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PASSIONATE PEOPLE BUILDING GREAT BRANDS

REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND CASH DIVIDEND DECLARATION

FOR THE YEAR ENDED 30 JUNE 2016

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

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

HIGHLIGHTS

RESTAURANT SALES ▲ **12.9%**	**COMPARABLE HEADLINE EARNINGS PER SHARE (from continuing operations)** ▲ **3.5%**
COMPARABLE PROFIT BEFORE TAX (from continuing operations) ▲ **9.8%**	**FULL-YEAR DIVIDEND PER SHARE** ▲ **6.1%** to 140 cents

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RESULTS COMMENTARY

TRADING PERFORMANCE

Spur Corporation delivered a robust trading performance in the competitive family sit-down restaurant market in the year to June 2016 as total restaurant sales across its local and international operations increased by 12.9% to R6.97 billion.

SOUTH AFRICA

Restaurant sales in South Africa grew by 13.0% against the backdrop of severe pressure on consumer disposable income as economic conditions deteriorated in the second half of the financial year.

Management has focused on sustaining franchisee profitability in the face of margin pressure from high food inflation, mainly driven by the widespread drought and the deterioration of the rand against major currencies, and aggressive discounting by restaurants and quick service dining chains to attract cash-strapped consumers.

Panarottis Pizza Pasta continued its strong growth trend and lifted sales by 18.0% despite the increasing competition from international pizza brands entering South Africa.

Spur Steak Ranches grew sales by 6.2% supported by its loyal customer base of over 1.9 million Spur Family Card members who account for 41.9% of Spur's restaurant sales.

The Hussar Grill grew sales by 51.8% and John Dory's by 17.7%.

The RocoMamas offering of "Smashburgers", ribs and wings strengthened the group's appeal among urban millennial customers as 33 outlets were opened locally, bringing the restaurant base to 42.

Thirteen non-performing Captain DoRegos outlets were closed and sales declined by 3.3%, reflecting the tough trading conditions in the lower-income market.

Capitalising on the growing demand for authentic Italian cuisine, as well as the group's knowledge of the pizza and pasta market, an upmarket Italian restaurant brand, Casa Bella, was launched and two outlets were opened during the year.

A total of 74 new restaurants were opened in South Africa across the Spur (15), Panarottis (7), John Dory's (8), Captain DoRegos (5), The Hussar Grill (4), RocoMamas (33) and Casa Bella (2) brands.

Franchisees invested over R330 million in the 2016 financial year in opening, relocating and revamping restaurants.

INTERNATIONAL

International restaurant sales increased by 12.1% in rand terms and by 2.8% calculated at a constant exchange rate.

Following the decision to cease operations in the United Kingdom and Ireland, the group's remaining eight restaurants were closed during the year. This resulted in a 29.0% decrease in store turnover in the UK (or 40.1% on a constant exchange rate basis).

In line with the group's strategy to focus the international business primarily on Africa and Australia, eight restaurants were opened across the Africa and Mauritius region, and two in Australia.

Additional franchised Spur Steak Ranches were opened in Nigeria, Zambia and two in Kenya, a further Panarottis in Mauritius, the first Captain DoRegos in Botswana, the first international outlet for The Hussar Grill in Zambia and the first international outlet for RocoMamas in Namibia. New Spur and Panarottis restaurants were opened in Perth, Australia.

RESTAURANT FOOTPRINT AT 30 JUNE 2016

Franchise brand	South Africa	International	Total
Spur Steak Ranches	286	40	**326**
Panarottis Pizza Pasta	81	12	**93**
John Dory's Fish Grill Sushi	45	1	**46**
Captain DoRegos	49	3	**52**
The Hussar Grill	12	1	**13**
RocoMamas	42	1	**43**
Casa Bella	2	–	**2**
Total	517	58	**575**

FINANCIAL PERFORMANCE

Revenue from the South African operations, which accounted for 81.4% of group revenue, increased by 11.7% to R600.0 million. International revenue declined by 38.4% to R137.4 million due to the closure of the eight company-owned restaurants in the UK during the year and one during the previous financial year, as well as the disposal of the remaining three retail outlets in Australia in the previous financial year. Group revenue for the period was 3.0% lower at R737.4 million.

Revenue from continuing operations increased 3.4% to R633.1 million, impacted by a reduction in revenue of R49.3 million following the disposal of the group's interests in retail outlets in Australia in the prior year.

Franchise revenue in Spur increased by 5.8%, Panarottis 17.9%, John Dory's 14.2% and The Hussar Grill by 49.2%. Captain DoRegos revenue declined by 25.4%. The RocoMamas chain generated revenue of R17.4 million in its first full year in the group since being acquired in March 2015.

Local retail revenue, representing the group's interests in South African restaurants, increased by 56.5%, boosted by the opening of the company-owned The Hussar Grill in Morningside (Johannesburg) and RocoMamas in Green Point (Cape Town) during the year.

The manufacturing and distribution division grew revenue by 3.9% while profitability was impacted by the weakening exchange rate on foreign currency priced imports used in the sauce manufacturing facility, as well as higher transport costs. The full extent of higher imported food prices has not been passed on to franchisees to ensure the brands remain competitive in the current tight consumer environment.

The growth in the group's earnings has benefited from the accounting in the prior year for the broad-based black economic empowerment transaction with Grand Parade Investments Ltd. The transaction resulted in the issue of 10.848 million new ordinary shares and a share-based payment expense of R33.0 million for the year to June 2015.

Profit before income tax increased by 6.5% to R218.7 million. This includes the impact of the GPI transaction, the impact of the international restaurant closures, a net charge of R25.4 million (2015: R4.9 million) related to the long-term share-linked employee retention scheme, foreign exchange gains and losses and other one-off and exceptional items in the current and previous comparable periods.

Profit before income tax from continuing operations (excluding the UK business in its entirety) increased by 16.7% to R247.6 million. The UK incurred a loss before income tax of R31.7 million (2015: R6.7 million) for the year, which included losses arising from the closure of the retail outlets in that region.

Comparable profit before income tax from continuing operations, excluding exceptional and one-off items (including those listed above), increased by 9.8%.

Headline earnings increased by 15.9% to R164.0 million with headline earnings per share (HEPS) growing by 11.9% to 170.9 cents. Headline earnings from continuing operations increased by 21.0% to R182.3 million with HEPS from continuing operations growing by 16.8% to 190.0 cents per share.

Comparable HEPS from continuing operations, excluding those items above and the impact of the GPI transaction, increased by 3.5%.

The total dividend was increased by 6.1% to 140.0 cents per share.

PROSPECTS

Amidst lower economic growth and negative consumer sentiment, consumers in the group's middle-income market will remain under pressure in the months ahead.

In this environment, the group will continue to attract cost conscious customers through aggressive marketing campaigns, targeted television advertising and providing an excellent quality, value-driven product offering to its customers.

