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SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

CONDENSED CONSOLIDATED FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION

FOR THE YEAR ENDED 30 JUNE 2017

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 (from continuing operations)
↑ 4.2%

COMPARABLE HEADLINE EARNINGS PER SHARE (from continuing operations)
↓ 8.3%

COMPARABLE PROFIT BEFORE TAX (from continuing operations)
↓ 8.7%

FULL-YEAR DIVIDEND PER SHARE
↓ 5.7%
to 132 cents

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RESULTS COMMENTARY

TRADING PERFORMANCE

Spur Corporation's performance for the year to June 2017 reflects the combined impact of deteriorating economic conditions and growing uncertainty on the retail trading environment in South Africa.

The group will continue to pursue its proven strategy of driving growth through innovative marketing, rewarding customer loyalty and expanding the restaurant base while offering a high-quality, affordable family dining experience.

Total franchised restaurant sales from continuing operations across the local and international operations increased by 4.2% to R7.2 billion, following the closure of the group's operations in the UK and Ireland in the previous financial year.

SOUTH AFRICA

Franchised restaurant sales in South Africa grew by 4.4% as discretionary spending came under increasing pressure. The slowdown in consumer spending and confidence has resulted in declining restaurant and shopping mall foot traffic, with several competitors launching aggressive discounting campaigns to attract cash-strapped customers. In the current environment the group has committed to supporting franchisee profitability to ensure the sustainability of the restaurant brands.

Sales in Spur Steak Ranches declined by 2.1% compared with the prior year, highlighting the financial difficulties of middle income South African families. Spur management took a strategic decision to move its promotional strategy away from special promotional deals to protect franchisee margins. As anticipated this had a negative short-term impact on turnover but has resulted in healthier franchisee margins.

The social media fallout following a customer incident in a Spur outlet in Johannesburg affected restaurant turnovers in the last quarter of the financial year. However, in the current poor trading environment the extent of the impact cannot be determined.

Spur's brand appeal and loyal base of 1.8 million Spur Family Card members has been key to maintaining sales through this period. Spur again won the Sunday Times Generation Next award for the Coolest Place to Eat Out and is now the leading digital brand in the food retail industry, with over 1 million Facebook followers.

Pizza and Pasta, incorporating Panarottis and Casa Bella, grew sales by 13.3% despite competition in the pizza market intensifying. Growth was supported by the Panarottis Rewards loyalty programme and the revamping of stores. The premium Italian dining chain Casa Bella, the youngest brand in the group, continues to gain popularity and increased its footprint to six with the opening of four new restaurants.

John Dory's opened a net three new stores and increased sales by 14.3%, underpinned by the new store design and refocused menu offering.

The Hussar Grill is rated as one of the premier grill rooms in South Africa and increased sales by 35.6%, benefiting from the opening of two new stores in the first half of the year.

RocoMamas continues to be one of the fastest growing restaurant brands in the fast casual dining sector in the country, also opening its 50th outlet during the year. The brand grew sales by 78.1% as eight new outlets were opened in South Africa.

The group has increased its shareholding in the RocoMamas franchise business to 70% following the acquisition of a further 19% stake for R14 million in April 2017.

Captain DoRegos sales were 17.6% lower and a further eight under-performing outlets were closed during the period.

Despite the adverse trading environment the group continued its measured expansion programme and opened a net 11 new outlets in South Africa, bringing the restaurant base in the country to 528. A further 31 outlets were revamped and 8 relocated to better trading locations.

Franchisees invested over R145 million in new and revamped restaurants during the year.

INTERNATIONAL

International restaurant sales (excluding the UK) increased by 2.4% in rand terms and by 6.3% on a constant exchange rate basis.

The international restaurant base was expanded to 63 following the opening of 11 new outlets. These include the group's first restaurants in New Zealand (Spur), Ethiopia (Spur), Oman (RocoMamas) and Saudi Arabia (RocoMamas). The first RocoMamas and Spur Grill & Go outlets were opened in Mauritius.

RESTAURANT FOOTPRINT AT 30 JUNE 2017

Franchise brand	South Africa	International	Total
Spur Steak Ranches	289	41	**330**
Panarottis Pizza Pasta	80	12	**92**
John Dory's Fish Grill Sushi	48	2	**50**
Captain DoRegos	41	3	**44**
The Hussar Grill	14	1	**15**
RocoMamas	50	4	**54**
Casa Bella	6	–	**6**
Total	528	63	**591**

FINANCIAL PERFORMANCE

The group ceased trading in the UK and Ireland by the end of the 2016 financial year. These operations were reported as a separate operating segment and are accordingly disclosed separately to continuing operations.

Revenue from continuing operations increased by 2.4% to R648.0 million. Franchise revenue in Spur declined by 5.2% and increased in Pizza and Pasta by 9.1%, John Dory's 6.3%, The Hussar Grill by 31.2% and RocoMamas by 36.7%. Captain DoRegos revenue declined by 38.0%.

Local retail revenue, representing the group's interests in four The Hussar Grill restaurants and one RocoMamas outlet, increased by 32.1%.

The manufacturing and distribution division grew revenue by 0.6%, negatively impacted by the lower restaurant foot traffic. Margins continued to be under pressure from higher input costs as a result of the drought conditions, which contributed to food inflation reaching low double-digit levels, and higher costs of US dollar-linked commodities. The full impact of escalating costs has not been passed on to franchisees to ensure the brands remain competitive in the current tight consumer environment.

