SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

INTEGRATED REPORT 2017

ABOUT THIS REPORT

Spur Corporation Ltd ("Spur Corporation" or "the group") is a restaurant franchisor with eight restaurant brands operating in South Africa and internationally. It is listed in the travel and leisure sector of the JSE.

SCOPE AND BOUNDARY

This integrated report ("report") covers the activities of the South African and international franchise, retail and ancillary operations over the reporting period. It aims to provide Spur Corporation's stakeholders with insight regarding the group's business model, strategy, past performance and future prospects.

The information disclosed in this report relates to all Spur Corporation's operations, apart from environmental information, which relates only to the South African head office, corporate offices and manufacturing facilities, and excludes international operations and retail restaurants.

Reporting period

12 months to 30 June 2017.

COMPARABILITY OF INFORMATION

The group closed all operations in the United Kingdom and Ireland ("UK") by the end of the 2016 financial year, and all the group's international restaurants are now fully franchised. Apart from these developments, there have been no significant changes to the business that would affect the comparability of information.

CONTENT DEVELOPMENT

This report is structured around the group's material financial and non-financial risks and opportunities that impact its ability to create value and implement its strategy. These material matters are summarised in the table on page 16. As defined by the International Integrated Reporting Council's <IR> Framework, material matters are those that impact the group's ability to create value for stakeholders. The needs, interests and expectations of the group's stakeholders are important inputs into the content development process, with an emphasis on investors and shareholders as the primary audience.

The group's approach to corporate governance aligns with the recommendations of King III, as required by the Johannesburg Stock Exchange (or JSE Ltd ("JSE")) through the JSE Listings Requirements. Disclosures in the report also address the requirements of the Companies Act (Act No. 71 of 2008, as amended). The board is considering the impact of the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™) and implementing the required changes to enable application from the 2018 reporting period.

Non-financial material matters are incorporated into the group's strategy and decision-making structures and their disclosure in this report considers the guidance from the GRI's G4 Sustainability Reporting Guidelines.

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 2017 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.

NAVIGATIONAL ICONS

Cross-reference to relevant sections within this report

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

CONTENTS DASHBOARD

The information in this integrated report is supplemented with further detail available on the Spur Corporation website as shown in the content dashboard below.

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GROUP AT A GLANCE

WHO WE ARE

Spur Corporation is a growing, multi-brand restaurant franchisor headquartered in Cape Town. The group owns several of South Africa's most recognised brands, with franchisees trading through 591 outlets across South Africa, the rest of Africa, Mauritius, Australasia and the Middle East. The group also directly owns and runs five restaurants in South Africa ("retail" restaurants).

The group's eight brands each have their own distinctive atmosphere and brand positioning, and offer quality and value-for-money meals while providing customers with an inviting eating experience that is distinctly family-orientated. Sit-down family restaurant brands include Spur Steak Ranches (including Spur Grill & Go), Panarottis Pizza Pasta, John Dory's Fish Grill Sushi, The Hussar Grill and Casa Bella. Spur Corporation also operates in the fast-food convenience market through Captain DoRegos and RocoMamas.

Spur Corporation has a minority interest in Braviz Fine Foods (a rib processing facility), operates a sauce manufacturing facility and manages central procurement for South African franchise outlets.

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

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.

AWARDS

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

OUR BRANDS

OUR VALUES

BRAND FAMILY	SPIRIT OF GENEROSITY	DAILY EXCELLENCE	FIRED UP – PEOPLE WITH A TASTE FOR LIFE!
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.	Selfless sharing of your knowledge and experiences while being of service to our brands, customers and colleagues.	Consistent, excellent delivery and eagerness to learn to complete your job with unwavering attention to detail.	A passionate contribution to the development and growth of our brands – having an engaging, enthusiastic and energetic attitude in your area of expertise.

PERFORMANCE OVERVIEW

COMPARABLE OPERATING PROFIT BEFORE INCOME TAX	REVENUE FROM CONTINUING OPERATIONS	COMPARABLE DILUTED HEPS
	R648.0 million	
− 8.7%	+ 2.4%	− 8.4%
DIVIDEND PER SHARE	**RESTAURANT TURNOVER FROM CONTINUING OPERATIONS**	**RETURN ON INVESTMENT PRE-TAX (CAPITAL AND DIVIDENDS)**
132 cents	R7.2 billion	
− 5.7%	+ 4.2%	− 4.8%

20
College of Excellence graduates
+ 17.6%

R2.9 million
Total CSI spend
+ 30.4%

1.8 million
Spur Family Card members accounting for 45% of local Spur Restaurant turnover in June 2017

37 New outlets opened

8 Outlets relocated

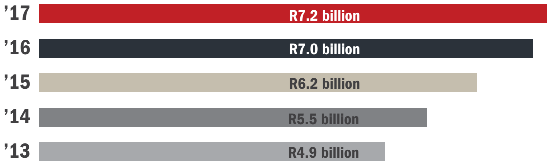
31 Outlets refurbished

R2.3 million
Investment in employee training
+ 27.5%

435
Community-focused events hosted

FIVE-YEAR REVIEW

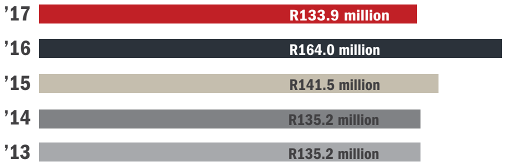
	Note	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Statement of comprehensive income						
Revenue		**648 016**	737 371	760 059	732 636	671 552
Operating profit before finance income	1	**178 253**	183 094	180 805	194 620	190 630
Adjusted operating profit	2	**180 587**	218 900	195 440	194 656	199 288
Net finance income		**36 522**	35 626	24 616	7 251	5 909
Profit before income tax		**214 775**	218 720	205 421	201 871	196 539
Headline earnings	3	**133 863**	163 977	141 511	135 203	135 187
Statement of financial position						
Property, plant and equipment		**100 319**	95 480	86 481	77 289	79 775
Cash and cash equivalents		**265 953**	286 582	304 851	91 966	114 284
Bank overdraft		**4 491**	1 155	3 557	539	1 605
Statement of cash flows						
Net cash flow from operating activities		**32 719**	32 619	28 717	43 355	61 024
Share statistics						
Weighted average number of shares ('000s)	3	**95 828**	95 955	92 636	85 633	86 090
Earnings per share (cents)	3	**139.98**	141.34	137.69	159.20	154.05
Headline earnings per share (cents)	3	**139.69**	170.89	152.76	157.89	157.03
Cash flow earnings per share (cents)	4	**183.71**	180.80	168.34	161.23	172.09
Operating cash flow per share (cents)	5	**34.14**	33.99	31.00	52.96	70.88
Net asset value per share (cents)	6	**875.08**	902.25	888.57	606.80	551.80
Distribution per share (cents)	7	**132**	140.00	132.00	121.00	111.00
Distribution cover (times)	8	**1.1**	1.2	1.2	1.3	1.4
Stock exchange performance						
Number of shares in issue ('000s)		**108 481**	108 481	108 481	97 633	97 633
Number of shares traded ('000s)		**20 177**	12 363	18 135	24 231	30 007
Value of shares traded (R'000)		**645 942**	403 723	623 894	742 544	725 956
Percentage of issued shares traded (%)		**18.60**	11.40	16.72	24.82	30.73
Market price per share (cents)						
– close		**2810**	3090	3667	3227	2739
– high		**3508**	3825	4178	3383	3250
– low		**2800**	2750	2720	2629	1700
Headline earnings yield (%)	9	**4.97**	5.53	4.17	4.89	5.73
Distribution yield (%)	10	**4.70**	4.53	3.60	3.75	4.05
Price earnings ratio		**20.12**	18.08	24.00	20.44	17.44
Market capitalisation (R'000)		**3 048 316**	3 352 063	3 977 998	3 150 617	2 674 168
Business performance						
Operating profit margin (%)	11	**27.87**	29.69	25.71	26.57	29.68
Return on equity (%)	12	**16.60**	19.73	17.35	26.38	29.75
Return on total assets (%)	13	**14.02**	16.00	13.39	18.57	20.19
Liquidity ratio	14	**4.56**	3.78	3.30	1.66	1.83



RESTAURANT TURNOVER

R7.2 billion

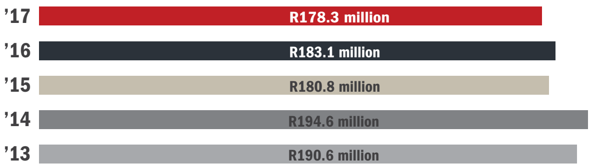
+ 2.7%



HEADLINE EARNINGS

R133.9 million

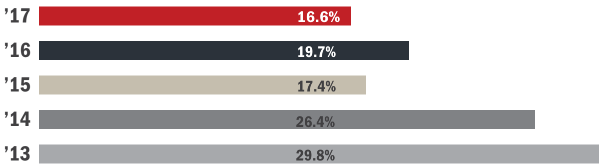
– 18.4%



OPERATING PROFIT BEFORE FINANCE INCOME (NOTE 1)

R178.3 million

– 2.6%



RETURN ON EQUITY (NOTE 12)

16.6%

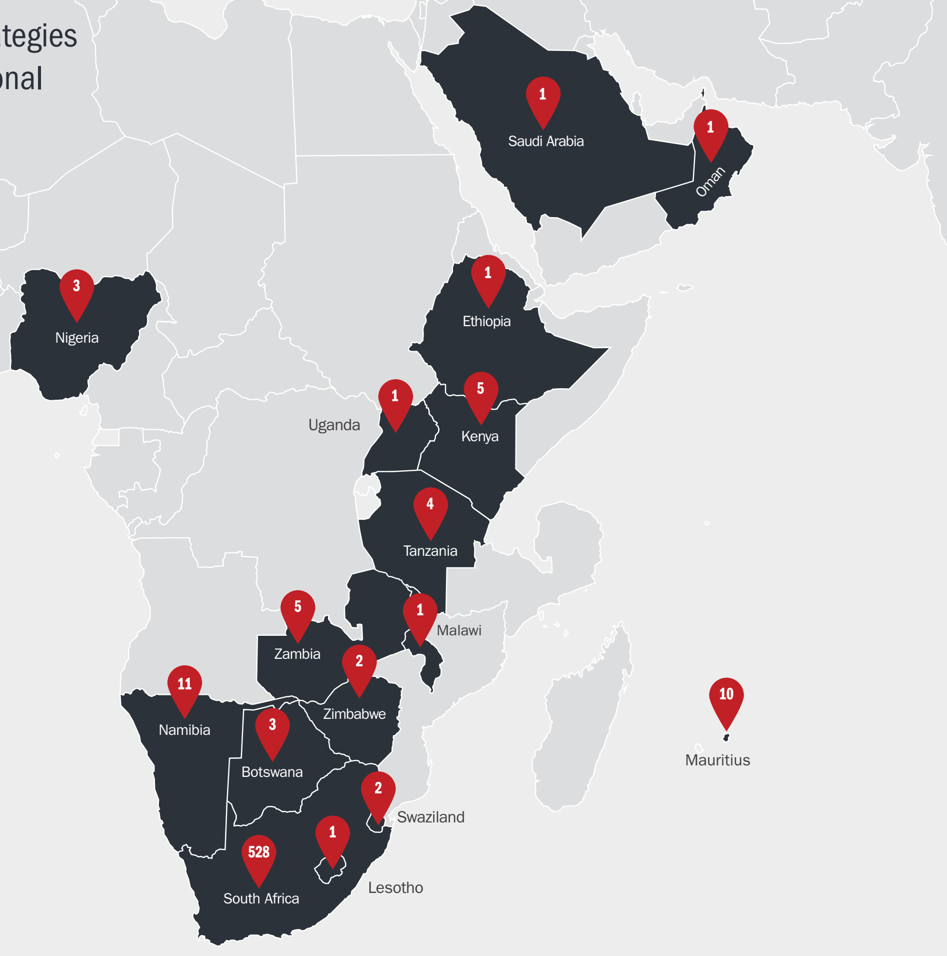
Notes

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 to note 12 of the consolidated financial statements on page 113.
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.

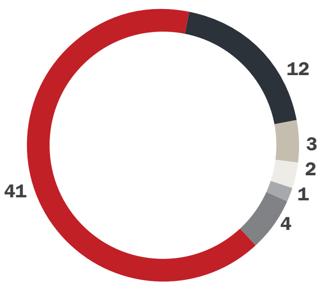
GROUP PROFILE

OUR MARKETS

Spur Corporation has a diversified market exposure through a range of brands that expand the group's 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.

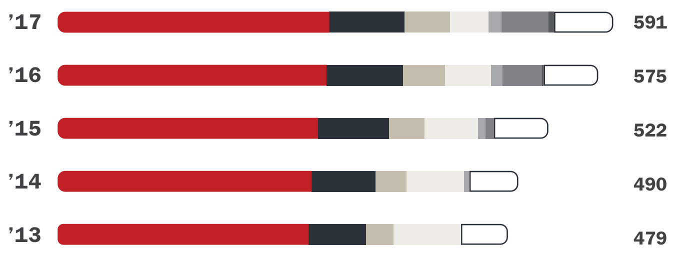


INTERNATIONAL RESTAURANTS BY BRAND



■ SPUR ■ PANAROTTIS ■ CAPTAIN DOREGOS
■ JOHN DORY'S ■ THE HUSSAR GRILL
■ ROCOMAMAS

TOTAL RESTAURANTS



■ SPUR (SA) ■ PANAROTTIS (SA) ■ JOHN DORY'S (SA) ■ CAPTAIN DOREGOS (SA)
■ THE HUSSAR GRILL (SA) ■ ROCOMAMAS (SA) ■ CASA BELLA (SA) □ INTERNATIONAL

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

Spur Grill & Go

– Great Spur ribs, burgers and wings in high-traffic locations
– Structured to provide value to the local middle class

UPMARKET RESTAURANTS

The Hussar Grill

– Upmarket steakhouse with a focus on quality, premium offering

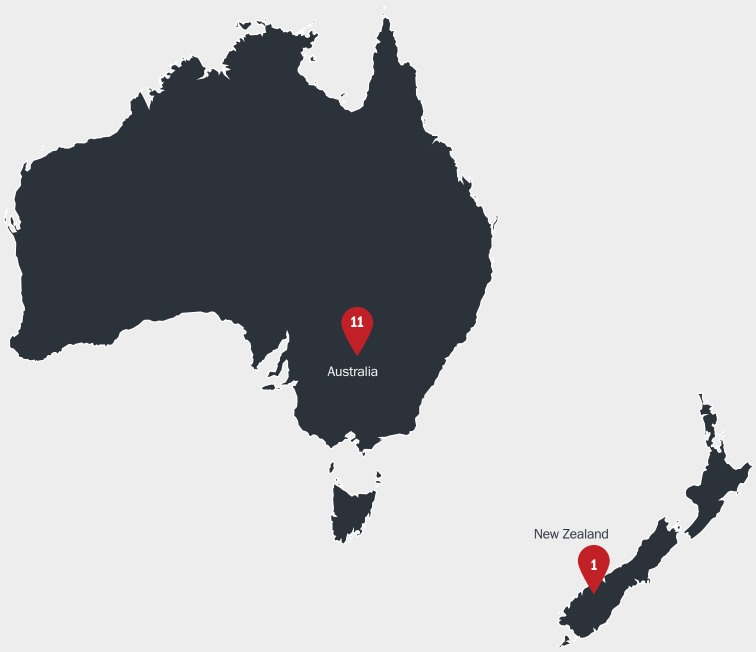
Casa Bella

– Sophisticated yet friendly dining experience, with an artisanal-style Italian cuisine offering

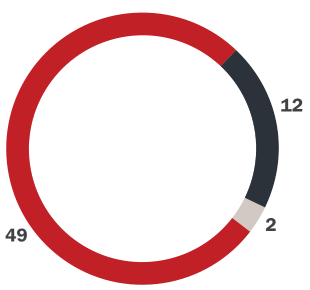
GOURMET BURGERS, RIBS AND WINGS

RocoMamas

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

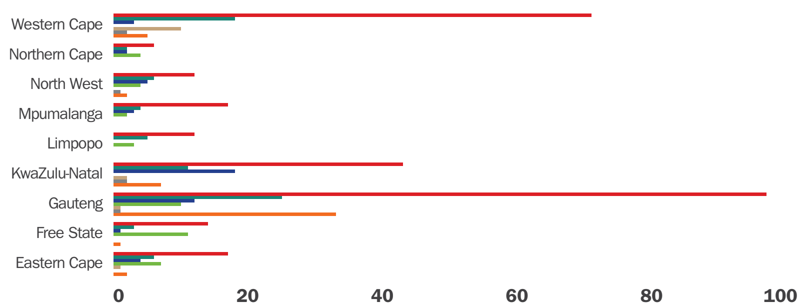


INTERNATIONAL RESTAURANTS BY LOCATION



■ AFRICA AND MAURITIUS
■ AUSTRALASIA ■ MIDDLE EAST

OUTLETS BY PROVINCE AT 30 JUNE 2017



■ SPUR ■ PANAROTTIS ■ JOHN DORY'S ■ CAPTAIN DOREGOS
■ THE HUSSAR GRILL ■ CASA BELLA ■ ROCOMAMAS

BUSINESS MODEL

Spur Corporation's business model is founded on the group's strong values and builds on the core relationships between franchisor, franchisee, suppliers, service providers and customers.

The <IR> Framework describes six capitals which are stocks of value that increase, decrease or are transformed through the activities and outputs of an organisation. Spur Corporation's business model aims to leverage the financial, manufactured, intellectual, human, social and relationship, and natural capital available to the group 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, 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 50 years in the family restaurant business
- This 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 commits significant financial capital to the training of group 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
- The continuing activities of franchisees in their local communities

NATURAL CAPITAL

- Environmental resources the group depends on in the form of clean air and water
- Food for preparation and sale in franchisee outlets including meat, seafood and vegetables
- The group manages its environmental impact through various programmes to increase energy efficiency, reduce water use and minimise waste

FRANCHISE AND RETAIL OUTLETS

The 586 franchised restaurants across the group's brand portfolio are run by independent, entrepreneurial franchisees who are responsible for the day-to-day operations of the restaurants. Franchisees receive ongoing support from the group through experienced brand- and region-specific operations teams.

Spur Corporation owns one RocoMamas and four The Hussar Grill outlets in South Africa, and the group is directly involved in the daily operations of these outlets.

Spur Corporation provides a range of centralised group services to support its local and international network of franchised and retail restaurant operations across its eight brands, and charges franchise, procurement, training and marketing fees.

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, project management and store openings

INTERNATIONAL OPERATIONS
Spur Corporation's operations in Africa, Mauritius, Australasia and the Middle East

- International head office in the Netherlands and regional head offices in Australia and Namibia offer operational and store development support for international operations

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 franchisee employees

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
- 4.4 million litres of sauce manufactured and 1 969 metric tonnes of ribs processed
- 57.6 million main meals served across our brands in South Africa*
- 49% of waste at head office is composted

Restaurant footprint in South Africa
- 289 Spur Steak Ranches
- 80 Panarottis
- 48 John Dory's
- 41 Captain DoRegos
- 14 The Hussar Grill
- 50 RocoMamas
- 6 Casa Bella

International footprint
- 49 outlets in Africa and Mauritius
- 12 outlets in Australia and New Zealand
- 2 outlets in the Middle East

* Excludes Captain DoRegos.

OUR OUTCOMES

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

Financial capital
- R7.2 billion in total restaurant sales
- R133.9 million headline earnings generated
- Dividend of 132 cents per share declared
- Local economies supported through the payment of R85.3 million in taxes

Manufactured capital
- R13.7 million increase in manufactured capital through capital expenditure

Intellectual capital
- 11 835 franchisee staff trained
- 177 corporate staff trained

Human capital
- 38 jobs created
- R150.8 million paid to employees in salaries

Social and relationship capital
- R2.9 million allocated to CSI
- Ongoing commitment to excellent customer service, great brands and loyalty programmes support customer satisfaction

Natural capital
- 10 401 kℓ water used to support operations
- 1 178 053 kWh of electricity consumed

INVESTMENT CASE

Spur Corporation has grown into one of South Africa's most recognised brands over its 50 years of operation. Key group attributes include strong revenue and operating profit growth, efficient capital management and a stable dividend policy.

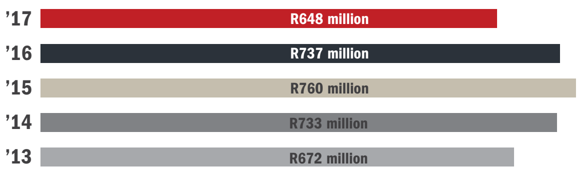
Spur Corporation's strategy aims to create sustainable returns for its providers of financial capital through:

- Growing revenue by growing the footprint of existing brands, expanding into new territories and acquiring new businesses.
- 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.

The group's strategy is discussed in more detail from page 34.

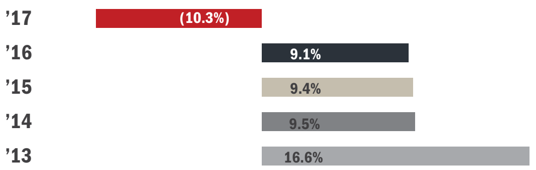
STRONG FINANCIAL PERFORMANCE

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



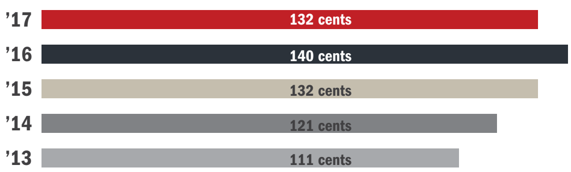
REVENUE

R648 million



CHANGE IN COMPARABLE PROFIT BEFORE FINANCE INCOME

(10.3%)



DIVIDENDS PER SHARE

132 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
- 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, New Zealand, Mauritius, 12 countries in Africa and two in the Middle East
- Sustained focus on new business developments and on expanding Spur Corporation's footprint in high-growth markets across Africa, the Middle East and Australasia
- New store formats such as Spur Grill & Go 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 identification, assessment, management and monitoring of key business risks 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 36.2 on page 138 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 36.1 on page 138 of this report)

OPISET (PTY) LTD
The Hussar Grill, Camps Bay

30%
BRAVIZ FINE FOODS (PTY) LTD
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 operations

(refer note 4 on page 101 of this report)

LARKSPUR ONE LTD
Cheyenne Spur O_2 Arena London, United Kingdom
Ceased trading on 6 March 2016
Sold on 1 July 2017

LARKSPUR TWO LTD
Silver Lake Spur Lakeside London, United Kingdom
Ceased trading on 1 July 2015
Deregistered 14 February 2017

80%
LARKSPUR THREE LTD
Apache Spur Aberdeen, United Kingdom
Ceased trading on 22 September 2015
Deregistered 3 January 2017

LARKSPUR SIX LTD
Nevada Spur Belfast, Ireland, United Kingdom
Ceased trading on 30 June 2016
Liquidated 26 July 2017

LARKSPUR SEVEN LTD
Two Rivers Spur Staines, United Kingdom
Ceased trading on 30 June 2016
Liquidated 26 July 2017

LARKSPUR EIGHT LTD
Rapid River Spur, Dublin, Ireland
Ceased trading on 30 June 2016
In process of liquidation

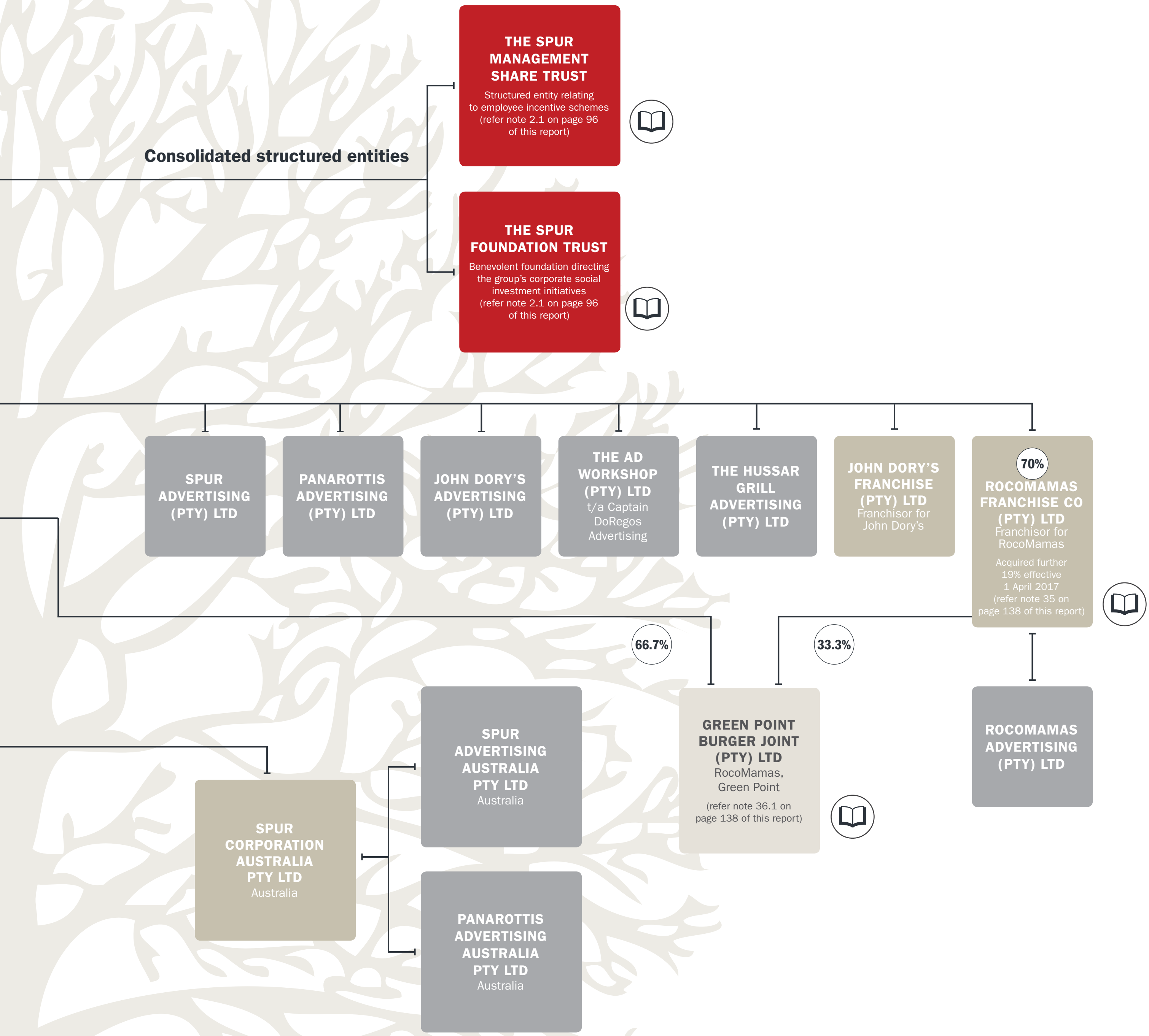
LARKSPUR NINE LTD
Soaring Eagle Spur Leicester, United Kingdom
Ceased trading on 29 February 2016
In process of liquidation

LARKSPUR TEN LTD
Spur RBW Corby, United Kingdom
Ceased trading on 30 June 2016
In process of liquidation

MOHAWK SPUR LTD
Mohawk Spur Wandsworth, United Kingdom
Ceased trading on 28 February 2015
Deregistered 17 January 2017

SPUR ADVERTISING UK LTD
United Kingdom
Ceased trading on 30 June 2016
Deregistered 3 January 2017

TRINITY LEASING LTD
United Kingdom
Landlord for Spur Corporation UK Ltd and Larkspur Seven Ltd
Ceased trading on 30 June 2016
Liquidated 15 May 2017


Consolidated structured entities
THE SPUR MANAGEMENT SHARE TRUST
Structured entity relating to employee incentive schemes (refer note 2.1 on page 96 of this report)
THE SPUR FOUNDATION TRUST
Benevolent foundation directing the group's corporate social investment initiatives (refer note 2.1 on page 96 of this report)
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
70%
ROCOMAMAS FRANCHISE CO (PTY) LTD Franchisor for RocoMamas
Acquired further 19% effective 1 April 2017 (refer note 35 on page 138 of this report)
66.7%
33.3%
GREEN POINT BURGER JOINT (PTY) LTD RocoMamas, Green Point
(refer note 36.1 on page 138 of this report)
ROCOMAMAS ADVERTISING (PTY) LTD
SPUR ADVERTISING AUSTRALIA PTY LTD Australia
SPUR CORPORATION AUSTRALIA PTY LTD Australia
PANAROTTIS ADVERTISING AUSTRALIA PTY LTD Australia

BOARD AND MANAGEMENT

EXECUTIVE DIRECTORS

ALLEN AMBOR (76)
EXECUTIVE CHAIRMAN

50 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 (58)
CHIEF EXECUTIVE OFFICER

35 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 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 (53)
CHIEF OPERATING OFFICER

27 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 (45)
CHIEF FINANCIAL OFFICER

14 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 (61)
NON-EXECUTIVE DIRECTOR

26 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 and various private companies.