The group plans to open at least 28 restaurants across all brands in South Africa in the year ahead.

Nine new franchised outlets will be opened internationally, including additional restaurants in Nigeria and Zimbabwe, and the first Spur outlets in New Zealand and Ethiopia. RocoMamas will be opening outlets in Saudi Arabia, Oman, Kenya and Mauritius.

The closure of the UK operations is expected to contribute to increased profitability in the international operations.

CASH DIVIDEND

Shareholders are advised that the board of directors of the company has, on Wednesday, 7 September 2016, resolved to declare a final gross cash dividend for the year to 30 June 2016 of R79.191 million, which equates to 73 cents per share for each of the 108 480 926 shares in issue, subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962 amended) ("dividend withholding tax") of 15%.

The dividend has been declared from income reserves. The net dividend is 62.05 cents per share for shareholders liable to pay dividend withholding tax. The company's income tax reference number is 9695015033. The company has 108 480 926 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 Ltd, the relevant dates for the dividend are as follows:

EVENT	DATE
Last day to trade "cum dividend"	Tuesday, 27 September 2016
Shares commence trading "ex dividend"	Wednesday, 28 September 2016
Record date	Friday, 30 September 2016
Payment date	Monday, 3 October 2016

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

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 September 2016 and Friday, 30 September 2016, both days inclusive.

For and on behalf of the board

A Ambor
(Executive chairman)

P Van Tonder
(Group chief executive officer)

8 September 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Reviewed year ended 30 June 2016	Audited year ended 30 June 2015	% Change
Continuing operations			
Revenue	**633 069**	612 402	3.4
Gross profit	**466 219**	446 225	4.5
Operating profit before finance income	**220 566**	189 077	16.7
Net finance income	**35 602**	24 650	
Share of loss of equity-accounted investee (net of income tax)	**(8 601)**	(1 633)	
Profit before income tax	**247 567**	212 094	16.7
Income tax expense	**(76 540)**	(69 762)	
Profit from continuing operations	**171 027**	142 332	20.2
Loss from discontinued operation (refer note 3)	**(31 727)**	(6 679)	
Profit	**139 300**	135 653	2.7
Other comprehensive income#:	**8 460**	(3 287)	
Foreign currency translation differences for foreign operations	**26 715**	(11 756)	
Reclassification of foreign currency (gain)/loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations	**(7 038)**	2 215	
Tax on reclassification of foreign currency loss from other comprehensive income to profit, on abandonment of foreign operations	**(1 591)**	–	
Foreign exchange (loss)/gain on net investments in foreign operations	**(12 835)**	8 338	
Tax on foreign exchange loss/(gain) on net investments in foreign operations	**3 209**	(2 084)	
Total comprehensive income	**147 760**	132 366	11.6
Profit attributable to:			
Owners of the company	**135 619**	127 555	6.3
Non-controlling interests	**3 681**	8 098	
Profit	**139 300**	135 653	2.7
Total comprehensive income attributable to:			
Owners of the company	**144 016**	124 634	15.6
Non-controlling interests	**3 744**	7 732	
Total comprehensive income	**147 760**	132 366	11.6

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	**141.34**	137.69	2.6
Diluted earnings	**141.31**	137.69	2.6
Earnings per share (cents) – continuing operations			
Basic earnings	**174.64**	150.82	15.8
Diluted earnings	**174.61**	150.82	15.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed as at 30 June 2016	Audited as at 30 June 2015
ASSETS		
Non-current assets	**610 980**	632 409
Property, plant and equipment	**95 480**	86 481
Intangible assets and goodwill	**365 417**	384 610
Loans receivable	**143 739**	142 996
Deferred tax	**1 310**	4 446
Leasing rights	**5 034**	2 855
Derivative financial asset	**–**	11 021
Current assets	**455 742**	473 875
Inventories	**12 148**	11 729
Tax receivable	**36 214**	17 164
Trade and other receivables	**96 587**	97 828
Loans receivable	**24 211**	25 143
Derivative financial asset	**–**	17 160
Cash and cash equivalents	**286 582**	304 851
TOTAL ASSETS	**1 066 722**	1 106 284
EQUITY		
Total equity	**864 663**	854 095
Ordinary share capital	**1**	1
Share premium	**294 663**	294 663
Shares repurchased by subsidiaries	**(97 963)**	(88 622)
Foreign currency translation reserve	**30 711**	22 314
Share-based payments reserve	**827**	–
Retained earnings	**622 054**	618 675
Total equity attributable to owners of the company	**850 293**	847 031
Non-controlling interests	**14 370**	7 064
LIABILITIES		
Non-current liabilities	**81 537**	108 440
Contingent consideration liability	**13 565**	31 409
Employee benefits	**3 981**	8 826
Derivative financial liability	**3 425**	–
Operating lease liability	**2 191**	1 200
Deferred tax	**58 375**	67 005
Current liabilities	**120 522**	143 749
Bank overdrafts	**1 155**	3 557
Tax payable	**2 397**	1 893
Trade and other payables	**68 437**	83 235
Loans payable	**25 746**	18 818
Contingent consideration liability	**9 726**	15 974
Employee benefits	**3 829**	19 790
Derivative financial liability	**8 761**	–
Shareholders for dividend	**471**	482
TOTAL EQUITY AND LIABILITIES	**1 066 722**	1 106 284

