SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

INTEGRATED REPORT 2016

ABOUT THIS REPORT

Spur Corporation is a growing, multi-brand restaurant franchisor with seven brands in South Africa and internationally. The group also owns, and runs, a small number of company-owned (referred to as "retail") restaurants in South Africa. The group's UK operations comprised only retail restaurants, but all retail restaurants in the UK ceased trading by 30 June 2016.

SCOPE AND BOUNDARY

This integrated report ("report") has been prepared by Spur Corporation Ltd ("Spur Corporation" or "the group") to provide stakeholders with an understanding of the group's business model, strategy, past performance and future prospects. It covers the activities of the group for the financial year 1 July 2015 to 30 June 2016, and addresses the material financial and non-financial risks and opportunities that impact value creation and strategy development.

This report includes information relating to local and international franchise, retail and ancillary operations. Environmental information relates only to the South African head office, corporate offices and manufacturing facilities, and excludes international operations and retail and franchise restaurants.

Our broad-based black economic empowerment ("B-BBEE") information was scored and audited against the previous Department of Trade and Industry ("dti") Codes of Good Practice. These codes have since been revised to be more stringent, and a decline in the group's B-BBEE rating is expected. However, due to the complexities and uncertainties of the revised codes, the group has not yet been able to conclude its rating.

Spur Corporation has opted to reduce the amount of information provided in the printed integrated report and indicates where more detail can be accessed online.

COMPARABILITY OF INFORMATION

In December 2015, the group launched Spur Grill & Go – a quick and convenient, fast-casual version of the full-sized Spur Steak Ranch. In addition, the group launched Casa Bella in March 2016 – an upmarket, wood-fired pizza and pasta restaurant chain with locations in Cape Town and Johannesburg.

The group closed its eight remaining retail restaurants in the UK and has ceased trading in this region. All the group's international restaurants are now fully franchised. Apart from these transactions, there have been no significant changes to the business that would affect the comparability of information.

CONTENT DEVELOPMENT

We have determined the content of this report by applying the principle of materiality as described by the International Integrated Reporting Council's <IR> Framework. Content selection took place through an extensive process, with contributions from and an oversight role played by key executive and management. The group considered the interests of all stakeholders throughout the content development process, with emphasis on investors and shareholders as the primary audience.

FRAMEWORKS APPLIED

INTERNATIONAL INTEGRATED REPORTING COUNCIL'S ("IIRC"') <IR> FRAMEWORK

The group considered the recommendations of the IIRC and, in particular, the six capitals, to ensure that the report communicates a holistic and balanced message of value creation over time.

KING REPORT ON GOVERNANCE FOR SOUTH AFRICA, 2009 ("KING III")

The group is governed according to the recommendations of King III, as required by the Johannesburg Stock Exchange (or JSE Ltd ("JSE")). Spur Corporation views King III as a critical framework to ensure that financial and non-financial aspects are integrated in the group's decision-making structures and that the interests of stakeholders are considered at all times.

NAVIGATIONAL TOOLS

Cross-reference to relevant sections within this report

View more information on our website: **www.spurcorporation.com**

GLOBAL REPORTING INITIATIVE ("GRI") G4 REPORTING GUIDELINES

The group has taken guidance from the GRI's G4 Sustainability Reporting Guidelines ("G4 Guidelines"). This is to demonstrate the emphasis placed by Spur Corporation on incorporating non-financial matters as part of the group's strategy development.

THE COMPANIES ACT (ACT NO. 71 OF 2008, AS AMENDED)

JSE LISTINGS REQUIREMENTS

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

APPROVAL

The board acknowledges its responsibility to ensure the integrity of this report. The directors confirm that they have collectively assessed the report's contents and believe it addresses the material challenges and opportunities the group faces, and is a fair representation of the group's performance for the financial year. The board consequently approves the 2016 report for publication.

CONTACT

For further information about this report, or to provide feedback, please contact the company secretary, Nazrana Hawa, at nazranah@spur.co.za or +27 21 555 5100.

CONTENT DASHBOARD

The following content dashboard provides an overview of the information reported by Spur Corporation in 2016. It includes an indication of sections provided in the printed report and those available online.

GROUP AT A GLANCE

WHO WE ARE

Spur Corporation is a growing, multi-brand restaurant franchisor and is one of the most recognised brands in South Africa. The group currently has 575 outlets worldwide, with a vast network of restaurants in Africa, Mauritius and Australia. It is headquartered in Cape Town and is listed in the travel and leisure sector of the JSE.

The group's sit-down family restaurant brands include Spur Steak Ranches (including Spur Grill & Go), Panarottis Pizza Pasta, John Dory's Fish Grill Sushi and The Hussar Grill. In March 2016, it extended its sit-down brands with the launch of Casa Bella – an Italian pizza and pasta restaurant offering a sophisticated yet friendly dining experience. The group also operates the fast-food convenience chains Captain DoRegos and RocoMamas. Each of these seven brands has its own distinctive atmosphere and brand positioning, and offers quality and value-for-money meals while providing customers with an inviting eating experience that is distinctly family-orientated. Spur Corporation has a minority interest in Braviz Fine Foods, a rib processing facility which commenced production in January 2015. The group also operates a sauce manufacturing facility and manages central procurement for South African franchised outlets.

More information is provided in the group's business model on page 8.

Our mission statements

Bringing people together over great food.

- Our business exists to provide fun, memorable experiences over great food for the young and old.
- Our restaurants provide a warm, family-friendly environment with a social atmosphere that allows customers of all ages to relax and enjoy our generous, value-for-money portions of great tasting food, all served with a smile!
- We are committed to providing our customers with outstanding products (food) and excellent service in exciting, vibrant surroundings.
- We promise a consistently excellent experience no matter which outlet our customers visit.

Our vision

Passionate people growing great brands.

To achieve this, we will continue to build a sustainable business with great brands which makes a positive and lasting difference in the lives of our customers, employees, franchisees, communities and the environment.

Our promise

Food is our passion and welcoming you our pleasure

When you meet at your "home away from home" you are treated as family. Our greatest reward is presenting our delicious meals to our families and friends. We never hold back on our generosity, our deliciously prepared food, our laughter or our welcome. We go big on quantity, aroma and especially on taste.

Nothing satisfies us more than pleasing you, our customer.

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

Our brands

Our values

BRAND FAMILY

Being a part of our family means showing your commitment to the Spur Corporation family and its brands.

We are caring and respectful towards our colleagues, customers and business partners.

SPIRIT OF GENEROSITY

Selfless sharing of your knowledge and experiences while being of service to our brands, customers and colleagues.

DAILY EXCELLENCE

Consistent, excellent delivery and eagerness to learn to complete your job with unwavering attention to detail.

FIRED UP – PEOPLE WITH A TASTE FOR LIFE!

A passionate contribution to the development and growth of our brands – having an engaging, enthusiastic and energetic attitude in your area of expertise.

PERFORMANCE HIGHLIGHTS

GROWTH IN COMPARABLE OPERATING PROFIT BEFORE INCOME TAX 9.8%	**REVENUE FROM CONTINUING OPERATIONS** R633.1m ▲ 3.4%	**COMPARABLE DILUTED HEPS** ▲ 3.5%
DIVIDEND PER SHARE 140 cents ▲ 6.1%	**RESTAURANT TURNOVER** R7.0bn ▲ 12.9%	**RETURN ON INVESTMENT PRE-TAX** (capital and dividends) ▼ 11.9%

17 College of Excellence graduates

463 community-focused events hosted

R2.3 million total CSI spend ▲ 47.3%

1.9 million Spur Family Card members accounting for 42% of local Spur restaurant turnover in June 2016

40 outlets refurbished

6 outlets relocated

84 new outlets opened ▲ 47.4%

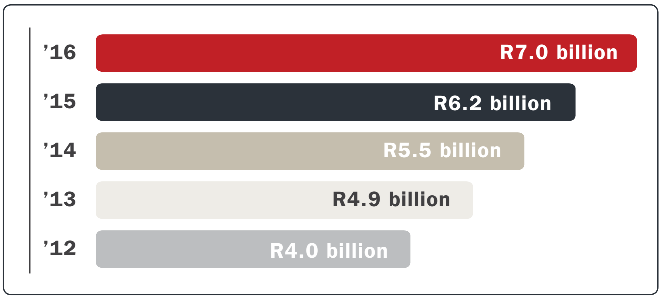
Awards

The group was awarded the Investment Analysts' Society Award for **excellence in communication and financial reporting** to the investment community for the retail services sector of the JSE for the second year in a row.

Spur Steak Ranches was recognised as the **Coolest Place to Eat Out** in the *Sunday Times* Generation Next Survey Awards for the fourth year in a row.

FIVE-YEAR REVIEW

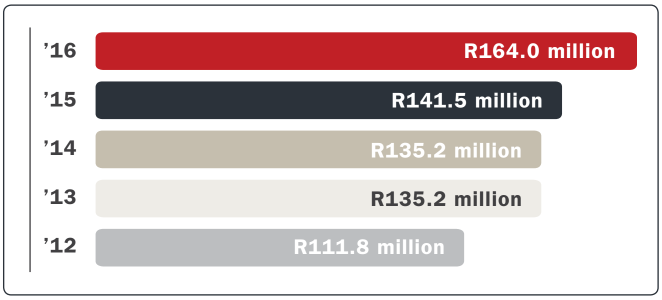
	Note	2016 R'000	2015 R'000	2014 R'000	2013* R'000	2012 R'000
Statement of comprehensive income						
Revenue		**737 371**	760 059	732 636	671 552	503 444
Operating profit before finance income	1	**183 094**	180 805	194 620	190 630	168 936
Adjusted operating profit	2	**218 900**	195 440	194 656	199 288	164 575
Net finance income		**35 626**	24 616	7 251	5 909	6 164
Profit before income tax		**218 720**	205 421	201 871	196 539	175 100
Headline earnings	3	**163 977**	141 511	135 203	135 187	111 795
Statement of financial position						
Property, plant and equipment		**95 480**	86 481	77 289	79 775	73 492
Cash and cash equivalents		**286 582**	304 851	91 966	114 284	98 804
Bank overdraft		**1 155**	3 557	539	1 605	1 854
Statement of cash flows						
Net cash flow from operating activities		**32 619**	28 717	43 355	61 024	59 916
Share statistics						
Weighted average number of shares (000s)	3	**95 955**	92 636	85 633	86 090	87 124
Earnings per share (cents)	3	**141.34**	137.69	159.20	154.05	130.71
Headline earnings per share (cents)	3	**170.89**	152.76	157.89	157.03	128.32
Cash flow earnings per share (cents)	4	**180.80**	168.34	161.23	172.09	136.18
Operating cash flow per share (cents)	5	**33.99**	31.00	52.96	70.88	68.77
Net asset value per share (cents)	6	**902.25**	888.57	606.80	551.80	493.42
Distribution per share (cents)	7	**140.00**	132.00	121.00	111.00	87.00
Distribution cover (times)	8	**1.2**	1.2	1.3	1.4	1.5
Stock exchange performance						
Number of shares in issue (000s)		**108 481**	108 481	97 633	97 633	97 633
Number of shares traded (000s)		**12 363**	18 135	24 231	30 007	22 569
Value of shares traded (R'000)		**403 723**	623 894	742 544	725 956	333 353
Percentage of issued shares traded (%)		**11.40%**	16.72%	24.82%	30.73%	23.12%
Market price per share (cents)						
– close		**3090**	3667	3227	2739	1789
– high		**3825**	4178	3383	3250	1789
– low		**2750**	2720	2629	1700	1235
Headline earnings yield (%)	9	**5.53%**	4.17%	4.89%	5.73%	7.17%
Distribution yield (%)	10	**4.53%**	3.60%	3.75%	4.05%	4.86%
Price earnings ratio		**18.08**	24.00	20.44	17.44	13.94
Market capitalisation (R'000)		**3 352 063**	3 977 998	3 150 617	2 674 168	1 746 654
Business performance						
Operating profit margin (%)	11	**29.69**	25.71	26.57	29.68	32.69
Return on equity (%)	12	**19.73**	17.35	26.38	29.75	25.99
Return on total assets (%)	13	**16.00**	13.39	18.57	20.19	18.31
Liquidity ratio	14	**3.78**	3.30	1.66	1.83	1.91



RESTAURANT TURNOVER

R7.0 billion

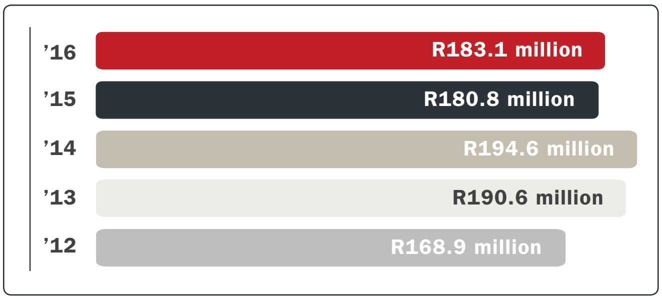
12.9%



HEADLINE EARNINGS

R164.0 million

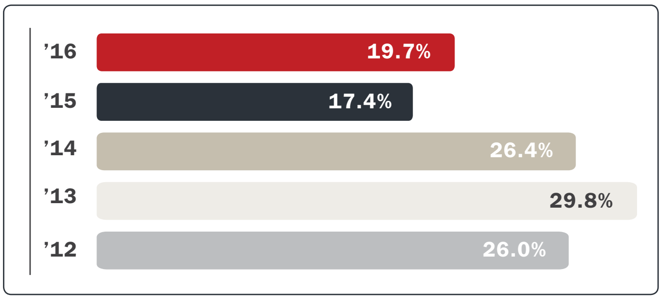
15.9%



OPERATING PROFIT BEFORE FINANCE INCOME (NOTE 1)

R183.1 million

1.3%



RETURN ON EQUITY (NOTE 12)

19.73%

Notes

1 Includes share of profit/loss of equity-accounted investee (net of income tax).
2 Operating profit (see note 1) adjusted for headline earnings adjustments and foreign exchange gain/loss.
3 Refer note 11 of the consolidated financial statements on page 110.
4 Operating profit before working capital changes plus net interest received/(paid) less tax paid divided by the weighted average number of shares in issue.
5 Net cash flow from operating activities divided by the weighted average number of shares in issue.
6 Net asset value divided by the number of shares in issue (net of treasury shares).
7 Interim and final distribution for the financial year to which it relates.
8 Headline earnings per share divided by distribution per share (see note 7).
9 Headline earnings per share divided by the closing share price.
10 Distribution per share divided by the closing share price.
11 Adjusted operating profit (see note 2) divided by revenue.
12 Profit for the year adjusted for headline earnings adjustments and foreign exchange gain/loss divided by equity.
13 Profit for the year adjusted for headline earnings adjustments and foreign exchange gain/loss divided by assets.
14 Current assets divided by current liabilities.

* Restated due to the adoption of *IFRS10 – Consolidated Financial Statements*. Information presented for the 2013 financial year and thereafter has been stated after taking into account the change in policy. Information relating to earlier periods is as previously reported and does not include the impact of the change in policy.

GROUP PROFILE

OUR MARKETS

Spur Corporation diversified its market exposure to expand its reach to a range of appetites, in terms of menu and value. The group implements appropriate strategies to ensure local appeal in the international territories in which it trades.

FAMILY SIT-DOWN:

Spur Steak Ranches, Panarottis and John Dory's

- Focus on family in restaurant design, marketing communication and product
- Structured to provide value to the local middle class

QUICK-SERVICE TAKEAWAYS:

Captain DoRegos

- Focus on quality, quick service and affordability
- Structured to provide value to lower-LSM groups

UPMARKET STEAKHOUSE:

The Hussar Grill

- Focus on quality, premium offering
- Established brand servicing higher-LSM groups

UPMARKET ITALIAN CUISINE:

Casa Bella

- Sophisticated yet friendly dining experience, with an artisanal-style offering
- Established to service higher-LSM groups

GOURMET BURGERS, RIBS AND WINGS:

RocoMamas

- Trendy, fast but personalised concept with an artisanal-style offering
- Well-positioned in the fast-growing local gourmet burger market

ABOUT US

1967
First *Spur Steak Ranch* opens in Newlands, Cape Town

1986
The Spur group lists on the Johannesburg Stock Exchange

1990
First *Panarottis Pizza Pasta* opened

1991
First international outlet opens (in Namibia)

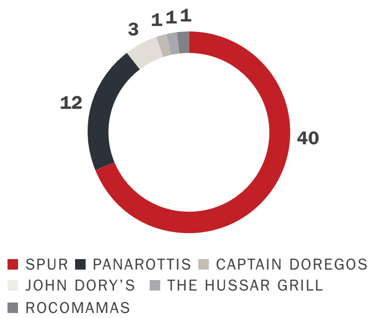
1996
First outlet opens in Australia

1999
Group restructures to form Spur Corporation

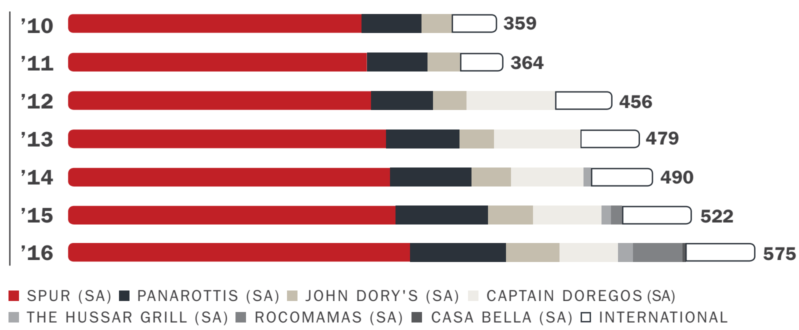
2001
First outlets open in the UK and Ireland

2004
Acquisition of 60% shareholding in *John Dory's Fish Grill Sushi* (and a further 5% in 2006)

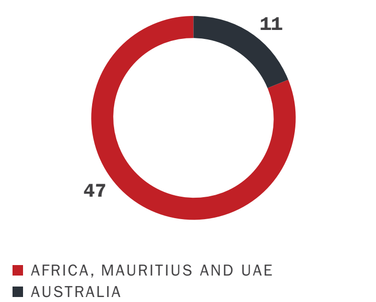
INTERNATIONAL RESTAURANTS BY BRAND



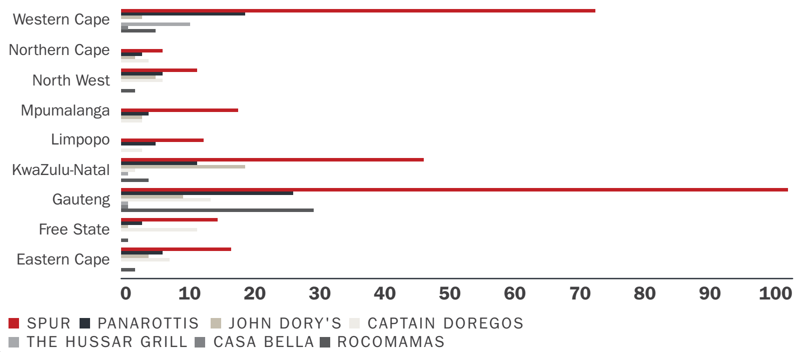
TOTAL RESTAURANTS



INTERNATIONAL RESTAURANTS BY LOCATION



SOUTH AFRICAN RESTAURANTS BY PROVINCE



2012
Group acquires *Captain DoRegos* franchise and distribution centre businesses

2012
Acquisition of the remainder of *John Dory's* shareholding

2014
Acquisition of Cape-based upmarket steakhouse *The Hussar Grill*

2014
Acquisition of 30% interest in start-up rib processing facility, *Braviz Fine Foods*

2015
B-BBEE deal concluded with Grand Parade Investments acquiring a 10% shareholding locked in for five years

2015
Group acquires 51% of gourmet burger brand *RocoMamas*

2016
First *Casa Bella* opened

First *Grill & Go* opened

2016
Group ceased trading in the UK

BUSINESS MODEL

Spur Corporation's business model is built on strong values and the core relationships between franchisor, franchisee, suppliers, service providers and customers. The group is driven to leverage its financial, manufactured, intellectual, human, social and relationship, and natural capital to achieve its strategic objectives of sustainably growing operations and maximising returns.

FINANCIAL CAPITAL

- Equity raised and retained earnings
- Access to debt funding to fund operations (salaries, maintenance capital expenditure, operating costs, training costs, taxes, interest and capital distributions)
- Funding for future growth (organic growth, acquisitions, expansion and capital expenditure)

MANUFACTURED CAPITAL

- The land and buildings from which the group operates
- Furniture and fittings and computer equipment
- Vehicles
- Equipment in the sauce factory and décor manufacturing plant, including the finished stock of goods manufactured at these facilities

INTELLECTUAL CAPITAL

- The know-how, experience and operational knowledge the group has developed over the past 49 years in the family restaurant business
- The intellectual capital is used to support franchisees in running successful businesses and to identify new opportunities for growth

HUMAN CAPITAL

- Group employees, responsible for implementing strategy, supporting the franchisee network and meaningfully engaging with stakeholders
- Franchisee employees who ensure that the high standards are upheld and excellent customer relationships are maintained according to each brand character
- The group dedicates significant amounts of financial capital to the training of group employees and franchisee employees

SOCIAL AND RELATIONSHIP CAPITAL

- The relationships developed and maintained with customers through brand-building initiatives, excellent food and service, loyalty programmes and customer care centre
- The group's relationships with franchisees and suppliers
- The community work carried out through the activities of the Spur Foundation

NATURAL CAPITAL

- Environmental resources the group depends on in the form of clean air and water
- The group manages its impact through various programmes to increase energy efficiency, reduce water use and minimise waste

FRANCHISE AND RETAIL OUTLETS

Franchised restaurants are run by independent, entrepreneurial franchisees who are responsible for the day-to-day operations of the restaurants, with ongoing group support provided by experienced brand- and region-specific operations teams.
Spur Corporation owns one RocoMamas and four The Hussar Grill outlets locally and all the outlets in the UK and Ireland (until June 2016) – the group is directly involved in the daily operations of these outlets.

OUR VALUES

- BRAND FAMILY
- SPIRIT OF GENEROSITY
- DAILY EXCELLENCE
- FIRED UP – PEOPLE WITH A TASTE FOR LIFE!

Spur Corporation provides a range of centralised group services to support its local and international network of franchise and retail restaurant operations across its seven brands, with franchise and procurement fees as key revenue drivers.

REVENUE DRIVERS

Local franchise operations

Predominantly franchised restaurants in South Africa

- Operational support – monthly visits to assess food safety, product and service standards against group and regulatory requirements
- Store development – dedicated management of new franchises, relocations and refurbishments, including site selection, construction, project management and store openings

International operations

Spur Corporation's operations in Africa and abroad – retail and franchise outlets

- International head office in the Netherlands

Procurement, manufacturing and distribution

Sustainable supply chain relationships with outsourced logistics service provider, suppliers and franchisees

- Distribution – Spur Corporation's procurement function ensures food safety, quality and a stable supply for centrally procured items and earns a procurement fee based on the value of goods transported by its outsourced distribution network
- Sauce manufacturing factory and Braviz Fine Foods
- Certain products are sold directly to consumers in major South African retailers, including sauces, ribs and burgers

GROUP FUNCTIONS

Group services

Providing franchisees with the resources to deliver a consistently high-quality product in line with each brand promise

- Group marketing
- Customer care centre
- Training – head office employees, franchisees and franchise employees, including Spur College of Excellence

Corporate support services

Centralised functions at group level

- Facilities management
- Executive
- Human resources
- Export
- Information technology
- Finance and legal

OUR OUTPUTS

Products, services, by-products or waste

- Over 415 000 litres of sauce manufactured and 165 metric tons of ribs processed per month
- 2 925 kl water used to support operations
- 44% of waste at head office is composted

Restaurant footprint in South Africa:

- 286 Spur Steak Ranches
- 81 Panarottis
- 45 John Dory's
- 49 Captain DoRegos
- 12 The Hussar Grills
- 42 RocoMamas
- 2 Casa Bella

International footprint:

- 47 franchise outlets in Africa and Mauritius
- 11 franchise outlets in Australia

OUR OUTCOMES

The consequences that an organisation's business activities and outputs have on the six capitals

- Experienced brand-specific operations teams provide ongoing support to franchisees to maintain the highest levels of service and satisfaction across all restaurants
- A commitment to excellent customer service and great brands ensures that the group continues to grow its reputation
- The activities of the Spur Foundation support the nutrition and provision of basic services to children from disadvantaged communities across South Africa
- Formal corporate governance structures and procedures ensure ethical and balanced decision-making practices to the benefit of all stakeholders

INVESTMENT CASE

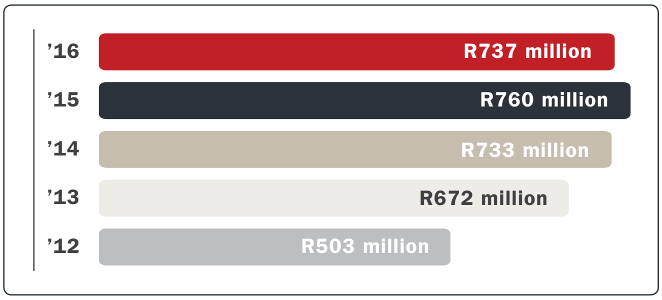
Spur Corporation has been operating for 49 years and has grown into one of South Africa's most recognised brands, demonstrating consistently strong revenue and operating profit growth, efficient capital management and a stable dividend policy. This demonstrates the group's commitment to generating sustainable returns for its providers of financial capital – supported by the two complementary objectives of Spur Corporation's strategy:

- Growing revenue (focused on expanding into new territories and acquiring new businesses, while growing the footprint of existing brands)
- Maintaining a sustainable business (supported by a responsive and agile franchise model, and the ongoing monitoring of the broader social and environmental risks and opportunities faced by the group)

More information on Spur Corporation's strategy is provided from page 33.

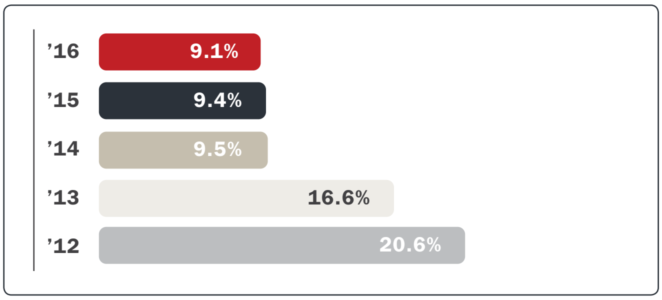
The key priorities that support the effective implementation of Spur Corporation's strategy and leverage the group's competitive advantage are outlined below:

STRONG FINANCIAL PERFORMANCE



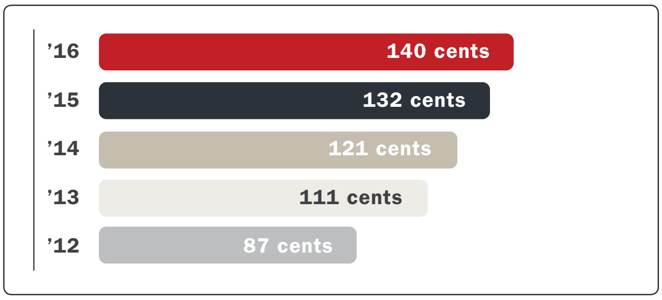
REVENUE

R737 million



GROWTH IN COMPARABLE PROFIT BEFORE FINANCE INCOME

9.1%



DIVIDEND PER SHARE

140 cents

Well-established and diverse brands serving a full range of customers

- Exposure to three of South Africa's largest and most well-established restaurant chains that service the country's fast-growing middle class: Spur Steak Ranches, Panarottis Pizza Pasta and John Dory's Fish Grill Sushi
- RocoMamas is a fast-growing "Smashburger" brand that offers a niche, fast-casual dining experience. Captain DoRegos extends the group's franchise interests in the lower-LSM sector and fast-food market, while The Hussar Grill and Casa Bella add an upmarket steakhouse and wood-fired pizza and pasta chain to the group's brand portfolio
- Customer loyalty programmes across brands offer value for money in family-friendly environments, locally and internationally

Local and international operations

- The group's presence is predominantly in South Africa, but extends to Australia, Mauritius and certain countries in Africa (including Namibia, Botswana, Kenya, Lesotho, Malawi, Nigeria, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe)
- Sustained focus on new business developments and on expanding Spur Corporation's footprint in high-growth markets across Africa and Australasia
- New store formats such as Spur Grill & Go and smaller format Spur (to be launched in the 2017 financial year) offer untapped market growth in sites and locations previously not targeted by the group

Strong and committed leadership

- The directors and senior executives – many of whom started their careers working in individual outlets – guarantee industry expertise and an operational style reflective of the fundamentals on which the group was built: people, entrepreneurial flair, customer focus, operational excellence, empowerment and learning, and prudent and considered decision-making

Procurement, manufacturing and distribution

- Spur Corporation's procurement function ensures food safety, quality and a stable supply
- Relationships with outsourced logistics service providers, suppliers and franchisees are sustainably managed

Group services and marketing support

- The group's marketing department provides marketing and promotional services to franchisees
- Training and corporate support services are provided to franchisees to ensure the delivery of a consistently high-quality product in line with each brand promise

Ongoing assessment, management and monitoring of key business risks

- Risks are identified, assessed and managed as part of the group's day-to-day operations at various levels of management
- Considering the current volatility of the food and retail sector, the board remains risk averse, and long-term growth opportunities are assessed by monitoring the performance of existing operations against current industry trends

GROUP LEGAL STRUCTURE

– All entities are domiciled in South Africa unless otherwise stated
– All entities are wholly owned unless otherwise stated
– Excludes dormant and non-trading companies

- Holding companies
- Franchise companies
- Retail outlet entities
- Advertising companies
- Other entities
- % Interest in company

SPUR CORPORATION LTD

SPUR GROUP PROPERTIES (PTY) LTD
Property owning company

SHARE BUY-BACK (PTY) LTD
Treasury share company

SPUR GROUP (PTY) LTD
Franchisor for Spur, Panarottis, Captain DoRegos,The Hussar Grill and Casa Bella in South Africa

THE MORNINGSIDE GRILL (PTY) LTD
The Hussar Grill, Morningside
(refer note 37.2 on page 139 of this report)

NICKILOR (PTY) LTD
The Hussar Grill, Rondebosch

68%
OPILOR (PTY) LTD
The Hussar Grill, Mouille Point and RocoMamas, Green Point
(refer note 37.1 on page 139 of this report)

OPISET (PTY) LTD
The Hussar Grill, Camps Bay

30%
BRAVIZ FINE FOODS (PTY) LTD
Start-up rib processing facility

SPUR INTERNATIONAL LTD BVI
British Virgin Islands
International holding company

STEAK RANCHES INTERNATIONAL BV
The Netherlands
International franchisor

SPUR CORPORATION UK LTD
United Kingdom

SPUR FRANCHISE NAMIBIA (PTY) LTD
Namibia

SPUR ADVERTISING NAMIBIA (PTY) LTD
Namibia

DISCONTINUED OPERATION

(refer note 4 on page 98 of this report)

LARKSPUR ONE LTD
Cheyenne Spur O_2 Arena London, United Kingdom
Ceased trading on 6 March 2016

LARKSPUR TWO LTD
Silver Lake Spur Lakeside London, United Kingdom
Ceased trading on 1 July 2015

80%
LARKSPUR THREE LTD
Apache Spur Aberdeen, United Kingdom
Ceased trading on 22 September 2015

LARKSPUR SIX LTD
Nevada Spur Belfast, Ireland, United Kingdom
Ceased trading on 30 June 2016

LARKSPUR SEVEN LTD
Two Rivers Spur Staines, United Kingdom
Ceased trading on 30 June 2016

LARKSPUR EIGHT LTD
Rapid River Spur, Dublin, Ireland
Ceased trading on 30 June 2016

LARKSPUR NINE LTD
Soaring Eagle Spur Leicester, United Kingdom
Ceased trading on 29 February 2016

LARKSPUR TEN LTD
Spur RBW Corby, United Kingdom
Ceased trading on 30 June 2016

MOHAWK SPUR LTD
Mohawk Spur Wandsworth, United Kingdom
Ceased trading on 28 February 2015

SPUR ADVERTISING UK LTD
United Kingdom
Ceased trading on 30 June 2016

TRINITY LEASING LTD
United Kingdom
Landlord for Spur Corporation UK Ltd and Larkspur Seven Ltd
Ceased trading on 30 June 2016

CONSOLIDATED STRUCTURED ENTITIES

THE SPUR MANAGEMENT SHARE TRUST

Structured entity relating to employee incentive schemes (refer note 2.1 on page 94 of this report)

THE SPUR FOUNDATION TRUST

Benevolent foundation directing the group's corporate social investment initiatives

SPUR ADVERTISING (PTY) LTD

PANAROTTIS ADVERTISING (PTY) LTD

JOHN DORY'S ADVERTISING (PTY) LTD

THE AD WORKSHOP (PTY) LTD
t/a Captain DoRegos Advertising

THE HUSSAR GRILL ADVERTISING (PTY) LTD

JOHN DORY'S FRANCHISE (PTY) LTD
Franchisor for John Dory's

51%
ROCOMAMAS FRANCHISE CO (PTY) LTD
Franchisor for RocoMamas

Acquired effective 1 March 2015 (refer note 35.1 on page 138 of this report)

ROCOMAMAS ADVERTISING (PTY) LTD

SPUR CORPORATION AUSTRALIA PTY LTD
Australia

SPUR ADVERTISING AUSTRALIA PTY LTD
Australia

PANAROTTIS ADVERTISING AUSTRALIA PTY LTD
Australia

BOARD AND MANAGEMENT

Executive directors

Allen Ambor (75)
Executive chairman
49 years of service
B.A. – University of Witwatersrand

Allen opened the first Spur Steak Ranch in 1967. He is the creative custodian for all TV, radio and print advertisements. He is involved in the interaction between group marketing and the brand agencies, and guides the board on issues that have substantive bearing on the future direction and strategy of the company.

Pierre van Tonder (57)
Chief executive officer
34 years of service

Pierre joined the group in 1982 as a junior restaurant manager. He held several senior management positions before being appointed as director of Spur Steak Ranches Ltd and Spur Holdings in 1992. Pierre was appointed as managing director/chief executive officer in 1996.

Pierre is responsible for the group's overall strategy and operations. He is also the group's chief risk officer, the chairman of the risk, transformation, human resources productivity, IT steering and treasury committees and a member of the social, ethics and environmental sustainability committee.

Mark Farrelly (52)
Chief operating officer
26 years of service
B.A. – University of Cape Town

Mark joined Spur Corporation in 1990 as an operations manager and was promoted to regional operations manager in 1995. He was appointed to the board in 1999 and appointed as chief operating officer in 2012.

Mark is responsible for developing and implementing the local group strategy.

Ronel van Dijk (44)
Chief financial officer
13 years of service
B.Acc (Hons) – University of Stellenbosch; CA(SA)

Ronel joined Spur Corporation as group financial manager in 2003. In 2005, she was appointed as chief financial officer and company secretary, joining the board in 2006.

Ronel is responsible for the finance, administrative, legal and compliance functions of the group. She also fulfils a supervisory function for information technology, human resources and transformation. She has been involved in the international growth strategy of the group since 2008 and was appointed as the chairperson of the Spur Foundation Trust's board of trustees in 2014.

Non-executive directors

Keith Getz (60)
Non-executive director
25 years of service
B.Proc; LLM – University of Cape Town

Keith is a practising attorney and a senior partner of Bernadt Vukic Potash & Getz, the group's principal legal counsel. He was appointed to the board in 1991. Keith is a director of various international subsidiaries of the group, and chairs the social, ethics and environmental sustainability committee. He sits on the boards of Mr Price Group Ltd and various private companies.

Dean Hyde (49)
Independent non-executive director
22 years of service
B.Com (Legal) – University of Witwatersrand; Canadian Chartered Accountants' Board Examination

Dean joined Spur Corporation as financial manager and was the financial director for five years. He resigned in 2004 and was subsequently appointed as a non-executive director. Dean is currently the chief financial officer of Lombard Insurance Ltd. Dean chairs the audit committee.

Muzi Kuzwayo (48)
Independent non-executive director
8 years of service
B.Sc (Biochemistry and Microbiology) – Rhodes University; Executive MBA – University of Cape Town

Muzi is a visiting professor at the UCT Graduate School of Business. He is the founding chief executive officer of Ignitive, a marketing and advertising consulting company. Muzi is an author and a commentator on advertising and marketing. He was appointed to the board in 2008 and is a member of the group's audit, nominations and transformation committees. He chairs the remuneration committee.

Keith Madders MBE (68)
Non-executive director
21 years of service
B.Com (Economics) – University of Cape Town

Keith trained as an investment analyst before joining the music industry. He lectured and established various businesses and charitable organisations in the UK, where he was awarded an MBE in the Queen's 2002 Honours List for services to the Zimbabwe Trust.

Non-executive directors

Dineo Molefe (39)
Independent non-executive director

3 years of service
B.Compt (Hons) – Unisa; Master's in International Accounting – University of Johannesburg; CA(SA); Advanced Management Program – Wharton Business School, University of Pennsylvania

Dineo held various audit and finance positions at the Industrial Development Corporation, Eskom Holdings Ltd, Sizwe Ntsaluba VSP, Thebe Investment Corporation and Vodacom. She is currently chief financial officer of T Systems South Africa and a non-executive director on the board of Clientèle Ltd. She was appointed to the board in September 2013 and is a member of the audit committee.

Mntungwa Morojele (57)
Independent non-executive director; lead independent director

6 years of service
CA (Lesotho); Higher National Diploma in Business Studies – Farnborough College of Technology, UK; Bachelor's of Business Administration – University of Charleston, USA; M.Acc – Georgetown University, USA; MBA – University of Cape Town

Mntungwa has established and managed various companies, including Briske Performance Solutions and Motebong Tourism Investment Holdings (Pty) Ltd. He has served on the boards of Gray Security Services Ltd and the UCS Group Ltd. He was appointed to the Spur Corporation board in 2010 and appointed as lead independent director on 1 March 2011. He is also a member of the group's audit, remuneration and transformation committees and is chairman of the nominations committee.

Alan Keet (48)
Non-executive director

1 year of service
Appointed pursuant to the terms of the B-BBEE agreement with GPI
B.Compt (Hons) – Unisa; CA(SA)

Alan is the chief executive officer of Grand Parade Investments, a position which he has held since April 2012. He previously served as the chief executive officer of Nolands Cape Town and Nolands South Africa, where he completed his articles and subsequently became a partner in 1998. Alan was appointed to the Spur Corporation board on 2 February 2015.

Key management

Brian Altriche (46)
Chief operating officer: RocoMamas
1 year of service

Samkelo Blom (44)
Group human resource and transformation executive
3 years of service

Robin Charles (42)
National procurement executive
8 years of service

Leonard Coetzee (43)
Chief operating officer: John Dory's
20 years of service

Sacha du Plessis (38)
Group marketing executive
9 years of service

Justin Fortune (44)
Chief operating officer: The Hussar Grill
16 years of service

Blaine Freer (51)
Group development executive
17 years of service

Tyrone Herdman-Grant (45)
Chief operating officer: Panarottis
18 years of service

Cobus Jooste (40)
National training executive
11 years of service

Derick Koekemoer (46)
Franchise executive: Africa
12 years of service

Patrick Lawson (45)
Group technology executive
7 years of service

David Maich (44)
Franchise executive: UK
5 years of service
(resigned March 2016)

Phillip Matthee (38)
Group finance executive
9 years of service

Julian Odendaal (40)
Chief operating officer: Captain DoRegos
10 years of service

Kevin Robertson (50)
National franchise executive
25 years of service

José Vilar (58)
Franchise executive: Australia
25 years of service

Duncan Werner (56)
Group procurement and development executive
28 years of service

Peter Wright (65)
Group human resource executive
25 years of service
(retired 30 June 2016)

MATERIAL MATTERS

To implement its strategy and create long-term sustainable value for its stakeholders, Spur Corporation must respond to material risks and capitalise on inherent opportunities in its operating environment. This includes identifying certain economic, environmental and social matters that Spur Corporation believes could most substantively impact the group's ability to achieve its dual strategic objectives of growing revenue and maintaining a sustainable business.

These material matters, shown in the table below, were derived from a range of sources, including:

– An annual group risk assessment
– Management and board discussions
– Feedback from stakeholder interactions
– Sustainability and integrated reporting guidelines

Each economic material matter highlighted below is discussed in more detail as part of the strategy section from page 33, with social and environmental information available online.

		MATERIAL MATTER	IMPORTANCE	STRATEGY	MORE DETAIL
ECONOMIC	STRATEGIC	**Sustainable local franchise model**	Outlet and franchisee profitability is a critical focus area. The franchise model is continually refined to maintain profitability in changing markets and to attract franchisees.	**Sustainable business**	**36**
ECONOMIC	STRATEGIC	**Store design and specifications**	Intelligent store design reduces set-up costs, running costs and labour costs. It can increase efficiency and reduce the environmental impact of an outlet. Smaller format stores increase the range of potential locations available.	**Growing revenue/ Sustainable business**	**37**
ECONOMIC	STRATEGIC	**Menu engineering**	Menu engineering optimises sales mix, food cost and product range. This enables the group to meet customers' needs while supporting franchisee profitability.	**Sustainable business**	**37**
ECONOMIC	STRATEGIC	**International expansion**	Growing the group's brands in new markets grows the group and its revenues, and diversifies its geopolitical risk across regions.	**Growing revenue**	**38**
ECONOMIC	STRATEGIC	**Product responsibility (procurement)**	Food quality and food safety are critical considerations in the restaurant industry. We have a number of initiatives in place to ensure that our food is of a consistent high quality.	**Sustainable business**	**39**
ECONOMIC	OPERATIONAL	**Efficient use of resources to reduce costs**	The rising cost of electricity and gas and the growing scarcity of water makes it imperative that outlets explore innovative ways to increase water and energy efficiency.	**Sustainable business**	**38**

		MATERIAL MATTER	IMPORTANCE	STRATEGY	MORE DETAIL
SOCIAL	STRATEGIC AND OPERATIONAL	**Regulatory compliance**	As a responsible corporate citizen, Spur Corporation needs to ensure that it stays aware of developing legislation.	**Sustainable business**	
		Health and safety	Ensuring the health and safety of employees, including franchisee employees and customers is an important legal, ethical and reputational concern.	**Sustainable business**	
		Customer service	Excellent customer service, rewarding loyalty programmes and a dedicated customer service centre build brand loyalty and encourage repeat business.	**Growing revenue**	
		Community support	Spur Corporation aims to make a positive and lasting difference in the lives of its communities through the activities of the Spur Foundation.	**Sustainable business**	
		Human capital and skills development	Investing in the skills and personal development of employees and those of franchisees ensures the long-term success of the group and its brands.	**Sustainable business**	
		Transformation	Spur Corporation is committed to the principle of transformation. The amended dti Codes of Good Practice are expected to result in a decline in the group's B-BBEE rating. However, due to the complexities and uncertainties of the revised codes, the group has not yet been able to conclude a new rating.	**Sustainable business**	
ENVIRONMENTAL	STRATEGIC	**Strategic resource management**	While the group's direct environmental impact is relatively small, the broader impact of the group and its franchisees' outlets is significant and should be managed responsibly.	**Sustainable business**	
		Procurement	Spur Corporation has a responsibility to ensure that raw materials are sourced from sustainable and ethical suppliers.	**Sustainable business**	
	OPERATIONAL	**Operational resource management**	The group supports environmentally responsible franchisees through the use of the green operations report and through the monitoring of environmental key performance indicators. The green operations report is a bi-annual assessment of franchisees' compliance with the group's environmental guidelines. The report also assists franchisees to identify opportunities to implement or improve environmental initiatives, often resulting in cost savings through reduced electricity and water consumption and waste reduction, as well as by opening new revenue streams linked to income generated through recycling.	**Sustainable business**	

STAKEHOLDER MATRIX

Spur Corporation subscribes to the inclusive approach to stakeholder engagement as recommended by King III. Stakeholders are defined as any individual or group that has an impact on, or is affected by, the group's operations. The group aims to engage respectfully with stakeholders to understand their needs and concerns, and address these where possible.

Stakeholder group		Engagement	Key concerns	Related material matter	Strategic response
STAKEHOLDER GROUP	EMPLOYEES	– HR road shows – Intranet – Company values – Open-door policy	– Fair remuneration – Career opportunities – Transformation – Skills development	– Human capital and skills development – Transformation – Health and safety	– HR policies ensure employees are appropriately incentivised and remunerated, and have the opportunity to develop and progress in their careers. – The group's transformation strategy supports the upliftment of historically disadvantaged individuals. – Investment in skills development is ongoing.
	SHAREHOLDERS	– Analysts' presentations – Annual general meeting – SENS – One-on-one meetings – Website	– Prudent capital allocation – Return on investment – Transformation	– Sustainable local franchise model – International expansion – Regulatory compliance – Transformation	– Management's interests are aligned with shareholders' through the long-term incentive programmes. – The management team has experience in the restaurant industry and a conservative approach to international expansion.
	FRANCHISEES	– Road shows – Extranet – Advisory committees – Restaurant visits – Conversation cafés	– Return on investment – Ongoing support	– Sustainable local franchise model – Store design and specifications – Menu engineering – Efficient use of resources to reduce costs – Operational resource management – Procurement	– Operations management teams interact with franchisees on an ongoing basis to offer support in running a successful business. – The group offers training to franchisee employees on all aspects of running and managing a profitable restaurant. – The outsourced distribution model enhances procurement efficiencies, while maintaining food safety standards and consistent product quality.

STAKEHOLDER GROUP	ENGAGEMENT	KEY CONCERNS	RELATED MATERIAL MATTER	STRATEGIC RESPONSE
SUPPLIERS	– Day-to-day interaction – Supplier audits – Assessments – Meetings	– Fair payment terms – Certainty of supply – Fair treatment	– Strategic resource management – Procurement	– The procurement team interacts with suppliers on a day-to-day basis to ensure a shared understanding of suppliers' concerns and group policies. – Suppliers to the group operate according to normal contractual terms.
CUSTOMERS AND FUTURE CUSTOMERS	– Customer care centre – Social media – Loyalty programmes – Spur Secret Tribe – *Totem* magazine	– Excellent food – Great service – A welcoming family experience	– Health and safety – Customer service – Community support	– Operations management inspections cover food quality, customer service and restaurant management. – Stringent food safety standards are applied to suppliers and the group's manufacturing facilities. – The group takes resolving complaints seriously and has robust and formalised complaint handling procedures in place, and a 24-hour customer care line. – The ongoing revamp programme ensures outlet design and specifications are kept up to date and in line with group quality standards.
COMMUNITIES AND POTENTIAL CUSTOMERS	– Corporate social investment ("CSI") – Outdoor events	– Ongoing support	– Customer service – Community support	– CSI initiatives are run through the Spur Foundation and aim to provide ongoing support for underprivileged youth. – The group's sponsorship of a multitude of outdoor events encourages a healthy and fun lifestyle.

CASE STUDY:

CUSTOMER SERVICE

Customer satisfaction is one of Spur Corporation's important value drivers. Ensuring excellent customer service is not only a key component of the brand promise at each restaurant, it is also an essential part of growing and retaining a loyal customer base.

Training given to franchisee employees includes a strong emphasis on excellent customer service. The Modular Training Programme and Management Prestige Programme also train restaurant management on how to manage and resolve complaints in store quickly and efficiently.

Spur Corporation's in-house customer service centre is an important touchpoint and base for monitoring consumer relations, and provides support to franchisees. Interactions across all brands averaged 8 000 contacts a month, with 89% relating to queries from franchisees and customers and only 6% representing complaints. The customer service centre also provides an efficient feedback mechanism to franchisees to ensure any required operational improvements are addressed and includes an escalation mechanism where necessary.

Social media is an equally important channel for interacting with customers and ensuring complaints are addressed. A social media team monitors and responds to queries, compliments and complaints posted to popular sites, such as TripAdvisor, GoReview, Facebook and Twitter. Negative comments are forwarded to the customer service centre for logging and resolution.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

Allen Ambor
Executive chairman

Spur Corporation delivered another resilient performance supported by the strength of the group's brands and loyal customer base.

The South African economic context remains challenging, particularly for the retail market and food sector. Slowing economic growth, sociopolitical instability and continued pressure on consumers' disposable income – a key driver of restaurant turnover – remain a concern. While we continue to be competitive and counter this difficult environment by attracting cash-strapped customers through aggressive, value-focused marketing campaigns, such as our weekday specials, the sustained pressure on consumers is likely to act as a drag on earnings for our South African operations. In addition, several international brands have recently entered the South African market. While these are not considered direct competitors to the group's brands, they further increase the fight for share of stomach in an already highly competitive sector.

Nevertheless, Spur Corporation delivered another resilient performance supported by the strength of the group's brands and loyal customer base. Total restaurant sales across the group grew by 12.9% to R7.0 billion (2015: R6.2 billion), with sales from existing restaurants increasing by 5.3%. Restaurant sales in South Africa grew by 13.0%, while international restaurants increased sales by 12.1% in rand terms. In constant currency terms, international restaurant sales increased by 2.8%, a creditable performance given the 40.1% decline (in constant currency terms) in the contribution from the UK restaurants, which ceased trading during the year.

A CREDITABLE PERFORMANCE IN A CHALLENGING OPERATING ENVIRONMENT

The performance of RocoMamas, the trendy "Smashburgers", ribs and wings franchise acquired by the group in March 2015, has been a major highlight and has exceeded expectations. With an original plan to open 15 new RocoMamas outlets, the group opened a total of 33 to meet the unprecedented demand. Resonating with franchisees and customers, franchisee interest in the brand remains strong and we receive ongoing enquiries about franchise opportunities locally and abroad. In total, RocoMamas contributed R12.2 million to group profit before income tax.

Panarottis had another good financial year and the brand is now well entrenched in the minds of consumers, potential franchisees and landlords. John Dory's also showed pleasing growth. The refreshed look and feel was well received by customers and franchisees alike, and we opened eight new outlets in South Africa. Five The Hussar Grill restaurants were opened – two in Gauteng, one in KwaZulu-Natal, one in the Western Cape, and our first outside the country, in Lusaka, Zambia. The performance across these outlets continues to justify our confidence in the brand.

TOTAL RESTAURANT SALES

R7.0 billion

↑12.9%

DIVIDEND PER SHARE

140 cents

↑6.1%

The group also launched Casa Bella, our new upmarket, Italian-themed pizza and pasta dining experience. Two restaurants were opened – one in the Western Cape and one in Gauteng – and both have shown impressive growth in the early stages, giving us confidence in this brand moving forward.

Spur Steak Ranches delivered another creditable performance, contributing R206.1 million to group profit before income tax. In December 2015, we took a significant step in expanding the Spur brand with the launch of Spur Grill & Go – a quick and convenient fast-casual version of the full-size Steak Ranch. Three Spur Grill & Go outlets were opened across South Africa. We also completed the evolution of the new-look Spur in Stellenbosch, Western Cape. This included refining the décor and colour scheme to achieve a polished and updated look and feel. The new look will be rolled out nationally, and we look forward to gauging customer response. The Spur Family Card continues to drive sales and customer loyalty, attracting over 15 000 new members each month. The loyalty programme now has 1.9 million active members who account for 41.9% of Spur's restaurant sales.

As a result of the current competitive dynamics of the food and retail sector, many smaller businesses at the lower-income end of the market have shut down or cut prices in a bid for what little disposable income consumers have. This unsustainable trend is reflected in the closure of 13 unprofitable Captain DoRegos outlets.

INTERNATIONAL

Our expansion into Africa, Mauritius and the Middle East is progressing well and we are on track to meet our goal of 100 stores in Africa over the next four years. Eight restaurants were opened across the Africa and Mauritius region. However, we are aware of the need for new businesses to be sustainable in terms of margins. This is particularly challenging given that rental and property prices are predominantly US dollar denominated in many African markets, and franchisees' margins are pressured when local currency values fluctuate.

The high costs of labour and occupancy in the UK proved unsustainable for our business model and we took a strategic decision to exit our loss-making businesses in this region. The UK incurred a loss before income tax of R28.8 million for the year, which includes the trading losses and accounting adjustments arising from closure of the division. Looking forward, we will direct our expansion plans to focus on opportunities in Africa, Australasia and the Middle East. On that note, the franchised restaurants in Australia traded well and we are excited about our new outlet opening in New Zealand early in the 2017 financial year.

PROCUREMENT, DISTRIBUTION AND MANUFACTURING

Procurement and distribution delivered an acceptable result. Profitability in our sauce manufacturing facility was negatively impacted by food inflation and significant increases in certain raw material costs that were absorbed by the group to support franchisee profitability, as well as by increased transport and logistics costs. We saw a continued increase in the percentage of goods centrally sourced through Vector Logistics, our logistics partner and franchisee participation in this model. This helps to ensure consistency of product and broadens the range of suppliers we have access to. It also helps us to manage input costs for the benefit of franchisees by leveraging the group's bulk buying power. However, despite these efficiency gains, food price inflation, drought and rand weakness added to costs. Sourcing a reliable and sustainable seafood supply is also becoming increasingly challenging. This situation will be carefully monitored for risks and opportunities moving forward.

Braviz, our rib manufacturing factory, experienced some challenges. However, the necessary action was taken and the operation showed a significant improvement in the last quarter of the financial year. Vertical integration remains an important strategic goal to secure quality and supply of core ingredients at a reasonable price, but our short-term focus will be on bedding down existing acquisitions.

STRATEGIC OBJECTIVES

The two legs of our strategy are to grow revenue and maintain a sustainable business model. To support revenue growth, we aim to increase turnover at existing restaurants, grow our footprint in markets in which we already operate and in new markets, and add brands that broaden our market reach.

Maintaining a sustainable business starts with ensuring financial sustainability. However, managing environmental and social risks and opportunities is equally important, underpinned by Spur Corporation's commitment to good corporate governance. In the current trading environment, our sustainability depends on our ability to create value through quality, high-value brands that deliver customer satisfaction. We remain committed to delivering a consistently excellent customer experience.

OUR KEY MATERIAL MATTERS

We recognise the potential impact of financial and non-financial risks and opportunities on our reputation in the marketplace and on our ability to execute our strategy. The most significant of these challenges and opportunities have been discussed and derived from a range of sources, including risk assessments and management and board discussions, and are listed in the material matters table on page 16 and discussed in more detail throughout the report.

Sustaining franchisee margins is one of our primary duties as a franchisor and remains a concern, particularly in the current operating environment. The significant increases in energy costs, food price inflation and property costs necessitate constant refinement of the group's operating models. This includes investigating ways to improve the efficient use of resources, including gas, electricity and water, and menu engineering to support profitability while offering value to customers. In addition, we continually review store design and specifications to ensure that these evolve to meet the changing needs of franchisees and that they make efficient use of space and resources. This led to the launch of the smaller format Spur Grill & Go, with three outlets being opened at high-traffic filling station forecourts. Going forward, we will roll out additional compact Spur and Panarottis outlets in smaller towns and travel nodes previously unsuited to the traditional Spur Steak Ranch model. This will enable us to reduce set-up and operating costs and achieve profitable trading in smaller urban areas, while spreading brand awareness.

Spur Corporation is committed to good corporate citizenship. However, uncertainty regarding current and pending regulations affecting our industry is a concern. Our ability to implement our strategy and plan for the future is negatively affected by the lack of clarity around the intended and unintended impact of proposed regulatory changes. This lack of certainty also affects the willingness of potential franchisees to commit funds. Guidelines or insight into current or pending regulations by government would help mitigate this risk. The group engaged directly with the Department of Health on the far-reaching impact of proposed guidelines relating to marketing of food items. This resulted in the Department suspending the implementation of the guidelines, subject to the industry adopting an acceptable self-regulatory approach. The group also engaged directly with the dti on proposed reforms to its Liquor Policy that could negatively impact the ability of franchisees to serve alcohol.

Ultimately, the restaurant business is about people – our customers, those who prepare the food and those who serve it. Therefore, Spur Corporation's investment in skills development is crucial in ensuring we support and harness the best from our human capital. Training and development initiatives provided to franchisee employees further ensure that quality and service is maintained at the highest standard. We also upskill management in-store to better handle complaints. We are proud of the fact that our customer service centre handles nearly 100 000 queries a year, of which only a small fraction are complaints.

Transformation is a concern for the group and something we continue to focus on. The group's B-BBEE performance is anticipated to decline under the revised dti Codes of Good Practice, although at the date of reporting, verification had not yet been finalised. We remain committed to identifying ways to improve our B-BBEE performance over time and we will continue to seek opportunities to support initiatives that will improve transformation in our franchisee base.

We will continue to capitalise on exciting opportunities across the group to retain our competitive edge and attract new customers.

Spur Corporation, along with many of our franchisees, is active in communities through various CSI initiatives that aim to make a positive and lasting difference. Managed by the Spur Foundation, our CSI initiatives reflect its motto "Nourish, Nurture, Now!" through feeding and education programmes for children and the provision of basic necessities and amenities. A total of R2.3 million was spent on CSI initiatives by the group for the year.

From a corporate perspective, our direct environmental impact is small. However, we take the responsibility to manage our use of energy and water seriously, and limit the waste we produce. With the increase in energy costs, and the uncertainty of supply of electricity and water, many franchisees have initiatives in place that aim to minimise the use of these resources. This is important for financial sustainability. Given the volume of goods that the group's franchised restaurants acquire, and through Spur Corporation's relationship with our suppliers, we also have the opportunity to influence positive behaviour in the upstream and downstream supply chain.

