Spur Steak Ranches
A taste for life

Panarottis Pizza Pasta
Big on Family.
Big on Pizza.

John Dory's
FISH • GRILL • SUSHI

Spur STEAK & GRILL
Burger, Steak and Ribs People.

THE HUSSAR GRILL
EST 1964

RocoMamas
WE'RE NOT NORMAL

Casa Bella
WoodFired Pizza • Pasta • Grille

GRILL2GO

ΝΙΚΩΣ
COALGRILL GREEK

SPUR CORP.
PASSIONATE PEOPLE BUILDING GREAT BRANDS

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 30 JUNE 2018 INDEPENDENTLY REVIEWED

Prepared under the supervision of the
Chief Financial Officer, Phillip Matthee CA(SA)
Spur Corporation Limited
(Registration number: 1998/000828/06)

www.spurcorporation.com

OVERVIEW

RESTAURANT SALES

▲ 0.6%

COMPARABLE PROFIT BEFORE TAX

▼ 8.0%

COMPARABLE HEADLINE EARNINGS PER SHARE

▼ 9.5%

DIVIDEND PER SHARE

▼ 6.8%
to 123 cents

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RESULTS COMMENTARY

TRADING PERFORMANCE

Spur Corporation produced a resilient performance for the year to June 2018 as the group encountered challenging economic conditions in its major trading markets.

Total franchised restaurant sales across the local and international operations increased by 0.6% to R7.2 billion, and by 1.3% to R7.1 billion excluding the results of the Captain DoRegos chain which was sold with effect from 1 March 2018.

Excluding Captain DoRegos, franchised restaurant sales in South Africa grew by 1.5%. After declining by 6.0% and 0.1% in the first and second quarters of the financial year, local restaurant sales increased by 1.4% in the third quarter and grew by a strong 12.2% in the fourth quarter. Political concerns and policy uncertainty have resulted in weak economic growth, a volatile exchange rate, rising unemployment, increased pressure on consumers' disposable income and low levels of consumer confidence.

The stronger restaurant sales growth in the second half can be attributed to the increased focus across the group on product quality, service and innovation, rather than any improvement in consumer spending. Discretionary spend is under growing pressure which is contributing to a continuing decline in restaurant and shopping centre foot traffic.

The flagship Spur Steak Ranches brand, which accounts for almost two thirds of group restaurant sales, continued its recovery in the second half of the financial year following the damaging social media incident in March 2017. Restaurant sales declined by 9.1% in the first half and 3.2% in the third quarter, but increased by 14.8% in the fourth quarter, resulting in a 2.8% decrease for the full year.

The decision to end aggressive discounting strategies in Spur from March 2017 has had the expected impact of tempering restaurant sales growth. However, the positive impact on franchisee margins has improved franchisees' profitability and resulted in a more sustainable franchise business. This has been augmented by a heightened focus on product quality and enhanced range of "home-made" products manufactured in Spur restaurants, which has been well received by customers.

Spur's brand appeal and loyal base of 1.4 million active Spur Family Card members has been key to maintaining sales momentum. Spur once again won the *Sunday Times* Generation Next survey award for the Coolest Place to Eat Out and continues to be the largest digital brand in the retail food sector.

Following the success of the shift in the promotional strategy away from discounting to enhance franchisee profitability in Spur, a similar strategy was implemented in Panarottis in the second half of the year. This had a negative impact on restaurant turnovers, as expected, but is anticipated to enhance franchisee profitability. Nevertheless, Pizza and Pasta, incorporating Panarottis and Casa Bella, grew restaurant sales by 4.2% for the year. The domestic pizza market is highly competitive with several major chains following aggressive discounting strategies. Wood-fired pizza ovens have been introduced in selected outlets to enhance product quality and save on electricity consumption and will be rolled out to another 25 restaurants in the new year.

RocoMamas continues to be one of the fastest-growing restaurant brands in the local fast casual dining sector. Restaurant sales increased by 31.5% as 15 restaurants were opened in South Africa, expanding the brand's national presence to 65. The brand's quality and innovation continue to attract strong support from the urban millennial market.

John Dory's restaurant sales grew by 0.6% with the performance impacted by the temporary closure of two major outlets for shopping mall redevelopment.

The Hussar Grill grew restaurant sales by 24.4%, assisted by the opening of three new restaurants. While the chain's upper-income customer base continues to be more resilient than the middle-income market, there are signs of increasing pressure on these customers due to the state of the economy.

Franchisee profitability is critical to the sustainability of the business model. While changes in the discounting strategies for Spur and Panarottis were implemented during the year, management continues to work closely with franchisees to further enhance profitability by managing electricity and water consumption more efficiently, reviewing labour models, renegotiating rentals and, in certain cases, reducing the size of restaurants. The menu offering in certain brands, including Panarottis and John Dory's, has also been rationalised to promote efficiencies within restaurants and further support franchisee profitability.

International restaurant sales (excluding Captain DoRegos) increased by 2.7% on a constant exchange rate basis and declined by 0.7% in rand terms. At a constant exchange rate, restaurant sales in Mauritius (11 (2017: 10) outlets) increased by 18.7%, Africa (38 (2017: 36) outlets) increased by 7.4%, and the Middle East increased by 146.4% (two outlets which opened during the prior year) while sales in Australasia (11 (2017: 12) outlets) were 16.9% lower due in part to the closure of two Panarottis outlets during the year.

The Mauritius operation continues to trade well and Africa generally performed in line with expectations, although trading in Kenya and Tanzania was impacted by political issues, Zambia by the outbreak of cholera in the region and Namibia impacted by tough trading conditions similar to those experienced in South Africa. The trading environment in Australia, which is a resource-based economy, has been particularly challenging, compounded by high labour costs, which has put pressure on the franchise model in the country.

RESTAURANT EXPANSION

The group continued its measured expansion programme despite the demanding trading conditions and opened 44 new outlets across all brands, excluding Captain DoRegos, in South Africa. In addition to the 43 Captain DoRegos outlets sold, 18 restaurants were closed, bringing the local restaurant base to 513. A further 10 outlets were revamped and four relocated to better trading locations.