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Ordinary share capital and share premium (net of treasury shares)	Retained earnings and other reserves	Non-controlling interests	Total
Balance at 1 July 2014 (audited)	**(77 228)**	**600 905**	**(4 057)**	**519 620**
Total comprehensive income for the year	**–**	**124 634**	**7 732**	**132 366**
Profit for the year	–	127 555	8 098	135 653
Other comprehensive income	–	(2 921)	(366)	(3 287)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	**283 270**	**(82 450)**	**–**	**200 820**
Issue of ordinary shares (refer note 6)	294 657	(991)	–	293 666
Equity-settled share-based payment (refer note 6)	–	32 957	–	32 957
Own shares acquired	(11 387)	–	–	(11 387)
Distributions to equity holders	–	(114 416)	–	(114 416)
Changes in ownership interests in subsidiaries	**–**	**(2 100)**	**3 389**	**1 289**
Acquisition of subsidiary with non-controlling interests (refer note 7)	–	–	3 135	3 135
Acquisition of non-controlling interest in subsidiary without a change in control (refer note 8)	–	(2 100)	108	(1 992)
Derecognition of non-controlling interest in subsidiary resulting in loss of control (refer note 8)	–	–	146	146
Total transactions with owners	**283 270**	**(84 550)**	**3 389**	**202 109**
Balance at 30 June 2015 (audited)	**206 042**	**640 989**	**7 064**	**854 095**
Total comprehensive income for the year	**–**	**144 016**	**3 744**	**147 760**
Profit for the year	–	135 619	3 681	139 300
Other comprehensive income	–	8 397	63	8 460
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	**(9 341)**	**(131 309)**	**(2 042)**	**(142 692)**
Equity-settled share-based payment (refer note 9)	–	863	–	863
Indirect costs related to equity-settled share-based payment (refer note 9)	–	(679)	–	(679)
Own shares acquired	(9 341)	–	–	(9 341)
Distributions to equity holders	–	(131 493)	(2 042)	(133 535)
Changes in ownership interests in subsidiaries	**–**	**(104)**	**5 604**	**5 500**
Disposal of non-controlling interest in subsidiary without a change in control (refer note 4)	–	(104)	5 604	5 500
Total transactions with owners	**(9 341)**	**(131 413)**	**3 562**	**(137 192)**
Balance at 30 June 2016 (reviewed)	**196 701**	**653 592**	**14 370**	**864 663**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed year ended 30 June 2016	Audited year ended 30 June 2015
Cash flow from operating activities		
Operating profit before working capital changes (refer note a)	**249 493**	222 786
Working capital changes	**(7 326)**	(12 883)
Cash generated from operations	**242 167**	209 903
Interest income received	**24 370**	16 890
Interest expense paid	**(116)**	(65)
Tax paid	**(100 256)**	(83 666)
Dividends paid	**(133 546)**	(114 345)
Net cash flow from operating activities	**32 619**	28 717
Net cash flow from investing activities (refer note b)	**(17 937)**	(97 342)
Net cash flow from financing activities (refer note c)	**(30 195)**	278 051
Net movement in cash and cash equivalents	**(15 513)**	209 426
Effect of foreign exchange fluctuations	**(354)**	441
Net cash and cash equivalents at beginning of year	**301 294**	91 427
Net cash and cash equivalents at end of year	**285 427**	301 294

Refer note 3 for cash flows attributable to discontinued operation.

Notes

a) **Operating profit before working capital changes** – Includes a gross cash outflow of R18.445 million (2015: R24.045 million) in respect of the settlement of the share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (also refer note 9). Also includes a gross cash inflow of R15.766 million relating to the disposal of the Silver Lake Spur and Apache Spur leases in the UK (also refer note 3).

b) **Cash flow from investing activities** – Includes a gross cash inflow of R12.653 million (2015: R20.961 million) arising from the economic hedging instrument utilised by the group for its long-term share-linked employee retention scheme (also refer note 9). Additions to property, plant and equipment amount to R45.598 million (2015: R30.785 million) – the increase relative to the prior year relates primarily to the building cost of the new Cape Town corporate offices of R26.9 million (2015: R13.3 million), and the fit-out of the company-owned The Hussar Grills in Morningside and Mouille Point and RocoMamas in Green Point (also refer note 4). Also includes an inflow of R8.143 million (2015: R0.079 million) arising on the disposal of property, plant and equipment, most of which is attributable to the disposal of the UK operations (also refer note 3). The prior year includes a gross outflow of R72.613 million relating to the subscription of preference shares (including directly attributable costs) in an unconsolidated structured entity to finance the broad-based black economic empowerment ("B-BBEE") equity transaction as more fully described in note 6. The prior year also includes gross outflows of R1.382 million for the acquisition of RocoMamas Franchise Co (Pty) Ltd as detailed in note 7, and R0.653 million in aggregate relating to the disposals of Panpen Pty Ltd, Panawest Pty Ltd and Silver Spur detailed in note 8.

c) **Cash flow from financing activities** – Includes an outflow of R9.341 million (2015: R11.387 million) for the purchase of treasury shares. Also includes an outflow of R20.369 million in partial settlement of the RocoMamas contingent consideration as detailed in note 7. The prior year includes a net inflow of R293.666 million relating to the issue of shares (net of directly attributable transaction costs) pursuant to the B-BBEE transaction as detailed in note 6 and an outflow of R1.992 million for the acquisition of the further 50% interest in Panpen Pty Ltd as detailed in note 8.

RECONCILIATION OF HEADLINE EARNINGS

R'000	Reviewed year ended 30 June 2016	Audited year ended 30 June 2015	% Change
Total group			
Profit attributable to owners of the company	**135 619**	127 555	6.3
Headline earnings adjustments:			
Disposal of goodwill (refer note 3)	**444**	–	
Impairment of intangible assets (refer note 5)	**18 969**	13 905	
Impairment of property, plant and equipment (refer note 3)	**–**	1 054	
Loss on disposal of property, plant and equipment	**24 990**	–	
Loss on disposal of subsidiary (refer note 8)	**–**	4 545	
Profit on disposal of property, plant and equipment	**(5 523)**	(65)	
Profit on disposal of subsidiaries (refer note 8)	**–**	(5 120)	
Reclassification of foreign currency (gain)/loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations (refer notes 3 and 8)	**(7 038)**	2 215	
Income tax impact of above adjustments	**(2 004)**	(2 578)	
Amount of above adjustments attributable to non-controlling interests	**(1 480)**	–	
Headline earnings	**163 977**	141 511	15.9
Continuing operations			
Profit attributable to owners of the company	**135 619**	127 555	6.3
Exclude: loss from discontinued operation (refer note 3)	**31 957**	12 163	
Profit attributable to owners of the company – continuing operations	**167 576**	139 718	19.9
Headline earnings adjustments:			
Impairment of intangible assets (refer note 5)	**18 969**	13 905	
Loss on disposal of property, plant and equipment	**111**	–	
Loss on disposal of subsidiary (refer note 8)	**–**	4 545	
Profit on disposal of property, plant and equipment	**(64)**	(65)	
Profit on disposal of subsidiaries (refer note 8)	**–**	(5 120)	
Reclassification of foreign currency loss from other comprehensive income to profit, on disposal of foreign operations (refer note 8)	**–**	295	
Income tax impact of above adjustments	**(4 262)**	(2 578)	
Amount of above adjustments attributable to non-controlling interests	**(3)**	–	
Headline earnings – continuing operations	**182 327**	150 700	21.0