Profit before income tax from continuing operations declined by 14.9% to R210.7 million. This includes an impairment loss of R44.2 million relating to the group's investment in start-up rib manufacturing facility Braviz, a further impairment loss of the Captain DoRegos trademarks and intellectual property of R6.8 million (2016: R19.0 million), a net charge of R3.0 million (2016: R26.2 million) related to the long-term share-linked employee retention and incentive schemes, a fair value loss of R0.8 million (2016: gain of R3.7 million) relating to the RocoMamas contingent consideration liability arising from the acquisition of RocoMamas in March 2015, foreign exchange gains and losses, and other one-off and exceptional items in the current and previous comparable periods.

Comparable profit before income tax from continuing operations, excluding exceptional and one-off items (including those listed above), declined by 8.7%.

Headline earnings declined by 18.4% to R133.9 million and headline earnings from continuing operations decreased by 25.9% to R135.1 million. Headline earnings on a comparable basis declined by 8.4%.

Diluted headline earnings per share from continuing operations was 25.9% lower at 140.8 cents.

The total dividend has been reduced by 5.7% to 132 cents per share for the year (2016: 140 cents per share).

PROSPECTS

Growth plans for the new financial year include the opening of a net 20 restaurants in South Africa across Spur Steak Ranches (4), Panarottis (1), John Dory's (1), RocoMamas (7), Captain DoRegos (2), The Hussar Grill (3) and Casa Bella (2). An upgraded and modernised store design will be applied to all new Spur and Panarottis outlets.

In the current economic environment management aims to open smaller format stores, with the lower investment being more attractive to franchisees, while also seeking opportunities to open Spur Grill & Go outlets in smaller towns.

The group aims to open at least nine international restaurants, with the focus mainly on Africa where new outlets will be opened in Nigeria (two), Namibia, Kenya, Zimbabwe and Swaziland. A further two outlets will be opening in Saudi Arabia and one in Mauritius.

The international expansion strategy will be aimed at growing the store footprint in the regions where the group currently trades to build brand equity and create economies of scale. The group will take a cautious approach to entering new regions.

The directors do not expect trading conditions to improve in the next 12 to 18 months. Consumer spending will continue to be constrained while manufacturing margins will remain under pressure from high raw material input costs. The group will continue to invest in franchisee profitability which is critical to the long-term success of the business. Tight operational disciplines and innovative marketing will therefore be critical to the growth of the group's eight home grown brands.

CASH DIVIDEND

Shareholders are advised that the board of directors of the company has, on Wednesday, 6 September 2017, resolved to declare a final gross cash dividend for the year to 30 June 2017 of 66.173 million, which equates to 61.0 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 20%.

The dividend has been declared from income reserves. The net dividend is 48.8 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 Limited, the relevant dates for the dividend are as follows:

EVENT	DATE
Last day to trade 'cum dividend'	Tuesday, 26 September 2017
Shares commence trading 'ex dividend'	Wednesday, 27 September 2017
Record date	Friday, 29 September 2017
Payment date	Monday, 2 October 2017

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, 27 September 2017 and Friday, 29 September 2017, both days inclusive.

For and on behalf of the board

A Ambor
Executive Chairman

P van Tonder
Group Chief Executive Officer

7 September 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

R'000	Reviewed year ended 30 June 2017	Audited year ended 30 June 2016	% change
Continuing operations			
Revenue	**648 016**	633 069	2.4
Gross profit	**469 336**	466 219	0.7
Operating profit before finance income	**174 145**	220 566	(21.0)
Net finance income	**36 522**	35 602	
Share of profit/(loss) of equity-accounted investee (net of income tax)	**24**	(8 601)	
Profit before income tax	**210 691**	247 567	(14.9)
Income tax expense	**(76 676)**	(76 540)	
Profit from continuing operations	**134 015**	171 027	(21.6)
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax (refer note 3)	**4 084**	(31 727)	
Profit	**138 099**	139 300	(0.9)
Other comprehensive income#:	**(4 462)**	8 460	
Foreign currency translation differences for foreign operations	**(4 473)**	26 715	
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	**–**	(7 038)	
Tax on reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	**–**	(1 591)	
Foreign exchange gain/(loss) on net investments in foreign operations	**11**	(12 835)	
Tax on foreign exchange loss on net investments in foreign operations	**–**	3 209	
Total comprehensive income	**133 637**	147 760	(9.6)
Profit attributable to:			
Owners of the company	**134 143**	135 619	(1.1)
Non-controlling interests	**3 956**	3 681	
Profit	**138 099**	139 300	(0.9)
Total comprehensive income attributable to:			
Owners of the company	**129 681**	144 016	(10.0)
Non-controlling interests	**3 956**	3 744	
Total comprehensive income	**133 637**	147 760	(9.6)
Earnings per share (cents)			
Basic earnings	**139.98**	141.34	(1.0)
Diluted earnings	**139.82**	141.31	(1.1)
Earnings per share (cents) – continuing operations			
Basic earnings	**135.60**	174.64	(22.4)
Diluted earnings	**135.44**	174.61	(22.4)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed as at 30 June 2017	Audited as at 30 June 2016
ASSETS		
Non-current assets	**579 085**	610 980
Property, plant and equipment	**100 319**	95 480
Intangible assets and goodwill	**362 101**	365 417
Loans receivable	**110 730**	143 739
Deferred tax	**1 450**	1 310
Leasing rights	**4 485**	5 034
Current assets	**412 084**	455 742
Inventories	**12 731**	12 148
Tax receivable	**41 479**	36 214
Trade and other receivables	**72 836**	96 587
Loans receivable	**19 085**	24 211
Cash and cash equivalents	**265 953**	286 582
TOTAL ASSETS	**991 169**	1 066 722
EQUITY		
Total equity	**837 176**	864 663
Ordinary share capital	**1**	1
Share premium	**294 663**	294 663
Shares repurchased by subsidiaries	**(102 956)**	(97 963)
Foreign currency translation reserve	**26 249**	30 711
Share-based payments reserve	**1 812**	827
Retained earnings	**605 388**	622 054
Total equity attributable to owners of the company	**825 157**	850 293
Non-controlling interests	**12 019**	14 370
LIABILITIES		
Non-current liabilities	**63 600**	81 537
Contingent consideration liability	**–**	13 565
Employee benefits	**–**	3 981
Derivative financial liability	**–**	3 425
Operating lease liability	**2 676**	2 191
Deferred tax	**60 924**	58 375
Current liabilities	**90 393**	120 522
Bank overdrafts	**4 491**	1 155
Tax payable	**880**	2 397
Trade and other payables	**60 313**	68 437
Loans payable	**6 912**	25 746
Contingent consideration liability	**5 797**	9 726
Employee benefits	**885**	3 829
Derivative financial liability	**10 572**	8 761
Shareholders for dividend	**543**	471
TOTAL EQUITY AND LIABILITIES	**991 169**	1 066 722

