revenue increased by 11.8% for the year. Spur increased franchise revenue by 10.6%, Panarottis by 25.4% and John Dory's by 21.8%. Franchise revenue from Captain DoRegos decreased by 10.8%. Operating margins in the Spur and Panarottis divisions improved for the year due to the benefits of economies of scale, while the margin in John Dory's contracted slightly as a result of the investment in resources to ensure future expansion of the brand.

Following the closure of the Captain DoRegos distribution centre in November 2013 and the conclusion of a business restructure early in the new financial year aimed at rationalising the brand's cost structure, management is confident that the brand is well positioned for future growth.

The Hussar Grill retail division, comprising three company-owned restaurants, contributed revenue of R15.0 million for the six months since January 2014 while the franchise division contributed R0.7 million to group revenue for the same period.

While the manufacturing and distribution division reported a decline in revenue of 17.4% for the year, excluding the impact of the closure of the Captain DoRegos distribution centre, comparable revenue of this business unit increased by 9.0%. Excluding the Captain DoRegos distribution centre, the business unit reflected a decline in operating margin from 40.8% in the prior year to 38.9% in the current year. This is as a result of relatively high food inflation impacting on the cost of manufactured sauces, the full impact of which has not been passed on to franchisees in an effort by management to protect franchisee profitability and maintain competitive pricing.

The group's distribution and logistics service provider, Vector Logistics, experienced a 13.5% volume increase in respect of the group's business. Vector Logistics remains critical to the success of the franchising system from a sustainability, food safety, quality and consistency point of view.

International revenue, comprising franchise revenue and company-owned restaurant turnover, increased 20.0% to R251.9 million.

The current year loss from the UK includes impairment and related losses of R3.5 million in respect of the Mohawk Spur in Wandsworth (England) following a recent trend of unsustainable trading losses. The region is otherwise holding its own in a competitive environment.

The current year loss in Australia includes an impairment loss of R2.5 million relating to the Panarottis outlet in Blacktown as well as a profit of R2.2 million realised on the sale of the group's 80% interest in the Panarottis outlet in Tuggerah (which had previously been impaired). Trading losses for these two outlets had a negative impact on the division's performance for the year.

The group's non-controlling interest in Braviz Fine Foods, a start-up rib processing plant, is due to commence trading in December 2014. Management remains excited at the prospects of this first new venture into vertical integration and is optimistic of the earnings potential of the investment.

Profit before tax increased by 2.7% to R201.9 million. This includes a net charge of R10.2 million (2013: gain of R10.7 million) related to the group's long-term share-linked retention scheme, R6.0 million (2013: R2.2 million) relating to restaurant impairment and related losses, R1.3 million one-off costs associated with the closure of the Captain DoRegos distribution centre, R1.6 million in legal and due diligence costs associated with the acquisition of The Hussar Grill, and a net foreign exchange gain of R2.6 million (2013: loss of R6.5 million).

Comparable profit before income tax, excluding exceptional and one-off items (including those listed above), increased by 9.9%.

Headline earnings remained flat at R135.2 million, with diluted headline earnings per share growing 0.5% to 157.9 cents.

The board has declared a final cash dividend of 64 cents per share, bringing the total dividend for the year to 121 cents per share, an increase of 9.0% on last year.

PROSPECTS

The group plans to open eight restaurants internationally while locally ten Spur, ten Panarottis, seven John Dory's, eight Captain DoRegos and six The Hussar Grill outlets will be opened in the 2015 financial year. The planned international openings include additional franchised restaurants in Namibia, Tanzania, Nigeria, Zambia and Australia.

Economic pressures are likely to continue to dampen consumer demand in the restaurant sector in the short to medium term. Management is confident that the group will continue to deliver on its growth strategy by targeting organic growth within existing brands and markets, and pursuing opportunities to expand vertical integration in relation to core products. Critical to sustained organic growth will be ensuring the group's brands remain relevant to consumers in their respective markets, an uncompromising approach to operating standards and quality, product innovation and value-for-money. A focus for the year ahead will also be ensuring efficient and optimal resource utilisation to contain costs in an uncertain consumer environment.