Eleven international outlets were opened, including the first RocoMamas in Australia in June 2018. Other restaurants were opened in Nigeria (Spur and Panarottis), Mauritius (two Panarottis and Spur Grill & Go), Kenya (RocoMamas), Namibia (Panarottis and John Dory's), Swaziland (Spur) and Zimbabwe (RocoMamas). Nine international restaurants were closed during the period, in addition to three Captain DoRegos outlets disposed of.

Franchisees invested over R219.6 million in new and revamped restaurants during the year.

Restaurant footprint at 30 June 2018

Franchise brand	South Africa	International	Total
Spur Steak Ranches	284	37	**321**
Panarottis Pizza Pasta	84	12	**96**
RocoMamas	65	7	**72**
John Dory's Fish Grill Sushi	49	3	**52**
The Hussar Grill	17	1	**18**
Casa Bella	8	–	**8**
Spur Grill & Go	6	2	**8**
Total	513	62	**575**

FINANCIAL PERFORMANCE

Revenue from continuing operations increased by 3.0% to R667.2 million. Revenue was impacted by fee concessions being granted to assist several franchisees in the aftermath of the Spur social media incident, but the level of financial assistance has steadily reduced during the year.

Franchise revenue in Spur declined by 3.2% and increased in Pizza and Pasta by 2.6%, John Dory's 2.0%, The Hussar Grill by 33.6% and RocoMamas by 37.8%.

Local retail revenue, representing the group's interests in four The Hussar Grill restaurants and one RocoMamas outlet, increased by 9.4%.

The manufacturing and distribution division grew revenue by 2.4%, negatively impacted by the lower restaurant foot traffic and reduced volumes as an increasing proportion of products are now being made in the restaurants.

Margins came under pressure across all divisions in South Africa, with the exception of RocoMamas, as operational costs (mainly employment costs) increased ahead of revenue growth. Margins in the manufacturing facility declined slightly due to higher input costs which were not passed on to franchisees. The overall margin of the manufacturing and distribution division was further impacted by lower volumes through the group's outsourced distribution system.

Profitability in Australia was negatively impacted by lower revenue, impairments on loan receivables to franchisees, costs related to establishing the RocoMamas business in Australia and the opening of the first RocoMamas outlet in the country. The international business benefited from initial licence fees received in Cyprus and India in advance of opening in these countries. Mauritius and the Middle East performed well although operating profit in Africa was static owing to the high cost of servicing these operations and weaker local currencies impacted revenue growth.

Profit before income tax from continuing operations increased by 9.8% to R231.4 million. This includes a profit on the disposal of the Braviz rib manufacturing facility of R17.5 million (2017: impairment loss of R44.2 million), a profit on the disposal of the Captain DoRegos business of R4.8 million (2017: impairment loss of R6.8 million), a net charge of R4.2 million (2017: R3.0 million) related to the long-term share-linked employee retention and incentive schemes, a fair value loss of R12.7 million (2017: R0.8 million) relating to the RocoMamas contingent consideration liability, Australian franchisee loan impairment losses of R7.2 million, costs and losses associated with the establishment of RocoMamas in Australia of R4.1 million, 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), decreased by 8.0%.

Headline earnings increased by 14.8% to R153.7 million and headline earnings from continuing operations grew by 13.8% to R153.7 million. Headline earnings on a comparable basis decreased by 9.7%.

Diluted headline earnings per share from continuing operations increased by 14.0% to 160.5 cents.

A final dividend of 60 cents per share (2017: 61 cents) has been declared, bringing the total dividend to 123 cents per share (2017: 132 cents).

PROSPECTS

In an environment of increasing financial pressure on the group's middle-income customer base, with little relief expected in the short to medium term, the group's focus will remain on product quality, value, customer experience and innovation to retain and grow the customer base and ensure that the franchise model is sustainable.

The group plans to increase market share by capitalising on the growing delivery opportunity through services including Uber Eats and Mr Delivery as well as "call and collect". These services are becoming increasingly popular across all brands.

Management recognises the increasing role of digital technology in customers' social and purchasing behaviour and will, as a result, be launching new e-commerce apps in the year ahead which will cater for payment facilities linked to loyalty, earning and redeeming of loyalty benefits, e-gifting, links to delivery services and product promotions.

The restaurant footprint in South Africa will be expanded with the opening of at least 29 restaurants across Spur Steak Ranches (five), Panarottis (four), John Dory's (six), RocoMamas (eight), The Hussar Grill (three), Casa Bella (two), and Spur Grill & Go (one).

The group aims to open at least 14 international restaurants in the year ahead. The expansion will focus mainly on Africa where new outlets will be opened in Zambia (eight), Namibia (two) and Botswana (one). The group's first restaurant will be opened in India (RocoMamas) with a further two outlets planned for Saudi Arabia (RocoMamas and The Hussar Grill). The group is also in advanced negotiations to expand into Cyprus (RocoMamas) and Pakistan (Spur) where potential sites are currently being assessed.

Based on the performance of the operations in Australia and the related impairments, the group is re-evaluating the business model in that territory with the aim of implementing technology solutions to reduce labour costs while actively engaging with landlords and franchisees to reduce restaurant sizes to ensure the sustainability of the business.

After the financial year-end the group expanded its restaurant portfolio with the acquisition of a 51% shareholding in Nikos Coalgrill Greek, effective from 1 August 2018. Spur Corporation has an option to acquire an additional 19% shareholding after three years. Nikos currently operates six franchised restaurants and four new outlets are confirmed to open in the year ahead. Management believes the brand has the potential to expand to around 50 restaurants nationally in the medium term.

CASH DIVIDEND

Shareholders are advised that the board of directors of the company has, on Wednesday, 5 September 2018, resolved to declare a final gross cash dividend for the year to 30 June 2018 of R65.089 million, which equates to 60 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), as amended (dividend withholding tax) of 20%.

The dividend has been declared from income reserves. The net dividend is 48 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, 25 September 2018
Shares commence trading 'ex dividend'	Wednesday, 26 September 2018
Record date	Friday, 28 September 2018
Payment date	Monday, 1 October 2018

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, 26 September 2018 and Friday, 28 September 2018, both days inclusive.