OPERATING SEGMENT INFORMATION

R'000	Reviewed year ended 30 June 2016	Audited year ended 30 June 2015	% Change
External revenue			
Manufacturing and distribution	**180 750**	173 924	3.9
Franchise – Spur	**229 953**	217 276	5.8
Franchise – Pizza and Pasta*	**32 501**	27 575	17.9
Franchise – John Dory's	**18 528**	16 220	14.2
Franchise – Captain DoRegos	**4 534**	6 077	(25.4)
Franchise – The Hussar Grill	**3 607**	2 417	49.2
Franchise – RocoMamas (refer note b)	**17 415**	2 175	700.7
Retail (refer note c)	**48 139**	30 760	56.5
Other South Africa (refer note d)	**61 905**	58 861	5.2
Total South African segments	**597 332**	535 285	11.6
Unallocated – South Africa	**2 617**	1 720	52.2
Total South Africa	**599 949**	537 005	11.7
United Kingdom (refer note 3) (discontinued)	**104 302**	147 657	(29.4)
Australia (refer note 8)	**10 948**	55 729	(80.4)
Other International (refer note f)	**22 172**	19 668	12.7
Total International	**137 422**	223 054	(38.4)
TOTAL EXTERNAL REVENUE	**737 371**	760 059	(3.0)
Profit/(loss) before income tax			
Manufacturing and distribution	**68 486**	67 083	2.1
Franchise – Spur	**206 052**	194 037	6.2
Franchise – Pizza and Pasta*	**22 064**	18 904	16.7
Franchise – John Dory's	**9 558**	9 119	4.8
Franchise – Captain DoRegos (refer note a)	**(17 851)**	(11 821)	(51.0)
Franchise – The Hussar Grill	**2 789**	1 298	114.9
Franchise – RocoMamas (refer note b)	**12 210**	1 386	781.0
Retail (refer note c)	**927**	4 645	(80.0)
Other South Africa (refer note d)	**1 198**	327	266.4
Total South African segments	**305 433**	284 978	7.2
Unallocated – South Africa (refer note e)	**(53 071)**	(81 818)	35.1
Total South Africa	**252 362**	203 160	24.2
United Kingdom (refer note 3) (discontinued)	**(28 847)**	(4 714)	(511.9)
Australia (refer note 8)	**3 177**	4 488	(29.2)
Other International (refer note f)	**10 955**	10 616	3.2
Total International segments	**(14 715)**	10 390	(241.6)
Unallocated – International (refer note g)	**(10 326)**	(6 496)	(59.0)
Total International	**(25 041)**	3 894	(743.1)
PROFIT BEFORE INCOME TAX AND SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTEE	**227 321**	207 054	9.8
Share of loss of equity-accounted investee (net of income tax)	**(8 601)**	(1 633)	(426.7)
PROFIT BEFORE INCOME TAX	**218 720**	205 421	6.5

* The "Pizza and Pasta" segment, which previously comprised only Panarottis Pizza Pasta, now includes Casa Bella, an upmarket Italian dining concept which the group rolled out during the year. Two Casa Bella restaurants have traded since March 2016.

Notes

a) **Captain DoRegos** – Includes an impairment loss of R18.969 million (2015: R13.905 million) relating to intangible assets (also refer note 5).

b) **RocoMamas** – The RocoMamas franchise division was acquired with effect from 1 March 2015 (also refer note 7).

c) **Retail** – This segment comprises the group's interests in local restaurants which, at 30 June 2016, comprised four The Hussar Grill restaurants and one RocoMamas outlet. As at 30 June 2015, the group had an interest in three The Hussar Grill restaurants. The Hussar Grill in Morningside (Gauteng) commenced trading in September 2015 and the RocoMamas in Green Point (Western Cape) commenced trading in December 2015. The Hussar Grill in Green Point was relocated to Mouille Point during the period and did not trade for the month of November 2015. Also refer to note 4 for further details.

d) **Other South Africa** – Other local segments include the group's training division, export business, décor manufacturing business, call centre and radio station which are each individually not material.

e) **Unallocated** – South Africa – Includes net finance income of R34.823 million (2015: R24.352 million), which includes interest and preference dividends relating to the GPI equity transaction (also refer note 6). Includes a credit in respect of cash-settled share-based payments of R2.361 million (2015: charge of R19.735 million) and a fair value loss in respect of a related economic hedge of R27.714 million (2015: R14.794 million gain) (also refer note 9). Includes an equity-settled share-based payment charge of R0.827 million (also refer note 9). Includes a fair value credit relating to the RocoMamas contingent consideration liability of R3.723 million (2015: fair value loss of R3.681 million) (also refer note 7). Includes a loss of R0.259 million (2015: R1.761 million profit) arising from The Spur Foundation Trust, a consolidated structured entity, all of which is attributable to non-controlling interests. The prior year includes a share-based payment charge of R32.957 million relating to the GPI equity transaction (also refer note 6), as well as related professional and advisory costs of R0.301 million. The prior year includes professional advisory costs of R0.481 million relating to defending the tax queries detailed in note 12.

f) **Other International** – Other international segments comprise the group's franchise operations in Africa (outside of South Africa) and Mauritius.

g) **Unallocated – International** – Includes a foreign exchange loss of R3.756 million (2015: gain of R2.127 million). The prior year includes a loss of R1.920 million relating to the reclassification of foreign exchange differences arising on the translation of foreign operations previously recognised in other comprehensive income (FCTR), from other comprehensive income to profit, on abandonment/deregistration of UK foreign operations (also refer note 3) as well as a foreign exchange loss of R0.039 million (in addition to the gain referred to above) specifically related to UK operations. The prior year also includes professional advisory costs of R0.829 million relating to the group's international tax structure.

SHARE INFORMATION

	Reviewed year ended 30 June 2016	Audited year ended 30 June 2015	% Change
Total shares in issue (000's)	**108 481**	108 481	–
Net shares in issue (000's)*	**95 834**	96 120	(0.3)
Weighted average number of shares in issue (000's)	**95 955**	92 636	3.6
Diluted weighted average number of shares in issue (000's)	**95 972**	92 636	3.6
Headline earnings per share (cents)	**170.89**	152.76	11.9
Diluted headline earnings per share (cents)	**170.86**	152.76	11.8
Headline earnings per share (cents) – continuing operations	**190.01**	162.68	16.8
Diluted headline earnings per share (cents) – continuing operations	**189.98**	162.68	16.8
Net asset value per share (cents)	**902.25**	888.57	1.5
Dividend per share (cents)#	**140.00**	132.00	6.1
Reconciliation of weighted average number of shares in issue ('000)			
Gross shares in issue at the beginning of the year	**108 481**	97 633	
Shares repurchased at the beginning of the year	**(12 361)**	(12 000)	
Shares repurchased during the year weighted for period not held by the group	**(165)**	(219)	
Shares issued during the year weighted for period in issue (refer note 6)	**–**	7 222	
Weighted average number of shares in issue for the year	**95 955**	92 636	
Dilutive potential ordinary shares weighted for period outstanding (refer note 9)	**17**	–	
Diluted weighted average number of shares in issue for the year	**95 972**	92 636	

* 108 480 926 (2015: 108 480 926) total shares in issue less 5 912 901 (2015: 5 572 401) shares repurchased by wholly-owned subsidiary companies, 6 533 698 (2015: 6 688 698) shares held by The Spur Management Share Trust (consolidated structured entity) and 200 000 (2015: 100 000) shares held by The Spur Foundation Trust (consolidated structured entity).