OUTLOOK

While we expect conditions in the industry to remain tough, we anticipate positive trading in the year ahead on the back of brand and store expansion within South Africa, tight cost controls and an emphasis on ensuring franchisee profitability. We will also focus on bedding down new restaurants opened during the current financial year, and on growing in new and existing territories where local conditions suit our business model.

We plan to open at least 28 stores across our brands locally and at least nine stores internationally, including additional restaurants in Nigeria and Zimbabwe, our first restaurants in New Zealand and Ethiopia, and RocoMamas outlets in Saudi Arabia, Oman, Kenya and Mauritius.

Human capital is a key driver of performance and, in the upcoming financial year, we will benchmark current employee and franchisee satisfaction to ensure our people are looked after. Alongside this, we will continue to capitalise on exciting opportunities across the group to retain our competitive edge and attract new customers.

THANKS

We would like to thank our shareholders and other stakeholders, and particularly the staff of Spur Corporation, for the hard work done behind the scenes to make the group a success. We thank our franchisees for their unwavering commitment in difficult trading times – despite significant pressure on their margins, they continue to trade aggressively and capitalise on opportunities to grow market share. Finally, we thank our customers for their continued patronage of our business.

Allen Ambor
Executive chairman

Pierre van Tonder
Group chief executive officer

CHIEF FINANCIAL OFFICER'S REPORT

Ronel van Dijk
Chief financial officer

The rapid roll-out of RocoMamas and high demand for its unique product offering was a highlight of the financial year.

Spur Corporation delivered a positive result in a challenging economic and operating environment. Due to persistently high costs and a fiercely competitive operating environment, a decision was taken to exit the UK operation and commence with voluntary liquidation or deregistration procedures for the individual businesses, as appropriate. In addition to trading losses, costs were incurred as a result of closing the division. However, the closure will stem the trading and cash flow losses incurred in the region and benefit future profitability of the group overall. Trading for Captain DoRegos was again negatively impacted by the financial strain experienced by its lower-income target market due to tough local conditions.

Despite these disappointments, the contribution from our Australian operations sustained its positive performance and the group's expansion into Africa progressed well, albeit with some delays and challenges due to the pressure on commodity-based economies and local currency fluctuations against the US dollar. The group's South African operations delivered satisfying results in the face of consumer pressure and minimal economic growth. The rapid roll-out of RocoMamas and high demand for its unique product offering was a highlight of the financial year.

Total restaurant sales increased by 12.9% to R7.0 billion (2015: R6.2 billion) due to good growth from our core brands and the inclusion of RocoMamas for a full 12 months (2015: four months). Sales from existing restaurants increased by 5.3%, reflecting the challenging trading conditions and the 29.0% fall in contribution from the UK division.

Group revenue from continuing operations increased by 3.4% to R633.1 million (2015: R612.4 million) and group profit before income tax from continuing operations increased by 16.7% to R247.6 million (2015: R212.1 million).

Group operating profit before finance income (including share of profit/loss of equity-accounted investee (net of income tax)) did not achieve the target of R257.7 million, primarily due to:

- The disappointing performance of the Braviz rib manufacturing facility for the year under review. The initial start-up phase took longer than expected, but performance has improved in the last quarter of the financial year.
- The trading losses and closure costs incurred in the UK.
- The hedging cost related to the group's cash-settled long-term share-linked employee retention scheme.
- The one-off and exceptional items listed in the comparable profit table on page 26.

Comparability of group profit before income tax and headline earnings per share is distorted by a number of one-off and exceptional items that are reconciled in the tables on pages 26 and 28 of this report. Adjusting for these distortions, comparable profit before income tax increased by 9.8%, comparable profit before finance income increased by 9.1% and comparable headline earnings per share increased by 3.5%.

REVENUE FROM CONTINUING OPERATIONS

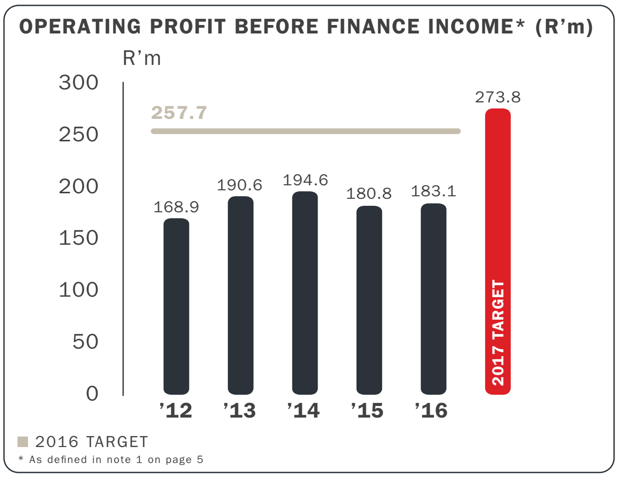
R633.1 million

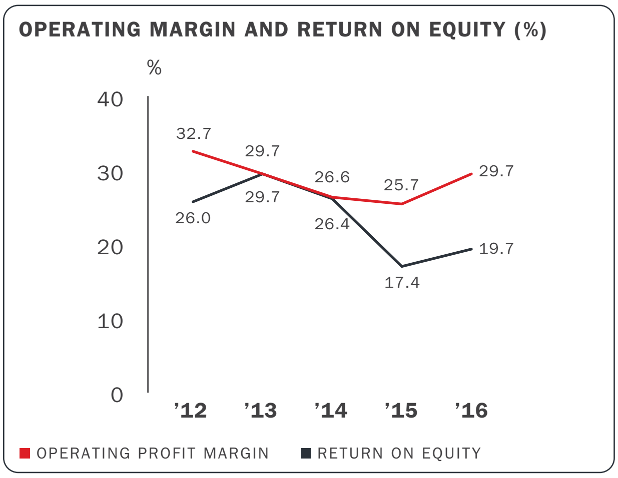
3.4%

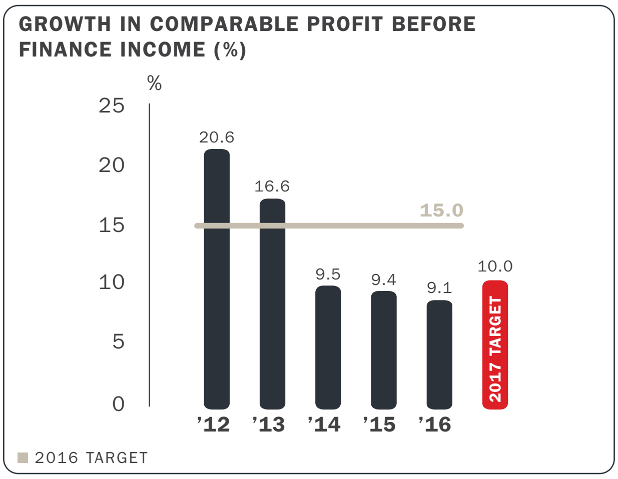
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS

R247.6 million

16.7%







The target of 15% growth in comparable profit before finance income was not achieved due to the same factors that affected operating profit.

Operating margin and return on equity both improved relative to the prior year, mainly due to the inclusion of the one-off share-based payment expense relating to the GPI B-BBEE transaction in the prior year.

Further improvement in the group's operating margin should be expected in future years, due to the closure of the company-owned restaurants in the UK, and Australia becoming fully franchised in the 2015 financial year. Franchise businesses operate at substantially higher margins than retail businesses. As from 30 June 2016, all international operations operate exclusively as franchise businesses.

FINANCIAL PERFORMANCE

The table below reconciles profit before income tax to comparable profit before income tax. The table shows key items included in the calculation of profit and is not intended to indicate sustainable or maintainable profit.

COMPARABLE OPERATING PROFIT RECONCILIATION	2016 R'000	2015 R'000	% change
Profit before income tax	**218 720**	205 421	6.5
Exclude loss from discontinued operation (UK)	**28 847**	6 673	
Profit before income tax – continuing operations	**247 567**	212 094	16.7
Acquisition-related costs	**–**	233	
Foreign exchange loss/(gain)	**3 769**	(2 108)	
GPI B-BBEE transaction	**(21 992)**	19 554	
Impairment losses	**18 969**	13 905	
International structure and tax query costs	**–**	1 310	
Loss on disposal of subsidiary	**–**	4 674	
New store/relocation costs	**3 790**	–	
Profit on disposals of subsidiaries	**–**	(4 954)	
RocoMamas contingent consideration	**(3 723)**	3 681	
Share appreciation rights cost (net of related hedge)	**25 353**	4 941	
Share appreciation rights cost (actual net cost amortised on straight-line basis)	**(7 198)**	(7 768)	
Share incentive scheme (new equity-settled forfeitable share plan and share appreciation rights schemes)	**827**	–	
Spur Foundation	**259**	(1 761)	
Comparable profit before income tax	**267 621**	243 801	9.8
Net finance income (excluding impact of GPI B-BBEE transaction)	**(13 610)**	(10 946)	
Comparable profit before finance income	**254 011**	232 855	9.1

ITEM	2016	2015
Acquisition-related costs	Rnil	Legal, due diligence and consulting costs of R0.233 million were incurred in the acquisition of the RocoMamas franchise business. These costs are required to be expensed according to IFRS.
Foreign exchange	A net loss of R3.769 million (2015: R2.108 million gain) in realised and unrealised exchange differences relating predominantly to the group's international operations.	
GPI B-BBEE transaction	Estimated dividend and interest income of R21.992 million arising on the preference share funding and net cash generated from the transaction.	A net cost of R19.554 million, which comprises an IFRS2 share-based payment expense of R32.957 million, transaction costs of R0.301 million and an estimate of dividend and interest income of R13.704 million arising from the transaction.
Impairment losses	R18.969 million (2015: R13.905 million), which relates to the impairment of the Captain DoRegos trademark and related intellectual property intangible assets as detailed in note 13.1 on page 115 of the consolidated financial statements.	
International structure and tax query costs	Rnil	Professional services costs of R1.310 million associated with defending assessments issued by SARS regarding the group's controlled foreign companies and the assessments issued regarding the group's 2004 to 2009 share incentive scheme as detailed in notes 46.1 and 46.2 on pages 161 and 162 respectively of the consolidated financial statements.

ITEM	2016	2015
Loss on disposal of subsidiary	Rnil	The group realised a loss on the disposal of the Silver Spur business in Penrith (Australia) – see note 36 on page 138 of the consolidated financial statements.
New store/ relocation costs	Initial trading and set-up costs not qualifying for capitalisation relating to the new company-owned The Hussar Grill in Morningside and RocoMamas outlet in Green Point amounted to R1.302 million and R1.881 million respectively. In addition, the relocation of the company-owned The Hussar Grill from Green Point to Mouille Point resulted in costs of R0.607 million for the year. Refer note 37 on page 139 of the consolidated financial statements.	Rnil
Profit on disposals of subsidiaries	Rnil	The group realised a profit of R1.506 million on the sale of its 92.7% interest in the Panarottis in Blacktown (Australia) and a profit of R3.448 million on the sale of its 100% interest in the Panarottis in Penrith (Australia) – see note 36 on page 138 respectively of the consolidated financial statements.
RocoMamas contingent consideration	The purchase consideration for the acquisition of RocoMamas is determined as five times RocoMamas' profit before income tax in the third financial year following the date of acquisition. IFRS requires a liability to be recognised at fair value for this contingent consideration. Any change in the fair value is recognised in profit. The change in fair value for the year amounted to a credit of R3.723 million (in the prior year, the change in fair value for the period from 1 March 2015 to financial year-end amounted to a charge of R3.681 million). Refer note 23 on page 129 of the consolidated financial statements.	
Share appreciation rights cost (net of related hedge) (long-term share-linked employee retention scheme)	Comprises a share-based payment credit of R2.361 million (2015: R19.735 million expense), net of a loss on the related hedging instrument of R27.714 million (2015: R14.794 million gain) – see notes 24 and 25 on pages 130 and 132 respectively of the consolidated financial statements.	
Share appreciation rights cost (long-term share-linked employee retention scheme) (actual net cost amortised on straight-line basis)	The vagaries of the IFRS treatment of the share appreciation rights and related hedging instruments create significant volatility in earnings. The purpose of the hedge is to fix the cost of the scheme at the commencement of each tranche of rights. The economic cost to the group of the transaction, should it be amortised on a straight-line basis over the vesting period of each tranche, amounts to R7.198 million (2015: R7.768 million). Refer note 25 on page 132 of the consolidated financial statements.	
Share incentive scheme (new equity-settled forfeitable share plan and share appreciation rights schemes)	The equity-settled share-based payment expense relating to the new forfeitable share plan and share appreciation rights schemes implemented in April 2016 amounts to R0.827 million for the period from 1 April 2016 to 30 June 2016. Refer note 21.5 on page 126 of the consolidated financial statements.	Rnil
Spur Foundation	Loss of R0.259 million (2015: profit of R1.761 million). While the Spur Foundation is required to be consolidated in terms of IFRS, the full profit/loss is attributable to non-controlling interests. As the Spur Foundation is a non-profit entity, any previous years' profits will be used to fund expenditure in future years.	

The effective tax rate from continuing operations decreased to 30.9% (2015: 32.9%). The 2015 tax rate was distorted by the share-based payment expense arising from the GPI B-BBEE transaction which is non-deductible.

The effective tax rate is greater than the corporate tax rate of 28% because:

- the deferred tax credit arising on the Captain DoRegos intangible asset impairment is calculated at the effective tax rate attributable to capital gains of 22.4%;
- the attribution of income from controlled foreign companies in the determination of local taxable income (where foreign tax credits cannot be claimed as foreign tax has not been paid); and
- non-deductible brand development costs relating to Casa Bella and Spur Grill & Go.

COMPARABLE HEADLINE EARNINGS RECONCILIATION	2016 R'000	2015 R'000	% change
Headline earnings – as reported	**163 977**	141 511	15.9
Exclude headline earnings from discontinued operation (UK)	**18 350**	9 189	
Headline earnings from continuing operations	**182 327**	150 700	21.0
Acquisition-related costs	**–**	233	
Foreign exchange loss/(gain)	**2 826**	(1 424)	
GPI B-BBEE transaction	**(17 814)**	22 236	
International structure and tax query costs	**–**	973	
New store/relocation costs	**2 486**	–	
RocoMamas contingent consideration	**(3 723)**	3 681	
Share appreciation rights cost (net of related hedge)	**18 255**	3 558	
Share appreciation rights cost (actual net cost amortised on straight-line basis)	**(5 183)**	(5 594)	
Share incentive scheme (new equity-settled forfeitable share plan and share appreciation rights schemes)	**720**	–	
Comparable headline earnings	**179 894**	174 363	3.2
Weighted average number of ordinary shares (excluding GPI) ('000)	**85 107**	85 414	(0.4)
Comparable headline earnings per share (cents)	**211.37**	204.14	3.5

The increase in headline earnings from continuing operations is largely as a result of the costs relating to the GPI B-BBEE transaction in the prior year. In addition, the increased hedging cost of the cash-settled, long-term, share-linked employee retention scheme had a negative impact on headline earnings. The fair value gain relating to the RocoMamas contingent consideration liability in the current year (compared to a fair value loss in the prior year) had a positive impact on headline earnings.

Earnings per share from continuing operations increased by 15.8% to 174.6 cents (2015: 150.8 cents) and headline earnings per share from continuing operations increased by 16.8% to 190.0 cents (2015: 162.7 cents). Headline earnings per share was impacted by the increased number of shares in issue (weighted for eight months in the prior year and for a full year in the current year).

Comparable headline earnings per share increased by 3.5%. Distribution per share increased by 6.1% to 140 cents (2015: 132 cents). The group's dividend policy remains unchanged at a payout of 75% to 80% of headline earnings adjusted for exceptional and one-off items. It is our intention to maintain this policy.

SEGMENTAL PERFORMANCE	REVENUE 2016 R'000	REVENUE 2015 R'000	REVENUE % change	PROFIT BEFORE INCOME TAX 2016 R'000	PROFIT BEFORE INCOME TAX 2015 R'000	PROFIT BEFORE INCOME TAX % change	OPERATING MARGIN 2016 R'000	OPERATING MARGIN 2015 R'000	OPERATING MARGIN % change
Manufacturing and distribution	**180 750**	173 924	3.9	**68 486**	67 083	2.1	**37.9**	38.6	(0.7)
Spur	**229 953**	217 276	5.8	**206 052**	194 037	6.2	**89.6**	89.3	0.3
Pizza and Pasta	**32 501**	27 575	17.9	**22 064**	18 904	16.7	**67.9**	68.6	(0.7)
John Dory's	**18 528**	16 220	14.2	**9 558**	9 119	4.8	**51.6**	56.2	(4.6)
Captain DoRegos	**4 534**	6 077	(25.4)	**(17 851)**	(11 821)	(51.0)	**(393.7)**	(194.5)	(199.2)
The Hussar Grill	**3 607**	2 417	49.2	**2 789**	1 298	114.9	**77.3**	53.7	23.6
RocoMamas	**17 415**	2 175	700.7	**12 210**	1 386	781.0	**70.1**	63.7	6.4
Retail	**48 139**	30 760	56.5	**927**	4 645	(80.0)	**1.9**	15.1	(13.2)
Other segments	**61 905**	58 861	5.2	**1 198**	327	266.4			
Unallocated	**2 617**	1 720	52.2	**(53 071)**	(81 818)	35.1			
Total South Africa	**599 949**	537 005	11.7	**252 362**	203 160	24.2	**42.1**	37.8	4.3
UK (discontinued)	**104 302**	147 657	(29.4)	**(28 847)**	(4 714)	(511.9)			
Australia	**10 948**	55 729	(80.4)	**3 177**	4 488	(29.2)			
Other segments	**22 172**	19 668	12.7	**10 955**	10 616	3.2			
Unallocated	**–**	–	–	**(10 326)**	(6 496)	(59.0)			
Total international	**137 422**	223 054	(38.4)	**(25 041)**	3 894	(743.1)	**(18.2)**	1.7	(19.9)
Total	**737 371**	760 059	(3.0)	**227 321**	207 054	9.8	**30.8**	27.2	3.6

Increased revenue in the manufacturing and distribution segment lagged behind the growth in restaurant turnover as price increases to franchisees were limited to offset rampant food price inflation in-store. The margin declined as a result of input costs increasing due to the weaker rand and the local drought.

Increases in franchise revenue in the franchise divisions, with the exception of Captain DoRegos, reflect increased restaurant turnovers. The margin in Spur, The Hussar Grill and RocoMamas benefited from the associated economies of scale relating to higher revenue. The Pizza and Pasta margin declined slightly due to the one-off Casa Bella brand development costs. The margin in John Dory's deteriorated. This was largely due to increased headcount in order to support the recent growth in the brand, as well as brand development costs for the latest store design specification.

The Captain DoRegos loss before income tax includes the impairment of the trademark and related intellectual property in both the current and prior years. Excluding this impairment, the brand's operating margin reduced from 34.3% to 24.6%, which is, in part, attributable to the reduction in number of outlets and the resultant decrease in store turnover. In addition, in the second half of the financial year, we reduced the franchise fee payable by franchisees from 5% to 3.5% in an effort to ensure the longer-term sustainability of the brand's franchisees.

The margin of the retail division was negatively impacted by initial trading losses and set-up costs that do not qualify for capitalisation in respect of the new The Hussar Grill in Morningside and RocoMamas in Green Point, as well as the relocation costs and lost profit during the relocation of The Hussar Grill in Green Point.

The group's décor manufacturing, export, radio station, training and call centre businesses comprise the "Other segments" of the South Africa category. The increase in revenue related largely to increases in the décor and training businesses. With the exception of the export business, the other businesses are not intended to make significant profits as they are largely support functions to franchisees.

LOCAL FRANCHISE OPERATING PROFIT MARGIN	2012 %	2013 %	2014 %	2015 %	2016 %
Manufacturing and distribution	39.0	27.9	33.1	38.6	**37.9**
Spur	87.8	88.5	88.9	89.3	**89.6**
Pizza and Pasta	60.7	59.2	62.7	68.6	**67.9**
John Dory's	52.5	56.6	54.2	56.2	**51.6**
Captain DoRegos	37.1	41.8	26.4	(194.5)	**(393.7)**
The Hussar Grill	–	–	67.3	53.7	**77.3**
RocoMamas	–	–	–	63.7	**70.1**

Unallocated South Africa loss before income tax includes:

- net finance income of R34.8 million (2015: R24.4 million) (which includes interest and preference dividends relating to the GPI B-BBEE transaction);
- the impact of the long-term share-linked employee retention and incentive schemes;
- the net income of The Spur Foundation Trust;
- the share-based payment charge and transaction costs relating to the GPI B-BBEE equity transaction in 2015;
- professional fees related to the acquisition of RocoMamas in the prior financial year;
- the fair value adjustment relating to the RocoMamas contingent consideration liability; and
- costs of R0.5 million in the prior year relating to defending the tax queries on the group's international structure and 2004 share incentive scheme.

The UK segment comprised the franchise business and company-owned outlets. By 30 June 2016, all activities in the UK had ceased.

The remaining company-owned restaurants in the Australia segment were sold during 2015 and the segment now operates exclusively as a franchise business. Revenue from the Panarottis in Blacktown, and the Silver Spur and Panarottis outlets in Perth, amounted to R49.3 million in the prior year. On a comparable basis, excluding the Australian retail operations entirely, the region increased revenue from R6.4 million to R10.9 million and profit from its franchise business from R2.2 million to R3.2 million.

Revenue from other international segments, comprising largely the African operations, increased in line with improved trading in the region. The margin contraction is due to the significant increase in travel costs related to developing and expanding the group's footprint on the continent, as well as the costs of maintaining a corporate office in Namibia, which was opened at the beginning of the financial year.

Unallocated international loss before income tax includes a foreign exchange loss of R3.8 million (2015: gain of R0.2 million) and professional advisory costs in the prior year of R0.8 million relating to the group's international restructure and related tax matters, as outlined in the comparable profit table on page 26.

FINANCIAL POSITION

Group total assets at R1.1 billion remained consistent with the prior year. The increase in assets arising from the profit for the year is offset by the assets written off in the UK, the impairment of the Captain DoRegos intangible assets referred to above and the reduction in the value of the long-term share-linked employee retention scheme hedging instruments.

Significant additions to property, plant and equipment include R26.9 million (2015: R13.3 million) spent in cash on the construction of a new corporate office in Cape Town.

The increase in the tax receivable from R17.2 million in the prior year to R36.2 million in the current year includes R15.4 million paid to SARS following additional assessments issued in respect of the 2005 to 2009 years of assessment relating to the group's 2004 to 2009 share incentive scheme as detailed below.

The fair value of the forward purchase contracts used to hedge the liability arising from the cash-settled share appreciation rights in issue moved from an asset of R28.2 million in the prior year to a liability of R12.2 million at 30 June 2016. The contracts are out of the money as the share price has not increased as expected to exceed the forward price of the contracts. The liability in respect of the related share appreciation rights has reduced commensurately from R28.6 million in the prior year to R7.8 million at 30 June 2016.

The acquisition of RocoMamas led to the raising of a contingent consideration liability. The purchase consideration is determined as five times the profit before income tax of the business for the 12-month period ending 28 February 2018, with an initial payment of R2.0 million on the acquisition date of 1 March 2015. Interim payments (or refunds, as the case may be) are scheduled for the first and second anniversary dates of the acquisition date calculated as five times the profit before income tax of each anniversary period less any previous payments made. The first interim payment of R20.4 million was settled in cash during the year. The fair value of the contingent consideration liability at 30 June 2016 was R23.3 million (2015: R47.4 million). The total purchase consideration is estimated at R52.8 million, down on the original estimate of R70.8 million. The reduction arises principally from a downward revision of the number of stores to be rolled out over the initial three-year period, and a moderation of the expected growth in turnover of existing businesses.

Trade and other payables declined for the year largely due to the closure of the UK business, and loans payable increased largely as a result of unspent marketing fund contributions (which the group is obliged to spend for the benefit of franchisees in subsequent years).

The group acquired an additional 285 500 treasury shares at an aggregate cost of R9.3 million. The group intends continuing to repurchase shares in the financial year ahead. The group's financial position remains ungeared with no formal external borrowings.

Cash generated from operations increased by 15.4% to R242.2 million (2015: R209.9 million). Working capital increased by R7.3 million, largely attributable to the settlement of the UK creditors referred to above.

CAPITAL EXPENDITURE	2016 R'000	2015 R'000
Maintenance	**9 890**	12 074
Expansion	**35 808**	18 711
Total	**45 698**	30 785

Capital expansion includes R26.9 million (2015: R13.3 million) for the construction of the new corporate office in Century City, Cape Town as the group has outgrown its existing head office in Century City, Cape Town, and R8.9 million on the establishment of the new The Hussar Grill and RocoMamas outlets, as explained above (2015 included R5.4 million on the establishment of the RBW in Corby, England). Maintenance capital expenditure is anticipated to remain consistent in the financial year ahead.

TAX QUERIES

During the current and prior years, SARS issued the group with additional assessments totalling R22.0 million, following the disallowance of a deduction claimed regarding the group's 2004 share incentive scheme. The assessments were settled in cash in the current and prior years, but objected to and referred to alternate dispute resolution ("ADR") proceedings. The group and SARS were unable to reach agreement on the matter at the ADR, and the group has issued notice to SARS that it intends to refer the appeal to tax court. We await a response from SARS in this regard. The board, in consultation with its tax advisors, remains confident that it will be able to prove that SARS has erred in disallowing the deductions and, consequently, no liability has been raised regarding the assessments issued to date.

More information on this matter is available in note 46.2 on page 162 of the consolidated financial statements.

LONG-TERM SHARE-LINKED EMPLOYEE RETENTION SCHEME

In December 2010, the group implemented a long-term share-linked incentive scheme, in terms of which a maximum of 1.5 million cash-settled share appreciation rights are issued to senior management each financial year. To mitigate the liquidity risk associated with the share appreciation rights, the board requires that the obligation regarding these rights is hedged to the extent possible. To hedge the possible cash outflow resulting from the rights, the group has concluded a number of forward purchase transactions. The hedge is only effective if the share price appreciates above the forward price of the contracts.

On the assumption that this is the case, the cost per tranche of rights issued is essentially fixed as the difference between the grant date strike price of the rights issued and the forward price of the contracts. In terms of IFRS, the share appreciation rights liability is fair valued at each reporting date and charged to profit over the vesting period of the rights. The underlying economic hedging instrument is fair valued at each reporting date, with the full change in fair value immediately recognised in profit. This difference in accounting for the changes in fair values of the rights and hedging contracts creates an accounting mismatch, which is excluded in the comparable profit measures reported above. However, the scheme does have a cost to the group, which is added to the comparable profit measures referred to in the table above. The table below demonstrates the normalised impact of the scheme over the vesting periods of the respective rights:

Grant date	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014	Total
Vesting date	Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017	
No. of rights granted ('000)	1 500	1 500	1 500	1 500	1 500	
Grant date strike price (R)	14.62	14.80	21.29	30.38	30.91	
Forward price (R)	17.10	17.76	25.64	37.57	35.94	
Total cost (R'000)	3 720	4 440	6 525	10 785	7 545	
Annualised cost (R'000)	1 240	1 480	2 175	3 595	2 515	
Annualised cost 2015 (R'000)	–	740	2 175	3 595	1 258	7 768
Annualised cost 2016 (R'000)	**–**		**1 088**	**3 595**	**2 515**	**7 198**

At the AGM on 4 December 2015, shareholders approved two new share schemes, a retention forfeitable share scheme plan and an incentive share appreciation rights scheme, to replace the existing cash-settled share appreciation rights employee retention scheme. Both schemes are equity-settled, have an initial three-year vesting period, and a subsequent two-year lock-in period during which the participants are restricted from trading in the shares that have vested. The vesting of the share appreciation rights is subject to performance criteria linked to return on equity and growth in comparable headline earnings per share relative to inflation. The new schemes are more aligned with the recommendations of King III. The schemes were implemented in April 2016, and accordingly, no further cash-settled share appreciation rights were granted during the year. The accounting for the new schemes is much simpler, in that the grant-date fair value of the shares and rights granted are expensed more evenly over the vesting period, resulting in less volatility on earnings.

Further details of all share schemes are included in the remuneration committee report on page 73 of this report.

OUTLOOK

We expect trading conditions in the South African economy to remain challenging in the short term. The group's expansion into new countries in Africa, the Middle East and Australasia shows good potential, and we are identifying opportunities to grow in the local market through our strong existing brands and new store formats. Vertical integration opportunities will be considered if they make compelling strategic sense.

Ronel van Dijk
Chief financial officer

STRATEGY

OVERVIEW

Spur Corporation's goal is to generate sustainable returns for providers of financial capital over the long term. Its strategic drive to achieve this goal is built around two complementary objectives:

- Growing revenue
- Maintaining a sustainable business

Increasing the group's restaurant footprint is a key driver of revenue growth. This will be achieved by opening new restaurants in existing markets, expanding into new geographic markets and through strategic acquisitions. Vertical integration opportunities provide another way to grow revenue while securing supply of core ingredients. Revenue growth is further supported through the implementation of effective marketing campaigns, building customer loyalty through positive interactions with the group's brands, and by rewarding returning customers through Spur Corporation's loyalty programmes.

Management incentives are linked to the successful implementation of group strategy through the short-term incentive scheme and the new long-term equity-settled share appreciation rights schemes.

Information technology ("IT") is a key enabler of this, and the group invests heavily in building IT capabilities. This investment supports the group's ability to influence purchase behaviour across all target markets through platforms such as digital loyalty, e-gifting, business-to-business e-commerce, GPS locations, generator notifications and social network management. Spur Corporation aims to consolidate the loyalty and gifting programmes on a single platform to support greater innovation, better customer-reward capabilities and improve fraud detection. The group is also investing in a marketing automation tool to significantly improve individualised customer communication.

Ensuring that franchisees can earn a competitive return on their investments is fundamental to maintaining a sustainable business. This requires a responsive and functioning franchise model that is able to adjust to the changing operating environment. Sustainability also encompasses the broader concepts of societal and environmental sustainability, and the risks and opportunities the company faces. This includes the need to implement the principles of good corporate governance.

The integration of these concepts into Spur Corporation's strategy and operations forms the foundation of the group's commitment to responsible environmental behaviour, continued investment in skills development and retention, and commitment to making a difference by investing in and supporting local communities and the other sustainability initiatives discussed throughout this report.

Failure to ensure regulatory compliance, treating customers unfairly or not clearly demonstrating the group's commitment to transformation would result in the group losing the trust of customers, communities and government.

The effective execution of the strategy is supported by management and governance structures that facilitate and monitor economic, social and environmental performance.

The table on page 16 provides an overview of Spur Corporation's material matters and is followed by an analysis of the group's main stakeholder groups on page 18. The material matters are discussed in more detail in this section of the report, including the group's strategic response to the opportunities and risks associated with each.

Spur Corporation's social and environmental material matters are discussed in a separate report available online.

RELATED MATERIAL MATTERS

GROWING REVENUES		**MAINTAINING A SUSTAINABLE BUSINESS**	
Store design and specifications	37	Sustainable local franchise model	36
International expansion	38	Menu engineering	37
		Efficient use of resources to reduce costs	38
		Product responsibility	39
Customer service		Regulatory compliance	
Strategic resource management		Health and safety	
Procurement		Community support	
		Human capital and skills development	
		Transformation	
		Operational resource management	

KEY PERFORMANCE INDICATORS

The key performance indicators in the table below provide current and historic performance measures, and short- and medium-term targets for a range of relevant economic, social and environmental indicators.

	2015	Target 2016	2016	Target 2017	Target 2021
Financial performance					
Operating profit before finance income (R'm) (as defined on page 5)	180.8	**257.7**	**183.1**	273.8	401.0
Growth in adjusted operating profit (as defined on page 5)	0.4%	**14.8%**	**12.0%**	10.9%	10.0%
Operating profit margin (as defined on page 5)	25.7%	**32.0%**	**29.7%**	40.0%	42.0%
Return on equity (as defined on page 5)	17.4%	**27.0%**	**19.7%**	25.0%	28.0%
Return on investment (dividend per share plus change in share price expressed as a percentage of share price at the beginning the financial year)	18.0%	**15.0%**	**(11.9%)**	10.0%	10.0%
Restaurants					
New local restaurants					
– Spur	9	**11**	**15**	7	7 p.a.^
– Panarottis	11	**5**	**7**	3	6 p.a.^
– John Dory's	6	**3**	**8**	2	4 p.a.^
– Captain DoRegos	12	**5**	**5**	2	2 p.a.^
– The Hussar Grill	2	**2**	**4**	1	2 p.a.^
– RocoMamas	9	**15**	**33**	9	5 p.a.^
– Casa Bella	–	**–**	**2**	4	3 p.a.^
Closed local restaurants					
– Spur	2		**6**		
– Panarottis	4		**1**		
– John Dory's	1		**1**		
– Captain DoRegos	16		**13**		
– The Hussar Grill	–		**–**		
– RocoMamas	–		**–**		
Total local restaurants					
– Spur	277	**288**	**286**	291	320
– Panarottis	75	**79**	**81**	81	108
– John Dory's	38	**39**	**45**	47	65
– Captain DoRegos	57	**59**	**49**	46	53
– The Hussar Grill	8	**10**	**12**	13	22
– RocoMamas	9	**24**	**42**	51	67
– Casa Bella	–	**–**	**2**	6	18
Relocated#/revamped local restaurants					
– Spur	36	**24**	**27**	32	
– Panarottis	10	**5**	**9**	4	
– John Dory's	2	**3**	**4**	6	
– Captain DoRegos	2	**1**	**5**	1	
– The Hussar Grill	–	**1**	**1**	1	
– RocoMamas	–	**–**	**–**	–	
– Casa Bella	–	**–**	**–**	–	
Total restaurant turnover					
Spur (R'm)	4 309	**4 682**	**4 576**	4 870	6 500
Percentage growth in restaurant turnover	9.0%	**8.7%**	**6.2%**	6.4%	
Percentage growth in existing restaurant turnover	7.3%	**7.5%**	**3.3%**	5.9%	
Panarottis (R'm)	565	**654**	**667**	715	900
Percentage growth in restaurant turnover	25.4%	**15.8%**	**18.0%**	7.3%	
Percentage growth in existing restaurant turnover	15.8%	**11.3%**	**11.1%**	6.1%	
John Dory's (R'm)	335	**396**	**394**	457	550
Percentage growth in restaurant turnover	12.0%	**18.2%**	**17.7%**	16.0%	
Percentage growth in existing restaurant turnover	5.7%	**13.2%**	**9.4%**	12.0%	
Captain DoRegos (R'm)	143	**153**	**138**	127	168
Percentage growth in restaurant turnover	(13.2%)	**6.7%**	**(3.3%)**	(8.2%)	
Percentage growth in existing restaurant turnover	(20.2%)	**2.0%**	**(6.9%)**	(9.2%)	

\# A relocation of a restaurant to a new site in the same general geographical area and where the franchisee remains the same is not considered a closure. Relocations are necessary as circumstances in areas change over time.

^ Average per annum over the period to 2021.

	2015	Target 2016	2016	Target 2017	Target 2021
Total restaurant turnover continued					
The Hussar Grill (R'm)	72	**99**	**109**	145	194
Percentage growth in restaurant turnover	–	**37.5%**	**51.8%**	32.6%	
Percentage growth in existing restaurant turnover	–	**12.3%**	**19.4%**	27.9%	
RocoMamas (R'm)	24	**203**	**268**	424	604
Percentage growth in restaurant turnover	–	**–**	**1 003.8%**	58.2%	
Percentage growth in existing restaurant turnover	–	**–**	**–**	45.4%	
Casa Bella (R'm)	–	**–**	**5**	41	
Percentage growth in restaurant turnover	–	**–**	**–**	798.6%	
Total worldwide (R'm)	6 174	**7 015**	**6 972**	7 672	11 000
Loyalty					
Family Card loyalty spend (R'bn)	1.8	**2.0**	**1.9**	2.0	2.6
Family Card membership (million)	1.9	**2.0**	**1.9**	2.0	2.6
Secret Tribe membership (million)	1.1	**1.1**	**1.0**	1.0	1.1
Panarottis Rewards loyalty spend (R'm)	–	**–**	**42**	50	74
Panarottis Rewards loyalty membership ('000)	–	**–**	**86**	103	151
John's Club loyalty spend (R'm)	104	**124**	**120**	129	172
John's Club membership ('000)	137	**150**	**233**	250	350
International expansion					
Percentage of international revenue to total group revenue	29.3%	**21.0%**	**18.6%**	5.0%	6.0%
Percentage of international profits to total group profit before income tax	1.9%	**4.0%**	**(11.5%)**	3.5%	5.0%
Number of international outlets	58	**66**	**58**	65	105
Sustainable supply of raw materials					
Percentage of suppliers managed by the group that have adequate and appropriate sustainability plans in place	100%	**100%**	**100%**	100%	100%
Percentage of seafood products managed by the group that are not SASSI red listed species, and/or comply with SASSI guidelines	100%	**100%**	**100%**	100%	100%
Product responsibility					
Percentage of suppliers managed by the group that are HACCP/ISO 22000 compliant	100%	**100%**	**100%**	100%	100%
Percentage of menu items that are rBST and MSG free	98%	**98%**	**98%**	98%	100%
Community support					
Contribution to JAM or similar organisation (R'000)	1 501	**2 426**	**2 243**	3 075	4 500
Skills development					
Number of people trained	11 627	**9 650**	**16 191**	12 500	18 000
Number of successful graduates of Spur College of Excellence	13	**36**	**17**	40	54
Corporate employees					
Corporate employee rotation	17%	**15%**	**6%**	15%	15%
Employee loans (R'000)	663	**500**	**327**	500	500
Employee training costs (including dependents' bursaries) (R'000)	1 407	**2 000**	**1 763**	2 000	2 525
Environmental sustainability					
Corporate					
Carbon footprint (Energy kWh)	388 105	**383 000**	**458 743**	450 000	475 000
Percentage of waste recycled or composted	90%	**90%**	**89%**	90%	95%
Water consumption (kl per annum)	2 997	**2 900**	**2 923**	2 900	2 900
Percentage travel reduction	27% decrease on 2014	**5% decrease on 2015**	As a result of a change in service providers during the year, insufficient data is available to report on this KPI at this time. A new baseline will be established in 2017 against which to monitor progress going forward.		
Procurement					
Percentage takeaway packaging made from renewable materials◊	49%	**55%**	**47%**	55%	60%

◊ Total weight of packaging amounted to 1 612 tons (an increase of 14.9% on the prior financial year) of which 762 tons were made from renewable materials and 850 tons were made from non-renewable materials.

ECONOMIC MATERIAL MATTERS

SUSTAINABLE LOCAL FRANCHISE MODEL

Spur Corporation's ability to generate a sustainable financial return for its shareholders and investors depends on the financial success of its franchisees. In other words, group revenue growth is directly linked to the collective revenue growth of franchisees across the group. This requires a profitable franchise model that is capable of attracting potential franchisees, while providing financial viability to prospective landlords and a flow of financial capital to Spur Corporation as the franchisor.

Strategic response

The success of a franchise restaurant is ultimately dependent on the abilities of the franchisee. Therefore identifying suitable franchisees with the necessary capital to commit to a restaurant and the dedication to make a success of it is an ongoing activity of the group. The location of suitable sites that are appropriate for the brands' target markets and will attract sufficient foot traffic to support a viable outlet is another challenge, particularly as rental constitutes a large proportion of total costs and excessive rental can erode profitability.

Spur Corporation continually reviews its franchise model to support franchisee profitability and provides operational support and advice on an ongoing basis. This includes developing store designs that reduce set-up costs, improve kitchen efficiencies and flows, make effective use of space, and introduce energy-efficient technologies. Effective and innovative marketing across a variety of channels, including social media, raises awareness of brands and draws customers to outlets. Customer engagement is deepened through loyalty programmes across the group's brands. This includes the Spur Family Card and eGift Card, John's Club Card, the Panarottis Rewards loyalty programme and more.

Ensuring high standards of food quality, attractive restaurant finishes and good service through training and regular monitoring support repeat visits. The group's centralised procurement strategy ensures that food supply and quality are consistently excellent and input prices competitive. The group's long-term strategy of vertical integration aims to ensure consistent quality and supply of core ingredients and product lines.

The group offers a range of brands that serve consumers across the LSM. Our established, family-oriented brands – Spur Steak Ranches, Panarottis and John Dory's – target the middle-market. Captain DoRegos caters for the lower-income market, serving quick and affordable meals, while The Hussar Grill and Casa Bella offer an upmarket dining experience and comprehensive wine selection. RocoMamas offers a trendy alternative that has broad appeal across various age groups.

In response to rising operating costs, the group piloted the small-format Spur Grill & Go that is better suited to high foot-traffic sites. A small-format Spur outlet is planned that will better suit urban areas unable to support a full-sized Spur Steak Ranch. The group opened three Spur Grill & Go outlets during 2016.

		2016 target	Achieved	2017 target
Number of local outlets	All the brands exceeded their 2016 targets, except for Spur Steak Ranches due to more store closures than expected. Captain DoRegos opened its target of five new outlets, but closed 13 unprofitable stores.			
Spur Steak Ranches		**288**	**286**	291
Panarottis		**79**	**81**	81
John Dory's		**39**	**45**	47
Captain DoRegos		**59**	**49**	46
The Hussar Grill		**10**	**12**	13
RocoMamas		**24**	**42**	51
Casa Bella		**N/A**	**2**	6
Existing restaurant turnover growth percentage	The Hussar Grill exceeded its turnover targets, demonstrating the resilience of the higher-LSM consumer to the economic woes of the country. Growth at Spur Steak Ranches and Panarottis was negatively affected by difficult trading in Gauteng, the brands' largest market, as consumers' spending is constrained amid the ever-increasing cost of living. John Dory's was affected by mall renovations and political unrest. Captain DoRegos continues to feel the effects of the extreme financial pressure on its lower-LSM target market.			
Spur Steak Ranches		**7.5**	**3.3**	5.9
Panarottis		**11.3**	**11.1**	6.1
John Dory's		**13.2**	**9.4**	12.0
Captain DoRegos		**2.0**	**(6.9)**	(9.2)
The Hussar Grill		**12.3**	**19.4**	27.9
RocoMamas		**N/A**	**N/A***	45.4
Casa Bella		**N/A**	**N/A†**	798.6
Total restaurant sales (R'm)				
Spur Steak Ranches		**4 682**	**4 576**	4 870
Panarottis		**654**	**667**	715
John Dory's		**396**	**394**	457
Captain DoRegos		**153**	**138**	127
The Hussar Grill		**99**	**109**	145
RocoMamas		**203**	**268**	424
Casa Bella		**N/A**	**5**	41

* RocoMamas was included for four months in 2015.
† Casa Bella traded for the first time in March 2016.

STORE DESIGN AND SPECIFICATIONS

Ensuring that store design and specifications are standardised across each brand creates a consistent customer experience and ensures consistency across all operations in terms of buildings, kitchens, service and food offerings. This also supports the ability of franchisees to maintain the consistently high standards required by the group.

Strategic response

Outlets are regularly upgraded through revamps and refurbishments to ensure that they remain appealing to their target markets. During the 2016 financial year, franchisees spent more than R50 million on revamps. This investment has a direct and demonstrable impact on franchisee turnover. To increase family appeal, Panarottis and John Dory's franchisees are in the process of rolling out kids' play areas in outlets not yet fully equipped. New store designs and equipment specifications support the growing need to increase food preparation efficiency and service to reduce energy and labour costs and support franchisee profitability.

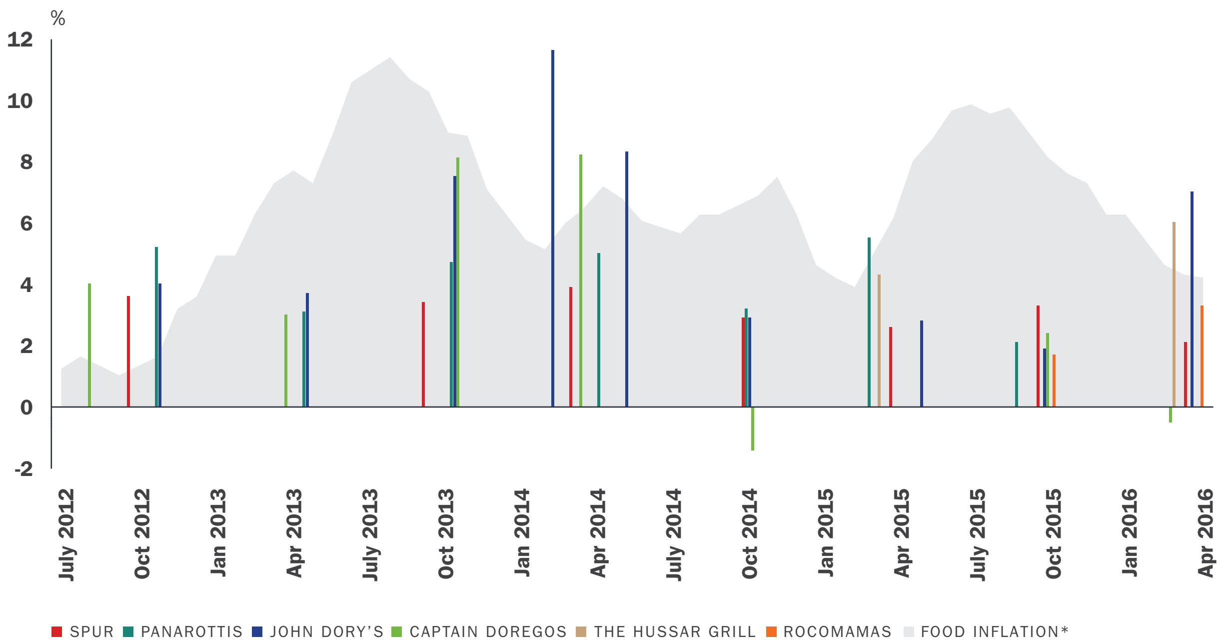
MENU ENGINEERING

Refining the menu on an ongoing basis ensures that each brand accurately takes into account customers' taste profiles, balancing "customer favourites" with the latest food trends. Against the backdrop of a highly competitive food retail sector, weekday and value-for-money promotions have become an important way to attract customers and support franchisee revenues. However, while these promotions must be priced competitively to appeal to consumers, they cannot erode franchisee profitability.

Strategic response

Menu engineering helps to optimise sales mix, food cost and product range and supports kitchen redesigns and process efficiencies to enhance the appeal of brands to their target markets, while supporting margins. Menu engineering further reduces wastage, controls food costs, and reduces unnecessary labour costs. This is important in an environment of high food inflation, increased competition and financial pressure on consumers.

LOCAL MENU PRICE INFLATION AND FOOD INFLATION (%)



* *Source: STATSSA*

EFFICIENT USE OF RESOURCES TO REDUCE COSTS

While the reliability of electricity supply improved over the past financial year, interruptions negatively impacted certain operations. Most restaurants are now equipped with generators. However, turnover is affected when a site location such as a shopping centre or shopping precinct is not trading due to load-shedding. The rising costs of electricity and gas have resulted in energy costs increasing significantly as a proportion of total costs, and the efficient use of energy is an important aspect of managing franchisee profitability. Deterioration in water supply and quality is an increasing concern, particularly in smaller towns, and several outlets have installed their own water tanks to ensure a reliable supply of potable water.

Strategic response

Spur Corporation's direct environmental impact is relatively small. However, the combined footprint of franchisees' restaurants is significant. Therefore, the group continually identifies ways to improve energy and water efficiency at franchisee outlets. Redesigns of back-of-house layouts and the use of innovative technology offer solutions to improve energy and water efficiency and reduce usage. Examples of this include the conveyor belt cooker and new self-filtering energy-efficient fryers being rolled out across the Spur brand. Certain franchisees have also invested in environmentally friendly solutions to reduce energy costs in stores with favourable returns on their investments.

INTERNATIONAL EXPANSION

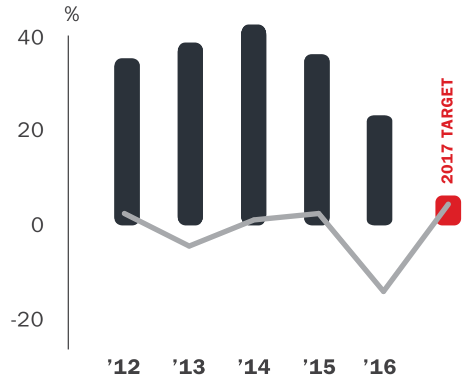
International expansion offers the group an opportunity to grow its revenues in areas with strong potential, while diversifying geopolitical risk. Entering new markets requires a long-term view, balanced with the need to exit operations decisively if these do not show the potential to be profitable over time due to local market dynamics.

Strategic response

The group's historic operations in the developed markets of the UK, Ireland and Australia have been challenging, particularly due to high occupancy and labour costs. While a strategic decision was taken to exit the UK market, the restaurants in Australia – all of which are now fully franchised – traded profitably and we believe that Australasia has good potential in the medium term.

The group's brands have been well received in the higher-growth markets of Africa and Mauritius. Trading in Africa has certain challenges, including securing suitable sites at a reasonable rental price, placing skilled employees, ensuring consistent supply of quality ingredients and managing currency fluctuations and foreign exchange repatriation. However, the long-term characteristics of these countries show excellent potential where these challenges can be addressed successfully.
In 2017, the group will enter several new markets, including opening a Spur in New Zealand and RocoMamas outlets in Saudi Arabia and Oman.

% OF INTERNATIONAL REVENUE AND PROFIT



		Achieved in 2016	2017 target
2016 targets			
International revenue 21.0% of total group revenue	The closure of the company-owned outlets in the UK resulted in the target not being achieved.	**18.6%**	5.0%
International profits 4.0% of total group profit	The significant trading losses and closure costs in the UK contributed to the negative result for the year. The current year also included significant exchange losses. International travel costs have increased in rand terms due to the deterioration in the currency over the period.	**(11.5%)**	3.5%
66 international outlets	This target would have been achieved had it not been for the eight outlets in the UK that were closed during the year.	**58**	65

PRODUCT RESPONSIBILITY

Product quality is a critical concern for the group and ensuring that the raw materials purchased are of the highest quality is of the utmost importance. However, as a responsible corporate citizen, Spur Corporation is also committed to ensuring that procurement processes source products from responsible and sustainable suppliers.

The group has a range of initiatives that aim to ensure high standards, including:

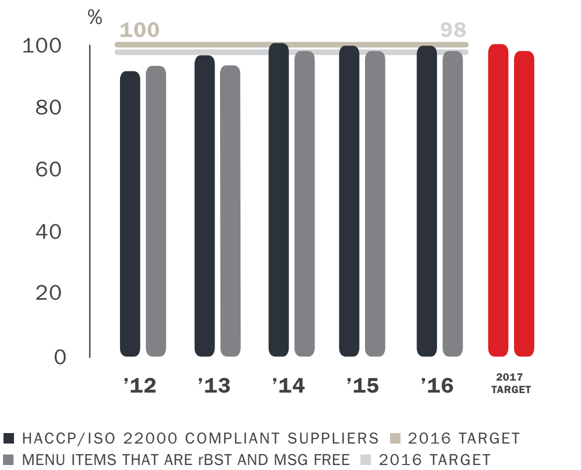
- Franchisee employees receive extensive and ongoing training in food preparation, customer service, food safety and the other relevant areas.
- Restaurants are regularly assessed by operations managers to monitor quality and adherence to food preparation and presentation specifications.
- The sauce manufacturing facility was successfully re-certified as Hazard Analysis and Critical Control Points ("HACCP") compliant.
- Two qualified food technologists monitor quality control in the sauce manufacturing facility.
- All suppliers undergo a capability assessment process that includes a HACCP and/or ISO 22000 (Food Safety Management System) review component.
- Major suppliers are regularly audited against HACCP and/or ISO 22000 standards, and all suppliers are encouraged to achieve compliance.
- Suppliers are independently reviewed through specialised food safety audits.
- An addendum to existing supplier agreements has been created wherein suppliers warrant that they do not conduct any unethical business practices and that they comply with applicable legislation.
- An ethical sourcing policy is being developed, and we are in the process of seeking advice on how best to implement and enforce this policy. It is hoped it will be ready for implementation in 2017.
- Environmental sustainability assessments have been rolled out to more suppliers.

Where possible, Spur Corporation sources seafood through responsible suppliers that comply with South African Sustainable Seafood Initiative ("SASSI") and Marine Stewardship Council ("MSC") guidelines and, in all cases, only procures and supplies seafood products (species) that are not SASSI red listed. While the group is striving to procure only from SASSI and MSC-compliant suppliers, in practice, securing a reliable supply of seafood is becoming increasingly challenging. Certain fish supplies are secured from Namibia, which does not currently follow sustainable practices. As a consequence, John Dory's failed to meet its commitment to source 100% of its seafood from Aquaculture Stewardship Council or MSC certified suppliers or from within a fishing improvement project by the end of 2015. Our procurement team is currently working with the Namibian authorities to ensure that seafood sourced from that country, particularly hake, complies with SASSI requirements. We are committed to the SASSI "Seafood Promise" and anticipate that full compliance will be attained in 2018.

While monosodium glutamate ("MSG") was removed from all Spur Corporation products during 2015, a significant number of customer complaints led to the reintroduction of nachos and boerewors products that include MSG. Spur Corporation is investigating alternatives in line with its commitment to product responsibility.

Spur Steak Ranches' new-look menu includes CHOW (Choose Healthy Options Wisely) accreditation for healthier menu items and "Better for You" options on the kids' menu.

HACCP/ISO 22000 COMPLIANCE AND MENU ITEMS (%)



CASE STUDY:

COMMUNITY SUPPORT THROUGH THE SPUR FOUNDATION

The Spur Foundation was established in 2012 to manage and coordinate the group's CSI through initiatives that reflect its motto "Nourish, Nurture, Now!". The Foundation's programmes focus on feeding and education initiatives for children, and on the provision of basic necessities and amenities.

Funding is supplemented by contributions from Spur Corporation, Spur Advertising and franchisees, and from event contributions. Spur Corporation has also pledged to donate 100 000 treasury shares for five financial years. Two tranches of this donation have been transferred to date. The dividends from these shares provide ongoing annuity income to sustain the Foundation's CSI initiatives.

Initiatives supported include:

- In 2014, the Foundation supported 10 local women in the establishment of holistic age-appropriate learning centres for children aged nought to four in Alexandra, Gauteng. This initiative is known as the ASHA Trust, and in the first financial year alone, 850 children benefited. Assistance includes developing balanced eating and meal plans, teacher and owner training, financial training, mentoring and administrative and vocational support. Crèche owners are supported to become economically active as they learn to run centres as sustainable small businesses.

  A further 10 daycare centres in Alexandra entered the programme in February 2016 and will receive mentoring from the site heads of the original 10 crèches. The group is investigating the possibility of working with ASHA Trust (or similar organisations) in other provinces.
- The Foundation funded a student's tuition and transport for 2016 through local radio station, 94.7's, "Xpress Wish". This will enable Palesa Tshishonga to complete her diploma and pursue her dream of becoming a radio producer.
- The Spur Foundation Relate Bracelet campaign sold 55 000 bracelets through Spur Steak Ranches, John Dory's and Panarottis. Funds from the campaign will be used to create enterprise development opportunities for women in local communities.
- The group has a voluntary employee salary deduction donation scheme. Employees, franchisees and franchisee staff are encouraged to make a difference in their communities through local CSI initiatives.
- Spur Corporation also encourages families and children to improve their health while having fun and experiencing the Spur "taste for life". More than 463 community-focused events were supported that aim to uplift communities through sport. Funds raised through these events support feeding schemes.

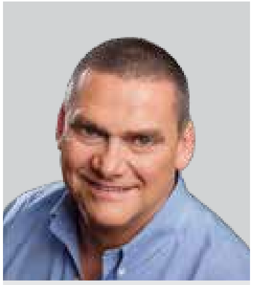
Total CSI spend was R2.3 million (2015: R1.5 million), including voluntary employee salary deductions, representing 1.6% of net profit after income tax.



OPERATIONAL REPORTS

SPUR STEAK RANCHES

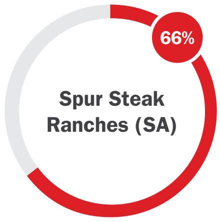
PEOPLE WITH A TASTE FOR LIFE



Mark Farrelly
Chief operating officer

Spur Steak Ranches is a family-orientated chain of steakhouses that has been part of the South African family since 1967. We promise a warm, relaxed, family-friendly environment, generous portions of great tasting food and a hearty helping of quality.