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 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 7)	–	863	–	863
Indirect costs arising on intra-group sale of shares related to equity-settled share-based payment (refer note 7)	–	(679)	–	(679)
Own shares acquired	(9 341)	–	–	(9 341)
Dividends	–	(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 8)	–	(104)	5 604	5 500
Total transactions with owners	**(9 341)**	**(131 413)**	**3 562**	**(137 192)**
Balance at 30 June 2016 (audited)	**196 701**	**653 592**	**14 370**	**864 663**
Total comprehensive income for the period	**–**	**129 681**	**3 956**	**133 637**
Profit for the period	–	134 143	3 956	138 099
Other comprehensive income	–	(4 462)	–	(4 462)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	**(4 993)**	**(137 693)**	**(3 880)**	**(146 566)**
Equity-settled share-based payment (refer note 7)	–	1 168	–	1 168
Indirect costs arising on intra-group sale of shares related to equity-settled share-based payment (refer note 7)	–	(860)	–	(860)
Own shares acquired	(4 993)	–	–	(4 993)
Dividends	–	(138 001)	(3 880)	(141 881)
Changes in ownership interests in subsidiaries	**–**	**(12 131)**	**(2 427)**	**(14 558)**
Acquisition of non-controlling interest in subsidiary without a change in control (refer notes 6 and 8)	–	(12 131)	(2 427)	(14 558)
Total transactions with owners	**(4 993)**	**(149 824)**	**(6 307)**	**(161 124)**
Balance at 30 June 2017 (reviewed)	**191 708**	**633 449**	**12 019**	**837 176**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed year ended 30 June 2017	Audited year ended 30 June 2016
Cash flow from operating activities		
Operating profit before working capital changes (refer note a)	**236 229**	249 493
Working capital changes	**(1 515)**	(7 326)
Cash generated from operations	**234 714**	242 167
Interest income received	**25 201**	24 370
Interest expense paid	**(84)**	(116)
Tax paid	**(85 303)**	(100 256)
Dividends paid	**(141 809)**	(133 546)
Net cash flow from operating activities	**32 719**	32 619
Cash flow from investing activities		
Additions of intangible assets	**(3 760)**	(231)
Additions of property, plant and equipment	**(13 692)**	(45 598)
Cash (outflow)/inflow from share-based payment hedge (refer note 7)	**(7 405)**	12 653
Disposals of subsidiaries (refer note 3)	**(1 358)**	–
Loan advanced to Captain DoRegos Marketing Fund	**–**	(430)
Loans advanced to franchisees	**(7 318)**	(11 351)
Loan repaid by associate company	**3 000**	500
Proceeds from disposal of property, plant and equipment	**347**	8 143
Repayment of loans receivable	**11 409**	18 377
Net cash flow from investing activities	**(18 777)**	(17 937)
Cash flow from financing activities		
Acquisition of non-controlling interest without a change in control (refer note 6)	**(14 035)**	–
Acquisition of treasury shares	**(4 993)**	(9 341)
Loan repaid to non-controlling shareholders	**(380)**	(485)
Settlement of contingent consideration (refer note 6)	**(18 271)**	(20 369)
Net cash flow from financing activities	**(37 679)**	(30 195)
Net movement in cash and cash equivalents	**(23 737)**	(15 513)
Effect of foreign exchange fluctuations	**(228)**	(354)
Net cash and cash equivalents at beginning of year	**285 427**	301 294
Net cash and cash equivalents at end of year	**261 462**	285 427

Refer note 3 for cash flows attributable to discontinued operation.

Notes

a) **Operating profit before working capital changes** – Includes a gross cash outflow of R3.130 million (2016: R18.445 million) in respect of the settlement of the cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (also refer note 7). The prior year 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).