For and on behalf of the board

A Ambor
Executive Chairman

P van Tonder
Group Chief Executive Officer

6 September 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

R'000	Reviewed year ended 30 June 2018	Audited year ended 30 June 2017	% change
Continuing operations			
Revenue	**667 192**	648 016	3.0
Gross profit	**473 194**	469 336	0.8
Operating profit before finance income	**201 892**	174 145	15.9
Interest income	**31 322**	36 606	
Interest expense	**(33)**	(84)	
Share of (loss)/profit of equity-accounted investee (net of income tax)	**(1 813)**	24	
Profit before income tax	**231 368**	210 691	9.8
Income tax expense	**(68 159)**	(76 676)	
Profit from continuing operations	**163 209**	134 015	21.8
Discontinued operation			
Profit from discontinued operation, net of tax (refer note 3)	**–**	4 084	
Profit	**163 209**	138 099	18.2
Other comprehensive income[#]:	**3 773**	(4 462)	
Foreign currency translation differences for foreign operations	**3 957**	(4 473)	
Foreign exchange (loss)/gain on net investments in foreign operations	**(184)**	11	
Total comprehensive income	**166 982**	133 637	25.0
Profit attributable to:			
Owners of the company	**158 519**	134 143	18.2
Non-controlling interests	**4 690**	3 956	
Profit	**163 209**	138 099	18.2
Total comprehensive income attributable to:			
Owners of the company	**162 292**	129 681	25.1
Non-controlling interests	**4 690**	3 956	
Total comprehensive income	**166 982**	133 637	25.0
Earnings per share (cents)			
Basic earnings	**165.85**	139.98	18.5
Diluted earnings	**165.54**	139.82	18.4
Earnings per share (cents) – continuing operations			
Basic earnings	**165.85**	135.60	22.3
Diluted earnings	**165.54**	135.44	22.2

[#] All items included in other comprehensive income are items that are, or may be, reclassified to profit or loss, and are net of income tax.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed as at 30 June 2018	Audited as at 30 June 2017
ASSETS		
Non-current assets	**605 752**	579 085
Property, plant and equipment	**101 094**	100 319
Intangible assets and goodwill	**362 709**	362 101
Interest in equity-accounted investee (refer note 4.2)	**3 461**	–
Loans receivable	**132 816**	110 730
Deferred tax	**1 736**	1 450
Leasing rights	**3 936**	4 485
Current assets	**424 734**	412 084
Inventories	**15 702**	12 731
Tax receivable	**36 197**	41 479
Trade and other receivables	**99 997**	72 836
Loans receivable	**12 943**	19 085
Cash and cash equivalents	**259 895**	265 953
TOTAL ASSETS	**1 030 486**	991 169
EQUITY		
Total equity	**877 961**	837 176
Ordinary share capital	**1**	1
Share premium	**294 663**	294 663
Shares repurchased by subsidiaries	**(107 202)**	(102 956)
Foreign currency translation reserve	**30 022**	26 249
Share-based payments reserve	**3 731**	1 812
Retained earnings	**645 827**	605 388
Total equity attributable to owners of the company	**867 042**	825 157
Non-controlling interests	**10 919**	12 019
LIABILITIES		
Non-current liabilities	**65 667**	63 600
Operating lease liability	**3 919**	2 676
Deferred tax	**61 748**	60 924
Current liabilities	**86 858**	90 393
Bank overdrafts	**–**	4 491
Tax payable	**1 067**	880
Trade and other payables	**74 438**	60 313
Loans payable	**10 722**	6 912
Contingent consideration liability (refer note 6)	**–**	5 797
Employee benefits (refer note 7.1)	**–**	885
Derivative financial liability (refer note 7.1)	**–**	10 572
Shareholders for dividend	**631**	543
TOTAL EQUITY AND LIABILITIES	**1 030 486**	991 169

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 2016 (audited)	196 701	653 592	14 370	864 663
Total comprehensive income for the year	–	129 681	3 956	133 637
Profit for the year	–	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 7.2)	–	1 168	–	1 168
Indirect costs arising on intra-group sale of shares related to equity-settled share-based payment (refer note 7.2)	–	(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 10)	–	(12 131)	(2 427)	(14 558)
Total transactions with owners	(4 993)	(149 824)	(6 307)	(161 124)
Balance at 30 June 2017 (audited)	**191 708**	**633 449**	**12 019**	**837 176**
Total comprehensive income for the year	**–**	**162 292**	**4 690**	**166 982**
Profit for the year	**–**	**158 519**	**4 690**	**163 209**
Other comprehensive income	**–**	**3 773**	**–**	**3 773**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners	**(4 246)**	**(116 161)**	**(5 790)**	**(126 197)**
Equity-settled share-based payment (refer note 7.2)	**–**	**2 387**	**–**	**2 387**
Own shares acquired	**(4 246)**	**–**	**–**	**(4 246)**
Dividends	**–**	**(118 548)**	**(5 790)**	**(124 338)**
Balance at 30 June 2018 (reviewed)	**187 462**	**679 580**	**10 919**	**877 961**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed year ended 30 June 2018	Audited year ended 30 June 2017
Operating profit before working capital changes (refer note a)	**224 787**	236 229
Working capital changes	**(27 560)**	(1 515)
Cash generated from operations	**197 227**	234 714
Interest income received	**22 570**	25 201
Interest expense paid	**(33)**	(84)
Tax paid	**(60 646)**	(85 303)
Dividends paid	**(124 250)**	(141 809)
Net cash flow from operating activities	**34 868**	32 719
Cash flow from investing activities		
Additions of intangible assets	**(1 924)**	(3 760)
Additions of property, plant and equipment	**(10 291)**	(13 692)
Cash outflow from share-based payment hedge (refer note 7.1)	**(13 740)**	(7 405)
Disposals of UK subsidiaries (refer note 3)	**–**	(1 358)
Loans advanced to franchisees	**(11 188)**	(7 318)
Loan repaid by associate company	**–**	3 000
Proceeds from disposal of associate (refer note 4.1)	**17 500**	–
Proceeds from disposal of property, plant and equipment	**302**	347
Repayment of loans receivable	**11 160**	11 409
Acquisition of investment in associate (refer note 4.2)	**(5 274)**	–
Net cash flow from investing activities	**(13 455)**	(18 777)
Cash flow from financing activities		
Acquisition of non-controlling interest without a change in control (refer note 6)	**–**	(14 035)
Acquisition of treasury shares	**(4 246)**	(4 993)
Loan repaid to non-controlling shareholders	**–**	(380)
Settlement of contingent consideration (refer note 6)	**(18 542)**	(18 271)
Net cash flow from financing activities	**(22 788)**	(37 679)
Net movement in cash and cash equivalents	**(1 375)**	(23 737)
Effect of foreign exchange fluctuations	**(192)**	(228)
Net cash and cash equivalents at beginning of year	**261 462**	285 427
Net cash and cash equivalents at end of year	**259 895**	261 462

Refer note 3 for cash flows attributable to discontinued operation.