CASH DIVIDEND

Shareholders are advised that the board of directors of the company has, on 9 September 2014, resolved to declare a final gross cash dividend for the year ended 30 June 2014 of R62.5 million, which equates to 64.0 cents per share for each of the 97 632 833 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") of 15%.

The dividend has been declared from income reserves. The net dividend is 54.4 cents per share for shareholders liable to pay dividend withholding tax. The company's income tax reference number is 9695015033. No STC credits have been utilised.

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"	Friday, 26 September 2014
Shares commence trading "ex dividend"	Monday, 29 September 2014
Record date	Friday, 3 October 2014
Payment date	Monday, 6 October 2014

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 Monday, 29 September 2014 and Friday, 3 October 2014, both days inclusive.

For and on behalf of the Board

A AMBOR (Executive Chairman)
P VAN TONDER (Chief Executive Officer)

Cape Town
9 September 2014

Spur Corporation bought the Western Cape-based Hussar Grill as of 1 January 2014.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Reviewed year ended 30 June 2014	Reviewed restated year ended 30 June 2013	% change
Revenue	**732 636**	671 552	9.1%
Gross profit	**521 996**	464 191	12.5%
Operating profit before finance income	**194 999**	190 630	2.3%
Net finance income	**7 251**	5 909	22.7%
Share of loss of equity-accounted investee (net of income tax)	**(379)**	–	
Profit before income tax	**201 871**	196 539	2.7%
Income tax expense	**(64 638)**	(63 237)	
Profit for the year	**137 233**	133 302	2.9%
Other comprehensive income*:	**5 621**	17 913	
Foreign currency translation differences for foreign operations	**8 348**	25 071	
Reclassification of foreign currency (gain)/loss from other comprehensive income to profit or loss on abandonment/deregistration of foreign operations	**(3 386)**	842	
Foreign exchange gain/(loss) on net investments in foreign operations	**879**	(10 666)	
Tax on foreign exchange (gain)/loss on net investments in foreign operations	**(220)**	2 666	
Total comprehensive income for the year	**142 854**	151 215	(5.5%)
Profit attributable to:			
Owners of the company	**136 331**	132 624	2.8%
Non-controlling interest	**902**	678	
Profit for the year	**137 233**	133 302	2.9%
Total comprehensive income attributable to:			
Owners of the company	**142 932**	151 317	(5.5%)
Non-controlling interest	**(78)**	(102)	
Total comprehensive income for the year	**142 854**	151 215	(5.5%)

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

Earnings per share (cents)			
Basic earnings	**159.20**	154.05	3.3%
Diluted earnings	**159.20**	154.05	3.3%

RECONCILIATION OF HEADLINE EARNINGS

R'000	Reviewed year ended 30 June 2014	Reviewed restated year ended 30 June 2013	% change
Profit attributable to ordinary shareholders	**136 331**	132 624	2.8%
Headline earnings adjustments:			
Impairment of property, plant and equipment (refer notes 11 and 4)	**2 313**	1 750	
Impairment of intangible assets (refer note 10)	**1 866**	–	
Loss/(profit) on disposal of property, plant and equipment (net of tax)	**233**	(29)	
Profit on sale of subsidiary (refer note 4)	**(2 154)**	–	
Reclassification of foreign currency (gain)/loss from other comprehensive income to profit or loss on abandonment/deregistration of foreign operation (refer note 6)	**(3 386)**	842	
Headline earnings	**135 203**	135 187	0.0%

None of the above items has any tax or non-controlling interest consequences with the exception of:

- Gross impairment of property, plant and equipment comprises R2.496 million (2013: R2.188 million) with an amount of R0.183 million (2013: R0.438 million) attributable to non-controlling interest.
- Gross loss/(profit) on disposal of property, plant and equipment comprises a loss of R0.444 million (2013: profit of R0.040 million) adjusted for tax of R0.211 million (2013: R0.011 million).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed at 30 June 2014	Reviewed restated at 30 June 2013
ASSETS		
Non-current assets	**512 900**	451 447
Property, plant and equipment	**77 289**	79 775
Intangible assets and goodwill	**359 742**	323 633
Investments and loans	**53 471**	11 315
Deferred tax	**6 536**	9 347
Leasing rights	**3 352**	5 290
Derivative financial asset	**12 510**	22 087
Current assets	**225 071**	244 766
Inventories	**12 132**	17 156
Tax receivable	**10 719**	8 134
Trade and other receivables	**88 097**	88 949
Derivative financial asset	**22 157**	15 703
Cash and cash equivalents	**91 966**	114 824
TOTAL ASSETS	**737 971**	696 213
EQUITY		
Total equity	**519 620**	472 526
Ordinary share capital	**1**	1
Share premium	**6**	6
Shares repurchased by subsidiaries	**(77 235)**	(77 235)
Foreign currency translation reserve	**25 235**	18 634
Retained earnings	**575 670**	536 060
Total equity attributable to equity holders of the parent	**523 677**	477 466
Non-controlling interest	**(4 057)**	(4 940)
LIABILITIES		
Non-current liabilities	**82 526**	90 236
Long-term loans payable	**–**	423
Employee benefits	**10 909**	12 048
Derivative financial liability	**319**	–
Operating lease liability	**1 776**	5 481
Deferred tax	**69 522**	72 284
Current liabilities	**135 825**	133 451
Bank overdrafts	**539**	1 605
Tax payable	**4 559**	4 132
Trade and other payables	**108 299**	111 270
Employee benefits	**22 017**	16 117
Shareholders for dividend	**411**	327
TOTAL EQUITY AND LIABILITIES	**737 971**	696 213

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed year ended 30 June 2014	Reviewed restated year ended 30 June 2013
Cash flow from operating activities		
Operating profit before working capital changes (refer note a)	**198 644**	202 914
Working capital changes	**3 971**	1 320
Cash generated from operations	**202 615**	204 234
Net interest received	**6 313**	5 909
Tax paid	**(66 891)**	(60 675)
Dividends paid	**(96 682)**	(88 444)
Net cash flow from operating activities	**45 355**	61 024
Net cash flow from investing activities (refer note b)	**(63 484)**	(44 804)
Net cash flow from financing activities	**(3 670)**	(2 076)
Net movement in cash and cash equivalents	**(21 799)**	14 144
Effect of foreign exchange fluctuations	**7**	(282)
Net cash and cash equivalents at beginning of year	**113 219**	99 357
Net cash and cash equivalents at end of year	**91 427**	113 219

Notes

a) Includes a gross cash outflow of R23.357 million (2013: Rnil) in respect of the settlement of the share appreciation rights granted in terms of the group's long-term share-linked retention scheme (refer note 8).

b) Includes a gross cash inflow of R21.364 million (2013: R1.221 million) arising from the economic hedging instrument utilised by the group for its long-term share-linked retention scheme (refer note 8). The current year includes a gross outflow of R36.650 million arising from the acquisition of Braviz Fine Foods (Pty) Ltd (refer note 5) and a gross outflow of R35.380 million arising from the acquisition of The Hussar Grill (refer note 3). The prior year includes a gross cash outflow of R5.092 million relating to the acquisition of Trinity Leasing (refer note 2) and the acquisition of treasury shares amounting to R16.725 million.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Ordinary share capital and share premium (net of treasury shares)	Other reserves	Retained earnings and non-controlling interest	Total
Balance at 1 July 2012 – restated (refer note 1)	**(60 503)**	**(59)**	**486 389**	**425 827**
Total comprehensive income for the year – restated	–	**18 693**	**132 522**	**151 215**
Profit or loss – restated (refer note 1)	–	–	133 302	133 302
Other comprehensive income	–	18 693	(780)	17 913
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	(16 725)	–	(87 851)	(104 576)
Distributions to equity holders	–	–	(87 851)	(87 851)
Own shares acquired	(16 725)	–	–	(16 725)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	60	60
Acquisition of controlling interest in subsidiary	–	–	60	60
Total transactions with owners	**(16 725)**	**–**	**(87 791)**	**(104 516)**
Balance at 30 June 2013 – restated	**(77 228)**	**18 634**	**531 120**	**472 526**
Total comprehensive income for the year	**–**	**6 601**	**136 253**	**142 854**
Profit for the year	–	–	137 233	137 233
Other comprehensive income	–	6 601	(980)	5 621
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	–	–	(96 766)	(96 766)
Distributions to equity holders	–	–	(96 766)	(96 766)
Changes in ownership interests in subsidiaries that result in a loss of control	–	–	1 006	1 006
Disposal of controlling interest in subsidiary (refer note 4)	–	–	1 006	1 006
Total transactions with owners	**–**	**–**	**(95 760)**	**(95 760)**
Balance at 30 June 2014	**(77 228)**	**25 235**	**571 613**	**519 620**