RECONCILIATION OF HEADLINE EARNINGS

R'000	Reviewed year ended 30 June 2017	Audited year ended 30 June 2016	% change
Total group			
Profit attributable to owners of the company	**134 143**	135 619	(1.1)
Headline earnings adjustments:			
Disposal of goodwill (refer note 3)	**–**	444	
Impairment of intangible assets (refer note 5)	**6 778**	18 969	
Loss on disposal of property, plant and equipment (including losses in the UK detailed in note 3)	**5**	24 990	
Loss on disposal of subsidiary (refer note 3)	**12**	–	
Profit on disposal of property, plant and equipment (includes profits in the UK detailed in note 3)	**(167)**	(5 523)	
Profit on disposal of subsidiaries (refer note 3)	**(5 435)**	–	
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations (refer note 3)	**–**	(7 038)	
Income tax impact of above adjustments	**(1 472)**	(2 004)	
Amount of above adjustments attributable to non-controlling interests	**(1)**	(1 480)	
Headline earnings	**133 863**	163 977	(18.4)
Continuing operations			
Profit attributable to owners of the company	**134 143**	135 619	(1.1)
Exclude: (Profit)/loss from discontinued operation (refer note 3)	**(4 205)**	31 957	
Profit attributable to owners of the company – continuing operations	**129 938**	167 576	(22.5)
Headline earnings adjustments:			
Impairment of intangible assets (refer note 5)	**6 778**	18 969	
Loss on disposal of property, plant and equipment	**5**	111	
Profit on disposal of property, plant and equipment	**(167)**	(64)	
Income tax impact of above adjustments	**(1 472)**	(4 262)	
Amount of above adjustments attributable to non-controlling interests	**(1)**	(3)	
Headline earnings – continuing operations	**135 081**	182 327	(25.9)

OPERATING SEGMENT INFORMATION

R'000	Reviewed year ended 30 June 2017	Audited year ended 30 June 2016	% change
External revenue			
Manufacturing and distribution	**181 834**	180 750	0.6
Franchise – Spur	**217 918**	229 953	(5.2)
Franchise – Pizza and Pasta	**35 471**	32 501	9.1
Franchise – John Dory's	**19 699**	18 528	6.3
Franchise – Captain DoRegos	**2 812**	4 534	(38.0)
Franchise – The Hussar Grill	**4 733**	3 607	31.2
Franchise – RocoMamas	**23 809**	17 415	36.7
Retail (refer note b)	**63 569**	48 139	32.1
Other South Africa (refer note c)	**62 851**	61 905	1.5
Total South African segments	**612 696**	597 332	2.6
Unallocated – South Africa	**3 269**	2 617	24.9
Total South Africa	**615 965**	599 949	2.7
United Kingdom (refer note 3) (discontinued)	**–**	104 302	(100.0)
Australasia	**9 870**	10 948	(9.8)
Other International (refer note e)	**22 181**	22 172	0.0
Total International	**32 051**	137 422	(76.7)
TOTAL EXTERNAL REVENUE	**648 016**	737 371	(12.1)
Profit/(loss) before income tax			
Manufacturing and distribution	**66 243**	68 486	(3.3)
Franchise – Spur	**188 047**	206 052	(8.7)
Franchise – Pizza and Pasta	**22 967**	22 064	4.1
Franchise – John Dory's	**9 715**	9 558	1.6
Franchise – Captain DoRegos (refer note a)	**(8 040)**	(17 851)	55.0
Franchise – The Hussar Grill	**4 092**	2 789	46.7
Franchise – RocoMamas	**16 457**	12 210	34.8
Retail (refer note b)	**4 633**	927	399.8
Other South Africa (refer note c)	**(3 188)**	1 198	(366.1)
Total South African segments	**300 926**	305 433	(1.5)
Unallocated – South Africa (refer note d)	**(93 794)**	(53 071)	(76.7)
Total South Africa	**207 132**	252 362	(17.9)
United Kingdom (refer note 3) (discontinued)	**4 084**	(28 847)	114.2
Australasia	**(111)**	3 177	(103.5)
Other International (refer note e)	**8 991**	10 955	(17.9)
Total International segments	**12 964**	(14 715)	188.1
Unallocated – International (refer note f)	**(5 345)**	(10 326)	48.2
Total International	**7 619**	(25 041)	130.4
PROFIT BEFORE INCOME TAX AND SHARE OF PROFIT/(LOSS) OF EQUITY-ACCOUNTED INVESTEE	**214 751**	227 321	(5.5)
Share of profit/(loss) of equity-accounted investee (net of income tax)	**24**	(8 601)	100.3
PROFIT BEFORE INCOME TAX	**214 775**	218 720	(1.8)

Notes

a) **Captain DoRegos** – Includes an impairment loss of R6.778 million (2016: R18.969 million) relating to intangible assets as well as a bad debt of R0.986 million in respect of a loan to the Captain DoRegos marketing fund that was forgiven during the year (refer note 5).

b) **Retail** – This segment comprises the group's interests in local restaurants consisting of four The Hussar Grill restaurants and one RocoMamas outlet. 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 prior year and did not trade for the month of November 2015. Also refer note 8 for further details.

c) **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.

d) **Unallocated – South Africa** – Includes an impairment loss relating to the funding of equity-accounted associate, Braviz Fine Foods (Pty) Ltd, of R44.192 million (also refer note 4). Includes a credit in respect of cash-settled share-based payments of R3.795 million (2016: R2.361 million) and a fair value loss in respect of a related economic hedge of R5.791 million (2016: R27.714 million) (also refer note 7). Includes an equity-settled share-based payment charge of R0.985 million (2016: R0.827 million) (also refer note 7). Includes a fair value loss relating to the RocoMamas contingent consideration liability of R0.777 million (2016: gain of R3.723 million) (also refer note 6). Includes a loss of R1.206 million (2016: R0.259 million) arising from The Spur Foundation Trust, a consolidated structured entity, all of which is attributable to non-controlling interests.

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

f) **Unallocated – International** – Includes a foreign exchange loss of R0.716 million (2016: R3.756 million).