Contribution to restaurant turnover



PROMOTIONS
- Spur's Unreal Breakfast every day until 11 am
- Monday Burger or Hot Diggety Dog (buy one get one free)
- Wednesdays Kids Eat FREE
- Thursdays Buy any TWO steaks and get another FREE

PERFORMANCE SCORECARD

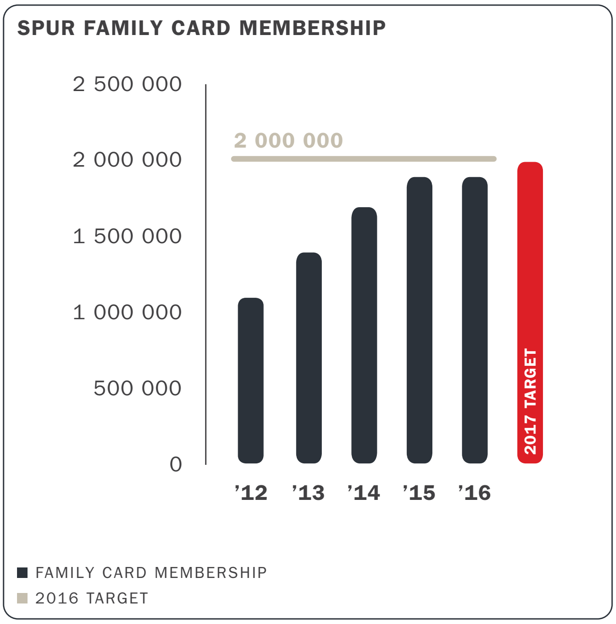
RESTAURANT TURNOVER	FRANCHISE REVENUE	CONTRIBUTION TO GROUP PROFIT
R4.58bn	R230.0m	R206.1m
2015: R4.31bn	2015: R217.3m	2015: R194.0m
⌃ 6.2%	⌃ 5.8%	⌃ 6.2%

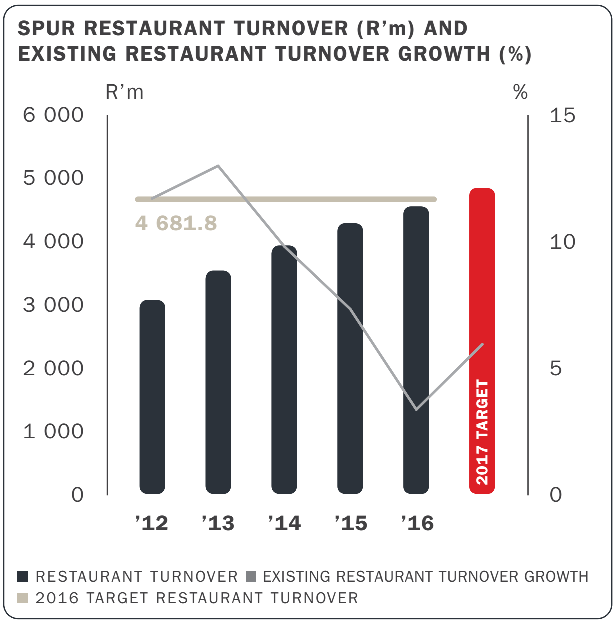
TOTAL RESTAURANTS IN SOUTH AFRICA	SPUR FAMILY CARD HOLDERS	CORPORATE EMPLOYEES	NEW OUTLETS / REVAMPS / RELOCATIONS
286	1.92m	37	NEW OUTLETS 15
2015: 277	2015: 1.85m	2015: 40	REVAMPS 24
			RELOCATIONS 3

PERFORMANCE OVERVIEW

Trading conditions remained challenging, with increased pressure on our target market and competition for consumer spend intensifying. While we achieved our targets in most provinces, Gauteng, our biggest contributor, was hardest hit by the socio-economic challenges facing the country. This includes job shedding in the mining sector, armed robberies and terrorist threats in some of the country's largest malls. While all of our stores now have generators, ongoing interruptions kept customers away, although this was less of a problem than in the prior financial year. Total restaurant turnover increased 6.2% to R4.58 billion (2015: R4.31 billion) and existing restaurant turnover grew 3.3%.

Our breakfast offering and value-for-money weekday specials supported repeat weekday and evening business, and we added a "Buy two steaks and get another free" offer on Thursdays. We launched our new look menu, which was well received and includes CHOW ("Choose Healthy Options Wisely") accreditation of healthier menu items and 'Better for You' options on the kids' menu. A refreshed look-and-feel was tested in the Stellenbosch Spur in the Western Cape and received positive feedback from customers and franchisees alike. It will consequently be rolled out nationally.



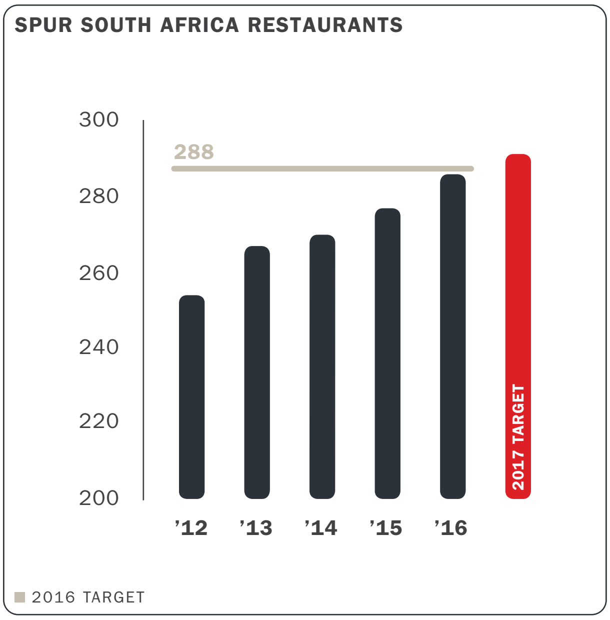


Customer loyalty is rewarded through the Spur Family Card programme, with 1.92 million active Spur Family Card users (2015: 1.85 million) over the last 12 months. Spur loyalty spend per invoice is 36% higher than non-loyalty spend. Family-card registrations are now completely digital, with an average of 15 000 new members per month. More than 100 000 R50 loyalty vouchers are distributed every month with a redemption rate of 74%.

The Spur eGift Card creates a business-to-business offering that allows companies to incentivise and reward customers and employees. More than 10 companies have signed up to the programme and growth has been encouraging, with more than R9 million sold.

Maintaining exceptional standards for the overall customer experience at Spur is a critical consideration, and training of franchisee staff supported service excellence and food quality. Training programmes such as the Modular Training Programme and Management Prestige Programme include widespread retraining and refocusing of restaurant managers and operators. This commitment to our customers was rewarded, and Spur consumers once again recognised the restaurant with the Sunday Times Generation Next 2016 Award for the "Coolest Place to Eat Out".

We opened three Spur Grill & Go pilot outlets in Worcester (two) and Mandini. These stores are adapted for commuters and smaller town locations, emphasising convenience through a smaller menu and efficient counter-service model within a fresh and trendy, new-look restaurant environment. Trading has been positive and we are identifying further target sites. Work is also progressing on a smaller-format Spur model that suits locations in minor urban areas, which will be piloted in 2017. The model can accommodate approximately 350 m^2 and 140 seats, with lower set-up costs and a reduced menu.



STRATEGIC OUTLOOK

In the financial year ahead, we will continue to refine our menu to ensure that we give our customers what they want, while supporting franchisee profitability at an acceptable level. We will increase footfall by entrenching our specials and building our brand with our customers through targeted marketing campaigns. Growth will come from new store openings where suitable franchisees and locations are identified, and through relocations and establishing a presence in smaller locations that suit the smaller-format and Spur Grill & Go models. Our ongoing commitment to training reassures employees of our investment in their growth and development, and we will draw from international operating models to optimise front-of-house execution.

STRATEGIC GOALS	2016 GOALS AND ACHIEVEMENTS	2017 GOALS
OPEN NEW OUTLETS	15 new outlets (Goal: 11) ✔	Open 7 new outlets
REFINE AND ROLL OUT SMALLER FORMAT STORES	3 Grill & Go stores opened (Goal: 4) (included in above) No new-specification smaller-format stores were opened as the model was further refined during the year (Goal: 3) ✔	Open 2 Grill & Go stores (included in above) Open 2 new-specification smaller-format stores (included in above)
REVAMP EXISTING OUTLETS	24 revamps (Goal: 22) ✔	Revamp 28 existing outlets
RELOCATE EXISTING OUTLETS	3 relocations (Goal: 2) ✔	Relocate 4 existing outlets
ENHANCE LOYALTY OFFERING	We are investigating innovative ways to capitalise on data being collected, including supporting targeted local store marketing ✔	Partner with Spur IT to analyse data and develop a single view of the customer
CONTINUE TO PROMOTE WEEKDAY SPECIALS	Weekday specials are effective in attracting customers and offer excellent value for money. A new steak special was added ✔	Promote weekday specials and assess their effectiveness and financial feasibility
TRAIN AND UPSKILL EMPLOYEES	Training remains a critical component. Programmes include the Management Prestige Programme and Modular Training Programme for franchise managers and employees ✔	Focus on training and upskilling employees
INCREASE RESTAURANT EFFICIENCIES	We continue to identify innovative ways to increase efficiencies. These include the conveyor belt cooker and new self-filtering energy-efficient fryers that are being refined and piloted in test stores ✔	Roll out efficiency initiatives to broader franchisee body where tests prove their capabilities
CONTINUED COMMUNITY INVOLVEMENT	Many franchisees run CSI initiatives in their local communities ✔	Continued community involvement

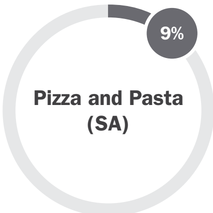
PIZZA AND PASTA

Pizza and Pasta includes the Panarottis and Casa Bella brands.

Both restaurants are Italian-themed, and are built around quality and the finest ingredients – including our award-winning 100% Italian imported pizza flour and 100% Durum wheat pasta.

Tyrone Herdman-Grant
Chief operating officer

Contribution to restaurant turnover



Panarottis Pizza Pasta

Panarottis is family-focused, offering value for money, and is structured to meet the needs of local middle-income customers.

Casa Bella WoodFired Pizza • Pasta • Grills

Casa Bella is an upmarket restaurant brand that merges Italian cuisine with a sophisticated yet welcoming dining experience. Menu items include hand-pressed pizzas, fresh sauces made to order, quality wines at reasonable prices and ribs and grills cooked inside the wood-fire oven, giving them a unique flavour.

PANAROTTIS PROMOTIONS
– Panarottis Breakfast-on-Pizza
– Buy one Get one Free on Tuesdays – Pizza and Pasta
– Thursdays Eat as Much Pizza as You Like
– Sundays Kids Eat Free

PERFORMANCE SCORECARD

RESTAURANT TURNOVER – PANAROTTIS	RESTAURANT TURNOVER – CASA BELLA	FRANCHISE REVENUE	CONTRIBUTION TO GROUP PROFIT
R666.6m 2015: R565.0m ↑ 18.0%	**R4.5m**	**R32.5m** 2015: R27.6m ↑ 17.9%	**R22.1m** 2015: R18.9m ↑ 16.7%

TOTAL RESTAURANTS IN SOUTH AFRICA – PANAROTTIS	TOTAL RESTAURANTS IN SOUTH AFRICA – CASA BELLA	NEW OUTLETS	REVAMPS	CORPORATE EMPLOYEES
81 2015: 75	**2** 2015: 0	**7** Panarottis **2** Casa Bella	**8** RELOCATION **1**	**13** 2015: 13

PERFORMANCE OVERVIEW

The entry of international pizza brands into the South African market, coupled with the constrained economic trading environment, has seen local competitors respond with aggressive specials and increased television presence. Despite these difficult conditions, Panarottis' emphasis on high-quality products, upgrading kids' facilities, ongoing revamps of existing outlets, and improving operational standards resulted in an increase in total restaurant turnover of 18.0% to R666.6 million (2015: R565.0 million).

For Panarottis, our efforts to sustain franchisee profitability centred on increasing turnover, reducing overheads and refining our menu to reduce labour costs and improve operational standards. Our ongoing menu engineering project saw good results, delivering consistent franchisee gross margins despite a high food inflation environment. Roadshows with franchisees emphasised the need to properly manage the things that we can control – service, product quality and upskilling staff.

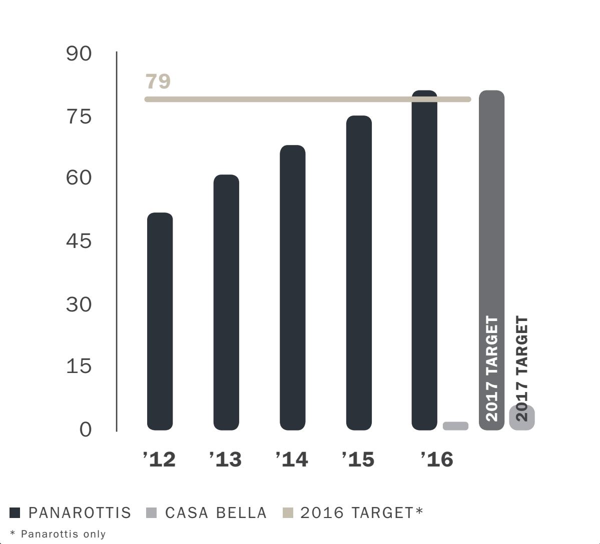
Ongoing upgrades to kids' facilities, kids' food offerings and revamping the remaining outlets to the current design further broadens Panarottis' family appeal. In February 2016, we launched hand-crafted pizza bases as the new standard across the Panarottis brand, delivering an authentic textured pizza similar to those served in Italy.

The Panarottis Rewards loyalty programme was launched and enables customers to transact digitally to earn, buy and redeem digital vouchers at all Panarottis outlets in South Africa. At financial year-end, there were 86 000 active members in the programme.

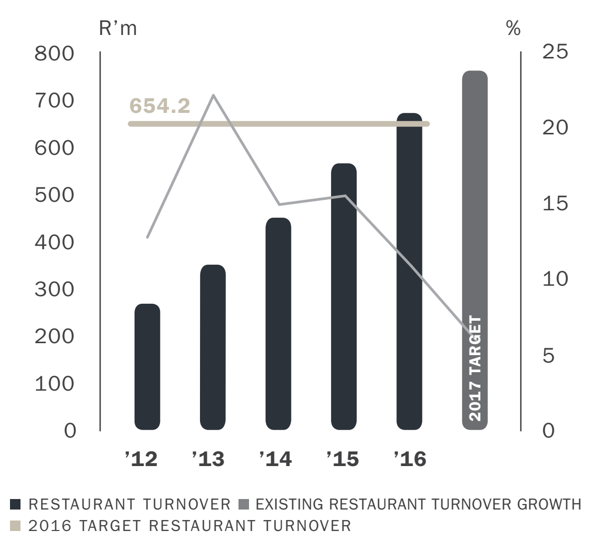
Casa Bella was launched in 2016, when the group saw a gap in the market for a trendy Italian pizza and pasta restaurant that appeals to the more affluent customer. This addition provides franchisees with a unique opportunity to tap into a growing sector, supported by the well-established Panarottis brand.

Casa Bella opened in GrandWest Casino in the Western Cape in March 2016 and in the Mall of Africa in Gauteng in April 2016. Four more restaurants are planned for 2017, two in KwaZulu-Natal, one in Gauteng and one in the Western Cape.

PIZZA AND PASTA SOUTH AFRICA RESTAURANTS



PIZZA AND PASTA RESTAURANT TURNOVER (R'm) AND EXISTING RESTAURANT TURNOVER GROWTH (%)



STRATEGIC OUTLOOK

In the financial year ahead, we will improve the operational fundamentals across the Panarottis brand to ensure service excellence. We will revamp the few remaining Panarottis outlets and roll out the fine-tuned décor and building specification across the rest of the outlets. We will introduce the Casa Bella brand to four new locations and entrench its position as an Italian cuisine, fine dining experience.

STRATEGIC GOALS	2016 GOALS AND ACHIEVEMENTS	2017 GOALS
OPEN NEW OUTLETS	7 new Panarottis outlets opened (Goal: 5) and 2 Casa Bellas ✔	Open 3 new Panarottis outlets and 4 Casa Bellas
REVAMP AND RELOCATE EXISTING OUTLETS	8 revamps and 1 relocation (Goal: 5) ✔	Revamp and relocate 4 existing outlets
CONTINUED ROLLOUT OF KIDS' FACILITIES	Rolled out kids' facilities to 6 existing restaurants (Goal: 11) ✔	Kids' facilities at 4 stores to be revamped to improve offering (leaving 1 store outstanding which is not suited for a kids' facility)
ROLL OUT LOYALTY PROGRAMME	The Panarottis Rewards loyalty programme was launched and has seen a positive uptake ✔	Entrench loyalty offering
CONTINUED COMMUNITY INVOLVEMENT	Many franchisees run CSI initiatives in their local communities. This is encouraged by regular communication of successful events ✔	Continued emphasis on community involvement
CONTINUE PROMOTING WEEKDAY SPECIALS AND BREAKFAST OFFERING	Weekday specials and Panarottis' breakfast offering are well-established and continue to be popular with customers ✔	Continue promoting weekday specials and breakfast offering Investigate a breakfast offering for Casa Bella
STABILISE CASA BELLA MODEL		Refine menu and model, based on existing restaurants

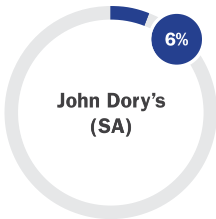
JOHN DORY'S

FISH. GRILL. SUSHI.

Leonard Coetzee
Chief operating officer

John Dory's is predominantly a seafood restaurant well known for its distinctly Mediterranean culture, charisma and family appeal.

Contribution to restaurant turnover



PROMOTIONS
- Tuesdays Two for One Hake and Chips
- Wednesdays ½ Price Sushi and Graça
- Saturdays ½ Price Sushi Platters

PERFORMANCE SCORECARD

RESTAURANT TURNOVER	FRANCHISE REVENUE	CONTRIBUTION TO GROUP PROFIT
R394.3m	R18.5m	R9.6m
2015: R335.0m	2015: R16.2m	2015: R9.1m
↑ 17.7%	↑ 14.2%	↑ 4.8%

TOTAL RESTAURANTS IN SOUTH AFRICA	JOHN'S CLUB CARD HOLDERS	CORPORATE EMPLOYEES	NEW OUTLETS / REVAMPS / RELOCATION
45	233 000	10	NEW OUTLETS 8
2015: 38	2015: 137 000	2015: 8	REVAMPS 3
			RELOCATION 1

PERFORMANCE OVERVIEW

John Dory's experienced a challenging financial year with the effects of the drought and currency weakness feeding through into the price of raw materials on the back of ongoing difficulty in securing a sustainable supply of certain seafood. Operations were further affected by closures due to political unrest, and several of our restaurants were impacted by construction in the malls in which they operate. Nevertheless, we had one of our best financial years. We opened eight new outlets, controlled costs well and grew total restaurant turnover by 17.7% to R394.3 million (2015: R335.0 million), with existing restaurant turnover increasing by 9.4%.

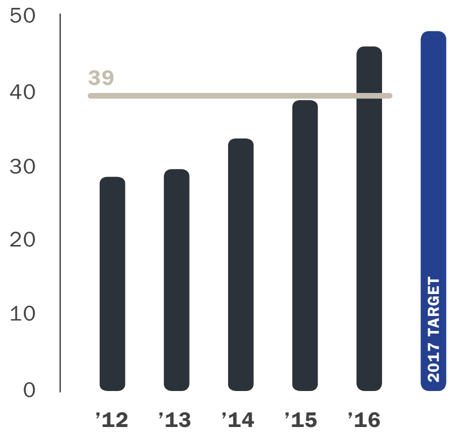
Our focus was on efficient stock management, effective employee scheduling to reduce labour expenses, improving in-house controls, optimising sales mix through house product promotions, and improving the use of technology to enhance reporting accuracy. We trimmed the menu of slow-moving items and rolled out an intensive Modular Training Programme to develop management teams. This training included theoretical and practical components. "Operational Hierarchy" blueprints were rolled out across the brand. These provide each restaurant with a tailor-made strategy across 10 specific business requirements, clearly identifying current strengths, opportunities and areas requiring urgent attention.

Efficiency presentations were rolled out nationally, communicating in-house best practices that support franchisee margins. Sustainability remains front of mind, and we deepened our relationship with the World Wildlife Fund for Nature ("WWF") and SASSI.

The John Dory's new-look design has been rolled out across approximately a quarter of our restaurants and has been favourably received. All our restaurants offer free Wi-Fi, and 89% have kids' areas.

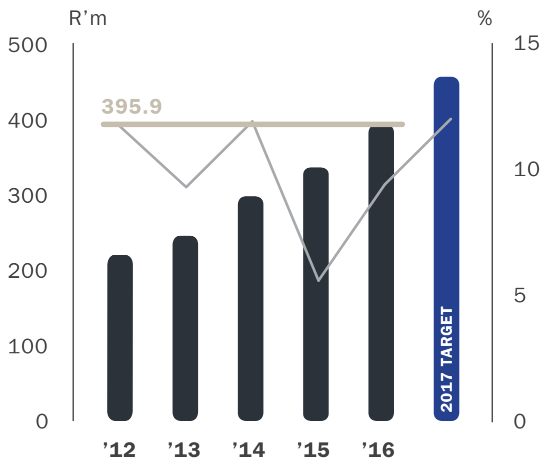
The John's Club Loyalty Programme now has 233 000 members and SMS-notifications sent to customers led to a significant increase in redemption rates. We also launched "Go Review", a customer feedback tool that assists managers to immediately deal with feedback in-store and encourages reviews to be shared online. This initiative has been well received and is now being instituted in other brands.

JOHN DORY'S SOUTH AFRICA RESTAURANTS



■ 2016 TARGET

JOHN DORY'S RESTAURANT TURNOVER (R'm) AND EXISTING RESTAURANT TURNOVER GROWTH (%)



■ RESTAURANT TURNOVER ■ EXISTING RESTAURANT TURNOVER GROWTH
■ 2016 TARGET RESTAURANT TURNOVER

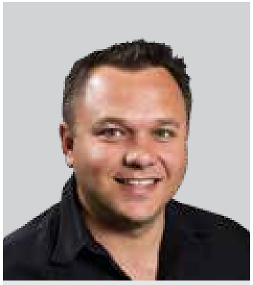
STRATEGIC OUTLOOK

In the financial year ahead, we will grow our footprint, roll out the new-look design and implement further initiatives that support franchisee profitability.

STRATEGIC GOALS	2016 GOALS AND ACHIEVEMENTS	2017 GOALS
OPEN NEW OUTLETS, REVAMP AND RELOCATE EXISTING OUTLETS	8 new outlets opened (Goal: 3) 3 revamps and 1 relocation (Goal: 3 revamps and relocations) ✔	**Open 2 new outlets** **Revamp and relocate 6 existing outlets**
CREATE LOYALTY AROUND NEW MENU ITEMS	Launched half-price sushi platters on Saturdays and introduced a rainbow trout special ✔	**Identify opportunities to explore seasonal supply cycles and readily available seafood stocks, taking cognisance of SASSI guidelines**
ALL OUTLETS TO HAVE KIDS' FACILITIES	Kids areas were installed at 3 existing outlets in addition to all 8 new restaurants (Goal: 2) 89% of our restaurants have kids' facilities Installation at remaining restaurants is not considered feasible due to size constraints and/or location (e.g. casinos) ✔	**Kids facilities will be implemented at all new outlets where appropriate**
CONTINUE IMPROVING THE BRAND'S VIBE AND SPIRIT OF GENEROSITY	New look and brand refresh rolled out to 11 restaurants ✔	**Roll out new look to 4 existing restaurants**
LEVERAGE TV CAMPAIGNS AND EXPAND TO OTHER CHANNELS, MAINTAIN CONSISTENT AND CLEAR BRAND MESSAGING	Marketing campaigns and brand messaging expanded across channels, including social media and pay-TV channels ✔	
ONGOING IMPROVEMENT OF OPERATIONAL DISCIPLINES	Supplemented skills and knowledge of head office operations employees to engender renewed focus on operational disciplines and ensure consistency of operations throughout the brand ✔	**Specific focus on back-of-house controls to address inefficiencies, thereby improving franchisee profitability**
INCREASE PARTICIPATION IN LOYALTY PROGRAMME	Increased SMS communication with members drove a significant increase in redemption rates 233 000 John's Club members account for 30% of total sales ✔	**Continue to monitor usage and effectiveness of loyalty programmes** **Identify opportunities to use data for targeted marketing initiatives**
EXPAND INTO NEW REGIONS OF SOUTH AFRICA	8 new outlets opened in key areas ✔	**Continue to identify opportunities for expansion in key metros (specific focus on Western Cape)**
CONTINUED COMMUNITY INVOLVEMENT	Many franchisees run CSI initiatives in their local communities ✔	**Continued community involvement**

CAPTAIN DOREGOS

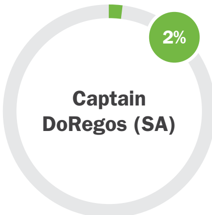
IT'S ALL GOOD



Julian Odendaal
Chief operating officer

Captain DoRegos serves quality, quick-service food at an affordable price. We are experts when it comes to whipping up value-for-money meals that you can enjoy as a takeaway or in a comfortable sit-down environment.

Contribution to restaurant turnover



PERFORMANCE SCORECARD

RESTAURANT TURNOVER	FRANCHISE REVENUE	CONTRIBUTION TO GROUP PROFIT
R138.3m	**R4.5m**	**(R17.9m)***
2015: R143.0m	2015: R6.1m	2015: (R11.8m)*
↓ 3.3%	↓ 25.4%	↓ 51.0%

TOTAL RESTAURANTS IN SOUTH AFRICA	CORPORATE EMPLOYEES	NEW OUTLETS / REVAMPS
49	**4**	NEW OUTLETS **5**
2015: 57	2015: 3	REVAMPS **5**

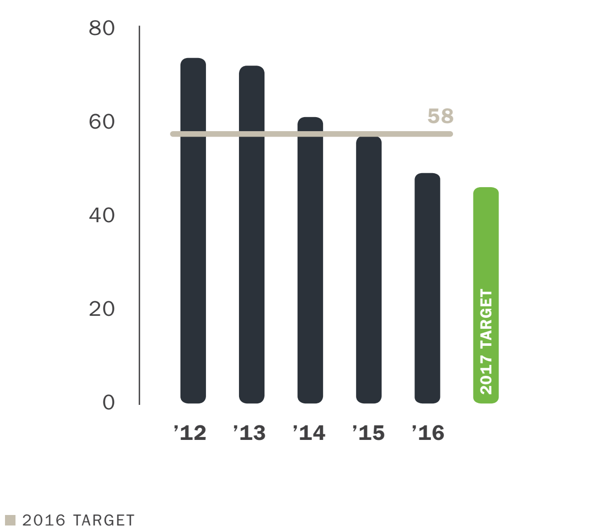
* Includes impairment loss on intangible assets of R18.969 million (2015: R13.905 million).

PERFORMANCE OVERVIEW

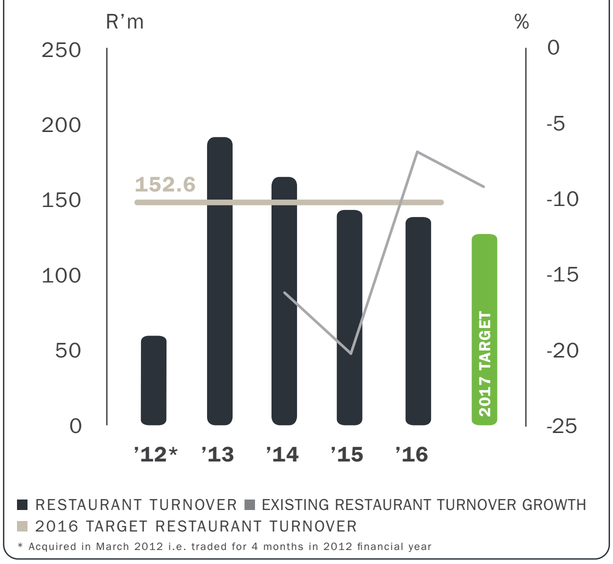
Severe consumer strain in the lower-income bracket, intense competition and high food cost inflation resulted in pressured franchisee margins for Captain DoRegos. Total restaurant turnover declined by 3.3% to R138.3 million in 2016 (2015: R143.0 million) and existing store sales fell by 6.9%.

Thirteen unprofitable outlets were closed, while five new outlets were opened in suitable locations. The brand's business model was refined to support franchisee profitability, and the roll-out of new signage will be completed early in the financial year ahead. Sales staff received training to improve customer service, the menu was refocused on high-selling items and the marketing strategy was expanded to drive feet into the stores through value-adding campaigns.

CAPTAIN DOREGOS SOUTH AFRICA RESTAURANTS



CAPTAIN DOREGOS RESTAURANT TURNOVER (R'm) AND EXISTING RESTAURANT TURNOVER GROWTH (%)



STRATEGIC OUTLOOK

In the financial year ahead, our priorities are to improve service, maintain product quality, standardise the brand's look and feel, and continue to offer excellent value for money.

STRATEGIC GOALS	2016 GOALS AND ACHIEVEMENTS	2017 GOALS
OPEN NEW OUTLETS	5 new outlets (Goal: 5) ✔	Open 2 new outlets
REVAMP AND RELOCATE EXISTING OUTLETS	5 revamps/relocations (Goal: 1) ✔	Revamp/relocate 1 existing outlet
FURTHER ENTRENCH GROUP DISCIPLINES AND PROCEDURES	Non-performing outlets were targeted for remedial action. In certain cases, this resulted in stores being sold to new franchisees. In other cases, the stores were closed (part of the reason for the high number of stores closed) ✔	Head office operations management teams will spend more time in underperforming stores to assist franchisees in remedying operational challenges and implementing proper marketing initiatives
UPGRADE AND STANDARDISE THE BRAND'S LOOK AND FEEL	New signage was rolled out to 11 outlets ✔	A further 4 sites are scheduled for signage upgrades
CONTINUE TRAINING EMPLOYEES TO ENHANCE CUSTOMER EXPERIENCE	More than 30 franchisee staff received individual training through training programmes at 3 training outlets ✔	Head office operations employees are to attend more training and focus more on in-store training of franchisee employees
CONTINUE ROLL-OUT OF NEW POINT OF SALE SYSTEM TO IMPROVE RELEVANCE OF BUSINESS INTELLIGENCE	Economic conditions restricted franchisees' cash flow to incur costs on point of sale system upgrades. All new stores had the new system installed ✔	Negotiations are under way to source an alternative point of sale system that is more affordable. A roll-out date of January 2017 has been targeted
SIMPLIFY BRAND MENU AND OFFERING	The menu has been reduced with each new menu run. New products have been introduced (including chuck, quarter chicken and baby hake), with positive acceptance by customers ✔	Focus particularly on greater value-for-money product offerings, given the pressure on disposable income of our target market

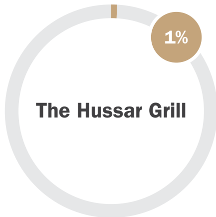
THE HUSSAR GRILL

Justin Fortune
Chief operating officer

THE HUSSAR GRILL
EST 1964

The Hussar Grill is a chain of premier grillrooms offering speciality grills, an upscale yet comfortable and inviting ambience and a comprehensive wine selection. It has been operating since 1964 and has an excellent reputation in the Western Cape.

Contribution to restaurant turnover



PERFORMANCE SCORECARD

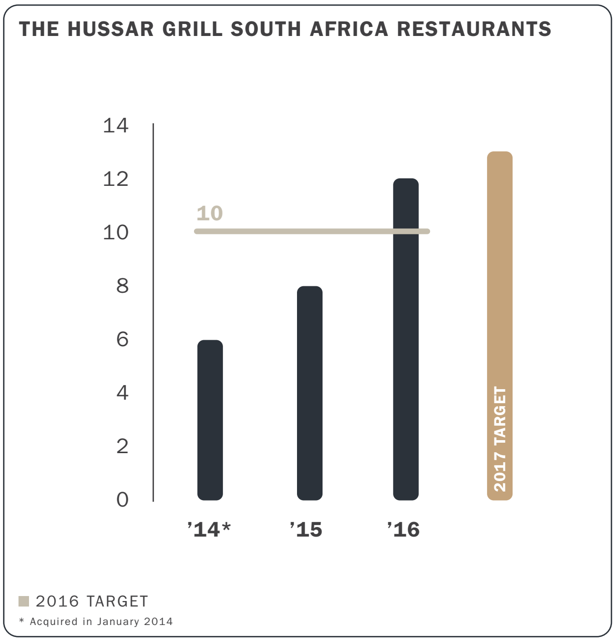
RESTAURANT TURNOVER **R109.3m** 2015: R72.0m ⌃ 51.8%	FRANCHISE REVENUE **R3.6m** 2015: R2.4m ⌃ 49.2%	COMPANY-OWNED (RETAIL) RESTAURANT REVENUE **R43.6m** 2015: R30.8m ⌃ 41.8%	COMBINED FRANCHISE AND RETAIL CONTRIBUTION TO GROUP PROFIT **R5.6m** 2015: R5.9m ⌄ 5.6%
TOTAL RESTAURANTS IN SOUTH AFRICA **12** 2015: 8	CORPORATE EMPLOYEES **2** 2015: 3	COMPANY-OWNED (RETAIL) RESTAURANT EMPLOYEES **150** 2015: 91	NEW OUTLETS **4** RELOCATION **1**

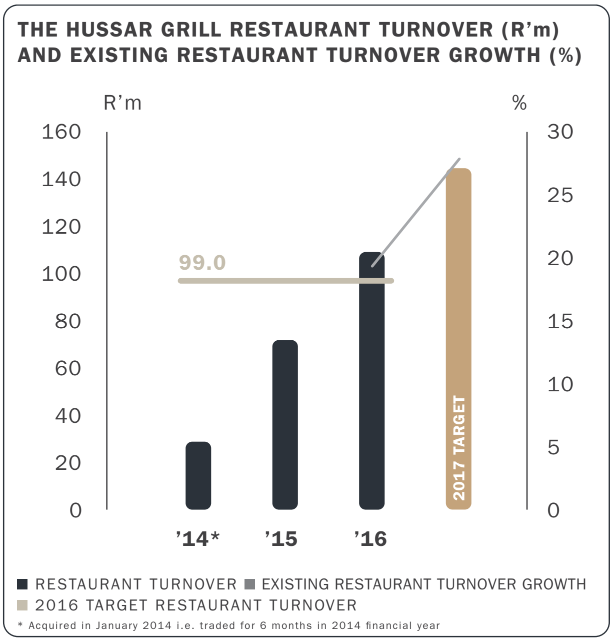
PERFORMANCE OVERVIEW

Despite tough trading conditions, The Hussar Grill's higher-income target market proved resilient on the back of the brand's strength as a premium steakhouse with a fifty-year heritage and award-winning status. Total restaurant turnover increased by 51.8% to R109.3 million (2015: R72.0 million) and existing restaurant sales grew by 19.4%.

Turnover growth was supported by increased presence on social media, public relations and blogger partnerships with celebrities, and through strategic campaigns that showcased value to our customers, such as wine pairing evenings and two- and three-course meal offerings.

Eight of the 12 restaurants are franchised and four are company-owned. Three flagship restaurants were opened in Johannesburg, Pretoria and KwaZulu-Natal.





STRATEGIC OUTLOOK

In the financial year ahead, we plan to entrench the brand in Gauteng and KwaZulu-Natal, maintain best operating practice through training, reinforce the brand's premium credentials through various marketing channels, maintain the independent feel of each grillroom and drive local store initiatives.

STRATEGIC GOALS	2016 GOALS AND ACHIEVEMENTS	2017 GOALS
OPEN NEW OUTLETS, REVAMP AND RELOCATE EXISTING OUTLETS	4 new outlets opened (Goal: 2) 1 outlet revamped/relocated (Goal: 1) ✔	**Open 1 new outlet**
GROW EXISTING BUSINESS	Existing business grew 19.4% (Goal: 8% – 10%) ✔	**Grow existing business by 27.9%**
ESTABLISH THE HUSSAR GRILL BRAND IN NEW REGIONS	2 outlets were opened in Gauteng, 1 in KwaZulu-Natal and our first outlet outside South Africa in Lusaka, Zambia ✔	**Focus on expanding the brands in large metros outside Cape Town**

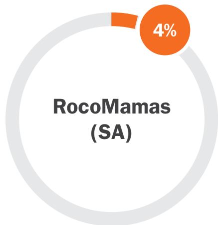
ROCOMAMAS

WE'RE NOT NORMAL

Brian Altriche
Chief operating officer

RocoMamas is a trendy, personalised restaurant concept built around a customised but casual and affordable menu. RocoMamas offers handmade "Smashburgers", ribs and wings, with all orders prepared fresh on site.

Contribution to restaurant turnover



PERFORMANCE SCORECARD

RESTAURANT TURNOVER **R268.2m** 2015: R24.3m* 1 003.8%	FRANCHISE REVENUE **R17.4m** 2015: R2.2m* 700.7%	COMPANY-OWNED (RETAIL) RESTAURANT REVENUE **R4.5m**	TOTAL RESTAURANTS IN SOUTH AFRICA **42** 2015: 9
COMBINED FRANCHISE AND RETAIL CONTRIBUTION TO GROUP PROFIT **R10.3m** 2015: R1.4m* 644.3%	CORPORATE EMPLOYEES **8** 2015: 3	COMPANY-OWNED (RETAIL) RESTAURANT EMPLOYEES **45**	NEW OUTLETS **33**

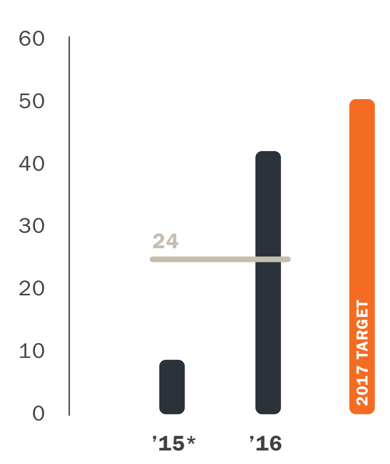
* Acquired in March 2015 i.e. traded for 4 months in 2015 financial year.

PERFORMANCE OVERVIEW

RocoMamas is a fast-casual dining restaurant with an unconventional social media marketing strategy designed to unnerve competitors and target the millennial customer. The group acquired 51% of RocoMamas effective 1 March 2015. Total restaurant turnover was R268.2 million compared to R24.3 million for the four months of 2015. Thirty-three new outlets were opened across the country, adding national presence on top of RocoMamas' home base in Gauteng.

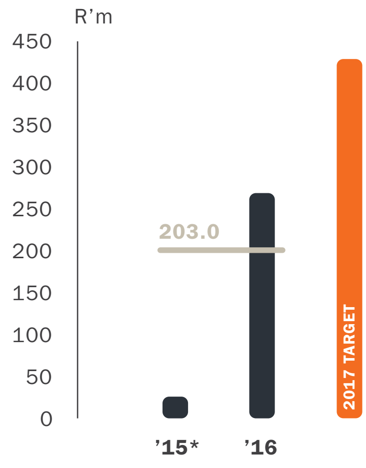
We monitor our target market on an ongoing basis to enable us to make informed decisions on menu engineering, new products and the latest consumer trends. An online training platform was introduced into stores in conjunction with the Modular Training Programme to upskill management and service staff. We have also found ways to reduce and simplify the menu and certain ingredients to reduce labour costs and ease operations.
Five stores have been identified and developed to serve as training stores for new franchisees, and operational standards are closely monitored. Future sites will be carefully evaluated to avoid diluting the market, and we have found that stand-alone sites, rather than malls, best suit our trading model.

ROCOMAMAS SOUTH AFRICA RESTAURANTS



2016 TARGET
* Acquired in March 2015

ROCOMAMAS RESTAURANT TURNOVER (R'm)



2016 TARGET RESTAURANT TURNOVER
* Acquired in March 2015 i.e. traded for 4 months in 2015 financial year

STRATEGIC OUTLOOK

We will establish the brand's presence across the country, supported by innovative marketing tailored to our target market. Training and upskilling of management and staff will receive particular attention.

STRATEGIC GOALS	2016 GOALS AND ACHIEVEMENTS	2017 GOALS
OPEN NEW OUTLETS	33 new outlets opened (Goal: 15) ✔	Open 9 new outlets
ESTABLISH THE BRAND THROUGH INNOVATIVE MARKETING	Established centralised marketing fund to leverage off group infrastructure to maximise benefit to franchisees Loyalty programme under investigation ✔	Appoint an advertising agency to assist with creative design and national marketing efforts Implement loyalty programme by 30 June 2017
ONLINE ORDERING	Investigations commenced ✔	Continue the development and implementation of an online ordering solution to be launched in 2018

INTERNATIONAL

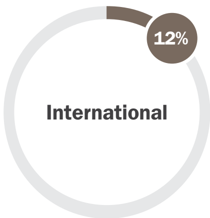
Derick Koekemoer
Franchise executive: Africa

David Maich
(resigned March 2016)
Franchise executive: United Kingdom

José Vilar
Franchise executive: Australia

Spur Corporation has 58 restaurants operating outside South Africa – 47 in Africa and Mauritius, and 11 in Australia. While most of these are Spur and Panarottis brands, there is growing representation across the portfolio. The international stores closely resemble their South African counterparts, with slight adaptations to appeal to the local market. The eight group-owned restaurants in the UK and Ireland were closed following the decision to cease operations in that region and reposition the international business focus primarily on Africa and Australasia. All the group's international restaurants are now franchised.

Contribution to restaurant turnover



PERFORMANCE SCORECARD

RESTAURANT TURNOVER	TOTAL REVENUE	CONTRIBUTION TO GROUP PROFIT*
R814.4m	**R137.4m**	**(R14.7m)**
2015: R726.2m	2015: R223.1m	2015: R10.4m
⇑ 12.1%	⇓ 38.4%	⇓ 241.6%

TOTAL RESTAURANTS OUTSIDE SOUTH AFRICA	CORPORATE EMPLOYEES	COMPANY-OWNED (RETAIL) RESTAURANT EMPLOYEES	NEW OUTLETS
58	**14**	**0**	**10**
2015: 58	2015: 13	2015: 193	2015: 8

* Excludes corporate services costs.

PERFORMANCE OVERVIEW

International restaurant sales increased by 12.1% to R814.4 million (2015: R726.2 million), with sales at existing restaurants increasing by 2.7%. At constant exchange rates, international restaurant sales increased by 2.8%, impacted by the closure of the outlets in the UK.

STORE FOOTPRINT

	Spur	Panarottis	John Dory's	Captain DoRegos	The Hussar Grill	RocoMamas	Total stores
Africa and Mauritius	**34**	**7**	**1**	**3**	**1**	**1**	**47**
Botswana	3	–	–	1	–	–	4
Kenya	4	–	–	–	–	–	4
Lesotho	1	–	–	–	–	–	1
Malawi	1	–	–	–	–	–	1
Namibia	9	–	–	1	–	1	11
Nigeria	3	–	–	–	–	–	3
Swaziland	2	–	–	–	–	–	2
Tanzania	3	1	–	–	–	–	4
Uganda	1	–	–	–	–	–	1
Zambia	3	–	1	–	1	–	5
Zimbabwe	1	–	–	–	–	–	1
Mauritius	3	6	–	1	–	–	10
Australia	**6**	**5**	**–**	**–**	**–**	**–**	**11**
Total international	**40**	**12**	**1**	**3**	**1**	**1**	**58**

AUSTRALIA

While trading in Western Australia remains challenging due to increased competition and the impact of the commodity downturn on the regional economy, restaurants in New South Wales delivered good results. The high cost of labour in Australia makes it essential to balance high-quality service with a tightly managed labour component. Marketing campaigns are run on television and local radio, and are supported by attractive daily and weekly specials.

New Panarottis and Spur outlets were opened in Perth. The group will mark its entry into New Zealand early in the 2017 financial year with the opening of the first Spur Steak Ranch in Auckland.

THE UK AND IRELAND

Despite a number of interventions over the past few financial years, profitability in the UK restaurants remained unviable in the face of intense competition, tough economic conditions and high labour, occupancy and raw material costs. Consequently, the remaining eight group-owned restaurants in the UK and Ireland were closed, and in future the international business will seek opportunities primarily in Africa and Australasia.

AFRICA AND MAURITIUS

Low commodity prices and the devaluation of local currencies against the US dollar contributed to challenging trading conditions across Africa. Currency devaluation significantly impacted franchisees' operating margins, particularly in those countries in which rentals are set in US dollars. Property developments across the region have also been affected and landlords are struggling to fill new developments. The poor economic climates of Angola and Mozambique delayed planned openings in those countries, and administrative delays postponed the opening of new restaurants in Ethiopia.

Despite these challenges, total restaurant sales for franchised restaurants in Africa and Mauritius grew 24.0% (or 18.7% on a comparable exchange rate basis) and the potential for strong medium-term growth is clear. The group opened its third Spur in Nigeria, a further two Spur restaurants in Kenya, and one in Zambia. The first Captain DoRegos outlet in Botswana was opened during the year. The first international RocoMamas opened in Windhoek, Namibia, and the brand is attracting a great deal of interest from potential franchisees in the region. The first The Hussar Grill was opened outside South Africa in Lusaka, Zambia, and a Panarottis Express opened in Mauritius.

In the financial year ahead, we plan to open RocoMamas outlets in Mauritius, Kenya, Saudi Arabia and Oman. Our first Panarottis will open in Nigeria, alongside an additional Spur. The first Captain DoRegos in Zimbabwe and our first outlet (a Spur) in Ethiopia are also scheduled to open in the new year. There will be a major emphasis on improving operating efficiencies within the business, including the improved use of in-store technology, raising labour productivity and improving supply chain efficiencies. Wherever possible, we will look to secure leases in local currencies and research instruments that can shield franchisees from the effects of large currency fluctuations.

Progress has been made with the implementation of country-specific electronic loyalty programmes in certain regions, and we plan to roll these out across all regions in the financial year ahead.

INTERNATIONAL STRATEGIC OUTLOOK

STRATEGIC GOALS	2016 GOALS AND ACHIEVEMENTS	2017 GOALS
OPEN NEW OUTLETS	10 new restaurants opened (Goal: 14), with openings in some countries delayed due to the current unfavourable economic climate ✔	**Open 9 new outlets**
EXPAND INTO NEW TERRITORIES	Expansion into Ethiopia, Angola and Mozambique was postponed due to economic challenges and administrative delays Opened the first international RocoMamas and The Hussar Grill outlets in Africa ✔	**Open RocoMamas in Mauritius, Kenya, Saudi Arabia and Oman** **Open Spur restaurants in New Zealand and Ethiopia, and a Captain DoRegos in Zimbabwe**
ESTABLISH SMALLER-FORMAT CONCEPT IN THE UK	A decision was taken to exit the UK operations and focus on opportunities in Africa, Australasia and the Middle East	

MANUFACTURING AND DISTRIBUTION

Revenue from the manufacturing and distribution division increased by 3.9% to R180.8 million (2015: R173.9 million), lagging the growth in restaurant turnovers. This resulted from an intention to mitigate the impact of rampant food price inflation on franchisee margins, by keeping price increases on centrally manufactured items to a minimum and reducing the cost of integration commission income earned on certain centrally procured lines.

MANUFACTURING

The manufacturing division comprises the sauce manufacturing facility in Cape Town, which manufactures more than 400 000 litres of sauce per month, including certain of the group's unique sauces and sauces for external parties under licence.

Significant increases in the cost of raw materials and packaging were absorbed to protect franchisee profitability, which led to margin pressure in the manufacturing division. Additions were made to the Food Safety team to support quality control, and external HACCP food safety recertification and accreditation was completed in April 2016. Water tanks were installed at the sauce manufacturing facility to ensure uninterrupted flow of water during outages. Training and upskilling of staff was a priority. In the financial year ahead, our strategy is to explore additional markets to increase turnover and maximise capacity utilisation. We are investigating the feasibility of establishing a sauce manufacturing facility in Johannesburg, which would reduce transport costs to inland restaurants.

DISTRIBUTION

Procurement is centralised and managed for franchisees, which enables the group to negotiate better prices on core items in the basket and ensure security and consistent quality of supply. Supply chain logistics is outsourced to a third party who coordinates transactions between suppliers, the group's manufacturing facilities and franchisees. The group charges franchisees a cost of integration of approximately 3% on the volumes sold through the distributor.

The procurement department manages the relationship between the outsourced distributor, suppliers and franchisees, audits suppliers, and facilitates third-party food safety audits on suppliers and the outsourced distributor.

Volumes shipped through the distributor increased by 6.0% to 45 800 tons (2015: 43 209 tons). This increase was the result of new products being added to the basket, increased franchisee participation, the opening of new restaurants, and growth in overall restaurant turnover. We added additional resources to the procurement team and focused on ensuring that inbound and outbound service levels were maintained. Moving forward, head office operations managers will check deliveries to ensure food transport protocols are properly implemented by the distribution partner.

Inbound suppliers are monitored on a number of key performance statistics. This data is used to rate suppliers and address issues identified during reviews, and improve stock availability and supplier management. We are investigating ways to increase the basket of products procured.

CORPORATE GOVERNANCE

Spur Corporation appreciates that formal corporate governance structures and procedures are critical in maintaining ethical and balanced decision-making practices that consider the interests of all stakeholders. The board and management are committed to ensuring that these structures and procedures are implemented in a manner that supports the entrepreneurial characteristics that remain fundamental to the success of the group.

The board has considered King III and is confident that the fundamental objectives and spirit of King III are being achieved within Spur Corporation Ltd. Evidence of this is illustrated by the following governance milestones for 2016:

- There has been a notable improvement in the group's risk management process. Assisted by the internal auditor, management established an internal process that facilitates consistency in decision-making from a risk perspective through ongoing feedback and monitoring. This has resulted in a mature management tool that is utilised by the business on an operational level.
- The board has prioritised and increased its focus on resource allocation with regard to Information Technology ("IT"). Human resource challenges within the IT function have been resolved through the appointment of experienced IT personnel. In addition, the IT steering committee has presented a comprehensive IT strategy to the board that outlines the focus, direction and scope of work to be undertaken over the next three years. This will ensure that the IT function aligns with the business strategy, risk assessments and IT governance recommendations of King III.

CONTENT DASHBOARD

The following content dashboard provides an overview of the governance information reported on by Spur Corporation in 2016. It includes an indication of sections provided in the printed report and those available online.

GOVERNANCE ASSESSMENT

The board has adopted the Institute of Directors of South Africa's ("IoDSA") Governance Assessment Instrument ("GAI") to assess the group's governance practices. The GAI assesses the extent to which an organisation has applied the recommended practices of King III. The organisation, in turn, is able to assure the validity of the results by reviewing the explanation register, exceptions listing and detailed breakdown of all King III practices provided by the GAI.

In accordance with King III's "apply or explain" principle for recommended practices, where a practice is not applied, an explanation is given of a compensating practice or, alternatively, the reason for non-application is provided. The GAI rates the extent to which the King III principles have been applied on the following scale:

AAA	Highest application
AA	High application
BB	Notable application
B	Moderate application
C	Application to be improved
L	Low application

The group's overall GAI score at 30 June 2016 was AAA. The detailed King III application register (all 75 principles) is available on the company's website at **www.spurcorporation.com/governance-sustainability/governance-assurance-report/**.

PRINCIPLE	DESCRIPTION	APPLICATION LEVEL	IODSA GAI SCORE	NOTE
2.1	The board acts as the focal point for, and custodian of, corporate governance	Applied	AAA	1
2.2	The board appreciates that strategy, risk, performance and sustainability are inseparable	Applied	AAA	
2.3	The board provides effective leadership based on an ethical foundation	Applied	AAA	
2.4	The board ensures that the company is, and is seen to be, a responsible corporate citizen	Applied	AAA	
2.5	The board ensures that the company's ethics are managed effectively	Applied	AAA	
2.6	The board ensures that the company has an effective and independent audit committee	Applied	AAA	2
2.7	The board is responsible for the governance of risk	Applied	AAA	
2.8	The board is responsible for information technology ("IT") governance	Applied	AAA	3
2.9	The board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	AAA	
2.10	The board ensures that there is an effective risk-based internal audit	Applied	AAA	
2.11	The board appreciates that stakeholder perceptions affect the company's reputation	Applied	AAA	
2.12	The board ensures the integrity of the company's integrated report	Applied	AAA	
2.13	The board reports on the effectiveness of the company's system of internal controls	Applied	AAA	
2.14	The board and its directors act in the best interests of the company	Applied	AAA	
2.15	The board will consider/has considered business rescue proceedings or other turnaround mechanisms as soon as the company has been/may be financially distressed as defined in the Companies Act (Act No. 71 of 2008, as amended) ("Companies Act")	Applied	AAA	
2.16	The board has elected a chairman of the board who is an independent non-executive director, failing which a lead independent director. The chief executive officer of the company does not also fulfil the role of chairman of the board	Applied	AA	4
2.17	The board has appointed the chief executive officer and has established a framework for the delegation of authority	Applied	AAA	
2.18	The board comprises a balance of power, with a majority of non-executive directors. The majority of non-executive directors are independent	Applied	AAA	
2.19	Directors are appointed through a formal process	Applied	AAA	
2.20	The induction of, and ongoing training and development of, directors are conducted through formal processes	Applied	AAA	
2.21	The board is assisted by a competent, suitably qualified and experienced company secretary	Applied	AA	
2.22	The evaluation of the board, its committees and its individual directors is performed every year	Applied	AAA	
2.23	The board delegates certain functions to well-structured committees without abdicating from its own responsibilities	Applied	AAA	5

PRINCIPLE	DESCRIPTION	APPLICATION LEVEL	IODSA GAI SCORE	NOTE
2.24	A governance framework has been agreed upon between the group and its subsidiary boards	Applied	AAA	
2.25	The company remunerates its directors and executives fairly and responsibly	Applied	AAA	
2.26	The company has disclosed the remuneration of each individual director and certain senior executives	Applied	AAA	
2.27	The shareholders have approved the company's remuneration policy	Applied	AAA	

NOTE 1 – PRINCIPLE 2.1

Regarding frequency of board meetings

King III recommends that the board should meet as often as required, but preferably four times per year. The Spur Corporation board meets formally twice a year to attend to governance matters and discuss operations, strategy, risk and other key issues. Additional meetings are convened at short notice, as necessary, to discuss urgent business. The directors participate with management in various other *ad hoc* strategy and planning sessions. The board is of the view that two, full-length meetings a year are sufficient to address matters within its ambit of responsibility. Should urgent matters arise between meetings, these are addressed via email or conference call.

NOTE 2 – PRINCIPLE 2.6

Regarding the chairman of the audit committee attending the annual general meeting ("AGM")

King III recommends that the chairman of the audit committee attends the AGM. The chairman of the audit committee is not resident in the Western Cape. Historically, a limited number of questions have been raised at the AGM that required a response specifically from the chairman of the audit committee, and the board has therefore determined that the cost of the chairman attending would exceed the benefit to shareholders. However, the chairman of the committee avails himself to be contacted telephonically, if necessary, for the duration of the AGM.

NOTE 3 – PRINCIPLE 2.8

Regarding information security management

King III recommends that the board ensures an information security management system is implemented. With the assistance of internal audit, IT risks and security concerns were documented in February 2014. The review concluded that, while security measures had been implemented, there were areas that required improvement. Consequently, the IT team has committed to a road map of definable and achievable milestones with time frames for each risk identified. During the year, new IT policies were approved which now align with industry best practices. Implementation of these policies is ongoing in order to address the gaps.

King III recommends that management demonstrates to the board that adequate disaster recovery arrangements are in place. In this regard, the IT disaster recovery plan is in the process of being updated. Business impact assessments have been completed, and the selection and implementation of technology solutions that match business recovery objectives are underway.

NOTE 4 – PRINCIPLE 2.16

Regarding the independence and assessment of the chairman

King III recommends that the chairman of the board be an independent non-executive director. Where this is not the case, an independent non-executive director should be appointed as lead independent director ("LID"). The LID acts in the chairman's stead in situations where the chairman is conflicted or otherwise cannot fulfil his obligations. The board has therefore appointed Mntungwa Morojele to the role of LID, the responsibilities and requirements of which are outlined in a formalised charter.

King III further recommends that the chairman's performance be assessed on a formal and regular basis. The chairman, Allen Ambor, is the founder of the group and is an executive director. The board considers his holistic understanding of the group's brands, his unparalleled experience in the franchise industry and his insight into the customer psyche to be invaluable to the group. In light of this, the board does not formally assess Mr Ambor's performance on a regular basis.

NOTE 5 – PRINCIPLE 2.23

Regarding the composition of board committees

King III recommends that the board committees (other than the risk committee) comprise a majority of non-executive directors (the majority of whom should be independent), and be chaired by an independent non-executive director. This is the case in all of the board's committees, with the exception of the social, ethics and environmental sustainability committee and the transformation committee. The social, ethics and environmental sustainability committee does not comprise a majority of non-executive directors and is not chaired by an independent non-executive director. However, the composition of the committee complies with the Companies Act. Furthermore, the board is satisfied that the committee comprises the necessary skills to fulfil its responsibilities in terms of its charter and statutory requirements, and that the chairman is capable of acting independently and objectively in the execution of the role.

The transformation committee comprises a majority of executive directors and is chaired by the chief executive officer. This committee, though not a formal requirement of King III, was established to drive the board's transformation imperatives and reports to the board. Its composition reflects the operational nature of the committee and is deemed appropriate by the board.

GOVERNANCE STRUCTURE

CHANGES TO THE BOARD

There were no changes to the board other than the appointment of Nazrana Hawa as company secretary. Financial director/chief financial officer, Ronel van Dijk, previously fulfilled this role in addition to her other responsibilities.