Interim and final dividend declared for the respective year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Basis of preparation**

   The condensed consolidated financial statements for the year ended 30 June 2016 have been prepared in accordance with the JSE Ltd Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa (No. 71 of 2008 amended). The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides 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 condensed consolidated 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 2015.

2. **Review report**

   These condensed consolidated financial statements for the year ended 30 June 2016 have been reviewed by KPMG Inc., who expressed an unmodified review conclusion. 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, which can be obtained at no cost by appointment with the company secretary at the company's registered office between the hours of 09:00 and 16:00 on any regular business day.

3. **Discontinued operation (United Kingdom)**

   By 30 June 2016, all operations in the UK and Ireland, representing a separate major line of business (and comprising a separate operating segment) of the group, had ceased trading. The UK segment was not previously classified as held-for-sale. The results of the segment are reported separately to continuing operations.

   During the year, the group:

   - disposed of the lease and assets of Larkspur Two Ltd (a wholly-owned subsidiary of the group trading as Silver Lake Spur in Lakeside (England)) on 15 July 2015 for R7.303 million in cash;
   - renounced the lease of Larkspur Three Ltd (an 80% held subsidiary of the group operating the Apache Spur in Aberdeen (Scotland)), in favour of the landlord on 22 September 2015 for R8.463 million in cash, and relinquished ownership of all property, plant and equipment at the site;
   - disposed of the assets of Larkspur One Ltd (a wholly-owned subsidiary of the group operating the Cheyenne Spur at the O_2 Dome in London (England)) on 6 March 2016 for R7.902 million in cash;
   - ceased trading Larkspur Nine Ltd (a wholly-owned subsidiary of the group operating the Soaring Eagle Spur in Leicester (England)) on 29 February 2016, effectively relinquishing control of all the tangible assets of the entity to the landlord for no consideration; and
   - ceased trading Larkspur Six Ltd, Larkspur Seven Ltd, Larkspur Eight Ltd and Larkspur Ten Ltd, each wholly-owned subsidiaries of the group operating the Nevada Spur in Belfast (Northern Ireland), Two Rivers Spur in Staines (England), Rapid River Spur in Dublin (Ireland) and RBW Corby (England) respectively, on 30 June 2016, effectively relinquishing control of all the tangible assets of the respective entities to the respective landlords for no consideration.

   During the prior year:

   - The carrying value of property, plant and equipment of the Cheyenne Spur in the O_2 Dome was partially impaired by R1.054 million as at 30 June 2015, as a result of reduced prospects arising from the increased costs of occupancy, labour and raw material inputs;
   - As a consequence of sustained trading losses incurred by the Mohawk Spur in Wandsworth (England), the group closed the outlet on 28 February 2015;

- Larkspur Five Ltd, a subsidiary in which the group owned a 70.6% equity interest and which previously operated the Golden Gate Spur in Gateshead (England) which closed in October 2013, was dissolved on 16 June 2015. The group had previously recognised a liability in respect of a shareholder's loan to the non-controlling shareholder which was extinguished as part of the dissolution of the company. On dissolution of the company, the liability, amounting to R5.173 million at 15 June 2015, was released to profit before income tax in the prior year.

The results of the discontinued operation are illustrated below:

R'000	2016	2015
Revenue	**104 302**	147 657
Cost of sales	**(32 512)**	(44 291)
Gross profit	**71 790**	103 366
Operating loss before finance income	**(28 871)**	(6 639)
Net finance income/(expense)	**24**	(34)
Loss before income tax	**(28 847)**	(6 673)
Income tax expense	**(2 880)**	(6)
Loss for the year	**(31 727)**	(6 679)
Loss attributable to owners of the company	**(31 957)**	(12 163)
Non-controlling interests	**230**	5 484
Loss for the year	**(31 727)**	(6 679)
The cash flows of the discontinued operation are listed below:		
Net cash flow from operating activities	**(11 022)**	(4 368)
Net cash flow from investing activities	**5 757**	(7 469)
Net cash flow from financing activities	**(484)**	(335)
Net movement in cash and cash equivalents for the year	**(5 749)**	(12 172)

Further details of the above-listed transactions are listed below:

R'000	2016	2015
Impairment of property, plant and equipment	**–**	(1 054)
Loss on disposal of goodwill	**(444)**	–
Loss on disposal of property, plant and equipment	**(24 878)**	–
Profit on disposal of leases	**15 766**	–
Profit on disposal of property, plant and equipment	**5 459**	–
Reclassification of foreign currency gain/(loss) from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations	**7 038**	(1 920)
Release of financial liability	**–**	5 173
Included in loss before income tax	**2 941**	2 199
Income tax expense related to the above	**(2 258)**	–
Included in loss	**683**	2 199
Attributable to non-controlling interests	**(216)**	(5 450)
Attributable to owners of the company	**467**	(3 251)

Subsequent to the reporting date, on 27 July 2016, the group commenced voluntary liquidation proceedings in respect of certain of the entities. As at 30 June 2016, the following items are included in the consolidated statement of financial position:

R'000	2016
Accounts receivable	**157**
Cash and cash equivalents	**3 786**
Non-controlling interests	**121**
Accounts payable	**7 962**
Loan payable	**1 152**

The accounts receivable listed above were recovered subsequent to the reporting date.
The loan payable relates to the non-controlling shareholder's loan in Larkspur Three Ltd and was partly settled subsequent to the reporting date from cash resources belonging to the entity in question.

4. Changes in local retail operations

- **The Hussar Grill Morningside** – In September 2015, the group commenced trading a newly established The Hussar Grill in Morningside (Gauteng). The entity incurred a loss before income tax of R1.302 million for the year (including initial trading and start-up losses), and acquired property, plant and equipment of R2.831 million.

- **The Hussar Grill/RocoMamas Green Point** – With effect from 15 November 2015, Opilor (Pty) Ltd, a subsidiary of the group (previously wholly-owned), acquired the lease and assets of an existing restaurant site in Mouille Point, Cape Town for R5.400 million and R0.100 million respectively. The subsidiary in question issued shares in that entity of the equivalent value to the seller in settlement of the purchase price of the transaction, such that the group's ownership interest in the entity reduced from 100% to 68%. The difference in the value of net assets attributed to non-controlling interests and the value of the shares issued to the non-controlling shareholder amounted to R0.104 million, which was charged directly to equity (retained earnings). The carrying value of the lease acquired is being amortised on a straight-line basis over the remaining lease term (of 118 months as at the transaction date).