SHARE INFORMATION

	Reviewed year ended 30 June 2017	Audited year ended 30 June 2016	% change
Total shares in issue (000's)	**108 481**	108 481	–
Net shares in issue (000's)*	**95 669**	95 834	(0.2)
Weighted average number of shares in issue (000's)	**95 828**	95 955	(0.1)
Diluted weighted average number of shares in issue (000's)	**95 938**	95 972	0.0
Headline earnings per share (cents)	**139.69**	170.89	(18.3)
Diluted headline earnings per share (cents)	**139.53**	170.86	(18.3)
Headline earnings per share (cents) – continuing operations	**140.96**	190.01	(25.8)
Diluted headline earnings per share (cents) – continuing operations	**140.80**	189.98	(25.9)
Net asset value per share (cents)	**875.08**	902.25	(3.0)
Dividend per share (cents)#	**132.00**	140.00	(5.7)
Reconciliation of weighted average number of shares in issue ('000)			
Gross shares in issue at the beginning of the year	**108 481**	108 481	
Shares repurchased at the beginning of the year	**(12 647)**	(12 361)	
Shares repurchased during the year weighted for period held by the group	**(6)**	(165)	
Weighted average number of shares in issue for the year	**95 828**	95 955	
Dilutive potential ordinary shares weighted for period outstanding (refer note 7)	**110**	17	
Diluted weighted average number of shares in issue for the year	**95 938**	95 972	

* 108 480 926 total shares in issue less 6 136 901 (2016: 5 912 901) shares repurchased by wholly-owned subsidiary companies, 6 374 698 (2016: 6 533 698) shares held by The Spur Management Share Trust (consolidated structured entity) and 300 000 (2016: 200 000) shares held by The Spur Foundation Trust (consolidated structured entity).

Refers to 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 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. 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 applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

2. Report of the independent auditor

These condensed consolidated financial statements for the year ended 30 June 2017 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. 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.

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 results of the segment are reported separately to continuing operations.

During the prior year, the group:

- disposed of the lease and assets of Larkspur Two Ltd (a wholly-owned subsidiary of the group operating as the 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.

3. Discontinued operation (United Kingdom) (continued)

During the current year:

- the group commenced on 27 July 2016 with voluntary liquidation proceedings of Larkspur Six Ltd, Larkspur Seven Ltd, Larkspur Eight Ltd, Larkspur Ten Ltd and Trinity Leasing Ltd, effectively disposing of all remaining liabilities and cash balances for no consideration. The board has obtained legal opinion that the likelihood of there being any recourse by creditors or the liquidator against the group to settle any creditors' claims arising from the liquidation, is remote. The liquidations of Larkspur Six Ltd, Larkspur Seven Ltd and Trinity Leasing Ltd were finalised by 30 June 2017;
- the group disposed of its 100% interest in Larkspur One Ltd for R1; and
- Larkspur Two Ltd, Larkspur Three Ltd, Mohawk Spur Ltd and Spur Advertising UK Ltd were dissolved. In respect of Larkspur Three Ltd, the shareholder's loan with the 20% non-controlling shareholder of R0.772 million was effectively forgiven and released to profit before income tax.

The impact of the above disposals is as follows:

	Reviewed year ended 30 June 2017		
R'000	**Profit on disposal of subsidiaries**	**Loss on disposal of subsidiary**	**Total**
Net (liabilities)/assets disposed of	**(5 435)**	**12**	**(5 423)**
Cash and cash equivalents	**1 339**	**19**	**1 358**
Trade and other payables	**(6 774)**	**(7)**	**(6 781)**
Profit/(loss) on disposal	**5 435**	**(12)**	**5 423**
Proceeds on disposal	**–**	**–**	**–**

The results of the discontinued operation are illustrated below:

R'000	**Reviewed year ended 30 June 2017**	**Audited year ended 30 June 2016**
Revenue	**–**	104 302
Gross profit	**–**	71 790
Operating profit/(loss) before finance income	**4 084**	(28 871)
Net finance income	**–**	24
Profit/(loss) before income tax	**4 084**	(28 847)
Income tax expense	**–**	(2 880)
Profit/(loss) for the year	**4 084**	(31 727)
Profit/(loss) attributable to owners of the company	**4 205**	(31 957)
Non-controlling interests	**(121)**	230
Profit/(loss) for the year	**4 084**	(31 727)
Basic earnings per share (cents)	**4.38**	(33.30)
Diluted earnings per share (cents)	**4.38**	(33.30)

The cash flows of the discontinued operation are listed below:

Net cash flow from operating activities	**(3 135)**	(11 022)
Net cash flow from investing activities	**(1 525)**	5 757
Net cash flow from financing activities	**(380)**	(484)
Net movement in cash and cash equivalents for the year	**(5 040)**	(5 749)

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

Loss on disposal of goodwill	**–**	(444)
Loss on disposal of property, plant and equipment	**–**	(24 878)
Loss on disposal of subsidiary	**(12)**	–
Profit on disposal of leases	**–**	15 766
Profit on disposal of property, plant and equipment	**–**	5 459
Profit on disposal of subsidiaries	**5 435**	–
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	**–**	7 038
Release of financial liability	**772**	–
Included in profit before income tax	**6 195**	2 941
Income tax expense related to the above	**–**	(2 258)
Included in profit for the year	**6 195**	683
Attributable to non-controlling interests	**(154)**	(216)
Attributable to owners of the company	**6 041**	467

4. Investment in associate: Braviz Fine Foods

In March 2014, the group acquired a 30% interest in Braviz Fine Foods (Pty) Ltd ("Braviz"), a start-up operation which established a rib processing plant in Johannesburg. Formal production commenced in January 2015. 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. With effect from 1 January 2017, to the extent that the loan is disproportionate to the respective shareholders' shareholding in the entity, the loan is subject to interest at the prime overdraft rate of interest, while the remaining loan is interest free. Prior to this, the entire loan was subject to interest at the prime overdraft rate of interest. This loan is intended to be part of the investment in the associate and, as such, there are no repayment terms and the loan is unsecured. However, the associate is contractually precluded from declaring any dividend until such time as it has repaid all shareholder loans. In the event that the associate repays any shareholder loan, it is contractually bound to repay all shareholders' loans on a *pro rata* basis. No shareholder of the associate shall be permitted to demand repayment of the loan unless authorised by a special resolution of the shareholders of the associate. No such resolution has been passed. The loan has been subordinated in favour of the external financier of the borrower. The interest payments for May 2017 and June 2017 are outstanding.