Notes

a) **Operating profit before working capital changes** – Includes a gross cash outflow of Rnil (2017: R3.130 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 7.1).

Total depreciation and amortisation included in profit before income tax for the year is R10.687 million (2017: R10.538 million).

RECONCILIATION OF HEADLINE EARNINGS

R'000	Reviewed year ended 30 June 2018	Audited year ended 30 June 2017	% change
Total group			
Profit attributable to owners of the company	**158 519**	134 143	18.2
Headline earnings adjustments:			
Impairment of intangible assets (refer note 5)	**–**	6 778	
Loss on disposal of property, plant and equipment	**–**	5	
Loss on disposal of subsidiary (refer note 3)	**–**	12	
Profit on disposal of intangible assets (refer note 5)	**(4 750)**	–	
Profit on disposal of property, plant and equipment	**(156)**	(167)	
Profit on disposal of subsidiaries (refer note 3)	**–**	(5 435)	
Income tax impact of above adjustments	**44**	(1 472)	
Amount of above adjustments attributable to non-controlling interests	**(1)**	(1)	
Headline earnings	**153 656**	133 863	14.8
Continuing operations			
Profit attributable to owners of the company	**158 519**	134 143	18.2
Exclude: Profit from discontinued operation (refer note 3)	**–**	(4 205)	
Profit attributable to owners of the company – continuing operations	**158 519**	129 938	22.0
Headline earnings adjustments:			
Impairment of intangible assets (refer note 5)	**–**	6 778	
Loss on disposal of property, plant and equipment	**–**	5	
Profit on disposal of intangible assets (refer note 5)	**(4 750)**	–	
Profit on disposal of property, plant and equipment	**(156)**	(167)	
Income tax impact of above adjustments	**44**	(1 472)	
Amount of above adjustments attributable to non-controlling interests	**(1)**	(1)	
Headline earnings – continuing operations	**153 656**	135 081	13.8

OPERATING SEGMENT INFORMATION

R'000	Reviewed year ended 30 June 2018	Audited year ended 30 June 2017	% change
External revenue			
Manufacturing and distribution	**186 224**	181 834	2.4
Franchise – Spur	**211 018**	217 918	(3.2)
Franchise – Pizza and Pasta	**36 388**	35 471	2.6
Franchise – John Dory's	**20 096**	19 699	2.0
Franchise – Captain DoRegos	**1 924**	2 812	(31.6)
Franchise – The Hussar Grill	**6 324**	4 733	33.6
Franchise – RocoMamas	**32 817**	23 809	37.8
Retail (refer note b)	**69 534**	63 569	9.4
Other South Africa (refer note c)	**67 852**	62 851	8.0
Total South African segments	**632 177**	612 696	3.2
Unallocated – South Africa	**2 552**	3 269	(21.9)
Total South Africa	**634 729**	615 965	3.0
United Kingdom (refer note 3) (discontinued)	**–**	–	
Australasia	**6 547**	9 870	(33.7)
Other International (refer note f)	**25 916**	22 181	16.8
Total International	**32 463**	32 051	1.3
TOTAL EXTERNAL REVENUE	**667 192**	648 016	3.0
Profit/(loss) before income tax			
Manufacturing and distribution	**61 050**	66 243	(7.8)
Franchise – Spur	**176 481**	188 047	(6.2)
Franchise – Pizza and Pasta	**22 189**	22 967	(3.4)
Franchise – John Dory's	**9 491**	9 715	(2.3)
Franchise – Captain DoRegos (refer note a)	**4 002**	(8 040)	149.8
Franchise – The Hussar Grill	**4 871**	4 092	19.0
Franchise – RocoMamas	**22 988**	16 457	39.7
Retail (refer note b)	**6 785**	4 633	46.4
Other South Africa (refer note c)	**(4 953)**	(3 188)	(55.4)
Total South African segments	**302 904**	300 926	0.7
Unallocated – South Africa (refer note d)	**(65 352)**	(93 794)	30.3
Total South Africa	**237 552**	207 132	14.7
United Kingdom (refer note 3) (discontinued)	**–**	4 084	
Australasia (refer note e)	**(10 993)**	(111)	
Other International (refer note f)	**13 114**	8 991	45.9
Total International segments	**2 121**	12 964	(83.6)
Unallocated – International (refer note g)	**(6 492)**	(5 345)	(21.5)
Total International	**(4 371)**	7 619	(157.4)
PROFIT BEFORE INCOME TAX AND SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEE	**233 181**	214 751	8.6
Share of (loss)/profit of equity-accounted investee (net of income tax) (refer note 4.2)	**(1 813)**	24	
PROFIT BEFORE INCOME TAX	**231 368**	214 775	7.7

Notes to the segment report

a) **Captain DoRegos** – Includes a profit on sale of the trademark of R4.750 million. In the prior year this trademark was impaired and an impairment loss of R6.778 million was included. The prior year includes a bad debt of R0.986 million in respect of a loan advanced to the Captain DoRegos Marketing Fund which was forgiven during that 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.