CHAIRMAN AND LEAD INDEPENDENT DIRECTOR

In light of the fact that the chairman is an executive director, the board appointed a LID, as recommended by King III. The appointment of the LID is for a period of three years. Mntungwa Morojele, previously appointed as LID, was reappointed in this role by the board at its meeting of 6 September 2016. The role of the LID is formalised in a charter that includes, *inter alia*:

- Performing all such functions that cannot be performed by the chairman due to potential conflict of interest.
- Leading the board of directors in the annual assessment of the independence of the independent non-executive directors, and of the ability of the non-independent non-executive directors to act independently.
- Serving as principal liaison between the independent non-executive directors and the chairman.

DIRECTORS' RESPONSIBILITY

Management reports to the board on the material risks and opportunities that have an impact on the group's performance. This enables directors to have the necessary information to make objective judgements and effective decisions regarding the group's affairs.

Directors have unrestricted access to all the company's information, records, documents, property, management and employees to fulfil their legal duties. Non-executive directors have direct access to management and may meet with management without the executive directors. All directors have unrestricted access to the advice and services of the company secretary. They are entitled to seek independent professional advice at the company's expense after consultation with the chairman of the board and/or the group chief executive officer.

DIRECTORS' APPOINTMENTS

The board adopted a policy detailing the process and procedures, which are formal and transparent, for the appointment of board directors. While recommendations are made by the nominations committee, the appointment of directors is a matter for the board as a whole. All appointments are subject to shareholder approval.

DIRECTORS' ROTATION

In terms of the company's Memorandum of Incorporation and in compliance with the JSE Listings Requirements, no less than one-third of the non-executive directors retire by rotation each year at the AGM. Consequently, at the forthcoming AGM, Keith Getz, Dean Hyde and Keith Madders will retire. The nominations committee has nominated the directors in question for re-election to the board. The re-election will be tabled at the AGM for shareholder approval.

COMPANY SECRETARY

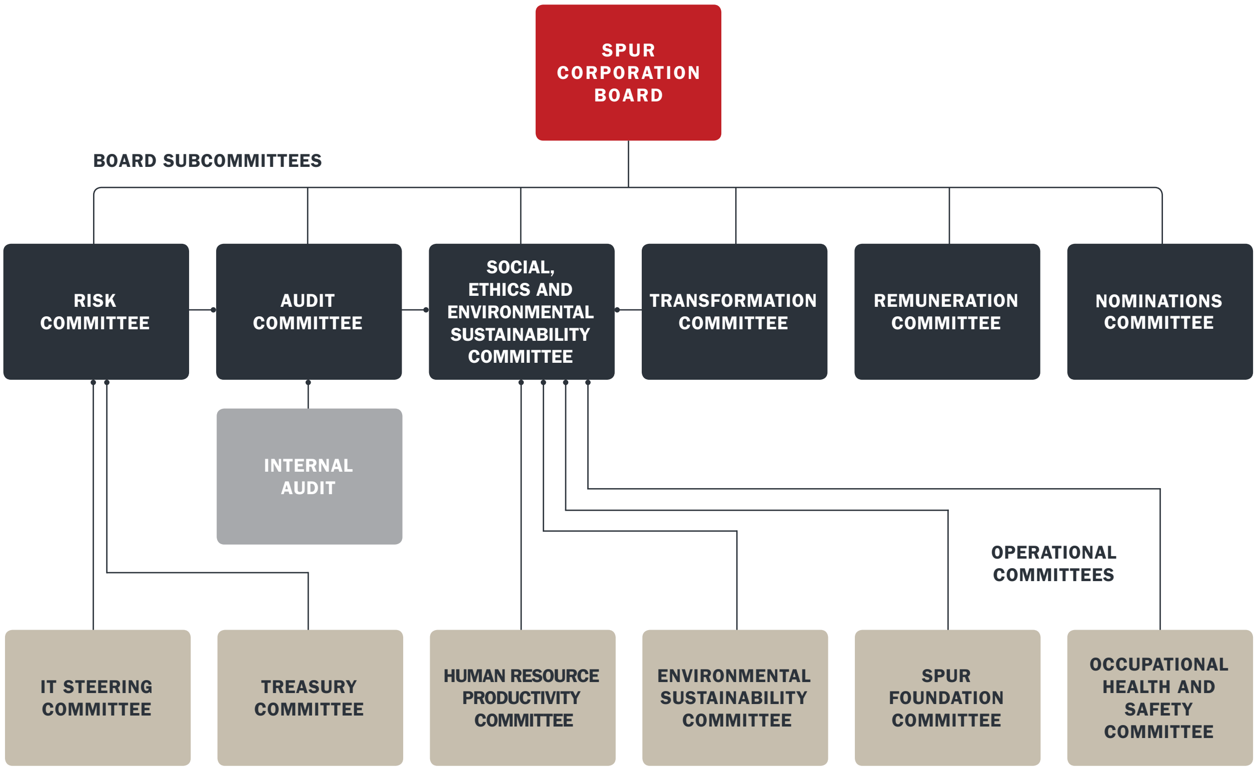
The company secretary assists the chairman in coordinating and administering the functioning of the board, the induction of new non-executive directors and ensuring statutory compliance. The appointment and removal of the company secretary is a matter for the board and not executive management.

Nazrana Hawa was appointed by the board as company secretary on 9 September 2015, taking over the function from Ronel van Dijk. Mrs Hawa holds a B.A. (Hons) LLB from UCT and was admitted as an attorney on 4 December 2009. She commenced her articles at Bowman Gilfillan before spending three years with a litigation practice. She joined the group in May 2011 as the group's legal and compliance officer and has assisted the group chief financial officer in fulfilling the duties of company secretary during this time.

GOVERNANCE ORGANOGRAM

The following organogram provides insight into the governance structures at Spur Corporation.

The composition, roles and responsibilities of the board and committees are described on pages 65 to 69 of this report. Further detail regarding the operational committees is available online at **www.spurcorporation.com/ar/2016**.



BOARD AND COMMITTEES

ROLES AND RESPONSIBILITIES

While the board ultimately retains responsibility for the proper fulfilment of all functions, it delegates authority to the group chief executive officer, executive directors and senior management for the implementation of the strategy and the ongoing management of the business on a day-to-day basis. The executive chairman and the group chief executive officer have clearly defined and separate roles.

The board delegates powers to elected committees, each with defined roles and responsibilities, in accordance with their respective formal charters.

Each committee conducts a self-evaluation on an annual basis, the results of which are reported by the committee chairman to the board for review. The board evaluated the performance of the committees and was satisfied that they were functioning well and meeting their obligations in terms of their respective charters.

The board conducted a self-evaluation in August 2015 and August 2016. The directors noted no material issues that have an adverse impact on the efficacy of the board's operations in meeting its statutory and other obligations.

The table below provides the roles and responsibilities of the board and the other committees.

Committee	Roles and responsibilities
Board	– Being the focal point and custodian of corporate governance and ethics. – Developing and adopting strategic plans that align with stakeholder interests and expectations, result in sustainable outcomes and do not give rise to risks that have not been thoroughly assessed by management. – Ensuring that the company is, and is seen to be, a responsible corporate citizen by having regard to the financial aspects of the business and the impact the business has on the environment and society. – Ensuring that the company has effective and independent board and statutory committees. – Approving financial objectives and targets. – Monitoring operational performance and management. – Ensuring effective risk management and internal controls (including an effective risk-based internal audit). – Ensuring IT governance is managed. – Ensuring effective management of reputational risk. – Ensuring legislative and regulatory compliance. – Monitoring solvency and liquidity and considering remedial responses in the event of indicators of financial distress. – Ensuring the integrity of integrated and interim reports and approving the integrated report (including the annual financial statements).
Audit	**Statutory duties** – Nominating the appointment of the external auditor for approval by shareholders at the AGM. – Assessing the independence of the external auditor. – Determining the fees paid to the external auditor. – Determining the nature and extent of any non-audit services that the external auditor may provide and pre-approving any proposed engagement for such services. – Ensuring that the Companies Act provisions are complied with in terms of appointing the external auditor. – Preparing a report, as part of the annual financial statements of the company for the relevant financial year, that addresses the items listed in the Companies Act. – Receiving and dealing appropriately with any concerns or complaints in relation to matters as set out in the Companies Act. – Making submissions to the board on any matter concerning the company's accounting policies, financial controls, records and reporting. **Other duties** – Reviewing the independence, objectivity and effectiveness of the external auditor. – Discussing the nature and scope of the audit (including key audit risks) with the external auditor before the audit commences and ensuring coordination with other group entity auditors. – Reviewing and commenting on all financial reporting, including the interim and annual financial statements, provisional results announcements, trading statements, circulars and the release of price-sensitive information before submission to the board for approval. – Discussing any problems or issues arising from the audit and any matters incidental thereto with the external auditor. – Reviewing various documents generated by the internal and external audit service providers. – Approving the appointment of the outsourced internal audit service provider. – Reviewing the performance and objectivity of the internal auditor annually and approving the charter and fee structure. – Reviewing the functioning of internal audit. – Receiving and reviewing all internal audit reports and management's responses thereto. – Overseeing integrated reporting and recommending the approval of the integrated report to the board for approval. – Reviewing the expertise, resources and experience of the group chief financial officer and finance function annually.

Committee	Roles and responsibilities
Risk	– Overseeing the implementation and regular review of a policy for risk management. – Overseeing the implementation and annual review of the risk management plan. – Making recommendations to the board concerning the levels of risk tolerance and appetite, as well as monitoring that risks are managed within the levels of tolerance and appetite as approved by the board. – Overseeing that the risk management plan is widely disseminated throughout the company and integrated into the group's day-to-day activities. – Ensuring that risk management assessments are performed on a continuous basis. – Ensuring that management considers and implements appropriate risk responses. – Ensuring that continuous risk monitoring by management takes place. – Expressing the committee's formal opinion to the board on the effectiveness of the system and process of risk management. – Reviewing the reporting of risk management included in the integrated report, and ensuring that it is timely, comprehensive and relevant.
Remuneration	– Establishing a formal and transparent procedure for developing, reviewing and amending the policy on executive remuneration. – Determining, agreeing upon and developing remuneration policies for all levels of employees, with a focus on executive directors. – Determining remuneration packages for executive directors. – Considering criteria to measure the performance of executive directors in discharging their functions and responsibilities. – Approving the award of shares/options to executives and employees. – Reviewing and approving all profit share or share-linked incentive allocations and the terms thereof. – Regularly reviewing incentive schemes to ensure continued contribution to shareholder value.
Social, ethics and environmental sustainability	– Assisting the board with the monitoring and reporting of social and ethical matters in relation to Spur Corporation according to the Companies Act. – Statutorily, the committee is responsible for monitoring the group's social impact in the following material areas: • social and economic development; • good corporate citizenship; • labour and employment practices; • employment equity and B-BBEE legislation; • consumer relationships; and • environment, health and public safety. – Additional duties include monitoring the company's governance of ethics. – The committee assists the board in the monitoring and reporting of strategies implemented to address economic, social and environmental sustainability issues, and is assisted in this regard by the environmental sustainability operational committee.
Transformation	– Reviewing the adequacy of the group's compliance with B-BBEE legislation and regulations. – Reviewing management's monitoring of employment equity throughout the group. – Reviewing the promotion of managerial control by previously disadvantaged individuals. – Ensuring that the B-BBEE plan is dynamic and flexible. – Reviewing the promotion of human resource development through employment equity and skills development initiatives. – Reviewing indirect empowerment and corporate social responsibility initiatives. – Reviewing relevant legislation and making recommendations to the board if appropriate. – Reviewing the findings of any examination by verification agencies. – Establishing special investigations and, if appropriate, hiring special counsel or experts to assist. – Reviewing policies on sensitive issues or practices. – Reviewing and proposing the group's transformation initiatives in line with the Codes of Good Practice for B-BBEE, industry and other charters.
Nominations	– Ensuring the establishment of a formal process for appointing directors to the board. – Identifying and recommending directorship candidates. – Assessing the board's balance of skills, experience and diversity. – Advising on the composition of the board, ensuring a balance between executive and non-executive directors. – Ensuring inexperienced directors are developed through a mentorship programme (where applicable). – Making recommendations in respect of directors retiring by rotation, or by contract, to be put forward for re-election.

COMPOSITION AND ATTENDANCE

Board

The board is satisfied that the balance of power and authority is appropriate, with no one individual or block of individuals being able to dominate the board's decision-making.

A formal limits of authority policy is in place, which grants specific levels of management (including individual directors and groups of directors) authority to commit the group to financial obligations of set limits. This policy prohibits a veto by any one director. Other policies grant specific directors and senior managers specific decision-making powers.

The group has no controlling shareholder, and there is no shareholder with the right/power to appoint a director to the board. The B-BBEE transaction concluded with GPI grants it the right to nominate one non-executive director to the board, but the appointment of such a director remains subject to the provisions of the Companies Act and JSE Listings Requirements.

The group has a unitary board structure comprising:

– Four independent non-executive directors, including the LID
– Three non-executive directors who, in the opinion of the board, act independently
– Four executive directors

The board is of the opinion that the non-independent, non-executive directors are sufficiently objective and have the necessary integrity to act independently as required by the Companies Act. The board is of the opinion that the value gained from these directors exceeds the perceived potential risk of them not being independent.

The board met formally twice during the year. Additional meetings are convened, as necessary, to discuss urgent business. Further commentary on the frequency of board meetings is provided in note 1 on page 63.

The attendance at board meetings for the period 1 July 2015 to 30 June 2016 was as follows:

DIRECTOR	8 – 9 SEPTEMBER 2015	23 – 24 FEBRUARY 2016
Allen Ambor (Chairman) (Executive)	✓	✓
Pierre van Tonder (Executive)	✓	✓
Mark Farrelly (Executive)	✓	✓
Ronel van Dijk (Executive)	✓	✓
Keith Madders (Non-executive)	✓	✓
Keith Getz (Non-executive)	✓	✓
Dean Hyde (Independent non-executive)	✓	✓
Muzi Kuzwayo (Independent non-executive)	✓	✓
Mntungwa Morojele (Independent non-executive) (LID)	✓	✓
Dineo Molefe (Independent non-executive)	✓	✓
Alan Keet (Non-executive)	✓	✓

✓ – Present

Audit committee

Meetings are scheduled semi-annually and attendance at the two formal meetings held during the financial year was as follows:

DIRECTOR	8 SEPTEMBER 2015	23 FEBRUARY 2016
Dean Hyde (Chair) (Independent non-executive)	✓	✓
Muzi Kuzwayo (Independent non-executive)	✓	✓
Mntungwa Morojele (Independent non-executive)	✓	✓
Dineo Molefe (Independent non-executive)	✓	✓

✓ – Present

Risk committee

Meetings are scheduled semi-annually and attendance at the two formal meetings held during the financial year was as follows:

DIRECTOR	7 SEPTEMBER 2015	22 FEBRUARY 2016
Pierre van Tonder (Chair) (Executive)	✓	✓
Mark Farrelly (Executive)	✓	✓
Ronel van Dijk (Executive)	✓	✓
Keith Getz (Non-executive)	✓	✓

✓ – Present

Remuneration committee

Meetings are scheduled semi-annually and attendance at the two formal meetings held during the financial year was as follows:

DIRECTOR	7 SEPTEMBER 2015	22 FEBRUARY 2016
Muzi Kuzwayo (Chair) (Independent non-executive)	✓	✓
Dean Hyde (Independent non-executive)	✓	✓
Mntungwa Morojele (Independent non-executive)	✓	✓

✓ – Present

Social, ethics and environmental sustainability committee

Meetings are scheduled semi-annually and attendance at the two meetings held during the financial year was as follows:

DIRECTOR	8 SEPTEMBER 2015	23 FEBRUARY 2016
Keith Getz (Chair) (Non-executive)	✓	✓
Pierre van Tonder (Executive)	✓	✓
Ronel van Dijk (Executive)	✓	✓

✓ – Present

Further explanation of the composition of the committees is provided in note 5 on page 63.

Transformation committee

Meetings are scheduled semi-annually and attendance at the two formal meetings held during the financial year was as follows:

DIRECTOR	7 SEPTEMBER 2015	22 FEBRUARY 2016
Pierre van Tonder (Chair) (Executive)	✓	✓
Mark Farrelly (Executive)	✓	✓
Ronel van Dijk (Executive)	✓	✓
Muzi Kuzwayo (Independent non-executive)	✓	✓
Mntungwa Morojele (Independent non-executive)	✓	✓

✓ – Present

Nominations committee

Meetings are scheduled semi-annually and attendance at the two formal meetings held during the financial year was as follows:

DIRECTOR	7 SEPTEMBER 2015	22 FEBRUARY 2016
Mntungwa Morojele (Chair) (Independent non-executive)	✓	✓
Keith Getz (Non-executive)	✓	✓
Muzi Kuzwayo (Independent non-executive)	✓	✓

✓ – Present

IT GOVERNANCE

IT governance risk items are reported to the risk committee, which presents feedback to the board at each board meeting. The group technology executive – assisted by the IT steering committee – is responsible for the general management of the IT function. Together, they serve as a proxy for a chief information officer as contemplated by King III. The organisational capacity of the IT function has expanded significantly, which is in line with the increasing importance of IT to the business.

In terms of its charter, general management of the IT function includes the following broad responsibilities:

- Optimisation of the value contributed by IT to the business in a cost-effective manner.
- Ensuring that adequate and appropriate IT resources are available to support the group's objectives.
- IT risk management.

IT risks, controls and governance are incorporated in the IT strategic plan developed and approved by the IT steering committee and the board. The findings of comprehensive risk analysis and prioritisation exercises are incorporated in an IT risk register and IT governance work plan and progress against this is monitored by the board.

Given the limited complexity of the group's IT infrastructure insofar as it relates to the provision of financial reporting information, the board does not consider the risk of integrity of financial information produced from IT systems to be high. The board relies on internal audit and the skills, expertise and integrity of finance employees to assure the accuracy of information provided. The board also reviews and makes judgements on the findings of the external auditor regarding the integrity of IT systems. To date, the board has had no reason to believe that information provided is not complete, timely, relevant or accurate.

The IT disaster recovery plan is in the process of being updated. Business impact assessments have been completed, and the selection and implementation of technology solutions that match business recovery objectives are underway.

RISK COMMITTEE REPORT

FUNCTIONING OF THE COMMITTEE

The board recognises that it is responsible for an effective risk management process within the group, i.e. ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks. The group is committed to a process of risk management that adds practical value to the organisation, and that is aligned to the principles of good corporate governance as encompassed in King III.

The board reviewed and approved the updated risk management policy and updated risk management plan at its meeting on 6 September 2016. These documents collectively set out the following:

- The responsibilities of employees, management, the risk committee and the board as it relates to risk management
- The definition of risk and risk management
- Risk management objectives
- The board's risk approach and risk philosophy
- Detail around the risk management process, including the procedures for continuous updates to the risk register and the feedback process around risk

Risks are identified, assessed and managed as part of the day-to-day operations at various levels of management, who are empowered to deal with risks in an efficient manner according to formal policies and protocols.

The risk committee serves an oversight role in respect of risk management, reviewing risks identified and risk ratings, assessing the appropriateness of response strategies, and monitoring the implementation of these strategies. Each functional executive is responsible for identifying, evaluating and managing risk on a daily basis in their respective functional areas and reporting the results of this process to the risk committee on a rotational basis.

The risk committee reports at each board meeting on the effectiveness of the risk management process and provides an analysis of the residual risk rating of each risk (using a traffic light dashboard system). In determining these assessments, the committee considers assurance provided by internal audit, management, and any relevant external assurance provider, using the combined assurance approach.

The committee works closely with internal audit to enhance the existing risk management process on a continuous basis.

MATERIAL LOSSES

The group incurred significant accounting losses of R28.8 million in its UK operations. The decision to close the UK operations by 30 June 2016 was taken after carefully considering the historic performance and future projected prospects of the division. During the 2015 financial year, the division incurred a cash flow loss from trading activities which extended into the 2016 financial year. The closure of the UK operations was necessary to stem continuing cash flow losses.

The group has incurred a R27.7 million accounting loss on the fair value of the economic hedging instruments relating to the cash-settled share appreciation rights employee retention scheme. This loss is an accounting loss and has not had any adverse cash flow impact. Consideration has been given to the risk of incurring a cash flow loss on the maturity of the hedging instruments in the event that the company's share price declines further, relative to the liquidity risk the company is exposed to in the event that the company's share price increases. In this regard, it has been concluded that the risks associated with retaining the hedging instruments are preferable to the risks associated with not hedging the liability.

RISK APPETITE AND TOLERANCE

The board is risk averse. General authority limits have been determined for various functional department heads, individual directors and groups of directors. The board operates on a collaborative basis. It is the general policy of the board that any action being considered with a more than negligible degree of risk, that may potentially expose the group to material adverse financial or other consequences, will only be taken after consultation with all board members, notwithstanding the limits of authority in place. This ethos is to apply at every level of management.

The board is satisfied that no member of management has exceeded his or her authority or acted contrary to the board's stated risk appetite and, in so doing, has exposed the group to unnecessary risk during the financial year, and up to the time of approval of this integrated report.

ASSURANCE

At the request of the audit committee, and in accordance with good practice, the internal audit function reviews the group's risk management process every financial year. Internal audit concluded during their 2016 review that the risk management process adds value to the organisation, and that the group effectively applies the King III principles relating to risk management.

The audit committee provides guidance to the internal audit function on the priority of risks to be reviewed and the internal audit function provides assurance in this regard. The board is satisfied that an adequate process for identifying, evaluating and managing significant risks is in place for the financial year and until the time of the approval of the integrated report.

The group's sustainability reporting is in the early stages of development and assurance in this area forms part of the internal risk management process described above. King III recommends that a formal external assurance process regarding sustainability-specific reporting should be established. However, the board believes that the cost of such an assurance engagement would far exceed the benefit to stakeholders at this time. Furthermore, the board is of the opinion that there is sufficient integrity within the group's reporting process to rely on the sustainability disclosures.

INSURANCE

Insurance is reviewed on an annual basis by senior management, including the group chief financial officer and group chief executive officer.

Ad hoc changes to insurance cover are made during the period between the annual reviews in the event of significant changes in circumstances, or acquisitions or disposals of significant assets.

The risk committee reviews the insurance cover, the insurance broker's recommendations and management's recommendations before assuring the board that the appropriate insurance cover is in place.

CURRENT AND IMMINENT SUSTAINABILITY RISKS

Management is empowered to respond to the day-to-day risks affecting the group within certain limits of authority. Longer-term implications for the sustainability of the group are mitigated by implementing medium to long-term risk management strategies under the supervision of the board.

The top inherent risks that may impact the long-term sustainability of the group as at June 2016 are discussed in the table below:

RISK	MITIGATION	MORE DETAIL
B-BBEE – franchisees and corporate Franchisees' ability to secure new leases and operating licences (for example, liquor licences) may be linked to their B-BBEE compliance in future. Non-B-BBEE-compliant franchisees increase the group's risk of not achieving its strategy in terms of restaurant openings and revenue growth. The group's commitment to B-BBEE has an effect on market and customer perceptions and results in possible reputational risk. Non-B-BBEE accreditation could affect the group's ability to transact with suppliers, resulting in difficulty sourcing the new locations required to achieve future growth.	– Workshops with franchisees to highlight risks and concerns, explain the need to prepare a B-BBEE scorecard and conduct a verification process, and provide practical guidance on measures to improve B-BBEE ratings, including impact of revised codes. – Encouraging franchisees to include black equity operating partners. – Engagement with banks to facilitate financing of black equity transactions.	Transformation
Sustainable supply of raw material Climate change, coupled with the growth in world population and associated urbanisation, is expected to have a negative impact on raw material supplies in the long term. This is likely to affect the availability and pricing of food items, which will affect franchisee profitability and customers' disposable income.	– Engagement with suppliers regarding their sustainability programmes and considering termination of relationships where requirements are not met. – Tracking and measuring suppliers to ensure adequate sustainability plans are in place. – Compliance with South African Sustainable Seafood Initiative ("SASSI") guidelines in procurement of seafood supplies.	Procurement
Lack of skills – existing and future management Inadequate restaurant management skills at middle management could inhibit the achievement of the group's growth strategies and damage the reputation and public perception of its brands. A lack of core literacy and numeracy skills at emerging restaurant management level could lead to mismanagement and underperformance, thereby jeopardising the future integrity of the group's brands.	– Continuous training of franchisee employees. – Continuous enhancement of training material. – Continuous support of Spur College of Excellence and increasing number of candidates. – Implementation of numeracy and literacy courses. – Making training more accessible to, and less costly for, franchisees.	Human capital and skills development

RISK	MITIGATION	MORE DETAIL
Franchisee profitability Franchisees are exposed to above-inflationary increases in minimum wage rates, occupancy costs, energy costs, utilities and food prices, which can affect the viability of the brands' respective franchise models. If the franchise models are not regularly reviewed and managed, this could result in business failures, which would have an adverse impact on the profitability of the group.	– Continuous and regular reviews of franchise business and financial model. – Continuous engagement with franchisees. – Continuous reviews of store design and specifications to improve efficiency and reduce costs. – Management of selling prices to ensure brands remain both competitive and profitable. – Expansion of centralised procurement and outsourced distribution model. – Refinement and reduction of existing labour model.	Sustainable local franchise model Page 36
Competition Well-established brands could enter the sit-down and takeaway restaurant markets in which the group operates, resulting in erosion of the group's market share and a negative impact on the group's financial performance.	– Continued focus on operational excellence, marketing exposure, brand recognition and value proposition to grow market share and minimise the impact of new entrants.	Operational reports Page 41
Geopolitical risk The prospects for the South African economy remain uncertain in light of a lack of clear political leadership and government policies that are at odds with encouraging foreign investment and economic growth. The majority of the group's profits are generated from operations sourced in South Africa, and a sustained decline in the local economy could have a detrimental impact on the group.	– Sustained focus on operational efficiency, diversification into new target markets and aggressive local marketing campaigns to mitigate against subdued consumer activity. – Continued presence with cautious growth plans in Australasia. – Expansion of all brands in Africa and Middle East.	International expansion Page 38
Social media The proliferation of social media and the speed and reach of potentially damaging (malicious or otherwise) content could seriously damage the image of our brands, and cause significant financial harm to our franchisees and the group.	– Dedicated, competent resources within group marketing to monitor all online references to the group's brands. – Timely, well-considered responses to potentially viral comments, after consultation with brand chief operating officers. – Strict policies and processes to limit store-managed social media accounts and manage interactions between the group and the media.	Customer service

Pierre van Tonder
Group chief executive officer and chief risk officer

REMUNERATION COMMITTEE REPORT

This report and the recommendations of the remuneration committee have been approved by the board and will be tabled to shareholders for a non-binding advisory vote at the forthcoming AGM.

Details of the directors' and prescribed officer's remuneration, and the remuneration of the three most highly paid employees who are not directors, are disclosed in note 43 to the consolidated financial statements on page 152 of this report.

REMUNERATION PHILOSOPHY

The group's remuneration philosophy aims to reward employees in such a way as to attract and retain talented individuals and to motivate employees to contribute continuously to the success of the group. The group targets remuneration at the upper quartile of benchmarked remuneration levels for each individual's area of expertise and responsibility. Total remuneration packages are structured to ensure that the interests of employees and shareholders are aligned.

The group also aims to strike a balance between guaranteed remuneration, short-term incentives and long-term incentives for executive and senior management. For these individuals, multiple metrics are used to determine performance criteria, which are aligned with the group's strategy and shareholder interests, including short and long-term profit growth and long-term share price appreciation.

Remuneration levels are influenced by a scarcity of skills and work performance. Performance-related incentives form a material part of remuneration packages, and therefore, ongoing feedback is vital. Employees participate in annual one-on-one evaluations with their line managers to give feedback, discuss career development opportunities and encourage further performance.

REMUNERATION STRUCTURES

Remuneration consists of the following three elements:

Basic cost-to-company package

The basic cost-to-company package of each employee is linked to individual performance, expertise and knowledge required in the position and competitive benchmarking undertaken from time to time. Broadly, it consists of the following components:

BASIC SALARY	The employee's basic salary is fixed for a period of 12 months and is subject to an annual review each year with effect from 1 July. Increases are discretionary and granted after a formal performance evaluation has been conducted with each individual. Increases are based on inflation, individual key performance indicators, benchmarking exercises, core skills, changes in responsibilities and financial performance measures. Increases are proposed by line managers and reviewed and approved by the group chief executive officer and chairman of the board. Executive directors' increases are proposed by the chairman of the board and the group chief executive officer on the same basis as for other employees. These proposals are subject to the prior review and recommendation of the remuneration committee and final approval by the board before being adopted.
MEDICAL AID CONTRIBUTION	All local employees must to be covered by medical aid, the cost of which is to be borne by the employee.
PROVIDENT FUND CONTRIBUTION	Local employees must contribute a minimum of 15% of their cost to company to the group's externally administered provident fund. The contribution includes group life cover and income protection cover in the event of incapacity. The fund comprises commercially available investment funds managed independently by reputable financial services providers. A committee comprising the group chief executive officer, group chief financial officer and other senior managers consults with an independent broker on at least an annual basis to review the performance of the fund and consider the choice of investments.
TRAVEL ALLOWANCE	A travel allowance is provided for those required to travel routinely for business purposes. Travel allowances are reviewed on a three-year cycle and are fixed for the period between review dates. Travel allowances are determined based on the cost of financing, insuring and maintaining a certain level of vehicle, depending on the seniority of the individual involved. Travel allowances were last adjusted to be effective 1 July 2014.
COMPANY CAR	From September 2016, a company car scheme is being introduced in terms of which operations management personnel will be provided with a company-leased car. The company will be phasing in the scheme over a period of two years. Those employees who receive a company car will no longer receive a travel allowance.

Profit share/thirteenth cheque scheme

Employees participate in either a discretionary thirteenth cheque scheme, or a profit share scheme, depending on their position and seniority.

Thirteenth cheque scheme

The scheme operates by way of a discretionary, performance-related annual thirteenth cheque, which is paid to the participating individuals in the event that they achieve certain performance criteria and the group achieves the requisite financial performance parameters set by the board. Depending on the extent to which financial performance parameters are met, a full or partial thirteenth cheque may be declared.

Each individual's participation is limited to a maximum of one month's cost to company (excluding travel allowance), but may be reduced depending on individual performance during the year under review.

Profit share scheme

The bonus pool for the profit share scheme is calculated with reference to the dividends received on a notional 6 688 698 Spur Corporation shares, representing the number of shares held by the Spur Management Share Trust when the scheme was introduced and approved by shareholders on 10 December 2010. The bonus pool is allocated to participating individuals based on the group's financial profit and their division's financial performance, salary level and personal key performance indicators.
For bonuses paid in the 2016 financial year, based on the 2015 financial performance, financial performance was measured by considering growth in profit relative to the prior year and inflation. For bonuses to be paid in the 2017 financial year, based on the 2016 financial performance, financial performance will be measured against budget. This decision was taken to make it easier for participants to track their likely incentive based on performance during the year and, in so doing, to motivate management more effectively to achieve the group's financial objectives. The quantum of the bonus pool, calculated with reference to the dividends on the Spur Corporation shares, is linked directly to group performance, as the dividend is a direct result thereof.

Profit share bonus payments are determined by the group chief executive officer and chairman of the board according to the rules of the scheme approved by the remuneration committee. The group chief executive officer has the right to make certain adjustments to individual payments within certain limits under certain circumstances. Payments to executive directors are reviewed and approved by the remuneration committee in advance.

The rules of the scheme currently include:

- The maximum aggregate bonus payable to all participants may not exceed 125% of the pre-tax equivalent of the dividends that would have been received on the notional 6 688 698 Spur Corporation shares referred to above in respect of the financial year for which the bonuses are to be determined ("the bonus pool").
- The maximum bonus payable to each participant is a *pro rata* share of the bonus pool based on the ratio of each participant's cost to company to the aggregate of all participants' costs to company ("the maximum bonus").
- 20% of each participant's maximum bonus is subject to the group's performance (the average of undiluted earnings per share and undiluted headline earnings per share ("group performance measure")) ("the group bonus").
- 80% of each participant's maximum bonus is subject to the participant's divisional performance ("divisional performance measure"). In the case of participants who do not work in a profit-generating unit, the divisional performance measure is the weighted average divisional performance measure of all profit-generating units. In the case of directors, the divisional performance measure is the same as the group performance measure ("the divisional bonus").
- The group bonus and divisional bonus of each participant is multiplied by a sliding scale of between 0% and 100%, depending on the financial performance calculated ("financial performance bonus").
- Each participant's financial performance bonus is then multiplied by a factor of between 0% and 100%, based on their individual performance evaluation, to calculate their "actual bonus payment".
- In the event that the above calculations indicate that no actual bonus payment is due to a participant, the remuneration committee may nevertheless exercise its discretion to pay a bonus of up to 50% of the maximum bonus based on the participant's individual performance.

Long-term share-linked employee incentive schemes

Two new long-term share schemes were approved by shareholders at the AGM held on 4 December 2015. These schemes were implemented in April 2016, details of which are listed below. The existing cash-settled share appreciation rights scheme will be phased out as the rights vest.

The executive directors and certain members of senior management participate in a cash-settled share appreciation rights employee retention scheme. These rights vest and are compulsorily exercisable three years after the date of issue. The strike price is determined as the 50-day volume-weighted average price of the Spur Corporation share on the grant date. Gains on the rights, calculated as the difference between the 50-day volume-weighted average price of the Spur Corporation shares on the vesting date and the strike price, are settled to the participant in cash. In terms of the rules of the scheme, the group's upside exposure to the share price and its impact on the liability arising from these share appreciation rights shall be hedged. There are currently two tranches of 1.5 million rights each still in issue, vesting in December 2016 and December 2017 respectively. The tranche of 1.5 million rights granted in December 2012 vested in December 2015 and was settled in cash during the year.

The group has entered into a hedge to mitigate the liquidity risk relating to upside movement in the share price.

The scheme resulted in a credit to profit before income tax relating to the fair value of the rights for the year under review of R2.361 million (2015: charge of R19.735 million) and a loss included in profit before income tax in respect of the hedge of R27.714 million (2015: gain of R14.794 million) (refer notes 24 and 25 to the consolidated financial statements on pages 130 and 132, respectively). As there are no potential dilutive ordinary shares in respect of the scheme, other than the impact on profit disclosed above, there is no dilutionary impact on existing shareholders. While the hedge mitigates the group's liquidity risk of the scheme, the group is exposed to downside price risk on the Spur Corporation share, as described in note 38.3.2 on page 147.

Details of the new share incentive schemes (comprising an employee retention scheme and a share appreciation rights incentive scheme) are summarised in the table below:

	FORFEITABLE SHARE PLAN RETENTION SCHEME	SHARE APPRECIATION RIGHTS INCENTIVE SCHEME
STRUCTURE	Granting of free shares Equity-settled	Granting of share appreciation rights with benefits dependent on the increase in the value of the rights awarded Equity-settled
PERIOD	Ownership, voting rights and dividends will vest with the beneficiaries after three years, but participants will be restricted from trading in the shares for a further two years Performance conditions will be applied at grant date only	Ownership, voting rights and dividends will vest with the beneficiaries after three years, but participants will be restricted from trading in the shares for a further two years Performance conditions will be applied at the vesting date
AVAILABLE TO	Executives Senior managers Junior managers	Executives Senior managers
PERFORMANCE CONDITIONS	Personal key performance indicators	Return on equity and compounded annual growth in comparable headline earnings per share relative to inflation over the vesting period

On 1 April 2016, 155 000 forfeitable shares and 1 971 663 equity-settled share appreciation rights were issued to directors and managers of the group. The share appreciation rights were issued at a strike price of R29.40 per share. The performance criteria for the first tranche of rights awarded require a return on equity of 15% for the duration of the vesting period and allow for between 0% and 100% of the rights to vest in the event that comparable HEPS grows at between CPI and CPI+4% respectively.

The scheme resulted in a share-based payment expense included in profit before income tax of R0.827 million for the year, and the inclusion of a weighted average number of 16 582 dilutive potential ordinary shares in the calculation of diluted weighted average number of shares.

King III recommends that vesting of share incentive awards should be conditional on achieving performance conditions and should be on a sliding scale. The cash-settled share appreciation rights scheme does not comply with these recommendations in that performance conditions were applied at grant date (as opposed to upon vesting). The new equity-settled schemes are now more closely aligned with the recommendations of King III.

EXECUTIVE SERVICE CONTRACTS

In terms of their employment contracts, executive director Allen Ambor has a 12-month notice period, executive directors Pierre van Tonder and Mark Farrelly have three-month notice periods and Ronel van Dijk has a one-month notice period. The executive directors are restrained by agreement from any involvement in businesses associated with competing brands for the duration of their employment and for a period of two years following their termination of employment.

No contracts provide for termination settlements, other than those required in terms of law.

NON-EXECUTIVE DIRECTORS' FEES

The board as a whole determines fees to non-executive directors for membership of the board and board committees. The board is of the opinion that such fees are market-related and commensurate with the time and effort required by the directors to undertake their duties.

Such remuneration is not linked to the performance of the group or its share performance.

At the AGM on 4 December 2015, shareholders approved (by way of special resolution) the remuneration of directors for services as directors at R400 000 per annum with effect from 1 July 2015. The shareholders' resolution remains in effect until 5 December 2017, unless modified by a further special resolution. No change is proposed to non-executive directors' fees for the 2017 financial year.

In addition to the fees detailed in the table below:

- Keith Getz is a director of two of the international subsidiary companies of the group. A related entity is paid a fee of €2 500 and €1 500 per meeting for the services of Mr Getz in chairing the board meetings of Steak Ranches International BV and Spur International Ltd BVI, respectively. Ordinarily, three meetings of both boards are scheduled annually.
- Keith Madders is a director of Steak Ranches International BV. He is paid a fee of €2 500 per meeting for his services in attending board meetings of that company.

King III recommends that non-executive director fees should comprise a base fee, which may vary according to factors, including the level of expertise of each director, as well as an attendance fee per meeting. Given the size and nature of the group, and the informal involvement of all non-executive directors in key decisions, the board is of the opinion that an equitable flat rate is appropriate for all non-executive directors.

No non-executive directors participate in any incentive schemes. Details of fees paid to directors and to related parties for the services of directors and other consulting fees are included in notes 43 and 44 to the consolidated financial statements on pages 152 and 155, respectively.

The following table indicates the fees paid to each of the non-executive directors over the past five years. This relates to all board members, including members of committees, chairmen of committees and the LID.

	2017	2016	2015	2014	2013	2012
Non-executive directors' fees	R400 000	**R400 000**	R375 000	R375 000	R350 000	R350 000

Muzi Kuzwayo
Remuneration committee chairman

SOCIAL, ETHICS AND ENVIRONMENTAL SUSTAINABILITY COMMITTEE REPORT

The social, ethics and environmental sustainability committee was constituted in compliance with the requirements of the Companies Act (Act No. 71 of 2008, as amended) and operates in terms of a formal charter. The charter contains detailed provisions relating to the terms of reference, duties, composition, role and responsibilities of the committee.

FUNCTIONING OF THE COMMITTEE

The committee met twice during the financial year. Meetings are convened and conducted in terms of a detailed agenda accompanied by supporting documents and reports, in particular the reports of the permanent attendees. These presentations cover the core mandate of the committee and represent a material methodology used by the committee to monitor its responsibilities. The committee actively engages with management during these presentations.

Permanent invitees include the group human resource and transformation executive, national procurement executive, legal and compliance officer, group finance executive, chief audit executive, group finance manager, and environmental sustainability committee chairperson.

Matters considered by the committee (and reported to the board) include:

- Reviewing the company's code of conduct to determine compliance with statutory requirements, its alignment with the culture of the company and its coverage of ethical matters.
- Reporting on the company's compliance with all applicable legislation and Codes of Good Practice.
- Monitoring the company's transformational progress (including consideration of the Employment Equity Act (Act No. 55 of 1998) and the Broad-based Black Economic Empowerment Act (Act No. 53 of 2003)).
- Reviewing the corporate social initiatives undertaken by the Spur Foundation Trust.
- Reviewing environmental sustainability initiatives.
- Monitoring and reviewing the company's compliance with health and safety legislation and regulations.
- Monitoring further areas relating to its statutory obligations and related good corporate governance and corporate citizenship.

The committee believes that the group is substantively addressing the issues monitored by the committee in terms of its statutory mandate in a beneficial and positive manner. Shareholders are referred to further reports on key aspects of the committee's mandate elsewhere in this integrated report. The committee recognises that issues within its mandate are constantly evolving and challenging, but it is satisfied that management of the company is dedicated to this and positive in its responses. Further information regarding the group's management of its social and environmental material matters is available online at **www.spurcorporation.com/ar/2016**.

As chairman of the committee, Keith Getz will be available at the AGM to answer any questions relating to the statutory obligations of the committee.

Keith Getz
Social, ethics and environmental sustainability committee chairman

SPUR CORPORATION LIMITED

(REGISTRATION NUMBER: 1998/000828/06)

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

ABOUT THESE FINANCIAL STATEMENTS

The consolidated and separate financial statements on pages 88 to 183 of this report have been audited in accordance with the requirements of section 30 of the Companies Act of South Africa (Act No. 71 of 2008, as amended) and have been prepared under the supervision of the group chief financial officer, Ronel van Dijk CA(SA).

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

AUDIT COMMITTEE REPORT

COMPANIES ACT COMPLIANCE

The company has complied with section 94 of the Companies Act relating to audit committees. In addition, the board is of the opinion that the requirements of regulation 42 of the Companies Act, which require at least one-third of the members of a company's audit committee to have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management, are complied with.

FUNCTIONING OF THE COMMITTEE

The committee operates within formal terms of reference approved by the board. The committee is satisfied that it has met its responsibilities as stipulated in the terms of reference. The committee is also satisfied that it has complied with its legal, regulatory and other responsibilities.

The committee discharges its responsibilities by meeting formally at least twice a year to review the group's interim and annual results before publication, and to receive and review internal audit reports, external audit reports and the written report from the board's risk committee. It also meets with management to review their progress on key issues relating to financial controls and risks, and deals with other matters falling within its terms of reference. Committee members review company trading statements on an *ad hoc* basis. The findings and recommendations of the committee are reported to the board at the following board meeting, which is typically held within a week of the committee meeting.

The committee meets informally on an *ad hoc* basis with internal audit, the external auditor and management to address key issues as the need arises, specifically to consider risk assessment and management, review the audit plans of the external and internal auditors and to review accounting, auditing, financial reporting, corporate governance, and compliance matters. The internal audit plan and internal audit conclusions are similarly reviewed and approved by the committee.

Management meets with the external auditor on a regular basis to identify audit risks which, if significant, are reported to the committee.

Management presents the chairman of the committee and the external auditor with summarised financial information relating to the performance of the group on a regular basis.

The committee discharges all audit committee responsibilities of all the subsidiaries within the group. The external and internal auditors have unrestricted access to the committee.

The committee is responsible for overseeing the internal audit function.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The audit committee has satisfied itself that the external auditor is independent of the company, as set out in section 94(8) of the Companies Act, which includes considering previous appointments of the auditor, the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee ensured that the appointment of the auditor complied with the Companies Act and any other legislation relating to the appointment of auditors. There is a formal procedure that governs the process whereby the auditor is considered for non-audit services. In general, the auditor is not engaged for non-audit services, unless, in the opinion of the committee, it is appropriate to do so and the extent of the service is not significant. The committee recognises that there may be circumstances where it would be to the group's advantage to engage the auditor for non-audit services that are significant and these will be considered on a case-by-case basis. Minimal pre-approved non-audit services were provided by the auditor for the year under review, the value of which comprised less than 10% of the total fees paid to the external auditors for all services.

The audit committee has satisfied itself that the audit firm and designated auditor are accredited on the JSE's list of auditors and their advisors.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The audit committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

The audit committee has established a formal process to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. No such matters were brought to the attention of the committee during the year under review.

INTERNAL FINANCIAL CONTROLS

In considering the integrity of the company's financial information and the effectiveness of internal financial controls, the committee relies on the work performed by internal audit, representations by management and the external auditor's management report. The committee acknowledges that it is not the external auditor's responsibility to identify control deficiencies, but considers the content of the report to be a key indicator of the effectiveness of the general financial control environment.

Based on these interactions, nothing has come to the committee's attention that would lead it to believe that an adequate and appropriate system of internal control is not in place. The committee has advised the board accordingly.

INTEGRATED REPORTING AND COMBINED ASSURANCE

King III recommends that the committee should recommend that the board engage an external service provider to provide assurance over material elements of the sustainability part of the integrated report. The board has considered this recommendation and determined that the cost of such an assurance exercise would exceed any benefits to stakeholders. As the group progresses its journey towards more enhanced sustainability reporting, the board will review this decision.

The audit committee has considered the company's sustainability information as disclosed in the integrated report and has assessed its consistency with operational and other information known to audit committee members, and for consistency with the annual financial statements. Nothing has come to the audit committee's attention, which would lead it to conclude that the sustainability information is not reliable.

The committee has reviewed this integrated report and recommended it to the board for approval.

GOING CONCERN

The audit committee has considered the going concern status of the company and of the group and has made recommendations to the board in this regard. The board's statement on the going concern status of the company and of the group is supported by the audit committee.

GOVERNANCE OF RISK

The risks identified by the risk committee insofar as they relate to financial and integrated reporting or internal controls are highlighted to the audit committee in a formal report from the risk committee. The audit committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as they relate to financial reporting.

INTERNAL AUDIT

The board has outsourced the internal audit function to an independent, reputable service provider.

The audit committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the board of directors and these functions.

The audit committee considered and recommended the internal audit charter for approval by the board. The charter governs the authority and responsibilities of the various role players. The engagement partner of the outsourced service provider has been appointed as the chief audit executive in terms of the charter and reports directly to the audit committee.

The audit committee has approved a three-year risk-based audit programme in terms of which the outsourced service provider will address, *inter alia,* those risks and controls identified by the committee as being key to financial reporting, operational sustainability and stakeholder reporting. Deliverables will include written reports to the committee on the respective audit areas.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION

In accordance with the JSE Listings Requirements, the committee must consider and be satisfied, on an annual basis, of the appropriateness of the expertise and experience of the financial director. The committee has concluded that Ronel van Dijk, the group chief financial officer and financial director, possesses the appropriate expertise and experience to meet her responsibilities in that position. The committee has further assessed the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function and concluded that these are adequate.

CONCLUSIONS BY THE COMMITTEE

The committee is satisfied that to the date of this report:

- Financial reporting risks have been identified and mitigated
- A satisfactory system of internal financial controls is in place
- Fraud risks relating to financial reporting have been considered and mitigated
- IT risks relating to financial reporting have been considered and mitigated

No material weaknesses in financial controls that resulted in material financial loss, fraud or errors were identified during the year under review.

Dean Hyde
Audit committee chairman

DIRECTORS’ RESPONSIBILITY AND APPROVAL

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Spur Corporation Ltd, comprising the consolidated and separate statements of financial position at 30 June 2016, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors’ report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

Based on the results of reviews of the design, implementation and effectiveness of the internal financial controls conducted by the internal audit function during the 2016 financial year and considering information and explanations given by management and discussions with the external auditor on the results of the audit, assessed by the audit committee, nothing has come to the attention of the board that caused it to believe that the company’s system of internal controls and risk management, to the extent this has any impact on this integrated report, is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The board’s opinion is supported by the audit committee.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

The board of directors furthermore acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its mind to the integrated report in its entirety and in the opinion of the board the integrated report addresses all material issues, and presents fairly the integrated performance of the group and its impacts. The integrated report has been prepared in line with best practice pursuant to the recommendations of King III.

APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Spur Corporation Ltd, as identified in the first paragraph, as well as the integrated report in its entirety, were approved by the board of directors on 6 October 2016 and are signed by

Allen Ambor
Executive chairman
(Authorised director)

Pierre van Tonder
Group chief executive officer
(Authorised director)

DECLARATION BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act (Act No. 71 of 2008, as amended), I certify that the company has lodged with the Commissioner all such returns and notices as required by the Companies Act and that all such returns and notices appear to be true, correct and up to date.

Nazrana Hawa
Secretary
6 October 2016

DIRECTORS' REPORT

The directors present their seventeenth annual report for the year ended 30 June 2016.

NATURE OF THE BUSINESS

Spur Corporation Ltd, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE Ltd, the recognised securities exchange in South Africa, is an investment holding company. Through its subsidiaries, primarily Spur Group (Pty) Ltd, John Dory's Franchise (Pty) Ltd, RocoMamas Franchise Co (Pty) Ltd, Steak Ranches International BV, Spur Franchise Namibia (Pty) Ltd, Spur Corporation UK Ltd and Spur Corporation Australia Pty Ltd, the group carries on the business of franchisor in predominantly the family sit-down and quick service restaurant markets. Through subsidiaries, Spur Advertising (Pty) Ltd, Panarottis Advertising (Pty) Ltd, John Dory's Advertising (Pty) Ltd, The Ad Workshop (Pty) Ltd (trading as Captain DoRegos Advertising), RocoMamas Advertising (Pty) Ltd, The Hussar Grill Advertising (Pty) Ltd, Spur Advertising Namibia (Pty) Ltd, Spur Advertising UK Ltd, Spur Advertising Australia Pty Ltd, Panarottis Advertising Australia Pty Ltd and Steak Ranches International BV (operating separate divisions as marketing funds for African territories), the group provides marketing and promotional services to franchisees. A subsidiary of the company, Spur Group Properties (Pty) Ltd, owns certain properties which are owner-occupied from a group perspective. A subsidiary, Share Buy-back (Pty) Ltd, holds treasury shares as authorised by shareholders by way of special resolution on an annual basis. The company also has indirect interests in various companies in the United Kingdom and Ireland (collectively "the UK") which previously owned and operated retail Spur restaurants in that territory (all of which ceased trading by 30 June 2016) as well as four local entities that operate four The Hussar Grills and one RocoMamas outlet in South Africa.

The group operates as franchisor for the Spur Steak Ranches (including Spur Grill & Go), Panarottis Pizza Pasta, John Dory's Fish Grill Sushi, Captain DoRegos, The Hussar Grill, RocoMamas and Casa Bella brands. It trades predominantly in South Africa, but has a growing presence in Australia, Mauritius and certain African countries including Namibia, Nigeria, Tanzania, Zambia, Kenya and Botswana.

The group ceased all operations in the UK by 30 June 2016.

FINANCIAL REVIEW

The group's statement of comprehensive income is presented on page 88 and reflects the group's financial results.

Spur Corporation delivered a robust trading performance in the competitive family sit-down restaurant market in the year to June 2016 as total restaurant sales across its local and international operations increased by 12.9% to R6.97 billion. Restaurant sales in South Africa grew by 13.0% against the backdrop of severe pressure on consumer disposable income as economic conditions deteriorated in the second half of the financial year. Management has focused on sustaining franchisee profitability in the face of margin pressure from high food inflation, mainly driven by the widespread drought and the deterioration of the rand against major currencies, and aggressive discounting by restaurants and quick service dining chains to attract cash-strapped consumers.

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

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

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

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

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

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

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

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

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

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

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

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

Comparable profit before income tax from continuing operations, excluding exceptional and one-off items (including those listed above), increased by 9.8%, and comparable headline earnings per share from continuing operations, increased by 3.5%.

AUDIT AND RISK COMMITTEES

Pages 80 to 81 and 70 to 72 of this report set out the responsibilities of the audit and risk committees respectively and how these responsibilities have been discharged during the year.

SHARE CAPITAL

The number of authorised shares has remained at 201 000 000 ordinary shares of 0.001 cents each, for the year ended 30 June 2016.

During the prior year, on 3 October 2014, shareholders approved the issue of 10 848 093 new ordinary shares pursuant to a broad-based black economic empowerment deal (refer note 21.2 of the consolidated financial statements), increasing the total number of shares in issue from 97 632 833 to 108 480 926.

During the prior year, on 3 October 2014, shareholders further approved the donation of 500 000 (100 000 per annum) shares by Share Buy-back (Pty) Ltd (a wholly-owned subsidiary of the company) to The Spur Foundation Trust, a benevolent foundation that is a consolidated structured entity. The first donation of 100 000 shares was made in October 2014 and the second in October 2015.

During the year, Share Buy-back (Pty) Ltd purchased 285 500 shares at an average cost of R32.72 per share, totalling R9.341 million, and Spur Group (Pty) Ltd acquired 155 000 shares from the Spur Management Share Trust to hold in escrow on behalf of participants of the group's new long-term Forfeitable Share Plan, taking the total number of treasury shares held by the group to 5 912 901 (2015: 5 572 401). In addition, 6 533 698 (2015: 6 688 698) shares are held by The Spur Management Share Trust and, as noted above, 200 000 (2015: 100 000) shares are held by the Spur Foundation Trust (refer note 21 of the consolidated financial statements). The Spur Management Share Trust and The Spur Foundation Trust are special purpose entities that are required to be consolidated by the group for financial reporting purposes only. Consequently, the net number of shares in issue at 30 June 2016 was 95 834 327 (2015: 96 119 827).

EMPLOYEE SHARE-LINKED INCENTIVE SCHEMES

Details of employee share-linked incentive schemes are detailed in notes 21.5 and 24 of the consolidated financial statements.

INTEREST IN SUBSIDIARY COMPANIES

Details of the share capital and the company's interests in the subsidiary companies are included in note 3 of the consolidated financial statements.

CASH DIVIDEND

A final cash dividend in respect of the 2015 financial year of 70.0 cents per share was paid to shareholders on 5 October 2015. An interim cash dividend in respect of the 2016 financial year of 67.0 cents per share was paid to shareholders on 4 April 2016.

The directors declared a final cash dividend in respect of the 2016 financial year of 73.0 cents per share, funded by income reserves, on 7 September 2016, which was paid on 3 October 2016 to those shareholders of the company who were recorded in the company's register on 30 September 2016. As this dividend was declared after the reporting date, it will only be accounted for in the 2017 financial year.

SPECIAL RESOLUTIONS

On 4 December 2015, at the company's annual general meeting, a special resolution was passed in terms of which the directors were granted the authority to contract the company, or one of its wholly-owned subsidiaries, to acquire shares in the company issued by it, should the company comply with the relevant statutes and authorities applicable thereto. At the same meeting, special resolutions were passed in terms of which the directors were granted the authority to cause the company to provide financial assistance to any entity which is related or interrelated to the company, and to remunerate non-executive directors for their services in their capacity as directors.

Full details of the special resolutions passed will be made available to shareholders on request.

DIRECTORS AND SECRETARY

Details of the directors as at the date of this report, together with the name, business and postal address of the company secretary, are set out on pages 14, 15 and 184.

On 9 September 2015, the board appointed Nazrana Hawa as company secretary. Ronel van Dijk served as company secretary until this date. The directors have verified Ms Hawa's professional qualifications and work experience and have had several years' experience in dealing with her while she assisted Ms van Dijk, the previous company secretary, in fulfilling the duties of company secretary. Accordingly, the board has considered, and is satisfied, that Ms Hawa has the necessary competence, qualifications and experience to adequately fulfil the role of company secretary.

In terms of the company's Memorandum of Incorporation, Messrs Keith Getz, Keith Madders and Dean Hyde, retire at the forthcoming annual general meeting. These directors, all being eligible, offer themselves for re-election. Service agreements with the directors of Spur Corporation at the date hereof do not impose any abnormal notice periods on the company or the directors in question.

DIRECTORS' INTERESTS

No contracts in which the directors or officers of the company or group had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries, were entered into during the year.

Shares

Details of directors' interests in the ordinary shares are as follows:

	2016			2015		
	Direct beneficial	Indirect beneficial	Held by associates	Direct beneficial	Indirect beneficial	Held by associates
Allen Ambor	**3 094 685**	**464 609**	**–**	3 086 685	464 609	–
Ronel van Dijk	**73 244**	**–**	**–**	73 244	–	–
Keith Madders	**779 372**	**332 650**	**–**	779 372	332 650	–
Keith Getz	**2 491**	**–**	**820**	2 491	–	820
Total	**3 949 792**	**797 259**	**820**	3 941 792	797 259	820
% interest*	**3.9**	**0.8**	**0.0**	3.8	0.8	0.0

* These percentages are based on shares in issue less shares repurchased by subsidiary companies, Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd.

In terms of the group's long-term Forfeitable Share Plan (as detailed in note 21.5 of the consolidated financial statements), certain shares have been acquired by a wholly-owned subsidiary to hold in escrow on behalf of the participants of the scheme. The participants are not permitted to trade in these shares, to exercise any voting rights attached to these shares, or entitled to any dividends accruing to these shares, for a period of three years following the grant date of the shares and accordingly have no beneficial rights of ownership during this period. The participants become entitled to the voting rights and dividends relating to the shares after a three-year period from the grant date has lapsed, provided that they remain employed by the group throughout this period. The shares held in escrow on behalf of directors are listed below:

	2016	2015
Pierre van Tonder	**15 000**	–
Mark Farrelly	**10 000**	–
Ronel van Dijk	**10 000**	–

There have been no changes in directors' interests in share capital from 30 June 2016 to the date of issue of this annual report.