In addition, a further short-term bridging finance loan was advanced to the associate during the prior year of R10.000 million, which had a carrying value of R6.636 million (2016: R9.500 million) at the reporting date. The loan bears interest at 2% (2016: 4%) above the prime overdraft rate of interest (which is to be settled monthly) and is secured by way of a cession of trade debtors and general notarial bond over moveable assets. The interest payments for May 2017 and June 2017 are outstanding. The loan was repayable by 30 June 2017, but the counterparty failed to repay the loan.

The group's share of equity-accounted profit after income tax for the year amounts to R0.024 million (2016: R8.601 million loss). As the group's share of cumulative losses from the investee exceeded the carrying value of the equity investment in the investee during an earlier period, the equity-accounted profits and losses are being adjusted to increase or reduce the carrying value of the loan receivable from the investee referred to above.

The breach of the terms of the respective loan accounts referred to above served as an indication of impairment as at the reporting date. The performance of the associate has been negatively impacted by reduced demand following a decline in the local economy during the year, increased competition and aggressive pricing. The shareholders are not prepared to support the company financially.

Subsequent to the reporting date, the board of directors of Braviz resolved to commence voluntary liquidation proceedings in the event that the shareholders are unable to conclude a deal to secure the ability of the associate to settle its debts in the ordinary course of business. No such deal has been concluded, and the board considers it likely that the associate company will be liquidated. As at 30 June 2017, Braviz was in a net liability position of R73.958 million. The majority of the associate's assets are pledged as security for external borrowings and rank ahead of the group's receivables. On this basis, the board has concluded that the prospects of recovering a material part of the receivables is remote, and the full extent of the receivables, amounting to R44.192 million has consequently been impaired.

R'000	Reviewed year ended 30 June 2017	Audited year ended 30 June 2016
Gross carrying value of receivable (included in loans receivable in statement of financial position) considered part of net investment in equity-accounted investee for the purposes of recognising losses in excess of the carrying value of the investment in associate	**47 745**	45 017
Cumulative share of losses of equity-accounted investee previously recognised	**(10 189)**	(10 213)
Net receivable considered part of the net investment in equity-accounted investee	**37 556**	34 804
Impairment recognised in terms of IAS 39	**(37 556)**	–
Carrying value at 30 June	**–**	34 804
Gross carrying value of further short-term loan advanced to equity-accounted investee	**6 636**	9 500
Impairment recognised in terms of IAS 39	**(6 636)**	–
Carrying value at 30 June	**–**	9 500

5. Impairment of Captain DoRegos

The Captain DoRegos brand is a value-oriented takeaway chain offering a combination of chicken, seafood and burgers to consumers, operating through 41 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, which comprised predominantly the value of the intangible assets, amounted to R6.778 million at the reporting date, following an impairment loss in the prior year of R18.969 million (R14.720 million after tax).

In determining the value-in-use of the cash-generating unit, the directors applied the following key assumptions, which were based on historic performance:

- Cash inflows, comprising franchise fees, were estimated based on conservative budgets for the 2018 financial year and increases of 5.0% per annum for the 2019 to 2022 forecast horizon based on historic experience, adjusting for a net two new stores in each year.
- Cash outflows for the 2018 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 7.0% per annum.
- Growth of cash flows in perpetuity beyond the forecast horizon was estimated at 3%.
- Pre-tax cash flows were discounted at a pre-tax rate of 19.0%, being the risk-free rate adjusted for risk factors.

5. Impairment of Captain DoRegos (continued)

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 with indefinite useful lives) was estimated to be negligible, resulting in a further impairment loss of R6.778 million (attributable to the intangible assets) being included in profit before income tax for the year. A corresponding deferred tax credit of R1.518 million has been recognised in profit, resulting in a net loss included in profit attributable to ordinary shareholders of R5.260 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 in recoverable amount and decrease in profit before income tax
Change in variable:	
Revenue growth	
– Increased by 2%	**1 316**
– Decreased by 2%	**–**
Discount rate	
– Increased by 2%	**–**
– Decreased by 2%	**348**
Growth in perpetuity	
– Increased by 2%	**208**
– Decreased by 2%	**–**

In addition, the group had previously advanced a loan to the Captain DoRegos marketing fund to finance the purchase of new signage at selected stores. In the interests of making available sufficient funds for marketing activities to ensure the sustainability of the brand, the group has forgiven the loan as at the reporting date. Consequently, a bad debt of R0.986 million has been recognised in profit before income tax.

6. RocoMamas

Contingent consideration

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.

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 total purchase consideration over the three-year period was estimated at R47.215 million (2016: R52.800 million) at the reporting date. The reduction in the estimated consideration at 30 June 2017 relative to the prior year arose principally from a downward revision of the number of stores to be rolled out over the initial three-year period, a moderation of the expected growth in turnover of existing businesses in light of the state of the local economy as well as an upward revision of costs necessary to sustain operations and provide a platform for future growth, which similarly impacted on the fair value of the contingent consideration.