  Prior to the transaction above, Opilor (Pty) Ltd owned The Hussar Grill in Green Point, Cape Town. Following the transaction, The Hussar Grill in Green Point was relocated to the newly acquired site in Mouille Point and consequently did not trade for the month of November 2015. In addition to the lost profit for this period, the company also incurred costs and losses of R0.607 million (before tax) relating to the relocation, and acquired property, plant and equipment of R2.551 million. The entity in question then established a new RocoMamas outlet at the Green Point site, which commenced trading in December 2015. The outlet incurred a loss before income tax of R1.881 million for the year (including initial trading and start-up losses), and acquired property, plant and equipment of R3.531 million.

5. Impairment of Captain DoRegos intangible asset

The Captain DoRegos brand is a value-oriented takeaway chain offering a combination of chicken, seafood and burgers to consumers, operating through 49 franchised outlets locally and three internationally. The cash-generating unit has experienced a sustained period of profits being below expectations, due to the slowdown in the South African economy in recent years and its impact on the brand's target market. In addition, as the trademark and related intellectual property assets are indefinite useful life assets, a mandatory impairment test is conducted annually.

In assessing the recoverable amount of the cash-generating unit, the directors have estimated the value-in-use of the cash-generating unit. Given the nature of the franchise business, the directors consider that the cash-generating unit's fair value less costs to sell is unlikely to differ significantly from its value-in-use. Prior to any current year impairment, the carrying value of the cash-generating unit comprised predominantly the value of the intangible assets, which amounted to R25.747 million at the reporting date, following an impairment loss in the prior year of R13.905 million (R11.309 million after tax).

In determining the value-in-use of the cash-generating unit, the directors applied the following key assumptions:

- Cash inflows, comprising franchise fees, were estimated based on conservative budgets for the 2017 financial year and increases of 5.0% per annum for the 2018 to 2021 forecast horizon, based on historic experience, adjusting for a net two new stores in each year;
- Cash outflows for the 2017 financial year were estimated based on detailed expense budgets prepared by management adjusted for the remainder of the forecast period as detailed below;
- Operating expenses were estimated to increase by inflation of 6.5%, and employment related costs by 10.0% per annum;
- Growth of cash flows in perpetuity beyond the forecast horizon was estimated at 3.0%;
- Pre-tax cash flows were discounted at a pre-tax rate of 19.0%, being the risk free rate adjusted for risk factors.

Based on the value-in-use calculation, the recoverable amount of the cash-generating unit (comprising predominantly the trademark and related intellectual property intangible assets) was estimated at R6.778 million, resulting in a further impairment of R18.969 million (attributable to the intangible assets) being included in profit before income tax. A corresponding deferred tax credit of R4.249 million has been recognised in profit, resulting in a net loss included in profit attributable to ordinary shareholders of R14.720 million.

Three of the key variables in determining the recoverable amount above and the impact of a reasonably possible change in each variable on the recoverable amount are listed below:

R'000	Increase/(decrease) in recoverable amount and decrease/(increase) in profit before income tax
Change in variable:	
Revenue growth	
– Increased by 2%	**1 109**
– Decreased by 2%	**(1 068)**
Discount rate	
– Increased by 2%	**(760)**
– Decreased by 2%	**978**
Growth in perpetuity	
– Increased by 2%	**549**
– Decreased by 2%	**(427)**

Management has implemented the necessary cost control measures to maintain and improve the division's operating margin. In addition, management is confident that its marketing strategy and focus on operating standards should result in its projections being achieved.

6. Broad-based black economic empowerment deal with GPI

As detailed in the circular to shareholders of 4 September 2014, and approved by shareholders at a general meeting on 3 October 2014, the company concluded various agreements in the prior year to issue 10 848 093 new ordinary shares indirectly to Grand Parade Investments Ltd ("GPI"), a strategic black empowerment partner, and separately donate 500 000 of the company's shares (100 000 shares per annum over five years), held as treasury shares, to the Spur Foundation, a benevolent foundation that is a consolidated structured entity. Both transactions were executed on 30 October 2014. In terms of the agreements, GPI is restricted from trading the shares in question without the express permission of the company 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.

The shares were issued at a price of R27.16 per share, resulting in the aggregate proceeds from the issue of shares amounting to R294.657 million. This equated to an effective discount of R32.957 million which was recognised, in the prior year, as a share-based payment expense in accordance with *IFRS 2 – Share-based Payments* and included in profit before income tax for that year, with a corresponding credit to equity (retained earnings).

The group partially funded GPI's share acquisition through a subscription of cumulative compulsorily redeemable five-year preference shares in an unconsolidated structured entity with a combined subscription value of R72.328 million. The preference shares accrue dividends at a rate of 90% of the prevailing prime overdraft rate of interest and are subordinated in favour of the external funding provider.

The transaction resulted in a net cash inflow of R222.328 million for the group during the prior year. Of the total transaction costs of R1.577 million: R0.285 million related directly to the subscription of the preference shares referred to above and is included in the carrying value of the preference shares; R0.991 million related directly to the issue of the company's ordinary shares and was charged directly against equity (retained earnings); and the balance of R0.301 million was included in profit before income tax for the prior year.

7. Prior year acquisition of RocoMamas

During the prior year, and with effect from 1 March 2015, the group acquired a 51% interest in RocoMamas Franchise Co (Pty) Ltd ("RocoMamas"), an entity owning the trademarks and related intellectual property of the RocoMamas brand. RocoMamas offers affordable, gourmet, hand-made "Smashburgers", ribs and wings in the casual dining market within a nostalgic American rock ambience, giving the group exposure to a market that its existing brands did not cater for directly. At the date of acquisition, the company had five franchised outlets based in Gauteng.

The purchase consideration is determined as five times RocoMamas' profit before income tax of the third year following the date of acquisition. Following an initial payment of R2.0 million on the effective date, annual payments (or refunds as the case may be) are due on the first, second and third anniversaries of the acquisition date, calculated as five times the profit before income tax of the year immediately preceding the anniversary date, less any aggregate payments already made.

The accounting for the purchase is summarised as follows:

R'000	2015
Fair value of net assets acquired at acquisition date	6 398
Attributable to non-controlling interest	(3 135)
Group's share of net assets acquired	3 263
Goodwill arising on acquisition	42 439
Total purchase consideration	45 702
Settled in cash	2 000
Contingent consideration	43 702
Consideration settled in cash	(2 000)
Cash and cash equivalents acquired	618
Net cash flow on acquisition of subsidiary	(1 382)

The total purchase consideration over the three-year period was estimated at R70.764 million at the acquisition date, and R52.800 million (2015: R70.764 million) at the reporting date. The reduction in the estimated consideration arose principally from a downward revision of the number of stores to be rolled out over the initial three-year period, and a moderation of the expected growth in turnover of existing businesses, which similarly impacted on the fair value of the contingent consideration.