SHAREHOLDERS' INTEREST IN SHARES

Major shareholders

The following are shareholders (excluding directors) holding 3% or more of the company's issued share capital at 30 June 2016:

	No. of shares	%*
Allan Gray	11 671 274	11.4
Coronation Fund Managers	11 562 458	11.3
Grand Parade Investments	10 848 093	10.6
Fidelity	8 959 199	8.7
Investec	8 556 193	8.3
The Spur Management Share Trust**	6 533 698	6.4
State Street Bank & Trust Co	5 221 523	5.1

* These percentages are based on shares in issue less shares repurchased by subsidiary companies, Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd.

** This holding relates to shares which may be utilised for the benefit of future equity-settled share incentive schemes (refer note 21.5 of the consolidated financial statements).

Public/non-public shareholders

An analysis of public and non-public shareholders is presented below:

	No. of shareholders	No. of shares	%
Non-public shareholders			
Directors and associates	7	4 747 871	4.4
Subsidiaries holding treasury shares	2	5 912 901	5.5
The Spur Management Share Trust	1	6 533 698	6.0
The Spur Foundation Trust	1	200 000	0.2
Major shareholders	3	34 081 825	31.4
Public shareholders	2 896	57 004 631	52.5
Total	2 910	108 480 926	100.0

Analysis of shareholding

An analysis of the spread of shareholding is presented below:

	No. of shareholders	%	No. of shares	%
Shareholder spread				
1 – 10 000 shares	2 494	85.7	4 442 272	4.1
10 001 – 25 000 shares	177	6.1	2 890 291	2.7
25 001 – 50 000 shares	89	3.1	3 200 670	3.0
50 001 – 100 000 shares	54	1.8	3 857 861	3.6
100 001 – 500 000 shares	65	2.2	13 451 778	12.4
500 001 – 1 000 000 shares	9	0.3	6 766 892	6.2
1 000 001 shares and over	22	0.8	73 871 162	68.0
	2 910	100.0	108 480 926	100.0

	No. of shareholders	%	No. of shares	%
Distribution of shareholders				
Banks and nominees	44	1.5	9 583 514	8.8
Empowerment	1	0.0	10 848 093	10.0
Endowment funds	23	0.8	813 462	0.7
Individuals	2 151	73.9	11 514 499	10.6
Insurance companies	27	0.9	1 891 295	1.7
Investment companies	8	0.3	3 776 713	3.5
Medical funds	11	0.4	969 234	0.9
Mutual funds	93	3.2	43 219 584	39.9
Own holdings	2	0.1	5 912 901	5.5
Pension and retirement funds	116	4.0	8 807 306	8.1
The Spur Foundation Trust	1	0.0	200 000	0.2
The Spur Management Share Trust	1	0.0	6 533 698	6.0
Other corporate bodies	432	14.9	4 410 627	4.1
	2 910	100.0	108 480 926	100.0

BORROWINGS

In terms of the Memorandum of Incorporation of the company and its main local operating entity, Spur Group (Pty) Ltd, the borrowing powers of the directors of these companies are unlimited. The group's overall level of formal loan indebtedness increased from R18.8 million to R25.7 million during the year.

GOING CONCERN

The annual financial statements have been prepared on the going concern basis.

The board has performed a review of the company and its subsidiaries' ability to continue trading as going concerns in the foreseeable future and, based on this review, considers that the presentation of the financial statements on this basis is appropriate.

There are no pending or threatened legal or arbitration proceedings which have had or may have a material effect on the financial position of the company or group, save for those disclosed in note 46 to the consolidated financial statements.

SUBSEQUENT EVENTS

Details of material events occurring subsequent to 30 June 2016 but prior to the date of issue of this report are detailed in note 45 to the consolidated financial statements. Save for these matters, there have been no material changes in the financial or trading position of the company or its subsidiaries after 30 June 2016 to the date of this report.

COMPANY INFORMATION

The company's registration number and registered address are presented on page 184. Shareholders and members of the public are advised that the register of the interests of directors, executives, senior management and other shareholders in the shares of the company is available upon request from the company secretary.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Spur Corporation Ltd

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Spur Corporation Ltd, which comprise the consolidated and separate statements of financial position as at 30 June 2016, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated and separate financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 88 to 183.

Directors' responsibility for the consolidated and separate financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Spur Corporation Ltd as at 30 June 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit Committee Report and the Declaration by Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Spur Corporation Ltd for 17 years.

KPMG Inc.
Registered Auditor

Per BR Heuvel
Chartered Accountant (SA), Registered Auditor, Director
8th Floor, MSC House, 1 Mediterranean Street
Cape Town, 8001

Cape Town, 6 October 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Note	2016 R'000	2015 R'000
Continuing operations			
Revenue	6	**633 069**	612 402
Cost of sales		**(166 850)**	(166 177)
Gross profit		**466 219**	446 225
Other income	7	**26 703**	44 915
Administration expenses		**(157 584)**	(144 619)
Distribution expenses		**(4 730)**	(4 202)
Franchise operations expenses		**(72 471)**	(57 088)
Impairment losses	8	**(18 969)**	(13 905)
Other non-trading losses	8	**–**	(41 183)
Retail operating expenses		**(18 602)**	(41 066)
Operating profit before finance income	8	**220 566**	189 077
Net finance income	9	**35 602**	24 650
Interest income	9	**35 680**	24 681
Interest expense	9	**(78)**	(31)
Share of loss of equity-accounted investee (net of income tax)	14	**(8 601)**	(1 633)
Profit before income tax		**247 567**	212 094
Income tax expense	10	**(76 540)**	(69 762)
Profit from continuing operations		**171 027**	142 332
Loss from discontinued operation	4	**(31 727)**	(6 679)
Profit		**139 300**	135 653
Other comprehensive income#:		**8 460**	(3 287)
Foreign currency translation differences for foreign operations		**26 715**	(11 756)
Reclassification of foreign currency (gain)/loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations	4	**(7 038)**	2 215
Tax on reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations		**(1 591)**	–
Foreign exchange (loss)/gain on net investments in foreign operations		**(12 835)**	8 338
Tax on foreign exchange loss/(gain) on net investments in foreign operations		**3 209**	(2 084)
Total comprehensive income		**147 760**	132 366
Profit attributable to:			
Owners of the company		**135 619**	127 555
Non-controlling interests		**3 681**	8 098
Profit		**139 300**	135 653
Total comprehensive income attributable to:			
Owners of the company		**144 016**	124 634
Non-controlling interests		**3 744**	7 732
Total comprehensive income		**147 760**	132 366

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

	Note	2016	2015
Earnings per share (cents)			
Basic earnings	11	**141.34**	137.69
Diluted earnings	11	**141.31**	137.69
Earnings per share (cents) – continuing operations			
Basic earnings	11	**174.64**	150.82
Diluted earnings	11	**174.61**	150.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE

	Note	2016 R'000	2015 R'000
ASSETS			
Non-current assets		**610 980**	632 409
Property, plant and equipment	12	**95 480**	86 481
Intangible assets and goodwill	13	**365 417**	384 610
Interest in equity-accounted investee	14	**–**	–
Loans receivable	15	**143 739**	142 996
Deferred tax	16	**1 310**	4 446
Leasing rights	17	**5 034**	2 855
Derivative financial assets	25	**–**	11 021
Current assets		**455 742**	473 875
Inventories	18	**12 148**	11 729
Tax receivable	33	**36 214**	17 164
Trade and other receivables	19	**96 587**	97 828
Loans receivable	15	**24 211**	25 143
Derivative financial asset	25	**–**	17 160
Cash and cash equivalents	20	**286 582**	304 851
TOTAL ASSETS		**1 066 722**	1 106 284
EQUITY			
Total equity		**864 663**	854 095
Ordinary share capital	21.1	**1**	1
Share premium		**294 663**	294 663
Shares repurchased by subsidiaries	21.3	**(97 963)**	(88 622)
Foreign currency translation reserve	21.4	**30 711**	22 314
Share-based payments reserve	21.5	**827**	–
Retained earnings		**622 054**	618 675
Total equity attributable to owners of the company		**850 293**	847 031
Non-controlling interests	22	**14 370**	7 064
LIABILITIES			
Non-current liabilities		**81 537**	108 440
Contingent consideration liability	23	**13 565**	31 409
Employee benefits	24	**3 981**	8 826
Derivative financial liability	25	**3 425**	–
Operating lease liability	26	**2 191**	1 200
Deferred tax	16	**58 375**	67 005
Current liabilities		**120 522**	143 749
Bank overdrafts	20	**1 155**	3 557
Tax payable		**2 397**	1 893
Trade and other payables	27	**68 437**	83 235
Loans payable	28	**25 746**	18 818
Contingent consideration liability	23	**9 726**	15 974
Employee benefits	24	**3 829**	19 790
Derivative financial liability	25	**8 761**	–
Shareholders for dividend		**471**	482
TOTAL EQUITY AND LIABILITIES		**1 066 722**	1 106 284

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE

	Note	Number of shares (net of treasury shares) '000	Ordinary share capital R'000	Share premium R'000
Balance at 1 July 2014		**85 633**	**1**	**6**
Total comprehensive income for the year				
Profit		**–**	**–**	**–**
Other comprehensive income ("OCI")		**–**	**–**	**–**
Foreign currency translation differences for foreign operations		–	–	–
Reclassification of foreign currency loss from OCI to profit, on disposal/abandonment/deregistration of foreign operations	4 & 36	–	–	–
Foreign exchange gain on net investments in foreign operations		–	–	–
Tax on foreign exchange gain on net investments in foreign operations		–	–	–
Foreign exchange effect on non-controlling interests		–	–	–
Total comprehensive income		**–**	**–**	**–**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners		**10 487**	**–**	**294 657**
Issue of ordinary shares	21.2	10 848	–	294 657
Equity-settled share-based payment	21.2	–	–	–
Purchase of treasury shares	21.3	(361)	–	–
Dividends	29	–	–	–
Changes in ownership interests in subsidiaries		**–**	**–**	**–**
Acquisition of subsidiary with non-controlling interests	35.1	–	–	–
Acquisition of non-controlling interest in subsidiary without a change in control	35.2	–	–	–
Disposal of controlling interest in subsidiary	36	–	–	–
Total transactions with owners		**10 487**	**–**	**294 657**
Balance at 30 June 2015		**96 120**	**1**	**294 663**
Total comprehensive income for the year				
Profit		**–**	**–**	**–**
Other comprehensive income		–	–	–
Foreign currency translation differences for foreign operations		–	–	–
Reclassification of foreign currency gain from OCI to profit, on abandonment of foreign operations	4	–	–	–
Tax on reclassification of foreign currency gain from OCI to profit, on abandonment of foreign operations		–	–	–
Foreign exchange loss on net investments in foreign operations		–	–	–
Tax on foreign exchange loss on net investments in foreign operations		–	–	–
Foreign exchange effect on non-controlling interests		–	–	–
Total comprehensive income		**–**	**–**	**–**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners		**(286)**	**–**	**–**
Equity-settled share-based payment	21.5	–	–	–
Indirect costs related to equity-settled share-based payment	21.5	–	–	–
Purchase of treasury shares	21.3	(286)	–	–
Dividends	29	–	–	–
Changes in ownership interests in subsidiaries		**–**	**–**	**–**
Disposal of non-controlling interest in subsidiary without a change in control	37.1	–	–	–
Total transactions with owners		**(286)**	**–**	**–**
Balance at 30 June 2016		**95 834**	**1**	**294 663**

Attributable to owners of the company						
Shares repurchased by subsidiaries R'000	Foreign currency translation reserve R'000	Share-based payments reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
(77 235)	**25 235**	**–**	**575 670**	**523 677**	**(4 057)**	**519 620**
–	**–**	**–**	**127 555**	**127 555**	**8 098**	**135 653**
–	**(2 921)**	**–**	**–**	**(2 921)**	**(366)**	**(3 287)**
–	(11 756)	–	–	(11 756)	–	(11 756)
–	2 215	–	–	2 215	–	2 215
–	8 338	–	–	8 338	–	8 338
–	(2 084)	–	–	(2 084)	–	(2 084)
–	366	–	–	366	(366)	–
–	**(2 921)**	**–**	**127 555**	**124 634**	**7 732**	**132 366**
(11 387)	**–**	**–**	**(82 450)**	**200 820**	**–**	**200 820**
–	–	–	(991)	293 666	–	293 666
–	–	–	32 957	32 957	–	32 957
(11 387)	–	–	–	(11 387)	–	(11 387)
–	–	–	(114 416)	(114 416)	–	(114 416)
–	**–**	**–**	**(2 100)**	**(2 100)**	**3 389**	**1 289**
–	–	–	–	–	3 135	3 135
–	–	–	(2 100)	(2 100)	108	(1 992)
–	–	–	–	–	146	146
(11 387)	**–**	**–**	**(84 550)**	**198 720**	**3 389**	**202 109**
(88 622)	**22 314**	**–**	**618 675**	**847 031**	**7 064**	**854 095**
–	**–**	**–**	**135 619**	**135 619**	**3 681**	**139 300**
–	**8 397**	**–**	**–**	**8 397**	**63**	**8 460**
–	26 715	–	–	26 715	–	26 715
–	(7 038)	–	–	(7 038)	–	(7 038)
–	(1 591)	–	–	(1 591)	–	(1 591)
–	(12 835)	–	–	(12 835)	–	(12 835)
–	3 209	–	–	3 209	–	3 209
–	(63)	–	–	(63)	63	–
–	**8 397**	**–**	**135 619**	**144 016**	**3 744**	**147 760**
(9 341)	**–**	**827**	**(132 136)**	**(140 650)**	**(2 042)**	**(142 692)**
–	–	827	36	863	–	863
–	–	–	(679)	(679)	–	(679)
(9 341)	–	–	–	(9 341)	–	(9 341)
–	–	–	(131 493)	(131 493)	(2 042)	(133 535)
–	**–**	**–**	**(104)**	**(104)**	**5 604**	**5 500**
–	–	–	(104)	(104)	5 604	5 500
(9 341)	**–**	**827**	**(132 240)**	**(140 754)**	**3 562**	**(137 192)**
(97 963)	**30 711**	**827**	**622 054**	**850 293**	**14 370**	**864 663**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE

	Note	2016 R'000	2015 R'000
Cash flow from operating activities			
Operating profit before working capital changes	30	**249 493**	222 786
Working capital changes	31	**(7 326)**	(12 883)
Cash generated from operations		**242 167**	209 903
Interest income received	32	**24 370**	16 890
Interest expense paid		**(116)**	(65)
Tax paid	33	**(100 256)**	(83 666)
Dividends paid	34	**(133 546)**	(114 345)
Net cash flow from operating activities		**32 619**	28 717
Cash flow from investing activities			
Acquisition of subsidiary	35.1	**–**	(1 382)
Additions of intangible assets	13	**(231)**	–
Additions of property, plant and equipment	12	**(45 598)**	(30 785)
Cash inflow from share-based payment hedge	25	**12 653**	20 961
Disposals of subsidiaries		**–**	(653)
Investment in preference shares relating to GPI B-BBEE equity transaction	21.2	**–**	(72 613)
Loan advanced to Captain DoRegos Marketing Fund	15.4	**(430)**	(500)
Loan repaid by/(advanced to) associate company	15.3	**500**	(10 000)
Loans advanced to franchisees	15.5 & 15.6	**(11 351)**	(11 161)
Proceeds from disposal of property, plant and equipment	12	**8 143**	79
Repayment of loans receivable	15	**18 377**	8 712
Net cash flow from investing activities		**(17 937)**	(97 342)
Cash flow from financing activities			
Acquisition of non-controlling interest without a change in control	35.2	**–**	(1 992)
Acquisition of treasury shares	21.3	**(9 341)**	(11 387)
Costs incurred on issue of ordinary shares	21.2	**–**	(991)
Loan repaid to non-controlling shareholders	28	**(485)**	(2 236)
Proceeds from the issue of ordinary shares	21.2	**–**	294 657
Settlement of contingent consideration	23	**(20 369)**	–
Net cash flow from financing activities		**(30 195)**	278 051
Net movement in cash and cash equivalents		**(15 513)**	209 426
Effect of foreign exchange fluctuations		**(354)**	441
Net cash and cash equivalents at beginning of year		**301 294**	91 427
Net cash and cash equivalents at end of year	20	**285 427**	301 294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ABOUT THESE FINANCIAL STATEMENTS

1.1 REPORTING ENTITY

Spur Corporation Limited ("the company") is a company domiciled in South Africa. The consolidated financial statements of the company as at and for the year ended 30 June 2016 comprise the company, its subsidiaries, consolidated structured entities and the group's interests in equity-accounted investees, together referred to as "the group".

Where reference is made to "the group" in the accounting policies, it should be interpreted as referring to the company where the context requires, unless otherwise stated.

1.2 BASIS OF ACCOUNTING

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa (Act No. 71 of 2008, as amended).

Details of the group's accounting policies are set out in note 47 and have been applied consistently, in all material respects, to all years presented in these consolidated and separate financial statements.

The financial statements were prepared under the supervision of the group chief financial officer, Ronel van Dijk CA(SA), and authorised for issue by the directors on 6 October 2016. The financial statements were published on 14 October 2016.

The financial statements are presented in South African rands, which is the company's functional currency, rounded to the nearest thousand, unless otherwise stated. They are prepared on the going concern basis.

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value (refer note 25);
- Contingent consideration liability is measured at fair value (refer note 23); and
- Liabilities for cash-settled share-based payment arrangements are measured at fair value (refer note 24).

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated and separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements, assumptions and estimates made in applying the group's accounting policies that potentially have a significant effect on the amounts recognised in the financial statements are as follows:

2.1 JUDGEMENTS

Accounting for marketing funds (note 40)

The group administers a number of marketing funds which have been established by the group to meet the group's obligations in terms of the franchise agreements concluded between various subsidiaries of the group and external franchisees. In terms of these franchise agreements, the franchisor (the group) is mandated to spend the marketing fund receipts on behalf of the respective bodies of franchisees on marketing-related costs for the benefit of those bodies of franchisees. The franchise agreements permit the franchisor to retain so much of the fund receipts necessary to defray the costs of administering the respective marketing funds. Each marketing fund is housed in a separate legal entity that is ring-fenced from the franchisor and other marketing funds. *IAS18 – Revenue* requires that revenue be recognised in the instance where an entity is acting as principal; and that revenue should not be recognised in the instance where an entity is acting as agent and collects amounts on behalf of the principal. In terms of IAS18, an entity is acting as agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. The board has exercised judgement in concluding that the group is not exposed to the significant risks and rewards associated with the marketing fund receipts and therefore acts as agent, save to the extent that marketing fund receipts are retained to defray the costs of administering the marketing funds in which case the group acts as principal. Consequently, to the extent that marketing fund receipts are retained to defray the costs of administering the marketing funds, these are recognised as income (refer note 7), and the balance of the marketing fund receipts are not recognised as income (refer notes 15.9 and 28).

2. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

2.1 JUDGEMENTS continued

Control of subsidiaries (note 3)

The group has considered whether it controls certain entities, despite not owning a majority of shareholder rights in accordance with the requirements of *IFRS10 – Consolidated Financial Statements*. The board has determined that the group controls the entities below:

– The Spur Foundation Trust is a benevolent foundation established by the group on Mandela Day 2012. The purpose of the trust is to consolidate and implement the group's corporate social investment projects which have reputational benefits for the group. The reputational benefits are considered to be a key return to the group from its involvement with the trust. The trust deed defines who the beneficiaries of the trust are and these beneficiaries exclude any group entity. While there is no direct economic benefit to the group from the trust, in light of the fact that the trustees of the trust are appointed by the group and are currently all employees of the group, the group is able to control the key activities of the trust which affect the intangible returns for the group arising from the trust's activities.
– The Spur Management Share Trust was established in 2004. It initially served as a finance vehicle for the purchase of shares for the group's 2004 – 2009 management incentive scheme. Upon winding up of that scheme, the trust acquired shares in the company which continue to be used in the group's share incentive schemes. The trustees of the trust serve at the behest of the company. The company is the only capital beneficiary of the trust. The main objective of the trust is to maintain a motivated and content work force through monetary and share incentives in order to improve future profitability of the group. On this basis, the group has concluded that it is able to exercise control over the relevant activities of the trust in order to influence the intangible returns for the group arising from the trust's activities.

The group has considered whether it controls Braviz Fine Foods (Pty) Ltd, an entity in which the group holds a 30% equity interest, in accordance with the requirements of IFRS10. The group has the right to appoint only two of the maximum of six directors to the board of the entity in terms of the shareholders agreement concluded between the shareholders, and the right to exercise 30% of the voting rights attaching to the ordinary shares in issue. The entity's board currently comprises five directors, two of which have been appointed by the group. In addition, the shareholders agreement requires the approval of shareholders representing at least 75% of the ordinary shares in issue to implement any decisions and/or transactions that would materially affect the entity. The group is not responsible for the running of the day-to-day activities of the entity, and has no legal rights to do so. While the group's management is involved in setting strategy and consults with the entity's management on strategic and operational matters, any decisions require the approval of a majority of the board and/or shareholders as indicated above. The group has therefore determined that it does not have the power over the relevant activities of the entity that affect the variable returns from its investment in the entity. Consequently, the group has concluded that it has significant influence, but not control, over the entity and accordingly, accounts for the entity as an associate.

Intangible assets (note 13)

The directors reassess at each reporting date the appropriateness of the indefinite useful life assumption with regard to certain of the group's intangible assets, with particular reference to trademarks and related intellectual property. In this regard, the board considers its strategy relating to the intangible assets in question and the company's ability to execute that strategy, whether there is any technical, technological, commercial or other type of obsolescence applicable to the assets, expected usage and life cycle of the assets, future costs required to continue to obtain benefits from the assets and the period over which the group is legally able to control the assets.

Cash flow treatment of settlement of contingent consideration (note 23)

The purchase consideration relating to the acquisition of the RocoMamas Franchise Co (Pty) Ltd in the prior year, is determined as five times the acquiree's profit before income tax of the third year following the date of acquisition. Interim payments are made on the first and second anniversaries of the acquisition date. As only a nominal amount of R2.000 million was paid in cash on the transaction date, the bulk of the total anticipated purchase consideration was deferred beyond one year of the transaction date. On this basis, management considers the settlement of the contingent consideration to comprise largely the settlement of a deferred payment liability and the cash flows arising therefrom have accordingly been reflected as financing activities.

Business combinations (note 37.1)

During the year, a subsidiary of the group (which was previously wholly owned) acquired the lease and certain tangible assets of an existing restaurant in Mouille Point, in exchange for shares of the subsidiary in question. The intention of management in concluding the transaction was to secure the lease of a site that was considered suitable to relocate The Hussar Grill in Green Point to. Management was of the view that the state and condition of the tangible assets acquired were not conducive to the operation of a restaurant in their current state. The transaction accordingly did not result in the acquisition of an integrated set of activities and assets capable of being conducted and managed to provide a return to investors. Consequently, the transaction was not treated as a business combination in accordance with *IFRS3 – Business Combinations*, but instead as the acquisition of assets in accordance with *IAS38 – Intangible Assets* and *IAS16 – Property, Plant and Equipment*.

2.2 ASSUMPTIONS AND ESTIMATES

Contingent consideration liability (note 23)

In assessing the possible aggregate purchase consideration due in terms of the contingent consideration arrangement for the acquisition of RocoMamas Franchise Co (Pty) Ltd, the directors needed to estimate the subsidiary's profit to February 2018. The directors needed to extrapolate a store development plan and quantify the associated costs and revenues. A number of scenarios were considered and a probability applied to each scenario to determine the most likely outcome. These assumptions are reassessed at each reporting date until the liability is settled. The other variables in determining the carrying value of the liability at the reporting date as well as the sensitivities thereto are detailed in notes 23 and 38.2.

Deferred tax (note 16)

Within the group, each entity assesses the recoverability of deferred tax assets and the recognition of deferred tax assets in respect of computed tax losses. The recognition is based on the entities' abilities to utilise these computed tax losses based on expected future taxable income. In note 10.3, the total unrecognised computed tax losses are disclosed. The rationale for recognising deferred tax assets in respect of tax losses is disclosed in note 16.

Derivative financial instruments (note 25)

Certain assumptions are applied by an independent external valuations expert in determining the value of the derivative financial instruments used to hedge economically the group's exposure to cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme. These assumptions and the key inputs into the pricing model are disclosed in note 25.

Employee benefits (notes 21.5 and 24)

Certain assumptions are applied by an independent external valuations expert in determining the obligations in respect of the group's long-term share-linked employee retention schemes. The key inputs into the pricing models are disclosed in notes 21.5 and 24 for the respective schemes.

Fair values

A number of the group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

Fair value measurements and adjustments are made under the supervision of the group's chief financial officer. To the extent practicable, fair values are derived by external experts and, as far as possible, utilising market observable data. Any significant valuation issues are reported to the group's audit committee.

Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Financial instruments including contingent consideration liability (refer note 38)
- Employee benefits (refer notes 21.5 and 24)

Financial assets

Certain assumptions are made in respect of the recoverability of the group's financial assets. These assets mainly comprise loans receivable from associate companies and external parties, and trade receivables.

At each reporting date, the group evaluates whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that loans or receivables are impaired, the amount of the loss is determined without reference to future irrecoverable debts that have not been incurred. Refer note 19 for the amount of any impairment allowance recognised or reversed against trade receivables.

Intangible assets (note 13)

In respect of intangible assets with finite useful lives, the remaining useful lives and residual values of these assets are reviewed and considered at each reporting date, taking into account the nature of the assets as indicated in note 13.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

2.2 ASSUMPTIONS AND ESTIMATES continued

Impairment of non-financial assets (notes 12 and 13)

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually. Intangible assets which do not have indefinite useful lives and property, plant and equipment are considered for impairment when an indication of possible impairment exists. An asset is impaired when its carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal, and its value-in-use.

Determining if non-financial assets are impaired requires an estimation of the values-in-use of the cash-generating units to which goodwill, intangible assets and property, plant and equipment have been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that is reflective of the cash-generating unit's risk profile in order to calculate the present value. The variables applied in determining the above have been disclosed in the relevant notes to the financial statements with specific reference to notes 12 and 13.

Property, plant and equipment (note 12)

Items of property, plant and equipment are depreciated over the assets' remaining useful lives, taking into consideration their estimated residual values. The remaining useful lives and residual values of these assets are reviewed and considered at each reporting date, taking into account the nature and condition of the assets.

3. GROUP ENTITIES

3.1 GROUP STRUCTURE

Details of the share capital and the company's interests in the subsidiary companies are as follows:

	Country of incorporation/ place of business	Issued capital R'000	Loans to subsidiaries R'000	% interest in company
Trading				
Direct				
– Share Buy-back (Pty) Ltd	South Africa	0.1		100.0
– Spur Group (Pty) Ltd	South Africa	0.1	287 722	100.0
– Spur Group Properties (Pty) Ltd	South Africa	0.1	3 265	100.0
Indirect				
– John Dory's Advertising (Pty) Ltd	South Africa	0.1		100.0
– John Dory's Franchise (Pty) Ltd	South Africa	0.1		100.0
– Nickilor (Pty) Ltd trading as The Hussar Grill Rondebosch	South Africa	0.1		100.0
– Opilor (Pty) Ltd trading as The Hussar Grill Mouille Point and RocoMamas Green Point	South Africa	17 500.1		68.0
– Opiset (Pty) Ltd trading as The Hussar Grill Camps Bay	South Africa	0.1		100.0
– Panarottis Advertising (Pty) Ltd	South Africa	0.1		100.0
– RocoMamas Advertising (Pty) Ltd	South Africa	0.1		100.0
– RocoMamas Franchise Co (Pty) Ltd	South Africa	0.1		51.0
– Spur Advertising (Pty) Ltd	South Africa	0.1		100.0
– The Ad Workshop (Pty) Ltd trading as Captain DoRegos Advertising	South Africa	0.1		100.0
– The Hussar Grill Advertising (Pty) Ltd	South Africa	0.1		100.0
– The Morningside Grill (Pty) Ltd trading as The Hussar Grill Morningside	South Africa	0.1		100.0
– Spur International Ltd	British Virgin Islands	1.4		100.0
– Steak Ranches International BV	The Netherlands	156 493.6		100.0
– Spur Advertising Namibia (Pty) Ltd	Namibia	0.1		100.0
– Spur Franchise Namibia (Pty) Ltd	Namibia	0.1		100.0
– Panarottis Advertising Australia Pty Ltd	Australia	0.6		100.0
– Panatug Pty Ltd	Australia	0.6		100.0
– Panhold Pty Ltd	Australia	5.0		100.0
– Spur Advertising Australia Pty Ltd	Australia	0.6		100.0
– Spur Corporation Australia Pty Ltd	Australia	16 129.1		100.0
– Spur Steak Ranches Unit Trust	Australia	0.1		100.0
– Larkspur One Ltd	United Kingdom	1.4		100.0
– Larkspur Two Ltd	United Kingdom	1.4		100.0
– Larkspur Three Ltd	United Kingdom	1.3		80.0
– Larkspur Six Ltd	United Kingdom	0.1		100.0
– Larkspur Seven Ltd	United Kingdom	0.1		100.0
– Larkspur Nine Ltd	United Kingdom	0.1		100.0
– Larkspur Ten Ltd	United Kingdom	1.8		100.0
– Mohawk Spur Ltd	United Kingdom	15.1		100.0
– Spur Advertising UK Ltd	United Kingdom	1.3		100.0
– Spur Corporation UK Ltd	United Kingdom	3.5		100.0
– Trinity Leasing Ltd	United Kingdom	13.0		100.0
– Larkspur Eight Ltd	Ireland	0.1		100.0
Dormant#		1.4		100.0
			290 987	

A schedule of these companies is available upon request.

3. GROUP ENTITIES continued

3.1 GROUP STRUCTURE continued

The interest of the company in the aggregate after tax profits and losses of subsidiaries is as follows:

	2016 R'000	2015 R'000
Profits	**237 908**	144 554
Losses	**(91 466)**	(12 888)

In addition to those entities in which the group holds a majority shareholder interest, the group has concluded that it controls The Spur Management Share Trust and The Spur Foundation Trust (refer note 2.1). These entities are consequently consolidated.

Changes to the group structure are detailed in notes 4, 35, 36 and 37.

Details of material non-controlling interests are included in note 22.

There are no significant restrictions on the ability of the group to realise assets or settle liabilities of any of its subsidiaries.

3.2 CONSOLIDATED STRUCTURED ENTITIES

With regard consolidated structured entities, The Spur Management Share Trust and The Spur Foundation Trust:

- There are no contractual obligations on the company or any of its subsidiaries to provide financial support;
- Wholly-owned subsidiaries donated R0.280 million (2015: R0.280 million) and 100 000 (2015: 100 000) treasury shares to The Spur Foundation Trust during the year to assist in funding the trust's benevolent activities. Although not obliged to, the same subsidiaries intend continuing to provide assistance to the trust by donating similar amounts of cash and shares on an annual basis (where the latter is a shareholder-approved donation of 100 000 treasury shares per annum for each of the 2017 to 2019 financial years).

3.3 UNCONSOLIDATED STRUCTURED ENTITIES

During the prior year, the group concluded a B-BBEE equity transaction with Grand Parade Investments Ltd ("GPI") as more fully explained in note 21.2. The group partly financed the indirect acquisition by GPI of 10% of the share capital of the company through a preference share investment in GPI Spur (Pty) Ltd, an indirectly wholly-owned subsidiary of GPI.

The investment in preference shares is recorded as a loan receivable as detailed in note 15.7. The group's maximum exposure relating to the entity is represented by the carrying value of the preference shares.

The entity is an investment holding vehicle whose key activities comprise the investment in Spur Corporation Ltd shares and the financing of this investment. The group has no influence over the investing or financing decisions of the entity and consequently, the group does not have any power over the relevant activities of the entity. Therefore, the group concluded that it does not control, and therefore should not consolidate, the entity.

4. DISCONTINUED OPERATION – UNITED KINGDOM

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

During the year, the group:

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

During the prior year:

- The carrying value of property, plant and equipment of the Cheyenne Spur in the O_2 Arena was partially impaired by R1.054 million as at 30 June 2015, as a result of reduced prospects arising from the increased costs of occupancy, labour and raw material inputs.
- As a consequence of sustained trading losses incurred by the Mohawk Spur in Wandsworth (England), the group closed the outlet on 28 February 2015.
- Larkspur Five Ltd, a subsidiary in which the group owned a 70.6% equity interest and which previously operated the Golden Gate Spur in Gateshead (England) which closed in October 2013, was dissolved on 16 June 2015. The group had previously recognised a liability in respect of a shareholder's loan to the non-controlling shareholder which was extinguished as part of the dissolution of the company. On dissolution of the company, the liability, amounting to R5.173 million at 15 June 2015, was released to profit before income tax in the prior year.

	2016 R'000	2015 R'000
The results of the discontinued operation are detailed below:		
Revenue	**104 302**	147 657
Cost of sales	**(32 512)**	(44 291)
Gross profit	**71 790**	103 366
Other income	**28 263**	4 964
Administration expenses	**–**	(1 920)
Impairment losses	**–**	(1 054)
Other non-trading losses	**(25 322)**	–
Retail operating expenses	**(103 602)**	(111 995)
Operating loss before finance income	**(28 871)**	(6 639)
Net finance income/(expense)	**24**	(34)
Interest income	**62**	–
Interest expense	**(38)**	(34)
Loss before income tax	**(28 847)**	(6 673)
Income tax expense	**(2 880)**	(6)
Loss	**(31 727)**	(6 679)
Loss attributable to:		
Owners of the company	**(31 957)**	(12 163)
Non-controlling interests	**230**	5 484
Loss	**(31 727)**	(6 679)
The cash flows of the discontinued operation are listed below:		
Net cash flow from operating activities	**(11 022)**	(4 368)
Net cash flow from investing activities	**5 757**	(7 469)
Net cash flow from financing activities	**(484)**	(335)
Net movement in cash and cash equivalents for the year	**(5 749)**	(12 172)
Further particulars of the above-listed transactions are detailed below:		
Impairment of property, plant and equipment	**–**	(1 054)
Loss on disposal of goodwill	**(444)**	–
Loss on disposal of property, plant and equipment	**(24 878)**	–
Profit on disposal of leases	**15 766**	–
Profit on disposal of property, plant and equipment	**5 459**	–
Reclassification of foreign currency gain/(loss) from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations	**7 038**	(1 920)
Release of financial liability	**–**	5 173
Included in loss before income tax	**2 941**	2 199
Income tax expense related to the above	**(2 258)**	–
Included in loss	**683**	2 199
Attributable to non-controlling interests	**(216)**	(5 450)
Attributable to owners of the company	**467**	(3 251)

4. DISCONTINUED OPERATION – UNITED KINGDOM continued

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

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

The accounts receivable listed above were recovered subsequent to the reporting date.

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

5. OPERATING SEGMENTS

Operating segments are identified based on financial information regularly reviewed by the Spur Corporation Ltd executive directors (identified as the Chief Operating Decision Maker ("CODM") of the group for *IFRS8 – Operating Segments* reporting purposes) for performance assessments and resource allocations. In accordance with IFRS8, no segment assets or liabilities have been disclosed as such information is not regularly provided to the CODM.

The group identified 10 reportable segments, as listed below, with no individual customer accounting for more than 10% of revenue:

- South Africa Manufacturing and distribution
- South Africa Franchise – Spur
- South Africa Franchise – Pizza and Pasta*
- South Africa Franchise – John Dory's
- South Africa Franchise – Captain DoRegos
- South Africa Franchise – The Hussar Grill
- South Africa Franchise – RocoMamas
- South Africa Retail
- United Kingdom
- Australia

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

The group's South African business comprises:

- the franchise businesses of its seven trading brands, Spur Steak Ranches, Pizza and Pasta (Panarottis Pizza Pasta and Casa Bella), John Dory's Fish Grill Sushi, Captain DoRegos, The Hussar Grill and RocoMamas;
- its South African retail division comprising four company-owned The Hussar Grill restaurants, operating in Camps Bay, Rondebosch and Mouille Point in the Western Cape and Morningside in Gauteng, as well as the RocoMamas outlet in Green Point in the Western Cape;
- its sauce manufacturing, warehousing and product distribution business; and
- smaller operating segments include the group's training division, export business, décor manufacturing business, call centre and radio station which are each individually not material.

The CODM reviews the performance of each of the franchise brands, the retail business and other business units independently of each other to assess the risks and contribution of each business unit, and, where appropriate, the possibility and financial feasibility of expanding, ceasing or outsourcing operations.

The group's International business comprises:

- its operations in the United Kingdom (incorporating Ireland for the purposes of the segmental analysis) which have been discontinued during the year (refer note 4);
- its franchise business in Australia; and
- its franchise operations in other territories including Africa, Mauritius and the Middle East which have been aggregated – while Africa comprises the majority of the other international segments, the Mauritius and Middle East components are not individually material, operate on the same basis as the Africa region and are exposed to similar risks.

From a statutory reporting perspective, the CODM reviews the profit/loss before income tax of each segment. In managing risks, performance and resource allocations, the CODM considers earnings before interest, tax, depreciation and amortisation ("EBITDA") as a more meaningful measure. Accordingly, the group has elected to disclose segmental EBITDA in addition to the minimum disclosure required by IFRS8.

5. OPERATING SEGMENTS continued

	SOUTH AFRICA						
2016	**Manu-facturing and distri-bution R'000**	**Franchise Spur R'000**	**Franchise Pizza and Pasta R'000**	**Franchise John Dory's R'000**	**Franchise Captain DoRegos R'000**	**Franchise The Hussar Grill R'000**	**Franchise Roco-Mamas R'000**
Total revenues	**180 797**	**229 953**	**32 501**	**18 528**	**4 534**	**5 712**	**17 641**
Less: Inter-segment revenues	47	–	–	–	–	2 105	226
External revenues	**180 750**	**229 953**	**32 501**	**18 528**	**4 534**	**3 607**	**17 415**
Profit/(loss) before income tax and share of loss of equity-accounted investee	**68 486**	**206 052**	**22 064**	**9 558**	**(17 851)**	**2 789**	**12 210**
Exclude:							
Interest income	–	–	–	–	–	–	–
Interest expense	–	–	–	–	–	–	–
Depreciation and amortisation	(1 138)	–	–	–	(11)	–	–
EBITDA#	**69 624**	**206 052**	**22 064**	**9 558**	**(17 840)**	**2 789**	**12 210**
Exclude other material disclosable items:							
Fair value gain on contingent consideration liability	–	–	–	–	–	–	–
Foreign exchange (loss)/gain	–	–	–	–	–	–	–
Impairment of intangible assets	–	–	–	–	(18 969)	–	–
Loss on disposal of goodwill	–	–	–	–	–	–	–
Loss on disposal of property, plant and equipment related to discontinued operation	–	–	–	–	–	–	–
Profit/(loss) on disposal of property, plant and equipment	–	–	–	–	–	–	–
Profit on sale of leases	–	–	–	–	–	–	–
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	–	–	–	–	–	–	–
Share-based payments expense (cash-settled) net of fair value adjustment in respect of hedge – long-term share-linked employee retention scheme	–	–	–	–	–	–	–
Share-based payments expense (equity-settled) – long-term employee share incentive schemes	–	–	–	–	–	–	–
EBITDA# before other material disclosable items	**69 624**	**206 052**	**22 064**	**9 558**	**1 129**	**2 789**	**12 210**
Capital expenditure	1 539	–	–	–	–	–	–
2015							
Total revenues	**174 239**	**217 276**	**27 575**	**16 220**	**6 077**	**3 784**	**2 175**
Less: Inter-segment revenues	315	–	–	–	–	1 367	–
External revenues	**173 924**	**217 276**	**27 575**	**16 220**	**6 077**	**2 417**	**2 175**
Profit/(loss) before income tax and share of loss of equity-accounted investee	**67 083**	**194 037**	**18 904**	**9 119**	**(11 821)**	**1 298**	**1 386**
Exclude:							
Interest income	–	–	–	–	–	–	–
Interest expense	–	–	–	–	–	–	–
Depreciation and amortisation	(973)	–	–	–	(45)	–	–
EBITDA#	**68 056**	**194 037**	**18 904**	**9 119**	**(11 776)**	**1 298**	**1 386**
Exclude other material disclosable items:							
Fair value loss on contingent consideration liability	–	–	–	–	–	–	–
Foreign exchange (loss)/gain	–	–	–	–	–	–	–
Impairment of property, plant and equipment	–	–	–	–	–	–	–
Impairment of intangible assets	–	–	–	–	(13 905)	–	–
Loss on disposal of subsidiary	–	–	–	–	–	–	–
Profit on disposal of property, plant and equipment	–	–	–	–	–	–	–
Profit on disposals of subsidiaries	–	–	–	–	–	–	–
Reclassification of foreign currency loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations	–	–	–	–	–	–	–
Release of financial liability	–	–	–	–	–	–	–
Share-based payments expense (cash-settled) net of fair value adjustment in respect of hedge – long-term share-linked employee retention scheme	–	–	–	–	–	–	–
Share-based payments expense (equity-settled) – GPI B-BBEE transaction	–	–	–	–	–	–	–
EBITDA# before other material disclosable items	**68 056**	**194 037**	**18 904**	**9 119**	**2 129**	**1 298**	**1 386**
Capital expenditure	1 818	–	–	–	–	–	–

Notes (in addition to those items disclosed above):

South Africa – Franchise RocoMamas was acquired with effect from 1 March 2015 (refer note 35.1).

South Africa – Retail – refer note 37.

South Africa – Unallocated loss before income tax includes net loss of R0.259 million (2015: income of R1.761 million) arising from The Spur Foundation Trust, a consolidated structured entity, all of which is attributable to non-controlling interests. The prior year includes professional and advisory costs of R0.301 million relating to the GPI B-BBEE equity transaction, transaction costs for the acquisition of RocoMamas of R0.233 million and professional advisory fees of R0.481 million relating to defending the tax queries detailed in notes 46.1 and 46.2.

					INTERNATIONAL						
Retail R'000	Other segments R'000	Total segments R'000	Un-allocated R'000	Total South Africa R'000	United Kingdom (dis-continued)* R'000	Australia R'000	Other segments R'000	Total segments R'000	Un-allocated R'000	Total Inter-national R'000	Total R'000
48 139	**62 516**	**600 321**	**15 794**	**616 115**	**104 302**	**10 948**	**22 172**	**137 422**	**–**	**137 422**	**753 537**
–	611	2 989	13 177	16 166	–	–	–	–	–	–	16 166
48 139	**61 905**	**597 332**	**2 617**	**599 949**	**104 302**	**10 948**	**22 172**	**137 422**	**–**	**137 422**	**737 371**
927	**1 198**	**305 433**	**(53 071)**	**252 362**	**(28 847)**	**3 177**	**10 955**	**(14 715)**	**(10 326)**	**(25 041)**	**227 321**
–	–	–	34 901	34 901	62	713	–	775	66	841	35 742
–	–	–	(78)	(78)	(38)	–	–	(38)	–	(38)	(116)
(1 128)	(180)	(2 457)	(3 866)	(6 323)	(4 440)	(72)	(27)	(4 539)	(33)	(4 572)	(10 895)
2 055	**1 378**	**307 890**	**(84 028)**	**223 862**	**(24 431)**	**2 536**	**10 982**	**(10 913)**	**(10 359)**	**(21 272)**	**202 590**
–	–	–	3 723	3 723	–	–	–	–	–	–	3 723
–	–	–	–	–	(196)	(12)	–	(208)	(3 756)	(3 964)	(3 964)
–	–	(18 969)	–	(18 969)	–	–	–	–	–	–	(18 969)
–	–	–	–	–	(444)	–	–	(444)	–	(444)	(444)
–	–	–	–	–	(24 878)	–	–	(24 878)	–	(24 878)	(24 878)
(112)	–	(112)	64	(48)	5 459	–	–	5 459	–	5 459	5 411
–	–	–	–	–	15 766	–	–	15 766	–	15 766	15 766
–	–	–	–	–	7 038	–	–	7 038	–	7 038	7 038
–	–	–	(25 353)	(25 353)	–	–	–	–	–	–	(25 353)
–	–	–	(827)	(827)	–	–	–	–	–	–	(827)
2 167	**1 378**	**326 971**	**(61 635)**	**265 336**	**(27 176)**	**2 548**	**10 982**	**(13 646)**	**(6 603)**	**(20 249)**	**245 087**
9 223	–	10 762	32 446	43 208	2 442	14	17	2 473	17	2 490	45 698
30 760	**59 381**	**537 487**	**10 118**	**547 605**	**147 657**	**55 729**	**19 668**	**223 054**	**–**	**223 054**	**770 659**
–	520	2 202	8 398	10 600	–	–	–	–	–	–	10 600
30 760	**58 861**	**535 285**	**1 720**	**537 005**	**147 657**	**55 729**	**19 668**	**223 054**	**–**	**223 054**	**760 059**
4 645	**327**	**284 978**	**(81 818)**	**203 160**	**(4 714)**	**4 488**	**10 616**	**10 390**	**(6 496)**	**3 894**	**207 054**
–	–	–	24 360	24 360	–	246	–	246	75	321	24 681
–	–	–	(8)	(8)	(34)	(23)	–	(57)	–	(57)	(65)
(214)	(204)	(1 436)	(4 038)	(5 474)	(7 199)	(1 272)	(16)	(8 487)	(59)	(8 546)	(14 020)
4 859	**531**	**286 414**	**(102 132)**	**184 282**	**2 519**	**5 537**	**10 632**	**18 688**	**(6 512)**	**12 176**	**196 458**
–	–	–	(3 681)	(3 681)	–	–	–	–	–	–	(3 681)
–	–	–	–	–	(170)	(19)	–	(189)	2 088	1 899	1 899
–	–	–	–	–	(1 054)	–	–	(1 054)	–	(1 054)	(1 054)
–	–	(13 905)	–	(13 905)	–	–	–	–	–	–	(13 905)
–	–	–	–	–	–	(4 545)	–	(4 545)	–	(4 545)	(4 545)
–	–	–	65	65	–	–	–	–	–	–	65
–	–	–	–	–	–	5 120	–	5 120	–	5 120	5 120
–	–	–	–	–	–	(295)	–	(295)	(1 920)	(2 215)	(2 215)
–	–	–	–	–	5 173	–	–	5 173	–	5 173	5 173
–	–	–	(4 941)	(4 941)	–	–	–	–	–	–	(4 941)
–	–	–	(32 957)	(32 957)	–	–	–	–	–	–	(32 957)
4 859	**531**	**300 319**	**(60 618)**	**239 701**	**(1 430)**	**5 276**	**10 632**	**14 478**	**(6 680)**	**7 798**	**247 499**
1 032	–	2 850	16 744	19 594	7 469	3 617	70	11 156	35	11 191	30 785

Australia – refer note 36.
International – Unallocated loss before income tax in the prior year includes professional advisory costs of R0.829 million relating to the group's international tax structure.

EBITDA is earnings (profit/loss) before interest, tax, depreciation and amortisation.
* Refer note 4.

5. OPERATING SEGMENTS continued

	2016 R'000	2015 R'000
Reconciliation of segmental profit to profit before income tax		
Total segmental profit before income tax and share of loss of equity-accounted investee (net of tax)	**227 321**	207 054
Share of loss of equity-accounted investee (net of tax)	**(8 601)**	(1 633)
Profit before income tax	**218 720**	205 421
Loss before income tax from discontinued operation	**28 847**	4 714
Foreign exchange loss relating to discontinued operation included in International – Unallocated	**–**	39
Reclassification of foreign currency loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations relating to discontinued operation included in International – Unallocated	**–**	1 920
Profit before income tax – continuing operations	**247 567**	212 094
Geographical allocation of non-current assets		
The group's non-current assets are allocated to the following geographic regions:		
South Africa	**465 814**	442 815
United Kingdom	**–**	30 950
Australia	**68**	110
Other countries	**49**	71
Total non-current assets	**465 931**	473 946

For the purposes of the above analysis, non-current assets exclude deferred tax assets and financial instruments.

6. REVENUE

	Continuing operations		Discontinued operation*		Total	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Manufacturing and distribution sales and rebates	**180 750**	173 924	**–**	–	**180 750**	173 924
Franchise-related fee income	**339 660**	297 810	**295**	927	**339 955**	298 737
Rental income	**930**	845	**–**	–	**930**	845
Retail restaurants' sales	**48 137**	80 087	**104 007**	146 730	**152 144**	226 817
Other sundry sales	**46 273**	44 782	**–**	–	**46 273**	44 782
Other sundry services rendered	**17 319**	14 954	**–**	–	**17 319**	14 954
	633 069	612 402	**104 302**	147 657	**737 371**	760 059

* Refer note 4.

Other sundry sales includes largely export sales to franchisees trading in areas outside of South Africa and sales of décor and other items to local franchisees.

Other sundry services rendered includes largely TasteFM (internal radio station) subscriptions, training fees and architectural service fees received from local franchisees as well as call centre services provided to the group's marketing funds.

7. OTHER INCOME

	Continuing operations		Discontinued operation*		Total	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Fair value gain on derivative financial instruments at fair value through profit or loss (refer note 25)	**–**	14 794	**–**	–	**–**	14 794
Fair value gain on contingent consideration liability (refer note 23)	**3 723**	–	**–**	–	**3 723**	–
Foreign exchange gain/(loss)	**–**	2 108	**–**	(209)	**–**	1 899
Insurance recoveries	**–**	1 660	**–**	–	**–**	1 660
Marketing fund administration fees	**21 165**	18 246	**–**	–	**21 165**	18 246
Profit on disposal of property, plant and equipment	**64**	65	**5 459**	–	**5 523**	65
Profit on disposals of subsidiaries (refer note 36)	**–**	5 120	**–**	–	**–**	5 120
Profit on sale of leases	**–**	–	**15 766**	–	**15 766**	–
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	**–**	–	**7 038**	–	**7 038**	–
Release of financial liability	**–**	–	**–**	5 173	**–**	5 173
Spur Foundation donation income	**1 498**	2 860	**–**	–	**1 498**	2 860
Other	**253**	62	**–**	–	**253**	62
	26 703	44 915	**28 263**	4 964	**54 966**	49 879

* Refer note 4.

Marketing fund administration fees relate to administrative support services rendered by the group in respect of marketing funds (refer note 40).

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

8. OPERATING PROFIT BEFORE FINANCE INCOME

	Continuing operations		Discontinued operation*		Total	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
The following items have been taken into account in determining operating profit before finance income:						
Auditor's remuneration#	**1 561**	1 770	**–**	–	**1 561**	1 770
– Audit services	**1 437**	1 346	**–**	–	**1 437**	1 346
– Other services	**124**	424	**–**	–	**124**	424
Amortisation – intangible assets (refer note 13)	**10**	–	**–**	–	**10**	–
Bad debts	**681**	315	**498**	12	**1 179**	327
Depreciation (refer note 12)	**6 445**	6 820	**4 440**	7 200	**10 885**	14 020
– Buildings	**321**	321	**–**	–	**321**	321
– Leasehold improvements	**592**	868	**2 520**	5 195	**3 112**	6 063
– Furniture and fittings	**982**	876	**766**	787	**1 748**	1 663
– Plant, equipment and vehicles	**2 086**	1 939	**905**	1 050	**2 991**	2 989
– Computer equipment	**2 464**	2 816	**249**	168	**2 713**	2 984
Employment costs	**128 214**	156 866	**38 454**	45 861	**166 668**	202 727
– Salaries and wages (excluding directors)	**100 425**	110 393	**38 454**	45 861	**138 879**	156 254
– Executive directors' and prescribed officer's emoluments (refer note 43)†	**18 298**	17 080	**–**	–	**18 298**	17 080
– Provident fund expense – defined contribution plan (refer note 39)	**11 025**	9 658	**–**	–	**11 025**	9 658
– Share-based payments (credit)/ expense – cash-settled – long-term share-linked employee retention scheme (refer note 24)	**(2 361)**	19 735	**–**	–	**(2 361)**	19 735
– Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 21.5)	**827**	–	**–**	–	**827**	–
Fair value loss/(gain) on derivative financial instruments at fair value through profit or loss (refer note 25)	**27 714**	(14 794)	**–**	–	**27 714**	(14 794)
Fair value gain on contingent consideration liability (refer note 23)	**(3 723)**	–	**–**	–	**(3 723)**	–
Foreign exchange loss/(gain)	**3 768**	(2 108)	**196**	209	**3 964**	(1 899)
Impairment allowance – trade receivables	**406**	(82)	**–**	–	**406**	(82)
Impairment losses	**18 969**	13 905	**–**	1 054	**18 969**	14 959
– Impairment of intangible assets (refer note 13)	**18 969**	13 905	**–**	–	**18 969**	13 905
– Impairment of property, plant and equipment (refer note 12)	**–**	–	**–**	1 054	**–**	1 054
Loss on disposal of property, plant and equipment	**112**	–	**–**	–	**112**	–
Operating lease charges	**7 985**	10 254	**26 127**	23 105	**34 112**	33 359
– Lease charges paid in cash	**6 549**	10 068	**22 887**	23 483	**29 436**	33 551
– Amortisation of leasing rights (refer note 17)	**366**	–	**3 326**	388	**3 692**	388
– Straight-line lease charge/(credit) (refer note 26)	**1 070**	186	**(86)**	(766)	**984**	(580)

* Refer note 4.
\# Remuneration of the company's auditor for services to the company and its subsidiaries.
† Includes short-term performance bonuses but excludes provident fund contributions and equity compensation benefits disclosed separately within employment costs.

	Continuing operations		Discontinued operation*		Total	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
The following items have been taken into account in determining operating profit before finance income continued**:**						
Other non-trading losses	**–**	41 183	**25 322**	–	**25 322**	41 183
– Fair value loss on contingent consideration liability (refer note 23)	**–**	3 681	**–**	–	**–**	3 681
– Loss on disposal of goodwill	**–**	–	**444**	–	**444**	–
– Loss on disposal of subsidiary (refer note 36)	**–**	4 545	**–**	–	**–**	4 545
– Loss on disposal of property, plant and equipment related to discontinued operation	**–**	–	**24 878**	–	**24 878**	–
– Share-based payments expense – equity-settled – GPI B-BBEE transaction (refer note 21.2)	**–**	32 957	**–**	–	**–**	32 957
(Profit)/loss on disposal of property, plant and equipment (refer note 12)	**(64)**	(65)	**(5 459)**	–	**(5 523)**	(65)
Profit on disposals of subsidiaries (refer note 36)	**–**	(5 120)	**–**	–	**–**	(5 120)
Reclassification of foreign currency (gain)/loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations (refer notes 4 and 36)	**–**	295	**(7 038)**	1 920	**(7 038)**	2 215
Release of financial liability	**–**	–	**–**	(5 173)	**–**	(5 173)

* Refer note 4.

9. NET FINANCE INCOME

	Continuing operations		Discontinued operation*		Total	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Finance income and expense recognised in profit before income tax						
Interest income on bank deposits	**19 920**	13 798	**31**	–	**19 951**	13 798
Interest income on financial assets measured at amortised cost	**15 760**	10 883	**31**	–	**15 791**	10 883
Interest income	**35 680**	24 681	**62**	–	**35 742**	24 681
Interest expense on financial liabilities measured at amortised cost	**(78)**	(31)	**(38)**	(34)	**(116)**	(65)
Interest expense	**(78)**	(31)	**(38)**	(34)	**(116)**	(65)
Net interest income recognised in profit before income tax	**35 602**	24 650	**24**	(34)	**35 626**	24 616

* Refer note 4.

10. INCOME TAX

		2016 R'000	2015 R'000
10.1 INCOME TAX EXPENSE			
South African normal tax			
Current	– current year	**79 762**	71 769
	– prior year underprovision	**83**	253
Deferred	– current year	**(8 461)**	(5 515)
	– prior year underprovision	**–**	164
	– rate change	**961**	–
		72 345	66 671
South African dividend withholding tax		**1 375**	1 305
Namibian normal tax			
Current	– current year	**1 263**	130
Namibian withholding tax		**–**	9
Dutch normal tax			
Current	– current year	**343**	356
Deferred	– current year	**24**	1 886
	– prior year underprovision	**–**	261
		367	2 503
United Kingdom normal tax			
Current	– current year	**–**	12
	– prior year (over)/underprovision	**(27)**	167
Deferred	– current year	**5 867**	(860)
	– prior year overprovision	**(2 201)**	(272)
	– rate change	**–**	98
		3 639	(855)
Australian normal tax			
Current	– current year	**549**	228
	– prior year overprovision	**(44)**	(4)
Deferred	– current year	**(56)**	(25)
	– prior year overprovision	**(18)**	(194)
		431	5
Income tax expense		**79 420**	69 768
Total current normal tax		**81 929**	72 911
Total deferred normal tax (refer note 16)		**(3 884)**	(4 457)
Total withholding taxes		**1 375**	1 314
Income tax expense		**79 420**	69 768
relating to continuing operations		**76 540**	69 762
relating to discontinued operations*		**2 880**	6

* Refer note 4.

Also refer contingent liability notes 46.1 and 46.2.