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

R'000	Reviewed year ended 30 June 2017	Audited year ended 30 June 2016
Balance at beginning of year	**23 291**	47 383
Fair value adjustment recognised in profit before income tax	**777**	(3 723)
Payment made	**(18 271)**	(20 369)
Balance at end of year	**5 797**	23 291
Current portion included in current liabilities	**5 797**	9 726
Non-current portion included in non-current liabilities	**–**	13 565

Increase in shareholding

With effect from 1 April 2017, the group acquired a further 19% interest in RocoMamas, increasing the group's equity interest in the entity to 70%. The purchase consideration of R14.035 million was settled in cash on the effective date. The net assets of RocoMamas at 1 April 2017 included in the consolidated financial statements of the group amounted to R16.433 million, of which R8.052 million was attributable to non-controlling interests. The purchase consideration has been debited directly to retained earnings and the non-controlling interest's share in the net assets of the subsidiary of R3.122 million has similarly been reallocated within equity to retained earnings.

7. Share Incentive Schemes

- **Existing cash-settled share appreciation rights scheme**
  In December 2016, the fourth tranche (December 2015: third 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	Reviewed year ended 30 June 2017	Audited year ended 30 June 2016
Gross cash outflow on vesting of cash-settled rights	**(3 130)**	(18 445)
Gross cash (outflow)/inflow from economic hedging instrument	**(7 600)**	11 858
Refund of difference in guaranteed dividend from hedge counterparty	**195**	795
Net cash flow effect	**(10 535)**	(5 792)
Share-based payment credit	**3 795**	2 361
Fair value loss on economic hedging instrument	**(5 791)**	(27 714)
Net expense included in profit before income tax	**(1 996)**	(25 353)

Further details of the share appreciation rights and related hedges are detailed in notes 24 and 25 respectively on pages 130 and 132 respectively of the annual integrated report for the year ended 30 June 2016. Refer also note 11.

7. Share Incentive Schemes (continued)

- **New equity-settled share incentive schemes**
  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, certain awards were granted to certain senior managers and directors during the current and prior years, details of which are included below:

	First Tranche (April 2016)	Second Tranche (April 2017)
FSP		
No. of shares awarded	**155 000**	**159 000**
Service condition	**3 years**	**3 years**
Performance conditions	**None**	**None**
Grant date fair value per share	**R19.57**	**R23.03**
SAR		
No. of rights awarded	**1 971 663**	**2 619 226**
Service condition	**3 years**	**3 years**
Performance conditions	**Return on equity and growth in comparable headline earnings over 3 years**	**Return on equity and growth in comparable headline earnings over 3 years**
Grant date fair value per rights	**R6.40**	**R5.36**
Strike price per right	**R29.40**	**R33.15**

Subsequent to the initial vesting period of three years, participants are required to hold the shares in question for a further period of two years before being able to trade in the shares.

Existing treasury shares were used for the FSP forfeitable shares granted.

The financial impact of the incentive schemes is summarised below:

R'000	Reviewed year ended 30 June 2017	Audited year ended 30 June 2016
Share-based payment expense included in profit before income tax	**985**	827
Income tax credit included in profit	**320**	69
Income tax credit included in equity (retained earnings)	**183**	36
Capital gains tax arising on intra-group sale of shares charged to equity (retained earnings)	**795**	625
Transaction costs arising on intra-group sale of shares charged to equity (retained earnings)	**65**	54

The forfeitable shares granted resulted in 110 351 (2016: 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 for both years reported.

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. These, and other details of the schemes, are included in note 21.5 on page 126 of the annual integrated report for the year ended 30 June 2016.

8. Changes in local retail operations

- **The Hussar Grill Morningside (prior year) –** In September 2015, the group commenced trading a newly established The Hussar Grill in Morningside (Gauteng). The entity incurred a loss before income tax for the year of R0.435 million (2016: R1.302 million (including initial trading and start-up losses)), and acquired property, plant and equipment of R2.831 million in the prior year.

- **The Hussar Grill/RocoMamas Green Point (prior year)** – 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 in the prior year relating to the relocation, and acquired property, plant and equipment of R2.551 million during the prior year. The entity in question then established a new RocoMamas outlet at the Green Point site, which commenced trading in December 2015. The outlet earned a profit before income tax of R0.151 million for the year (2016: a loss of R1.881 million (including initial trading and start-up losses)), and acquired property, plant and equipment of R3.531 million during the prior year.

- **RocoMamas Green Point (current year)** – With effect from 1 June 2017, Opilor (Pty) Ltd sold the RocoMamas Green Point business to a newly established entity, Green Point Burger Joint (Pty) Ltd, two thirds of which is owned by wholly owned subsidiary, Spur Group (Pty) Ltd and the remaining third by 70%-owned subsidiary, RocoMamas Franchise Co (Pty) Ltd. This resulted in an effective increase in the group's ownership interest in the outlet from 68% to 90%. The profit before income tax attributable to the non-controlling shareholder of Opilor (Pty) Ltd, arising from the transaction, of R0.695 million has been allocated to non-controlling interests, and the tax of R0.523 million arising from the transaction has been charged directly to equity (retained earnings).

9. Subsequent event

No material events have occurred between the reporting date and the date of this report, with the exception of a dividend of 61 cents per ordinary share in issue declared by the board on 6 September 2017, payable on 2 October 2017, amounting to R66.173 million.

10. Contingent liabilities

There have been no changes to the status of contingent liabilities referred to in note 46 on page 161 of the annual integrated report for the year ended 30 June 2016.