The movement in the contingent consideration liability is detailed as follows:

R'000	2016	2015
Balance at beginning of year	**47 383**	–
Arising from acquisition	**–**	43 702
Fair value adjustment recognised in profit before income tax	**(3 723)**	3 681
Payment made (April 2016)	**(20 369)**	–
Balance at end of year	**23 291**	47 383
Current portion included in current liabilities	**9 726**	15 974
Non-current portion included in non-current liabilities	**13 565**	31 409

8. Australia

During the prior year, the group:

- acquired the remaining 50% interest in subsidiary Panpen Pty Ltd ("Panpen"), an Australian company in which the group had an existing 50% interest and which operates the Panarottis outlet in Penrith (Australia), on 1 August 2014 for R1.992 million in cash. As part of the transaction, Panpen was required to settle the outstanding shareholder's loan with the non-controlling shareholder in the amount of R1.576 million, which amount was settled in cash. The net liabilities of Panpen at 1 August 2014, included in the consolidated financial statements of the group, amounted to R0.217 million, of which R0.108 million was attributable to non-controlling interests. The purchase consideration was debited directly to retained earnings and the non-controlling interest's share in the net liabilities of the subsidiary was similarly reallocated within equity to retained earnings;
- disposed of its 100% interest in Panpen for R8.188 million (AU$880 000) on 31 March 2015 on loan account, to be settled in 60 equal monthly instalments, which commenced on 1 October 2015, with the receivable being subject to interest at the Reserve Bank of Australia's cash rate plus 1.5%;
- disposed of its 92.67% interest in Panawest Pty Ltd, the Australian subsidiary operating the Panarottis outlet in Blacktown, on 15 November 2014 for AU$1. As part of the transaction, the former subsidiary is continuing to repay the previous shareholder's loan with the group of AU$400 000 (the equivalent of R3.911 million on the date of the transaction), in equal instalments over 35 months to October 2017;
- disposed of the business of the Silver Spur in Penrith as a going concern for R2.977 million (AU$320 000) on 31 March 2015, on loan account, to be settled in 60 equal monthly instalments, which commenced on 1 October 2015, with the receivable being subject to interest at the Reserve Bank of Australia's cash rate plus 1.5%.

Following these disposals, the group operates exclusively as a franchisor in Australia.

Details of the above disposals are as follows:

R'000	Panarottis Penrith (100%)	Panarottis Blacktown (92.67%)	Silver Spur	Total
Date of disposal	31 March 2015	15 November 2014	31 March 2015	
Proceeds on disposal	8 188	–	2 977	11 165
Carrying value of net (assets)/liabilities disposed of	(4 919)	1 997	(7 522)	(10 444)
Attributable to non-controlling interests	–	(146)	–	(146)
Profit/(loss) on disposal	3 269	1 851	(4 545)	575
Foreign exchange gains/(losses) reclassified from other comprehensive income to profit, on disposal of foreign operations	179	(345)	(129)	(295)
Total profit/(loss) on disposal	3 448	1 506	(4 674)	280
Net cash outflow on disposal	(155)	(206)	(292)	(653)
Revenue from businesses disposed of included in consolidated revenue	17 875	5 493	25 951	49 319
Profit/(loss) from businesses disposed of included in consolidated profit before and after income tax (excluding profit/(loss) on disposal above)	1 052	(67)	894	1 879
Profit included in consolidated profit attributable to non-controlling interests	95	263	–	358
Profit/(loss) included in consolidated profit attributable to owners of the company	957	(330)	894	1 521

9. Share Incentive Schemes

- **Existing cash-settled share appreciation rights scheme**

  In December 2015, the third tranche (December 2014: second tranche) of share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme was settled in cash. Details of the financial impact of the scheme are listed below:

R'000	2016	2015
Gross cash outflow on vesting of cash-settled rights	**(18 445)**	(24 045)
Gross cash inflow from economic hedging instrument	**11 858**	19 725
Refund of difference in guaranteed dividend from hedge counterparty	**795**	1 236
Net cash flow effect	**(5 792)**	(3 084)
Share-based payment credit/(expense)	**2 361**	(19 735)
Fair value (loss)/gain on economic hedging instrument	**(27 714)**	14 794
Net expense included in profit before income tax	**(25 353)**	(4 941)

Further details of the share appreciation rights and related hedges are detailed in notes 23 and 17 respectively on pages 123 and 117 respectively of the annual integrated report for the year ended 30 June 2015. Refer also note 13.

- **New equity-settled share incentive scheme**
  Following the approval by shareholders at the annual general meeting on 4 December 2015 of the Spur Group Forfeitable Share Plan ("FSP") and Spur Group Share Appreciation Rights ("SAR") Scheme, 155 000 forfeitable shares and 1 971 663 rights were granted on 1 April 2016 to certain senior managers and directors in accordance with the rules of the respective schemes. The forfeitable shares are subject only to a three-year service condition. The share appreciation rights are subject to a three-year service condition as well as non-market performance criteria relating to return on equity and growth in comparable headline earnings per share over the three-year vesting period. In the case of both the FSP and SAR schemes, subsequent to vesting after three years, participants are restricted from trading in the shares for a further two-year period.

  The grant-date fair value of the forfeitable shares was determined to be R19.57 per share.

  The grant-date fair value of the share appreciation rights was determined to be R6.40 per right. The strike price of the rights is R29.40, being the 10-day volume-weighted average price of the company's shares at the date the rights were offered to participants.

  The equity-settled share-based payment expense for the year included in profit before income tax amounts to R0.827 million. A related deferred tax credit in the amount of R0.069 million and R0.036 million is included in profit and equity respectively.

  Existing treasury shares were used in the FSP forfeitable shares granted in the current year. Costs associated with the transfer amounted to R0.054 million and capital gains tax amounted to R0.625 million, both of which have been charged directly against equity (retained earnings).

  The forfeitable shares granted resulted in 16 582 dilutive potential ordinary shares for the year. As the performance conditions of the share appreciation rights, as assessed at the reporting date, had not been met to result in any vesting of the rights, no adjustment has been made to the diluted weighted average number of shares in issue in respect of these contingently issuable shares.

  The grant-date fair values of the forfeitable shares and share appreciation rights were determined by an independent external professional financial instruments specialist using a Black-Scholes European Call Option Model. The instruments are designated as level 2 instruments in terms of the fair value hierarchy specified in *IFRS 13 – Fair Value Measurement*, as the inputs into the valuation model are derived from observable inputs for the instruments in question, but are not quoted prices in active markets for identical assets/liabilities. Key inputs into the valuation model include:

  - the risk-free interest rate at grant date was determined with reference to the R186 government bond at 8.6%;
  - the expected dividend yield on the company's shares was calculated at 3.9%;
  - the expected volatility of the company's share price was calculated at 34.5%; and
  - a liquidity discount of 19.6% and 7.0% was applied to the forfeitable shares and share appreciation rights respectively due to the lock-in periods applicable.