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:

R'000	Note	Reviewed year ended 30 June 2018	Audited year ended 30 June 2017
Net finance income		**30 537**	35 788
Includes: interest income on loans receivable from Braviz	4.1	**–**	4 283
Profit on disposal of Braviz funding instruments	4.1	**17 500**	–
Impairment loss on Braviz funding instruments	4.1	**–**	(44 192)
Cash-settled share-based payment credit	7.1	**885**	3 795
Fair value loss on related economic hedge	7.1	**(3 168)**	(5 791)
Equity-settled share-based payment charge	7.2	**(1 919)**	(985)
RocoMamas contingent consideration fair value loss	6	**(12 745)**	(777)
Loss incurred by Spur Foundation Trust, all of which is attributable to non-controlling interests		**(907)**	(1 206)

e) **Australasia** – Includes an impairment loss of R6.753 million (2017: Rnil) relating to loans granted to Australian franchisees, relocation expenses of R0.477 million incurred on behalf of a franchisee, and R2.253 million relating to travel, legal, marketing and pre-opening costs for the establishment of the RocoMamas Australia business and first RocoMamas restaurant in Australia (refer note 4.2).

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

g) **Unallocated – International** – Includes a foreign exchange loss of R0.357 million (2017: R0.716 million).

SHARE INFORMATION

	Reviewed year ended 30 June 2018	Audited year ended 30 June 2017	% change
Total shares in issue (000's)	**108 481**	108 481	0.0
Net shares in issue (000's)*	**95 509**	95 669	(0.2)
Weighted average number of shares in issue (000's)	**95 580**	95 828	(0.3)
Diluted weighted average number of shares in issue (000's)	**95 761**	95 938	(0.2)
Headline earnings per share (cents)	**160.76**	139.69	15.1
Diluted headline earnings per share (cents)	**160.46**	139.53	15.0
Headline earnings per share (cents) – continuing operations	**160.76**	140.96	14.0
Diluted headline earnings per share (cents) – continuing operations	**160.46**	140.80	14.0
Net asset value per share (cents)	**919.24**	875.08	5.0
Dividend per share (cents)#	**123.00**	132.00	(6.8)
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	**(12 812)**	(12 647)	
Shares repurchased during the year weighted for period held by the group	**(89)**	(6)	
Weighted average number of shares in issue for the period	**95 580**	95 828	
Dilutive potential ordinary shares weighted for period outstanding (refer note 7.2)	**181**	110	
Diluted weighted average number of shares in issue for the year	**95 761**	95 938	

* 108 480 926 total shares in issue less 6 196 901 (2017: 6 136 901) shares repurchased by wholly-owned subsidiary companies, 6 374 698 (2017: 6 374 698) shares held by The Spur Management Share Trust (consolidated structured entity) and 400 000 (2017: 300 000) 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 JSE Ltd 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 REVIEW REPORT

These condensed consolidated financial statements for the year ended 30 June 2018 have been reviewed by Spur Corporation's independent auditors, KPMG Inc., who expressed an unmodified review conclusion. The auditor's report covers the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity, operating segment report and notes to the condensed consolidated financial statements. 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, or commenced with voluntary liquidation proceedings of, its remaining UK subsidiaries, with the exception of Spur Corporation UK 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 impact of the above disposals was as follows:

	Audited 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 2018	Audited year ended 30 June 2017
Revenue	–	–
Gross profit	–	–
Operating profit before finance income	–	4 084
Profit before income tax	–	4 084
Profit for the year	–	4 084
Profit attributable to owners of the company	–	4 205
Non-controlling interests	–	(121)
Profit for the year	–	4 084
The cash flows of the discontinued operation are listed below:		
Net cash flow from operating activities	–	(3 135)
Net cash flow from investing activities	–	(1 525)
Net cash flow from financing activities	–	(380)
Net movement in cash and cash equivalents for the year	–	(5 040)

4 INVESTMENT IN ASSOCIATE

4.1 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. 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. In addition, a further short-term bridging finance loan of R10.000 million was advanced to the associate during the 2016 financial year. The bridging finance loan was repayable by 30 June 2017, but the counterparty failed to repay the loan. Following various breaches of the terms of the respective loan agreements referred to above by the associate, and taking cognisance of the associate's financial performance, which had been impacted by reduced demand following a decline in the local economy, increased competition and aggressive pricing, the board considered the full extent of the receivables, amounting to R44.192 million at 30 June 2017, to be impaired. An impairment loss of this amount was consequently recognised in profit before income tax for the prior year. The group's share of equity-accounted profit after income tax of the associate amounted to R0.024 million for the prior year. No equity-accounted profits or losses of the associate have been recognised subsequent to 30 June 2017 as a result of the impairment referred to above.

With effect from 6 November 2017, the group concluded an agreement to sell its equity interest and loan claims with Braviz to the existing Braviz shareholders for the sum of R17.500 million. This was received in cash in March 2018. A profit of R17.500 million on the disposal of the loan claims has been recognised in profit before income tax. The transaction results in a tax credit of R3.257 million which is included in the income tax expense.

An analysis of the receivables as at the prior year reporting date is detailed as follows:

R'000	Audited as at 30 June 2017
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
Cumulative share of losses of equity-accounted investee previously recognised	(10 189)
Net receivable considered part of the net investment in equity-accounted investee	37 556
Impairment recognised in terms of IAS 39	(37 556)
Carrying value at end of year	–
Gross carrying value of further short-term loan advanced to equity-accounted investee	6 636
Impairment recognised in terms of IAS 39	(6 636)
Carrying value at end of year	–

4.2 RocoMamas Australia

With effect from 1 July 2017, the group acquired 45% of the issued share capital in RocoMamas Restaurants Australia Pty Ltd ("RRA"), a newly incorporated company incorporated and domiciled in Australia for a nominal consideration. During the course of the year, the group advanced amounts of AU$517 500 (the equivalent of R5.274 million) in aggregate to RRA on loan account, where such advances were for the purposes of capitalising the entity and in respect of which settlement is neither planned nor likely to happen in the foreseeable future. During the year, RRA established two wholly-owned subsidiaries, RocoMamas Franchise Company Australia Pty Ltd ("RFCA"), and RocoMamas Chapel Pty Ltd ("RMC"), both companies also incorporated and domiciled in Australia. The purpose of the investment in RRA was to establish a partnership with entrepreneurs having industry expertise in Australia to launch the RocoMamas brand in that country. To this end, subsidiaries in the group granted RFCA a master franchise agreement, in terms of which RFCA was granted rights to exploit the RocoMamas trademarks and related intellectual property in Australasia. RRA furthermore provided finance to RMC to build the first RocoMamas restaurant in Australia, trading in Melbourne, which commenced trading in June 2018.