DEAN HYDE (50)
INDEPENDENT NON-EXECUTIVE DIRECTOR

23 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 subsequently served as chief financial officer of Lombard Insurance until July 2015 and is currently a director of Skein Capital, a UK-based specialist asset manager. Dean chairs the audit committee.

MUZI KUZWAYO (49)
INDEPENDENT NON-EXECUTIVE DIRECTOR

9 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 (69)
NON-EXECUTIVE DIRECTOR

22 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 (40)
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Dineo has held various executive positions and is currently CFO at T-Systems South Africa. She previously served as group CFO at Thebe Investment Corporation and finance executive at Vodacom. She has also worked for the Industrial Development Corporation and Eskom Holdings in various roles. She is currently a non-executive director on the board of Clientèle, where she serves on the audit committee. She was appointed to the Spur Corporation board in September 2013 and is a member of the audit committee.

MNTUNGWA MOROJELE (58)
INDEPENDENT NON-EXECUTIVE DIRECTOR; LEAD INDEPENDENT DIRECTOR

7 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, iKapa Events and Facilities, and 3RE South Africa. He has served on the boards of Gray Security Services and the UCS Group, and currently serves on the boards of Capital Eye Investments and VeriFone Africa. 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.

TASNEEM KARRIEM (36)
NON-EXECUTIVE DIRECTOR

1st year of service
CA(SA)

Tasneem is the chief executive officer of Grand Parade Investments ("GPI") and nominated shareholder representative of GPI on the board, pursuant to the broad-based black economic empowerment transaction concluded with GPI in October 2014. Tasneem, a qualified chartered accountant, has vast corporate finance experience gained in previous roles at other listed entities and in senior management within Ernst & Young's Transaction Services team based in Johannesburg. She joined GPI in July 2015 to head up their corporate finance activities and was appointed to the GPI board as an executive director in September 2016. Tasneem was nominated to the board by GPI on 12 April 2017, to replace Alan Keet, who resigned from the board on 1 April 2017 following his resignation from GPI. Shareholders will be requested to confirm Tasneem's appointment to the board at the forthcoming annual general meeting.

KEY MANAGEMENT

Anton Geldenhuys (39)
Chief operating officer: RocoMamas
14 years of service

Blaine Freer (52)
Group development executive
18 years of service

Brian Altriche (47)
Creative executive: RocoMamas
2 years of service

Cobus Jooste (41)
National training executive
12 years of service

Derick Koekemoer (47)
Franchise executive: Africa
13 years of service

Duncan Werner (57)
Group procurement and development executive
29 years of service

Gillian Matthews (58)
Human capital executive
16 years of service

José Vilar (59)
Franchise executive: Australia
26 years of service

Justin Fortune (45)
Chief operating officer: The Hussar Grill
17 years of service

Kevin Robertson (51)
National franchise executive
26 years of service

Leonard Coetzee (44)
Chief operating officer: John Dory's
21 years of service

Patrick Lawson (46)
Group technology executive
8 years of service

Phillip Matthee (39)
Group finance executive
10 years of service

Robin Charles (43)
National procurement executive
9 years of service

Sacha du Plessis (39)
Group marketing executive
10 years of service

Samkelo Blom (45)
Transformation executive
4 years of service

Tyrone Herdman-Grant (46)
Chief operating officer: Panarottis
19 years of service

Wynand Viviers (44)
Chief operating officer: Captain DoRegos
19 years of service

MATERIAL MATTERS

Spur Corporation identifies the economic, environmental, social and governance matters that have the potential to most significantly impact the group's ability to create sustainable value by executing on its strategic objectives. These material matters form the basis for the content of this integrated report.

The determination of these material matters starts with identifying relevant matters from information drawn from a range of sources, including:

- The group risk assessment document
- Management and board discussions
- Feedback from stakeholder interactions
- Sustainability and integrated reporting guidelines

These matters are then assessed according to the potential magnitude of their impact on the group's ability to create value. The expectations, interests and needs of the key stakeholders of the group are important inputs into the identification and significance of the group's material matters. The group's most material matters are shown in the table below.

Economic material matters are discussed in more detail in the strategy section from page 37.

Information regarding the importance of our social and environmental material matters, and the group's strategic response to these, is available online on the group website at www.spurcorporation.com/governance-sustainabilty/approach-and-ethics.

Material matter	Importance	Strategy	More detail
Economic: strategic			
Sustainable local franchise model	Outlet and franchisee profitability is a critical focus area particularly given the current pressure on disposable income. The group continually refines the local franchise model to support profitability in changing markets and attract franchisees.	**Sustainable business**	37
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**	38
Menu engineering	Ongoing menu engineering optimises sales mix, franchisee gross margins and product range. This enables the group to meet customers' needs while supporting franchisee profitability.	**Sustainable business**	39
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**	40
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**	40
Economic: operational			
Efficient use of resources to reduce costs	The rising cost of electricity and gas and concerns about water scarcity make it imperative that outlets explore innovative ways to increase water and energy efficiency.	**Sustainable business**	39

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 and complies with 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 include subminima that we did not achieve and our B-BBEE rating reflects as non-compliant. Plans are in place to improve the group's B-BBEE rating over the medium term.	**Sustainable business**	
Environmental: strategic			
Strategic resource management	The group's direct environmental impact is relatively small. However, the broader impact of the group and its franchisees' outlets is significant and we support franchisees to manage their environmental impacts responsibly.	**Sustainable business**	
Procurement	Spur Corporation has a responsibility to ensure that raw materials are sourced from sustainable and ethical suppliers.	**Sustainable business**	
Environmental: 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 an 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's stakeholders are those individuals or groups that have an impact on, or are affected by, the group's operations. Our approach to stakeholder engagement aligns with the inclusive approach recommended by King III. The group aims to engage respectfully with stakeholders to understand their needs and concerns, and address these where possible.

Engagement	Key concerns	Related material matter	Our 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.
Stakeholder group: shareholders			
– Analysts' presentations – Annual general meeting – SENS – One-on-one meetings – Website	– Prudent capital allocation – Return on investment	– Sustainable local franchise model – International expansion – Regulatory compliance	– Management's interests are aligned with those of shareholders through the long-term incentive programmes. – The management team has experience in the restaurant industry and a conservative approach to international expansion.
Stakeholder group: 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 – Product responsibility	– 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: suppliers			
– Day-to-day interaction – Supplier audits – Assessments – Meetings	– Fair payment terms – Certainty of supply – Fair treatment	– Strategic resource management – Procurement – Product responsibility	– 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.
Stakeholder group: customers and future customers			
– Customer care centre – Social media – Loyalty programmes – Spur Secret Tribe	– 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.

Engagement	Key concerns	Related material matter	Our response
Stakeholder group: 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

INNOVATING AND EXPANDING SPUR'S MENU

The new Spur Steak Ranches menu re-emphasises the homegrown values and authenticity our restaurants are famous for. Home-baked desserts have been brought back onto the menu and have been well received. Many Spurs that have the necessary equipment and expertise are again preparing our ribs on site, with a prepared product available for those franchisees who have not yet made the transition. Our wine list has been expanded and numerous "wine by the glass" options have been added. The menu features several new and innovative products, such as cheesy garlic prawns, as well as "better for you" health-oriented meals. Spur's new Specialty Steaks are prominently featured on the opening page of the new menu, and we will shortly showcase our combo specials on a unique bamboo board.

OPERATING CONTEXT

Growth in gross domestic product (GDP) in South Africa has been generally weak since the second quarter of 2015. The country slipped into a technical recession in the first quarter of 2017 after two consecutive quarters of contraction, indicating the generally weak state of the South African economy.

Spur Corporation's brands operate in a highly competitive market. In recent years, competition for share of stomach has increased due to the growing presence of standalone restaurants, new brands, international restaurant and fast food brands entering the South African market, as well as through the availability of quick meals from convenience stores and supermarkets.

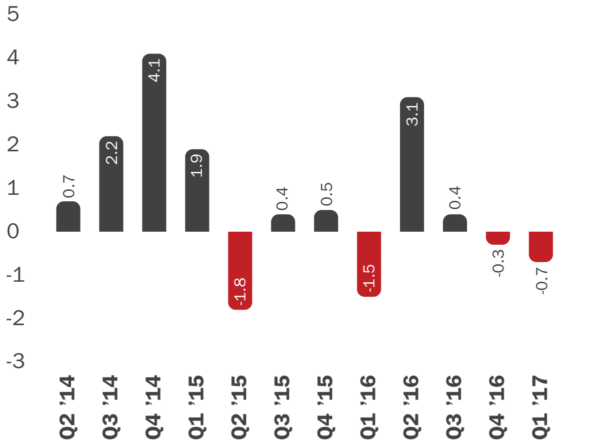
Consumer spend is also dependent on disposable income. In South Africa, salaries are increasing at an average of 6% to 8%. However, rising food, petrol and electricity prices tend to run ahead of these rates, reducing the money available for discretionary spend.

Consumer confidence affects the likelihood that consumers will spend money, as well as the number of times a consumer is likely to visit a restaurant in a single month. Consumer confidence has been negative since early 2015.

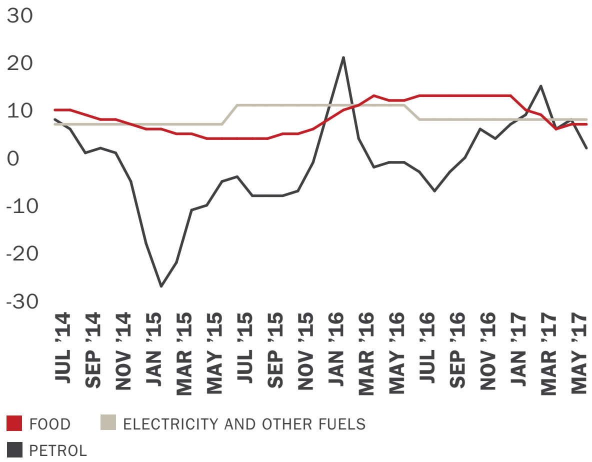
In order to grow revenues, Spur is also dependent on a ready supply of prospective franchisees with the necessary funds to invest. With business confidence levels in negative territory (below 50) for an extended period, investors are less likely to commit to new business ventures.

For existing franchisees, increases in the cost of the meat, vegetables and fruit reduce profit margins, affecting their return on investment and ultimately impacting the financial sustainability of the business. Vegetable prices grew rapidly for most of last year as a result of the drought. This has started to feed into the price of meat, which continues to climb.

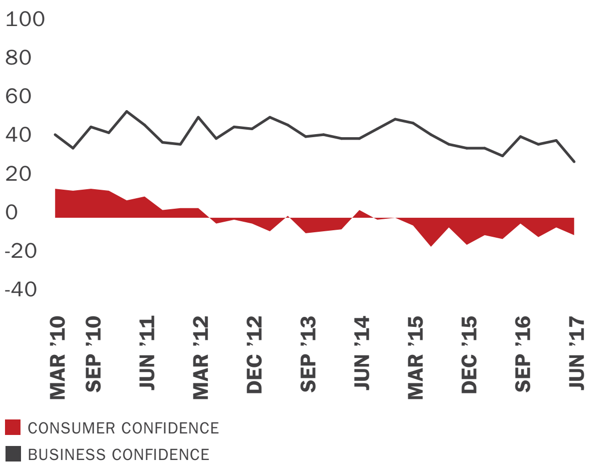
GDP GROWTH RATE (%)



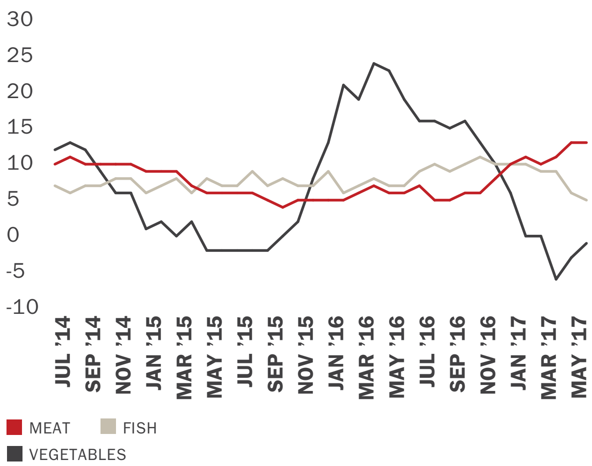
INFLATION (%) – CONSUMER SPENDING



BUSINESS AND CONSUMER CONFIDENCE LEVELS



INFLATION (%) – INPUT COSTS



CASE STUDY

SPUR FRANCHISEES – IN THE COMMUNITY AND FOR THE COMMUNITY

As part of Spur's celebration of "50 years of Spur People", we produced several videos for the Spur channel on YouTube that profile Spur franchisees from around South Africa. The videos enable franchisees to tell their stories and highlight their many and varied activities in their local communities.

The success of every Spur restaurant is directly related to the owner's dedication and involvement in their community. These videos emphasise that each Spur is individually owned by a member of the local community, and that Spur franchisees have been giving back by supporting their communities – especially children – for generations.

Many franchisees actively support local schools, sports clubs, old age homes and churches through a range of initiatives including sponsoring sports kit, sports tours and sporting events, arranging golf days and hosting fundraising events. In many instances, franchisees also support initiatives in the communities in which restaurant employees live.

View these videos and more at Spur's YouTube channel at www.youtube.com/user/SpurChannel/videos.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

Allen Ambor
Executive chairman

Pierre van Tonder
Group chief executive officer

The challenging economic conditions reported last year carried over into the year under review with GDP contracting in the fourth quarter of 2016 and the first quarter of calendar 2017. Pressure on consumer spend continued.

Spur Corporation traded positively for the first nine months of the financial year. However, conditions worsened sharply from the end of March 2017 following the cabinet reshuffle and downgrade of South Africa's credit rating to junk status. These difficult trading conditions appear to have affected broader business across the retail sector. The current economic environment is the worst we have experienced and we continue to work with franchisees to review costs and franchise models to position ourselves accordingly.

A positive consequence of the declining economic environment is a renewed focus by franchisees on their respective businesses. Franchisees are being forced by circumstances to work smarter, engage more actively in their communities, and focus on their number one priority, the customer – delivering excellent quality food and service.

The group also had to deal with company-specific issues around the same time, specifically an incident at a Spur in Johannesburg and the resulting social media fallout that led to a further decline in foot traffic. This impacted the last three months of turnover in the Spur Steak Ranches brand. We have taken on board the learnings from this incident, and, in response, implemented specific training programmes on conflict management for franchisees, as well as elevated the importance of appropriately skilled employees serving as Play Canyon Attendants in our restaurants, which will be monitored more rigorously by our operations management personnel. We anticipate that it will take some time to recover from the incident, especially against the backdrop of the sluggish economy.

Several Spur franchisees found themselves under pressure due to prevailing economic conditions and the incident that occurred in Johannesburg. We supported these franchisees financially to get through these difficult times, and will continue to do so going forward, where appropriate, as and when required. Franchisees are the lifeblood of our business and it is imperative that we support and engage with them to ensure ongoing sustainability, both of their businesses and of the group.

DIFFICULT TRADING IN A CHALLENGING YEAR

The strength of Spur Corporation's brands and loyal customer base helped franchised restaurant sales from continuing operations to increase by 4.2% to R7.2 billion (2016: R6.9 billion). This growth excludes the group's UK operations which ceased trading in the 2016 financial year. Sales from existing restaurants increased by 1.1%.

Franchised restaurant sales in South Africa grew by 4.4%, while sales from international restaurants (excluding the UK operations) increased by 2.4% in rand terms. On a constant exchange rate basis, international restaurant sales increased by 6.3%. The five company owned stores (four The Hussar Grills and one RocoMamas) performed well.

RocoMamas, John Dory's, and Panarottis produced good sales growth despite the challenging trading environment, and The Hussar Grill performed exceptionally well from both a growth and a contribution point of view.

Eight new RocoMamas outlets were opened in South Africa during the year and the division contributed R16.5 million to group profit before income tax, growing this metric 34.8% on 2016.

The Pizza and Pasta division performed well despite aggressive discounting by competitors in the highly competitive pizza sector. The division maintained its focus on quality and customer experience, contributing R23.0 million to group profit before income tax (an increase of 4.1% on the prior year).

TOTAL RESTAURANT SALES FROM CONTINUING OPERATIONS

R7.2 billion

+ 4.2%

DIVIDEND PER SHARE

132 cents

– 5.7%

We opened four new John Dory's restaurants in South Africa and one in Namibia, and the brand's new look and feel continues to be well received. Despite some continuing issues with securing a reliable supply of seafood at a reasonable cost, John Dory's delivered a creditable performance.

We will consider compelling opportunities to grow by acquisition, however we have been successful with homegrown brands and will continue to assess new concepts in the areas we don't already have representation in.

Spur Steak Ranches contributed R188.0 million to group profit before income tax. We opened a further three Spur Grill & Go outlets locally, the quick and convenient fast-casual version of the full-size Steak Ranch. However, our focus was firmly on bedding down existing outlets and developing our experience operating in new locations.

The group's upmarket brands – The Hussar Grill and Casa Bella – demonstrated the relative resilience of consumers at the upper LSMs, and we opened four more Casa Bellas and two The Hussar Grill outlets locally during the year.

At the other end of the market it is clear that consumers are under severe pressure and we continue to refine the Captain DoRegos model to reduce operating costs and support our franchisees. Despite these efforts, a further eight Captain DoRegos outlets were closed in South Africa during the year.

INTERNATIONAL

The group's international expansion continues to progress well, despite some delays in store openings and the impact of local currency weakness against the US dollar. The group's footprint expanded into four new countries – Ethiopia (Spur), New Zealand (Spur), Oman and Saudi Arabia (both RocoMamas) – and we opened a further seven outlets in Namibia, Kenya, Botswana, Zimbabwe and Mauritius. We also closed six international outlets during the year where local economic and political factors were unlikely to improve in the foreseeable future.

PROCUREMENT, DISTRIBUTION AND MANUFACTURING

Reduced restaurant foot traffic negatively affected revenue growth and margins came under further pressure in our sauce manufacturing facility from raw material cost increases and the strategic decision to support franchisees by not passing on the full increase. We are investigating the possibility of relocating the central kitchens facility to the larger Baker Street premises and upgrading the equipment to increase efficiency and improve margin.

Volumes sourced and distributed through our logistics partner declined marginally and service levels continue to be well managed.

The financial performance of the rib manufacturing facility in which we have a 30% interest, Braviz, declined further during the year, due to operational challenges that we could not have foreseen. As a consequence, we have had to recognise an impairment of our full investment in the venture. We still believe that vertical integration of value added products is an important strategic goal, specifically for those core products (high volume or high value goods) that require processing before preparation. This will enable the group to secure quality and supply of these core products at a reasonable price for franchisees.

STRATEGIC OBJECTIVES

Our strategy is discussed in detail on page 34 and has two pillars – growing revenue and maintaining a sustainable business model. While revenue growth remains an important consideration, with some of our franchisees operating under severe strain, we made a strategic decision to support the sustainability of the business model through temporary concessions on franchise and marketing fees for certain of our franchisees in the fourth quarter of the financial year.

Cognisant of the fact that it may negatively impact franchise revenue in the short term, we moved away from discount-based promotions, such as the Monday night Burger at Spur Steak Ranches, which supported revenue growth at the cost of franchisee margins. These were replaced with value add promotions that better reward customer loyalty and support franchisee margins. The prices of some Spur customer favourites are being reduced to increase the value we offer and reward loyalty. We reviewed the menus of all of our brands to ensure that we continue to give consumers consistent value while managing franchisee margins.

Towards the end of the financial year, the preparation of certain products was moved in-house and Spur desserts are now being baked in the restaurants again, re-emphasising the homegrown values and authenticity our business has been built on. We are in the process of employing an executive chef to drive innovation and menu engineering across all our brands.

Spur continues to be well-received by customers and was voted the "Coolest eat out place" for the fifth year in a row in the 2017 *Sunday Times* Generation Next survey of South Africa's youth. Spur also made the top 5 for "Coolest brand slogan". Equally gratifying is that, with the strong showing by RocoMamas, Panarottis and John Dory's in the survey, Spur Corporation this year has four brands in the Top 10 for "Coolest eat out place".

We continue to review all costs that have an impact on franchisee profitability and sustainability. Store sizes have been reduced and specifications refined to bring down the investment and thereby ensure return on investment. New store formats are being trialled in the Australian market to reduce occupancy and labour costs, and could hold valuable learnings for our South African operations as well.

We will consider compelling opportunities to grow by acquisition, however we have been successful with homegrown brands and will continue to assess new concepts in the areas we don't already have representation in.

DOING SUSTAINABLE BUSINESS

Developments since March have clearly demonstrated the significant financial impact that non-financial aspects such as a negative assessment of a business can have. This emphasises the importance of managing environmental, social and media risks and opportunities, and demonstrating good corporate governance and ethical business practices. It also shows the importance of regular engagement and clear lines of communication with key stakeholders – particularly franchisees and customers – especially in challenging times.

The material matters table on page 16 lists the group's most significant challenges and opportunities, and these are discussed in more detail in this report and in the online supplementary sections.

TRANSFORMATION

Spur Corporation is committed to the principle of transformation and this continues to be an area of focus for the group. It is extremely disappointing that we fell from a Level 5 B-BBEE Contributor under the previous dti Codes to being non-compliant under the revised Codes as certain of the subminima were not achieved. What is perhaps more frustrating is that many of our excellent initiatives, particularly in skills development, corporate social investment and the Spur College of Excellence, are not recognised in the assessment. We have nevertheless put in place plans and are committed to improving our score over the medium to long term.

We also established a financing solution with an external financier to assist franchisees to improve their B-BBEE ownership credentials, which we believe will become increasingly more critical to their long-term sustainability. This structure is currently being presented to franchisees around the country, with an emphasis from a franchisor perspective of the necessity for franchisees to commit to making progress in terms of B-BBEE.

OUTLOOK

The 12 to 18 months ahead are likely to remain challenging, given the socio-economic and political climate. This requires a period of consolidation to enable us to position our operations so that we can take advantage of the upswing when the economy turns. We will continue to focus on refining menus and focusing on franchisee operating and marketing strategies to attract consumer foot traffic.

It remains critically important that our guests get nothing but an outstanding experience by ensuring that the food and service they receive is outstanding, and that it is served in a happy family environment that remains true to the values of the group. We will continue to support our franchisees through training, marketing and operational initiatives, as well as ongoing menu engineering to ensure sustainable franchisee business models. These initiatives will also ensure that the customer value proposition is kept consistently high to attract repeat business and increase customer loyalty.

We plan to open at least a net 20 stores across our brands locally and at least nine stores internationally, with the focus mainly on Africa where new outlets will be opened in Nigeria (two), Namibia, Kenya, Zimbabwe and Swaziland. A further two outlets will be opening in Saudi Arabia and one in Mauritius. We are also actively pursuing a smaller footprint store model in Australia that offers ribs, burgers and wings, and we plan to pilot the concept in the new financial year.

THANKS

Our sincere thanks go to the hardworking employees of Spur Corporation in the many functions they fulfil. We appreciate and thank the operational teams for their commitment to supporting the group's franchisees. We acknowledge and thank our franchisees for their commitment to further enhancing the brand experience of our customers through their dedication to food and service excellence, and to creating an enjoyable family experience.

We thank our board for their valuable input and the Spur Corporation executives and brand heads for their hard work and support. It goes without saying that a special thanks is due to our loyal customers who continue to visit our restaurants – thank you for your continued support in difficult financial times.

Allen Ambor
Executive chairman

Pierre van Tonder
Group chief executive officer

CHIEF FINANCIAL OFFICER'S REPORT

Ronel van Dijk
Chief financial officer

A strategic move was made in the last quarter of the financial year to discontinue discount-based promotions at Spur Steak Ranches that drive franchisee revenue and replace them with value add promotions that reward customer loyalty and better support franchisee profitability.