CONDENSED CONSOLIDATED OPERATING SEGMENT REPORT

R'000	Reviewed year ended 30 June 2014	Reviewed restated year ended 30 June 2013	% change
External revenues			
Manufacturing and distribution (refer note a)	**176 576**	213 712	(17.4%)
Franchise – Spur	**198 498**	179 464	10.6%
Franchise – Panarottis	**20 932**	16 692	25.4%
Franchise – John Dory's	**14 271**	11 712	21.8%
Franchise – Captain DoRegos	**8 185**	9 174	(10.8%)
Franchise – The Hussar Grill (refer note b)	**700**	–	
Retail – The Hussar Grill (refer note b)	**14 988**	–	
Other South Africa	**44 958**	30 399	47.9%
Total South African segments	**479 108**	461 153	3.9%
Unallocated	**1 595**	515	209.7%
Total South Africa	**480 703**	461 668	4.1%
United Kingdom	**157 565**	118 353	33.1%
Australia	**79 366**	79 157	0.3%
Other International	**15 002**	12 374	21.2%
Total International	**251 933**	209 884	20.0%
TOTAL EXTERNAL REVENUE	**732 636**	671 552	9.1%
Profit/(loss) before income tax			
Manufacturing and distribution (refer note a)	**58 520**	59 525	(1.7%)
Franchise – Spur	**176 552**	158 818	11.2%
Franchise – Panarottis	**13 117**	9 874	32.8%
Franchise – John Dory's	**7 736**	6 629	16.7%
Franchise – Captain DoRegos	**2 158**	3 838	(43.8%)
Franchise – The Hussar Grill (refer note b)	**471**	–	
Retail – The Hussar Grill (refer note b)	**2 354**	–	
Other South Africa	**(160)**	92	(273.9%)
Total South African segments	**260 748**	238 776	9.2%
Unallocated – South Africa (refer note c)	**(60 020)**	(34 889)	(72.0%)
Total South Africa	**200 728**	203 887	(1.5%)
United Kingdom (refer note d)	**(2 232)**	(1 006)	(121.9%)
Australia (refer note e)	**(157)**	(1 513)	89.6%
Other International	**8 829**	7 487	17.9%
Total International segments	**6 440**	4 968	29.6%
Unallocated – International (refer note f)	**(4 918)**	(12 316)	60.1%
Total International	**1 522**	(7 348)	120.7%
PROFIT BEFORE INCOME TAX AND SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTEE	**202 250**	196 539	2.9%

CONDENSED CONSOLIDATED OPERATING SEGMENT REPORT continued

R'000	Reviewed year ended 30 June 2014	Reviewed restated year ended 30 June 2013	% change
PROFIT BEFORE INCOME TAX AND SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTEE	**202 250**	196 539	2.9%
Share of loss of equity-accounted investee (net of income tax)	**(379)**	–	
PROFIT BEFORE INCOME TAX	**201 871**	196 539	2.7%

Notes

a) Includes revenue of R22.724 million (2013: R72.625 million) and loss before tax of R1.361 million (2013: profit of R1.949 million) relating to the Captain DoRegos warehouse and distribution centre (refer note 7). Included in the current year are costs associated with the closure of the distribution centre amounting to R1.326 million in respect of retrenchment costs, losses on sales of property, plant and equipment and the impact of the increased cost of working during the process of closing down the facility.

b) The Hussar Grill franchise division and three company-owned retail restaurants were acquired with effect from 1 January 2014. Refer note 3 for more details.