		2016 %	2015 %
10.2	**RECONCILIATION OF TAX RATE**		
	South African normal tax rate	**28.0**	**28.0**
	Change in tax rate	**0.4**	**0.1**
	Effect of tax in foreign jurisdictions	**(1.0)**	**0.1**
	Effect of tax at capital gains rate	**0.5**	**0.6**
	Income of foreign subsidiaries attributed to South Africa	**0.1**	**–**
	Non-deductible UK depreciation and closure-related costs*	**1.0**	**0.6**
	Non-deductible loss on disposal of UK property, plant and equipment*	**3.3**	**–**
	Non-deductible loss on disposal of subsidiary	**–**	**0.6**
	Non-deductible other expenditure (capital items and items not in production of income)	**1.0**	**0.6**
	Non-deductible share-based payment expense (equity-settled)	**–**	**4.5**
	Non-taxable dividend income	**(0.9)**	**(0.6)**
	Non-taxable fair value gain on contingent consideration liability	**(0.4)**	**–**
	Non-taxable foreign exchange gains reclassified from other comprehensive income to profit, on abandonment of UK foreign operations*	**(1.6)**	**–**
	Non-taxable other income	**(0.1)**	**(0.3)**
	Non-taxable profit on sale of UK property, plant and equipment*	**(0.5)**	**–**
	Non-taxable profit on disposal of subsidiaries	**–**	**(0.7)**
	Non-taxable release of financial liability*	**–**	**(0.7)**
	Prior year (over)/under provision	**(1.0)**	**0.2**
	Share of loss of equity-accounted investee	**1.1**	**0.2**
	Tax losses on which deferred tax not provided	**5.6**	**0.8**
	Tax losses utilised on which deferred tax not previously provided	**–**	**(0.3)**
	Tax benefit of imputed expense not included in profit before income tax	**–**	**(0.5)**
	Withholding tax	**0.8**	**0.8**
	Effective tax rate	**36.3**	**34.0**

* Refer note 4.

The statutory rates of tax applicable to group entities in the Netherlands, the UK, Australia and Namibia are 25%, 20.0% (2015: 20.75%), 30% and 33% respectively. The tax rate in the Netherlands operates on a sliding scale. In the UK, the tax rate was reduced to 20% with effect from 1 April 2015; consequently, current tax for the prior year was provided for at the time-weighted average tax rate of 20.75% and deferred tax was provided for at 20%. With effect from 1 March 2016, the South African inclusion rate for capital gains subject to income tax for companies and trusts was amended from 66.67% to 80%, increasing the effective tax rate applicable to capital gains in South Africa from 18.67% to 22.4% for companies and from 27.33% to 32.8% for trusts.

		2016 R'000	2015 R'000
10.3	**TAX LOSSES**		
	Estimated group tax losses available for set-off against future taxable income	**31 539**	54 728

A deferred tax asset has not been recognised in respect of tax losses amounting to R30.880 million (2015: R54.666 million). Significant tax losses exist in the UK entities, but as the group has no ability to utilise these losses, and has, subsequent to the reporting date, commenced liquidating certain of the entities, the losses will be forfeited and accordingly are not presented in the amount listed above. A deferred tax asset amounting to R0.184 million (2015: R0.012 million) has been recognised in respect of the balance of the tax losses. R0.793 million and R29.188 million of the tax losses for which no deferred tax assets were recognised are subject to restrictions on the periods for which the losses can be carried forward of five years and nine years respectively, while the balance has no such restriction (refer note 16).

10. INCOME TAX continued

	2016 R'000	2015 R'000
10.4 TAX (CREDITED)/CHARGED TO OTHER COMPREHENSIVE INCOME		
Deferred tax on foreign exchange (loss)/gain on net investments in foreign operations – continuing operations	**(3 209)**	2 084
Deferred tax on reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations – discontinued operations*	**1 591**	–
Total tax (credited)/charged to other comprehensive income	**(1 618)**	2 084

* Refer note 4.

	2016 R'000	2015 R'000
10.5 TAX CHARGED/(CREDITED) DIRECTLY TO EQUITY		
Current tax on intercompany transfer of treasury shares (refer note 21.5)	**625**	–
Deferred tax on equity-settled share-based payment	**(36)**	–
Total tax charged/(credited) directly to equity	**589**	–

The deferred tax credited to equity is the amount of the deferred tax credit relating to the group's long-term share incentive schemes (refer note 21.5) that exceeds 28% of the share-based payment expense included in profit before income tax.

11. EARNINGS PER SHARE

	2016 cents	2015 cents
11.1 STATISTICS		
Basic earnings per share	**141.34**	137.69
Basic earnings per share – continuing operations	**174.64**	150.82
Diluted earnings per share	**141.31**	137.69
Diluted earnings per share – continuing operations	**174.61**	150.82
Headline earnings per share	**170.89**	152.76
Headline earnings per share – continuing operations	**190.01**	162.68
Diluted headline earnings per share	**170.86**	152.76
Diluted headline earnings per share – continuing operations	**189.98**	162.68

The earnings used for diluted earnings per share are the same as the earnings used for basic earnings per share.

	2016 '000	2015 '000
11.2 RECONCILIATION OF SHARES IN ISSUE TO WEIGHTED AVERAGE AND DILUTIVE WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
Shares in issue at beginning of year	**108 481**	97 633
Shares repurchased at beginning of year (refer note 21.3)	**(12 361)**	(12 000)
Shares repurchased during the year weighted for period not held by the group (refer note 21.3)	**(165)**	(219)
Shares issued during the year weighted for period in issue (refer note 21.2)	**–**	7 222
Weighted average number of ordinary shares in issue for the year	**95 955**	92 636
Dilutive potential ordinary shares weighted for period outstanding (refer note 21.5)	**17**	–
Dilutive weighted average number of shares in issue for the year	**95 972**	92 636

	2016 R'000	2015 R'000
11.3 RECONCILIATION OF HEADLINE EARNINGS		
Total group		
Profit attributable to owners of the company	**135 619**	127 555
Impairment of intangible assets	**14 720**	11 309
Impairment of property, plant and equipment	**–**	1 054
Loss on disposal of goodwill	**444**	–
Loss on disposal of property, plant and equipment	**26 304**	–
Loss on disposal of subsidiary	**–**	4 545
Profit on disposal of property, plant and equipment	**(4 481)**	(47)
Profit on disposals of subsidiaries	**–**	(5 120)
Reclassification of foreign currency (gain)/loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations	**(8 629)**	2 215
Headline earnings	**163 977**	141 511

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2016				
Impairment of intangible assets (refer note 13)	**18 969**	**(4 249)**	**–**	**14 720**
Loss on disposal of goodwill (refer note 13)	**444**	**–**	**–**	**444**
Loss on disposal of property, plant and equipment (refer note 12)	**24 990**	**2 796**	**(1 482)**	**26 304**
Profit on disposal of property, plant and equipment (refer note 12)	**(5 523)**	**1 040**	**2**	**(4 481)**
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations (refer note 4)	**(7 038)**	**(1 591)**	**–**	**(8 629)**
	31 842	**(2 004)**	**(1 480)**	**28 358**
2015				
Impairment of intangible assets (refer note 13)	13 905	(2 596)	–	11 309
Impairment of property, plant and equipment (refer note 12)	1 054	–	–	1 054
Loss on disposal of subsidiary (refer note 36)	4 545	–	–	4 545
Profit on disposal of property, plant and equipment (refer note 12)	(65)	18	–	(47)
Profit on disposals of subsidiaries (refer note 36)	(5 120)	–	–	(5 120)
Reclassification of foreign currency loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations (refer notes 4 and 36)	2 215	–	–	2 215
	16 534	(2 578)	–	13 956

	2016 R'000	2015 R'000
Continuing operations		
Profit attributable to owners of the company	**135 619**	127 555
Exclude: loss from discontinued operation (refer note 4)	**31 957**	12 163
Profit attributable to owners of the company – continuing operations	**167 576**	139 718
Impairment of intangible assets	**14 720**	11 309
Loss on disposal of property, plant and equipment	**75**	–
Loss on disposal of subsidiary	**–**	4 545
Profit on disposal of property, plant and equipment	**(44)**	(47)
Profit on disposals of subsidiaries	**–**	(5 120)
Reclassification of foreign currency loss from other comprehensive income to profit, on disposal of foreign operations	**–**	295
Headline earnings – continuing operations	**182 327**	150 700

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2016				
Impairment of intangible assets (refer note 13)	**18 969**	**(4 249)**	**–**	**14 720**
Loss on disposal of property, plant and equipment (refer note 12)	**112**	**(32)**	**(5)**	**75**
Profit on disposal of property, plant and equipment (refer note 12)	**(64)**	**18**	**2**	**(44)**
	19 017	**(4 263)**	**(3)**	**14 751**
2015				
Impairment of intangible assets (refer note 13)	13 905	(2 596)	–	11 309
Loss on disposal of subsidiary (refer note 36)	4 545	–	–	4 545
Profit on disposal of property, plant and equipment (refer note 12)	(65)	18	–	(47)
Profit on disposals of subsidiaries (refer note 36)	(5 120)	–	–	(5 120)
Reclassification of foreign currency loss from other comprehensive income to profit, on disposal of foreign operations (refer note 36)	295	–	–	295
	13 560	(2 578)	–	10 982

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Leasehold improve-ments R'000	Furniture and fittings R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Total R'000
2016						
COST						
Balance at 1 July 2015	**48 308**	**83 369**	**16 517**	**33 275**	**15 620**	**197 089**
Additions*	**26 894**	**5 181**	**4 572**	**4 880**	**4 171**	**45 698**
Disposals	**–**	**(61 249)**	**(8 699)**	**(16 208)**	**(3 512)**	**(89 668)**
Effect of foreign exchange fluctuations	**–**	**3 836**	**584**	**1 033**	**294**	**5 747**
Balance at 30 June 2016	**75 202**	**31 137**	**12 974**	**22 980**	**16 573**	**158 866**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2015	**(2 400)**	**(60 715)**	**(10 469)**	**(25 258)**	**(11 766)**	**(110 608)**
Disposals	**–**	**40 036**	**6 054**	**13 082**	**2 886**	**62 058**
Depreciation	**(321)**	**(3 112)**	**(1 748)**	**(2 991)**	**(2 713)**	**(10 885)**
Effect of foreign exchange fluctuations	**–**	**(2 481)**	**(400)**	**(835)**	**(235)**	**(3 951)**
Balance at 30 June 2016	**(2 721)**	**(26 272)**	**(6 563)**	**(16 002)**	**(11 828)**	**(63 386)**
CARRYING VALUE						
Balance at 1 July 2015	**45 908**	**22 654**	**6 048**	**8 017**	**3 854**	**86 481**
Additions*	**26 894**	**5 181**	**4 572**	**4 880**	**4 171**	**45 698**
Disposals	**–**	**(21 213)**	**(2 645)**	**(3 126)**	**(626)**	**(27 610)**
Depreciation	**(321)**	**(3 112)**	**(1 748)**	**(2 991)**	**(2 713)**	**(10 885)**
Effect of foreign exchange fluctuations	**–**	**1 355**	**184**	**198**	**59**	**1 796**
Balance at 30 June 2016	**72 481**	**4 865**	**6 411**	**6 978**	**4 745**	**95 480**
2015						
COST						
Balance at 1 July 2014	35 011	95 858	21 741	37 961	15 826	206 397
Disposals of subsidiaries (refer note 36)	–	(20 696)	(7 988)	(10 488)	(2 686)	(41 858)
Additions	13 297	6 208	2 967	5 701	2 612	30 785
Disposals	–	–	–	(90)	(66)	(156)
Effect of foreign exchange fluctuations	–	1 999	(203)	191	(66)	1 921
Balance at 30 June 2015	48 308	83 369	16 517	33 275	15 620	197 089
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2014	(2 079)	(68 613)	(16 232)	(31 193)	(10 991)	(129 108)
Disposals of subsidiaries (refer note 36)	–	16 104	7 309	9 101	2 118	34 632
Disposals	–	–	–	90	52	142
Depreciation	(321)	(6 063)	(1 663)	(2 989)	(2 984)	(14 020)
Impairment (refer note 12.1)	–	(839)	(99)	(109)	(7)	(1 054)
Effect of foreign exchange fluctuations	–	(1 304)	216	(158)	46	(1 200)
Balance at 30 June 2015	(2 400)	(60 715)	(10 469)	(25 258)	(11 766)	(110 608)
CARRYING VALUE						
Balance at 1 July 2014	32 932	27 245	5 509	6 768	4 835	77 289
Disposals of subsidiaries (refer note 36)	–	(4 592)	(679)	(1 387)	(568)	(7 226)
Additions	13 297	6 208	2 967	5 701	2 612	30 785
Disposals	–	–	–	–	(14)	(14)
Depreciation	(321)	(6 063)	(1 663)	(2 989)	(2 984)	(14 020)
Impairment (refer note 12.1)	–	(839)	(99)	(109)	(7)	(1 054)
Effect of foreign exchange fluctuations	–	695	13	33	(20)	721
Balance at 30 June 2015	45 908	22 654	6 048	8 017	3 854	86 481

* Refer also note 37.1 for non-cash additions.

12.1 IMPAIRMENTS

Cheyenne Spur O_2 Arena, London (England) – prior year

The Cheyenne Spur in the O_2 Arena in London commenced trading in 2007. During the prior year, the increased costs of occupancy, labour and raw material inputs impacted negatively on the profitability of the outlet. Increased competition also kept revenue growth contained. As a consequence, the outlet incurred a cash flow loss for the prior year, indicating a possible impairment.

During the prior year, at 30 June 2015, the directors determined the recoverable amount of the restaurant as a cash-generating unit, based on its value-in-use, at R2.845 million, which was significantly less than its carrying amount of R3.899 million. Consequently, the carrying amount of property, plant and equipment was partially impaired by R1.054 million at 30 June 2015.

The assets of the business were sold during the current year and the restaurant ceased trading (refer note 4).

12.2 CONTRACT IN PROGRESS

During the prior year, the group acquired land (at a cost of R8.219 million) adjacent to the group's existing corporate head office building in Century City, Cape Town. Construction of new corporate offices commenced during the prior year and continued during the current year. Costs incurred during the current year amounted to R26.894 million (2015: R5.078 million). Refer note 42 for capital commitments in this regard.

13. INTANGIBLE ASSETS AND GOODWILL

	Trademarks and intellectual property R'000	Software licences R'000	Goodwill R'000	Franchise rights R'000	Total R'000
2016					
COST					
Balance at 1 July 2015	**328 535**	**–**	**76 492**	**–**	**405 027**
Additions	**–**	**231**	**–**	**–**	**231**
Disposal as part of discontinued operation (refer note 4)	**–**	**–**	**(444)**	**–**	**(444)**
Effect of foreign exchange fluctuations	**–**	**–**	**(1)**	**–**	**(1)**
Balance at 30 June 2016	**328 535**	**231**	**76 047**	**–**	**404 813**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Balance at 1 July 2015	**(13 905)**	**–**	**(6 512)**	**–**	**(20 417)**
Amortisation	**–**	**(10)**	**–**	**–**	**(10)**
Impairment (refer note 13.1)	**(18 969)**	**–**	**–**	**–**	**(18 969)**
Effect of foreign exchange fluctuations	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2016	**(32 874)**	**(10)**	**(6 512)**	**–**	**(39 396)**
CARRYING VALUE					
Balance at 1 July 2015	**314 630**	**–**	**69 980**	**–**	**384 610**
Additions	**–**	**231**	**–**	**–**	**231**
Amortisation	**–**	**(10)**	**–**	**–**	**(10)**
Disposal as part of discontinued operation (refer note 4)	**–**	**–**	**(444)**	**–**	**(444)**
Impairment (refer note 13.1)	**(18 969)**	**–**	**–**	**–**	**(18 969)**
Effect of foreign exchange fluctuations	**–**	**–**	**(1)**	**–**	**(1)**
Balance at 30 June 2016	**295 661**	**221**	**69 535**	**–**	**365 417**
2015					
COST					
Balance at 1 July 2014	321 421	–	44 833	3 327	369 581
Acquisition through business combination (refer note 35.1)	7 114	–	42 439	–	49 553
Disposals	–	–	–	(3 616)	(3 616)
Disposals of subsidiaries (refer note 36)	–	–	(10 050)	–	(10 050)
Effect of foreign exchange fluctuations	–	–	(730)	289	(441)
Balance at 30 June 2015	328 535	–	76 492	–	405 027
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES					
Balance at 1 July 2014	–	–	(6 512)	(3 327)	(9 839)
Disposals	–	–	–	3 616	3 616
Impairment (refer note 13.1)	(13 905)	–	–	–	(13 905)
Effect of foreign exchange fluctuations	–	–	–	(289)	(289)
Balance at 30 June 2015	(13 905)	–	(6 512)	–	(20 417)
CARRYING VALUE					
Balance at 1 July 2014	321 421	–	38 321	–	359 742
Acquisition through business combination (refer note 35.1)	7 114	–	42 439	–	49 553
Disposals of subsidiaries (refer note 36)	–	–	(10 050)	–	(10 050)
Impairment (refer note 13.1)	(13 905)	–	–	–	(13 905)
Effect of foreign exchange fluctuations	–	–	(730)	–	(730)
Balance at 30 June 2015	314 630	–	69 980	–	384 610

None of the above intangible assets are internally generated.

13.1 TRADEMARKS AND INTELLECTUAL PROPERTY

Additions to "trademarks and intellectual property" and "goodwill" in the prior year relate to the acquisition of the RocoMamas franchise business as more fully described in note 35.1.

"Trademarks and intellectual property" consists of the Spur, Panarottis, John Dory's, Captain DoRegos, The Hussar Grill and RocoMamas trademarks and related intellectual property. The directors evaluated the indefinite useful life assumption of the assets at the reporting date and concluded that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the group. In this regard, the board has considered its strategy relating to the intangible assets in question and the group's ability to execute that strategy, the fact that there is no technical, technological, commercial or other type of obsolescence applicable to the assets, expected usage and life cycle of the assets, future costs required to continue to obtain benefits from the assets and the period over which the group is legally able to control the assets.

The carrying amounts of the trademarks and intellectual property intangible assets with indefinite useful lives are allocated to the following cash-generating units:

	2016 R'000	2015 R'000
Spur Franchise operations	**230 475**	230 475
Panarottis Franchise operations	**32 925**	32 925
John Dory's Franchise operations	**8 465**	8 465
Captain DoRegos Franchise operations	**6 778**	25 747
The Hussar Grill Franchise operations	**9 904**	9 904
RocoMamas Franchise operations	**7 114**	7 114
	295 661	314 630

In accordance with the group's accounting policies, impairment tests on intangible assets with indefinite useful lives have been performed. In this regard, the directors determined the recoverable amounts of the cash-generating units to which the trademarks and intellectual property are allocated (as indicated above), based on their values-in-use. In determining the values-in-use, the directors applied the following key assumptions which were based on historic performance:

- Cash inflows, comprising mainly franchise-related fee income determined as a percentage of franchised restaurant turnovers, for the 2017 financial year were conservatively estimated based on budgets derived from historic trends. Turnovers were conservatively estimated to grow by 8% for Spur, Panarottis and The Hussar Grill, 7% for John Dory's and RocoMamas, and 5% for Captain DoRegos for the 2018 to 2021 financial years on existing business, in addition to the impact of expected new stores.
- Cash outflows for the 2017 financial year were estimated based on the most recent expense budgets prepared by management derived from historic trends and adjusted for the remainder of the forecast period as detailed below.
- Operating expenses were estimated to increase at 6.5% (the anticipated rate of inflation in South Africa) and employment-related costs at 10%, adjusted where necessary for organic growth in the case of variable and semi-variable costs.
- Growth in perpetuity of cash flows beyond the five-year forecast horizon was estimated at between 3% and 6%.
- Pre-tax cash flows were discounted at a pre-tax rate of between 18% and 19%, being the risk-free rate of 8.8% (the R186 South African Government bond rate) adjusted for risk factors.

Based on the calculations referred to above, the directors concluded that, with the exception of the Captain DoRegos trademarks and related intellectual property, the assets were not impaired as at the reporting date.

In respect of the Captain DoRegos trademarks and related intellectual property, the carrying value of the asset at the reporting date (prior to impairment) amounted to R25.747 million (2015: R39.652 million) while the estimated recoverable amount was R6.778 million (2015: R25.747 million), resulting in an impairment loss of R18.969 million (2015: R13.905 million). The Captain DoRegos brand is a value-oriented takeaway chain offering a combination of chicken, seafood and burgers to consumers operating through 49 (2015: 57) franchised outlets locally and three (2015: two) internationally. The business 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 lower-income target market. Management has implemented the necessary cost control measures to maintain and improve the division's operating margin. In addition, management is confident that its marketing strategy and focus on operating standards should result in its projections being achieved.

13. INTANGIBLE ASSETS AND GOODWILL continued

13.1 TRADEMARKS AND INTELLECTUAL PROPERTY continued

Three of the key variables in determining the recoverable amount of the Captain DoRegos trademarks and related intellectual property above and the impact of a reasonably possible change in each variable on the recoverable amount are listed below:

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

13.2 GOODWILL

For the purposes of impairment testing, goodwill is allocated to the following cash-generating units:

	2016 R'000	2015 R'000
John Dory's Franchise operations	**178**	178
RocoMamas Franchise operations	**42 439**	42 439
Silver Lake Spur (United Kingdom)	**–**	445
The Hussar Grill Franchise operations	**12 945**	12 945
The Hussar Grill Retail operations	**13 973**	13 973
	69 535	69 980

The recoverable amounts of the cash-generating units were based on their values-in-use for all cash-generating units.

The directors have determined that the recoverable amounts of all the cash-generating units listed above exceed their carrying values and consequently concluded that none of the goodwill is impaired.

John Dory's Franchise, RocoMamas Franchise and The Hussar Grill Franchise operations
Impairment of goodwill was considered as part of the trademark and intellectual property impairment test referred to in 13.1.

The Hussar Grill Retail operations
In determining the value-in-use, the directors applied the following key assumptions, which were based on historic performance:

- Cash inflows, comprising mainly restaurant turnovers, for the 2017 financial year were conservatively estimated based on historic trends. Turnovers were estimated to grow by 8% per annum for the 2018 to 2021 financial years, slightly ahead of the South African targeted rate of inflation.
- Cash outflows for the 2017 financial year were estimated based on the most recent expense budgets prepared by management derived from historic trends and adjusted for the remainder of the forecast period as detailed below.
- Variable costs were estimated to increase in line with turnover.
- Fixed costs were estimated to increase at anticipated inflation of 6.5% throughout the forecast horizon.
- Semi-variable costs were adjusted in part for anticipated inflation and in part by the change in anticipated turnover.
- Rental costs were forecast in accordance with the respective lease agreements.
- Growth in perpetuity of cash flows beyond the five-year forecast horizon was estimated at 3%.
- Pre-tax cash flows were discounted at a pre-tax rate of 19%, being the risk-free rate of 8.8% (the R186 South African Government bond rate) adjusted for risk factors.

13.3 SENSITIVITY ANALYSIS

The recoverable amounts (as determined above) and the carrying amounts of the respective cash-generating units to which goodwill and indefinite useful life intangible assets are allocated are listed below:

	Carrying amount R'000	Recoverable amount R'000
Spur Franchise operations	230 475	1 899 863
Panarottis Franchise operations	32 925	271 409
John Dory's Franchise operations	8 643	106 673
Captain DoRegos Franchise operations	6 778	6 778
The Hussar Grill Franchise operations	22 849	33 804
The Hussar Grill Retail operations	27 035	63 790
RocoMamas Franchise operations	49 553	143 069

Given the extent to which the recoverable amounts of the Spur, Panarottis, John Dory's and RocoMamas Franchise operations', as well as The Hussar Grill Retail operations', cash-generating units exceed their carrying amounts, the directors note that there are no reasonably possible changes to the assumptions used in determining the respective recoverable amounts that would cause the recoverable amounts to reduce below their respective carrying amounts.

The carrying amount of the Captain DoRegos Franchise operations cash-generating unit was impaired during the year to its recoverable amount as detailed in note 13.1 above.

In respect of The Hussar Grill Franchise operations, management has identified that a reasonably possible change in two key assumptions, being the discount rate and growth in restaurant turnovers (as detailed in note 13.2 above), could cause the recoverable amount of the cash-generating unit to reduce to below its carrying amount. The following table shows the amount by which the key assumptions would need to change individually for the estimated recoverable amount of the cash-generating unit to reduce to its carrying amount:

	Increase/ (decrease) in assumption
The Hussar Grill Franchise operations	
Discount rate (%)	6.9
Growth in restaurant turnover (%)	(7.0)

14. INTEREST IN EQUITY-ACCOUNTED INVESTEE

	2016 R'000	2015 R'000
Balance at beginning of year	–	21
Share of loss of equity-accounted investee (net of income tax)	–	(21)
Balance at end of year	**–**	–
Net investment in equity-accounted investee for the purposes of recognising subsequent losses:		
Carrying value of equity-accounted investee	–	–
Loan to equity-accounted investee (refer note 15.2)	**34 804**	39 161
Gross loan	**45 017**	40 773
Cumulative share of loss of equity-accounted investee (net of income tax)	**(10 213)**	(1 612)
Total net investment in equity-accounted investee	**34 804**	39 161
Allocation of share of loss of equity-accounted investee (net of income tax):		
Allocated to interest in equity-accounted investee	–	(21)
Allocated to loan to equity-accounted investee	**(8 601)**	(1 612)
Share of loss of equity-accounted investee (net of income tax)	**(8 601)**	(1 633)

The interest in equity-accounted investee comprises a 30% equity interest in associate Braviz Fine Foods (Pty) Ltd, a start-up rib manufacturing facility based in Johannesburg (South Africa) acquired with effect from 18 March 2014. The entity commenced operations in January 2015. The loss incurred for the year relates primarily to interest on shareholder loans and other funding, as well as depreciation charges.

Refer note 15.2 for details on restrictions on the ability of the associate to transfer cash to the group.

The following is summarised financial information for Braviz Fine Foods (Pty) Ltd based on its financial statements prepared in accordance with IFRS:

	2016 R'000	2015 R'000
Non-current assets (100%)	**137 309**	167 038
Current assets (100%)	**18 024**	45 254
Non-current liabilities (100%)	**(160 855)**	(160 162)
Current liabilities (100%)	**(30 539)**	(59 522)
Net liabilities (100%)	**(36 061)**	(7 392)
Group's share of net liabilities (30%)	**(10 819)**	(2 218)
Goodwill implicit in carrying value of equity-accounted investee	**606**	606
Cumulative losses allocated to loan to equity-accounted investee	**10 213**	1 612
Carrying amount of interest in associate	**–**	–
Revenue (100%)	**161 578**	58 965
Loss from continuing operations (100%)	**(28 670)**	(5 442)
Other comprehensive income (100%)	**–**	–
Total comprehensive income (100%)	**(28 670)**	(5 442)
Attributable to the group	**(8 601)**	(1 633)
Attributable to investee's other shareholders	**(20 069)**	(3 809)
Included in the net liabilities above are the following loans owed to the group:		
Shareholder loan (refer note 15.2)	**45 017**	40 773
Short-term bridging finance (refer note 15.3)	**9 500**	10 000

15. LOANS RECEIVABLE

	2016 R'000	2015 R'000
Total gross loans receivable at end of year	**178 163**	169 751
Cumulative share of loss of equity-accounted investee (net of income tax) (refer note 14)	**(10 213)**	(1 612)
Current portion included in current assets	**(24 211)**	(25 143)
Total non-current loans receivable	**143 739**	142 996

These loans comprise:

15.1 AVECOR INVESTMENTS PTY LTD

	2016 R'000	2015 R'000
Gross loan receivable at end of year	**957**	1 287
Current portion included in current assets	**(543)**	(466)
Non-current portion	**414**	821

Avecor is the former 20% partner of the Panarottis Tuggerah Partnership (in which the group was an 80% partner), which previously operated the Panarottis outlet in Tuggerah (Australia). The partnership was dissolved during the 2013 financial year and certain of the assets sold to Avecor on loan account. Avecor continues to trade the Panarottis outlet in Tuggerah under franchise.

This loan is denominated in Australian dollars and at the reporting date amounted to AU$87 180 (2015: AU$136 680). The loan is interest free and secured by a personal suretyship from the sole shareholder of Avecor as well as a pledge of the shares in Avecor held by that shareholder. The loan is repayable in fixed monthly instalments of at least AU$4 125 per month with any balance on the loan being repayable on 5 October 2017 (unless the lease relating to the outlet is renewed by Avecor, in which case the fixed monthly payments will continue until the loan is repaid in full).

15.2 BRAVIZ FINE FOODS (PTY) LTD – 1

	2016 R'000	2015 R'000
Gross loan receivable at end of year	**45 017**	40 773
Cumulative share of loss of equity-accounted investee (net of income tax) (refer note 14)	**(10 213)**	(1 612)
Current portion included in current assets	**–**	–
Non-current portion	**34 804**	39 161

This loan was granted on 18 March 2014 to the associate in question (refer note 14). The loan bears 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.

Management has reviewed cash flow projections prepared by the associate's management and, based on these projections, which are considered to be realistically achievable, is satisfied that the loan will be recoverable. Given the lower than expected historic financial performance, management will monitor closely the performance of the entity and reassess recoverability of the loan at each reporting date.

15.3 BRAVIZ FINE FOODS (PTY) LTD – 2

	2016 R'000	2015 R'000
Gross loan receivable at end of year	**9 500**	10 000
Current portion included in current assets	**(9 500)**	(10 000)
Non-current portion	**–**	–

This loan was advanced during the prior year to serve as short-term bridging finance for the associate in question (refer note 14). The loan bears interest at 4% above the prime overdraft rate of interest and is secured by way of a cession of trade debtors and general notarial bond over moveable assets. The loan was originally due to be settled by 31 July 2015. The loan is currently repayable on demand, and the group intends calling up the loan prior to 30 June 2017. The directors are of the view that the loan is not impaired due to the extent of the security.

15. LOANS RECEIVABLE continued

	2016 R'000	2015 R'000
15.4 CAPTAIN DOREGOS MARKETING FUND		
Gross loan receivable at end of year	**1 027**	676
Current portion included in current assets	**–**	–
Non-current portion	**1 027**	676

This loan was advanced to the Captain DoRegos Marketing Fund in a number of instalments during the current and prior years to finance the installation of new signage at selected franchised outlets. The loan is unsecured and bears interest at 2% above the prime overdraft rate of interest. Repayments are linked to the turnover of the underlying franchised outlets.

	2016 R'000	2015 R'000
15.5 FRANCHISEES (LOCAL)		
Gross loans receivable at end of year	**10 121**	9 407
Current portion included in current assets	**(2 759)**	(3 313)
Non-current portion	**7 362**	6 094

The loans are advanced to local franchisees. The loans bear interest at between the prime overdraft rate of interest and 2% above the prime overdraft rate of interest. Repayment terms are between one and five years. The loans are secured by way of, *inter alia*, personal suretyships from the owners of the respective franchises.

	2016 R'000	2015 R'000
15.6 FRANCHISEES (FOREIGN)		
Gross loans receivable at end of year	**5 178**	3 625
Current portion included in current assets	**(3 079)**	(2 841)
Non-current portion	**2 099**	784

These loans are advanced to foreign franchisees and comprise loans to the value of €106 963 (2015: €265 786) and AU$311 708 (2015: AU$nil). Of the total, R1.073 million (€65 366) bears interest at 2% above the 12-month EURIBOR rate of interest and is repayable in 18 equal monthly instalments which commenced in September 2015; R0.683 million (€41 597) bears interest at 2% above the 12-month EURIBOR rate of interest and is repayable in 12 equal monthly instalments which commenced in January 2016; and R3.422 million (AU$311 708) bears interest at 2% above the Reserve Bank of Australia's cash rate and is repayable in 36 equal monthly instalments which commenced in January 2016. All loans are secured by a personal suretyship of the shareholders of the respective franchisees.

	2016 R'000	2015 R'000
15.7 GPI SPUR (PTY) LTD		
Gross loan receivable at end of year	**83 766**	76 695
Current portion included in current assets	**–**	–
Non-current portion	**83 766**	76 695

This receivable comprises the group's investment in cumulative compulsorily redeemable five-year preference shares in an unconsolidated structured entity (refer note 3.3) with a combined subscription value of R72.328 million at initial recognition (30 October 2014), as part of the group's funding of the Grand Parade Investments Ltd ("GPI") broad-based black economic empowerment transaction ("B-BBEE transaction") detailed in note 21.2. The preference shares accrue dividends at a rate of 90% of the prevailing prime overdraft rate of interest and are subordinated in favour of the external funding provider of the GPI B-BBEE transaction. The preference shares are secured by a cession of the reversionary interest in the Spur Corporation Ltd shares held indirectly by GPI which also serve as security for the external funding. The preference share investment is treated as a financial asset carried at amortised cost, but was initially recognised at fair value.

	2016 R'000	2015 R'000
15.8 HUNGA BUSTERS PTY LTD		
Gross loan receivable at end of year	**12 218**	11 396
Current portion included in current assets	**(2 726)**	(1 499)
Non-current portion	**9 492**	9 897

This loan arose on the disposal of the shares in Panpen Pty Ltd and the disposal of the net assets of Silver Spur during the prior year as detailed in note 36. The loan is denominated in Australian dollars, with a carrying value of AU$1 113 090 (2015: AU$1 210 531) at the reporting date. The loan bears interest at 1.5% above the Reserve Bank of Australia's cash rate of interest and is repayable in 60 equal monthly instalments which commenced in October 2015. The loan is secured by a pledge of the shares in Panpen Pty Ltd owned by the borrower as well as a pledge of the shares in the borrower from the shareholders of the borrower.

	2016 R'000	2015 R'000
15.9 MARKETING FUNDS		
Gross loans receivable at end of year	**1 419**	2 497
Current portion included in current assets	**(1 419)**	(2 497)
Non-current portion	**–**	–

The loans owing by marketing funds represent the net liabilities and cumulative over-spend of certain of the marketing funds as at the reporting date. The amounts are recovered through controlled under-spending of marketing funds in subsequent years. Refer note 40 for more details.

	2016 R'000	2015 R'000
15.10 PANAWEST PTY LTD		
Gross loan receivable at end of year	**1 853**	3 051
Current portion included in current assets	**(852)**	(1 269)
Non-current portion	**1 001**	1 782

This loan arose on the disposal of the shares in Panawest Pty Ltd during the prior year as detailed in note 36. The loan is denominated in Australian dollars with a carrying value of AU$168 834 (2015: AU$324 139) at the reporting date. The loan bears interest at a fixed 4.5% and is repayable in 35 equal monthly instalments which commenced December 2014. The loan is secured by a pledge of the shares in Panawest Pty Ltd owned by the borrower.

	2016 R'000	2015 R'000
15.11 SPUR MARKETING FUND		
Gross loan receivable at end of year	**7 107**	10 077
Current portion included in current assets	**(3 333)**	(2 991)
Non-current portion	**3 774**	7 086

This loan was advanced to the Spur Marketing Fund to finance the purchase of in-store monitors for the purpose of broadcasting the group's in-house television station, SpurTV, which was launched during the 2013 financial year. The loan is unsecured, bears interest at 2% above the prime overdraft interest rate and is repayable in 60 equal monthly instalments which commenced in July 2013.

	2016 R'000	2015 R'000
15.12 TRINITY LEISURE LTD		
Gross loan receivable at end of year	**–**	267
Current portion included in current assets	**–**	(267)
Non-current portion	**–**	–

The loan comprised two separate amounts of £5 000 and €12 500 at the prior year reporting date. The loans were settled during the year.

16. DEFERRED TAX

	Balance at beginning of year R'000	Recognised in profit or loss R'000	Recognised in other compre-hensive income R'000	Recognised directly in equity (retained earnings) R'000	Balance at end of year R'000
2016					
Accruals	2 641	(2 219)	–	–	422
Derivative financial instruments	(7 891)	11 303	–	–	3 412
Income received in advance	–	653	–	–	653
Intangible assets	(70 847)	3 288	–	–	(67 559)
Leasing rights	(179)	199	(20)	–	–
Leave pay accrual	804	636	44	–	1 484
Loans payable	(1 350)	1 594	(244)	–	–
Long-term employee benefits	8 012	(5 718)	–	36	2 330
Operating lease liability	236	222	–	–	458
Prepayments	(265)	(273)	(3)	–	(541)
Property, plant and equipment	3 474	(3 846)	179	–	(193)
Short-term employee incentives	2 794	(509)	–	–	2 285
Tax losses	12	(1 446)	1 618	–	184
South Africa	–	184	–	–	184
The Netherlands (at 25%)	–	(1 618)	1 618	–	–
United Kingdom (at 20%)	12	(12)	–	–	–
Total deferred tax liability	(62 559)	3 884	1 574	36	(57 065)
Current year deferred tax charge		4 845			
Change in tax rate		(961)			
Deferred tax on foreign exchange loss on net investments in foreign operations			3 209		
Deferred tax on reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations			(1 591)		
Effect of foreign exchange fluctuations			(44)		

	Balance at beginning of year R'000	Recognised in profit or loss R'000	Recognised in other compre-hensive income R'000	Acquisition through business combi-nation* R'000	Transfer to tax payable (UK group tax relief)# R'000	Balance at end of year R'000
2015						
Accruals	3 270	(629)	–	–	–	2 641
Derivative financial instruments	(9 618)	1 727	–	–	–	(7 891)
Intangible assets	(72 114)	2 595	–	(1 328)	–	(70 847)
Leasing rights	(200)	33	(12)	–	–	(179)
Leave pay accrual	759	48	(3)	–	–	804
Loans payable	–	(1 361)	11	–	–	(1 350)
Long-term employee benefits	9 219	(1 207)	–	–	–	8 012
Operating lease liability	52	184	–	–	–	236
Prepayments	(339)	74	–	–	–	(265)
Property, plant and equipment	2 480	772	222	–	–	3 474
Short-term employee incentives	–	2 794	–	–	–	2 794
Tax losses	3 505	(573)	(2 237)	–	(683)	12
The Netherlands (at 25%)	3 024	(787)	(2 237)	–	–	–
United Kingdom (at 20%)	481	214	–	–	(683)	12
Total deferred tax liability	(62 986)	4 457	(2 019)	(1 328)	(683)	(62 559)
Current year deferred tax charge		4 555				
Change in tax rate		(98)				
Deferred tax on foreign exchange gain on net investments in foreign operations			(2 084)			
Effect of foreign exchange fluctuations			65			

* Refer note 35.1.
\# Refer note 33.

	Deferred tax asset		Deferred tax liability	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
The deferred tax asset/(liability) comprises deductible/(taxable) temporary differences relating to:				
Accruals	**54**	667	**368**	1 974
Derivative financial instruments	**–**	–	**3 412**	(7 891)
Income received in advance	**–**	–	**653**	–
Intangible assets	**–**	–	**(67 559)**	(70 847)
Leasing rights	**–**	–	**–**	(179)
Leave pay accrual	**569**	–	**915**	804
Loans payable	**–**	–	**–**	(1 350)
Long-term employee benefits	**–**	–	**2 330**	8 012
Operating lease liability	**301**	129	**157**	107
Prepayments	**(71)**	(21)	**(470)**	(244)
Property, plant and equipment	**(4)**	3 659	**(189)**	(185)
Short-term employee incentives	**277**	–	**2 008**	2 794
Tax losses	**184**	12	**–**	–
South Africa	**184**	–	**–**	–
United Kingdom (at 20%)	**–**	12	**–**	–
	1 310	4 446	**(58 375)**	(67 005)

The deferred tax asset recognised in respect of cumulative tax losses in South Africa relates to South African subsidiary, Opilor (Pty) Ltd, and arose as a result of costs incurred in the establishment of the new RocoMamas outlet in Green Point, and relocation of The Hussar Grill in Green Point (refer note 37.1). These losses are expected to be one-off and should accordingly be utilised within two years from the reporting date.

17. LEASING RIGHTS

	2016 R'000	2015 R'000
Balance at beginning of year	**2 855**	3 352
Additions (refer note 37.1)	**5 400**	–
Recognised in profit before income tax	**(3 692)**	(388)
Monthly amortisation	**(967)**	(388)
Accelerated amortisation	**(2 725)**	–
Effect of foreign exchange fluctuations	**471**	(109)
Balance at end of year	**5 034**	2 855

The leasing rights relate to:

- The purchase during the year by the group of the Theo's Mouille Point lease as detailed in note 37.1. The lease is being amortised on a straight-line basis over the remaining lease term of 118 months from December 2015, included in profit or loss as part of the rent expense of the outlet.
- The premises occupied by Larkspur Seven Ltd and Larkspur Eight Ltd, wholly-owned subsidiaries of the group in the UK that previously operated the Two Rivers Spur in Staines (England) and Rapid River Spur in Dublin (Ireland) respectively. As the outlets in question ceased trading during the year, the carrying values were written off to nil at the reporting date by accelerating the amortisation of the assets. The value of the leasing rights was previously expensed to profit or loss as part of the outlets' rent expenses over the respective lease terms.

18. INVENTORIES

	2016 R'000	2015 R'000
Raw materials	**2 140**	991
Packaging	**340**	184
Finished goods	**9 668**	10 554
	12 148	11 729

Finished goods comprise manufactured décor and sauces for sale to franchisees, food items for resale in retail outlets and goods purchased for resale to foreign franchisees by the group's export division.

19. TRADE AND OTHER RECEIVABLES

	2016 R'000	2015 R'000
Trade receivables	**88 726**	81 991
Impairment allowance	**(851)**	(445)
Net trade receivables	**87 875**	81 546
Prepayments	**4 551**	7 192
Deposits	**2 091**	5 857
Staff loans	**370**	1 075
VAT and other indirect taxes receivable	**1 372**	1 787
Other	**328**	371
	96 587	97 828

Trade receivables include receivables from related parties of R5.392 million (2015: R5.994 million) that arise in the ordinary course of business in respect of the transactions recorded in note 44.3. No individual receivable is significant and the terms of the receivables are the same as those for receivables with parties who are not related.

The impairment allowance is determined based on information regarding the financial position of each trade receivable as at the reporting date.

20. CASH AND CASH EQUIVALENTS

	2016 R'000	2015 R'000
Current, call and short-term deposit accounts	**286 582**	304 851
Bank overdrafts	**(1 155)**	(3 557)
	285 427	301 294

The overdrafts are secured by way of cross guarantees between the company and its local subsidiaries.

21. CAPITAL AND RESERVES

	Number of shares			
	2016 '000	2015 '000	2016 R'000	2015 R'000
21.1 ORDINARY SHARE CAPITAL				
Authorised				
Ordinary shares of 0.001 cents each	**201 000**	201 000	**2**	2
Issued and fully paid				
In issue at beginning of year	**108 481**	97 633	**1**	1
Issued for cash during the year	**–**	10 848	**–**	–
Cumulative shares repurchased by subsidiaries	**(5 913)**	(5 572)	**–**	–
Cumulative shares held by The Spur Management Share Trust (consolidated structured entity)	**(6 534)**	(6 689)	**–**	–
Cumulative shares held by The Spur Foundation Trust (consolidated structured entity)	**(200)**	(100)	**–**	–
	95 834	96 120	**1**	1

The ordinary shares have equal rights to dividends declared by the company.

In terms of the company's Memorandum of Incorporation, the unissued shares of the company may be issued by the directors of the company only with the approval of the shareholders by way of an ordinary resolution passed at a general meeting. No such authority has been granted.

The company does not have any unlisted shares.

21.2 ISSUE OF ORDINARY SHARES RELATING TO GPI B-BBEE SHARE TRANSACTION

During the prior year, the company concluded various agreements to issue 10 848 093 new ordinary shares indirectly to Grand Parade Investments Ltd ("GPI"), a strategic black empowerment partner, and separately donate 500 000 of the company's shares (100 000 shares per annum over five years), held as treasury shares, to the Spur Foundation, a benevolent foundation that is a consolidated structured entity. Both transactions were executed on 30 October 2014. In terms of the agreements, GPI is restricted from trading the shares in question without the express permission of the company for a period of five years from the effective date of the transaction and is furthermore required to maintain its broad-based black economic empowerment credentials for the same period.

The shares were issued at a price of R27.16 per share resulting in the aggregate proceeds from the issue of shares amounting to R294.657 million. The market price of the shares on 30 October 2014 was R30.20 per share, equating to an effective discount of R32.957 million in aggregate. This discount has been recognised as a share-based payment expense in accordance with *IFRS2 – Share-based Payments* and included in profit before income tax for the prior year, with a corresponding credit to equity (retained earnings).

The group partially funded GPI's share acquisition through a subscription of cumulative compulsorily redeemable five-year preference shares in an unconsolidated structured entity with a combined subscription value of R72.328 million (refer note 15.7). The transaction therefore resulted in a net cash inflow of R222.328 million for the group in the prior year.

Of the total transaction costs of R1.577 million: R0.285 million relates directly to the subscription of the preference shares referred to above and is included in the carrying value of the preference shares; R0.991 million relates directly to the issue of the company's ordinary shares and has been charged directly against equity (retained earnings); and the balance of R0.301 million is included in profit before income tax for the prior year.

21. CAPITAL AND RESERVES continued

21.3 SHARES REPURCHASED BY SUBSIDIARIES

During the year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 285 500 (2015: 361 273) Spur Corporation Ltd shares at an average cost of R32.72 (2015: R31.52) per share, totalling R9.341 million (2015: 11.387 million). In addition, as referred to above, a further 100 000 shares were transferred to The Spur Foundation Trust. At the reporting date, the group owned 5 912 901 (2015: 5 572 401) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, at a total cost of R95.228 million (2015: R79.977 million).

The balance per the statement of financial position comprises the cost of the Spur Corporation Ltd shares that have been repurchased by subsidiaries, Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, those held by The Spur Management Share Trust, a consolidated structured entity, for the purposes of the group's share incentive schemes (refer note 21.5) and those held by The Spur Foundation Trust, a consolidated structured entity. At the reporting date, the entities in question held 12 646 599 (2015: 12 361 099) of the company's shares in aggregate.

21.4 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as foreign exchange gains/losses relating to loans that are considered part of the net investments in foreign operations.

21.5 SHARE-BASED PAYMENTS RESERVE

The share-based payments reserve relates to the two new equity-settled share incentive schemes for senior managers and directors, approved by shareholders at the annual general meeting of 4 December 2015: the Spur Group Forfeitable Share Plan ("FSP") and Spur Group Share Appreciation Rights ("SAR") Scheme. Shareholders authorised the use of the company's shares held by The Spur Management Share Trust (consolidated structured entity) for the purposes of the schemes.

	2016 R'000	2015 R'000
Cumulative share-based payments expense		
Balance at beginning of year	–	–
Share-based payments expense for the year	827	–
– FSP – tranche 1	246	–
– SAR – tranche 1	581	–
Balance at end of year	**827**	–

	2016	
	FSP shares	SAR rights
Number of shares/rights in issue		
Balance at beginning of year	–	–
Granted during the year	155 000	1 971 663
Balance at end of year	**155 000**	**1 971 663**

The terms of each tranche are as follows:

FSP – tranche 1	
Date of grant	1 April 2016
Number of shares awarded	155 000
Initial vesting date	1 April 2019
Date from which shares may be traded	31 March 2021
Service condition	3 years from grant date
Performance conditions	None
Grant-date fair value per share (R)	19.57
Proportion of shares expected to vest as assessed at reporting date (based on number of employees expected to meet service condition)	97.42%

The forfeitable shares awarded are registered in the names of the individual participants, but held in escrow until such time as the participants are free to trade in the shares. During the initial vesting period, participants have none of the rights ordinarily associated with shares (including voting rights, or the right to dividends). The shares held in escrow are accordingly not recognised as shares in issue, but instead as shares held in treasury, for the duration of the initial vesting period. During the period from the initial vesting date to when the shares may be traded by the participants, the participants are entitled to exercise voting rights that attach to the shares and are entitled to receive dividends on the shares.

The shares awarded during the year were existing shares held by consolidated structured entity, The Spur Management Share Trust (i.e. treasury shares). Costs and capital gains tax associated with the transfer amounted to R0.054 million and R0.625 million respectively, both of which have been charged directly against equity (retained earnings).

SAR – tranche 1

Date of grant	1 April 2016
Number of rights awarded	1 971 663
Strike price per right (R)	29.40
Initial vesting date	1 April 2019
Date from which shares may be traded	31 March 2021
Service conditions	3 years from grant date
Performance conditions	Return on equity and growth in comparable headline earnings per share
Grant-date fair value per right (R)	6.40
Proportion of rights expected to vest as assessed at reporting date (based on number of employees expected to meet service condition)	98.11%
Proportion of rights expected to vest based on meeting of non-market performance conditions	55.40%

The value of each share appreciation right, determined as the difference between the 10-day volume-weighted average share price of the company's shares at the initial vesting date and the strike price, is to be settled by the issue of an equivalent number of full value shares at the initial vesting date. The shares will be held in escrow until the participants are free to trade in the shares. The participants are entitled to exercise the voting rights that attach to the shares and receive dividends accruing on the shares, from the initial vesting date.

Performance conditions for the SARs are that the group's return on equity is to remain above 15% for the duration of the initial vesting period, and that comparable headline earnings per share is to grow at a compounded annual growth rate of between CPI and CPI+4% over the initial vesting period in order for between 0% and 100% of the rights to vest.

Fair value measurement

The grant-date fair values of the FSP shares and SAR Scheme rights were determined at the grant date by an independent external professional financial instruments specialist using the Black-Scholes European Call Option pricing model, based on the following assumptions:

Risk-free rate (based on R186 South African Government bond)	8.59%
Expected dividend yield (based on historic dividend yield over historic period equivalent to vesting period)	3.88%
Expected volatility (based on historic volatility over historic period equivalent to vesting period)	34.50%
Liquidity discount due to trade restriction (5 years in the case of FSP)	19.60%
Liquidity discount due to trade restriction (2 years in the case of SAR)	7.00%

Dilution

The FSP forfeitable shares granted resulted in 16 582 dilutive potential ordinary shares for the year (refer note 11.2). As the performance conditions of the SAR Scheme 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 dilutive weighted average number of shares in issue in respect of these contingently issuable shares.

22. NON-CONTROLLING INTERESTS

The following subsidiaries have material non-controlling interests ("NCI"):

Name	Principal place of business/ Country of incorporation	Operating segment	Ownership interests held by NCI 2016	Ownership interests held by NCI 2015
RocoMamas Franchise Co (Pty) Ltd	South Africa	RocoMamas – Franchise	**49%**	49%
The Spur Foundation Trust	South Africa	Unallocated South Africa	**100%**	100%
Opilor (Pty) Ltd	South Africa	Retail South Africa	**32%**	–*

* NCI arose from transaction on 15 November 2015 (refer note 37.1).

The following table summarises financial information for material subsidiaries with NCI, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the group's accounting policies, as well as other individually immaterial subsidiaries. The information is before intercompany eliminations with other companies in the group.

	2016				
	RocoMamas Franchise Co (Pty) Ltd R'000	The Spur Foundation Trust R'000	Opilor (Pty) Ltd R'000	Other individually immaterial subsidiaries R'000	Total R'000
Revenue	17 415	–	16 841		
Profit	8 180	8	(1 320)		
Other comprehensive income	–	–	–		
Total comprehensive income	8 180	8	(1 320)		
Profit attributable to NCI	4 008	8	(566)	231	3 681
Total comprehensive income attributable to NCI	4 008	8	(566)	294	3 744
Current assets	7 497	3 967	1 431		
Non-current assets	5 880	–	15 940		
Current liabilities	(1 590)	(352)	(1 927)		
Non-current liabilities	–	–	(263)		
Net assets	11 787	3 615	15 181		
Carrying amount of NCI	5 776	3 615	4 858	121	14 370
Cash flows from operating activities	3 868	383	(375)		
Cash flows from investing activities	(5)	–	(6 007)		
Cash flows from financing activities	41	–	6 118		
Net increase/(decrease) in cash and cash equivalents	3 904	383	(264)		
Dividends paid to NCI during the year	1 862	–	180		

	2015			
	RocoMamas Franchise Co (Pty) Ltd R'000	**The Spur Foundation Trust R'000**	**Other individually immaterial subsidiaries R'000**	**Total R'000**
Revenue	2 175	–		
Profit	1 010	1 761		
Other comprehensive income	–	–		
Total comprehensive income	1 010	1 761		
Profit attributable to NCI	495	1 761	5 842	8 098
Total comprehensive income attributable to NCI	495	1 761	5 476	7 732
Current assets	2 430	3 747		
Non-current assets	5 813	–		
Current liabilities	(835)	(141)		
Net assets	7 408	3 606		
Carrying amount of NCI	3 630	3 606	(172)	7 064
Cash flows from operating activities	874	1 490		
Cash flows from investing activities	–	–		
Cash flows from financing activities	26	–		
Net increase in cash and cash equivalents	900	1 490		
Dividends paid to NCI during the year	–	–		

23. CONTINGENT CONSIDERATION LIABILITY

	2016 R'000	**2015 R'000**
The movement in the liability during the year was as follows:		
Balance at beginning of year	**47 383**	–
Arising from acquisition (refer note 35.1)	**–**	43 702
Fair value adjustment recognised in profit before income tax	**(3 723)**	3 681
Settled in cash	**(20 369)**	–
Balance at end of year	**23 291**	47 383
Current portion included in current liabilities	**9 726**	15 974
Non-current portion included in non-current liabilities	**13 565**	31 409

The purchase consideration for RocoMamas (refer note 35.1), acquired on 1 March 2015, is determined as five times RocoMamas' profit before income tax of the third year following the date of acquisition. Following an initial payment of R2.000 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 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 R70.764 million at the acquisition date, and R52.800 million (2015: R70.764 million) at the reporting date. The reduction in the estimated consideration arose principally from a downward revision of the number of stores to be rolled out over the initial three-year period, and a moderation of the expected growth in turnover of existing businesses, which similarly impacted on the fair value of the contingent consideration.

23. CONTINGENT CONSIDERATION LIABILITY continued

Fair value measurement

The fair value is based on the expected aggregate purchase consideration payments, discounted to present value using a risk-adjusted discount rate of 26.40% (2015: 25.27%), being the weighted average cost of capital of the subsidiary.

The expected purchase consideration payments were determined by considering various possible scenarios, and the probability of each scenario, taking into consideration:

- the expected store rollout plan, the average store turnover of new outlets, and the anticipated growth in store turnover of existing outlets;
- the expected growth in human resources to support the growing store base; and
- inflationary increases in anticipated costs.

The liability is designated as a level 3 financial instrument in terms of the fair value hierarchy (refer note 2.2) as inputs into the valuation model are not based on observable market data.

Refer note 38.2 for more information concerning fair value sensitivity.

24. EMPLOYEE BENEFITS

	2016 R'000	2015 R'000
Obligation in respect of cash-settled long-term share-linked employee retention scheme share appreciation rights:		
– tranche 3	**–**	19 790
– tranche 4	**3 829**	6 231
– tranche 5	**3 981**	2 595
Total liability at reporting date	**7 810**	28 616
Current portion included in current liabilities	**3 829**	19 790
Non-current portion included in non-current liabilities	**3 981**	8 826
The movement in the liability during the year was as follows:		
Balance at beginning of year	**28 616**	32 926
Share-based payments (credit)/expense recognised in profit before income tax	**(2 361)**	19 735
Settled in cash paid to participants	**(18 445)**	(24 045)
Balance at end of year	**7 810**	28 616

The board approved the third, fourth and fifth tranches of cash-settled share appreciation rights to executives and senior managers of the company on 9 October 2012, 13 December 2013 and 15 December 2014 respectively. The salient features of these rights are listed below.

During the year, on 15 December 2015, the third tranche of 1.5 million share appreciation rights, with a grant-date strike price of R21.29 per share, vested and was settled in cash, at an exercise price of R33.55 per share. During the prior year, on 15 December 2014, the second tranche of 1.5 million share appreciation rights, with a grant-date strike price of R14.80 per share, vested and was settled in cash, at an exercise price of R30.91 per share.

In accordance with the rules of the scheme, the liquidity risk arising from obligations in respect of the rights in issue is to be hedged economically (refer note 25). Refer to the remuneration committee report on page 73 of this report for more details regarding the scheme.

The fair values of the rights are determined at each reporting date and recognised in profit or loss over the vesting period of the rights.

The terms of each tranche of rights are as follows:

Share appreciation rights – tranche 3

Grant date	9 October 2012
Number of rights granted	1 500 000
Strike price per right	R21.29
Exercise date	15 December 2015
Exercise price	50-day VWAP at 15 December 2015

Share appreciation rights – tranche 4

Grant date	13 December 2013
Number of rights granted	1 500 000
Strike price per right	R30.38
Exercise date	15 December 2016
Exercise price	50-day VWAP at 15 December 2016

Share appreciation rights – tranche 5

Grant date	15 December 2014
Number of rights granted	1 500 000
Strike price per right	R30.91
Exercise date	14 December 2017
Exercise price	50-day VWAP at 14 December 2017

The rights are compulsorily exercisable on the exercise date. The gain on each right is calculated as the difference between the 50-day volume-weighted average price ("VWAP") of the Spur Corporation Ltd shares on the exercise date and the strike price. The strike price was determined as the average share price utilised in the costing of the forward purchase contracts detailed in note 25. The gain will be settled in cash on the exercise date. Should the gain be negative at the exercise date, the rights are cancelled without any recourse.