Spur Corporation's results for the 2017 financial year reflect the ongoing challenging economic and operating environment. Trading was fair for the first nine months of the financial year, but worsened considerably from the end of March following the cabinet reshuffle that led to the firing of the finance minister and the downgrading of South Africa's credit rating to junk status, which had a significant impact on consumer sentiment. The incident at a Spur restaurant in Johannesburg in March 2017 also contributed to weaker trading in the last quarter of the financial year in Spur Steak Ranches. The group's response to this incident is discussed in detail on our website at www.spurcorporation.com/media-centre/press-releasenews.

In a high margin franchise business such as ours, a sub-inflation growth in revenue, as realised during this financial year, has a profoundly negative impact on the bottom line. With employment costs comprising the majority of the group's expense base, there is little opportunity to adjust costs in the short term to compensate. The problem is exacerbated since intellectual property management businesses, including Spur Corporation, are heavily dependent on relevant key skills and it is critical for our remuneration offering to remain competitive, which typically requires above-inflation related increases in employment costs. Following a benchmarking study concluded in the prior year, we implemented employment cost adjustments on 1 July 2016 in our operational management teams. While these were well above inflation, they were necessary to bring remuneration back into line with industry norms, retain key skills and maintain a motivated work force. These factors combined have had a negative impact on the group's operating margin.

A strategic move was made in the last quarter of the financial year to discontinue discount-based promotions at Spur Steak Ranches that drive franchisee revenue and replace them with value add promotions that reward customer loyalty and better support franchisee profitability. This is likely to have a short-term impact on group turnover and profitability since franchise fee income is calculated on franchisee turnover. However, the focus on supporting franchisee margins is necessary in the current economic climate to ensure that we have sustainable franchisees and therefore a sustainable franchise business into the future.

The financial performance of Braviz, the rib manufacturing plant in which the group has a 30% interest, continued to disappoint. Operational issues at the plant, which led to inferior product quality, resulted in declining sales volumes. This put the company in severe financial distress, to the extent that the recoverability of our shareholder funding is in doubt. We have accordingly impaired the loan, as detailed below.

In our manufacturing division, input costs increased significantly due to the effects of the drought and the rand's depreciation against the dollar, which affected the price of sugar, tomato paste, cooking oil and spices. The impact of the economic decline on franchisees meant that we were unable to recoup these increases in input costs from franchisees.

Trading for Captain DoRegos continues to be negatively affected by the extreme financial strain experienced by lower-income consumers who have been particularly hard-hit by the economic slowdown, high food cost inflation and increases in transport costs. The reduced profitability of the division led to an impairment of the remaining value of the intellectual property assets.

On a positive note, our Australian operations performed creditably and our expansion into Africa progressed as we grew our footprint in particular in the East African region. The group's exit from its UK and Ireland operations was concluded during the year.

We opened a further eight RocoMamas outlets to meet the strong demand for its unique product offering, and increased our shareholding in the RocoMamas business from 51% to 70% with effect from 1 April 2017.

Total restaurant sales from continuing operations increased by 4.2% to R7.2 billion (2016: R6.9 billion) which benefitted from new outlets in John Dory's, The Hussar Grill and RocoMamas. This growth figure excludes the group's operations in the UK and Ireland, which ceased trading from 30 June 2016 and are disclosed as discontinued operations in the financial statements.

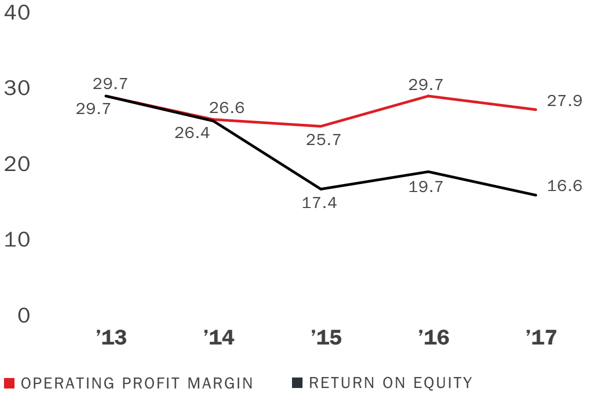
Sales from existing restaurants (i.e. excluding the impact of new businesses) increased by only 1.1%, due largely to the decline in turnover in the Spur brand in the final quarter of the financial year as referred to above. For the first three quarters of the financial year, total local restaurant sales increased by 7.9% on the prior year, but declined 6.6% in the fourth quarter. Spur restaurants increased sales by 1.9% up to March 2017 relative to the prior year, but declined 14.9% in the three months to June 2017, while growth in other brands moderated to a lesser extent.

Group revenue from continuing operations increased by 2.4% to R648.0 million (2016: R633.1 million) and group profit before income tax from continuing operations declined by 14.9% to R210.7 million (2016: R247.6 million).

Group operating profit before finance income (including share of profit/loss of equity-accounted investee (net of income tax)) did not achieve the 2017 target of R273.8 million, primarily due to:

- The impairment loss recognised in respect of the shareholder funding in the Braviz manufacturing facility.

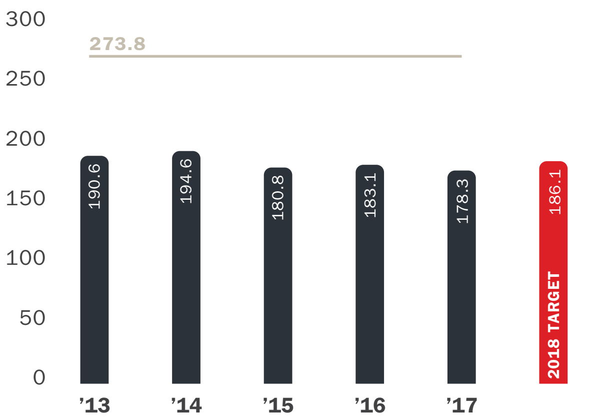
OPERATING MARGIN AND RETURN ON EQUITY (%)



- The impairment of the Captain DoRegos intellectual property.
- The low growth in revenue arising from lower than anticipated franchised restaurant turnover during the last quarter of the financial year.
- The increased employment costs necessary to retain key operations skills.
- Other one-off and exceptional items listed in the comparable profit table on page 28.

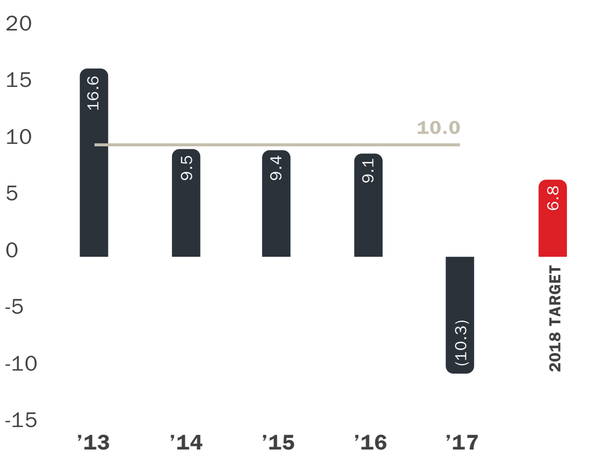
There are a number of one-off and exceptional items that affect comparability of group profit before income tax and headline earnings per share. These are reconciled in the tables on pages 28 and 30 of this report. Adjusting for these distortions, comparable profit before income tax declined by 8.7%, comparable profit before finance income declined by 10.3% and comparable headline earnings per share declined by 8.3%.

OPERATING PROFIT BEFORE FINANCE INCOME* (R'm)



* As defined in note 1 on page 5

GROWTH IN COMPARABLE PROFIT BEFORE FINANCE INCOME (%)



The target of 10.0% growth in comparable profit before finance income was not achieved, and operating margin and return on equity both declined due to the same factors that affected operating profit.

FINANCIAL PERFORMANCE

The table below reconciles profit before income tax to comparable profit before income tax, with an explanation for these adjustments on the following page. The table shows key items included in the calculation of profit and is not intended to indicate sustainable or maintainable profit.

	2017 R'000	2016 R'000	% change
Profit before income tax	**214 775**	218 720	(1.8)
Exclude (profit)/loss from discontinued operation (UK)	**(4 084)**	28 847	
Profit before income tax – continuing operations	**210 691**	247 567	(14.9)
Abnormal bad debts	**986**	–	
Foreign exchange loss	**799**	3 769	
Impairment losses	**50 970**	18 969	
Trading results of company-owned restaurants	**284**	3 790	
RocoMamas contingent consideration	**777**	(3 723)	
Share appreciation rights cost (net of related hedge)	**1 996**	25 353	
Share appreciation rights cost (actual net cost amortised on straight-line basis)	**(4 313)**	(7 198)	
Share incentive scheme (new equity-settled forfeitable share plan and share appreciation rights schemes)	**985**	827	
Spur Foundation	**1 206**	259	
Comparable profit before income tax	**264 381**	289 613	(8.7)
Net finance income	**(36 522)**	(35 602)	
Comparable profit before finance income	**227 859**	254 011	(10.3)

Item	2017	2016
Abnormal bad debts	A loan to the Captain DoRegos marketing fund was forgiven during the year.	
Foreign exchange	Realised and unrealised exchange differences relating predominantly to the group's international operations.	
Impairment losses	R44.192 million relates to the impairment of the Braviz shareholder funding as detailed in note 15 on page 119 of the consolidated financial statements. R6.778 million relates to the impairment of the Captain DoRegos trademark and related intellectual property intangible assets as detailed in note 14 on page 116 of the consolidated financial statements.	Related to the impairment of the Captain DoRegos trademark and related intellectual property intangible assets as detailed in note 14 on page 116 of the consolidated financial statements.
Trading results of company-owned restaurants	Trading results of company-owned The Hussar Grill in Morningside and RocoMamas in Green Point which commenced trading in September 2015 and November 2015 respectively.	Trading results (including set-up costs not qualifying for capitalisation) relating to 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 36 on page 138 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 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. 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 R3.795 million (2016: R2.361 million), net of a loss on the related hedging instrument of R5.791 million (2016: R27.714 million) – 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, on the assumption that the vesting date share price exceeds the original grant date share price. 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 R4.313 million (2016: R7.198 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 schemes implemented in April 2016. Refer note 21.4 on page 126 of the consolidated financial statements.	
Spur Foundation	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 losses for the current and previous financial years relate to the disbursement of funds received, and previously recognised as income, in an earlier year.	

The effective tax rate from continuing operations increased to 36.4% (2016: 30.9%) due largely to the impairment loss of the Braviz shareholder loan that is not tax deductible.

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

- the Braviz loan impairment, which is not tax deductible;
- listings-related and trademark related costs that are not deductible; and
- local and foreign withholding taxes.

Comparable headline earnings reconciliation	2017 R'000	2016 R'000	% change
Headline earnings – as reported	**133 863**	163 977	(18.4)
Exclude headline earnings from discontinued operation (UK)	**1 218**	18 350	
Headline earnings from continuing operations	**135 081**	182 327	(25.9)
Abnormal bad debts	**986**	–	
Foreign exchange loss	**776**	2 826	
Impairment losses	**44 192**	–	
Trading results of company-owned restaurants	**318**	2 486	
RocoMamas contingent consideration	**777**	(3 723)	
Share appreciation rights cost (net of related hedge)	**1 437**	18 255	
Share appreciation rights cost (actual net cost amortised on straight-line basis)	**(3 105)**	(5 183)	
Share incentive scheme (new equity-settled forfeitable share plan and share appreciation rights schemes)	**665**	720	
Comparable headline earnings	**181 127**	197 708	(8.4)
Weighted average number of ordinary shares ('000)	**95 828**	95 955	(0.1)
Comparable headline earnings per share (cents)	**189.01**	206.04	(8.3)

Earnings per share from continuing operations declined by 22.4% to 135.6 cents (2016: 174.6 cents) and headline earnings per share from continuing operations declined by 25.8% to 141.0 cents (2016: 190.0 cents). The declines are due to the items listed in the tables above and the lower than expected trading results.

Comparable headline earnings per share decreased by 8.3%. Dividend per share declined by 5.7% to 132 cents (2016: 140 cents). The group's dividend policy remains unchanged at a payout of 80% of headline earnings adjusted for exceptional and one-off items. It is our intention to maintain this policy.

	Revenue			Profit before income tax			Operating margin		
Segmental performance	2017 R'000	2016 R'000	% change	2017 R'000	2016 R'000	% change	2017 %	2016 %	% change
Manufacturing and distribution	**181 834**	180 750	0.6	**66 243**	68 486	(3.3)	**36.4**	37.9	(1.5)
Spur	**217 918**	229 953	(5.2)	**188 047**	206 052	(8.7)	**86.3**	89.6	(3.3)
Pizza and Pasta	**35 471**	32 501	9.1	**22 967**	22 064	4.1	**64.7**	67.9	(3.2)
John Dory's	**19 699**	18 528	6.3	**9 715**	9 558	1.6	**49.3**	51.6	(2.3)
Captain DoRegos	**2 812**	4 534	(38.0)	**(8 040)**	(17 851)	55.0	**(285.9)**	(393.7)	107.8
The Hussar Grill	**4 733**	3 607	31.2	**4 092**	2 789	46.7	**86.5**	77.3	9.2
RocoMamas	**23 809**	17 415	36.7	**16 457**	12 210	34.8	**69.1**	70.1	(1.0)
Retail	**63 569**	48 139	32.1	**4 633**	927	399.8	**7.3**	1.9	5.4
Other segments	**62 851**	61 905	1.5	**(3 188)**	1 198	(366.1)			
Unallocated	**3 269**	2 617	24.9	**(93 794)**	(53 071)	(76.7)			
Total South Africa	**615 965**	599 949	2.7	**207 132**	252 362	(17.9)	**33.6**	42.1	(8.5)
UK (discontinued)	**–**	104 302	(100)	**4 084**	(28 847)	114.2			
Australasia	**9 870**	10 948	(9.8)	**(111)**	3 177	(103.5)			
Other segments	**22 181**	22 172	–	**8 991**	10 955	(17.9)			
Unallocated	**–**	–	–	**(5 345)**	(10 326)	48.2			
Total international	**32 051**	137 422	(76.7)	**7 619**	(25 041)	130.4	**23.8**	(18.2)	42.0
Total	**648 016**	737 371	(12.1)	**214 751**	227 321	(5.5)	**33.1**	30.8	2.3

Operating margin in the manufacturing and distribution segment declined due to the increase in input costs following from the weaker rand and the drought. Growth in revenue was slower than restaurant turnover growth as price increases to franchisees were limited to support franchisee profitability.

Increases in franchise revenue in the franchise divisions were largely in line with restaurant turnovers, with some exceptions. The increase in revenue in RocoMamas lagged the increase in franchised restaurant turnover due to the inclusion of once-off initial franchise fees in the prior year where 33 new restaurants were opened compared to eight in the current year. Similarly, revenue for John Dory's included initial franchise fees from eight stores in 2016 relative to four in the current year. The decline in revenue from Captain DoRegos is due to the closure of eight outlets during the year, as well as the strategic decision to reduce the franchise fee model from 5% to 3.5% in the latter half of the prior year, as reported last year, in an effort to sustain the franchise model. The decline in revenue for Spur Steak Ranches exceeded the decline in restaurant turnovers due to abnormally high temporary franchise fee concessions granted in the last quarter of the financial year. From April 2017 revenue declined 25.2% year on year, compared to a decline in restaurant sales of 14.9% for the same period. These formed part of the financial support package extended to franchisees alluded to in the chairman's and CEO's report to support franchisees financially in an effort to trade out the weak economy. With the exception of The Hussar Grill, margins declined in all franchise divisions due to the adjustments to operational management team remuneration referred to at the start of this report and the impact of lower than expected revenues. The margin in The Hussar Grill benefitted from the economies of scale associated with trading more restaurants.

The loss before income tax for Captain DoRegos includes a further impairment of the trademark and related intellectual property as well as a write off of the loan to the marketing fund which was forgiven. Excluding these write offs, the brand's operating margin reduced from 24.6% to -9.8%, which is directly related to the lower revenue and adjusted employment costs.

The margin of the retail division improved as the negative impact of initial trading losses and set-up costs that did not qualify for capitalisation in the prior year were not repeated. These related to 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 "Other segments" category of the South Africa segmental results includes the group's décor manufacturing, export, radio station, training and call centre businesses. With the exception of the export business, the other businesses are not intended to make significant profits as they are functions provided to support franchisees. The decline in profitability is partially attributable to a R1.2 million decline in profit from the décor manufacturing business due to reduced store openings and fewer store revamps relative to the prior year during this low economic growth period. There was also a R3 million increase in the loss from the group's training division as we invested in further training initiatives at low cost to franchisees. While the new training initiatives resulted in a greater loss to the group, the improved efficiency and effectiveness of training methods, and reduced costs to franchisees are necessary to ensure the long-term sustainability of franchisees.

Local franchise operating profit margin	2013 %	2014 %	2015 %	2016 %	2017 %
Manufacturing and distribution	27.9	33.1	38.6	37.9	**36.4**
Spur	88.5	88.9	89.3	89.6	**86.3**
Pizza and Pasta	59.2	62.7	68.6	67.9	**64.7**
John Dory's	56.6	54.2	56.2	51.6	**49.3**
Captain DoRegos	41.8	26.4	(194.5)	(393.7)	**(285.9)**
The Hussar Grill	–	67.3	53.7	77.3	**86.5**
RocoMamas	–	–	63.7	70.1	**69.1**

Unallocated South Africa loss before income tax includes:

- net finance income of R35.8 million (2016: R34.8 million);
- the Braviz shareholder loan impairment of R44.2 million;
- the impact of the long-term share-linked employee retention and incentive schemes;
- the net income of The Spur Foundation Trust; and
- the fair value adjustment relating to the RocoMamas contingent consideration liability.

The group's cost base increased ahead of inflation largely due to increased depreciation costs relating to the new head office building, salary adjustments effected on 1 July 2016 following the benchmarking study in the prior year, and increased IT-related costs as the business grows in size and complexity.

The UK segment comprised the franchise business and company-owned outlets that ceased all activities by 30 June 2016. The profit shown in the current year arises from the derecognition of the remaining liabilities of the entities that commenced with voluntary liquidation proceedings in July 2016.

Since last year, the Australasian segment operates exclusively as a franchise business. Revenue in the region declined from R10.9 million to R9.9 million as the slump in commodity prices impacted on the economies of certain of the regions within Australia in which we trade. The loss for the year is due to the decline in revenue, abnormal marketing costs in an effort to restore revenue growth in the region and additional operational costs incurred in opening our first outlet in New Zealand. We see New Zealand as a potential growth market and spent significant resources in ensuring that the launch of the brand in New Zealand was successful.

Revenue from other international segments, comprising largely the African operations, remained flat in rand terms, but increased by 8.5% on a comparable exchange rate basis, benefitting from the opening of new businesses. Much of the growth was realised in Mauritius. The African continent is plagued by political uncertainty, stagnant economic growth generally, and a weakening of many of the currencies of the countries in which we trade. The margin contraction is due to the significant increase in travel costs related to developing and expanding the group's footprint in Africa and the Middle East, which has not yet been offset by a corresponding increase in revenue. This is part of the investment in exploring new potential markets. We also incurred significant costs in the current year relating to the set up of new stores, in respect of which the initial franchise fee was received in the prior year. Excluding the timing difference between the receipt of the initial franchise fee and the costs incurred relating to the new stores, profit for the division declined by 4.0% in rand terms, but increased 5.7% on a comparable exchange rate basis.

Unallocated international loss before income tax includes a foreign exchange loss of R0.7 million (2016: R3.8 million). Excluding this adjustment, the loss reduced by 29.5% in rand terms and by 23.6% on a comparable exchange rate basis. The improvement is largely due to consulting and legal costs incurred in the prior year relating to the group's international restructure in 2014.

FINANCIAL POSITION

Group total assets of R991.2 million declined from R1.1 billion in the prior year due the impairments of the Braviz loan receivable and Captain DoRegos intangible assets, lower receivables reflecting lower revenue, and reduced cash balances.

The tax receivable of R41.5 million includes R22.0 million of taxes and interest paid in respect of additional assessments issued by SARS relating to the 2004 to 2009 share incentive scheme which are being disputed, as referred to below. It also includes overpayments of provisional tax as the financial performance of the group in the final quarter of the financial year was lower than expected, and withholding tax credits relating to foreign jurisdictions.

The fair value of the forward purchase contracts used to hedge the liability arising from the cash-settled share appreciation rights in issue decreased from R12.2 million in the prior year to R10.6 million at 30 June 2017. The contracts are out of the money as the share price has not increased above the forward price of the contracts. The contract that expired in December 2016 resulted in an outflow of R7.4 million for the year. The liability in respect of the related share appreciation rights has reduced from R7.8 million in the prior year to R0.9 million at 30 June 2017, following the settlement of the fourth tranche of share appreciation rights in December 2016 of R3.1 million and a reduction in the share price.

The acquisition of 51% of RocoMamas in 2015 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 made on the acquisition date of 1 March 2015. Interim payments (or refunds, as the case may be) are scheduled for the first, second and third anniversary dates of the acquisition and calculated as five times the profit before income tax of each anniversary period less any previous payments made. The second interim payment of R18.3 million was settled in cash during the year (2016: R20.4 million), taking the total paid to date to R40.6 million. The fair value of the contingent consideration liability at 30 June 2017 was R5.8 million (2016: R23.3 million). The total purchase consideration is estimated at R47.2 million compared to the prior year estimate of R52.8 million. The reduction arises principally from a downward revision in the number of stores to be rolled out over the initial three-year period, a moderation of the expected growth in turnover of existing businesses in light of the state of the local economy as well as an upward revision of costs necessary to sustain operations and provide a platform for future growth.

With effect from 1 April 2017, the group acquired an additional 19% of RocoMamas, to increase its holding to 70%, at a cost of R14.0 million.

Loans payable include marketing contributions collected by the group's marketing funds from franchisees, net of marketing expenditure incurred by the funds for the benefit of their respective bodies of franchisees. In terms of the group's franchise agreements, unspent marketing contributions are to be used for the exclusive benefit of the respective bodies of franchisees. The payables in this regard declined from R24.6 million to R6.9 million as marketing contributions declined in line with franchised restaurant turnovers.

Trade and other payables declined for the year largely due to the disposal of the UK liabilities upon the commencement of voluntary liquidation of the entities in July 2016.

The group acquired an additional 165 000 treasury shares at an aggregate cost of R5.0 million. The group intends continuing to repurchase shares in the financial year ahead, provided that the repurchases remain earnings enhancing. The group's financial position remains ungeared with no formal external borrowings.

Cash generated from operations declined by 3.1% to R234.7 million (2016: R242.2 million) in response to the lower than anticipated trading performance. Working capital increased by R1.5 million, largely attributable to the decline in the marketing fund loans payable referred to above.

Capital expenditure	**2017 R'000**	**2016 R'000**
Maintenance	**10 983**	9 890
Expansion	**2 709**	35 808
Total	**13 692**	45 698

Capital expansion includes R2.7 million (2016: R26.9 million) relating to the construction of the new corporate office in Century City, Cape Town which commenced in the prior year and was concluded early in the new financial year. The building was commissioned as the group had outgrown its existing head office in Century City. Maintenance capital expenditure is anticipated to remain consistent in the financial year ahead.

TAX QUERIES

During 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 prior years, but objected to and referred to alternate dispute resolution ("ADR") proceedings. ADR proceedings with SARS failed to result in a compromise between the parties and the matter will now be referred to court. A date has yet to be set for the income tax court to hear the matter. 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.

More information on this matter is available in note 44.1 on page 159 of the consolidated financial statements.

LONG-TERM SHARE-LINKED EMPLOYEE RETENTION SCHEME

A long-term share-linked incentive scheme was implemented in December 2010 in terms of which a maximum of 1.5 million cash-settled share appreciation rights are issued to senior management each financial year. The obligation regarding these rights is hedged to the extent possible to mitigate the liquidity risk associated with the share appreciation rights. A number of forward purchase transactions were accordingly concluded to hedge the possible cash outflow resulting from the rights. 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. IFRS requires the share appreciation rights liability to be 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 2012**	**Dec 2013**	**Dec 2014**	**Total**
Vesting date	Dec 2015	Dec 2016	Dec 2017	
Number of rights granted ('000)	1 500	1 500	1 500	
Grant date strike price (R)	21.29	30.38	30.91	
Forward price (R)	25.64	37.57	35.94	
Total cost (R'000)	6 525	10 785	7 545	
Annualised cost (R'000)	2 175	3 595	2 515	
Annualised cost 2016 (R'000)	1 088	3 595	2 515	7 198
Annualised cost 2017 (R'000)	**–**	**1 798**	**2 515**	**4 313**

In 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 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 71 of this report.

OUTLOOK

The current challenging trading conditions in South Africa are not expected to improve in the short term. The group continues to identify good opportunities in Africa, the Middle East and Australasia, as well as opportunities to grow in the local market through our strong existing brands and new store formats.

Ronel van Dijk
Chief financial officer

STRATEGY

OVERVIEW

Spur Corporation's strategy aims to ensure that sustainable returns are generated for providers of financial capital over the long term. These returns support the creation of value for the group's other key stakeholders. The strategy is based around two complementary objectives, supported by the strategic value drivers shown in the diagram below.

GROWING REVENUES	MAINTAINING A SUSTAINABLE BUSINESS
– Increase same store sales through effective marketing, excellent service, outstanding food, good value and compelling loyalty programmes – Open new outlets in existing markets – Expand into new geographic markets – Strategic acquisitions – Vertical integration opportunities	– Responsive and agile franchise model – Ensuring that franchisees can earn a competitive return on their investment – Ethical business practices and good corporate governance – Social responsibility – Environmental responsibility

Performance against the strategic objectives is tracked against key performance indicators ("KPIs") which include short-term (one-year) and medium-term targets. The table below summarises a few high-level KPIs and the full table can be found on page 76. The short-term incentive scheme and the new long-term equity-settled share appreciation rights schemes reward successful implementation of group strategy, as discussed in the remuneration report on page 71.