c) Includes net interest income of R7.118 million (2013: R5.854 million). Includes a charge in respect of the cash-settled share-based payments of R28.117 million (2013: R23.645 million) and a fair value gain in respect of a related economic hedge of R17.922 million (2013: R34.357 million) (refer also note 8). The current year includes transaction costs for the acquisition of The Hussar Grill of R1.620 million (refer also note 3) and costs of R0.495 million relating to the international group restructure undertaken during the year (refer note 6). The prior year includes legal costs and professional fees of R1.424 million relating to the dispute with the former non-controlling shareholder of John Dory's Franchise (Pty) Ltd and the related Financial Services Board investigation (which investigation resulted in the company being vindicated of any wrong doing).

d) The current year includes an impairment of franchise rights (intangible asset) amounting to R1.866 million and the accelerated amortisation of leasing rights amounting to R1.612 million relating to Mohawk Spur Limited (refer note 10). The prior year includes start-up and trading losses in respect of Two Rivers Spur (Staines, England), Rapid River Spur (Dublin, Ireland) and Trinity Leasing in the amount of R2.773 million in aggregate.

e) The current year includes an impairment loss of R2.496 million relating to the impairment of assets of the Panarottis in Blacktown, Australia (refer note 11) as well as a profit of R2.154 million on the disposal of the Panarottis in Tuggerah, Australia (refer note 4). The prior year includes an impairment loss in respect of the property, plant and equipment of the Panarottis in Tuggerah amounting to R2.188 million.

f) Includes a foreign exchange loss of R0.687 million (2013: R5.676 million) and a gain of R3.386 million (2013: loss of R0.842 million) relating to the reclassification of foreign exchange differences from other comprehensive income to profit on abandonment/deregistration of foreign operations (refer note 6). The current year includes costs of R1.674 million relating to the group restructure undertaken during the year (refer note 6). The prior year includes losses amounting to R1.052 million in winding up certain of the group's Australian equity-accounted associates which ceased trading in previous years.

SUPPLEMENTARY INFORMATION

	Reviewed year ended 30 June 2014	Reviewed restated year ended 30 June 2013	% change
Shares in issue (000's)*	**85 633**	85 633	
Weighted average number of shares in issue (000's)	**85 633**	86 090	
Diluted weighted average number of shares in issue (000's)	**85 633**	86 090	
Headline earnings per share (cents)	**157.89**	157.03	0.5%
Diluted headline earnings per share (cents)	**157.89**	157.03	0.5%
Net asset value per share (cents)	**606.80**	551.80	10.0%
Dividend per share (cents)	**121.00**	111.00	9.0%

* Shares in issue less shares repurchased by a wholly-owned subsidiary company and share incentive special purpose entity.

NOTES

1. Review report – The consolidated statement of financial position at 30 June 2014 and the consolidated statement of comprehensive income, statement of changes in equity, segmental analysis and statement of cash flows for the year then ended, have been reviewed by KPMG Inc. Their unmodified review report signed by registered auditor, BR Heuvel CA(SA), is available for inspection at the company's registered office. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

   Basis of Preparation – The condensed consolidated financial statements for the year ended 30 June 2014 have been prepared in accordance with the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa (No. 71 of 2008). The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting. The accounting policies and methods of computation applied in the preparation of these financial statements are in accordance with IFRS and are consistent with those applied in the preparation of the group's annual financial statements for the year ended 30 June 2013, except for the application of IFRS 10 – Consolidated Financial Statements, which resulted in certain companies now being consolidated into the group's results which previously did not meet the definition of a subsidiary under the previous consolidation standard. The applicable comparative amounts have also been restated. The impact on opening retained earnings for the current period is an increase of R0.812 million (2013: R0.472 million). The impact on profit for the period is an increase of R1.098 million (2013: R1.482 million). The impact on profit attributable to ordinary shareholders is an increase of R0.362 million (2013: R0.340 million).

2. On 7 November 2013, a wholly-owned subsidiary of the group acquired the remaining 10% interest in Trinity Leasing Limited ("Trinity") for no consideration, resulting in the group now owning all the shares in Trinity. Trinity owns the lease of the premises from which the group operates the Two Rivers Spur in Staines, England. The group had acquired the initial 90% interest in Trinity with effect from 1 October 2012. The carrying amount of the net assets of Trinity in the consolidated financial statements of the group at the date of acquisition of the additional 10% interest was R0.448 million. The acquisition of the additional 10% interest has consequently resulted in a reduction in non-controlling interests of R0.045 million and a corresponding increase in retained earnings.