10. Braviz Fine Foods

In March 2014, the group acquired a 30% interest in Braviz Fine Foods (Pty) Ltd, a start-up operation which established a rib processing plant in Johannesburg. Formal production commenced in January 2015. 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.

The group's share of equity-accounted losses after income tax for the year amounts to R8.601 million (2015: R1.633 million), arising primarily from finance costs incurred by the entity on shareholder and other funding for the respective periods as well as depreciation charges. As the cumulative losses from the investee exceeded the carrying value of the equity investment in the investee during the prior year, the equity-accounted losses are being adjusted to reduce the carrying value of the loan receivable from the investee referred to above as indicated below:

R'000	2016	2015
Gross carrying value of receivable	45 017	40 773
Cumulative share of losses of equity-accounted investee	(10 213)	(1 612)
Total net investment in equity-accounted investee	34 804	39 161

The loan has been subordinated in favour of the external financier of the borrower.

11. Subsequent event

No material events have occurred between the reporting date and the date of this report.

12. Contingent liabilities

- **International tax** – As reported in note 45.1 on page 162 of the annual integrated report for the year ended 30 June 2015, the South African Revenue Service ("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.
  The assessments amounted in aggregate to R1.993 million (comprising R1.561 million in tax and R0.432 million in interest) which were settled in cash in the 2014 financial year. Following alternate dispute resolution ("ADR") proceedings initiated with SARS in November 2014, on 8 October 2015, SARS informed the company that it concurred that the 2009 assessment had prescribed, but that the ADR had been unsuccessful for the 2010 and 2011 years of assessment. A reduced assessment and refund for the 2009 year of assessment of R1.349 million was received on 16 January 2016. The balance paid to date is accounted for as a prepayment of income tax. Subsequent to the reporting date, on 10 August 2016, the board has been notified by SARS that SARS has accepted a final settlement in the amount of R400 000 for the 2010 and 2011 years of assessment. The relevant settlement agreements are expected to be formally concluded in due course.
- **Tax on 2004 share incentive scheme** – As reported in note 45.2 on page 162 of the annual integrated report for the year ended 30 June 2015, SARS had previously issued additional assessments to wholly-owned subsidiary, Spur Group (Pty) Ltd, in respect of the 2010, 2011 and 2012 years of assessment totalling R6.589 million (comprising R5.098 million in additional income tax and R1.491 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. The assessments were settled in cash on 30 January 2015. On 28 July 2015, SARS issued additional assessments regarding the same matter for the 2005 to 2009 years of assessment amounting to R15.445 million (comprising R8.898 million in additional income tax and R6.547 million in interest), which were settled in cash on 30 September 2015. The matter was referred to ADR proceedings which were held on 17 March 2016. The ADR process resulted in no agreement being reached with SARS, and the company has indicated to SARS that it intends to refer the matter to court. The board awaits SARS' statement of grounds of assessment and opposing the appeal to take the matter further. The board, in consultation with its tax advisors, remains confident that it will be able to prove that SARS has erred in disallowing the deduction and consequently, no liability has been raised in respect of the assessments issued to date. The payments made to date are accounted for as prepayments of income tax.
- There have been no further changes to the status of other contingent liabilities referred to in note 45 on page 162 of the annual integrated report for the year ended 30 June 2015.

13. Fair value of financial instruments

- The forward purchase derivative financial assets/(liabilities) (disclosed as derivative financial assets/liabilities on the face of the statement of financial position) utilised by the group to economically hedge the impact of the cash-settled share appreciation rights granted in terms of its long-term share-linked employee retention scheme are measured at fair value at each reporting date (refer note 9). The financial instruments in question are designated as level 2 financial instruments in terms of the fair value hierarchy specified in *IFRS 13 – 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 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 (refer note 17 on page 117 of the annual integrated report for the year ended 30 June 2015) with the following key inputs:

Number of shares	1.5 million for settlement on 15 December 2016 (forward price: R37.57) 1.5 million for settlement on 14 December 2017 (forward price: R35.94)
Spot price	R30.90
Expected volatility	34.13%
Interest rate (nominal annual compounded quarterly)	7.54% – 7.74%
Credit spread	2.0% – 2.5%

The values of the forward purchase contracts are particularly sensitive to the prevailing spot price of the company's shares. A 10% increase or decrease in the share price will increase or decrease respectively the aggregate fair value of the contracts by R9.103 million, resulting in an increase or decrease in profit before income tax respectively of the same amount.

- The liability for the contingent consideration referred to in note 7 (as disclosed on the face of the statement of financial position) was initially recognised at fair value and is subsequently recognised at fair value at each reporting date. The liability is designated as a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on observable market data. The fair value is determined based on the expected aggregate purchase consideration payments, discounted to present value using a risk-adjusted discount rate of 26.4% (2015: 25.3%), being the weighted average cost of capital of the subsidiary. The expected purchase consideration payments were determined by considering various possible scenarios, and the probability of each scenario. The significant unobservable inputs are the forecast profit before income tax and the risk-adjusted discount rate. The fair value adjustment included in profit before income tax for the year is a credit of R3.723 million (2015: R3.681 million charge), and relates largely to the adjustment for the time value of money from the initial acquisition date to the reporting date, an increase in the discount rate (due to a rise in interest rates over the year), a downward revision of the number of stores to be rolled out over the initial three-year period, and a moderation of the expected growth in turnover of existing businesses. The estimated fair value of the contingent consideration liability at the reporting date would change if the forecast profit before income tax or the risk-adjusted discount rate were to change as follows:

R'000	Increase/(decrease) in fair value of liability and decrease/(increase) in profit before income tax
Change in variable:	
Projected profit before income tax	
– Increased by 5%	2 127
– Decreased by 5%	(2 127)
Discount rate	
– Increased by 2%	(392)
– Decreased by 2%	408

- 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, bank overdrafts, 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 loans (including, in particular, the interest rates applicable) to be commensurate with similar financial instruments between unrelated market participants and the carrying values are therefore assumed to approximate their fair values. In the case of financial assets included in trade and other receivables, cash and cash equivalents, bank overdrafts, 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 values approximate their fair values.

14. Related parties

There have been no material changes in the nature or value of the related party transactions reported in note 43 on page 155 of the annual integrated report for the year ended 30 June 2015.

DIRECTORS

Executive Chairman: Allen Ambor

Chief Executive Officer: Pierre van Tonder

Chief Operating Officer: Mark Farrelly

Chief Financial Officer: Ronel van Dijk

Non-executive Directors: Keith Getz; Keith Madders; Alan Keet

Independent Non-executive Directors: Dean Hyde; Muzi Kuzwayo; Dineo Molefe; Mntungwa Morojele

COMPANY INFORMATION

Spur Corporation Ltd (registration number 1998/000828/06)

Share code: SUR

ISIN: ZAE000022653

Company Secretary: Nazrana Hawa

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)

Website: www.spurcorporation.com