Key Performance Indicators summary

	2016	Target 2017	2017	Target 2018[3]
Total worldwide restaurant turnover (R'm)	6 972	**7 672**	**7 157**	7 074
Operating profit margin[1]	29.7%	**40.0%**	**27.9%**	29.5%
Return on equity[2]	19.7%	**25.0%**	**16.6%**	17.8%
Total local restaurants	517	**535**	**528**	548
Percentage of international revenue to total group revenue	18.6%	**5.0%**	**4.9%**	5.0%
Percentage of international profits to total group profit before income tax	(11.5%)	**3.5%**	**3.5%**	2.5%
Number of international outlets	58	**65**	**63**	68
Percentage of suppliers that have adequate and appropriate sustainability plans in place	100%	**100%**	**100%**	100%
Employee training costs (R'000)	1 763	**2 000**	**2 248**	2 057
Community support (R'000)	2 243	**3 075**	**2 930**	3 473
Electricity consumption (kWh per annum)[4]	705 040	**700 000**	**679 591**	700 000

1 Includes share of profit/loss of equity-accounted investee (net of income tax).
2 Profit for the year adjusted for headline earnings adjustments and foreign exchange gain/loss, divided by equity.
3 In prior periods the group published medium-term targets. Given the current uncertainty in the markets we serve we are revising our medium-term targets and will disclose these when we have more confidence that they are realistic.
4 Electricity consumption targets have been rebased as further information has been obtained.

Spur Corporation's management and governance structures support, monitor and facilitate economic, social and environmental performance to drive the effective execution of the strategy.

The group recognises information technology ("IT") as a key enabler to achieve the group's strategy and invests heavily in building IT capabilities that support improved strategy execution. These capabilities allow the group 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.

A new marketing intelligence tool is in the process of finalisation. Once implemented, this intuitive digital application will interrogate consumer behaviour with reference to social media interests and loyalty sales data to allow personalised, targeted automated communication to our customers on a large scale.

Those matters that have the most significant effect on Spur Corporation's strategy and ability to create value are listed in the table of material matters on page 16. The group's main stakeholders, their key concerns and how we aim to address these are analysed on page 18.

The group's economic 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.

STRATEGIC OBJECTIVES AND RELATED MATERIAL MATTERS

GROWING REVENUES

Store design and specifications	38
International expansion	40

MAINTAINING A SUSTAINABLE BUSINESS

Sustainable local franchise model	37
Menu engineering	39
Efficient use of resources	39
Product responsibility	40

Regulatory compliance
Health and safety
Customer service
Community support
Human capital and skills development
Franchisee employee training
Transformation
Employment equity
Operational and strategic resource management
Procurement

CASE STUDY

OUR REVISED APPROACH TO MANAGING SOCIAL MEDIA

For several years, Spur Corporation has monitored the heightened risk of reputational damage to the group and its brands due to the increasing speed and reach of social media. The medium lends itself to rapid distribution of both valid information, as well as false content, which feeds a point of contention. Last year, we included social media as one of the top risks facing Spur Corporation. The events in 2017 underscored the potential financial impact of this risk, both to Spur Corporation and to our franchisees. In addition, valid issues raised around the incident were severely exacerbated by incidents of “fake news”.

In response, we continue to refine our social media capabilities to ensure that this risk is effectively managed going forward. Our social media response capability is being moved to our customer care department to enable a better and more active response time. A social media “listening tool” was procured to automatically inform executives of possible social media flare ups. A formal social media executive committee was created and is notified of brand-related activity developed for social media prior to its implementation. The relevant personnel have 24-hour access to a social media and public relations expert.

We have added further social media expertise to the marketing department, and ongoing training on relevant issues is provided to employees who deal with our social media presence. We have also established direct contact with social media sites to address fake news promptly and effectively. This includes Google, Facebook and Twitter.

ECONOMIC MATERIAL MATTERS

Franchise fees comprise 51.9% of group revenue. Spur Corporation's business model is therefore critically dependent on the financial success of our franchisees. Supporting the collective revenue growth of franchisees across the group supports group revenue growth.

SUSTAINABLE LOCAL FRANCHISE MODEL

Supporting franchisee profitability by keeping the franchisee model agile and responsive to changing market conditions ensures the sustainability of their business and keeps the group's brands attractive to potential new franchisees.

Strategic response

The success of a franchise restaurant depends on a range of factors including set-up costs, location, store design, franchise model and, ultimately, the skill of the franchisee. Spur Corporation supports its franchisees to establish successful businesses in a number of ways:

DEVELOPMENT TEAM

Support prospective franchisees by:

- Ensuring they have the necessary skills, commitment and capital to succeed.
- Identifying and securing suitable sites that align with the brands' target markets and will attract sufficient foot traffic to support a viable outlet. This is particularly relevant given that occupancy cost is a significant cost and above-inflation increases rapidly erode profitability.

OPERATIONS MANAGEMENT TEAMS

Provide support to franchisees by:

- Helping them to manage their businesses effectively.
- Proactively identifying marketing opportunities and offering assistance in developing and implementing bespoke marketing plans for each restaurant.
- Upholding the brand and product standards through regular inspections and assessments against operational standards.

ONGOING GROUP SUPPORT

Support ongoing franchisee profitability by:

- Continually reviewing the franchise model to support franchisee profitability.
- Refining store designs to reduce set-up costs, improve kitchen efficiencies and flows, make effective use of space, and introduce energy-efficient technologies.
- Raising brand awareness and drawing customers to outlets through innovative marketing initiatives across a variety of channels, including social media.
- Strengthening customer engagement through loyalty programmes, including the Spur Family Card and eGift Card, John's Club Card and the Panarottis Rewards loyalty programme.
- Providing training to franchisee staff to ensure high standards of food quality and service.
- Supporting consistent food supply, excellent quality and competitive prices through the group's centralised procurement strategy.
- Offering a range of restaurant brands that meet the needs of consumers across LSMs.

Group restaurant designs include smaller format stores that reduce set-up and operating costs, and are better suited to smaller urban areas. These include smaller format Spur outlets and Spur Grill & Go, located in high foot-traffic sites. The group opened three Spur Grill & Go outlets locally, and one internationally, during 2017.

		2017 target	Achieved	2018 target
Number of local outlets	The decline in the local economy and the uncertain political environment resulted in reduced demand for franchises during the year.			
Spur Steak Ranches		**291**	**289**	293
Panarottis		**81**	**80**	81
John Dory's		**47**	**48**	49
Captain DoRegos		**46**	**41**	43
The Hussar Grill		**13**	**14**	17
RocoMamas		**51**	**50**	57
Casa Bella		**6**	**6**	8
Existing restaurant turnover growth percentage	All brands were impacted by the generally weak state of the economy. Turnover at Spur Steak Ranches was also negatively impacted by the incident in a Johannesburg restaurant, as well as the strategic decision to halt the discounting strategy previously embarked upon in an effort to restore franchisee margins and ensure franchisee sustainability. Spur Steak Ranches' restaurant turnovers are anticipated to remain under pressure for at least the first half of the 2018 financial year. Panarottis and John Dory's performed relatively well. Captain DoRegos continues to feel the effects of the extreme financial pressure on its lower-income target market. The Hussar Grill and Casa Bella's higher-income consumers appear to be relatively resilient to the economic woes of the country. RocoMamas performed well in a competitive market despite the subdued economy.			
Spur Steak Ranches		**5.9**	**(3.4)**	(9.9)
Panarottis		**6.1**	**7.4**	1.6
John Dory's		**12.0**	**8.0**	0.6
Captain DoRegos		**(9.2)**	**(17.6)**	(1.3)
The Hussar Grill		**27.9**	**25.2**	7.3
RocoMamas		**45.4**	**62.6**	12.4
Casa Bella		**798.6***	**400.5***	41.8
Total restaurant sales (R'm)				
Spur Steak Ranches		**4 870**	**4 478**	4 091
Panarottis		**715**	**716**	756
John Dory's		**457**	**451**	475
Captain DoRegos		**127**	**114**	119
The Hussar Grill		**145**	**148**	176
RocoMamas		**424**	**478**	561
Casa Bella		**41**	**44**	72

* Casa Bella traded for the first time in March 2016.

STORE DESIGN AND SPECIFICATIONS

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

Strategic response

Operational inspections include an assessment of restaurant facilities and finishes to ensure that these continue to meet the required standards. Regular revamps and refurbishments upgrade outlets to keep them fresh and appealing to customers, and have a direct and demonstrable impact on franchisee turnover. Franchisees invested more than R68 million on revamps during 2017.

New store designs and equipment specifications support franchisee profitability by improving food preparation efficiency and service to reduce energy and labour costs. The roll-out of kids' play areas in Panarottis and John Dory's outlets continues to increase family appeal.

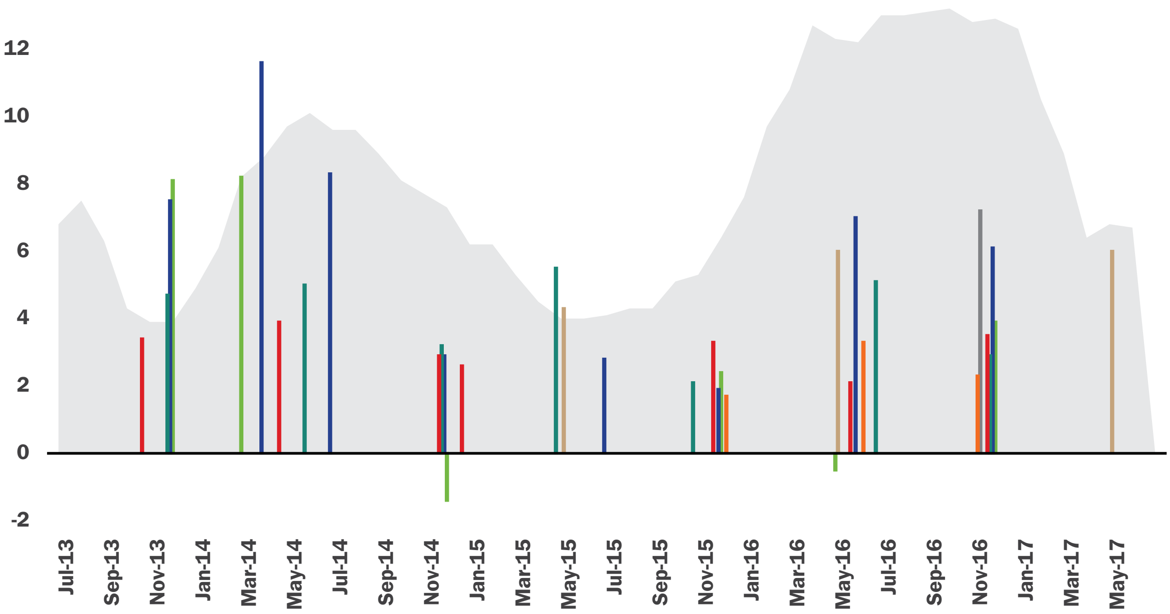
MENU ENGINEERING

Menus across the brands are continually assessed and refined to ensure that they address customers' taste profiles, balancing "customer favourites" with the latest food trends. In the context of rapidly rising food costs and a highly competitive food retail sector, promotions are an important mechanism to attract customers and support franchisee revenues. While promotions must be priced competitively to appeal to consumers, this must be balanced against the need to support franchisee profitability. During 2017, the group's approach to promotions was refined to ensure that these effectively promote customer loyalty.

Strategic response

Ongoing menu engineering aims to optimise sales mix, food cost and product range to enhance the appeal of brands to their target markets, while supporting margins. A further goal is to support kitchen redesign and improve process efficiencies. Menu engineering also reduces wastage, controls food costs, and reduces unnecessary labour costs, which becomes even more important in an environment of high food inflation, increased competition and financial pressure on consumers.

LOCAL MENU PRICE INFLATION AND FOOD INFLATION (%)



SPUR | PANAROTTIS | JOHN DORY'S | CAPTAIN DOREGOS | THE HUSSAR GRILL | ROCOMAMAS | CASA BELLA | FOOD INFLATION*

* Source: STATSSA

EFFICIENT USE OF RESOURCES TO REDUCE COSTS

Energy costs represent an increasingly significant proportion of total franchisee costs due to the rising price of electricity and gas. Increasing energy efficiency reduces costs, supports franchisee profitability and reduces the group's broader carbon footprint.

Concerns around water supply infrastructure and deteriorating water quality continue to increase, particularly in smaller towns.

Strategic response

Spur Corporation's direct environmental impact is relatively small and is discussed in the environmental supplement to this report available online at www.spurcorporation.com/governance-sustainability/approach-and-ethics.

The group however acknowledges its responsibility to drive resource use efficiency at franchisee restaurants, which together have a significant combined environmental footprint. 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 oil usage. An example of this is a new self-filtering energy-efficient fryer that is being trialled in several Spur Steak Ranch outlets. Certain franchisees have also invested in environmentally friendly solutions to reduce energy costs in stores with favourable returns on their investments. Several outlets in these areas have installed water tanks to ensure a reliable supply of potable water.

INTERNATIONAL EXPANSION

Extending the group's brands into new territories allows the group to grow revenues in areas with strong growth potential while diversifying geopolitical risk. Entering and developing new markets requires a long-term view to establish supply chains and logistics, and achieve economies of scale. However, where local market developments or dynamics make a region unprofitable, the group is committed to decisively exit these operations to support group value creation.

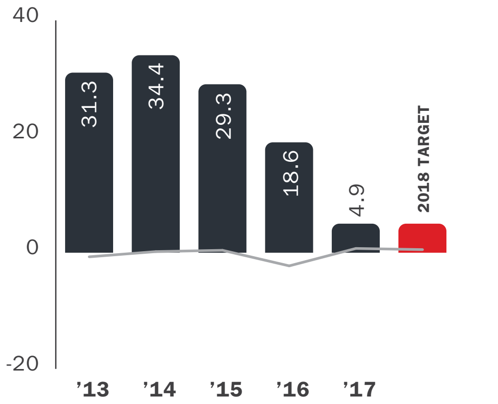
Strategic response

Trading conditions in the developed markets in which Spur Corporation has historically operated – the UK, Ireland and Australia – continue to be challenging, particularly due to high occupancy and labour costs. The group exited the UK market at the end of 2016. The restaurants in Australia are now all fully franchised and traded profitably in 2016 and 2017. We believe that Australasia has good potential in the medium term.

The group's brands are well suited to the developing and higher-growth markets of Africa, Mauritius and the Middle East, and have been well received. 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 selected African markets show excellent potential where these challenges can be addressed successfully. In 2018, the group will continue to expand into existing markets in Mauritius, the Middle East and Africa, including Nigeria, Namibia, Kenya, Zimbabwe, Swaziland, Mauritius and Saudi Arabia.

The group's international footprint is shown in the diagram on page 6.

% OF INTERNATIONAL REVENUE AND PROFIT



2017 targets		Achieved in 2017	2018 target
International revenue 5.0% of total group revenue	Revenue from the international division was slightly below target due to delays in the openings of new outlets, and weaker than anticipated economic growth on the African continent.	**4.9%**	5%
International profits 3.5% of total group profit	This target was achieved, although the profits recognised on the liquidation of the UK subsidiaries that ceased trading in the prior year offset the lower performance in Australia and Africa.	**3.5%**	2.5%
65 international outlets	The weak economic growth and political instability on the African continent has resulted in delays in certain of the new stores that were planned for the year.	**63**	68

PRODUCT RESPONSIBILITY

The great tasting food we are committed to serving our loyal customers requires a consistent supply of the highest-quality ingredients. Our commitment to responsible and sustainable practices means that we aim to ensure that we source products from suppliers that share these aspirations.

Strategic response

Franchisee employees receive extensive and ongoing training in food preparation, customer service, food safety and other relevant areas. Restaurant managers in each store conduct food quality and hygiene checks several times a day. At least every two months stores have detailed food, hygiene and safety audits conducted on-site by corporate operations managers. Regular service and standards audits are also conducted.

All kitchen and front of house staff are trained in the "clean as you go" principle. Every day the opening checks deal with product food safety and hygiene prior to the store commencing trade.

CCTV cameras are in place in many restaurants to monitor both front of house and back of house kitchen adherence to strict hygiene standards. All staff are thoroughly trained to the highest health and food safety standards. Managers based in kitchens include trained quality coordinators who check meals before delivery to our customers.

The group has a range of initiatives that aim to ensure high standards in our supply chain and sauce manufacturing facilities, including:

Supply chain	Sauce manufacturing
– Suppliers are independently reviewed through specialised food safety audits. – All suppliers undergo a capability assessment process that includes a Hazard Analysis and Critical Control Points ("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. – Environmental sustainability assessments are conducted at certain suppliers.	– The sauce manufacturing facility was successfully re-certified as HACCP compliant. – Two qualified food technologists monitor quality control in the sauce manufacturing facility.

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.

Spur Corporation's ethical sourcing policy encompasses the principles of the Ethical Trading Initiative Base Code as well as the international standards set out in the International Labour Organisation (ILO) Conventions. The policy commits suppliers and licensees to adhere to guiding principles that cover human rights issues, labour practices, health, safety and environmental practices, business ethics and intellectual property rights.

All major hubs servicing the Spur Corporation brands at our outsourced logistics partner are ISO 22000 certified and partner environmental management programmes align with the ISO 14001 standard. Four of the hubs are also accredited under OHSAS 18001, the health and safety standard.

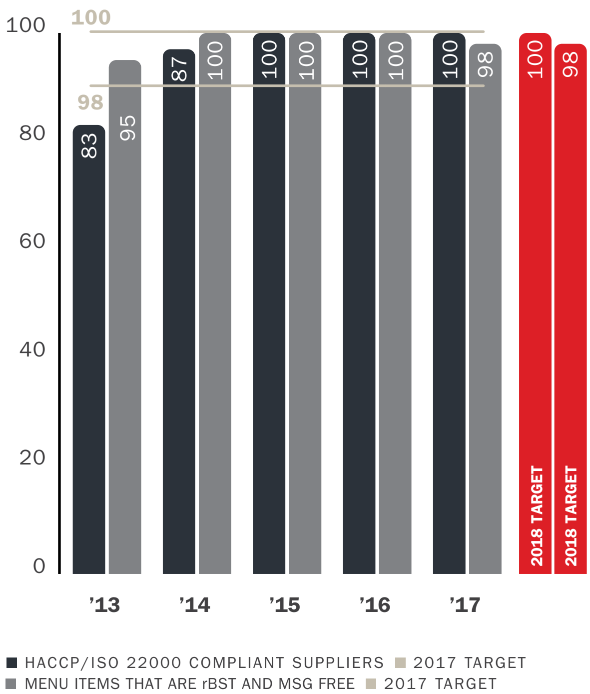
The group aims to source seafood through responsible suppliers that comply with South African Sustainable Seafood Initiative ("SASSI") and Marine Stewardship Council ("MSC") guidelines wherever possible. In practice, securing a reliable supply of seafood is becoming increasingly challenging. Certain fish supplies are secured from Namibia, which currently does not follow sustainable practices. Our procurement team and SASSI continue to work with the Namibian authorities to help them achieve Aquaculture Stewardship Council certification that would result in the products procured complying with SASSI requirements. During the prior year, the Namibian fisheries industry underwent the MSC pre-assessment process and SASSI is satisfied with the progress made to date.

We are committed to the SASSI "Seafood Promise" and anticipate that full compliance will be attained in 2018. In all cases, Spur Corporation only procures and supplies seafood products (species) that are not SASSI red listed.

The group is committed to providing healthy options for our customers, including reducing monosodium glutamate ("MSG") in the food we serve. While MSG was removed from all Spur Corporation products in 2015, a significant number of customer complaints led to the reintroduction of nachos and boerewors products that include MSG.

Spur Steak Ranches' 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 (%)



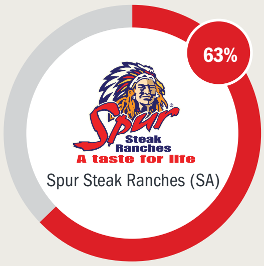
SPUR STEAK RANCHES

PEOPLE WITH A TASTE FOR LIFE

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.

Mark Farrelly
Chief operating officer

CONTRIBUTION TO RESTAURANT TURNOVER



Promotions

- Great-tasting Mondays – The Classic R50 Burger
- 50th Birthday Waffle offer at R19.67
- Winter warmers – cosy up with a cuppa
- Sizzlin' Spare Rib Specials
- Spur Unreal Breakfast

PERFORMANCE SCORECARD

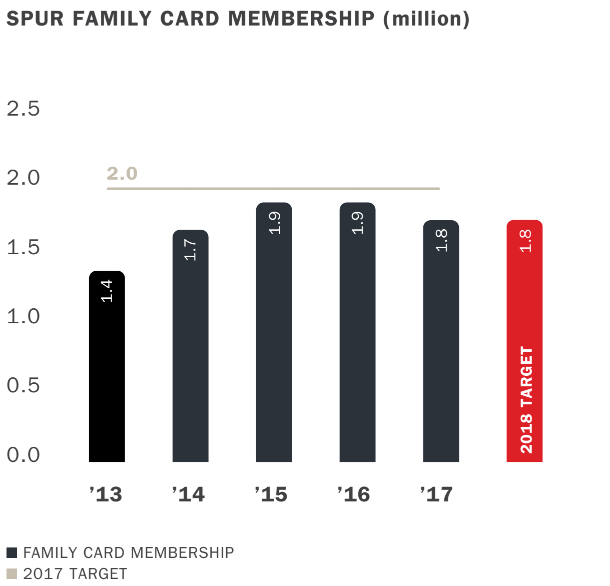
RESTAURANT TURNOVER	FRANCHISE REVENUE	CONTRIBUTION TO GROUP PROFIT	
R4.48 billion 2016: R4.58 billion (-) 2.1%	**R217.9 million** 2016: R230.0 million (-) 5.2%	**R188.0 million** 2016: R206.1 million (-) 8.7%	
TOTAL RESTAURANTS IN SOUTH AFRICA – SPUR STEAK RANCHES	**ACTIVE SPUR FAMILY CARD HOLDERS**	**NEW OUTLETS**	
283 2016: 283	**1.77 million** 2016: 1.92 million	**5** Spur Steak Ranches **3** Spur Grill & Go	
TOTAL RESTAURANTS IN SOUTH AFRICA – SPUR GRILL & GO	**CORPORATE EMPLOYEES**	**REVAMPS**	**RELOCATIONS**
6 2016: 3	**37** 2016: 37	**21**	**5**

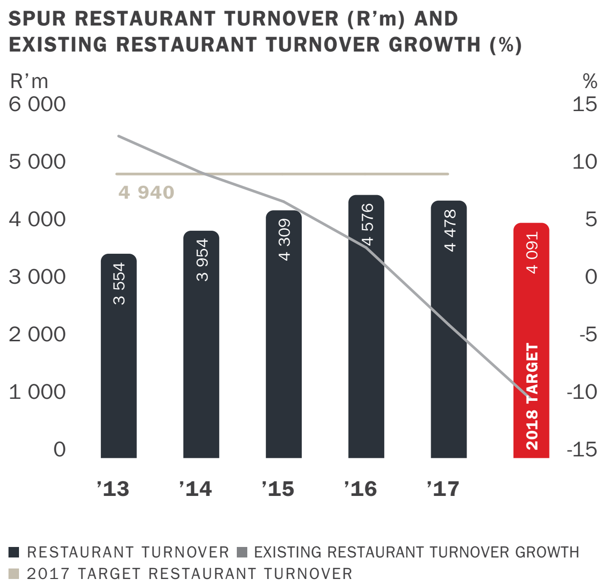
Performance overview

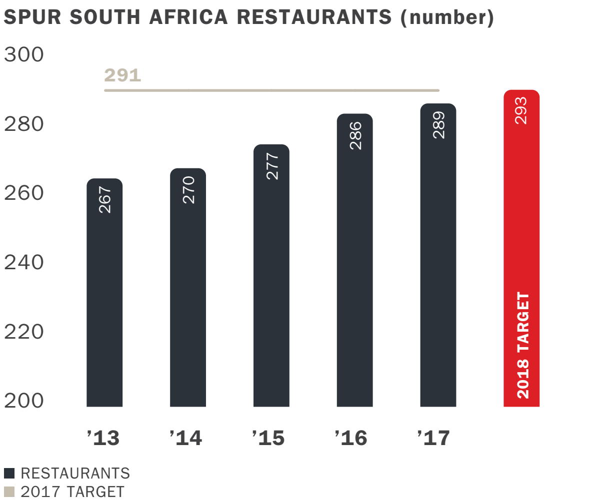
While trading conditions remained tight in the first part of the year, trading was positive up until March 2017. Consumer confidence fell sharply after that point as political friction increased and economic conditions deteriorated. Certain Spur franchisees were also directly impacted by the fallout following the altercation between two customers in a Spur restaurant in Johannesburg. Spur Corporation assisted these franchisees where necessary by temporarily reducing the franchise and marketing fees to support their businesses.

Total restaurant turnover decreased by 2.1% to R4.48 billion (2016: R4.58 billion) and existing restaurant turnover declined 3.4%.

We refined our specials to more effectively reward customer loyalty and support franchisee profitability in an increasingly competitive market. Our new menu, which launched in July 2017, includes a "back to basics" focus that emphasises the authenticity and "homegrown" feel that has carried Spur Steak Ranches to where it is today. This includes a return to







in-store baking of desserts and the preparation of other Spur favourites at each restaurant. The Spur Family Card loyalty programme performed well, with active Spur Family Card users reducing slightly to 1.77 million (2016: 1.92 million). More than 20 companies incentivised and rewarded customers and employees with R11.8 million in value through Spur eGift Cards during the year.

Spur Corporation provides ongoing training to franchisee staff to ensure service excellence and food quality continue to meet the high expectations of our customers. The 2017 *Sunday Times* Generation Next survey recognised Spur as the "Coolest Place to Eat Out" among South Africa's youth for the fifth year in a row and the brand also made the Top Five for "Coolest Brand Slogan".

The focus during the year was on store revamps and implementing the new look and feel that we started rolling out last year, although we opened five new stores during 2017. Twenty-one restaurants were revamped during the year at a total franchise investment of R28.3 million. We opened three new Spur Grill & Go outlets and continue to refine the model for trading conditions in their high-traffic locations, which differ from our traditional business.

The smaller format Spur model is now the default model to reduce the initial investment required and ongoing running costs and support franchisee return on investment.

Strategic outlook

In the year ahead we will retain our emphasis on the authenticity and quality of our products by focusing on freshness and enhancing our "homemade" credentials. We plan to improve our gains in the breakfast market through innovation and top-up offerings. We will continue the process of retraining all restaurant management and measuring the progress of management through the modular training programme. The roll-out of "Grill & Go" and smaller Spur concepts in less densely populated towns will also continue. Corporate operations managers will be re-training and re-focused to ensure that we meet the standards set by our strategic intentions and initiatives, and support growth in market share.