The carrying value of the investment in the equity-accounted investees is detailed as follows:

R'000	Reviewed as at 30 June 2018
Investment in investee (equity and loan funding)	**5 274**
Share of loss of equity-accounted investee (net of income tax)	**(1 813)**
Carrying value of equity-accounted investees at end of year	**3 461**

The loss in the current year relates to costs incurred to establish the entities concerned, refine the intellectual property for the brand in the country and pre-opening costs associated with the new restaurant.

5 IMPAIRMENT AND SUBSEQUENT DISPOSAL OF CAPTAIN DOREGOS

Following an impairment test conducted at 30 June 2017 on the Captain DoRegos cash-generating unit, the directors determined that 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. The full carrying amount of the assets attributable to the cash-generating unit at 30 June 2017 were therefore impaired, resulting in a loss of R6.778 million (attributable to the intangible assets) being included in profit before income tax for the prior year. A corresponding deferred tax credit of R1.518 million was recognised in profit, resulting in a net loss included in profit attributable to ordinary shareholders of R5.260 million for the prior year.

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 forgave the loan as at 30 June 2017. Consequently, a bad debt of R0.986 million was recognised in profit before income tax for the prior year.

During the current year, the group concluded an agreement to dispose of the Captain DoRegos business, comprising largely the trademarks and related intellectual property previously impaired as referred to above, with effect from 1 March 2018, for a consideration of R4.750 million. Of the total consideration, R0.500 million was paid on the effective date, R0.250 million was paid on 1 May 2018 and the balance of R4.000 million is payable in equal monthly instalments over 48 months with effect from 1 June 2018. As at the reporting date, the carrying amount of the receivable, included in loans receivable in the consolidated statement of financial position, was R4.042 million. The receivable is secured by a personal guarantee from the purchaser and a trust which holds immovable property. The transaction resulted in a profit on disposal of R4.750 million included in profit before income tax. No income tax is applicable to the sale.

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 was determined as five times RocoMamas' profit before income tax of the third year following the date of acquisition, which ended on 28 February 2018. Following an initial payment of R2.000 million on the effective date, annual payments were 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. Payments of R20.369 million and R18.271 million were made on the first and second anniversaries of the acquisition date respectively and the final payment of R18.542 million was paid in March 2018.

The total purchase consideration actually paid over the three-year period was R59.182 million, compared to that estimated as at 30 June 2017 of R47.215 million. The increase in the actual consideration relative to that estimated at 30 June 2017 arose principally from restaurant turnovers and related franchise income exceeding budget: the impact of a subdued economy and political instability on restaurant turnovers was less than what had been anticipated as at 30 June 2017. Furthermore, a greater number of new restaurants was opened in the period to February 2018 than was previously anticipated.

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

R'000	Reviewed year ended 30 June 2018	Audited year ended 30 June 2017
Balance at beginning of year	**5 797**	23 291
Fair value adjustment recognised in profit before income tax	**12 745**	777
Payment made	**(18 542)**	(18 271)
Balance at end of year	**–**	5 797
Current portion included in current liabilities	**–**	5 797
Non-current portion included in non-current liabilities	**–**	–

During the prior year, 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 was debited directly to retained earnings in the prior year and the non-controlling interest's share in the net assets of the subsidiary of R3.122 million was similarly reallocated within equity to retained earnings in the prior year.

7 SHARE INCENTIVE SCHEMES

7.1 Existing cash-settled share appreciation rights scheme

In December 2017, the fifth (and final) tranche (December 2016: fourth tranche) of share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme vested. Details of the financial impact of the scheme are listed below:

R'000	Reviewed year ended 30 June 2018	Audited year ended 30 June 2017
Gross cash outflow on vesting of cash-settled rights	–	(3 130)
Gross cash outflow from economic hedging instrument	(13 410)	(7 600)
(Payment)/refund of difference in guaranteed dividend from hedge counterparty	(330)	195
Net cash flow effect	**(13 740)**	**(10 535)**
Share-based payment credit	885	3 795
Fair value loss on economic hedging instrument	(3 168)	(5 791)
Net expense included in profit before income tax	**(2 283)**	**(1 996)**

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 2017.

7.2 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, certain awards were granted to certain senior managers and directors during previous financial years, details of which are included in note 21.4 on page 126 of the annual integrated report for the year ended 30 June 2017. No further grants were awarded during the current year.

The financial impact of the incentive schemes is summarised below:

R'000	Reviewed year ended 30 June 2018	Audited year ended 30 June 2017
Share-based payment expense included in profit before income tax	1 919	985
Income tax credit included in profit	456	320
Income tax credit included in equity (retained earnings)	468	183
Capital gains tax arising on intra-group sale of shares charged to equity (retained earnings)	–	795
Transaction costs arising on intra-group sale of shares charged to equity (retained earnings)	–	65

The forfeitable shares granted resulted in 180 950 (2017: 110 351) dilutive potential ordinary shares for the year. As the performance conditions of the SARs, 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 all years reported.

8 LOAN TO SPUR STEAK RANCHES MARKETING FUND

The Spur Steak Ranches Marketing Fund, which is managed by the group for and on behalf of the body of Spur Steak Ranches franchisees, is established in terms of the franchise agreements concluded between the group and franchisees, as more fully described in notes 2.1 and 39 on pages 95 and 148 respectively of the annual integrated report for the year ended 30 June 2017.

The Marketing Fund's main source of income is the marketing contributions received from franchised restaurants which are determined as a percentage of the franchised restaurants' sales. As a consequence of the decline in franchised restaurant sales since March 2017, exacerbated by temporary reductions in the percentage marketing fee charged to certain restaurants in an effort to support the sustainability of these restaurants during the tough trading conditions, the fee income received by the Marketing Fund has reduced significantly. This has resulted in the Marketing Fund not being able to settle its financial obligations in the ordinary course of business.