11. Fair value of financial instruments

- The forward purchase derivative financial liabilities (disclosed as derivative financial 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 7). 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 liabilities in question, but are not quoted prices in active markets for identical 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 25 on page 132 of the annual integrated report for the year ended 30 June 2016) with the following key inputs:

Number of shares	1.5 million for settlement on 14 December 2017 (forward price: R35.94)
Spot price	R28.10
Expected volatility	22.90%
Interest rate (nominal annual compounded quarterly)	7.82%
Credit spread	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 result in an increase of R4.167 million or decrease of R4.173 million respectively in the aggregate fair value of the contracts, 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 6 (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 21.6% (2016: 26.4%), being the weighted average cost of capital of the subsidiary. The reduction in the discount rate relative to the prior year is attributable to reduced forecasting risk as the group now has sufficient historic information to be able to forecast the business's future profits more accurately. 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 charge of R0.777 million (2016: R3.723 million credit), and relates largely to the adjustment for the time value of money (including the impact of the reduced discount rate), as well as changes to the forecast profit before income tax as referred to in note 6. 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 recoverable amount and decrease/(increase) in profit before income tax
Change in variable:	
Projected profit before income tax	
– Increased by 5%	**2 081**
– Decreased by 5%	**(2 081)**
Discount rate	
– Increased by 2%	**(58)**
– Decreased by 2%	**60**

- 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.

12. Related parties

There have been no material changes in the nature or value of the related party transactions reported in note 44 on page 155 of the annual integrated report for the year ended 30 June 2016.

13. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2017 and earlier application is permitted; however, the group has not early adopted any of these new or amended standards in preparing these condensed consolidated financial statements. The likely impact of the following standards issued, but not yet effective, and which may have a significant impact on the group's consolidated financial statements, is listed below:

- **IFRS 9 – Financial instruments**
  IFRS 9, published in July 2014, includes guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. This standard becomes mandatory for the group's 2019 financial statements.

  The group has completed a preliminary assessment of the extent to which the standard may impact on the group's existing financial instruments. As at 30 June 2017, it is considered likely that the only potential material impact on the group's financial statements relates to the expected loss impairment model. This model requires anticipated future losses to be taken into consideration when measuring financial instruments at initial recognition and subsequent reporting dates. The group currently adopts the incurred loss model for determining impairment of financial instruments. The expected loss model requires considerable judgement as to how changes in economic factors may affect future losses arising from financial instruments. This may give rise to more variable and higher impairment losses. Given that the group's historic bad debts relating to trade receivables and loans with local franchisees have been immaterial, the implementation of IFRS 9 is not expected to materially affect these items, but this will depend on the assessment of forward looking economic analysis at the time of implementation. The impact of implementing the expected loss model for other financial instruments can only be assessed once the financial instruments are known. Further analysis will need to be conducted at the time that the standard is implemented. The group plans to adopt IFRS 9 in its financial statements for the year ending 30 June 2019. While it is understood that the adoption of IFRS 9 will generally be applied retrospectively, there are certain exemptions permitted by the standard. The group has yet to determine how it will transition to IFRS 9.

- **IFRS 15 – Revenue from contracts with customers**
  IFRS 15 introduces a new five-step model for determining the timing and amount of revenue to be recognised from contracts with customers. The core principle of the new model is that an entity should recognise revenue to depict the transfer of promised goods or services to customers and that the amount of revenue should reflect the consideration to which it expects to be entitled in exchange for those goods and services. This standard becomes mandatory for the group's 2019 financial statements, and replaces *IAS 18 – Revenue*.

  The group has completed an initial assessment of the potential impact of the adoption of the standard on its consolidated financial statements, in terms of which, with the exception of initial franchise fees, no material changes to the method of recognising revenue are anticipated. Initial franchise fees are charged by the group upon signature of the franchise agreements concluded with independent franchisees, and are non-refundable. The franchise agreements oblige the franchisor to undertake activities for the duration of the franchise agreement to support the franchisee's brand that significantly affect the intellectual property to which the franchisee has rights, without resulting in a transfer of specific goods or services. Accordingly, it has been determined that the group's performance obligation in this regard is satisfied over time and that the revenue should be recognised on a straight-line basis over the term of the respective franchise agreements. The group currently recognises revenue in respect of the initial franchise fees in full upon signature of the franchise agreements. While the impact of the implementation of IFRS 15 on profit in any one year is not expected to be material, the cumulative impact of deferring the revenue over the period of the franchise agreements is likely to be material. The group plans to adopt this standard in its financial statements for the year ending 30 June 2019, retrospectively, and is in the process of quantifying the impact.

- **IFRS 16 – Leases**
  IFRS 16, published in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases for lessees and lessors, and replaces the current *IAS 17 – Leases*, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. This standard becomes mandatory for the group's 2020 financial statements.

  The group has completed an initial assessment of the potential impact of the adoption of the standard on its consolidated financial statements. The group has determined that it will recognise right-of-use assets and lease liabilities in respect of premises occupied for its Johannesburg regional office as well as the 64 vehicles (as at 30 June 2017) currently leased for use by operations managers. The group currently recognises the rental expense of the Johannesburg regional office and leased vehicles on a straight-line basis over the lease term. Upon the adoption of IFRS 16, the group's operating lease charge in profit or loss will be replaced by a depreciation charge in respect of the corresponding right-of-use assets, as well as an interest charge relating to the respective lease liabilities, which may in aggregate be different to the current operating lease charge. The group plans to adopt this standard in its financial statements for the year ending 30 June 2020, retrospectively, and is in the process of quantifying the impact.

ADMINISTRATION

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; Tasneem Karriem

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, Rosebank Towers,
15 Biermann Avenue, Rosebank, 2196

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

Website: www.spurcorporation.com

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