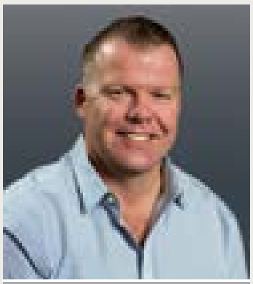
We also plan to open 10 new stores in 2018.

STRATEGIC GOALS	2017 GOALS AND ACHIEVEMENTS	2018 GOALS
Open 7 new outlets	Opened 8 new outlets	Open 10 new outlets
Open 2 Grill & Go stores (included in above) Open 2 new-specification smaller-format stores (included in above)	3 Grill & Go stores opened (included in above) The smaller format stores are now the default specification for all new stores	Open 1 Grill & Go store (included in above)
Revamp 28 existing outlets Relocate 4 existing outlets	21 revamps 5 relocations	Revamp/relocate 12 existing outlets
Partner with Spur IT to analyse data and develop a single view of the customer	Following a detailed request for proposal process, a vendor has been appointed and development is in progress	Solution to be delivered by June 2018
Promote weekday specials and assess their effectiveness and financial feasibility	The weekday specials were replaced with new offers that more effectively reward customer loyalty and support franchisee profitability	Entrench change in strategy, with greater focus on product innovation, product quality and customer relationships
Continued community involvement	CSI initiatives are run by many franchisees in their local communities, supported by the national marketing fund, and broadcast on social media	Full Tummy Fund customer donation to The Spur Foundation Trust to be launched for Spur menu

PIZZA AND PASTA

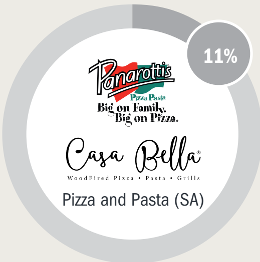
PIZZA AND PASTA INCLUDES THE PANAROTTIS AND CASA BELLA BRANDS

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



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

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

- Thursdays Eat as Much Pizza as You Like
- Tuesday Buy one Get one Free
- Weekday Breakfast Special

PERFORMANCE SCORECARD

RESTAURANT TURNOVER – PANAROTTIS

R716.1 million 2016: R666.6 million
+ 7.4%

RESTAURANT TURNOVER – CASA BELLA

R44.5 million 2016: R4.5 million
+ 885.3%

FRANCHISE REVENUE

R35.5 million 2016: R32.5 million
+ 9.1%

CONTRIBUTION TO GROUP PROFIT

R23.0 million 2016: R22.1 million
+ 4.1%

TOTAL RESTAURANTS IN SOUTH AFRICA – PANAROTTIS

80 2016: 81

TOTAL RESTAURANTS IN SOUTH AFRICA – CASA BELLA

6 2016: 2

ACTIVE PANAROTTIS REWARDS MEMBERS

243 000 2016: 86 000

CORPORATE EMPLOYEES

13 2016: 13

NEW OUTLETS

0 Panarottis
4 Casa Bella

REVAMPS

4 Panarottis

RELOCATIONS

1 Panarottis

Performance overview

Total restaurant turnover grew 13.3% to R760.6 million (2016: R671.1 million) driven largely by ongoing local marketing by franchisees and improved in-store execution. Franchisee profitability was further bolstered by optimising labour levels and negotiating reduced rentals where possible. This was supported by revamps at four stores and the relocation of one outlet.

The pizza sector continues to be highly competitive, with rival brands running heavily discounted specials and increasing television marketing. While discounting is attractive to some consumers in the current recession, Panarottis has maintained its focus on quality and customer experience. Operating margin for the year decreased to 64.7% due to increased operations management salaries, various temporary franchise fee concessions to support the profitability of franchisees and the inclusion of development costs for Casa Bella. There was also a substantial investment in nutritional analysis to provide useful dietary information to customers to support healthy decisions.

Menu engineering once again proved to be extremely beneficial and resulted in food costs remaining consistent for most of the year despite food inflation remaining high.

The downturn in the economy, recession and low business confidence due to political uncertainty reduced investors' interest in new business developments and no new restaurants were opened during the year, the first time this has happened in five years.

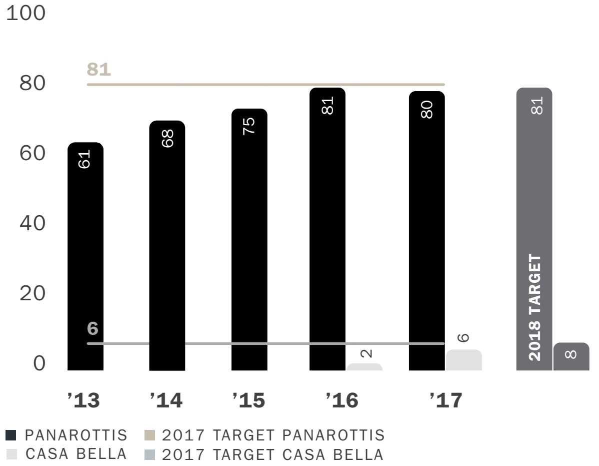
We developed the design for the next generation Panarottis, which brings a fresh and more modern look in keeping with local and international trends that has seen strong interest from franchisees.

The Panarottis Rewards loyalty programme launched last year was well received by customers, growing to 243 000 active members (2016: 86 000) by year-end.

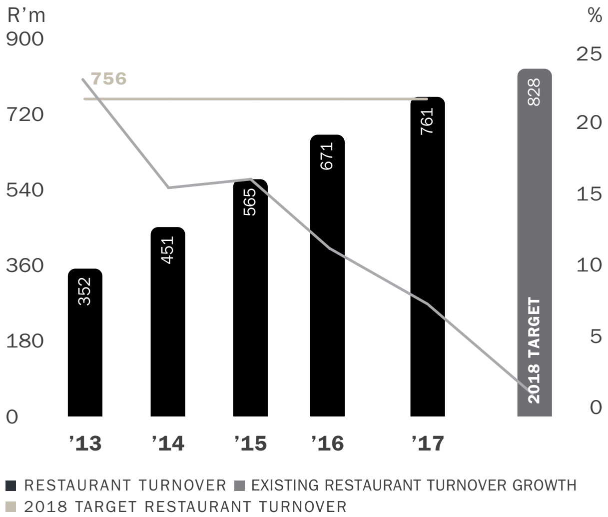
The focus for Casa Bella, which started trading in the 2016 financial year, was on refining franchisee systems and procedures, including improving labour levels and reducing food costs. We opened four new restaurants in Somerset West, Sun City, Ballito and Umhlanga, and supported franchisees through the process of establishing these outlets.

The new Casa Bella restaurants planned for 2018 are all opening in Gauteng to increase the brand's presence in that province.

PIZZA AND PASTA SOUTH AFRICA RESTAURANTS (number)



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



Strategic outlook

In the year ahead, we will continue to focus on supporting franchisees through the current challenging economic times. This will include prioritising improved operational fundamentals, financial reviews, labour levels, energy costs, service and product innovation. Casa Bella will bring its unique Italian cuisine and fine dining experience to at least two new locations.

STRATEGIC GOALS	2017 GOALS AND ACHIEVEMENTS	2018 GOALS
Open 3 new Panarottis outlets and 4 Casa Bellas	No new Panarottis outlets were opened and 4 Casa Bellas	Open 4 new Panarottis outlets and 2 Casa Bellas
Revamp and relocate 4 existing outlets	4 revamps and 1 relocation of Panarottis outlets	Revamp and relocate 4 existing outlets
Kids' facilities at 4 stores to be revamped to improve offering	Kids' facilities have been rolled out to all restaurants where practicable	–
Entrench loyalty offering	Progress has been made and is ongoing as indicated by the increased membership and loyalty sales	Continue to entrench loyalty offering
Continue emphasis on community involvement	Hundreds of "Pizza Busts" were performed. A "Pizza Bust" is a form of direct marketing where a franchisee rewards a school, sports club, company or other group, with free pizza and gift vouchers, in an effort to introduce new customers or re-introduce lost customers to the brand and strengthen ties with the community	Continued emphasis on community involvement and "Pizza Busts"
Continue promoting weekday specials and breakfast offering	Breakfast offering is now well-established and will be continued. Certain weekday specials have been cancelled and will be replaced with targeted value-added campaigns	–
Continuous improvement in product standards	–	Pilot wood-fired pizza concept in Panarottis
Stabilise Casa Bella model – refine menu and model, based on existing restaurants	Completed	–
Investigate a breakfast offering for Casa Bella	Implemented at stores where suitable	–

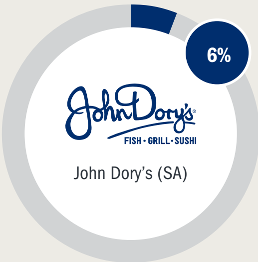
JOHN DORY'S

FISH GRILL SUSHI

Predominantly a seafood restaurant well known for its distinctly Mediterranean culture, charisma and family appeal.

Leonard Coetzee
Chief operating officer

CONTRIBUTION TO RESTAURANT TURNOVER



Promotions

- Fish & Chips Tuesdays
- Half-price sushi on Wednesdays

PERFORMANCE SCORECARD

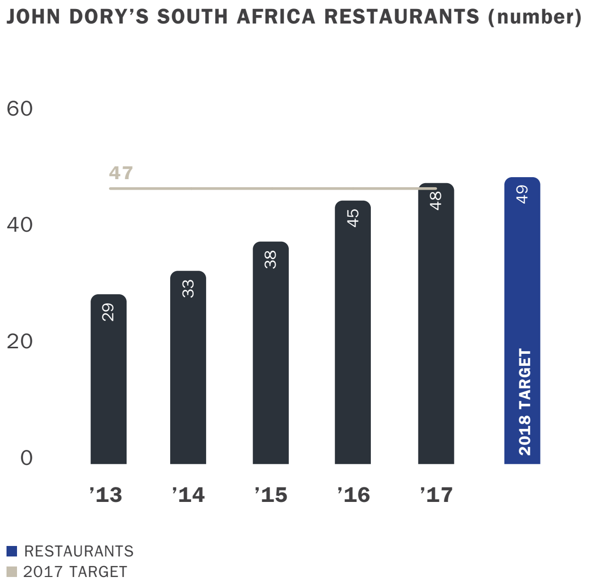
RESTAURANT TURNOVER	FRANCHISE REVENUE	CONTRIBUTION TO GROUP PROFIT
R450.9 million 2016: R394.3 million + 14.3%	**R19.7 million** 2016: R18.5 million + 6.3%	**R9.7 million** 2016: R9.6 million + 1.6%
TOTAL RESTAURANTS IN SOUTH AFRICA	**ACTIVE JOHN'S CLUB CARD HOLDERS**	**CORPORATE EMPLOYEES**
48 2016: 45	**193 000** 2016: 233 000	**10** 2016: 10
NEW OUTLETS	**REVAMPS**	**RELOCATIONS**
4	**3**	**–**

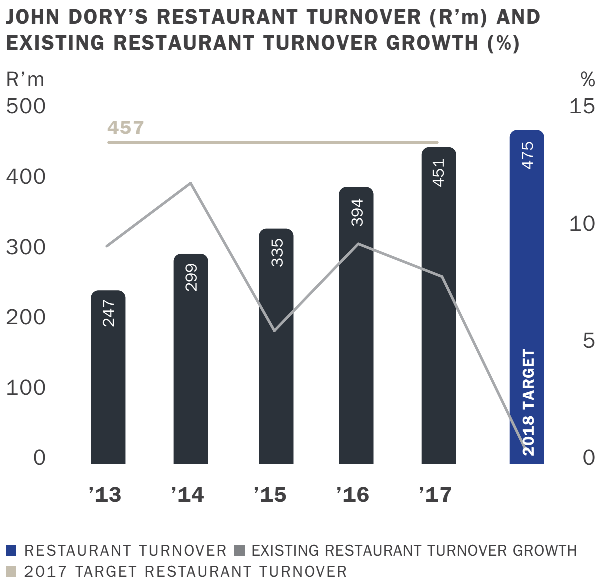
Performance overview

John Dory's vision is to be the first-choice fish, grill and sushi restaurant in South Africa, offering great value, quality and sustainable meals in a family-friendly environment. We constantly measure franchisee actions and performance against this vision.

Total restaurant turnover grew by 14.3% to R450.9 million (2016: R394.3 million), with existing outlets increasing by 8.0%. This growth was generated despite the sharp economic downturn in the last quarter of the financial year. Franchisee profitability remains under pressure from increases in the cost of seafood, energy and occupation. We nevertheless opened four restaurants during the year.

Our focus continues to be on innovation to protect franchisee margins with a particular emphasis on reducing labour expenses and improving scheduling. We are also increasing the use of in-season vegetables, strengthening in-house controls and improving sales mix through product promotions. The manufacture of various customer favourites was brought back into the restaurants. Continuous engagement with suppliers aims to identify innovative menu items that can be incorporated into our value-added campaigns while delivering margin for our franchisees.





Operators from various franchisees were sent for re-training, which has energised performance and improved overall standards.

Sustainability continues to remain front of mind and we strengthened our relationship with the World Wildlife Fund and SASSI during the year. We expanded participation in clean-up operations on several of the country's beaches, harbours and lagoons in recognition of the importance of clean water. We have committed to remove all plastic from our restaurants and have discontinued straws and children's balloons in our restaurants to reduce our environmental impact.

The rollout of John Dory's new-look design continued and has been implemented at 18 of our restaurants to a very favourable reception. We continue to refine the design and specifications to manage the initial investment in new restaurants.

Active membership of the John's Club loyalty programme reduced to 193 000 members during the year as a consequence of declining foot traffic.

Strategic outlook

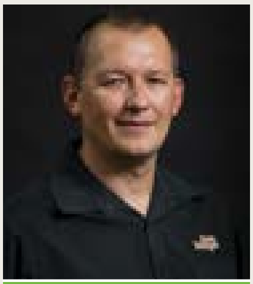
In the financial year ahead, we will continue to implement innovative initiatives to support franchisee profitability, roll out the new-look design and open at least a further four restaurants across South Africa.

STRATEGIC GOALS	2017 GOALS AND ACHIEVEMENTS	2018 GOALS
Open 2 new outlets	4 new outlets opened	Open 4 new outlets
Revamp and relocate 6 existing outlets	3 revamps	Revamp and relocate 3 existing outlets
Identify opportunities to explore seasonal supply cycles and readily available seafood stocks, taking cognisance of SASSI guidelines	Our promotions took into consideration supply cycles of salmon, trout and calamari.	Ongoing
Kids' facilities will be implemented at all new outlets where appropriate	Kids' facilities have been rolled out to all restaurants where practicable	–
Roll out new look to 4 existing restaurants	New look and brand refresh rolled out to 3 existing restaurants (in addition to all new restaurants)	The current economic climate is not conducive to franchisees investing in significant capital expenditure. We will assess the need for refurbishments on a case-by-case basis
Specific focus on back-of-house controls to address inefficiencies, thereby improving franchisee profitability	Modular and on-line training and testing rolled out to improve efficiencies	Ongoing training in this regard
Continue to monitor usage and effectiveness of loyalty programmes	Ongoing	Ongoing
Identify opportunities to use data for targeted marketing initiatives	–	Continue to identify opportunities to use loyalty data for targeted marketing initiatives
Continue to identify opportunities for expansion in key metros (specific focus on Western Cape)	The decline in the economy and general economic and political uncertainty have made it difficult to sell franchises. Despite our best efforts, we have been unable to expand the brand in the Western Cape	Continue assessing opportunities in large metros including Cape Town
Continued community involvement	Many franchisees run CSI initiatives in their local communities. Franchisees actively support school involvement (sizzling studies and shadow shift programmes), sports team branding, and school fun days (using the Maki Man mascot)	Continued community involvement

CAPTAIN DOREGOS

IT'S ALL GOOD

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.



Wynand Viviers
Chief operating officer

CONTRIBUTION TO RESTAURANT TURNOVER

Promotions

- Woza Weekend hake and chips
- Woza Family meals
- Woza Weekdays meals

PERFORMANCE SCORECARD

RESTAURANT TURNOVER	FRANCHISE REVENUE	CONTRIBUTION TO GROUP PROFIT	
R114.0 million 2016: R138.3 million (-) 17.6%	**R2.8 million** 2016: R4.5 million (-) 38.0%	**(R8.0 million)*** 2016: (R17.9 million)* (+) 55.0%	
TOTAL RESTAURANTS IN SOUTH AFRICA	**CORPORATE EMPLOYEES**	**NEW OUTLETS**	**RELOCATIONS**
41 2016: 49	**3** 2016: 4	**0** **REVAMPS** **3**	**2**

* Includes impairment loss on intangible assets of R6.778 million (2016: R18.969 million) and a write off of the loan to the marketing fund of R0.986 million.

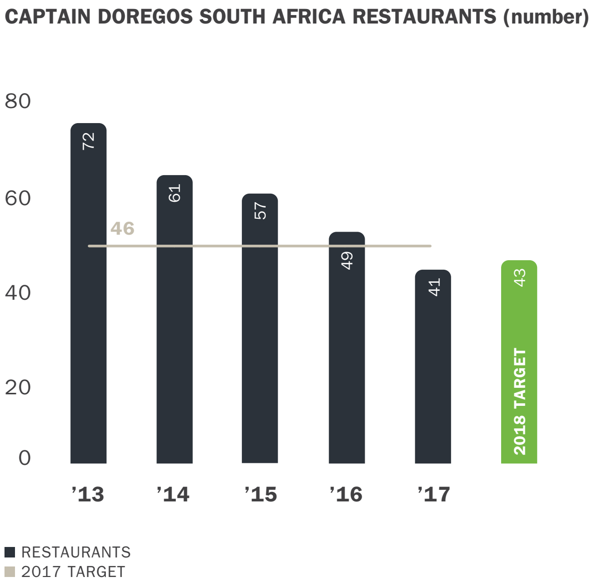
Performance overview

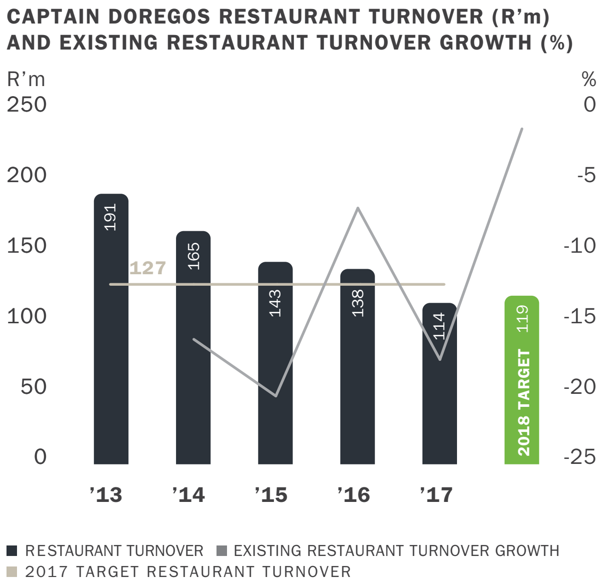
The focus during 2017 was on consolidating existing stores and redeveloping the franchise model in the context of the severe strain on our target consumers, intense competition, sustained high food cost inflation and unreasonable increases in occupancy costs. During this redesign phase, we did not open any new outlets, closed eight outlets and relocated two.

Total restaurant turnover decreased by 17.6% to R114.0 million (2016: R138.3 million) and existing store sales fell by 17.6%. Franchise revenue decreased 38.0% due to the reduction in the standard franchise fee towards the end of the 2016 financial year, which was implemented to ensure the sustainability of the model.

Refinements to the franchise model include smaller store size to reduce initial investment and ongoing occupancy costs, reducing input costs by localising core items, and menu engineering to reduce product holdings and equipment costs. The marketing strategy will be redesigned to release funds for local store marketing and operational expenses will be closely monitored.

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.





Strategic outlook

In the financial year ahead, we aim to implement the franchise model refinements across outlets. With the consolidation phase complete, we will return to a more assertive expansion policy and aim to open four new outlets. We continue to investigate options to open outlets in alternative locations.

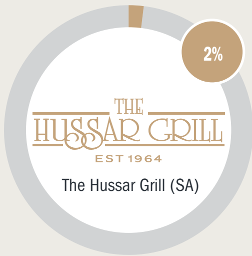
STRATEGIC GOALS	2017 GOALS AND ACHIEVEMENTS	2018 GOALS
Open 2 new outlets	No new outlets were opened due to financial conditions and consolidation of the model	Open 4 new outlets
Revamp and relocate 1 existing outlet	Relocated 2 outlets and revamped 3	Revamp/relocate 2 existing outlets
Head office operations management teams will spend more time in under-performing stores to assist franchisees in remedying operational challenges and implementing proper marketing initiatives	Changes in operations management systems have resulted in more quality time being spent in store by operations management teams, rather than just ensuring compliance, with the initial focus on underperforming stores	Ongoing
A further 4 sites are scheduled for signage upgrades	Despite the economic downturn, 3 stores updated their signage	–
Head office operations personnel are to attend more training and focus more on in-store training of franchisee employees	Completed	–
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	The possible implementation of a new cloud-based Android point of sale system is in the final stages of evaluation	Rollout dependent to final feasibility analysis
Focus particularly on greater value-for-money product offerings, given the pressure on disposable income of our target market	Menu analysis has identified further opportunities to rationalise the menu to improve gross margins in-store	Further streamline the menu to decrease stock holding at stores and implementation of a menu targeting lower-income customers

THE HUSSAR GRILL

A chain of premier grill rooms offering speciality grills, an upmarket 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.

Justin Fortune
Chief operating officer

CONTRIBUTION TO RESTAURANT TURNOVER



PERFORMANCE SCORECARD

RESTAURANT TURNOVER

R148.2 million 2016: R109.3 million
+ 35.6%

FRANCHISE REVENUE

R4.7 million 2016: R3.6 million
+ 31.2%

COMPANY-OWNED (RETAIL) RESTAURANT REVENUE

R50.7 million 2016: R43.6 million
+ 16.3%

COMBINED FRANCHISE AND RETAIL CONTRIBUTION TO GROUP PROFIT

R8.7 million 2016: R5.6 million
+ 55.5%

TOTAL RESTAURANTS IN SOUTH AFRICA

14 2016: 12

REVAMPS

–

NEW OUTLETS

2

RELOCATIONS

1

COMPANY-OWNED (RETAIL) RESTAURANT EMPLOYEES

180 2016: 150

CORPORATE EMPLOYEES

3 2016: 2

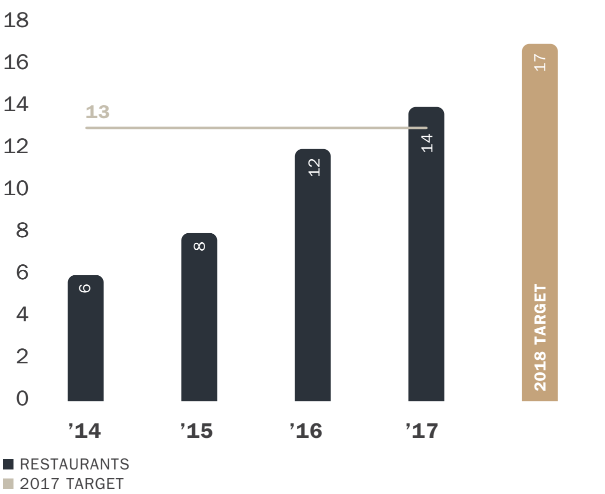
Performance overview

The good results delivered by The Hussar Grill demonstrate the resilience of the brand's higher-income target market. Total restaurant turnover increased by 35.6% to R148.2 million (2016: R109.3 million) and existing restaurant sales grew by 25.2%.

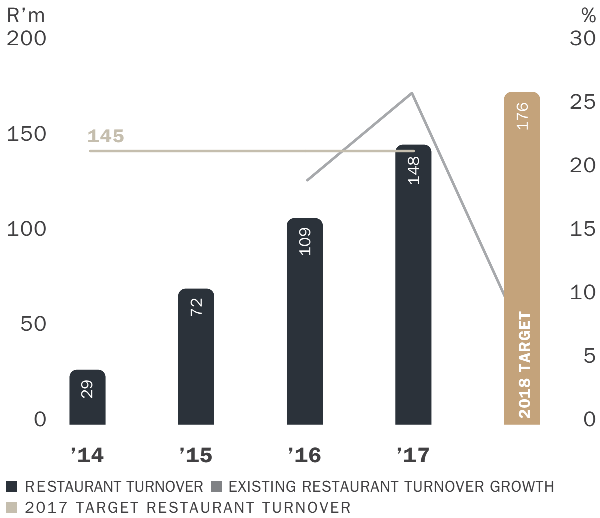
Our strategic objectives over the past year were to maintain and strengthen our position as the first choice premier grill room in the Western Cape, and to expand and build our brand in the Gauteng and KwaZulu-Natal regions. We grew existing business turnover by maintaining our premium credentials and offering customers value. We strengthened our brand by increasing spend on social media channels, securing public relations and blogger partnerships with celebrities and rolling out strategic campaigns that showcased value to our customers, such as wine-pairing evenings, two- and three-course meal offerings and of course our strapline, "We charge no corkage".

Ten of the 14 restaurants are franchised and four are company-owned. Two new restaurants were opened in the Eastern Cape and KwaZulu-Natal.

THE HUSSAR GRILL SOUTH AFRICA RESTAURANTS (number)



THE HUSSAR GRILL RESTAURANT TURNOVER (R'm) AND EXISTING RESTAURANT TURNOVER GROWTH (%)



Strategic outlook

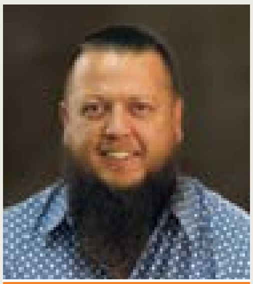
The Hussar Grill's main focus areas for the year ahead will be on building the brand and entrenching it in the Gauteng and Western Cape, maintaining best operating practices through ongoing training programmes and investing in marketing aimed at re-enforcing our premium credentials and excellence. We will also ensure that franchisees stay involved and support their communities through local store initiatives.