Fair value measurement

The liabilities in respect of the share appreciation rights have been computed based on the fair values of the rights at the reporting date adjusted for the vesting period. The fair values at the reporting date have been determined by an independent external professional financial instruments specialist using the Black-Scholes option pricing model on the following assumptions:

	2016	2015
Share appreciation rights – tranche 3		
Expected dividend yield	–	3.59%
Expected volatility	–	26.95%
Interest rate (nominal annual compounded quarterly)	–	6.79%
Spot price on valuation date	–	R36.67
Total vesting period	–	3.2 years
Forfeiture rate	–	0%
Share appreciation rights – tranche 4		
Expected dividend yield	**4.43%**	3.78%
Expected volatility	**34.13%**	23.23%
Interest rate (nominal annual compounded quarterly)	**7.74%**	6.77%
Spot price on valuation date	**R30.90**	R36.67
Total vesting period	**3 years**	3 years
Forfeiture rate	**0%**	0%
Share appreciation rights – tranche 5		
Expected dividend yield	**4.43%**	3.59%
Expected volatility	**34.13%**	26.95%
Interest rate (nominal annual compounded quarterly)	**7.54%**	7.13%
Spot price on valuation date	**R30.90**	R36.67
Total vesting period	**3 years**	3 years
Forfeiture rate	**0%**	0%

25. DERIVATIVE FINANCIAL (LIABILITIES)/ASSETS

	2016 R'000	2015 R'000
Forward purchase contracts in respect of:		
– tranche 3 of share appreciation rights	**–**	17 160
– tranche 4 of share appreciation rights	**(8 761)**	2 568
– tranche 5 of share appreciation rights	**(3 425)**	8 453
Total (liability)/asset at the reporting date	**(12 186)**	28 181
Current portion included in current assets	**–**	17 160
Current portion included in current liabilities	**(8 761)**	–
Non-current portion included in non-current assets	**–**	11 021
Non-current portion included in non-current liabilities	**(3 425)**	–
The movement in the (liability)/asset during the year was as follows:		
Balance at beginning of year	**28 181**	34 348
Fair value (loss)/gain recognised in profit before income tax	**(27 714)**	14 794
Settled in cash from counterparty	**(11 858)**	(19 725)
Refund of difference in guaranteed dividend from counterparty settled in cash	**(795)**	(1 236)
Balance at end of year	**(12 186)**	28 181

The contracts were concluded to hedge the upside price risk of the Spur Corporation Ltd share price that the group is exposed to in respect of the share appreciation rights detailed in note 24. The forward purchase contracts for the third, fourth and fifth tranches of the share appreciation rights were concluded on 9 October 2012, 13 December 2013 and 15 December 2014 respectively.

The third (2015: second) tranche of share appreciation rights vested on 15 December 2015 (2015: 15 December 2014) and was settled in cash during the year. The related forward purchase contract matured on the same date resulting in a payment to the group from the counterparty as indicated above.

The fair values of the forward purchase contracts are determined at each reporting date and any changes in the values are recognised in profit or loss.

The terms of each of the contracts are as follows:

Forward purchase contract – tranche 3 of share appreciation rights

Contract trade date	9 October 2012
Number of shares	1 500 000
Forward price per share	R25.64
Settlement date	15 December 2015
Settlement price	50-day VWAP at 15 December 2015

Forward purchase contract – tranche 4 of share appreciation rights

Contract trade date	13 December 2013
Number of shares	1 500 000
Forward price per share	R37.57
Settlement date	15 December 2016
Settlement price	50-day VWAP at 15 December 2016

Forward purchase contract – tranche 5 of share appreciation rights

Contract trade date	15 December 2014
Number of shares	1 500 000
Forward price per share	R35.94
Settlement date	14 December 2017
Settlement price	50-day VWAP at 14 December 2017

The forward purchase contracts are to be settled in cash on the respective settlement dates. The amounts settled are calculated as the difference between the 50-day volume-weighted average price ("VWAP") of the Spur Corporation Ltd shares on the settlement date and the forward price. In the event that this difference is positive, the counterparty will settle this difference with the group; should the difference be negative, the group is required to settle this difference with the counterparty.

Fair value measurement

The fair values of the forward purchase contracts have been determined by an independent external professional financial instruments specialist using a Black-Scholes (risk-neutral) pricing model, on the following assumptions:

	2016	2015
Forward purchase contract – tranche 3 of share appreciation rights		
Expected volatility	**–**	26.95%
Interest rate (nominal annual compounded quarterly)	**–**	6.79%
Credit spread (basis points)	**–**	175
Dividend	**–**	Refer below
Forward purchase contract – tranche 4 of share appreciation rights		
Expected volatility	**34.13%**	23.23%
Interest rate (nominal annual compounded quarterly)	**7.74%**	6.77%
Credit spread (basis points)	**200**	225
Dividend	**Refer below**	Refer below
Forward purchase contract – tranche 5 of share appreciation rights		
Expected volatility	**34.13%**	26.95%
Interest rate (nominal annual compounded quarterly)	**7.54%**	7.13%
Credit spread (basis points)	**250**	275
Dividend	**Refer below**	Refer below

In addition, the forward prices per share for the respective forward purchase contracts are subject to the following dividend streams in respect of the Spur Corporation Ltd shares:

	Tranche 3	Tranche 4	Tranche 5
October 2015 (cents per share)	41.00	61.00	61.00
March 2016 (cents per share)	–	64.00	64.00
October 2016 (cents per share)	–	65.00	65.00
March 2017 (cents per share)	–	–	74.00
October 2017 (cents per share)	–	–	83.00

Any differences between the projected dividend above and the actual dividend paid is to be settled in cash between the parties.

As the accounting treatment of the derivative financial instruments and underlying obligation associated with the cash-settled share appreciation rights differ and the group does not apply hedge accounting, there is an accounting mismatch between the cost of the share appreciation rights and the fair value gain/loss on the derivative financial instruments recognised in profit or loss. The share-based payments expense arising from the share appreciation rights is charged to profit or loss over the respective vesting periods of the rights while the changes in the fair values of the related derivative financial instruments are recognised in profit or loss as they arise.

In the event that the settlement price exceeds the forward price listed above for each underlying tranche of share appreciation rights on the respective vesting dates, the derivative contracts are effective economic hedges and the share-based payments expense net of the associated forward contract reimbursement will have the following net impact on profit before income tax over the vesting period of the respective rights:

	Tranche 4	Tranche 5
Vesting date	15 December 2016	14 December 2017
Remaining vesting period (years)	0.5	1.5
Forward price	R37.57	R35.94
Strike price (refer note 24)	R30.38	R30.91
Number of share appreciation rights in issue	1 500 000	1 500 000
Total charge to profit before income tax over vesting period (R'000)	10 785	7 545
Cumulative net charge recognised in profit before income tax to 30 June 2016 (R'000)	12 590	7 406
Employee benefits (R'000) (refer note 24)	3 829	3 981
Derivative financial instruments (R'000)	8 761	3 425
Net (credit)/charge still to be recognised in profit before income tax over remaining vesting period (R'000)	(1 805)	139

26. OPERATING LEASE LIABILITY

	2016 R'000	2015 R'000
Balance at beginning of year	**1 200**	1 776
Recognised in profit before income tax	**984**	(580)
Effect of foreign exchange fluctuations	**7**	4
Balance at end of year	**2 191**	1 200

Certain rental agreements concluded by the group during the current and previous years allow for an initial rent-free period, tenant installation allowances paid by the landlord, and fixed-rate rental escalations over the lease terms. The total rental costs in terms of these leases are expensed on a straight-line basis over the terms of the respective leases including the rent-free periods in each case. A liability is recognised to the extent that the rental expense recognised in profit or loss exceeds actual rental paid. On expiration of the rent-free period, the liability is reversed over the remaining lease period as a credit against future rental expenses. A liability is also recognised in respect of the tenant installation allowance upon receipt. The liability is subsequently recognised as a credit against rental expense in profit or loss over the initial lease period.

27. TRADE AND OTHER PAYABLES

	2016 R'000	2015 R'000
Trade payables	**31 675**	37 060
Accruals	**7 271**	11 655
Income received in advance	**3 264**	3 846
Employee benefits	**13 910**	16 461
Short-term profit share incentive scheme	**4 699**	9 979
Leave pay and other short-term employee benefits	**9 211**	6 482
VAT and other indirect taxes payable	**7 872**	9 588
Unredeemed gift vouchers	**3 823**	3 623
Other sundry payables	**622**	1 002
	68 437	83 235

Income received in advance relates largely to initial franchise fee receipts held in trust pending the conclusion of a franchise agreement and upfront payments in respect of export sales orders.

27.1 SHORT-TERM PROFIT SHARE INCENTIVE SCHEME

	2016 R'000	2015 R'000
Balance at beginning of year	**9 979**	5 503
Payment in respect of prior year incentive	**(8 127)**	(7 313)
Recognised in profit before income tax	**2 847**	11 789
Balance at end of year	**4 699**	9 979

The accrual for the short-term profit share incentive scheme is calculated with reference to the expected dividends received on a notional 6 688 698 Spur Corporation shares, representing the number of shares held by The Spur Management Share Trust when the scheme was introduced and approved by shareholders on 10 December 2010, and is determined in accordance with the rules of the short-term profit share incentive scheme.

28. LOANS PAYABLE

	2016 R'000	2015 R'000
Loan owing to non-controlling interest	**1 152**	1 557
Marketing funds	**24 594**	17 261
	25 746	18 818

The loan owing to non-controlling interest comprises an unsecured loan denominated in pounds sterling to the non-controlling shareholder of Larkspur Three Ltd. The loan's carrying amount at the reporting date is the equivalent of £57 993 (2015: £68 193). The loan bears interest at 2% above the UK base rate of interest and has no fixed repayment terms. Subsequent to the reporting date, the group commenced with the voluntary liquidation of the subsidiary and the loan in question was partly settled by existing cash belonging to the subsidiary.

The loans owing to the marketing funds represent the net assets and cumulative under-spend of the marketing funds as at the reporting date. The cumulative under-spend amounts are carried forward to the next financial year and are utilised for future marketing spend. Refer note 40 for more details.

29. DIVIDENDS

	2016 R'000	2015 R'000
Final 2014 – dividend of 64.0 cents per share	**–**	62 485
Interim 2015 – dividend of 62.0 cents per share	**–**	67 258
Final 2015 – dividend of 70.0 cents per share	**75 936**	–
Interim 2016 – dividend of 67.0 cents per share	**72 683**	–
Total dividends to equity holders	**148 619**	129 743
Dividends external to the group are reconciled as follows:		
Gross dividends declared by the company	**148 619**	129 743
Dividends received on the company's shares held by the group	**(17 126)**	(15 327)
Total dividends declared by the company external to the group	**131 493**	114 416
Dividends declared by subsidiaries to non-controlling shareholders	**2 042**	–
Total dividends external to the group	**133 535**	114 416

The directors have approved a final dividend of 73.0 cents per share in respect of the 2016 financial year, funded by income reserves, to be paid in cash on 3 October 2016. The dividend is subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962, as amended) ("dividend withholding tax") of 15%. The net dividend is therefore 62.05 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the financial year was 140 (2015: 132) cents per share equating to R151.873 million (2015: R143.194 million).

30. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	2016 R'000	2015 R'000
Profit before income tax	**218 720**	205 421
Adjusted for:		
Amortisation – intangible assets (refer note 13)	**10**	–
Amortisation – leasing rights (refer note 17)	**3 692**	388
Bad debts (refer note 8)	**1 179**	327
Depreciation (refer note 12)	**10 885**	14 020
Expenses charged directly to equity (retained income) (refer note 21.5)	**(54)**	–
Fair value loss/(gain) on derivative financial instruments at fair value through profit or loss (refer note 25)	**27 714**	(14 794)
Fair value (gain)/loss on contingent consideration liability (refer note 23)	**(3 723)**	3 681
Foreign exchange loss/(gain) (excluding losses/gains on intercompany accounts)	**1 095**	(63)
Foreign currency translations not disclosed elsewhere in the statement of cash flows	**6 298**	(2 557)
Impairment of property, plant and equipment (refer note 12)	**–**	1 054
Impairment of intangible assets (refer note 13)	**18 969**	13 905
Interest expense	**116**	65
Interest income	**(35 742)**	(24 681)
Loss on disposal of goodwill (refer note 4)	**444**	–
Loss on disposal of subsidiary (refer note 36)	**–**	4 545
Movement in operating lease liability (refer note 26)	**984**	(580)
Movement in bonus and leave pay provisions	**(2 551)**	–
Movement in trade receivable impairment allowance (refer note 19)	**406**	(82)
Loss/(profit) on disposal of property, plant and equipment	**19 467**	(65)
Profit on disposal of subsidiaries (refer note 36)	**–**	(5 120)
Reclassification of foreign currency (gain)/loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations (refer notes 4 and 36)	**(7 038)**	2 215
Release of financial liability (refer note 4)	**–**	(5 173)
Share-based payments cash settlement – long-term share-linked employee retention scheme (refer note 24)	**(18 445)**	(24 045)
Share-based payments (credit)/expense – cash-settled – long-term share-linked employee retention scheme (refer note 24)	**(2 361)**	19 735
Share-based payments expense – equity-settled – GPI B-BBEE transaction (refer note 21.2)	**–**	32 957
Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 21.5)	**827**	–
Share of loss of equity-accounted investee (net of income tax) (refer note 14)	**8 601**	1 633
	249 493	222 786

31. WORKING CAPITAL CHANGES

	2016 R'000	2015 R'000
Increase in inventories	**(419)**	(165)
Increase in trade and other receivables	**(636)**	(15 547)
(Decrease)/increase in trade and other payables	**(12 456)**	9 165
Increase in short-term loans receivable	**(953)**	(2 321)
Increase/(decrease) in short-term loans payable	**7 138**	(4 015)
	(7 326)	(12 883)

32. INTEREST INCOME RECEIVED

	2016 R'000	2015 R'000
Interest income received is reconciled to the amount recognised in profit before income tax as follows:		
Interest accrued but not received at beginning of year	**8 729**	938
Interest income	**35 742**	24 681
Interest accrued but not received at end of year	**(20 101)**	(8 729)
	24 370	16 890

33. TAX PAID

	2016 R'000	2015 R'000
Tax paid is reconciled to the amount recognised in profit or loss as follows:		
Amount receivable at beginning of year	**15 271**	6 160
Current tax charged to profit or loss (refer note 10)	**(83 304)**	(74 225)
Current tax charged to equity (retained earnings) (refer note 21.5)	**(625)**	–
Acquisitions through business combinations (refer note 35.1)	**–**	(264)
Disposal of subsidiary (refer note 36)	**–**	(141)
Effect of foreign exchange fluctuations	**2 219**	(608)
Transfer from deferred tax (UK group tax relief benefit) (refer note 16)	**–**	683
Amount receivable at end of year	**(33 817)**	(15 271)
	(100 256)	(83 666)
The tax receivable at the reporting date comprises:		
Withholding tax credits	**14 946**	11 002
Prepayment of income tax relating to tax queries	**22 845**	8 582
Controlled foreign companies query (refer note 46.1)	**811**	1 993
2004 – 2009 Share incentive scheme query (refer note 46.2)	**22 034**	6 589
Tax payable by entities to which above prepayments relate	**(1 577)**	(2 420)
Total tax receivable at end of year	**36 214**	17 164

The withholding tax credits accrue to wholly-owned subsidiary, Steak Ranches International BV ("SRIBV"), the group's franchisor for restaurants outside of South Africa, and relate largely to taxes withheld in African jurisdictions. The withholding tax credits may be utilised by SRIBV to reduce current tax payable in The Netherlands on franchise-related taxable income.

34. DIVIDENDS PAID

	2016 R'000	2015 R'000
Dividends paid are reconciled to the amount disclosed as follows:		
Amount payable at beginning of year	**(482)**	(411)
Total dividends external to the group (refer note 29)	**(133 535)**	(114 416)
Amount payable at end of year	**471**	482
	(133 546)	(114 345)

35. ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

35.1 ACQUISITION OF ROCOMAMAS (BUSINESS COMBINATION) – PRIOR YEAR

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

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 R2.000 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 profit before income tax of the year immediately preceding the anniversary date, less any aggregate payments already made.

	2015 R'000
Fair value of net assets acquired at acquisition date	6 398
Attributable to non-controlling interests	(3 135)
Group's share of net assets acquired	3 263
Goodwill arising on acquisition	42 439
Total purchase consideration	45 702
In cash	2 000
Contingent consideration (refer note 23)	43 702
Consideration settled in cash	(2 000)
Cash and cash equivalents acquired	618
Net cash flow on acquisition of subsidiary	(1 382)

Transaction costs, comprising legal and due diligence costs, amounting to R0.233 million are included in Administration expenses in the statement of comprehensive income for the prior year.

35.2 ACQUISITION OF NON-CONTROLLING INTEREST IN PANAROTTIS PENRITH WITHOUT A CHANGE IN CONTROL – PRIOR YEAR

During the prior year and with effect from 1 August 2014, the group acquired the remaining 50% interest in Panpen Pty Ltd ("Panpen"), an Australian company in which the group had an existing 50% interest and which operates the Panarottis outlet in Penrith (Australia). Despite not owning a majority interest in Panpen prior to this transaction, the group effectively controlled Panpen and the entity was consequently consolidated.

The purchase consideration of AU$200 000 (the equivalent of R1.992 million as at the effective date) was settled in cash on the effective date. As part of the transaction, Panpen was required to settle the outstanding shareholder's loan with the non-controlling shareholder in the amount of AU$158 342 (the equivalent of R1.576 million as at the effective date) which amount was settled in cash on the effective date. The net liabilities of Panpen at 1 August 2014 included in the consolidated financial statements of the group amount to R0.217 million, of which R0.108 million was attributable to non-controlling interests. The purchase consideration was charged directly to equity (retained earnings) and the non-controlling interest's share in the net liabilities of the subsidiary was similarly reallocated within equity to retained earnings.

The entity was subsequently disposed of (refer note 36).

36. DISPOSALS OF AUSTRALIAN SUBSIDIARIES – PRIOR YEAR

During the prior year, the group:

- disposed of its 100% interest in Panpen for R8.188 million (AU$880 000) on 31 March 2015 on loan account, to be settled in 60 equal monthly instalments, which commenced on 1 October 2015, with the receivable being subject to interest at the Reserve Bank of Australia's cash rate plus 1.5% (refer note 15.8);
- disposed of its 92.67% interest in Panawest Pty Ltd, the Australian subsidiary operating the Panarottis outlet in Blacktown, on 15 November 2014 for AU$1. As part of the transaction, the former subsidiary is continuing to repay the previous shareholder's loan with the group of AU$400 000 (the equivalent of R3.911 million on the date of the transaction), in equal instalments over 35 months to October 2017 (refer note 15.10);
- disposed of the business of the Silver Spur in Penrith as a going concern for R2.977 million (AU$320 000) on 31 March 2015 on loan account, to be settled in 60 equal monthly instalments, which commenced on 1 October 2015, with the receivable being subject to interest at the Reserve Bank of Australia's cash rate plus 1.5% (refer note 15.8).

	2015 (R'000)			
	Panarottis Penrith (100%)	**Panarottis Blacktown (92.67%)**	**Silver Spur**	**Total**
Details of the disposals are as follows:				
Proceeds on disposal	8 188	–	2 977	11 165
Carrying value of net (assets)/liabilities disposed of	(4 919)	1 997	(7 522)	(10 444)
Attributable to non-controlling interests	–	(146)	–	(146)
Profit/(loss) on disposal	3 269	1 851	(4 545)	575
Foreign exchange gain/(loss) reclassified from other comprehensive income to profit, on disposal of foreign operations	179	(345)	(129)	(295)
Total profit/(loss) on disposal	3 448	1 506	(4 674)	280
Net cash outflow on disposal	(155)	(206)	(292)	(653)
The contribution to consolidated revenue and profit of the entities disposed of prior to their disposal are detailed below:				
Revenue	17 875	5 493	25 951	49 319
Profit/(loss) before and after income tax (excluding profit/(loss) on disposal above)	1 052	(67)	894	1 879
Attributable to:				
Owners of the company	957	(330)	894	1 521
Non-controlling interests	95	263	–	358

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

37. CHANGES IN LOCAL RETAIL OPERATIONS

37.1 THE HUSSAR GRILL/ROCOMAMAS GREEN POINT (SIGNIFICANT NON-CASH TRANSACTION)

With effect from 15 November 2015, Opilor (Pty) Ltd, a subsidiary of the group (previously wholly owned), acquired the lease and property, plant and equipment 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) (refer note 17).

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. The entity incurred costs and losses of R0.607 million (before tax) relating to the relocation and acquired property, plant and equipment of R2.551 million. The entity in question then established a new RocoMamas outlet at the Green Point site, which commenced trading in December 2015. The outlet incurred a loss before income tax of R1.881 million for the year (including initial trading and start-up losses), and acquired property, plant and equipment of R3.531 million.

37.2 THE HUSSAR GRILL MORNINGSIDE

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

38. FINANCIAL INSTRUMENTS

38.1 ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy (refer note 2.2). It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount (R'000)	
2016	Note	**Held for trading**	**Loans and receivables**
Financial assets not measured at fair value			
Loans receivable	15	**–**	**167 950**
Financial assets included in trade and other receivables[1]	19	**–**	**90 664**
Cash and cash equivalents	20	**–**	**286 582**
		–	**545 196**
Financial liabilities measured at fair value			
Contingent consideration liability	23	**–**	**–**
Derivative financial liability	25	**–**	**–**
		–	**–**
Financial liabilities not measured at fair value			
Loans payable	28	**–**	**–**
Bank overdrafts	20	**–**	**–**
Financial liabilities included in trade and other payables[2]	27	**–**	**–**
Shareholders for dividend		**–**	**–**
		–	**–**
2015			
Financial assets measured at fair value			
Derivative financial assets	25	28 181	–
Financial assets not measured at fair value			
Loans receivable	15	–	168 139
Financial assets included in trade and other receivables[1]	19	–	88 849
Cash and cash equivalents	20	–	304 851
		–	561 839
Financial liabilities measured at fair value			
Contingent consideration liability	23	–	–
Financial liabilities not measured at fair value			
Loans payable	28	–	–
Bank overdrafts	20	–	–
Financial liabilities included in trade and other payables[2]	27	–	–
Shareholders for dividend		–	–
		–	–

1 Includes trade receivables, staff loans, deposits and other financial assets as defined in terms of *IAS32 – Financial Instruments: Disclosure and Presentation*.

2 Includes trade payables, accruals, unredeemed gift voucher liability and other financial liabilities as defined in terms of *IAS32 – Financial Instruments: Disclosure and Presentation*.

	Carrying amount (R'000)			Fair value (R'000)		
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 2	Level 3	Total
	–	**–**	**167 950**			
	–	**–**	**90 664**			
	–	**–**	**286 582**			
	–	**–**	**545 196**			
	23 291	**–**	**23 291**	**–**	**23 291**	**23 291**
	12 186	**–**	**12 186**	**12 186**	**–**	**12 186**
	35 477	**–**	**35 477**			
	–	**25 746**	**25 746**			
	–	**1 155**	**1 155**			
	–	**43 391**	**43 391**			
	–	**471**	**471**			
	–	**70 763**	**70 763**			
	–	–	28 181	28 181	–	28 181
	–	–	168 139			
	–	–	88 849			
	–	–	304 851			
	–	–	561 839			
	47 383	–	47 383	–	47 383	47 383
	–	18 818	18 818			
	–	3 557	3 557			
	–	53 340	53 340			
	–	482	482			
	–	76 197	76 197			

38. FINANCIAL INSTRUMENTS continued

38.1 ACCOUNTING CLASSIFICATION AND FAIR VALUES continued

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.

38.2 MEASUREMENT OF FAIR VALUES

Financial instruments measured at fair value – level 2: derivative financial assets/liabilities

The valuation technique as well as the key assumptions into the valuation model for the derivative financial assets/ liabilities are detailed in note 25.

Financial instruments measured at fair value – level 3: contingent consideration liability relating to the acquisition of RocoMamas

The liability for the contingent consideration referred to in note 23 was initially recognised at fair value and is subsequently recognised at fair value at each reporting date. The liability is designated as a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on observable market data.

The fair value is determined based on the expected aggregate purchase consideration payments, discounted to present value using a risk-adjusted discount rate of 26.40% (2015: 25.27%), being the weighted average cost of capital specific to the acquired entity. The expected purchase consideration payments were determined by considering various possible scenarios, and the probability of each scenario.

The significant unobservable inputs are the forecast profit before income tax and the risk-adjusted discount rate.

The fair value adjustment included in profit before income tax for the year is a credit of R3.723 million (2015: R3.681 million charge), and relates largely to the adjustment for the time value of money from the initial acquisition date to the reporting date, an increase in the discount rate (due to a rise in interest rates over the year), a downward revision of the number of stores to be rolled out over the initial three-year period, and a moderation of the expected growth in turnover of existing businesses.

The estimated fair value of the contingent consideration liability at the reporting date would change if the forecast profit before income tax or the risk-adjusted discount rate were to change as follows:

	Increase/(decrease) in fair value of liability and decrease/(increase) in profit before income tax	
Change in variable	**2016 R'000**	**2015 R'000**
Forecast profit before income tax		
– Increased by 5%	**2 127**	2 456
– Decreased by 5%	**(2 127)**	(2 456)
Risk-adjusted discount rate		
– Increased by 2%	**(392)**	(1 150)
– Decreased by 2%	**408**	1 208

38.3 FINANCIAL RISK MANAGEMENT

The group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing these risks, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The group's objective is to manage effectively each of the above risks associated with its financial instruments, in order to limit the group's exposure as far as possible to any financial loss associated with these risks.

The board of directors has overall responsibility for the establishment and overseeing of the group's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The audit committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group to the extent that these have an impact on this integrated report.

38.3.1 Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the counterparty to the derivative financial assets, the group's receivables from customers, franchisees, operating partners and associated entities and financial institutions with which the group holds monetary deposits.

Exposure to credit risk

The aggregate of the carrying amounts of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2016 R'000	**2015 R'000**
Cash and cash equivalents (refer note 20)	**286 582**	304 851
Derivative financial assets (refer note 25)	**–**	28 181
Financial assets included in trade and other receivables (refer note 19)	**90 664**	88 849
Loans receivable (refer note 15)	**167 950**	168 139
	545 196	590 020

38. FINANCIAL INSTRUMENTS continued

38.3 FINANCIAL RISK MANAGEMENT continued

38.3.1 Credit risk continued

Exposure to credit risk continued

Cash and cash equivalents

The group's cash is placed with major South African and international financial institutions (in the respective jurisdictions in which the group trades) of high credit standing. A treasury committee comprising the group CEO, group CFO and other senior members of management reviews cash flow projections, manages liquidity and monitors cash investments on at least a monthly basis. This committee reports to the risk committee from time to time. The group's policy is to place cash balances with multiple financial institutions to mitigate against the risk of loss to the group in the event that any one financial institution was to fail. Consequently, the board considers the residual credit risk relating to cash balances to be managed to an acceptable level.

Derivative financial assets

The counterparty to the derivative financial assets in the prior year is a reputable and well established financial institution in South Africa. The counterparty has acquired a number of shares in Spur Corporation Ltd equivalent to the number of share appreciation rights that the instruments hedge. The directors consider the risk of default by the counterparty to be low.

Financial assets included in trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each franchisee and customer. There are no significant concentrations of credit risk.

In the main, trade and other receivables comprise franchisees that have been transacting with the group for several years, and significant losses have occurred infrequently. In monitoring customer credit risk, customers are grouped together according to their geographic location, ageing profile and existence of previous financial difficulties. There is furthermore one significant wholesale customer. The risk of counterparties defaulting is controlled by the application of credit approvals, limits and monitoring procedures. In the event that a risk of default is identified for a particular debtor, management actively engages with the debtor to identify opportunities to assist the debtor in an effort to limit the potential loss to the group. Such measures include, but are not limited to, assisting with landlord negotiations, granting extended credit terms and negotiating with financial institutions to restructure debt.

The group does not require collateral in respect of trade and other receivables although all signatories to a franchise agreement sign a personal suretyship in favour of the group.

The group establishes an allowance for impairment that represents its estimate of incurred losses at the reporting date in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2016 R'000	**2015 R'000**
Domestic	**84 849**	74 039
Eurozone countries	**1 848**	1 986
United Kingdom	**20**	4 333
Australia	**2 009**	1 633
	88 726	81 991
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:		
Wholesale customers	**18 965**	14 089
Franchisees (franchise businesses)	**69 761**	67 902
	88 726	81 991

There are no significant amounts that are considered to be past due. Where individual customers are not in compliance with the group's standard credit terms but formal repayment plans have been agreed, these amounts are not considered past due provided that the repayment terms are being substantially complied with.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016 R'000	2015 R'000
Balance at beginning of year	**445**	527
Additional impairment losses recognised	**1 585**	245
Irrecoverable debts written off	**(1 179)**	(327)
Balance at end of year	**851**	445

The allowance in respect of trade receivables is used to record impairment losses unless the group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off directly against the financial asset.

Loans receivable
The group limits its exposure to credit risk by advancing loans only to counterparties with good credit ratings. Given the good credit ratings, the board does not expect any counterparty to fail to meet its obligations.

The board acknowledges that loans advanced to international franchisees to assist their funding in respect of start-up operations have a higher credit risk associated with them due to the uncertainty of the financial success of the operations in question. The board accepts this risk as the provision of funding is a key enabler for the group's strategy of expansion in certain offshore territories. The risk is managed by obtaining security for the funding and close supervision of the franchised operations.

The loans to local franchisees are advanced only to those franchisees which have an established track record of generating cash sufficient to service the loan. The risk of default on these loans is consequently considered low.

The credit risk in respect of the loans advanced to the Spur and Captain DoRegos marketing funds is considered low as the group manages the liquidity of the related marketing funds.

The group's policy is to obtain collateral in respect of material loans advanced. The extent of collateral held by the group in relation to loans receivable is detailed in note 15.

The group has advanced a material loan to an associate company. The board acknowledges that, as this loan is part of the initial investment in the associate which is a start-up operation, there is a higher level of credit risk associated with it. This risk is managed through continued management involvement in the associate.

Guarantees
The group's policy is to provide financial guarantees only to subsidiaries domiciled in South Africa. At 30 June 2016 no material guarantees were outstanding from a group perspective (30 June 2015: Rnil).

38. FINANCIAL INSTRUMENTS continued

38.3 FINANCIAL RISK MANAGEMENT continued

38.3.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group's franchise divisions are largely cash generating. Typically, the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least six months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The treasury committee regularly reviews group cash flow forecasts to ensure that liquidity is maintained. Cash investments are generally short term in nature.

In terms of the Memorandum of Incorporation of the group's main local operating subsidiary, Spur Group (Pty) Ltd, that company has no limitations to its borrowing powers.

The group has no formal credit facilities in place with its bankers. This decision was taken following the implementation of legislation in South Africa which requires banks to comply with more stringent capital adequacy requirements and which has resulted in South African banks introducing a commitment fee in respect of unutilised credit facilities. Given that the group has a favourable relationship and credit rating with its principal bankers and a strong statement of financial position, the board is of the view that credit could be secured to manage any short-term liquidity risk, if the need arose.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Contractual cash flows			
	Carrying amount R'000	Total R'000	1 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000
30 June 2016					
Non-derivative financial liabilities					
Contingent consideration liability (refer note 23)	**23 291**	**30 431**	**14 283**	**16 148**	**–**
Unsecured loans payable (refer note 28)	**25 746**	**25 746**	**25 746**	**–**	**–**
Financial liabilities included in trade and other payables (refer note 27)	**43 391**	**43 391**	**43 391**	**–**	**–**
Bank overdrafts (refer note 20)	**1 155**	**1 155**	**1 155**	**–**	**–**
Shareholders for dividend	**471**	**471**	**471**	**–**	**–**
Derivative financial liabilities					
Derivative financial liabilities (refer note 25)	**12 186**	**12 186**	**8 761**	**3 425**	**–**
30 June 2015					
Derivative financial liabilities					
Contingent consideration liabilities (refer note 23)	47 393	68 764	18 456	26 272	24 036
Unsecured loans payable (refer note 28)	18 818	18 818	18 818	–	–
Financial liabilities included in trade and other payables (refer note 27)	53 340	53 340	53 340	–	–
Bank overdrafts (refer note 20)	3 557	3 557	3 557	–	–
Shareholders for dividend	482	482	482	–	–

Where there are no formal repayment terms, the contractual cash flows are assumed to take place within 12 months and no interest is included.

The contractual cash flows relating to the contingent consideration liability are estimates determined based on management's projections of RocoMamas' future profit before income tax (refer notes 23 and 38.2).

Cash-settled share appreciation rights and related hedge derivative

In addition to the financial instruments listed above, the group is exposed to liquidity risk in respect of share appreciation rights issued in terms of its cash-settled long-term share-linked employee retention scheme (refer note 24). To mitigate against this risk, the group has entered into forward purchase contracts as detailed in note 25. The hedging impact of the forward purchase contracts is effective in the event that the share price increases above the forward price of the contract. In any event, the group is exposed to the cost of the contract, being the difference between the strike price of the rights in issue and the forward price of the related contract. At the reporting date, this amounted to R18.330 million (2015: R24.855 million). Should the share price on the vesting date be below the strike price of the rights, the group is required to pay the contract counterparty the difference between the strike price of the rights and the share price at the date of vesting. In the event that the share price reduces to one cent per share, the maximum additional exposure to the group is R91.935 million (2015: R123.870 million).

The forward purchase contracts also provide for guaranteed dividend streams (detailed in note 25) on the company's shares. In the event that the dividends declared are less than those guaranteed, the group is required to pay the deficit to the contract counterparty.

The group does not apply cash flow hedge accounting.

38.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the group's income or the carrying values of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Price risk

The group is exposed to equity securities price risk due to derivative financial instruments held by the group (refer note 25) related to the share price of the company. These derivatives were concluded to hedge economically the liquidity risk arising from cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (refer note 38.3.2). Gains and losses on the derivatives are recognised immediately in profit or loss, while the share appreciation rights liability is charged to profit or loss over the vesting periods of the rights. In the event that the share price appreciates over the vesting periods of the rights, on realisation of the derivatives and the rights, there will be an effective economic hedge. As detailed above, in the event that the share price drops below the strike price of the rights, the group is exposed to further liquidity risk.

Sensitivity analysis

The impact on profit before income tax and equity of a 10% increase or decrease in the company's share price as it impacts on the share appreciation rights liability and related forward purchase derivative financial instruments is detailed below:

	Profit before income tax		Equity	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
30 June 2016				
Share appreciation rights	**(4 115)**	**3 213**	**(2 963)**	**2 313**
Derivate forward purchase contracts	**9 103**	**(9 103)**	**6 554**	**(6 554)**
Net increase/(decrease)	**4 988**	**(5 890)**	**3 591**	**(4 241)**
30 June 2015				
Share appreciation rights	(7 734)	7 420	(5 568)	5 342
Derivate forward purchase contracts	16 236	(16 236)	11 690	(11 690)
Net increase/(decrease)	8 502	(8 816)	6 122	(6 348)

38. FINANCIAL INSTRUMENTS continued

38.3 FINANCIAL RISK MANAGEMENT continued

38.3.3 Market risk continued

Currency risk

International operations

The group's international operations are structured such that items of revenue, expenses, monetary assets and monetary liabilities attributed to group entities are all denominated in the respective group companies' functional currencies to the extent possible, with the exception of the group's international franchise company, Steak Ranches International BV. That company is exposed to currency risk as revenue and related receivables are denominated in currencies other than that company's functional currency which is the euro. That company is, furthermore, exposed to currency risk in respect of loan receivables denominated in currencies other than the euro. The most significant of these other currencies are the Australian dollar and pound sterling.

Trade and loan receivables and payables are not hedged as the group's international operations trade in jurisdictions that are considered to have relatively stable currencies.

Exchange gains/losses relating to loans that are considered to be part of the net investment in a foreign operation are included in other comprehensive income.

Local operations

The group's local operations are exposed to exchange risk only to the extent that it imports raw materials and certain merchandise for resale from time to time. The number and value of these transactions are not considered significant. The group uses forward exchange contracts to hedge its exposure to currency risk in respect of imports. The group does not use forward exchange contracts or other derivative contracts for speculative purposes.

Exposure to currency risk

The group's exposure to foreign currency risk (insofar as it relates to financial instruments) was as follows as at 30 June:

	GBP '000	US$ '000	AU$ '000	EUR '000
2016				
Assets				
Cash and cash equivalents	**275**	**58**	**543**	**343**
Trade and other receivables	**1**	**44**	**265**	**217**
Loans receivable	**–**	**–**	**1 697**	**410**
Total assets	**276**	**102**	**2 505**	**970**
Liabilities				
Loans payable	**(58)**	**–**	**(51)**	**(1 060)**
Trade and other payables	**(256)**	**–**	**(22)**	**(79)**
Total liabilities	**(314)**	**–**	**(73)**	**(1 139)**
Total net exposure	**(38)**	**102**	**2 432**	**(169)**
2015				
Assets				
Cash and cash equivalents	268	68	379	346
Trade and other receivables	212	79	182	112
Loans receivable	5	–	1 698	290
Total assets	485	147	2 259	748
Liabilities				
Loans payable	(81)	–	(39)	(45)
Trade and other payables	(668)	–	(22)	(83)
Total liabilities	(749)	–	(61)	(128)
Total net exposure	(264)	147	2 198	620

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016	**2015**	**2016**	**2015**
AU$1 = R	**10.5705**	9.5616	**10.9769**	9.4137
GBP1 = R	**21.4849**	18.0282	**19.8676**	19.3259
Euro1 = R	**16.1008**	13.7440	**16.4116**	13.6377

Sensitivity analysis

A 10% strengthening of the rand against the following currencies at 30 June would have increased/(decreased) profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit before income tax R'000	Equity R'000
30 June 2016		
Euro	**376**	**(1 025)**
GBP	**20**	**427**
AU$	**1**	**(2 674)**
30 June 2015		
Euro	(197)	(2 232)
GBP	5	680
AU$	2	(1 917)

A 10% weakening of the rand against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above on the basis that all other variables remain constant.

Interest rate risk

The group adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis as far as possible. No derivative instruments are used to hedge interest rate risk.

Interest rate risk profile

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:

	Carrying amount	
	2016 R'000	**2015 R'000**
Fixed-rate instruments		
Financial assets	**1 853**	3 051
Financial liabilities	**–**	–
Variable-rate instruments		
Financial assets	**460 516**	464 514
Financial liabilities	**2 307**	5 114

38. FINANCIAL INSTRUMENTS continued

38.3 FINANCIAL RISK MANAGEMENT continued

38.3.3 Market risk continued

Interest rate risk continued

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased/(decreased) profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit before income tax		Equity	
	50 bp increase R'000	50 bp decrease R'000	50 bp increase R'000	50 bp decrease R'000
30 June 2016				
Variable-rate assets	**2 156**	**(2 156)**	**1 552**	**(1 552)**
Variable-rate liabilities	**(19)**	**19**	**(14)**	**14**
Net increase/(decrease)	**2 137**	**(2 137)**	**1 538**	**(1 538)**
30 June 2015				
Variable-rate assets	1 573	(1 573)	1 133	(1 133)
Variable-rate liabilities	(31)	31	(22)	22
Net increase/(decrease)	1 542	(1 542)	1 111	(1 111)

The group accounts for fixed-rate instruments at amortised cost. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

38.4 CAPITAL MANAGEMENT

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the demographic spread of shareholders, the level of distributions to ordinary shareholders, as well as the return on capital. Capital consists of total shareholders' equity, excluding non-controlling interests.

From time to time the group purchases its own shares on the market; the timing of these purchases depends on market prices. The board is considering various options regarding the existing treasury shares as there is currently no specific intention or purpose for these shares other than improving returns on shareholder equity and enhancing earnings per share. The group does not have a defined share buy-back plan. However, depending on the availability of cash, prevailing market prices and committed capital expenditure, shares may be repurchased.

The value of the group is attributed largely to its trademarks and related intellectual property. These intangible assets are accounted for in the group's statement of financial position at historic cost. The group's statement of financial position does therefore not provide a true reflection of the value of the group. In addition, the group's equity, as reported in the statement of financial position, is influenced significantly by changes in foreign exchange rates. The group also has no formalised external debt. Consequently, management does not formally report and track capital management financial ratios.

There were no changes in the group's approach to capital management during the year.

39. RETIREMENT BENEFITS

The group has its own defined contribution provident fund in South Africa with 293 members at 30 June 2016 (2015: 266 members). The Spur Group (Pty) Ltd Provident Fund is administered by Liberty Group Ltd. Refer note 8 for contributions made to the fund.

40. MARKETING FUNDS

In accordance with the group's franchise agreements, the group receives marketing contributions from franchisees which are held and accounted for separately in marketing funds. These funds are utilised for the procurement of marketing and advertising services for the benefit of franchisees. During the year, the marketing funds received R230.4 million (2015: R206.4 million) in marketing contributions. Marketing contributions received are not included in the group's revenue as these are for the exclusive benefit of franchisees (refer note 2.1). To the extent that marketing funds spend less/(more) than the marketing contributions received, a loan payable/(receivable) to/(from) franchisees is recognised in the group statement of financial position (refer notes 15.9 and 28). These loans also comprise the net asset values of the respective marketing funds to the extent that the assets and liabilities of the funds are recognised in the consolidated statement of financial position.

41. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases are as follows:

	2016 R'000	2015 R'000
Next year	**5 932**	26 052
Year two through to year five	**17 628**	89 284
More than five years	**7 217**	125 409
	30 777	240 745

Lease payments in foreign currencies have been translated into rands at the rates prevailing at the reporting date.

Leases are for periods ranging from five to 10 years, subject to renewal options for further five-year periods. Certain of these leases have fixed annual escalations for the period of the lease that were market-related at the time of concluding the lease. Other leases are subject to an inflation-linked increase; in which case, for the purposes of this note, the current rental cost has been projected for the remaining lease term.

Certain leases provide that the rent to be paid is the greater of the basic rental and a certain percentage of turnover – in these cases, only the basic rental is included in the commitments disclosed. The percentage of turnover was market related at the time of concluding the lease.

42. CAPITAL COMMITMENTS

42.1 HEAD OFFICE BUILDING

On 5 September 2014, the group acquired land adjacent to the group's existing corporate head office in Century City, Cape Town, with a view to increase office space necessitated by the organic and acquisitive growth of the group in the recent past. In terms of the sale agreement, the group was obliged to enter into a development agreement to erect an office building spanning at least 1 255 m^2. Construction of the building commenced during the prior year (refer note 12.2). The total value of the construction contract is R39.000 million. As at the reporting date, R31.972 million of the contract had been settled. Construction of the building was completed subsequent to the reporting date.

43. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS

The following emoluments were paid by subsidiary companies:

2016	Guaranteed remuneration					Variable remuneration			
	Cash remuneration R'000	Travel allowance R'000	Provident fund R'000	Medical aid R'000	Subtotal R'000	Equity compensation benefits[1] R'000	Performance bonus[2] R'000	Total remuneration included in profit or loss R'000	Share appreciation rights payout[3] R'000
Executive directors and prescribed officer									
For services, as employees, to subsidiary companies									
Current directors									
Allen Ambor	3 251	45	640	96	**4 032**	(229)	599	**4 402**	1 348
Pierre van Tonder	4 413	45	540	146	**5 144**	(400)	765	**5 509**	4 314
Mark Farrelly	2 774	45	410	84	**3 313**	(239)	492	**3 566**	2 966
Ronel van Dijk	2 594	–	334	–	**2 928**	(189)	435	**3 174**	2 427
Total executive directors	**13 032**	**135**	**1 924**	**326**	**15 417**	**(1 057)**	**2 291**	**16 651**	**11 055**
Prescribed officer									
Kevin Robertson	1 816	226	272	112	**2 426**	(222)	360	**2 564**	2 427
Non-executive directors									
For services, as directors, to the company									
Current directors									
Dean Hyde	400	–	–	–	**400**	–	–	**400**	–
Dineo Molefe	400	–	–	–	**400**	–	–	**400**	–
Keith Getz	400	–	–	–	**400**	–	–	**400**	–
Keith Madders	400	–	–	–	**400**	–	–	**400**	–
Mntungwa Morojele	400	–	–	–	**400**	–	–	**400**	–
Muzi Kuzwayo	400	–	–	–	**400**	–	–	**400**	–
	2 400	–	–	–	**2 400**	–	–	**2 400**	–
For services, as directors, to subsidiary companies									
Current directors									
Keith Getz[4]	193	–	–	–	**193**	–	–	**193**	–
Keith Madders[5]	121	–	–	–	**121**	–	–	**121**	–
	314	–	–	–	**314**	–	–	**314**	–
Total non-executive directors	**2 714**	**–**	**–**	**–**	**2 714**	**–**	**–**	**2 714**	**–**
Total remuneration	**17 562**	**361**	**2 196**	**438**	**20 557**	**(1 279)**	**2 651**	**21 929**	**13 482**
Senior managers[6]									
Senior manager 1	1 477	–	221	84	**1 782**	(44)	281	**2 019**	613
Senior manager 2	1 550	–	232	–	**1 782**	(44)	281	**2 019**	613
Senior manager 3	1 217	148	243	58	**1 666**	(54)	263	**1 875**	613

Refer page 155 for footnotes.

2015	Guaranteed remuneration					Variable remuneration			
	Cash remu-neration R'000	Travel allow-ance R'000	Provident fund R'000	Medical aid R'000	Subtotal R'000	Equity compen-sation benefits[1] R'000	Perfor-mance bonus[2] R'000	Total remu-neration included in profit or loss R'000	Share appreci-ation rights payout[3] R'000
Executive directors and prescribed officer									
For services, as employees, to subsidiary companies									
Current directors									
Allen Ambor	2 814	272	554	94	**3 734**	1 343	591	**5 668**	1 772
Pierre van Tonder	3 890	272	475	134	**4 771**	4 648	768	**10 187**	5 617
Mark Farrelly	2 369	272	350	77	**3 068**	3 224	477	**6 769**	3 899
Ronel van Dijk	2 253	–	293	–	**2 546**	2 640	435	**5 621**	3 123
Total executive directors	**11 326**	**816**	**1 672**	**305**	**14 119**	**11 855**	**2 271**	**28 245**	**14 411**
Prescribed officer									
Kevin Robertson	1 686	226	249	102	**2 263**	2 608	348	**5 219**	3 190
Non-executive directors									
For services, as directors, to the company									
Current directors									
Dean Hyde	375	–	–	–	**375**	–	–	**375**	–
Dineo Molefe	375	–	–	–	**375**	–	–	**375**	–
Keith Getz	375	–	–	–	**375**	–	–	**375**	–
Keith Madders	375	–	–	–	**375**	–	–	**375**	–
Mntungwa Morojele	375	–	–	–	**375**	–	–	**375**	–
Muzi Kuzwayo	375	–	–	–	**375**	–	–	**375**	–
	2 250	–	–	–	**2 250**	–	–	**2 250**	–
For services, as directors, to subsidiary companies									
Current directors									
Keith Getz[4]	165	–	–	–	**165**	–	–	**165**	–
Keith Madders[5]	142	–	–	–	**142**	–	–	**142**	–
	307	–	–	–	**307**	–	–	**307**	–
Total non-executive directors	**2 557**	**–**	**–**	**–**	**2 557**	**–**	**–**	**2 557**	**–**
Total remuneration	**15 569**	**1 042**	**1 921**	**407**	**18 939**	**14 463**	**2 619**	**36 021**	**17 601**
Senior managers[6]									
Senior manager 1	1 369	–	205	76	**1 650**	666	263	**2 579**	806
Senior manager 2	1 409	–	211	–	**1 620**	666	258	**2 544**	806
Senior manager 3	1 127	148	225	53	**1 553**	658	224	**2 435**	806

The board considers there to be no prescribed officers (as defined in section 1 of the Companies Act) with the exception of Kevin Robertson.

No directors or prescribed officers were paid for services to associates.

Refer page 155 for footnotes.

43. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS continued

The following number of cash-settled share appreciation rights have been allocated to directors, prescribed officers and senior managers in terms of the long-term share-linked employee retention scheme and were outstanding as at the reporting date (refer note 24).

	Rights – tranche 3	
	2016 '000	2015 '000
Executive directors and prescribed officer		
Allen Ambor	–	110
Pierre van Tonder	–	352
Mark Farrelly	–	242
Ronel van Dijk	–	198
Kevin Robertson (prescribed officer)	–	198
	–	1 100
Senior managers[6]		
Senior manager 1	–	50
Senior manager 2	–	50
Senior manager 3	–	50
	–	150
Total awards allocated	–	1 250

	Rights – tranche 4	
	2016 '000	2015 '000
Executive directors and prescribed officer		
Allen Ambor	**110**	110
Pierre van Tonder	**352**	352
Mark Farrelly	**242**	242
Ronel van Dijk	**198**	198
Kevin Robertson (prescribed officer)	**198**	198
	1 100	1 100
Senior managers[6]		
Senior manager 1	**50**	50
Senior manager 2	**50**	50
Senior manager 3	**50**	50
	150	150
Total awards allocated	**1 250**	1 250

	Rights – tranche 5	
	2016 '000	2015 '000
Executive directors and prescribed officer		
Allen Ambor	**50**	50
Pierre van Tonder	**362**	362
Mark Farrelly	**265**	265
Ronel van Dijk	**218**	218
Kevin Robertson (prescribed officer)	**200**	200
	1 095	1 095
Senior managers[6]		
Senior manager 1	**55**	55
Senior manager 2	**55**	55
Senior manager 3	**50**	50
	160	160
Total awards allocated	**1 255**	1 255

Refer page 155 for footnotes.

The following number of share-linked awards have been allocated to directors, prescribed officers and senior managers in terms of the equity-settled Forfeitable Share Plan ("FSP") and Share Appreciation Rights ("SAR") Scheme and were outstanding as at the reporting date (refer note 21.5):

	FSP shares		SAR rights	
	2016 '000	2015 '000	2016 '000	2015 '000
Executive directors and prescribed officer				
Pierre van Tonder	15	–	409	–
Mark Farrelly	10	–	353	–
Ronel van Dijk	10	–	298	–
Kevin Robertson (prescribed officer)	10	–	242	–
	45	–	1 302	–
Senior managers[6]				
Senior manager 1	5	–	74	–
Senior manager 2	5	–	74	–
Senior manager 3	5	–	56	–
	15	–	204	–
Total awards allocated	60	–	1 506	–

Footnotes

1 The equity compensation benefit is the *pro rata* share-based payments expense (in terms of *IFRS2 – Share-based Payments*) attributable to each of the directors or employees. Refer notes 21.5 and 24.

2 Includes payments during the financial year (relating to performance criteria in respect of the prior year), but excludes accrual for payments due in the subsequent financial year (relating to performance criteria in respect of the current year) due to the fact that the actual payment is not determinable at the date of this report. Refer note 27.1.

3 Actual payout on vesting of cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (refer note 24). The cost of these rights (calculated in accordance with IFRS2) has been expensed to profit or loss over the vesting period of the rights and has similarly been included in the emoluments disclosed for directors in each year of the vesting period. The actual payment is therefore not reflected as additional remuneration in the current year, but is disclosed for information purposes.

4 In addition to the standard non-executive director's fee of R400 000 (2015: R375 000) approved by shareholders, Keith Getz's fees include payments to a related party of R0.193 million (2015: R0.165 million) for Mr Getz's attendance at three (2015: three) meetings each of the board of directors of Steak Ranches International BV and Spur International Ltd BVI, all of which he chaired.

5 In addition to the standard non-executive director's fee of R400 000 (2015: R375 000) approved by shareholders, Keith Madders' fees include payments for attendance at three (2015: three) meetings of the Steak Ranches International BV board.

6 Senior managers are the top three earning employees, who are not directors or prescribed officers of the company, in the respective financial years. The composition of these senior managers varies from year to year, although comparatives are not adjusted in this regard.

44. RELATED PARTY DISCLOSURES

44.1 TRANSACTIONS BETWEEN GROUP ENTITIES

During the year, in the ordinary course of business, certain companies within the group entered into transactions which have been eliminated on consolidation. Notes 15.2 and 15.3 provide detail on the loans to associate. Also refer note 11 of the separate financial statements on page 180 for guarantees given to subsidiary companies.

Interest income for the year on the loans to associate detailed in notes 15.2 and 15.3 amounted to R5.617 million (2015: R4.093 million).

44. RELATED PARTY DISCLOSURES continued

44.2 IDENTITY OF RELATED PARTIES

A number of the group's directors, previous directors, prescribed officers and key management personnel (or parties related to them) hold positions in other entities, where they may have significant influence over the financial or operating policies of those entities. To the extent that the group has any relationship or dealings with those entities, they are listed as follows:

Director/former director/ prescribed officer	Related party	Cross reference to note 44.3	Relationship with related party
Alan Keet	Nomivax (Pty) Ltd (trading as The Hussar Grill Grandwest)[1, 3]		12% Shareholder
Keith Getz	Bernadt Vukic Potash & Getz		Partner
Keith Madders	Gemini Moon Trading 294 (Pty) Ltd[6]		49% Shareholder
	Kamplans Ltd[2]		100% Indirect
Keith Madders (Son 1)	Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[1, 4]	11	5% Shareholder
Keith Madders (Son 2)	Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[1, 4]	11	5% Shareholder
Kevin Robertson	Randtip 29 (Pty) Ltd (trading as Arrow Ridge Spur)[1, 4]		15% Shareholder
Kevin Robertson (Spouse)	Brentwood Restaurant (Pty) Ltd (trading as Lone Spur)[1]		25% Shareholder
	Clearpan (Pty) Ltd (trading as Panarottis Clear Water Mall)[1]		20% Shareholder
	Limorox (Pty) Ltd (trading as Albuquerque Spur)[1]	6	25% Shareholder
Mark Farrelly	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[1]	1	25% Shareholder
	Apache Dawn (Pty) Ltd (trading as The Hussar Grill Somerset West)[1]	3	20% Shareholder
	Barleda 293 CC (trading as Cancun Spur)[1, 4]		25% Member
	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg)[1]	5	10% Shareholder
	Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[1, 4]	11	22% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (trading as RocoMamas I'langa)[1, 3]	13	21% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (trading as RocoMamas Stone Ridge Mall)[1, 3]		21% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	30	22% (2015: 20%) Shareholder
	White Cloud Restaurant Ltd (trading as White Cloud Spur (New Zealand))[1, 3]	33	80% Shareholder
Mark Farrelly (Brother)	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[1]	1	10% Shareholder
Mark Farrelly (Spouse)	Blue Desk Recruitment		Sole proprietor
Pierre van Tonder	Barleda 293 CC (trading as Cancun Spur)[1, 3]		6.5% Member
	Meltrade 286 CC (trading as Captain DoRegos Wynberg)[1, 14]	17	25% Member
	Meltrade 286 CC (trading as Casa Bella Grandwest)[1]	18	25% Member
	Meltrade 286 CC (trading as Silver Dollar Spur)[1]	19	25% Member
	Nomivax (Pty) Ltd (trading as The Hussar Grill Grandwest)[1, 3]		18.75% Shareholder
	Seasons Find 976 CC (trading as Ottawa Spur)[1, 4]	28	25% Member
Ronel van Dijk	Barleda 293 CC (trading as Cancun Spur)[1, 3]		25% Member
	Kea Investments CC (trading as RocoMamas The Grove, Windhoek (Namibia))[1, 3]		25% Member

Key Management[5]	Entity	Cross reference to note 44.3	Relationship with entity
Blaine Freer	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[1]	1	25% Shareholder
	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg)[1, 3]	5	25% Shareholder
	Evening Star Trading 384 (Pty) Ltd (trading as Maverick Spur)[1]		25% Shareholder
	Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[1, 4]	11	25% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (trading as RocoMamas I'langa)[1, 3]	13	21% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (trading as RocoMamas Stone Ridge Mall)[1, 3]		21% Shareholder
	Pizza Mall of the North (Pty) Ltd (trading as Panarottis Mall of the North)[1]	24	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	30	22% Shareholder
	Vegix (Pty) Ltd (trading as Panarottis Waterfall Mall)[1]	32	10% Shareholder
Brian Altriche	Celapart (Pty) Ltd (trading as Golden Falcon Spur)[1]		50% Shareholder
	Double Ring Trading 299 (Pty) Ltd (trading as Falcon Arrow Spur)[1]	7	100% Shareholder
	Little Haiwatha Trading CC (trading as RocoMamas Rivonia)[1]	14	60% Member
	Twin Cities Trading 42 (Pty) Ltd (trading as Falcon Peak Spur)[1]	31	100% Shareholder
	Pizzade Trading CC (trading as RocoMamas Randburg)[1]	25	70% Member
	Walk The Game (Pty) Ltd (trading as RocoMamas Melrose Arch)[1, 4]		50% Shareholder

Refer page 161 for footnotes.