During the year, the board approved a loan facility to be made available to the Marketing Fund in the amount of R35.000 million. This was necessary in order to ensure the liquidity and solvency of the wholly-owned subsidiary that manages the Marketing Fund. The facility bears interest at the prime rate of interest and is repayable in 48 equal monthly instalments commencing July 2019. As at the reporting date, the carrying amount of the loan was R25.725 million (comprising R24.000 million capital and R1.725 million in interest). While the loan is eliminated on consolidation, repayment of the intercompany loan and the interest thereon will be funded by future marketing contributions from franchisees. As a result, at the reporting date, there is a net Marketing Fund receivable, comprising the net liabilities and cumulative over-spend of the Marketing Fund, of R14.332 million (2017: R5.362 million). Given that the intercompany loan is only repayable from 1 July 2019, it is not anticipated that the Marketing Fund receivable will reduce before then, and the loan is accordingly classified as a non-current loan receivable (2017: current receivable) in the consolidated statement of financial position.

The board, management of the Marketing Fund and franchisees have critically reassessed the priorities of the Marketing Fund to curtail marketing expenditure in an orderly and responsible manner, such that the intercompany loan can be repaid with the least negative impact for the brand and franchisees. The board has undertaken to review the terms of the loan facility on a regular basis, and amend these as necessary, to ensure that no creditor is prejudiced.

9 TAX RATE RECONCILIATION

Material items that have an impact on the effective rate of income tax are listed below:

%	Reviewed year ended 30 June 2018	Audited year ended 30 June 2017
South African normal tax rate	**28.0**	28.0
(Non-taxable profit on disposal of Braviz loans)/non-deductible impairment of Braviz loans (refer note 4.1)	**(3.5)**	5.8
Non-taxable profit on disposal of Captain DoRegos (refer note 5)	**(0.6)**	–
Non-taxable profit on disposal of UK subsidiaries (refer note 3)	**–**	(0.7)
Non-taxable dividend income	**(1.0)**	(1.1)
Non-deductible fair value adjustment on RocoMamas contingent consideration liability (refer note 6)	**1.5**	0.1
Non-deductible loss from associate	**0.2**	–
Non-deductible other expenditure (capital items and items not in the production of income)	**3.0**	1.2
Non-deductible UK depreciation and closure-related costs	**–**	0.2
Prior year under provision	**–**	0.1
Tax losses on which deferred tax not provided	**0.6**	0.4
Tax losses utilised on which deferred tax not previously provided	**(0.5)**	(0.2)
Withholding taxes not recoverable	**1.6**	1.8
Other	**0.2**	0.1
Effective rate of tax – group	**29.5**	35.7
Effective rate of tax – continuing operations	**29.5**	36.4

10 ROCOMAMAS GREEN POINT (PRIOR YEAR)

During the prior year, with effect from 1 June 2017, a subsidiary, Opilor (Pty) Ltd (in which the group has a 68% equity interest) sold the business of RocoMamas Green Point 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% in the prior year. The profit before income tax attributable to the non-controlling shareholder of Opilor (Pty) Ltd, arising from the transaction, of R0.695 million was allocated to non-controlling interests in the prior year, and the tax of R0.523 million arising from the transaction was charged directly to equity (retained earnings) in the prior year.

11 SUBSEQUENT EVENTS

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

11.1 Dividend

Subsequent to the reporting date, a dividend of 60 cents per ordinary share in issue, amounting to R65.089 million, was declared by the board on 5 September 2018 and is payable on 1 October 2018.

11.2 Purchase of 51% stake in Nikos Coalgrill Greek

Subsequent to the reporting date, on 1 August 2018, the group acquired 51% of the business of Nikos Coalgrill Greek ("Nikos"). Nikos operated six franchised restaurants as at the effective date. The brand offers affordable, quality, artisanal Greek food in a fresh and comforting environment, giving the group exposure to a product offering not previously catered for.

The fair value of net assets acquired at effective date:	R'000
Intangible assets	5 436
Deferred tax	(1 522)
Fair value of net assets acquired	3 914
Attributable to non-controlling interest	(1 918)
Group's share of net assets acquired	1 996
Goodwill	22 822
Total purchase consideration	24 818
In cash	5 000
Contingent consideration	19 818
Net cash flow on acquisition of subsidiary	(5 000)

All of the quantitative analysis included in this note is based on preliminary information and is subject to change pending finalisation of the acquisition date accounting.

Intangible assets comprise the Nikos trademarks and related intellectual property. The fair value was determined by an independent valuations expert utilising a discounted cash flow model based on the relief from royalty method. In this regard:

- the directors projected anticipated franchise restaurant sales for a forecast horizon of five years applying a reasonable roll-out plan, and basing revenue on historic averages increasing at 8.0% per annum;
- franchise restaurant sales beyond the forecast horizon were projected to grow at 5.6%, in line with the local inflation target of the South African Reserve Bank;
- a "royalty rate" of 5.5% was applied to the projected franchise restaurant sales, where the royalty rate was considered reasonable as the range of royalty rates identified by an industry benchmarking exercise yielded a range of between 0.3% and 7.0%; and
- the resulting "royalty" cash flow, adjusted for income tax of 28%, was discounted at an adjusted weighted average cost of capital of 26.1%.

Deferred tax was measured by applying the South African tax rate applicable to taxable income to the taxable temporary difference on initial recognition of the intangible assets.

The purchase consideration is determined as five times Nikos' profit before interest, tax, depreciation and amortisation ("EBITDA") of the third year following the date of acquisition. Following an initial payment of R5.000 million on the effective date, annual payments (or refunds as the case may be) are due on the first, second and third anniversaries of the acquisition date, calculated as five times the EBITDA of the year immediately preceding the anniversary date, less any aggregate payments already made. The total purchase consideration over the three-year period was estimated at R37.022 million as at the effective date, the present value of which is R24.818 million. The maximum purchase consideration is theoretically unlimited, although in determining the third year's EBITDA, the revenue of the business will be limited to that attributable to the first 40 restaurants in operation (if applicable). A financial liability measured at fair value of R19.818 million, less the initial payment of R5.000 million at the acquisition date will be recognised in respect of the gross contingent consideration of R37.022 million. In the event that the forecast EBITDA increases by 5% or decreases by 5%, the gross contingent consideration will increase to R35.171 million or decrease to R30.171 million respectively. In terms of IFRS 13, the contingent consideration 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 the present value using a risk-adjusted discount rate of 23.68%, being the weighted average cost of capital specific to the acquired business. Had the discount rate increased by 2% or decreased by 2% on the acquisition date, the fair value of the contingent consideration liability would have decreased to R19.133 million or increased to R20.542 million respectively.