STRATEGIC GOALS	2017 GOALS AND ACHIEVEMENTS	2018 GOALS
Open 1 new outlet	2 new outlets opened	Open 3 new outlets
Grow existing business by 27.9%	Existing business grew 25.2%	Grow existing business by 18.8%
Focus on expanding the brands in large metros outside of Cape Town	New restaurants opened in Kloof, KwaZulu-Natal and Walmer, Port Elizabeth	2 additional restaurants targeted for Gauteng

ROCOMAMAS

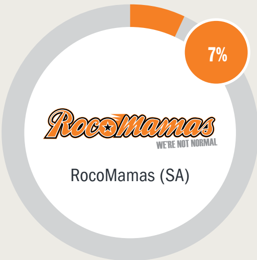
WE'RE NOT NORMAL

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.



Anton Geldenhuys
Chief operating officer

CONTRIBUTION TO RESTAURANT TURNOVER



PERFORMANCE SCORECARD

RESTAURANT TURNOVER	FRANCHISE REVENUE	COMPANY-OWNED (RETAIL) RESTAURANT REVENUE
R477.7 million 2016: R268.2 million + 78.1%	**R23.8 million** 2016: R17.4 million + 36.7%	**R12.8 million** 2016: R4.5 million + 183.6%

COMBINED FRANCHISE AND RETAIL CONTRIBUTION TO GROUP PROFIT	TOTAL RESTAURANTS IN SOUTH AFRICA	NEW OUTLETS	COMPANY-OWNED (RETAIL) RESTAURANT EMPLOYEES	CORPORATE EMPLOYEES
R16.5 million 2016: R10.3 million + 59.5%	**50** 2016: 42	**8**	**54** 2016: 45	**8** 2016: 8

Performance overview

Total restaurant turnover increased by 78.1% to R477.7 million (2016: R268.2 million) and existing restaurant turnover grew 62.6%. Eight new outlets were opened during the year and our main focus was on growing the average turnover per month in all stores to ensure market share growth and profitability of franchisees.

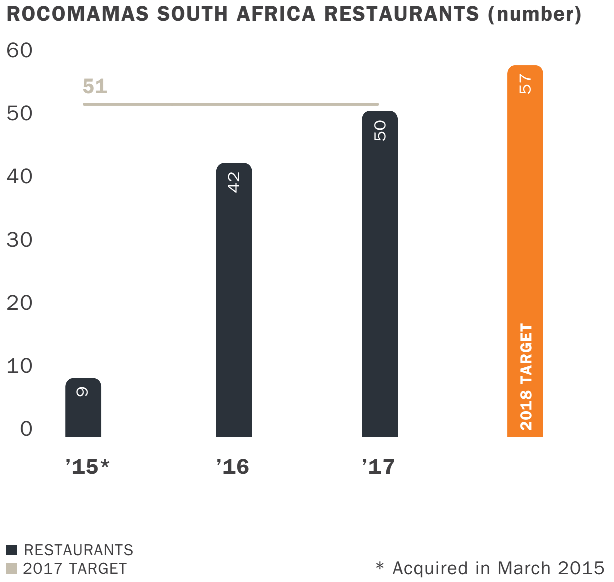
We held an operations strategic planning session at which we mapped out a plan for each store against a range of KPIs. An operations report was developed against these KPIs to monitor performance and deepen business relationships between operations managers and franchisees.

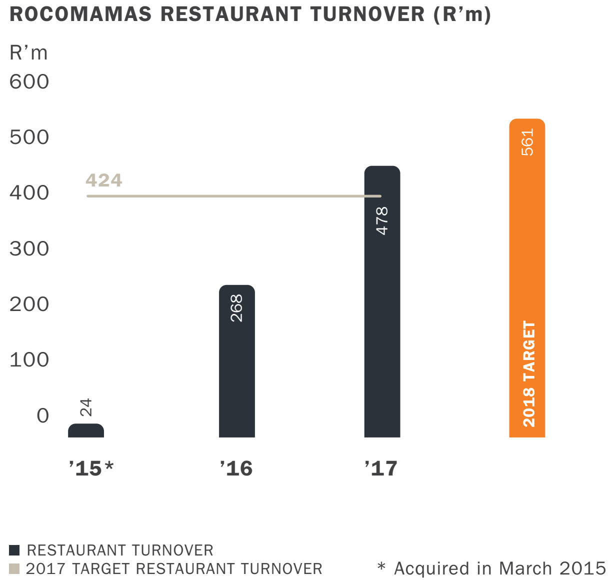
We held our first RocoMamas menu committee meeting in June 2017 to share information between members and to debate and decide menu content and pricing. One of the decisions agreed upon was to cease our breakfast offering.

RocoMamas continuously monitors the market pulse to make informed decisions regarding menu engineering, new product development and the latest consumer trends. RocoMamas in Randburg was recently upgraded and is now being used as a test kitchen, where new, innovative products can be created and tested at store level. New technologies relevant to the fast-casual model will also be tested.

We have had good success growing our take-out and delivery business, which currently comprises 25% of turnover. Growth in deliveries through UberEATS has been positive and we are also testing in-house bike delivery systems.

Spur Corporation acquired a further 19% of RocoMamas during the year, taking the group's holding to 70% effective 1 April 2017.





Strategic outlook

The focus for the year ahead will be on opening a further seven outlets and refining the franchise model to optimise costs and labour levels. We aim to grow our take-out and delivery business to 35% of turnover.

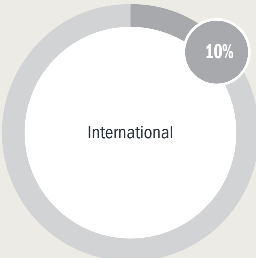
STRATEGIC GOALS	2017 GOALS AND ACHIEVEMENTS	2018 GOALS
Open 9 new outlets	8 new outlets opened	Open 7 new outlets
Appoint an advertising agency to assist with creative design and national marketing efforts	A new agency has been appointed	Focused marketing to our core millennial market whilst starting to target the GenZed market as their relevance is starting to show
Implement loyalty programme by 30 June 2017	In development	Pilot to be tested by September 2017
Continue the development and implementation of an on-line ordering solution, to be launched in 2018	In development	Continue development. In the interim, increase home delivery service through third party vendors such as UberEATS

INTERNATIONAL

Derick Koekemoer
Franchise executive: Africa

José Vilar
Franchise executive: Australia

Spur Corporation has 63 restaurants operating outside South Africa – 49 in Africa and Mauritius, two in the Middle East and 12 in Australasia. 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 in the prior year following the decision to cease operations in that region and reposition the international business focus primarily on Africa, the Middle East and Australasia. All the group's international restaurants are now franchised.



PERFORMANCE SCORECARD

RESTAURANT TURNOVER – CONTINUING OPERATIONS	TOTAL REVENUE – CONTINUING OPERATIONS	CONTRIBUTION TO GROUP PROFIT* – CONTINUING OPERATIONS
R727.3 million 2016: R710.1 million + 2.4%	**R32.1 million** 2016: R33.1 million - 3.2%	**R8.9 million** 2016: R14.1 million - 37.2%
TOTAL RESTAURANTS OUTSIDE OF SOUTH AFRICA – CONTINUING OPERATIONS	**NEW OUTLETS**	**CORPORATE EMPLOYEES**
63 2016: 58	**11** 2016: 10	**14** 2016: 14

* Excludes corporate services costs.

Performance overview

International restaurant sales from continuing operations increased to R727.3 million, a 2.4% increase on 2016 (R710.1 million), and sales at existing restaurants decreased by 5.5%. At constant exchange rates, international restaurant sales increased by 6.3%.

STORE FOOTPRINT

	Spur	Panarottis	John Dory's	Captain DoRegos	The Hussar Grill	RocoMamas	Total stores
Africa and Mauritius	**34**	**7**	**2**	**3**	**1**	**2**	**49**
Botswana	3	–	–	–	–	–	3
Ethiopia	1	–	–	–	–	–	1
Kenya	5	–	–	–	–	–	5
Lesotho	1	–	–	–	–	–	1
Malawi	1	–	–	–	–	–	1
Namibia	7	–	1	2	–	1	11
Nigeria	3	–	–	–	–	–	3
Swaziland	2	–	–	–	–	–	2
Tanzania	3	1	–	–	–	–	4
Uganda	1	–	–	–	–	–	1
Zambia	3	–	1	–	1	–	5
Zimbabwe	1	–	–	1	–	–	2
Mauritius	3	6	–	–	–	1	10
Middle East	**–**	**–**	**–**	**–**	**–**	**2**	**2**
Oman	–	–	–	–	–	1	1
Saudi Arabia	–	–	–	–	–	1	1
Australasia	**7**	**5**	**–**	**–**	**–**	**–**	**12**
Australia	6	5	–	–	–	–	11
New Zealand	1	–	–	–	–	–	1
Total International	**41**	**12**	**2**	**3**	**1**	**4**	**63**

Australasia

Trading in Australia was variable, with buoyant trading in New South Wales being offset by the poor economy and higher unemployment in Western Australia. The need to support franchisees through contributions to marketing efforts, franchise fee concessions and product subsidies had a significant negative impact on profitability.

While the opening of our first Spur Steak Ranch in Auckland, New Zealand was delayed, the restaurant opened in October 2016 and has been well received, exceeding turnover expectations to date. We are investigating a second site in the country.

We are maintaining aggressive marketing campaigns in all areas, including special offers on popular products such as ribs, Kids Eat Free days and lunch specials. The campaigns are run on local radio, cinemas, letterbox drops and social media campaigns. Loyalty programmes and the Go Review customer satisfaction tool have been launched throughout the region.

Our main challenge in both Australia and New Zealand remains the high cost of labour. We are exploring the possibility of launching a smaller format concept to balance the need to ensure high-quality service while keeping labour levels low.

UK and Ireland

By 30 June 2016, all operations in the UK and Ireland had ceased trading. The closures led to a current period cash outflow of R5.040 million relating to the disposal of liquidated UK subsidiaries, which is discussed in more detail in note 4 to the consolidated financial statements on page 102.

Africa, Mauritius and the Middle East

Economic and political developments affected trading in certain territories and weaker African currencies against the dollar negatively affected our rand results. Total restaurant sales for franchised restaurants in Africa and Mauritius grew 1.1% (5.5% on a comparable exchange rate basis) and the medium-term growth outlook remains compelling. The group opened a Captain DoRegos and a John Dory's in Namibia, Spurs in Ethiopia and Kenya, a Spur Grill & Go in Mauritius, a Captain DoRegos in Zimbabwe and a RocoMamas in Oman, Mauritius and Saudi Arabia.

The Spur Loyalty programme is currently running in five countries with launches planned in another five in the 2018 financial year. The Go Review customer satisfaction tool is currently being rolled out in all countries and for all brands.

We have continued to see a slowdown in new retail development across the African continent with many landlords battling to fill developments. This brings opportunity for more realistic rentals and potentially better long-term leases. A significant amount of work has been done on the design of a smaller-footprint Spur model. These smaller and more personalised outlets have been well received and have proven to be advantageous from an operating cost and operating margin point of view. This has also aligned well with the cost of occupancy and dollarised rentals on the continent, not to mention the reduced set-up cost. Similar adjustments have been made to the other brands within our portfolio for the African market.

Twenty-three international stores sent 39 managers to South Africa for training in the last financial year and online training has been implemented in various parts of the region. Management modular training has also been a focus point which has been well received throughout the region. Continued progress is being made with our supply and logistics throughout the continent.

Strategic outlook

STRATEGIC GOALS	2017 GOALS AND ACHIEVEMENTS	2018 GOALS
Open 9 new outlets	11 new restaurants were opened	Open 9 new outlets
Open RocoMamas in Mauritius, Kenya, Saudi Arabia and Oman	Opened RocoMamas in Mauritius, Saudi Arabia and Oman. Planned Kenya outlet delayed and will open in the 2018 financial year	In order to benefit from economies of scale, the strategic focus in Africa is to develop territories in which we already have a presence – this includes looking at opportunities for all brands in the respective territories. Further expansion is being investigated in the Middle East
Open Spur restaurants in New Zealand and Ethiopia, and a Captain DoRegos in Zimbabwe	Implemented	

CASE STUDY

ASHA TRUST ECD TRAINING PROGRAMME

In 2014, the Spur 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, providing local community women with training in early childhood development (“ECD”).

Crèche owners are supported to develop balanced eating and meal plans, and are provided with teacher and owner training, financial training, and mentoring, administrative and vocational support. Through the programme, crèche owners become economically active as they learn to run centres as sustainable small businesses. ASHA Trust also assists these women to develop their facilities to the standards prescribed by the Department of Social Development. It further assists them with registering their ECD centres, as well as accessing social development subsidies.

Spur Foundation has adopted a further 10 centres since 2014 and now sponsors 20 ECD centres in total, benefitting over 800 children. Training has been provided to the principal in each centre and also to one of her teachers.

In the 2018 financial year, training across the 20 centres will be extended to include a child development programme and a “raising readers” programme. An inclusion programme will also be offered, equipping teachers with the necessary skills to help children with disabilities and support their inclusion in the educational system, as well as integration back into their communities.

MANUFACTURING AND DISTRIBUTION

Total revenue from manufacturing and distribution increased by 0.6% to R181.8 million (2016: R180.8 million). Revenue growth was constrained by lower foot traffic in restaurants due to the challenging economic climate and the incident in a Spur in Johannesburg. Input costs were impacted by the drought, as well as the effect of the weaker rand on imported products. The group again absorbed some of the impact of food price inflation to protect franchisee margins by keeping price increases on centrally manufactured items to a minimum. We also reduced the cost of integration commission income earned on certain centrally procured lines. These concessions were made to further support franchisee profitability and strengthen the long-term sustainability of the business.

Manufacturing

The central kitchen in Cape Town manufactures more than 369 000 litres of sauce per month, comprising certain of the group's unique sauces. A proportion of the continued significant increases in raw material costs and packaging were not passed on to franchisees, resulting in reduced margins in the manufacturing division. We are investigating the feasibility of relocating the central kitchen facility to the Baker Street facilities currently used by the décor manufacturing facility to improve efficiencies, support food safety standards and enhance production capabilities to manufacture sauces that the existing facility is incapable of manufacturing.

The group continues to investigate vertical integration opportunities that can ensure consistent quality and supply of core ingredients and product lines.

Distribution

Spur Corporation manages procurement on behalf of franchisees to exploit economies of scale to secure improved prices on core items in the basket, as well as ensure security and consistent quality of supply. A third-party logistics partner coordinates transactions between suppliers, the group's manufacturing facilities and franchisees, for which service franchisees pay a cost of integration of no more than 3% on the volumes sold through the distributor.

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

Inbound suppliers are monitored on a number of key performance statistics that are used to rate suppliers, address issues identified during reviews, and improve stock availability and supplier management.

Volumes shipped through the distributor declined by 0.9% to 45 382 tonnes (2016: 45 800 tonnes) although total cost of integration revenue increased due to price increases on goods supplied from external suppliers.

CORPORATE GOVERNANCE

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

The board has considered the group's application of King III and is of the opinion that Spur Corporation is attaining the fundamental objectives and spirit of King III. From a King III compliance perspective, the board's only concern remains certain gaps in IT practices.

The IT steering committee has drafted a comprehensive IT strategy that outlines the focus, direction and scope of work to be undertaken over the next three years. The board has approved the IT strategy and is monitoring progress against it. The strategy aims to ensure that the IT function aligns with the business strategy, risk assessments and IT governance recommendations of King III.

The board is considering the impact of King IV™ and implementing the required changes to enable application from the 2018 reporting period as stipulated by the JSE Listings Requirements.

CONTENT DASHBOARD

The content dashboard below provides an overview of the governance information reported on by Spur Corporation in 2017. It includes an indication of sections provided in the printed report and those available online.

Governance assessment	**62**
Full King III table	
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Compliance with laws, rules, codes and standards	
Ethics	
Operational committees	

GOVERNANCE ASSESSMENT

The board assesses the group's governance practices against the Institute of Directors of South Africa's ("IoDSA") Governance Assessment Instrument ("GAI"), which assesses the extent to which an organisation has applied the recommended practices of King III.

Spur Corporation achieved an overall GAI score of AAA at 30 June 2017, the highest application. A review of the GAI analysis is available in the online governance supplement and the full GAI analysis which details the group's King III application against all 75 principles is available on the company's website at www.spurcorporation.com/governance-sustainability/governance.

There were five areas in the assessment that required further explanation and the reasons for these are summarised below (and explained in detail in the full GAI analysis available online).

Principle 2.1 – Frequency of board meetings (rated AAA)	King III recommends that the board meets as often as required, but preferably four times per year. The Spur Corporation board meets formally twice a year and considers that this is sufficient to address matters within its ambit of responsibility. Should urgent matters arise between meetings, these are addressed via email or conference call. The board met three times during the 2017 financial year.
Principle 2.6 – Chairman of the audit committee's attendance at the annual general meeting ("AGM") (rated AAA)	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 and historically, a limited number of questions have been raised at the AGM that required a response specifically from the chairman of the audit committee. The chairman of the committee is available to be contacted telephonically, if necessary, for the duration of the AGM.
Principle 2.8 – Information security management (rated AAA)	King III recommends that the board ensures an information security management system is implemented. While security measures have been implemented, areas for improvement are still in the process of being implemented to align with industry best practices. Progress is being monitored by the board. King III recommends that management demonstrates to the board that adequate disaster recovery arrangements are in place. The IT disaster recovery plan is in place but has not been thoroughly tested. The IT disaster recovery plan will be updated and thoroughly tested in due course.
Principle 2.16 – Independence and assessment of the chairman (rated AA)	King III recommends that the chairman be an independent non-executive director. The chairman of the board is an executive director and the board has appointed an independent non-executive director as lead independent director ("LID") in line with King III. King III recommends that the chairman's performance be assessed on a formal and regular basis. The chairman is the founder of the group and has a holistic understanding of the group's brands, unparalleled experience in the franchise industry and insight into the customer psyche that are invaluable to the group. The board consequently does not formally assess Mr Ambor's performance on a regular basis.
Principle 2.23 – Regarding the composition of board committees (rated AAA)	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. Only the social, ethics and environmental sustainability committee and the transformation committee do not meet these requirements. However, their composition aligns with the requirements of the Companies Act (where required) and the board is satisfied that it is appropriate to execute their roles effectively.

GOVERNANCE STRUCTURES

Changes to the board

Mr Alan Edward Keet, a non-executive director and board representative for Grand Parade Investments Limited ("GPI"), resigned as director of the company with effect from 1 April 2017 following his resignation from GPI.

Ms Tasneem Karriem was appointed as a non-executive director and the GPI representative on the board with effect from 12 April 2017.

The board thanks Mr Keet for his invaluable contribution to the company and wishes him well in his future engagements.

Chairman and lead independent director

The chairman of the group is an executive director and the board has consequently appointed a lead independent director ("LID"), as recommended by King III. The LID, Mr Mntungwa Morojele, was reappointed in this role by the board for another three years at its meeting of 6 September 2016. The LID charter formalises his role, which 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 the material risks and opportunities that have an impact on the group's performance to the board, providing directors with the information necessary 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. They also have unrestricted access to the advice and services of the company secretary and 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.

Non-executive directors have direct access to management and may meet with management without the executive directors.

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, Mr Muzi Kuzwayo, Mr Mntungwa Morojele and Ms Dineo Molefe will retire.

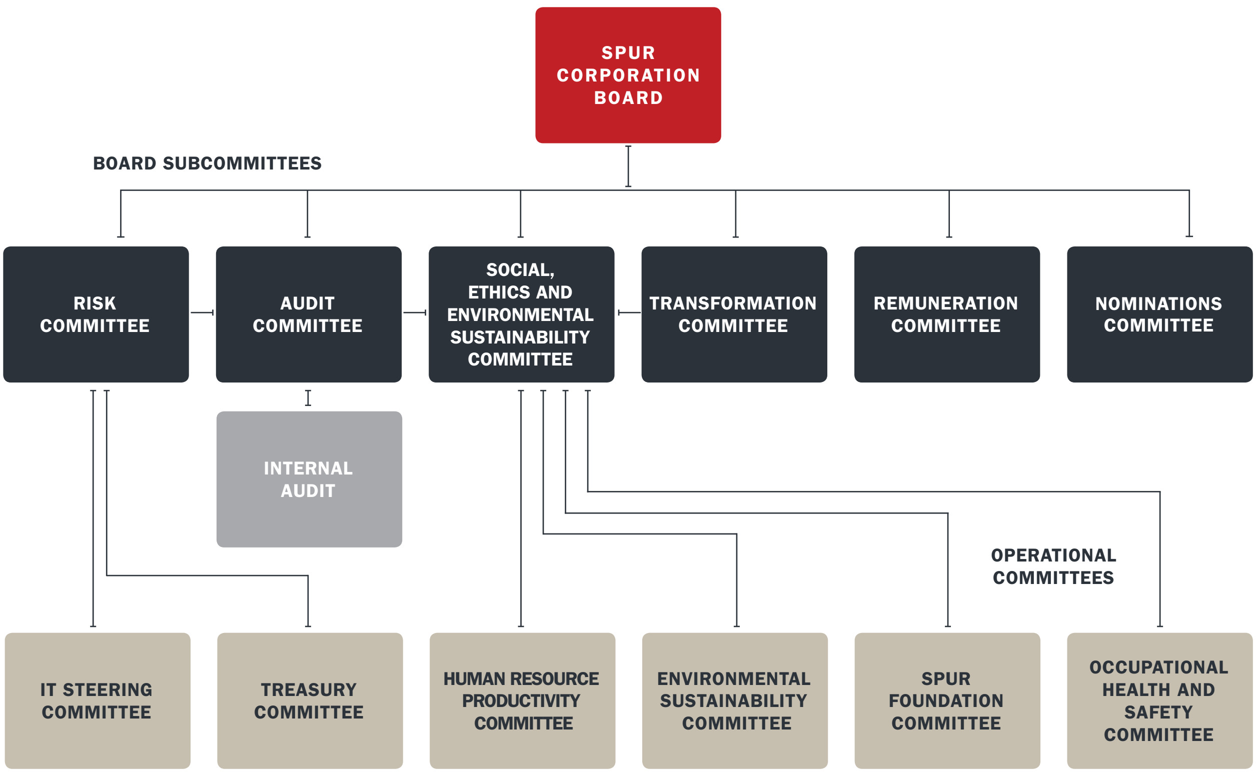
The nominations committee has nominated the directors in question for re-election to the board. The re-election will be tabled at the AGM for shareholder approval.

Company secretary

The company secretary, Nazrana Hawa, 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.

Governance organogram

The organogram below depicts Spur Corporation's governance structures. More information regarding the composition and summary roles and responsibilities of the board and committees are described on pages 65 to 67 of this report, with further detail available in the Online Governance Supplements at www.spurcorporation.com/governance-sustainability/governance-assurance-report.



BOARD AND COMMITTEES

Roles and responsibilities

The board retains ultimate responsibility for the proper fulfilment of all functions and delegates certain powers to elected committees, each with defined roles and responsibilities, in accordance with their respective formal charters.

The board mandates the group chief executive officer, executive directors and senior management to implement the strategy and manage the ongoing activities 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 committees conduct annual self-evaluations and the results are reported by the committee chairman to the board for review. The board evaluated the performance of the committees during the year 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 2016. The directors noted no material issues that could adversely impact the board's ability to effectively meet its statutory and other obligations, although the need to improve succession planning was raised. This was reviewed again in February 2017 and the board was satisfied with the progress made.

Composition and attendance

Board

The board is the focal point and custodian of corporate governance and ethics. It is responsible for 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.

Its roles and responsibilities include 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. It also ensures that the company has effective and independent board and statutory committees.

The full list of the board's roles and responsibilities is available in the Online Governance Supplements at www.spurcorporation.com/governance-sustainability/governance-assurance-report.

The board meets formally twice during the year to attend to governance matters and discuss operations, strategy, risk and other key issues. Additional meetings are convened, as necessary, to discuss urgent business. King III recommends that the board should meet as often as required, but preferably four times per year. The board is of the view that, given that directors participate with management in various other *ad hoc* strategy and planning sessions, two full-length meetings a year are typically sufficient to address matters within its ambit of responsibility. The board met three times during 2017; the third meeting was held to discuss the incident at a Spur outlet in Johannesburg and the group's response thereto.

Board composition

The group has a unitary board structure comprising:

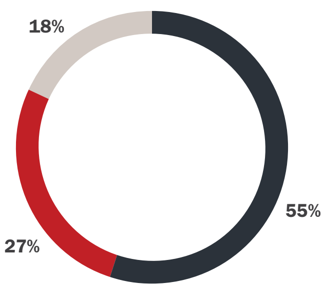
- Four independent non-executive directors, including the LID
- Three non-executive directors who, in the opinion of the board, act independently
- Four executive directors

The group's gender diversity policy stipulates that the board shall comprise at least two female directors and preference will be given to female candidates when replacing directors who retire or resign. With the appointment of Tasneem Karriem to the board in April 2017, the board currently comprises three female directors.

A formal board 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.

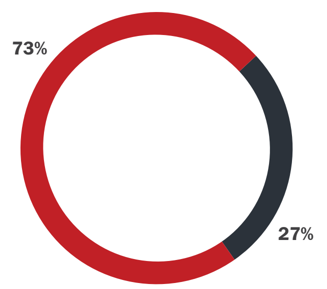
The board is satisfied that the composition of the board is appropriate, including a balance of power and authority so that no one individual or block of individuals are able to dominate the board's decision-making.

YEARS OF SERVICE



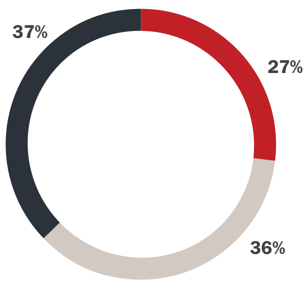
MORE THAN 15 YEARS
1 – 5 YEARS
6 – 15 YEARS

GENDER

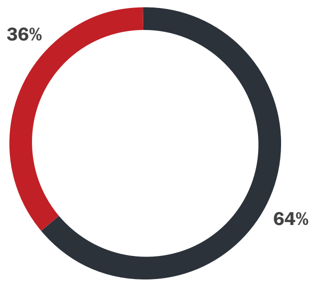


MALE
FEMALE

MIX OF DIRECTORS



DIVERSITY OF 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. In the board's opinion the benefit to the group gained from these directors exceeds the perceived potential risk of them not being independent.

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.

Audit committee*

The audit committee has a range of statutory and other duties that include overseeing the company's engagements with its external and internal auditors, ensuring compliance with requirements of the Companies Act and reporting to the board regarding the company's accounting policies, financial controls, records and reporting. Meetings are scheduled semi-annually.

Risk committee*

The risk committee meets twice a year and oversees the assessment, management and reporting of risk in the group.