3. With effect from 1 January 2014, a wholly-owned subsidiary of the group acquired the franchise business of The Hussar Grill as well as three restaurants trading as The Hussar Grill in Rondebosch, Green Point and Camps Bay (all in the Western Cape). The acquisition is intended to give the group exposure to an upmarket specialist steakhouse chain. The aggregate purchase consideration of R35.380 million was settled in cash on the effective date. The net fair value of the identifiable assets and liabilities was R8.462 million and comprised: trademarks and intellectual property of R9.904 million, inventory of R0.475 million, employee obligations of R0.095 million and a deferred tax liability arising from the initial recognition of these assets and liabilities of R1.822 million. The resulting goodwill of R26.918 million is attributable to the reputation of the brand and the standing of the restaurants in the respective areas in which they trade and will not be deductible for tax purposes. Subsequent to acquisition, the combined business contributed R15.688 million to revenue, R2.825 million to profit before tax and R2.034 million to profit. Transaction costs in the amount of R1.620 million relating to financial and legal due diligence, legal and consulting services are included in profit before tax for the year.

4. With effect from 1 January 2014, a wholly-owned subsidiary of the group which was the 80% partner of the Panarottis Tuggerah partnership agreed with the remaining 20% partner to dissolve the partnership in question. The partnership previously operated the Panarottis restaurant in Tuggerah, Australia. As part of the agreement, the group disposed of the partnership's net liabilities of R5.029 million (of which the group's share amounted to R4.023 million) to the remaining 20% partner in exchange for: forgiving previously intra group loans to the partnership in the amount of R3.428 million; retaining the cash and certain debtors balances of the partnership of R0.406 million and R0.395 million respectively; assuming certain of the partnership's liabilities in the amount of R0.986 million; and a cash payment R1.744 million which is to be paid in instalments until October 2017. This resulted in a profit on disposal of the partnership interest in the amount of R2.154 million. For the period in question, the partnership contributed revenue of R6.050 million (2013: R11.095 million) and earned a profit of R0.064 million (2013: loss of R2.990 million which included an impairment loss on property, plant and equipment of R2.188 million).

5. With effect from 18 March 2014, a wholly-owned subsidiary of the group acquired a 30% interest in Braviz Fine Foods (Pty) Ltd, a start-up entity in the process of establishing a rib processing plant in Johannesburg. As the group is able to exercise significant influence over the entity, but not control, it equity accounts the investment. The initial purchase consideration amounted to R0.4 million (comprising ordinary shares of R300 and initial transaction costs of R0.4 million). The group simultaneously advanced a loan in the amount of R36.250 million to the entity. The loan bears interest at the prevailing prime overdraft rate of interest and has no formal repayment terms (although any repayment of shareholder loans is to be made on a *pro rata* basis between the respective shareholders) and is consequently considered part of the net investment in the equity-accounted investee. Immediately prior to the effective date, the fair value of the acquiree's net liabilities amounted to R0.684 million. Goodwill of R0.606 million is therefore implicit in the carrying value of the investment. The group's share of equity-accounted losses after tax for the period from acquisition to the reporting date amounted to R0.379 million and arose primarily from finance costs incurred by the entity on shareholder funding for the period.

6. In June 2004, a wholly-owned foreign subsidiary of the group, Vantini Spur Limited ("Vantini"), the owner of the group's international trademarks and intellectual property, granted a ten year usufruct of the trademarks and intellectual property to another foreign wholly-owned subsidiary of the group, Steak Ranches International BV ("SRIBV"). SRIBV is the primary franchisor of the group's brands outside of South Africa. During the period of 31 March 2014 to 30 June 2014, in anticipation of the expiration of the usufructury rights referred to above, the group restructured certain of its international subsidiaries in order to ensure the continued validity of franchise agreements concluded between SRIBV and its franchisees. The restructure resulted in certain foreign subsidiaries commencing deregistration procedures or becoming dormant which resulted in foreign exchange gains on translation of these foreign operations previously recognised in equity (FCTR) through other comprehensive income being recycled through other comprehensive income back to profit in the amount of R3.386 million. Legal, consulting and other advisory costs relating to the restructure amounted to R2.169 million for the year and are included in profit before income tax for the year.