The goodwill is attributable to the growth prospects of the brand (by expanding the chain nationally) that the group is anticipated to realise using its existing franchising expertise, infrastructure and extensive network of franchisees. The goodwill is not deductible for tax purposes.

Transaction costs, comprising legal and due diligence costs, are estimated to amount to R0.301 million and will be included in profit. The costs will not be deductible for tax purposes.

As the acquired business has only been formally trading since July 2017, had the group acquired the business at 1 July 2017, the impact on the group's revenue and profit would not have been material.

12 CONTINGENT LIABILITIES

12.1 Tax on 2004 share incentive scheme

As reported in note 44.1 on page 159 of the annual integrated report for the year ended 30 June 2017, SARS had previously issued additional assessments to wholly-owned subsidiary, Spur Group (Pty) Ltd ("Spur Group"), in respect of the 2005 to 2012 years of assessment totalling R22.034 million (comprising R13.996 million in additional income tax and R8.038 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. The total of the additional assessments was paid in previous financial years. Following failed alternative dispute resolution proceedings, the matter was heard in the income tax court in February 2018. The tax court found in favour of Spur Group, but SARS has appealed the ruling. A trial date to hear the appeal has yet to be set. The board, in consultation with its tax advisors, remains confident that the probability of SARS' appeal being successful is low. Consequently, no liability has been raised in respect of the assessments issued to date and the payments made to date are accounted for as prepayments of income tax.

12.2 Legal dispute with former franchisee – Tzaneen, South Africa

In January 2018, wholly-owned subsidiary, Spur Group, instituted legal action against Magnacorp 544 CC ("Magnacorp"), for outstanding franchise and marketing fees in the amount of R0.078 million. Magnacorp had previously operated a Spur Steak Ranch franchise restaurant in Tzaneen, South Africa, but Spur Group cancelled the franchise agreement after Magnacorp breached the terms of the franchise agreement. Magnacorp has defended the action and alleges that Spur Group repudiated the franchise agreement, in that the cancellation thereof was unlawful. Magnacorp has lodged a counterclaim in the amount of R19.488 million, primarily for loss of profits arising out of the alleged repudiation. Spur Group denies the repudiation of the franchise agreement and maintains that the cancellation was valid. The board is confident that it will be able to defeat Magnacorp's counterclaim and noted an exception to Magnacorp's counterclaim in that, among other things, in terms of the franchise agreement, the franchisor is not liable to the franchisee for any consequential loss, loss of profits or any other form of indirect loss or damages howsoever arising or caused. A court date to hear the matter has yet to be determined. The board, in consultation with its legal advisors, is confident that it will be able to successfully defend this claim and, consequently, no liability has been raised.

12.3 Other contingent liabilities

There have been no further changes to the status of other contingent liabilities referred to in note 44 on page 159 of the annual integrated report for the year ended 30 June 2017.

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

13.1 Forward purchase derivative financial liabilities

The forward purchase derivative contracts used to economically hedge the impact of the cash-settled share appreciation rights, as detailed in note 7.1, were settled during the year. Consequently, no liability exists at the current year reporting date. For details on fair value measurement applicable to the liabilities recognised at the prior year reporting date, refer to note 25 on page 132 of the annual integrated report for the year ended 30 June 2017.

13.2 Contingent consideration liability

The liability for the contingent consideration relating to the purchase of RocoMamas, as detailed in note 6 was settled during the year. Consequently, no liability exists at the current year reporting date. For details on fair value measurement applicable to the liability recognised at the prior year reporting date, refer to note 37.2 on page 141 of the annual integrated report for the year ended 30 June 2017.

13.3 Other financial instruments

The group has not disclosed the fair values of loans receivable, financial assets included in trade and other receivables, cash and cash equivalents, loans payable, 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 42 on page 153 of the annual integrated report for the year ended 30 June 2017.

15 ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for the group's financial reporting period beginning after 1 July 2018 and earlier adoption 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 recalculating 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 2018, there would be no impact on the group's financial statements related 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.

The group plans to adopt *IFRS 9* in its financial statements for the year ending 30 June 2019 when the standard becomes mandatory. While it is understood that the adoption of *IFRS 9* will generally be applied retrospectively, there are certain exemptions permitted by the standard.

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 terms 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.

The impact of these changes on the consolidated annual financial statements for the year ended 30 June 2018 are estimated to be as follows:

Impact on statement of comprehensive income for the year ended 30 June 2018:	R'000
Decrease in profit before income tax	(5 507)
Decrease in income tax expense	1 542
Decrease in profit after income tax	(3 965)

Impact on statement of financial position as at 30 June 2018:	R'000
Increase in non-current liabilities	22 196
Increase in current liabilities	5 700
Decrease in deferred tax liability	(7 811)
Decrease in equity	(20 085)

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 previous leases standard, *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. No significant changes have been included for lessors. 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 2018) currently leased. 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.

16 CHANGES IN DIRECTORS

Shareholders were advised on 27 November 2017 that the company's financial director, Ms Ronel van Dijk, tendered her resignation from the board and the company on 24 November 2017 with effect from 31 March 2018. Shareholders were further advised on 26 January 2018 that Mr Phillip Matthee was appointed as financial director and an executive director of the company with effect from 1 April 2018.

Shareholders were advised on 17 August 2018 that, with effect from 15 August 2018, Ms Tasneem Karriem, a non-executive director and the representative for Grand Parade Investments Ltd ("GPI") on the board, resigned as a director and that Ms Prabashinee Moodley was simultaneously appointed as non-executive director and the GPI representative on the board.

ADMINISTRATION

DIRECTORS

Executive Chairman: Allen Ambor

Chief Executive Officer: Pierre van Tonder

Chief Operating Officer: Mark Farrelly

Chief Financial Officer: Phillip Matthee (appointed 1 April 2018), Ronel van Dijk (resigned 31 March 2018)

Non-executive Directors: Keith Getz; Keith Madders; Prabashinee Moodley (appointed 15 August 2018),
Tasneem Karriem (resigned 15 August 2018)

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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