Remuneration committee*

The remuneration committee governs remuneration in the group with a focus on executive remuneration. Two formal meetings are held each year.

Social, ethics and environmental sustainability committee*

The social, ethics and environmental sustainability committee assists the board with the monitoring and reporting of social and ethical matters in the group according to the Companies Act. It meets a minimum of twice a year.

Nominations committee*

The nominations committee oversees the appointment and development of directors and meets twice a year.

Transformation committee*

The transformation committee oversees all aspects of B-BBEE and transformation in the group. It meets twice a year.

* The full list of roles and responsibilities of the board and its committees is available in the Online Governance Supplements at www.spurcorporation.com/governance-sustainability/governance-assurance-report.

The table below shows the composition, number of meetings, dates and attendance for the board and board committees for the year to 30 June 2017:

	Board			Audit committee		Nominations committee		Risk committee	
	6 – 7 Sep 2016	21 – 22 Feb 2017	2 Jun 2017	6 Sep 2016	23 Feb 2017	5 Sep 2016	20 Feb 2017	5 Sep 2016	20 Feb 2017
Allen Ambor[e]	P†	P†	P†						
Pierre van Tonder[e]	P	P	P					P†	P†
Mark Farrelly[e]	P	P	P					P	P
Ronel van Dijk[e]	P	P	P					P	P
Keith Getz[n]	P	P	P			P	P	P	P
Keith Madders[n]	P	P	P						
Dean Hyde[i]	P	P	P	P†	A				
Mntungwa Morojele[i]	P	P	A	P	P	P†	P†		
Muzi Kuzwayo[i]	P	P	A	P	P	P	P		
Dineo Molefe[i]	P	P	P	P	P*				
Alan Keet[n, 1]	P	P	N/A						
Tasneem Karriem[n, 2]	N/A	N/A	P						

	Social, ethics and environmental sustainability committee		Transformation committee		Remuneration committee	
	6 Sep 2016	21 Feb 2017	5 Sep 2016	20 Feb 2017	5 Sep 2016	20 Feb 2017
Pierre van Tonder[e]	P	P	P†	P†		
Mark Farrelly[e]			P	P		
Ronel van Dijk[e]	P	P	P	P		
Keith Getz[n]	P†	P†				
Dean Hyde[i]					A	P
Mntungwa Morojele[i]			P	P	P	P
Muzi Kuzwayo[i]			P	P	P†	P†

P Present
A Apology
† Committee chair
* Acting chair
1 Resigned 1 April 2017
2 Appointed 12 April 2017
e Executive director
n Non-executive director
i Independent non-executive director

All directors have a standing invitation to attend all committee meetings. Where certain directors, who are not members of the committees, have attended meetings of these committees, their attendance is not recorded in the table above.

IT GOVERNANCE

The group technology executive is responsible for the general management of the IT function and is assisted by the IT steering committee. Together, they serve as a proxy for a chief information officer as contemplated by King III.

In terms of the IT steering committee's charter, general management of the IT function includes the following broad responsibilities pertaining to:

- Optimising 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 governance risk items are reported to the risk committee, which is chaired by the CEO and presents to the board at each board meeting. IT is recognised as a key enabler for the group and its activities and the organisational capacity of the IT function has expanded significantly.

The IT strategic plan, which was developed and approved by the IT steering committee and the board, includes considerations around IT risks, controls and governance. Comprehensive risk analysis and prioritisation exercises inform the contents of the IT risk register and the IT governance work plan, and progress against this is monitored by the board.

The group's IT infrastructure as it relates to the provision of financial reporting information is relatively simple and the board does not consider the risk of integrity of financial information produced from IT systems to be high. The reliability of financial information is supported by internal audit activities and the skills, expertise and integrity of finance employees. 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 place but has not yet been thoroughly tested.

RISK COMMITTEE REPORT

Functioning of the committee

The board is responsible for ensuring effective risk management within the group by ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks. The group's risk management process aims to add practical value to the organisation and is aligned to the principles of good corporate governance as encompassed in King III.

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 plan has been separated from the risk policy, so that the risk plan can be reviewed annually and policy once every three years.

The risk committee oversees 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 on the effectiveness of the risk management process at each board meeting 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.

Each brand now has its own risk register that tracks brand-specific risks around operations, menu, store design and specifications.

The board reviewed and approved the updated risk management policy and risk management plan at its meeting on 5 and 6 September 2017. These documents together set out:

- 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.

Material losses

The group incurred an impairment loss of R44.2 million relating to its loans advanced to Braviz Fine Foods (Pty) Ltd ("Braviz"), a rib processing facility in which the group has a 30% interest. The performance of Braviz has been negatively impacted by operational issues and reduced demand following a decline in the local economy during the year, increased competition and aggressive pricing. On 7 August 2017, the board of directors of Braviz resolved to commence voluntary liquidation proceedings in the event that the shareholders are unable to conclude a deal to enhance the ability of Braviz to settle its debts in the ordinary course of business. No such deal has been concluded, and the board considers it likely that Braviz will be liquidated. The majority of the Braviz assets are pledged as security for external borrowings and rank ahead of the group's receivables. On this basis, the board has concluded that the prospects of recovering a material part of the receivables is remote.

Risk appetite and tolerance

General authority limits are in place for various functional department heads, individual directors and groups of directors. The board is risk averse and operates on a collaborative basis. The board has a general policy 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 applies 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, exposed the group to unnecessary risk during the financial year, and up to the time of approval of this integrated report.

Assurance

In line with good practice the internal audit function reviews the group's risk management process every financial year at the request of the audit committee. The audit committee provides guidance to the internal audit function on the priority of risks to be reviewed and assured. Internal audit concluded during their 2017 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 group's sustainability reporting is still in the early stages of development and assurance is provided as part of the internal risk management process. While King III recommends that a formal external assurance process regarding sustainability-specific reporting should be established, the board believes that the cost would far exceed the benefit to stakeholders at this time. Furthermore, the board believes that the group's reporting process is sufficiently robust to rely on the sustainability disclosures.

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.

Insurance

Insurance is reviewed annually by senior management, including the group chief financial officer and group chief executive officer. Where necessary due to significant changes in circumstances, or acquisitions or disposals of significant assets, *ad hoc* changes to insurance cover may be made between annual reviews.

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 2017 are discussed in the table below:

Risk	Mitigation	More detail
Franchisee profitability Franchisees are exposed to above-inflation 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 models. – 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 37**
B-BBEE – franchisees 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.	– 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**

Risk	Mitigation	More detail
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. – Implementation of numeracy and literacy courses. – Making training more accessible to, and less costly for, franchisees.	**Human capital and skills development**
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 42**
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 40**
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 41 to the consolidated financial statements on page 149 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 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:

Component	Details
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 other than for executive directors 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 typically not performance related, due to the mix of guaranteed and variable remuneration, but instead are largely inflation-related. Increases for executive directors are proposed by the chairman of the board and the group chief executive officer, and 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.
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 was introduced in terms of which operations management personnel are provided with a company-leased car. Those employees who receive a company car do not 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 performance and their division's financial performance, salary level and personal key performance indicators.

Financial performance is gauged relative to budget, which allows participants to track their likely incentive based on performance during the year and motivates management more effectively to achieve the group's financial objectives. The size of the bonus pool is directly linked to group performance as it is calculated with reference to the dividends on the Spur Corporation shares.

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 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 is currently one tranche of 1.5 million rights each still in issue vesting December 2017. The fourth tranche of 1.5 million rights granted in December 2013 vested in December 2016 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 R3.795 million (2016: R2.361 million) and a loss included in profit before income tax in respect of the hedge of R5.791 million (2016: R27.714 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 37.3.2 on page 145.

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, the first tranches of 155 000 forfeitable shares and 1 971 633 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. Based on the financial performance to date, none of the first tranche of share appreciation rights granted are expected to vest.

On 3 April 2017, the second tranches of 159 000 forfeitable shares and 2 619 226 equity-settled share appreciation rights were issued. The share appreciation rights were issued at a strike price of R33.15 per share. The performance criteria for the second 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 0% and CPI+4% respectively. Based on the financial performance to date, it is anticipated that only a portion of the second tranche of share appreciation rights granted will vest.

The scheme resulted in a share-based payment expense included in profit before income tax of R0.985 million (2016: R0.827 million) for the year, and the inclusion of a weighted average number of 110 351 (2016: 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. The board has proposed an inflation-related increase in non-executive directors' fees to R425 000 (excluding VAT, where applicable) with effect from 1 July 2017.

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 41 and 42 to the consolidated financial statements on pages 149 and 153, 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.

	2018 Proposed	2017	2016	2015	2014
Non-executive directors' fees*	R425 000	**R400 000**	R400 000	R375 000	R375 000

* Excluding VAT where applicable

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 capital executive, 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/governance-sustainability/approach-and-ethics.

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

APPENDIX A

KEY PERFORMANCE INDICATORS

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

	2016	Target 2017	2017	Target 2018*
Financial performance				
Operating profit before finance income (R'm) (as defined on page 5)	183.1	**273.8**	**178.3**	186.1
Growth in adjusted operating profit (as defined on page 5)	12.0%	**10.9%**	**(17.5%)**	3.0%
Operating profit margin (as defined on page 5)	29.7%	**40.0%**	**27.9%**	29.5%
Return on equity (as defined on page 5)	19.7%	**25.0%**	**16.6%**	17.8%
Return on investment (dividends per share plus change in share price expressed as a percentage of share price at the beginning the financial year)	(11.9%)	**10.0%**	**(4.8%)**	6.0%
Restaurants				
New local restaurants				
– Spur	15	**7**	**8**	10
– Panarottis	7	**3**	**–**	4
– John Dory's	8	**2**	**4**	4
– Captain DoRegos	5	**2**	**–**	4
– The Hussar Grill	4	**1**	**2**	3
– RocoMamas	33	**9**	**8**	7
– Casa Bella	2	**4**	**4**	2
Closed local restaurants				
– Spur	6		**5**	
– Panarottis	1		**1**	
– John Dory's	1		**1**	
– Captain DoRegos	13		**8**	
– The Hussar Grill	–		**–**	
– RocoMamas	–		**–**	
Total local restaurants				
– Spur	286	**291**	**289**	293
– Panarottis	81	**81**	**80**	81
– John Dory's	45	**47**	**48**	49
– Captain DoRegos	49	**46**	**41**	43
– The Hussar Grill	12	**13**	**14**	17
– RocoMamas	42	**51**	**50**	57
– Casa Bella	2	**6**	**6**	8
Relocated#/revamped local restaurants				
– Spur	27	**32**	**26**	12
– Panarottis	9	**4**	**5**	4
– John Dory's	4	**6**	**3**	3
– Captain DoRegos	5	**1**	**5**	2
– The Hussar Grill	1	**1**	**1**	1
– RocoMamas	–	**–**	**–**	–
– Casa Bella	–	**–**	**–**	–
Total restaurant turnover				
Spur (R'm)	4 576	**4 870**	**4 478**	4 091
Percentage growth in restaurant turnover	6.2%	**6.4%**	**(2.1%)**	(8.6%)
Percentage growth in existing restaurant turnover	3.3%	**5.9%**	**(3.4%)**	(9.9%)
Panarottis (R'm)	667	**715**	**716**	756
Percentage growth in restaurant turnover	18.0%	**7.3%**	**7.4%**	5.5%
Percentage growth in existing restaurant turnover	11.1%	**6.1%**	**7.4%**	1.6%
John Dory's (R'm)	394	**457**	**451**	475
Percentage growth in restaurant turnover	17.7%	**16.0%**	**14.3%**	5.4%
Percentage growth in existing restaurant turnover	9.4%	**12.0%**	**8.0%**	0.6%
Captain DoRegos (R'm)	138	**127**	**114**	119
Percentage growth in restaurant turnover	(3.3%)	**(8.2%)**	**(17.6%)**	4.5%
Percentage growth in existing restaurant turnover	(6.9%)	**(9.2%)**	**(17.6%)**	(1.3%)

	2016	Target 2017	2017	Target 2018*
The Hussar Grill (R'm)	109	**145**	**148**	176
Percentage growth in restaurant turnover	51.8%	**32.6%**	**35.6%**	18.8%
Percentage growth in existing restaurant turnover	19.4%	**27.9%**	**25.2%**	7.3%
RocoMamas (R'm)	268	**424**	**478**	561
Percentage growth in restaurant turnover	1 003.8%	**58.2%**	**78.1%**	17.4%
Percentage growth in existing restaurant turnover	–	**45.4%**	**62.6%**	12.4%
Casa Bella (R'm)	5	**41**	**45**	72
Percentage growth in restaurant turnover	–	**798.6%**	**885.3%**	62.7%
Total worldwide (R'm)	6 972	**7 672**	**7 157**	7 074
Loyalty				
Family Card loyalty spend (R'bn)	1.9	**2.0**	**1.8**	1.8
Family Card membership (million)	1.9	**2.0**	**2.0**	2.1
Secret Tribe membership (million)	1.0	**1.0**	**0.9**	1.0
Panarottis Rewards loyalty spend (R'm)	42	**50**	**168**	300
Panarottis Rewards membership ('000)	86	**103**	**243**	370
John's Club loyalty spend (R'm)	120	**129**	**169**	178
John's Club membership ('000)	233	**250**	**193**	230
International expansion				
Percentage of international revenue to total group revenue	18.6%	**5.0%**	**4.9%**	5.0%
Percentage of international profits to total group profit before income tax	(11.5%)	**3.5%**	**3.5%**	2.5%
Number of international outlets	58	**65**	**63**	68
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%
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%
Product responsibility				
Percentage of suppliers managed by the group that are HACCP/ISO 22000 compliant	100%	**100%**	**100%**	100%
Percentage of menu items that are rBST and MSG free	98%	**98%**	**98%**	98%
Community support				
CSI spend (R'000)	2 243	**3 075**	**2 930**	3 473
Skills development				
Number of people trained	16 191	**12 500**	**11 835**	13 750
Number of successful graduates of Spur College of Excellence‡	17	**40**	**20**	–
Corporate employees				
Corporate employee rotation	6%	**15%**	**12%**	10%
Employee training costs (including dependents' bursaries) (R'000)	1 763	**2 000**	**2 248**	2 057
Environmental sustainability†				
Corporate				
Electricity consumption (MWh per annum)	New base	**New base**	**1 178**	1 200
Paraffin consumption (litres per annum)	New base	**New base**	**47 515**	47 000
Percentage of waste recycled or composted	New base	**New base**	**71%**	75%
Water consumption (kℓ per annum)	9 473	**New base**	**10 401**	10 400
Diesel consumption for company fleet (kℓ per annum)	New measure	**New measure**	**241**	253
Franchisee				
Spent oil recycled	30%	**40%**	**32%**	30%
Average score on green operations report	67%	**70%**	**48%**	60%
Procurement				
Percentage takeaway packaging made from renewable materials◊	47%	**55%**	**50%**	55%

Notes

* In prior periods the group published medium-term targets. Given the current uncertainty in the markets we serve, we are revising our medium-term targets and will disclose these when we have more confidence that they are realistic.

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.

‡ The Spur College of Excellence was discontinued during 2017.

† Environmental sustainability indicators were revised and updated during the year, including the setting of new bases and introduction of several new indicators.

◊ Total weight of packaging amounted to 1 346 tonnes (a decrease of 16.5% from 1 612 in the prior financial year) of which 674 tonnes were made from renewable materials and 672 tonnes were made from non-renewable materials.


VAN LOVEREN


THE
HUSSAR GRILL
EST 1964

SPUR CORPORATION LIMITED
(REGISTRATION NUMBER: 1998/000828/06)

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

ABOUT THESE FINANCIAL STATEMENTS

The consolidated and separate financial statements on pages 90 to 179 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

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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. One such case relates to the ongoing dispute with SARS regarding to the group's 2004 – 2009 share incentive scheme, as detailed in note 44.1 on page of 159 of the consolidated financial statements, in respect of which KPMG Services (Pty) Ltd was engaged to assist management in resolving the dispute. The committee concluded that it would be most efficient and cost effective for KPMG to assist, in light of the fact that KPMG had given significant input into the design of the scheme and had provided the original tax and accounting opinions to support the treatment of the scheme, prior to its implementation. The cost of services provided by KPMG in this regard amounted to R241 545 for the financial year under review. Minimal pre-approved other 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 consolidated and separate 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. During the year, the JSE reviewed the integrated annual report for the year ended 30 June 2016 as part of its proactive monitoring of annual financial statements for compliance with IFRS process. The JSE sought clarification on a number of issues and furthermore provided comments on certain items of disclosure in the financial statements. All concerns were addressed to the satisfaction of the JSE, and where improvements to disclosures were suggested, management has incorporated these into the financial statements for the year ended 30 June 2017. No other 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. The board will continue to 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 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:

- The external and internal auditors are independent
- 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 financial statements of Spur Corporation Ltd, comprising the consolidated and separate statements of financial position at 30 June 2017, the consolidated and separate statements of profit or loss and 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 2017 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 material 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 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 27 September 2017 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
27 September 2017

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR 18TH ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

NATURE OF THE BUSINESS

Spur Corporation Limited (company registration number: 1998/000828/06), 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 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 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 five 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.

FINANCIAL REVIEW

The group's statement of profit or loss and comprehensive income is presented on page 90 and reflects the group's financial results.

Spur Corporation's performance reflects the combined impact of deteriorating economic conditions and growing uncertainty on the retail trading environment in South Africa. Total franchised restaurant sales from continuing operations across the local and international operations increased by 4.2% to R7.2 billion, following the closure of the group's operations in the UK and Ireland in the previous financial year.

Sales in Spur Steak Ranches declined by 2.1% compared with the prior year, highlighting the financial difficulties of middle-income South African families. The social media fallout following a customer incident in a Spur outlet in Johannesburg affected restaurant turnovers in the last quarter of the financial year. However, in the current poor trading environment, the extent of the impact cannot be determined.

Pizza and Pasta, incorporating Panarottis and Casa Bella, grew sales by 13.3%, which includes the impact of an additional four Casa Bella outlets. John Dory's opened a net three new stores and increased sales by 14.3%. The Hussar Grill increased sales by 35.6%, benefiting from the opening of two new stores in the first half of the year. RocoMamas grew sales by 78.1% as eight new outlets were opened in South Africa. Captain DoRegos' sales were 17.6% lower and a further eight under-performing outlets were closed during the period.

International restaurant sales (excluding the UK) increased by 2.4% in rand terms and by 6.3% on a constant exchange rate basis. The group opened its first restaurants in New Zealand, Ethiopia, Oman and Saudi Arabia during the year.

Following the opening of a net 16 outlets during the year, the group's restaurant base increased to 591, of which 63 operate outside of South Africa.

Profit before income tax from continuing operations declined by 14.9% to R210.7 million. This includes: an impairment loss of R44.2 million relating to the group's investment in start-up rib manufacturing facility, Braviz; a further impairment loss of the Captain DoRegos trademarks and intellectual property of R6.8 million (2016: R19.0 million); a net charge of R3.0 million (2016: R26.2 million) related to the long-term share-linked employee retention and incentive schemes; 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 these exceptional and one-off items, decreased by 8.7%.

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

AUDIT AND RISK COMMITTEES

Pages 68 to 70 and 80 to 81 of this report set out the responsibilities of the risk and audit 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 2017.

On 3 October 2014, shareholders 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, the second in October 2015 and third in December 2016.

During the year, wholly-owned subsidiary, Share Buy-back (Pty) Ltd purchased 165 000 (2016: 285 500) shares at an average cost of R30.26 (2016: R32.72) per share, totalling R4.993 million (2016: R9.341 million), and wholly-owned subsidiary, Spur Group (Pty) Ltd, acquired 159 000 (2016: 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 6 136 901 (2016: 5 912 901). In addition, 6 374 698 (2016: 6 533 698) shares are held by The Spur Management Share Trust and, as noted above, 300 000 (2016: 200 000) shares are held by the Spur Foundation Trust. 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 2017 was 95 669 327 (2016: 95 834 327).

EMPLOYEE SHARE-LINKED INCENTIVE SCHEMES

Details of employee share-linked incentive schemes are detailed in notes 21.4 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 2016 financial year of 73.0 cents per share was paid to shareholders on 3 October 2016. An interim cash dividend in respect of the 2017 financial year of 71.0 cents per share was paid to shareholders on 3 April 2017.

The directors declared a final cash dividend in respect of the 2017 financial year of 61.0 cents per share, funded by income reserves, on 6 September 2017, to be paid on 2 October 2017 to those shareholders of the company who are recorded in the company's register on 29 September 2017. As this dividend was declared after the reporting date, it will only be accounted for in the 2018 financial year.

SPECIAL RESOLUTIONS

On 9 December 2016, 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, a special resolution was 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.

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 180.

Mr Alan Keet, the board representative appointed by Grand Parade Investments Limited ("GPI") in accordance with the broad-based black economic empowerment transaction concluded in 2014, resigned from the board with effect from 1 April 2017, following his resignation from GPI. Ms Tasneem Karriem was appointed to replace Mr Keet, with effect from 12 April 2017. A resolution to approve this appointment will be tabled at the annual general meeting on 1 December 2017.

In terms of the company's Memorandum of Incorporation, Mr Muzi Kuzwayo, Mr Mntungwa Morojele and Ms Dineo Molefe, 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.

The board has considered, and is satisfied, that Ms Nazrana Hawa has the necessary competence, qualifications and experience to adequately fulfil the role of company secretary.

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:

	2017			2016		
	Direct beneficial	**Indirect beneficial**	**Held by associates**	**Direct beneficial**	**Indirect beneficial**	**Held by associates**
Allen Ambor	**–**	**464 609**	**–**	3 094 685	464 609	–
Ronel van Dijk	**73 244**	**–**	**–**	73 244	–	–
Keith Madders	**–**	**–**	**–**	779 372	332 650	–
Keith Getz	**2 491**	**–**	**820**	2 491	–	820
Total	**75 735**	**464 609**	**820**	3 949 792	797 259	820
% interest*	**0.1**	**0.5**	**0.0**	3.9	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 21.4 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:

	2017	2016
Pierre van Tonder	**30 000**	15 000
Mark Farrelly	**20 000**	10 000
Ronel van Dijk	**20 000**	10 000

There have been no changes in directors' interests in share capital from 30 June 2017 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 2017:

	No. of shares	%*
Grand Parade Investments Ltd	**18 965 824**	**18.5**
Allan Gray	**11 595 951**	**11.3**
Coronation Fund Managers	**11 216 732**	**11.0**
Fidelity	**8 866 068**	**8.7**
Investec	**7 198 491**	**7.0**
The Spur Management Share Trust**	**6 374 698**	**6.2**
Share Buy-Back (Pty) Ltd	**5 822 901**	**5.7**
Citibank (Custodian)	**4 061 745**	**4.0**

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

** This holding relates to shares which may be utilised for the benefit of future equity-settled share incentive schemes (refer note 21.4 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	**4**	**541 164**	**0.5**
Subsidiaries holding treasury shares	**2**	**6 136 901**	**5.7**
The Spur Management Share Trust	**1**	**6 374 698**	**5.9**
The Spur Foundation Trust	**1**	**300 000**	**0.3**
Major shareholders	**3**	**41 778 507**	**38.5**
Public shareholders	**2 653**	**53 349 656**	**49.1**
Total	**2 664**	**108 480 926**	**100.0**

Analysis of shareholding

An analysis of the spread of shareholding is presented below:

Shareholder spread	No. of shareholders	%	No. of shares	%
1 – 10 000 shares	**2 245**	**84.3**	**3 680 327**	**3.4**
10 001 – 25 000 shares	**185**	**6.9**	**2 956 356**	**2.7**
25 001 – 50 000 shares	**74**	**2.8**	**2 619 683**	**2.4**
50 001 – 100 000 shares	**63**	**2.4**	**4 368 639**	**4.0**
100 001 – 500 000 shares	**70**	**2.6**	**14 733 440**	**13.7**
500 001 – 1 000 000 shares	**8**	**0.3**	**5 903 710**	**5.4**
1 000 001 shares and over	**19**	**0.7**	**74 218 771**	**68.4**
	2 664	**100.0**	**108 480 926**	**100.0**

Distribution of shareholders	No. of shareholders	%	No. of shares	%
Banks and nominees	28	1.1	9 706 999	8.9
Empowerment funds	2	0.1	18 965 824	17.5
Endowment funds	25	0.9	731 827	0.7
Individuals	1 992	74.8	6 264 844	5.8
Insurance companies	34	1.3	2 302 433	2.1
Investment companies	2	0.1	96 411	0.1
Medical funds	11	0.4	752 228	0.7
Mutual funds	101	3.8	42 346 002	39.0
Own holdings	2	0.1	6 136 901	5.7
Pension and retirement funds	126	4.7	10 252 970	9.5
The Spur Foundation Trust	1	0.0	300 000	0.3
The Spur Management Share Trust	1	0.0	6 374 698	5.9
Other corporate bodies	339	12.7	4 249 789	3.8
	2 664	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 decreased from R25.7 million to R6.9 million during the year.

GOING CONCERN

The 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 44 on page 159 to the consolidated financial statements.

SUBSEQUENT EVENTS

Details of material events occurring subsequent to 30 June 2017 but prior to the date of issue of this report are detailed in note 43 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 2017 to the date of this report.

COMPANY INFORMATION

The company's registration number and registered address are presented on page 180. 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 LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Spur Corporation Limited (the group and company) set out on pages 90 to 179 which comprise the consolidated and separate statements of financial position as at 30 June 2017, and the consolidated and separate statements of profit or loss and comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Spur Corporation Limited as at 30 June 2017, 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters for the consolidated financial statements are set out below, but we have determined that there are no key audit matters to communicate in respect of the separate financial statements.

Impairment Testing of Other Intangibles and Goodwill

Refer to note 14 as well as notes 45.1.8, 45.4 and 45.5 to the financial statements.