7. In November 2013, the group closed its Captain DoRegos warehouse and distribution centre in Bloemfontein. The distribution operations were absorbed into the group's existing outsourced logistics network. One-off costs associated with the closure of the warehouse amounted to R1.326 million and are included in profit before income tax for the year.

8. In December 2013, the first tranche of the share appreciation rights granted in terms of the group's long-term share-linked retention scheme was settled in cash. This resulted in a gross cash outflow of R23.357 million. Simultaneously, the economic hedging instrument utilised by the group matured which resulted in a gross cash inflow of R19.920 million. During the year, the share-based payment expense in respect of the scheme included in profit before tax amounted to R28.117 million (2013: 23.645 million), while the gain on the related economic hedging financial instrument recognised in profit before tax amounted to a credit of R17.922 million (2013: R34.357 million). Further details of the share appreciation rights and related hedges are detailed in notes 21 and 15 respectively on pages 127 and 124 respectively of the annual integrated report for the year ended 30 June 2013.

9. Subsequent to the reporting date and with effect from 1 August 2014, the group acquired the remaining 50% interest in Panpen Pty Ltd ("Panpen"), a company in which the group had an existing 50% interest and which operates the Panarottis outlet in Penrith, Australia. Despite not owning a majority interest in Panpen prior to this transaction, the group effectively controlled Panpen and the entity was consequently consolidated. The purchase consideration is an amount of AU$200 000 which was settled in cash on the effective date. As part of the transaction, Panpen was required to settle the outstanding shareholder's loan with the non-controlling shareholder in the amount of AU$158 342 (or R1.584 million as at 30 June 2014) which amount was settled in cash on the effective date. The net liabilities of Panpen at 30 June 2014 included in the consolidated financial statements of the group amount to R0.408 million and the group has already recognised goodwill attributable to its existing investment in Panpen in the amount of R3.215 million at 30 June 2014.

10. As a result of historic trading losses, the group had impaired the property, plant and equipment of the Mohawk Spur in Wandsworth, England in prior years. As a consequence of continuing trading losses, the carrying value of the cash-generating unit was re-assessed for impairment at the reporting date. In this regard, the group concluded that the franchise rights intangible asset of R1.866 million attributable to the cash-generating unit was impaired at the reporting date and the full carrying value of the intangible asset has been charged to profit or loss. Furthermore, in considering the ability of the entity in question to continue trading, the group has accelerated the amortisation of the lease previously acquired by the group relating to the entity, resulting in a further charge of R1.612 million to profit before income tax.

11. As a consequence of sustained historic trading losses, the property, plant and equipment of the Panarottis outlet in Blacktown, Australia, amounting to R2.496 million at the reporting date were impaired.

12. Subsequent to the reporting date, on 31 July 2014, shareholders were advised by way of an announcement published on SENS that the company had entered into various agreements to issue 10 848 093 new ordinary shares indirectly to Grand Parade Investments Limited ("GPI", registration number 1997/003548/06), a strategic black empowerment partner. The company is separately intending to donate 500 000 of the company's shares (100 000 share per annum over five years), currently held as treasury shares, to the Spur Foundation, a benevolent foundation that is consolidated for the purposes of IFRS. Both transactions are subject to shareholder and regulatory approval and the intended transaction date will be no later than 31 October 2014. The issue of shares to GPI will result in that company indirectly holding 10% of the company's total shares in issue after the transaction. The shares will be issued at a price of R27.16 per share, representing a 10% discount to the volume weighted average trading price of Spur shares on the JSE for the 90 trading days prior to 30 July 2014. GPI will be restricted from trading the shares in question without the express permission of Spur for a period of five years from the effective date of the transaction and is furthermore required to maintain its Broad-based Black Economic Empowerment credentials for the same period. Spur will partially fund the transaction through a subscription of cumulative compulsorily redeemable five year preference shares in a special purpose entity with a combined subscription value of R72.33 million (representing 24.5% of the total funding requirement for the transaction). The preference shares will accrue dividends at a rate of 90% of the prevailing prime overdraft rate of interest and will be subordinated in favour of the external funding provider. GPI will fund 24.5% of the total funding requirement and an external funding provider will fund the balance of 51% of the total funding requirement. The preference shares will be secured by a cession of the reversionary interest in the Spur shares held indirectly by GPI which also serve as security for the external funding. The transaction will result in a net cash inflow of R222.33 million to Spur. If the transaction is approved by shareholders and regulators and the remaining conditions precedent are fulfilled, it is estimated that a share-based payment expense of R48.686 million will be recognised in profit in the 2015 financial year. Of the total estimated transaction costs of R1.604 million, it is estimated that: R0.285 million relate directly to the subscription of the preference shares referred to above and will be included in the carrying value of the preference shares; R1.034 million relate directly to the issue of the company's ordinary shares and will be charged directly against equity (retained earnings) and the balance of R0.285 million will be charged to profit. The *pro forma* financial impact of the transactions was disclosed to shareholders in an announcement published on SENS on 4 September 2014 and the circular incorporating full details of the transactions was mailed to all shareholders on 4 September 2014.