Key Management[5]	Entity	Cross reference to note 44.3	Relationship with entity
Brian Altriche (Brother-in-law)	Almescan (Pty) Ltd (trading as RocoMamas Glen Acres)[1, 3]		50% Shareholder
	Celapart (Pty) Ltd (trading as Golden Falcon Spur)[1]		50% Shareholder
	Little Haiwatha Trading CC (trading as RocoMamas Rivonia)[1]	14	20% Member
	Naxafin CC (trading as RocoMamas Fourways)[1, 3]		50% Member
	Walk The Game (Pty) Ltd (trading as RocoMamas Melrose Arch)[1, 4]		25% Shareholder
Brian Altriche (Sister)	Naxafin CC (trading as RocoMamas Fourways)[1, 3]		50% Member
Derick Koekemoer	Barleda 293 CC (trading as Cancun Spur)[1]		25% Member
	Kea Investments CC (trading as RocoMamas The Grove, Windhoek (Namibia))[1, 3]		25% Member
	Little Thunder (Pty) Ltd (trading as Tampico Spur)[1]	15	20% (2015: 21%) Shareholder
	Servigyn 25 CC (trading as Thunder Bay Spur)[1]	29	31% Member
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	30	15% Shareholder
	Ten Cents Investments 16 CC (trading as Sarasota Spur)[1]		50% Member
Duncan Werner	Rujac (Pty) Ltd (trading as Manitoba Spur)[1, 3]	27	25% Shareholder
Duncan Werner (Spouse)	Design Form		Sole proprietor
José Vilar	Hunga Busters Pty Ltd		50% Shareholder
Julian Odendaal	Autostart CC (trading as Two Tomahawks Spur)[1]	4	10% Member
	Eddie Schoch CC (trading as Captain DoRegos Delmas)[1, 4]	8	10% Member
	Manucube (Pty) Ltd (trading as Captain DoRegos Pretorius Street)[1]	16	25% Member
	Sting Day Trade (Pty) Ltd (trading as Stony River Spur)[1]		5% Shareholder
Justin Fortune	Alicente 144 CC (trading as Golden Bay Spur)[1]		25% Member
	Ambicor 195 CC (trading as Cincinnati Spur)[1]	2	25% Member
	Apache Dawn (Pty) Ltd (trading as The Hussar Grill Somerset West)[1]	3	20% Shareholder
Leonard Coetzee	Founad Trading 89 CC (trading as Grand Canyon Spur)[1]	9	11% Member
	JJ Links CC (trading as John Dory's Wilsons Wharf)[1]	12	11% Member
	Monnani (Pty) Ltd (trading as John Dory's Watercrest Mall)[1, 3]	21	15% Shareholder
	Nitafin (Pty) Ltd (trading as John Dory's Secunda)[1]	22	10% Shareholder
	Nitaprox (Pty) Ltd (trading as Eldorado Spur)[1]	23	15% (2015: 12.5%) Shareholder
	Torinosun (Pty) Ltd (trading as Navaho Springs Spur)[1, 3]		15% Shareholder
	Waterstone Trading 51 (Pty) Ltd (trading as Atlanta Spur)[1]		11% Shareholder
Peter Wright	Gerina Beleggings (Pty) Ltd (trading as Sioux Spur)[1, 3]	10	10% Shareholder
	Rocowp (Pty) Ltd (trading as RocoMamas Durbanville)[1, 3]	26	10% Shareholder
	Rocowp (Pty) Ltd (trading as RocoMamas Okavango)[1, 3]		10% Shareholder
Sacha du Plessis	Barleda 293 CC (trading as Cancun Spur)[1, 3]		6.5% Member
	Meltrade 286 CC (trading as Casa Bella Grandwest)[1]	18	25% Member
	Meltrade 286 CC (trading as Silver Dollar Spur)[1]	19	25% Member
	Meltrade 286 CC (trading as Captain DoRegos Wynberg)[1, 14]	17	25% Member
	Nomivax (Pty) Ltd (trading as The Hussar Grill Grandwest)[1, 3]		18.75% Shareholder
	Seasons Find 976 CC (trading as Ottawa Spur)[1, 4]	28	25% Member
Samkelo Blom (Spouse)	Busisiwe Blom		Sole proprietor
Tyrone Herdman-Grant	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[1]	1	10% Shareholder
	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg)[1]	5	20% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (trading as RocoMamas I'Langa)[1, 3]	13	21% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (trading as RocoMamas Stone Ridge Mall)[1, 3]		21% Shareholder
	Pizza Mall of the North (Pty) Ltd (trading as Panarottis Mall of the North)[1]	24	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	30	16.5% Shareholder
	Vegix (Pty) Ltd (trading as Panarottis Waterfall Mall)[1]	32	10% Shareholder

Refer page 161 for footnotes.

44.3 TRANSACTIONS WITH RELATED PARTIES

Refer note 19 for details on trade receivables from related parties. No individual trade receivable is material. The trade receivables with related party franchisees are subject to the same credit terms as for independent franchisees. None of the trade receivables are overdue. The trade receivables are secured by personal suretyships issued by the signatories to the franchise agreements, as with all other franchise agreements.

Transactions with related parties that are restaurants

In terms of the group's Conflict of Interest Policy, the director, previous director, prescribed officer or member of key management personnel in question is excluded from participating in any decision relating to any transaction with any restaurant in which he/she has an interest. Any concession[7] granted to a restaurant in which a director or prescribed officer has an interest must be approved by a disinterested quorum of the board.

44. RELATED PARTY DISCLOSURES continued

44.3 TRANSACTIONS WITH RELATED PARTIES continued

Transactions with related parties that are restaurants continued

		Temporary concession[7] 2016 R'000	Temporary concession[7] 2015 R'000
1.	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)	**–**	–
2.	Ambicor 195 CC (Cincinnati Spur)	**71**	–
3.	Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West)	**–**	6
4.	Autostart CC (Two Tomahawks Spur)	**–**	–
5.	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg)	**282**	93
6.	Clearpan (Pty) Ltd (Panarottis Clear Water Mall)	**–**	–
7.	Double Ring Trading 299 (Pty) Ltd (Falcon Arrow Spur)	**–**	–
8.	Eddie Schoch CC (Captain DoRegos Delmas)	**96**	138
9.	Founad Trading 89 CC (Grand Canyon Spur)	**–**	–
10.	Gerina Beleggings (Pty) Ltd (Sioux Spur)	**81**	–
11.	Gold Rush Steak Ranch (Pty) Ltd (Gold Rush Spur)	**–**	–
12.	JJ Links CC (John Dory's Wilsons Wharf)	**–**	–
13.	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'langa)	**–**	–
14.	Little Haiwatha Trading CC (RocoMamas Rivonia)	**–**	–
15.	Little Thunder (Pty) Ltd (Tampico Spur)	**–**	160
16.	Manucube (Pty) Ltd (Captain DoRegos Pretorius Street)	**128**	112
17.	Meltrade 286 CC (Captain DoRegos Wynberg)	**75**	–
18.	Meltrade 286 CC (Casa Bella Grandwest)	**–**	–
19.	Meltrade 286 CC (Silver Dollar Spur)	**–**	–
20.	Meltrade 286 CC (The Hussar Grill Grandwest)	**–**	–
21.	Monnani (Pty) Ltd (trading as John Dory's Watercrest Mall)	**–**	–
22.	Nitafin (Pty) Ltd (John Dory's Secunda)	**294**	294
23.	Nitaprox (Pty) Ltd (Eldorado Spur)	**316**	56
24.	Pizza Mall of the North (Pty) Ltd (Panarottis Mall of the North)	**–**	157
25.	Pizzade Trading CC (trading as RocoMamas Randburg)	**–**	–
26.	Rocowp (Pty) Ltd (RocoMamas Durbanville)	**–**	–
27.	Rujac (Pty) Ltd (Manitoba Spur)	**–**	–
28.	Seasons Find 976 CC (Ottawa Spur)	**–**	–
29.	Servigyn 25 CC (Thunder Bay Spur)	**154**	316
30.	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)	**–**	–
31.	Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur)	**–**	–
32.	Vegix (Pty) Ltd (Panarottis Waterfall Mall)	**52**	–
33.	White Cloud Restaurant Ltd (White Cloud Spur (New Zealand))	**–**	–
	Total	**1 549**	1 332

Notes

a) Grand Canyon Spur: The group paid the franchisee an amount of R252 167 (2015: R51 068) in respect of outdoor events catering[11].

b) Gold Rush Spur: The group paid this outlet R5 000 (2015: Rnil) for catering services provided[12].

c) John Dory's Wilsons Wharf: The group paid this outlet R3 750 in the prior year for catering services provided[12].

d) Tampico Spur: In the prior year, the group assisted this outlet with the purchase of kitchen equipment in the amount of R14 740.

e) Captain DoRegos Pretorius Street: During the year, the group granted this entity a loan in the amount of R25 000 to partially fund the purchase of additional equipment for the restaurant and to finance the application for a liquor licence. The loan bears interest at 2% above the prime rate of interest and is repayable in 24 equal monthly instalments. The carrying value of the loan at the reporting date was R17 312. During the prior year, the group granted this entity a loan in the amount of R35 682 to partially fund the refurbishment of the restaurant. The loan bears interest at 1% above the prime rate of interest and is repayable in fixed monthly instalments of R1 000. The carrying value of the loan at the reporting date was R18 999 (2015: R28 388).

f) Casa Bella Grandwest: The group assisted this outlet with design concept development and set-up costs in the amount of R266 236 (2015: Rnil). The Casa Bella brand was launched during the year and two outlets, including this outlet, were opened during the year. Similar assistance was provided to the other outlet opened (which is not a related party).

Refer page 161 for footnotes.

	Training fees[8]		Marketing assistance[9]		Sales incentives[10]		Other transactions
	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000	
	2	62	**12**	–	**–**	–	
	–	–	**–**	–	**–**	–	
	16	–	**–**	3	**1**	–	
	–	–	**3**	2	**–**	–	
	116	7	**–**	19	**4**	–	
	–	–	**–**	4	**–**	–	
	57	–	**–**	–	**–**	–	
	6	–	**–**	–	**–**	–	
	–	–	**–**	–	**–**	–	a
	–	–	**–**	–	**–**	–	
	–	86	**–**	–	**–**	–	b
	–	–	**–**	–	**2**	2	c
	–	–	**13**	–	**–**	–	
	115	37	**–**	–	**–**	–	
	–	–	**–**	–	**–**	–	d
	–	–	**4**	–	**–**	–	e
	–	–	**–**	–	**–**	–	
	–	–	**–**	–	**–**	–	f
	–	–	**20**	3	**–**	–	g
	–	–	**–**	–	**–**	–	h
	–	–	**22**	–	**–**	–	
	–	–	**11**	30	**–**	–	
	5	–	**–**	4	**–**	–	
	10	5	**9**	–	**–**	–	
	39	–	**–**	–	**–**	–	i
	–	–	**11**	–	**–**	–	
	–	–	**–**	–	**–**	–	j
	–	–	**–**	9	**–**	25	k
	–	–	**–**	–	**–**	–	l
	5	24	**–**	–	**2**	–	m
	–	–	**–**	–	**–**	–	n
	–	–	**–**	–	**–**	–	o
	–	–	**–**	–	**–**	–	p
	371	221	**105**	74	**9**	27	

g) Silver Dollar Spur: The group paid this outlet R2 952 (2015: Rnil) for catering services provided[12] and assisted this outlet with the purchase of new specification crockery (for the purposes of testing) in the amount of R19 120 (2015: Rnil).

h) The Hussar Grill Grandwest: The group paid this outlet R18 973 (2015: Rnil) for meals served to members of the World President Organisation (WPO).

i) RocoMamas Randburg: This outlet provided operational consulting services to the group in the amount of R39 500 (2015: Rnil).

j) Manitoba Spur: The group assisted this outlet with the purchase of new specification crockery (for the purposes of testing) in the amount of R10 280 (2015: Rnil).

k) Ottawa Spur: The group paid this outlet R11 563 (2015: Rnil) for catering services provided[12].

l) Thunder Bay Spur: In the prior year, the group assisted this outlet with the purchase of kitchen equipment in the amount of R14 740.

m) 7 Eagles Spur: The group assisted this outlet with the purchase of new specification crockery (for the purposes of testing) in the amount of R28 860 (2015: Rnil).

n) Falcon Peak Spur: The group paid this outlet R4 362 (2015: Rnil) for catering services provided[12].

o) Panarottis Waterfall Mall: The group subsidised this outlet's rental cost in the amount of R278 086 (2015: Rnil).

p) White Cloud Spur (New Zealand): The group granted this entity extended credit terms of six months from date of store-opening to settle the initial franchise fee of NZ$33 000 (the equivalent of R317 490 at the reporting date); the store is anticipated to open November 2016. The group also funded the cost of new specification bench seating for the outlet in the amount of R140 000.

44. RELATED PARTY DISCLOSURES continued

44.3 TRANSACTIONS WITH RELATED PARTIES continued

Transactions with related parties that are not restaurants are detailed below:

Bernadt Vukic Potash & Getz (Keith Getz)

Bernadt Vukic Potash & Getz serves as the group's principal legal counsel and has provided legal services (other than services included with directors' emoluments per note 43) on various matters in the ordinary course of business to the value of R1 858 630 (2015: R1 636 829). Bernadt Vukic Potash & Getz charges the group hourly rates that are commensurate with the rates charged to its other clients.

Blue Desk recruitment (Mark Farrelly's spouse)

Blue Desk recruitment provided staff recruitment services to the group in the amount of R125 904 (2015: Rnil).

Busisiwe Blom (Samkelo Blom's spouse)

The group paid an amount of R1 440 in the prior year to Mrs Blom for catering services to the group.

Design Form (Duncan Werner's spouse)

Karen Werner, trading as Design Form, provided architectural, design and project management services to the group in the amount of R830 105 (2015: R445 127). The services are provided largely to franchisees (with their consent) and any costs so incurred by the group are recovered, for the most part, from franchisees. The fee charged to the group's franchisees is consistent with the fee that Design Form charges any other party. In addition, during the year, Design Form provided the group with project management services relating to the building of the group's new corporate offices in Century City (refer note 12.2).

Hunga Busters Pty Ltd

During the prior year, the group disposed of its equity interest in Panpen Pty Ltd (Australia), and the business of Silver Spur (Australia) as a going concern, to Hunga Busters Pty Ltd for an aggregate purchase consideration of AU$1 200 000 (the equivalent of R11.165 million at the transaction date) on loan account. Details of the transactions are included in note 36 and the terms of the loan together with the outstanding balance at the reporting date are included in note 15.8. The directors determined the sales prices of the respective businesses by employing an earnings-multiple valuation technique (which is a generally accepted valuation technique in the restaurant industry), using the expected profit of the respective businesses and a multiple which the directors considered reasonable in relation to similar transactions of this nature.

Kamplans Ltd

Kamplans Ltd previously provided the consulting services of Keith Madders to the group (other than services included with directors' emoluments per note 43). An amount of £50 698, the equivalent of R919 494, was paid in the prior year in respect of direct and incidental costs relating to services provided to group. The fees were charged in terms of a consultancy agreement that was terminated during the prior year.

44.4 KEY MANAGEMENT[5]

The key management personnel compensation is as follows:

	2016 R'000	2015 R'000
Short-term employee benefits	**23 652**	20 778
Other long-term benefits	**2 488**	2 302
Equity compensation benefits (refer notes 21.5 and 24)	**(400)**	5 271
Total remuneration included in profit before income tax	**25 740**	28 351
In addition to the above, payments made in terms of the group's long-term share-linked employee retention scheme[13]	**4 902**	6 444
Key management comprises 17 (2015: 17) employees.		
In addition to the above, emoluments to directors and prescribed officers amounted to (refer note 43)	**21 929**	36 021

Footnotes

[1] These entities are franchisees. Franchise fees and advertising fees of between 3% and 5% and between 2% and 4% of restaurant turnover (depending on the brand) respectively are collected by the group in terms of the standard franchise agreements, unless otherwise indicated under the related party transactions described above.

[2] This interest is held indirectly through a trust. The director in question is a beneficiary of the trust.

[3] These interests were acquired during the current year.

[4] These interests were disposed of during the year.

[5] Key management are listed on page 15 and exclude directors and prescribed officers (directors' and prescribed officer's emoluments are detailed in note 43).

[6] Gemini Moon Trading 294 (Pty) Ltd holds a 28% interest in Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[1].

[7] Temporary concession: The concession is a percentage of franchise and/or advertising fee income that would ordinarily be collected by the group in terms of the standard franchise agreements. Franchise and marketing fee concessions are granted to franchisees in the ordinary course of business to provide relief from some temporary external influence (outside of the franchisee's control) which has a negative impact on the franchisee's profitability and may threaten the sustainability of the outlet. Examples of such circumstances include increased competitive activity in the proximity of the restaurant, construction or other interference impeding foot traffic and excessive rentals (provided that these are in the process of being renegotiated). The concession is subject to strict authorisation protocols and is conditional upon the franchisee complying with all of the group's operational requirements. The concession may be withdrawn at the group's discretion at any time. Any franchisee (including one which is not a related party) is eligible for a concession should the circumstances so dictate and each case is considered on its own merits after careful scrutiny of franchisee financial records and other supporting documentation.

[8] Training fees: Fees to outlets which serve as training facilities are determined based on the number of delegates trained and the number of days each delegate is trained. The fee charged is the same fee charged by other training stores (which are not related parties).

[9] Marketing assistance: Marketing assistance is provided to franchisees as the need arises. Typically, this is to compensate a franchisee for piloting a new concept or to assist a franchisee in minimising the negative impact of competing brands in the outlet's proximity. The basis for determining the assistance is the same as for any other franchisee (which is not a related party).

[10] Sales incentives: Sales incentives are paid to franchisees based on sales of a particular item which is subject to promotion. The incentives are usually financed by the suppliers whose products are the subject of the promotion. The terms applicable to the incentive payments are the same as for any other franchisee (which is not a related party).

[11] Outdoor events catering: The group has outsourced its outdoor events catering trailers to certain franchisees. The franchisees in question are paid a vending fee for each event depending on the duration of the event and the distance travelled. The terms applied are the same as those applied to any other franchisee (which is not a related party) who manages an outdoor catering trailer.

[12] Catering services: The group sponsors meals for sporting and charity events on an *ad hoc* basis and engages the services of franchisees to prepare these meals.

[13] Actual payout on vesting of cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (refer note 24). The cost of these rights (calculated in accordance with IFRS2) has been expensed to profit or loss over the vesting period of the rights and has similarly been included in the key management personnel compensation in each year of the vesting period. The actual payment is therefore not reflected as additional compensation in the current year, but is disclosed for information purposes.

[14] This outlet commenced trading in September 2015 and ceased trading in March 2016.

45. SUBSEQUENT EVENTS

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

45.1 DIVIDENDS

On 7 September 2016, the board declared a final dividend of 73.0 cents per ordinary share in respect of the 2016 financial year, payable on 3 October 2016 as referred to in note 29 and in the directors' report on page 84 of this report.

46. CONTINGENT LIABILITIES

46.1 INCOME TAX IN RESPECT OF CONTROLLED FOREIGN COMPANIES

As previously reported, the South African Revenue Service ("SARS") had previously issued assessments to wholly-owned subsidiary, Spur Group (Pty) Ltd, for additional income from controlled foreign companies of the group for the 2009, 2010 and 2011 years of assessment. The assessments amounted in aggregate to R1.993 million (comprising R1.561 million in tax and R0.432 million in interest) which were settled in cash in the 2014 financial year. Following alternate dispute resolution ("ADR") proceedings initiated with SARS in November 2014, on 8 October 2015, SARS informed the company that it concurred that the 2009 assessment had prescribed, but that the ADR had been unsuccessful for the 2010 and 2011 years of assessment. A reduced assessment and refund for the 2009 year of assessment of R1.349 million was received on 16 January 2016. The balance paid to date is accounted for as a prepayment of income tax. Subsequent to the reporting date, on 10 August 2016, the board has been notified by SARS that SARS has accepted a final settlement in the amount of R400 000 for the 2010 and 2011 years of assessment. The relevant settlement agreements are expected to be formally concluded in due course.

46. CONTINGENT LIABILITIES continued

46.2 INCOME TAX IN RESPECT OF 2004 – 2009 SHARE INCENTIVE SCHEME

As previously reported, SARS had previously issued additional assessments to wholly-owned subsidiary, Spur Group (Pty) Ltd, in respect of the 2010, 2011 and 2012 years of assessment totalling R6.589 million (comprising R5.098 million in additional income tax and R1.491 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. The assessments were settled in cash on 30 January 2015. On 28 July 2015, SARS issued additional assessments regarding the same matter for the 2005 to 2009 years of assessment amounting to R15.445 million (comprising R8.898 million in additional income tax and R6.547 million in interest), which were settled in cash on 30 September 2015. The matter was referred to ADR proceedings which were held on 17 March 2016. The ADR process resulted in no agreement being reached with SARS, and the company has indicated to SARS that it intends to refer the matter to court. The board awaits SARS' statement of grounds of assessment and opposing the appeal to take the matter further. The board, in consultation with its tax advisors, remains confident that it will be able to prove that SARS has erred in disallowing the deduction and consequently, no liability has been raised in respect of the assessments issued to date. The payments made to date are accounted for as prepayments of income tax.

46.3 LEGAL DISPUTE WITH FORMER ZAMBIAN FRANCHISEE

As reported in the prior year, in 2012 Steak Ranches Ltd ("SRL") instituted action against a wholly-owned subsidiary of the group, Steak Ranches International BV ("SRIBV"), a company incorporated and domiciled in The Netherlands, for allegedly repudiating a franchise agreement previously concluded between the parties. SRL is an unrelated entity incorporated and domiciled in Zambia. SRIBV previously concluded a franchise agreement with SRL for a franchised outlet in Zambia, but cancelled that agreement after SRL breached the terms of the agreement, as alleged by the board of SRIBV.

SRL is claiming for special damages in the amount of US$648 152, pecuniary damages in the amount of US$4 236 041 and an unquantified amount of general damages arising out of the alleged repudiation, together with interest and costs.

SRIBV is defending the action, denying the repudiation of the franchise agreement. SRIBV avers that it validly cancelled the agreement as SRL breached the terms thereof. The board of SRIBV is confident that it will be able to defend the claim successfully. A court date to consider the merits of the case has yet to be determined.

The matter is subject to Zambian law and will be heard in a Zambian court.

47. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently, in all material respects, to all years presented in these consolidated financial statements.

47.1 BASIS OF CONSOLIDATION

47.1.1 Investment in subsidiaries

The consolidated financial statements include the financial statements of the company and the entities that it controls. The group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity. The financial statements of subsidiaries are included in the consolidated financial statements of the group from the date that control commences until the date that control ceases.

The company carries its investments in subsidiaries at cost less impairment losses in its separate financial statements.

47.1.2 Investment in associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost, which includes transaction costs. The consolidated financial statements include the group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the group from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its investment in an equity-accounted investee (including any loan receivable or other financial instrument that forms part of the net investment in the investee), the carrying amount of the investment (including any loan receivable or other financial instrument that forms part of the net investment in the investee) is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee.

47.1.3 Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

47.1.4 Functional and presentation currency

All items in the financial statements of the group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("the functional currency"). The group's consolidated financial statements are presented in rands, which is the company's functional currency and the group's presentation currency.

47.1.5 Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to rands at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to rands at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in equity in the foreign currency translation reserve ("FCTR").

47.1.6 Net investment in foreign operations

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, the exchange differences arising from such monetary item are considered to be part of the net investment in foreign operations and are recognised in other comprehensive income and presented in equity in the FCTR. When the investment in foreign operation is disposed of (including deregistration or abandonment of a foreign operation), the relevant amount in the FCTR is reallocated from other comprehensive income to profit or loss.

47.1.7 Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis, although the group has applied the latter in all cases to date. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' shares of subsequent changes in equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

47.1.8 Business combinations and goodwill

Business combinations after 1 July 2009

Business combinations occurring on or after 1 July 2009 are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are recognised as an expense in profit or loss.

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with *IAS39 – Financial Instruments: Recognition and Measurement* in profit or loss. If the contingent consideration is classified as equity, it shall not be remeasured, until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the fair value of the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 30 June 2009

In comparison to the above-mentioned requirements, the following differences apply:

- Business combinations were accounted for using the purchase method;
- Transaction costs directly attributable to the acquisition formed part of the acquisition cost; and
- The non-controlling interests were measured at the proportionate share of the acquirees' identifiable net assets.

47.1.9 Transactions with non-controlling interests

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

47.1.10 Loss of control

When the group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *IAS39 – Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

47.2 FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the respective functional currencies using the exchange rate at the date of the transaction. Foreign exchange differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation which are recognised in other comprehensive income and presented in equity in the FCTR.

47.3 PROPERTY, PLANT AND EQUIPMENT

47.3.1 Recognition and measurement

Items of property, plant and equipment, including owner-occupied buildings, are stated at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located when the group has an obligation to remove the asset or restore the site and capitalised borrowing costs (refer note 47.13.2). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

47.3.2 Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing a part of such an item when the cost is incurred if it is probable that the economic benefits embodied within the item will flow to the group and the cost of the item can be measured reliably. In such cases, the carrying amount of the replaced part is derecognised. All other costs are recognised in profit or loss in the period they are incurred.

47.3.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date that they are ready for use. Leasehold improvements are depreciated over the shorter of the lease term or estimated useful life of the assets. Land is not depreciated.

Typically, the estimated useful lives for the current and prior periods are as follows:

– buildings	50 years
– plant, equipment and vehicles	3 – 5 years
– furniture and fittings	5 – 6.67 years
– computer equipment	3 years
– leasehold improvement	lesser of lease term and 10 years

Depreciation methods, useful lives and residual values are reassessed annually.

47.3.4 Disposal

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised in profit or loss.

47.4 INTANGIBLE ASSETS (OTHER THAN GOODWILL)

47.4.1 Trademarks, franchise rights and software licences

Intangible assets are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. Intangible assets which have finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each asset from the date they are ready for use. Intangible assets which have indefinite useful lives are not amortised but are tested for impairment annually. No value is attached to internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks and brand names is recognised in profit or loss as incurred.

Typically, the estimated useful lives for the current and prior periods are as follows:

– software licences	5 years

Amortisation methods, useful lives and residual values are reassessed annually.

47.4.2 Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, costs can be measured reliably, future economic benefits are probable and the group has sufficient resources to complete development in order to use or sell the asset.

47.4.3 Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

47.4.4 Derecognition

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss when the asset is derecognised.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.5 IMPAIRMENT

47.5.1 Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows relating to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the price that would be received, at the measurement date, from the sale of an asset or cash-generating unit in an orderly transaction between market participants less the costs of disposal. For an asset or cash-generating unit that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment reversals are recognised in profit or loss.

47.5.2 Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The recoverable amount of the group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Where the carrying value of an asset exceeds its recoverable amount, the difference is recognised as an impairment loss in profit or loss.

47.6 INVENTORIES

Inventories are measured at the lower of cost, determined on the first-in-first-out basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. The cost of inventory includes costs incurred in acquiring the inventory and costs incurred in bringing the inventory to its current location and condition.

Cost of manufactured goods includes direct material costs, direct labour costs and an appropriate share of overheads based on normal operating capacity.

47.7 OPERATING LEASES

47.7.1 Operating leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Lease payments under an operating lease are recognised as an expense included in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Lease premium payments made in order to acquire a lease are initially recognised as a prepayment at cost and subsequently charged to profit or loss on a straight-line basis over the lease term.

47.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

47.9 TAX

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities in a transaction that is not part of a business combination that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that the group is able to control the timing of the reversal of the temporary differences and they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Where the company withholds tax on behalf of its shareholders on dividends declared, such amounts are not recognised as part of the company's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of income tax expense unless it is reimbursable, in which case it is recognised as an asset.

47.10 SHARE CAPITAL

47.10.1 Ordinary share capital

Ordinary share capital represents the par value of ordinary shares issued. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of taxes.

47.10.2 Share premium

Share premium represents the excess consideration received by the company over the par value of ordinary shares issued, and is classified as equity.

47.10.3 Repurchase of share capital

When shares of the company are acquired by the group, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity and the number of shares is deducted from the weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity.

47.10.4 Dividends

Dividends are recognised as a liability in the period in which they are declared and approved by shareholders.

47.11 FINANCIAL INSTRUMENTS

47.11.1 Recognition

The group initially recognises loans and receivables and debt securities issued on the date when they originated. All other financial assets and financial liabilities are initially recognised on the trade date.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.11 FINANCIAL INSTRUMENTS continued

47.11.2 Measurement

Non-derivative financial instruments are initially measured at fair value, plus directly attributable transaction costs, except for financial instruments that are classified as being carried at fair value through profit or loss. Subsequent to initial recognition these instruments are classified according to their nature.

Financial instruments are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Subsequent measurement of each financial instrument is explained in more detail below.

Trade and other receivables (including loans)
Trade and other receivables (including loans) are stated at amortised cost less impairment losses as appropriate.

Cash and cash equivalents
Cash and cash equivalents are measured at amortised cost, based on the relevant exchange rates at the reporting date.

Financial liabilities (other than derivative instruments)
Subsequent to initial recognition, financial liabilities (other than derivative instruments) are stated at amortised cost using the effective interest method.

Derivative instruments
Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on remeasurement of derivative instruments is recognised in profit or loss in the period that the change arises.

Cash flow hedge accounting is not applied.

47.11.3 Derecognition

Financial assets
A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the group transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

47.11.4 Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

47.12 REVENUE

Revenue comprises franchise-related fees, rental income, proceeds from the sale of supplies and promotional items and related services, including administration fee income (which is disclosed separately on the face of the statement of comprehensive income as it is not core to the group's operations). All revenue is stated exclusive of value added tax or other sales taxes and net of transactions with group companies and measured at the fair value of the consideration received or receivable.

Franchise fees are recognised on the accrual basis as services are rendered, or the rights used, in accordance with the substance of the related franchise agreements.

Revenue from the sale of supplies and promotional items is recognised when the significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably and receipt of the future economic benefits is probable.

Revenue from the rendering of services is recognised as the services are rendered if the costs relating to the rendering of the services can be reliably measured and the receipt of the future economic benefits is probable.

Rental income is recognised as revenue on a straight-line basis over the term of the lease.

Dividend income is recognised when the right to receive payment is established.

47.12.1 Administration fee income

Administration fees are a recovery of corporate costs by the group from the marketing funds that it administers on behalf of franchisees. The fees are included in other income in the statement of comprehensive income, are stated exclusive of value added tax or other sales taxes and are recognised as services are rendered.

47.13 FINANCE INCOME AND EXPENSE

47.13.1 Finance income

Finance income comprises interest income. Interest income is recognised on a time apportionment basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

47.13.2 Finance expense

Finance expense comprises interest payable on borrowings calculated using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

47.14 EMPLOYEE BENEFITS

47.14.1 Short-term employee benefits

The costs of all short-term employee benefits are recognised in profit or loss during the period in which the employee renders the related service.

The accruals for employee entitlements to salaries and leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

47.14.2 Other long-term employee benefits

Liabilities for employee benefits which are not expected to be settled within 12 months are discounted using the market yields, at the reporting date, on government bonds with terms which most closely match the terms of maturity of the related liabilities.

47.14.3 Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised in profit or loss in the period during which related services are rendered by employees.

47.14.4 Share-based payment transactions

With regard cash-settled transactions, the fair value of share appreciation rights granted is recognised as an employee expense included in profit or loss with a corresponding liability over the vesting period of the rights. The fair value of the rights granted is measured at each reporting date with any change in fair value being recorded in profit or loss as an employee expense, subject to the vesting period of the rights. The amount recognised as an expense included in profit or loss (and the related liability) is adjusted to reflect the actual number of rights that vest or are expected to vest.

With regard equity-settled transactions, the grant-date fair value of share appreciation rights or shares awarded is recognised as an employee expense in profit or loss with a corresponding increase in equity over the vesting period of the rights or shares. The amount recognised as an expense is adjusted to reflect the number of rights or shares for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

47.15 PROVISIONS

A provision is recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with the contract.

47. SIGNIFICANT ACCOUNTING POLICIES continued

47.16 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies. Thereafter assets classified as held for sale are measured at the lower of their carrying value and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Disposal groups are classified as discontinued operations where they represent a major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

47.17 GUARANTEES

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

These financial guarantees are classified as insurance contracts as defined in *IFRS4 – Insurance Contracts*. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the reporting date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

47.18 EARNINGS PER SHARE

The group presents basic and diluted earnings per share ("EPS") and basic and diluted headline earnings per share ("HEPS") for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the dilutive effects of all share options granted to employees.

Headline earnings is calculated in accordance with *Circular 2/2015: Headline Earnings* issued by the South African Institute of Chartered Accountants at the request of the JSE. The JSE Listings Requirements require the calculation of headline earnings for all entities listed on the JSE in South Africa. Basic HEPS is calculated by dividing headline earnings by the weighted average number of ordinary shares outstanding during the period. Diluted HEPS is determined by dividing headline earnings by the weighted average number of ordinary shares outstanding during the period adjusted for the dilutive effects of all share options granted to employees.

48. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations applicable to the group are not yet effective for the year ended 30 June 2016, and have not been applied in preparing these consolidated financial statements. Those standards and interpretations which are (or may be) applicable to the group in the future are presented below. Those standards and interpretations which have no bearing on the group's existing accounting policies, have no impact on the group's assets and liabilities as at the reporting date or their subsequent measurement and no impact on the accounting treatment of transactions that the group is likely to be party to, are not listed below. All standards and interpretations will be adopted at their effective date.

IAS1 – Presentation of financial statements
Amendments to this standard provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes, other comprehensive income of equity-accounted investees, and subtotals presented in the statement of financial position and statement of comprehensive income.

The amendments become mandatory for the group's 2017 financial statements and may result in a change in presentation of the financial statements.

IAS7 – Statement of cash flows
Amendments to this standard provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments become mandatory for the group's 2018 financial statements and may result in a change in presentation of the financial statements.

IAS12 – Income taxes
Amendments to this standard provide further guidance on the recognition of deferred tax assets relating to unrealised losses, specifically:

- the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
- methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised; and
- where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

The amendments become mandatory for the group's 2018 financial statements and are not expected to have a material impact on the financial statements.

IFRS2 – Share-based payments
Amendments to this standard include:

- Guidance for the measurement of cash-settled share-based payments;
- Clarification of the treatment of share-based payments settled net of tax withholdings; and
- Accounting for a modification of a share-based payment arrangement from cash-settled to equity-settled.

The amendments become mandatory for the group's 2019 financial statements and are not expected to have a material impact on the financial statements.

IFRS9 – Financial instruments
IFRS9, 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 and will be applied retrospectively subject to transitional provisions. The impact on the financial statements has yet to be determined.

IFRS15 – Revenue from contracts with customers
IFRS15 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 will be applied retrospectively subject to transitional provisions. The impact on the financial statements has yet to be determined.

IFRS16 – Leases
IFRS16, 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, *IAS17 - Leases*, and related interpretations. IFRS16 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 and will be applied retrospectively subject to transitional provisions. It is anticipated that the new standard will result in a change in the way that the group accounts for operating leases in accordance with the existing *IAS17 – Leases*, although the extent of the impact on the financial statements has yet to be determined.

SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Note	2016 R'000	2015 R'000
Dividend income		**153 772**	130 786
Interest income		**91**	62
Operating expenses		**(2 288)**	(35 484)
Profit before income tax	1	**151 575**	95 364
Income tax expense	2	**(25)**	(16)
Profit		**151 550**	95 348
Total comprehensive income		**151 550**	95 348

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

	Note	2016 R'000	2015 R'000
ASSETS			
Non-current assets			
Interest in subsidiary companies	3	**302 201**	292 372
Dividends receivable	4	**3 137**	10 437
Total non-current assets		**305 338**	302 809
Current assets			
Cash and cash equivalents		**1 004**	1 180
Total current assets		**1 004**	1 180
TOTAL ASSETS		**306 342**	303 989
EQUITY			
Ordinary share capital	5	**1**	1
Share premium		**294 663**	294 663
Retained earnings		**7 539**	790
Total equity		**302 203**	295 454
LIABILITIES			
Current liabilities			
Trade and other payables		**37**	53
Shareholders for dividend		**471**	482
Tax payable		**631**	–
Loan from subsidiary company	6	**3 000**	8 000
Total current liabilities		**4 139**	8 535
TOTAL EQUITY AND LIABILITIES		**306 342**	303 989

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE

	Ordinary share capital R'000	Share premium R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2014	1	6	3 219	3 226
Total comprehensive income for the year				
Profit	–	–	95 348	95 348
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners	–	294 657	(97 777)	196 880
Issue of ordinary shares (refer note 5.1)	–	294 657	(991)	293 666
Equity-settled share-based payment (refer note 5.1)	–	–	32 957	32 957
Dividends (refer note 10)	–	–	(129 743)	(129 743)
Balance at 30 June 2015	1	294 663	790	295 454
Total comprehensive income for the year				
Profit	**–**	**–**	**151 550**	**151 550**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners	**–**	**–**	**(144 801)**	**(144 801)**
Vesting of income by trust (refer note 7)	**–**	**–**	**4 443**	**4 443**
Income tax on vesting of income by trust (refer note 7)	**–**	**–**	**(625)**	**(625)**
Dividends (refer note 10)	**–**	**–**	**(148 619)**	**(148 619)**
Balance at 30 June 2016	**1**	**294 663**	**7 539**	**302 203**

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE

	Note	2016 R'000	2015 R'000
Cash flow from operating activities			
Operating loss before working capital items	8	**(2 288)**	(2 527)
Working capital changes		**(16)**	(7)
Cash utilised by operations		**(2 304)**	(2 534)
Interest received		**91**	62
Tax paid	9	**(19)**	(10)
Dividends received	4	**161 072**	142 911
Dividends paid	10	**(148 630)**	(129 672)
Income vested by trust	7	**4 443**	–
Net cash flow from operating activities		**14 653**	10 757
Cash flow from investing activities			
Increase in loans to subsidiary companies		**(9 829)**	(277 893)
Net cash flow from investing activities		**(9 829)**	(277 893)
Cash flow from financing activities			
Proceeds from the issue of ordinary shares	5.1	**–**	294 657
Costs incurred on issue of ordinary shares	5.1	**–**	(991)
Decrease in loans from subsidiary companies		**(5 000)**	(29 143)
Net cash flow from financing activities		**(5 000)**	264 523
Net movement in cash and cash equivalents		**(176)**	(2 613)
Cash and cash equivalents at beginning of year		**1 180**	3 793
Cash and cash equivalents at end of year		**1 004**	1 180

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. PROFIT BEFORE INCOME TAX

	2016 R'000	2015 R'000
The following items have been taken into account in determining profit before income tax:		
Consulting fees	**395**	387
JSE Listings fees and other related costs	**653**	649
Share-based payments expense – equity-settled – GPI B-BBEE transaction (refer note 5.1)	**–**	32 957

2. INCOME TAX

	2016 R'000	2015 R'000
2.1 INCOME TAX EXPENSE		
South African normal current tax – current year	**25**	16

	2016 %	2015 %
2.2 RECONCILIATION OF RATE OF TAX		
South African normal tax rate	**28.0**	28.0
Non-taxable dividend income	**(28.4)**	(38.4)
Non-deductible expenditure (capital items and items not in production of income)	**0.4**	10.4
Effective tax rate	**–**	–

	2016 R'000	2015 R'000
2.3 TAX CHARGED DIRECTLY TO EQUITY		
Current tax on income vested by trust (refer note 7)	**625**	–

3. INTEREST IN SUBSIDIARY COMPANIES

	2016 R'000	2015 R'000
Shares at cost less impairment losses	**1**	1
Equity-settled share-based payments on behalf of subsidiary	**11 213**	11 213
Loans to subsidiary companies	**290 987**	281 158
	302 201	292 372

In terms of the group's accounting policies, equity-settled share-based payments, determined in accordance with *IFRS2 – Share-based Payments*, by a subsidiary of the company in previous financial years are treated as a further investment in the subsidiary in question.

The loans to subsidiary companies are unsecured, interest free and have no fixed dates of repayment. While there is no intention to call up the loans in question, they are repayable on demand. Given the potential short-term nature of the receivables, their fair values have been determined to approximate their carrying values.

Details of the share capital and the company's interests in the subsidiary companies are as follows:

	Country of incorporation/ place of business	Issued capital R'000	Loans to subsidiaries R'000	% interest in company
Trading				
Direct				
– Share Buy-back (Pty) Ltd	South Africa	0.1		100.0
– Spur Group (Pty) Ltd	South Africa	0.1	287 722	100.0
– Spur Group Properties (Pty) Ltd	South Africa	0.1	3 265	100.0
Indirect				
– John Dory's Advertising (Pty) Ltd	South Africa	0.1		100.0
– John Dory's Franchise (Pty) Ltd	South Africa	0.1		100.0
– Nickilor (Pty) Ltd trading as The Hussar Grill Rondebosch	South Africa	0.1		100.0
– Opilor (Pty) Ltd trading as The Hussar Grill Mouille Point and RocoMamas Green Point	South Africa	17 500.1		68.0
– Opiset (Pty) Ltd trading as The Hussar Grill Camps Bay	South Africa	0.1		100.0
– Panarottis Advertising (Pty) Ltd	South Africa	0.1		100.0
– RocoMamas Advertising (Pty) Ltd	South Africa	0.1		100.0
– RocoMamas Franchise Co (Pty) Ltd	South Africa	0.1		51.0
– Spur Advertising (Pty) Ltd	South Africa	0.1		100.0
– The Ad Workshop (Pty) Ltd trading as Captain DoRegos Advertising	South Africa	0.1		100.0
– The Hussar Grill Advertising Company (Pty) Ltd	South Africa	0.1		100.0
– The Morningside Grill (Pty) Ltd trading as The Hussar Grill Morningside	South Africa	0.1		100.0
– Spur International Ltd	British Virgin Islands	1.4		100.0
– Steak Ranches International BV	The Netherlands	156 493.6		100.0
– Spur Advertising Namibia (Pty) Ltd	Namibia	0.1		100.0
– Spur Franchise Namibia (Pty) Ltd	Namibia	0.1		100.0
– Panarottis Advertising Australia Pty Ltd	Australia	0.6		100.0
– Panatug Pty Ltd	Australia	0.6		100.0
– Panhold Pty Ltd	Australia	5.0		100.0
– Spur Advertising Australia Pty Ltd	Australia	0.6		100.0
– Spur Corporation Australia Pty Ltd	Australia	16 129.1		100.0
– Spur Steak Ranches Unit Trust	Australia	0.1		100.0
– Larkspur One Ltd	United Kingdom	1.4		100.0
– Larkspur Two Ltd	United Kingdom	1.4		100.0
– Larkspur Three Ltd	United Kingdom	1.3		80.0
– Larkspur Six Ltd	United Kingdom	0.1		100.0
– Larkspur Seven Ltd	United Kingdom	0.1		100.0
– Larkspur Nine Ltd	United Kingdom	0.1		100.0
– Larkspur Ten Ltd	United Kingdom	1.8		100.0
– Mohawk Spur Ltd	United Kingdom	15.1		100.0
– Spur Advertising UK Ltd	United Kingdom	1.3		100.0
– Spur Corporation UK Ltd	United Kingdom	3.5		100.0
– Trinity Leasing Ltd	United Kingdom	13.0		100.0
– Larkspur Eight Ltd	Ireland	0.1		100.0
Dormant#		1.4		100.0
			290 987	

A schedule of these companies is available upon request.

Investments in subsidiaries are carried at cost less impairment losses in accordance with the company's accounting policy in this regard.

3. INTEREST IN SUBSIDIARY COMPANIES continued

	2016 R'000	2015 R'000
The interest of the company in the aggregate after tax profits and losses of subsidiaries is as follows:		
Profits	**237 908**	144 554
Losses	**(91 466)**	(12 888)

4. DIVIDENDS RECEIVABLE

The dividends receivable relates to dividends received by The Spur Management Share Trust in the financial year ended 30 June 2010 that were vested with the company by the trustees in that year. The amount is unsecured, interest free and there are no fixed terms of payment. While there is no intention to call up the receivable in question, it is repayable on demand. Given the potential short-term nature of the receivable, its fair value has been determined to approximate its carrying value.

	2016 R'000	2015 R'000
Dividends received are reconciled to the amount disclosed in profit or loss as follows:		
Amount receivable at beginning of year	**10 437**	22 562
Dividend income recognised in profit before income tax	**153 772**	130 786
Amount receivable at end of year	**(3 137)**	(10 437)
Dividends received	**161 072**	142 911

5. ORDINARY SHARE CAPITAL

	2016 R'000	2015 R'000
Authorised		
201 000 000 ordinary shares of 0.001 cents each	**2**	2
Issued and fully paid		
108 480 926 (2015: 97 632 833) ordinary shares of 0.001 cents each at beginning of year	**1**	1
10 848 093 ordinary shares issued for cash during the prior year (refer note 5.1)	**–**	–
108 480 926 ordinary shares of 0.001 cents each at end of year	**1**	1

The ordinary shares have equal rights to dividends declared by the company.

In terms of the company's Memorandum of Incorporation, the unissued shares of the company may be issued by the directors of the company only with the approval of the shareholders by way of an ordinary resolution passed at a general meeting. No such authority has been granted.

The company does not have any unlisted shares.

5.1 ISSUE OF ORDINARY SHARES RELATING TO GPI B-BBEE SHARE TRANSACTION

During the prior year, the company concluded various agreements to issue 10 848 093 new ordinary shares indirectly to Grand Parade Investments Ltd ("GPI"), a strategic black empowerment partner, effective 30 October 2014. In terms of the agreements, GPI is restricted from trading the shares in question without the express permission of the company for a period of five years from the effective date of the transaction and is furthermore required to maintain its broad-based black economic empowerment credentials for the same period.

The shares were issued at a price of R27.16 per share resulting in the aggregate proceeds from the issue of shares amounting to R294.657 million. The market price of the shares on 30 October 2014 was R30.20 per share, equating to an effective discount of R32.957 million in aggregate. This discount has been recognised as a share-based payment expense in accordance with IFRS2 – Share-based Payments and included in profit before income tax for the prior year, with a corresponding credit to equity (retained earnings).

The transaction resulted in a cash inflow of R294.657 million in the prior year. Transaction costs of R0.991 million related directly to the issue of the company's ordinary shares and were charged directly against equity (retained earnings) in the prior year and sundry professional costs of R0.301 million relating to the transaction were included in profit before income tax for the prior year.

6. LOAN FROM SUBSIDIARY COMPANY

	2016 R'000	2015 R'000
Share Buy-back (Pty) Ltd	**3 000**	8 000

This loan is unsecured and bears no interest. While there is no expectation that the company will be called upon to settle the loan by the counterparty, the loan is repayable on demand. Given the potential short-term nature of the payable, the fair value of the loan is determined to approximate its carrying value. Notwithstanding the fact that the loan is repayable on demand, the subsidiary in question has subordinated its right to claim or accept repayment of the loan in favour of other creditors until such time as the current assets of the company, fairly valued, exceed its current liabilities. Refer note 12.

7. INCOME VESTED BY TRUST

During the year, The Spur Management Share Trust ("the Trust") vested income of R4.443 million with the company, as a beneficiary of the Trust. The income arose from the sale of the company's shares and is accordingly not recognised as income, but rather credited directly against equity (retained earnings). The income is subject to income tax of R0.625 million, which has similarly been charged directly to equity (retained earnings).

8. OPERATING LOSS BEFORE WORKING CAPITAL CHANGES

	2016 R'000	2015 R'000
Profit before income tax	**151 575**	95 364
Adjusted for		
Dividend income	**(153 772)**	(130 786)
Share-based payments expense – equity-settled – GPI B-BBEE transaction	**–**	32 957
Interest income	**(91)**	(62)
	(2 288)	(2 527)

9. TAX PAID

	2016 R'000	2015 R'000
Tax paid is reconciled to the amount disclosed in profit or loss as follows:		
Amount receivable at beginning of year	–	6
Current tax charged to profit or loss	**(25)**	(16)
Current tax charged directly to equity	**(625)**	–
Amount payable at end of year	**631**	–
Tax paid	**(19)**	(10)

10. DIVIDENDS

	2016 R'000	2015 R'000
Dividends declared are as follows:		
Final 2014 – dividend of 64.0 cents per share	–	62 485
Interim 2015 – dividend of 62.0 cents per share	–	67 258
Final 2015 – dividend of 70.0 cents per share	**75 936**	–
Interim 2016 – dividend of 67.0 cents per share	**72 683**	–
Total dividends to equity holders	**148 619**	129 743

On 7 September 2016, the directors approved a final dividend of 73.0 cents per share in respect of the 2016 financial year, funded by income reserves, to be paid in cash on 3 October 2016. The dividend is subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962, as amended) ("dividend withholding tax") of 15%. The net dividend is therefore 62.05 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the financial year was 140 cents (2015: 132 cents) per share equating to R151.873 million (2015: R143.194 million).

	2016 R'000	2015 R'000
Dividends paid are reconciled to the amount disclosed above as follows:		
Amount payable at beginning of year	**(482)**	(411)
Dividends declared	**(148 619)**	(129 743)
Amount payable at end of year	**471**	482
Dividends paid	**(148 630)**	(129 672)

11. GUARANTEES

The company has provided unlimited guarantees to financial institutions in respect of certain credit facilities of certain local subsidiary companies.

As at the reporting date, there were no material debts owing by any such local subsidiary companies, to which the guarantees in question would apply.

12. GOING CONCERN CONSIDERATIONS

Despite realising a profit of R151.550 million for the year ended 30 June 2016, as at 30 June 2016 the company's current liabilities exceeded its current assets by R3.135 million.

A subsidiary company, Share Buy-back (Pty) Ltd, has subordinated its right to claim or accept repayment of its loan to the company in favour of other creditors until the current assets of the company, fairly valued, exceed its current liabilities (refer note 6). In addition, another subsidiary company, Spur Group (Pty) Ltd, has undertaken to provide the company with such additional working capital and financial support to enable the company to trade at its current level of activity and ensure that the company will be able to realise its currents assets in order to meet all its present and future liabilities and commitments, for a period of not less than 12 months from the date of these financial statements.

Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

13. RELATED PARTY DISCLOSURES

13.1 IDENTITY OF RELATED PARTIES

Refer note 3 for a detailed list of subsidiaries.

13.2 RELATED PARTY TRANSACTIONS

An amount of R8 000 (2015: R4 975) was paid to wholly-owned subsidiary, Spur Advertising (Pty) Ltd, for printing and publishing expenses relating to circulars, interim results and the annual integrated report of the group. This includes a reimbursement of expenses paid to unrelated third party suppliers as well as an hourly rate for desktop publishing services which is the same rate charged by that company to franchisees (who are unrelated parties) for the same services.

Refer notes 3 and 6 for the details of loans to and from subsidiary companies respectively.

	2016 R'000	2015 R'000
Dividend income was received from the following related parties:		
Spur Group (Pty) Ltd	**153 772**	130 786

There are no transactions between the company and key management personnel. Details of directors' emoluments are included in note 43 of the consolidated financial statements on page 152 of this report.

14. FINANCIAL INSTRUMENTS

14.1 ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following table shows the carrying amounts of financial assets and liabilities. No financial instruments are required to be subsequently recognised at fair value at the reporting date. Fair value information for financial assets and liabilities not measured at fair value is not disclosed if the carrying amount is a reasonable approximation of fair value.

		Carrying amount (R'000)		
	Note	Loans and receivables	Other financial liabilities	Total
2016				
Financial assets not measured at fair value				
Loans to subsidiary companies	3	**290 987**	**–**	**290 987**
Dividends receivable	4	**3 137**	**–**	**3 137**
Cash and cash equivalents		**1 004**	**–**	**1 004**
		295 128	**–**	**295 128**
Financial liabilities not measured at fair value				
Trade payables		**–**	**37**	**37**
Shareholders for dividend		**–**	**471**	**471**
Loan from subsidiary company	6	**–**	**3 000**	**3 000**
		–	**3 508**	**3 508**
2015				
Financial assets not measured at fair value				
Loans to subsidiary companies	3	281 158	–	281 158
Dividends receivable	4	10 437	–	10 437
Cash and cash equivalents		1 180	–	1 180
		292 775	–	292 775
Financial liabilities not measured at fair value				
Trade payables		–	53	53
Shareholders for dividend		–	482	482
Loan from subsidiary company	6	–	8 000	8 000
		–	8 535	8 535

The company has not disclosed the fair values of the above financial instruments as their carrying amounts are a reasonable approximation of their fair values. Refer notes 3, 4 and 6 for a further explanation in this regard for loans to subsidiary companies, dividends receivable and the loan from a subsidiary company respectively. Due to the short-term nature of cash and cash equivalents, trade payables, and shareholders for dividend, their fair values have been determined to approximate their carrying values.

14. FINANCIAL INSTRUMENTS continued

14.2 FINANCIAL RISK MANAGEMENT

The company is exposed to credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing these risks, and the company's management of capital.

The company's objective is to manage effectively each of the above risks associated with its financial instruments, in order to limit the company's exposure as far as possible to any financial loss associated with these risks.

The board of directors has overall responsibility for the establishment and overseeing of the company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The audit committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company to the extent that these have an impact on these financial statements.

14.2.1 Credit risk

Credit risk is the risk of financial loss to the company if a counterparty to a financial asset fails to meet its contractual obligations, and arises principally from receivables with subsidiaries, the dividends receivable from The Spur Management Share Trust and financial institutions with which the company holds monetary deposits.

The aggregate carrying amounts of financial assets represents the maximum credit risk exposure and are detailed below:

	Carrying amount	
	2016 R'000	**2015 R'000**
Loans to subsidiary companies (refer note 3)	**290 987**	281 158
Dividends receivable (refer note 4)	**3 137**	10 437
Cash and cash equivalents	**1 004**	1 180
	295 128	292 775

The company's subsidiaries are largely cash generating and in a sound financial position. The directors are of the view that the risk of default is therefore negligible. The directors are able to use their influence, as representatives of the sole shareholder of the subsidiaries, to manage the recoverability of the loans.

The Spur Management Share Trust generates cash in the form of dividends received on the company's shares held by the trust. The trust has no other obligations. The directors therefore consider the risk of default to be negligible.

The company's cash is placed only with major South African financial institutions of high credit standing. The group's treasury committee monitors liquid investments on a regular basis.

As detailed in note 11, the company has provided unlimited guarantees to financial institutions in respect of certain credit facilities of certain local subsidiaries. The directors regularly review this exposure. As at the reporting date, and for the duration of the year, the directors consider the risk of being called upon to act in terms of the guarantee as negligible.

14.2.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company's primary source of income is the dividends received from subsidiary companies. The group's subsidiaries are largely cash generative and in a sound financial position. The directors are able to use their influence, as representatives of the sole shareholder of the subsidiaries, to manage the dividend policy of the subsidiaries. In addition, other group subsidiaries have provided unlimited guarantees to the company's bankers in respect of any debts incurred by the company to those bankers.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount R'000	Contractual cash flows Total R'000	1 – 12 months R'000
2016			
Non-derivative financial liabilities			
Trade payables	**37**	**37**	**37**
Shareholders for dividend	**471**	**471**	**471**
Loan from subsidiary company	**3 000**	**3 000**	**3 000**
2015			
Non-derivative financial liabilities			
Trade payables	53	53	53
Shareholders for dividend	482	482	482
Loan from subsidiary company	8 000	8 000	8 000

Where there are no formal repayment terms, the contractual cash flows are assumed to take place within 12 months and no interest is included.

14.2.3 Market risk

The company is not exposed to currency risk as it only transacts in local currency.

The company is not exposed to any price risk.

Interest rate risk

The company's only interest-bearing financial instruments are its cash and cash equivalents. All other financial instruments are not interest bearing.

In the event that interest rates had increased by 50 basis points for the duration of the year, the table below gives the impact on profit before income tax and equity:

	2016 R'000	2015 R'000
Increase in profit before income tax	**5**	12
Increase in equity	**4**	9

A decrease of 50 basis points in the interest rate would have had an equal, but opposite, impact on profit before income tax and equity to that described above.

14.3 CAPITAL MANAGEMENT

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the demographic spread of shareholders, the level of distributions to ordinary shareholders, as well as the return on capital. Capital consists of total shareholders' equity.

There were no changes in the company's approach to capital management during the year.

15. ACCOUNTING POLICIES

The separate financial statements were prepared using the accounting policies disclosed in note 47 of the consolidated financial statements (on page 162 of this report) to the extent relevant.

16. SUBSEQUENT EVENTS

No significant transactions occurred subsequent to the reporting date but prior to the date of issue of this report, with the exception of the dividend declared on 7 September 2016 and paid on 3 October 2016 as detailed in note 10.

CORPORATE INFORMATION

DIVIDENDS

Interim dividend: 67 cents per share

Record date: 1 April 2016

Payment date: 4 April 2016

Final dividend: 73 cents per share

Record date: 30 September 2016

Payment date: 3 October 2016

REPORTS 2016

Interim for six months ended 31 December 2015 published March 2016

Preliminary announcement for year ended 30 June 2016 published September 2016

Annual for year ended 30 June 2016 published October 2016

ADMINISTRATION

Registered address
14 Edison Way
Century Gate Business Park
Century City
7441

Registration number: 1998/000828/06

Postal address: PO Box 166, Century City, 7446

Telephone: +27 21 555 5100

Fax: +27 21 555 5111

Email: spur@spur.co.za

Internet: http://www.spurcorporation.com

Transfer secretaries
Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg
2001
PO Box 61051
Marshalltown
2107
Telephone: +27 11 370 5000

External auditors: KPMG Inc.

Internal auditors: Moore Stephens Risk Services (Pty) Ltd

Attorneys: Bernadt Vukic Potash & Getz

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

Company secretary
Nazrana Hawa
14 Edison Way
Century Gate Business Park
Century City
7441
PO Box 166
Century City
7441
Telephone: +27 21 555 5100
E-mail address: spur@spur.co.za

www.spurcorporation.com