13. As reported in note 41.1 on page 148 of the annual integrated report for the year ended 30 June 2013, the South African Revenue Services ("SARS") had previously issued assessments to wholly-owned subsidiary Spur Group (Pty) Ltd for additional income from controlled foreign companies of the group for the 2009, 2010 and 2011 years of assessment. These assessments had previously been objected to by the company. During the year, the objections were partially disallowed by SARS, resulting in reduced assessments being issued amounting in aggregate to R1.993 million (comprising R1.561 million in tax and R0.432 million in interest). The assessments have been settled. The board of the company in question has appealed SARS' decision to partially disallow the objection and SARS has agreed to refer the matter to alternate dispute resolution proceedings. No date has yet been set for these proceedings. The board continues to be of the view that it is able to defend its position. Consequently, a liability has not been raised in respect of the assessments issued, or the possible liability arising from the same disputed issue for the 2012 to 2014 years of assessment. There have been no further changes to the status of other contingent liabilities referred to in note 41 on page 148 of the annual integrated report for the year ended 30 June 2013.

14. Fair value of financial instruments:
    - The hedge forward derivative financial assets/(liabilities) utilised by the group to economically hedge the impact of the share appreciation rights granted in terms of its long-term share-linked retention scheme are fair valued at each reporting date (refer note 8). The fair values of the contracts are determined by an independent external professional financial instruments specialist using a Black-Scholes (risk neutral pricing) option pricing model in a manner that is consistent with prior reporting periods. The financial instruments in question are designated as level 2 financial instruments in terms of the fair value hierarchy specified in IFRS13 – Fair Value Measurement, as the inputs into the valuation model are derived from observable inputs for the assets/liabilities in question, but are not quoted prices in active markets for identical assets/liabilities.

    - The loan advanced to the equity-accounted investee of R36.250 million as detailed in note 5 was initially recognised at fair value at 18 March 2014 and is subsequently recognised at amortised cost. In determining the fair value of the loan in question at initial recognition, the directors considered the interest rates implicit in similar loans granted on similar terms and conditions between unrelated market participants. The directors determined that the interest rate applicable to the loan in question is commensurate with similar external loans between unrelated market participants and the nominal value of the loan therefore approximated its fair value at initial recognition. The financial asset is designated as a level 2 financial instrument in terms of the fair value hierarchy as the inputs into the valuation model are derived from observable inputs for the asset in question, but are not quoted prices in active markets for identical assets.

DIRECTORS

Executive Chairman: A Ambor

Chief Executive Officer: P van Tonder

Chief Financial Officer: R van Dijk

Chief Operating Officer: M Farrelly

Non-executive: K Getz, D Hyde, M Kuzwayo, K Madders MBE (British), D Molefe, M Morojele

Company Secretary: R van Dijk

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

Share code: SUR **ISIN:** ZAE000022653

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

Transfer Secretaries: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001

Sponsor: Sasfin Capital (A division of Sasfin Bank Ltd)

OUR BRAND FAMILY

SPUR CORP.

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