This key audit matter is applicable to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The group has goodwill of R71 million and other intangible assets, consisting of trademarks and intellectual property ("Other Intangibles") of R289 million. For purposes of impairment testing, goodwill is allocated to the following cash-generating units ("CGUs"): John Dory's Franchise operations; RocoMamas Franchise operations; The Hussar Grill Franchise operations; and The Hussar Grill Retail operations. Impairment of goodwill for all these CGUs, other than the Hussar Grill Retail operations, were considered as part of the impairment test of Other Intangibles. Other Intangibles are allocated to the following CGUs: Spur Franchise operations; Panarottis Franchise operations; John Dory's Franchise operations; Captain DoRegos Franchise operations; The Hussar Grill Franchise operations and the RocoMamas Franchise operations. The directors have determined the values-in-use of the CGUs to which Other Intangibles are allocated as well as the Hussar Grill Retail operations CGU in the impairment tests. Goodwill and Other Intangibles require significant judgement by the directors of the key assumptions, including growth rates and discount rates, used in determining the values-in-use as described in notes 14.1 and 14.2. Due to the magnitude of the aggregate carrying amounts of goodwill and Other Intangibles, and the significant judgment required by the directors in determining the values-in-use of the CGUs to which these assets are allocated, resulting in work effort by the audit team, impairment testing for goodwill and Other Intangibles was considered a key audit matter.	*Our procedures included amongst others:* – We tested and challenged the cash flow forecasts prepared by the directors and used in the values-in-use calculations, and the process by which they were compiled, including comparing them to the latest board-approved plans and testing the underlying calculations. – We challenged: • the directors' key assumptions for long-term growth rates in the forecasts by comparing them to historical results and economic forecasts; and • the discount rate by assessing the cost of capital for the group and comparable organisations. – We also performed a sensitivity analysis of the key drivers of the cash flow forecasts. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill and/or Other Intangibles to be impaired, we considered the likelihood of such a movement in those key assumptions. – We assessed whether the disclosures in respect of these sensitivities and other required disclosures have been made in accordance with the relevant financial reporting framework.

Impairment of Loans Receivable to equity-accounted investee ("associate")

Refer to notes 2.2, 10 and 15.1 to the financial statements.

This key audit matter is applicable to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
At each reporting date, the group evaluates whether there is any objective evidence that a financial asset is impaired. During the year, Braviz Fine Foods (Pty) Ltd, an associate, has been unable to settle all its repayments relating to loans advanced to it by the group. The breaches of the terms of these loan accounts, together with further considerations detailed below, are indicators of impairment at the reporting date. The performance of the associate has been negatively impacted by: – operational issues; – reduced demand following a decline in the local economy during the year; – increased competition; and – aggressive pricing. Based on the above, the directors concluded that the prospects of recovering a material part of the receivables is remote, and the full receivables have consequently been impaired at the reporting date. The aggregate value of the loans to associate is a material balance and the determination of its recoverability required assumptions to be made by the directors, which resulted in significant audit attention from the audit team. Accordingly, the impairment of loans receivable to the associate was considered a key audit matter.	*Our procedures included amongst others:* – We held discussions with the associate's local auditors, and inspected their working papers where necessary, to gain an understanding of the associate's ability to meet budgeted cash flows for the foreseeable future and to meet its obligations as they fall due. – We assessed the appropriateness of any deferred tax assets recognised and property plant and equipment impairments, in accordance with the recognised financial reporting framework. – Based on the above procedures performed on impairment indicators and going concern at an associate level, we assessed the group's directors' conclusion that sufficient evidence exists to support the full impairment of the loans receivable from associate. – We assessed whether the disclosures in respect of the impairment of loans receivable have been made in accordance with the relevant financial reporting framework.

Other Information

The directors are responsible for the other information. The other information comprises all the information contained in the Integrated Annual Report, including the Audit Committee's Report, the Declaration by Company Secretary and the Directors' Report, as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Limited for 18 years.

KPMG Inc.
Registered Auditor

Per BR Heuvel
Chartered Accountant (SA)
Registered Auditor
Director
Date: 27 September 2017

8th Floor, MSC House, 1 Mediterranean Street, Cape Town, 8001

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Note	2017 R'000	2016 R'000
Continuing operations			
Revenue	6	**648 016**	633 069
Cost of sales		**(178 680)**	(166 850)
Gross profit		**469 336**	466 219
Other income	7	**24 788**	26 703
Administration expenses		**(148 366)**	(157 584)
Distribution expenses		**(4 663)**	(4 730)
Franchise operations expenses		**(85 309)**	(72 471)
Impairment losses	8	**(50 970)**	(18 969)
Other non-trading losses	8	**(777)**	–
Retail operating expenses		**(29 894)**	(18 602)
Operating profit before finance income	8	**174 145**	220 566
Net finance income	9	**36 522**	35 602
Interest income	9	**36 606**	35 680
Interest expense	9	**(84)**	(78)
Share of profit/(loss) of equity-accounted investee (net of income tax)	10	**24**	(8 601)
Profit before income tax		**210 691**	247 567
Income tax expense	11	**(76 676)**	(76 540)
Profit from continuing operations		**134 015**	171 027
Discontinued operations			
Profit/(loss) from discontinued operation (net of income tax)	4	**4 084**	(31 727)
Profit		**138 099**	139 300
Other comprehensive income#:		**(4 462)**	8 460
Foreign currency translation differences for foreign operations		**(4 473)**	26 715
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations		**–**	(7 038)
Tax on reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations		**–**	(1 591)
Foreign exchange gain/(loss) on net investments in foreign operations		**11**	(12 835)
Tax on foreign exchange loss on net investments in foreign operations		**–**	3 209
Total comprehensive income		**133 637**	147 760
Profit attributable to:			
Owners of the company		**134 143**	135 619
Non-controlling interests		**3 956**	3 681
Profit		**138 099**	139 300
Total comprehensive income attributable to:			
Owners of the company		**129 681**	144 016
Non-controlling interests		**3 956**	3 744
Total comprehensive income		**133 637**	147 760

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

	Note	2017 R'000	2016 R'000
Earnings per share (cents)			
Basic earnings	12	**139.98**	141.34
Diluted earnings	12	**139.82**	141.31
Earnings per share (cents) – continuing operations			
Basic earnings	12	**135.60**	174.64
Diluted earnings	12	**135.44**	174.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE

	Note	2017 R'000	2016 R'000
ASSETS			
Non-current assets		**579 085**	610 980
Property, plant and equipment	13	**100 319**	95 480
Intangible assets and goodwill	14	**362 101**	365 417
Loans receivable	15	**110 730**	143 739
Deferred tax	16	**1 450**	1 310
Leasing rights	17	**4 485**	5 034
Current assets		**412 084**	455 742
Inventories	18	**12 731**	12 148
Tax receivable	33	**41 479**	36 214
Trade and other receivables	19	**72 836**	96 587
Loans receivable	15	**19 085**	24 211
Cash and cash equivalents	20	**265 953**	286 582
TOTAL ASSETS		**991 169**	1 066 722
EQUITY			
Total equity		**837 176**	864 663
Ordinary share capital	21.1	**1**	1
Share premium		**294 663**	294 663
Shares repurchased by subsidiaries	21.2	**(102 956)**	(97 963)
Foreign currency translation reserve	21.3	**26 249**	30 711
Share-based payments reserve	21.4	**1 812**	827
Retained earnings		**605 388**	622 054
Total equity attributable to owners of the company		**825 157**	850 293
Non-controlling interests	22	**12 019**	14 370
LIABILITIES			
Non-current liabilities		**63 600**	81 537
Contingent consideration liability	23	**–**	13 565
Employee benefits	24	**–**	3 981
Derivative financial liability	25	**–**	3 425
Operating lease liability	26	**2 676**	2 191
Deferred tax	16	**60 924**	58 375
Current liabilities		**90 393**	120 522
Bank overdrafts	20	**4 491**	1 155
Tax payable		**880**	2 397
Trade and other payables	27	**60 313**	68 437
Loans payable	28	**6 912**	25 746
Contingent consideration liability	23	**5 797**	9 726
Employee benefits	24	**885**	3 829
Derivative financial liability	25	**10 572**	8 761
Shareholders for dividend		**543**	471
TOTAL EQUITY AND LIABILITIES		**991 169**	1 066 722

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

	Note	Attributable to owners of the company		
		Number of shares (net of treasury shares) '000	Ordinary share capital R'000	Share premium R'000
Balance at 1 July 2015		**96 120**	**1**	**294 663**
Total comprehensive income for the year				
Profit		**–**	**–**	**–**
Other comprehensive income ("OCI")		**–**	**–**	**–**
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	21.4	–	–	–
Indirect costs arising on intragroup sale of shares related to equity-settled share-based payment	21.4	–	–	–
Purchase of treasury shares	21.2	(286)	–	–
Dividends	29	–	–	–
Changes in ownership interests in subsidiaries		**–**	**–**	**–**
Disposal of non-controlling interest in subsidiary without a change in control	36.1	–	–	–
Total transactions with owners		**(286)**	**–**	**–**
Balance at 30 June 2016		**95 834**	**1**	**294 663**
Total comprehensive income for the year				
Profit		**–**	**–**	**–**
Other comprehensive income		**–**	**–**	**–**
Foreign currency translation differences for foreign operations		–	–	–
Foreign exchange gain on net investments in foreign operations		–	–	–
Total comprehensive income		**–**	**–**	**–**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners		**(165)**	**–**	**–**
Equity-settled share-based payment	21.4	–	–	–
Indirect costs arising on intragroup sale of shares related to equity-settled share-based payment	21.4	–	–	–
Purchase of treasury shares	21.2	(165)	–	–
Dividends	29	–	–	–
Changes in ownership interests in subsidiaries		**–**	**–**	**–**
Acquisition of non-controlling interest in subsidiary without a change in control	35	–	–	–
Intragroup transfer of business without a change in control	36.1	–	–	–
Total transactions with owners		**(165)**	**–**	**–**
Balance at 30 June 2017		**95 669**	**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**
(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)	–	
–	(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**
–	**–**	**–**	**134 143**	**134 143**	**3 956**	**138 099**
–	**(4 462)**	**–**	**–**	**(4 462)**	**–**	**(4 462)**
–	(4 473)	–	–	(4 473)	–	(4 473)
–	11	–	–	11	–	11
–	**(4 462)**	**–**	**134 143**	**129 681**	**3 956**	**133 637**
(4 993)	**–**	**985**	**(138 678)**	**(142 686)**	**(3 880)**	**(146 566)**
–	–	985	183	1 168	–	1 168
–	–	–	(860)	(860)	–	(860)
(4 993)	–	–	–	(4 993)	–	(4 993)
–	–	–	(138 001)	(138 001)	(3 880)	(141 881)
–	**–**	**–**	**(12 131)**	**(12 131)**	**(2 427)**	**(14 558)**
–	–	–	(10 913)	(10 913)	(3 122)	(14 035)
–	–	–	(1 218)	(1 218)	695	(523)
(4 993)	**–**	**985**	**(150 809)**	**(154 817)**	**(6 307)**	**(161 124)**
(102 956)	**26 249**	**1 812**	**605 388**	**825 157**	**12 019**	**837 176**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE

	Note	2017 R'000	2016 R'000
Cash flow from operating activities			
Operating profit before working capital changes	30	**236 229**	249 493
Working capital changes	31	**(1 515)**	(7 326)
Cash generated from operations		**234 714**	242 167
Interest income received	32	**25 201**	24 370
Interest expense paid		**(84)**	(116)
Tax paid	33	**(85 303)**	(100 256)
Dividends paid	34	**(141 809)**	(133 546)
Net cash flow from operating activities		**32 719**	32 619
Cash flow from investing activities			
Additions of intangible assets	14	**(3 760)**	(231)
Additions of property, plant and equipment	13	**(13 692)**	(45 598)
Cash (outflow)/inflow from share-based payment hedge	25	**(7 405)**	12 653
Cash outflow as a result of disposal of UK subsidiaries	4	**(1 358)**	–
Loan advanced to Captain DoRegos Marketing Fund	15.2	**–**	(430)
Loans advanced to franchisees	15.3 & 15.4	**(7 318)**	(11 351)
Loan repaid by associate company	15.1	**3 000**	500
Proceeds from disposal of property, plant and equipment	13	**347**	8 143
Repayment of loans receivable	15	**11 409**	18 377
Net cash flow from investing activities		**(18 777)**	(17 937)
Cash flow from financing activities			
Acquisition of non-controlling interest without a change in control	35	**(14 035)**	–
Acquisition of treasury shares	21.2	**(4 993)**	(9 341)
Loan repaid to non-controlling shareholders	28	**(380)**	(485)
Settlement of contingent consideration	23	**(18 271)**	(20 369)
Net cash flow from financing activities		**(37 679)**	(30 195)
Net movement in cash and cash equivalents		**(23 737)**	(15 513)
Effect of foreign exchange fluctuations		**(228)**	(354)
Net cash and cash equivalents at beginning of year		**285 427**	301 294
Net cash and cash equivalents at end of year	20	**261 462**	285 427

Refer note 4 for cash flows attributable to discontinued operation.

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 2017 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 separate and consolidated 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 45 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 27 September 2017. The financial statements were published on 29 September 2017.

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 39)

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. *IAS 18 – 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 IAS 18, 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 15.8 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 *IFRS 10 – 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 IFRS 10. 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 14)

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 lifecycle 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 directors confirm their assessment that the group's trademarks and related intellectual property have indefinite useful lives.

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 2015 financial 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.

Cash flow treatment of settlement of derivative financial instruments (note 25)

Forward purchase contracts were concluded with a counterparty in an attempt to economically hedge the cash flow consequences of the cash-settled share appreciation rights awarded as detailed in note 24. However, the group has elected not to apply hedge accounting. Given that hedge accounting is not applied, management considers the two transactions (i.e. the cash-settled share-based payment, and the forward purchase contracts) to be two independent and distinct transactions. In considering the forward purchase contract as a standalone transaction, management considered the cash flows to be akin to "cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities" as contemplated by paragraph 16(h) of *IAS 7 – Statement of Cash Flows*. Management contends that these contracts were intended to be held until they matured, given that the intention was to utilise the resulting cash flows to fund, in part, the cash flows arising from the cash-settled share appreciation rights and are therefore not held for dealing or trading purposes. Accordingly, the cash flows arising from the financial instruments in question have been treated as cash flows from investing activities.

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 note 23 and 37.2 respectively.

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 11.3, 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, where applicable.

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 21.4 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 21.4 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.

2.2 Assumptions and estimates continued

Fair values continued

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

- Financial instruments including contingent consideration liability (refer note 37)
- Employee benefits (refer notes 21.4 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 an associate company 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. Refer note 15 for details concerning the impairment of loans receivable.

Intangible assets (note 14)

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 14.

Impairment of non-financial assets (notes 13 and 14)

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.

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 13 and 14.

Property, plant and equipment (note 13)

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 and place of business	Issued capital R'000	Loans to subsidiaries R'000	Effective % interest in company
Trading				
Direct				
– Share Buy-back (Pty) Ltd	South Africa	0.1		100.0
– Spur Group (Pty) Ltd	South Africa	0.1	209 013	100.0
– Spur Group Properties (Pty) Ltd	South Africa	0.1		100.0
Indirect				
– Green Point Burger Joint (Pty) Ltd trading as RocoMamas Green Point	South Africa	0.1		90.0
– 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 previously also 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		70.0
– 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
– Spur Advertising Australia Pty Ltd	Australia	0.6		100.0
– Spur Corporation Australia Pty Ltd	Australia	16 129.1		100.0
– Spur Corporation UK Ltd	United Kingdom	3.5		100.0
Dormant#		1.4		100.0
			209 013	

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:

	2017 R'000	2016 R'000
Profits	**138 328**	237 908
Losses	**(4 571)**	(91 466)

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 and 36.

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 (2016: R0.280 million) and 100 000 (2016: 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 2018 and 2019 financial years).

3.3 Unconsolidated structured entities

During the 2015 financial year, the group concluded a B-BBEE equity transaction with Grand Parade Investments Ltd ("GPI") as more fully explained in note 15.6. 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 Investments 1 (Pty) Ltd ("GPI Investments"), an indirectly wholly-owned subsidiary of GPI.

The investment in preference shares is recorded as a loan receivable as detailed in note 15.6. 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.

The recoverability of the preference shares/loan receivable referred to above is dependent on the performance of GPI Investments (which is not consolidated by the group), which is in turn influenced by the prevailing share price of Spur Corporation Ltd. The group's exposure to loss is, however, limited to the situation where the share price of Spur Corporation Ltd drops to the extent that GPI Investments' assets, fairly valued, no longer exceed its liabilities which is not the case at the reporting date. When all reasonably possible losses are taken into account, the group is not exposed to any significant impairment risk, based on the share price at the reporting date.

A summarised statement of financial position for GPI Investments is listed below:

	As at 30 June 2017 R'000
Assets	
Investment in Spur Corporation Limited	286 542
Other assets	2 643
Total assets	289 185
Equity and liabilities	
Total equity	48 153
Liabilities	241 032
External debt – A preference shares: dividend at 95% of prime payable semi-annually on 31 October and 30 April, secured by Spur Corporation Ltd shares held by GPI Investments and guarantee from GPI; 10% redeemable by 30 October 2017, 10% redeemable by 30 October 2018, balance redeemable on 30 October 2019	76 223
External debt – B preference shares: dividend at 80% of prime, capital balance capped at R78m (including capitalised dividends), secured by guarantee from GPI; redeemable in full prior to 30 October 2019	72 945
Debt owing to the group (refer note 15.6)	91 831
Other liabilities	33
Total equity and liabilities	289 185

4. DISCONTINUED OPERATION – UNITED KINGDOM

By 30 June 2016, all operations in the UK and Ireland, previously representing a separate major line of business (and comprising a separate operating segment) of the group, had ceased trading. The results of the segment are reported separately to continuing operations.

During the prior year, the group:

- disposed of the lease and assets of Larkspur Two Ltd (a wholly-owned subsidiary of the group 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 current year:

- the group commenced, on 27 July 2016, with voluntary liquidation proceedings of Larkspur Six Ltd, Larkspur Seven Ltd, Larkspur Eight Ltd, Larkspur Ten Ltd and Trinity Leasing Ltd, effectively disposing of all remaining liabilities and cash balances for no consideration. The board has obtained legal opinion that the likelihood of there being any recourse by creditors or the liquidator against the group to settle any creditors' claims arising from the liquidation, is remote. The liquidations of Larkspur Six Ltd, Larkspur Seven Limited and Trinity Leasing Ltd were finalised by 30 June 2017;
- the group disposed of its 100% interest in Larkspur One Ltd for R1, effective 1 July 2016; and
- Larkspur Two Ltd, Larkspur Three Ltd, Mohawk Spur Ltd and Spur Advertising UK Ltd were dissolved. In respect of Larkspur Three Ltd, the shareholder's loan with the 20% non-controlling shareholder of R0.772 million was effectively forgiven and released to profit before income tax.

4. DISCONTINUED OPERATION – UNITED KINGDOM continued

The impact of the above disposals is as follows:	2017 Profit on disposal of subsidiaries R'000	2017 Loss on disposal of subsidiary R'000	2017 Total R'000
Net (liabilities)/assets disposed of	(5 435)	12	(5 423)
Cash and cash equivalents	1 339	19	1 358
Trade and other payables	(6 774)	(7)	(6 781)
Profit/(loss) on disposal	5 435	(12)	5 423
Proceeds on disposal	–	–	–

The results of the discontinued operation are detailed below:	2017 R'000	2016 R'000
Revenue	–	104 302
Cost of sales	–	(32 512)
Gross profit	–	71 790
Other income	6 207	28 263
Administration expenses	(2 111)	–
Other non-trading losses	(12)	(25 322)
Retail operating expenses	–	(103 602)
Operating profit/(loss) before finance income	4 084	(28 871)
Net finance income	–	24
Interest income	–	62
Interest expense	–	(38)
Profit/(loss) before income tax	4 084	(28 847)
Income tax expense	–	(2 880)
Profit/(loss)	4 084	(31 727)
Profit/(loss) attributable to:		
Owners of the company	4 205	(31 957)
Non-controlling interests	(121)	230
Profit/(loss)	4 084	(31 727)
Basic earnings per share (cents)	4.38	(33.30)
Diluted earnings per share (cents)	4.38	(33.30)
The cash flows of the discontinued operation are listed below:		
Net cash flow from operating activities	(3 135)	(11 022)
Net cash flow from investing activities	(1 525)	5 757
Net cash flow from financing activities	(380)	(484)
Net movement in cash and cash equivalents for the year	(5 040)	(5 749)

Further particulars of the above-listed transactions are detailed below:	2017 R'000	2016 R'000
Loss on disposal of goodwill	–	(444)
Loss on disposal of property, plant and equipment	–	(24 878)
Loss on disposal of subsidiary	(12)	–
Profit on disposal of leases	–	15 766
Profit on disposal of property, plant and equipment	–	5 459
Profit on disposal of subsidiaries	5 435	–
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	–	7 038
Release of financial liability	772	–
Included in profit/(loss) before income tax	**6 195**	2 941
Income tax expense related to the above	–	(2 258)
Included in profit/(loss) before income tax	**6 195**	683
Attributable to non-controlling interests	(154)	(216)
Attributable to owners of the company	**6 041**	467

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 *IFRS 8 – Operating Segments* reporting purposes) for performance assessments and resource allocations. In accordance with IFRS 8, no segment assets or liabilities have been disclosed as such information is not regularly provided to the CODM.

The group identified ten 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 (discontinued)
- Australasia

The group's South African business comprises:

- the franchise businesses of its eight trading brands, Spur Steak Ranches (traditional Spur Steak Ranches and Spur Grill & Go), 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 prior year (refer note 4);
- its franchise business in Australia and New Zealand;
- 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 IFRS 8.

5. OPERATING SEGMENTS continued

2017	South Africa Manu-facturing and distri-bution R'000	South Africa Franchise Spur R'000	South Africa Franchise Pizza and Pasta R'000	South Africa Franchise John Dory's R'000	South Africa Franchise Captain DoRegos R'000	South Africa Franchise The Hussar Grill R'000	South Africa Franchise Roco-Mamas R'000
Total revenues	**181 861**	**218 065**	**35 471**	**19 820**	**2 914**	**6 916**	**24 510**
Less: Intersegment revenues	27	147	–	121	102	2 183	701
External revenues	**181 834**	**217 918**	**35 471**	**19 699**	**2 812**	**4 733**	**23 809**
Profit/(loss) before income tax and share of loss of equity-accounted investee	**66 243**	**188 047**	**22 967**	**9 715**	**(8 040)**	**4 092**	**16 457**
Exclude:							
Interest income	–	–	–	–	–	–	–
Interest expense	–	–	–	–	–	–	–
Depreciation and amortisation	(1 124)	–	–	–	(6)	–	–
EBITDA#	**67 367**	**188 047**	**22 967**	**9 715**	**(8 034)**	**4 092**	**16 457**
Exclude other material disclosable items:							
Fair value loss on contingent consideration liability	–	–	–	–	–	–	–
Foreign exchange loss	–	–	–	–	–	–	–
Impairment of loans receivable	–	–	–	–	–	–	–
Impairment of intangible assets	–	–	–	–	(6 778)	–	–
Profit/(loss) on disposal of property, plant and equipment	–	–	–	–	–	–	–
Profit/(loss) on disposal of subsidiaries	–	–	–	–	–	–	–
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	**67 367**	**188 047**	**22 967**	**9 715**	**(1 256)**	**4 092**	**16 457**
Capital expenditure	194	–	–	–	–	–	–
2016							
Total revenues	**180 797**	**229 953**	**32 501**	**18 528**	**4 534**	**5 712**	**17 641**
Less: Intersegment 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	–	–	–	–	–	–

Notes (in addition to those items disclosed above):

South Africa – Captain DoRegos loss before income tax includes a bad debt of R0.986 million relating to loan previously advanced to the Captain DoRegos marketing fund which was forgiven during the year.

South Africa – Retail refer note 36.

South Africa					International						
Retail R'000	Other segments R'000	Total segments R'000	Un-allocated R'000	Total South Africa R'000	United Kingdom (discon-tinued)* R'000	Aus-tralasia R'000	Other segments R'000	Total segments R'000	Un-allocated R'000	Total Inter-national R'000	Total R'000
63 569	**65 276**	**618 402**	**17 032**	**635 434**	**–**	**9 870**	**22 181**	**32 051**	**–**	**32 051**	**667 485**
–	2 425	5 706	13 763	19 469	–	–	–	–	–	–	19 469
63 569	**62 851**	**612 696**	**3 269**	**615 965**	**–**	**9 870**	**22 181**	**32 051**	**–**	**32 051**	**648 016**
4 633	**(3 188)**	**300 926**	**(93 794)**	**207 132**	**4 084**	**(111)**	**8 991**	**12 964**	**(5 345)**	**7 619**	**214 751**
–	–	–	35 872	35 872	–	714	–	714	20	734	36 606
–	–	–	(84)	(84)	–	–	–	–	–	–	(84)
(1 849)	(149)	(3 128)	(7 344)	(10 472)	–	(63)	–	(63)	(3)	(66)	(10 538)
6 482	**(3 039)**	**304 054**	**(122 238)**	**181 816**	**4 084**	**(762)**	**8 991**	**12 313**	**(5 362)**	**6 951**	**188 767**
–	–	–	(777)	(777)	–	–	–	–	–	–	(777)
–	–	–	–	–	(342)	(83)	–	(425)	(716)	(1 141)	(1 141)
–	–	–	(44 192)	(44 192)	–	–	–	–	–	–	(44 192)
–	–	(6 778)	–	(6 778)	–	–	–	–	–	–	(6 778)
(5)	–	(5)	167	162	–	–	–	–	–	–	162
–	–	–	–	–	5 423	–	–	5 423	–	5 423	5 423
–	–	–	(1 996)	(1 996)	–	–	–	–	–	–	(1 996)
–	–	–	(985)	(985)	–	–	–	–	–	–	(985)
6 487	**(3 039)**	**310 837**	**(74 455)**	**236 382**	**(997)**	**(679)**	**8 991**	**7 315**	**(4 646)**	**2 669**	**239 051**
1 076	–	1 270	12 397	13 667	–	25	–	25	–	25	13 692
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

South Africa – Unallocated loss before income tax includes net loss of R1.206 million (2016: R0.259 million) arising from The Spur Foundation Trust, a consolidated structured entity, all of which is attributable to non-controlling interests.

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

* Refer note 4.

5. **OPERATING SEGMENTS** continued

Reconciliation of segmental profit to profit before income tax	2017 R'000	2016 R'000
Total segmental profit before income tax and share of loss of equity-accounted investee (net of income tax)	**214 751**	227 321
Share of profit/(loss) of equity-accounted investee (net of income tax)	**24**	(8 601)
Profit before income tax	**214 775**	218 720
(Profit)/loss before income tax from discontinued operation	**(4 084)**	28 847
Profit before income tax – continuing operations	**210 691**	247 567
Geographical allocation of non-current assets		
The group's non-current assets are allocated to the following geographic regions:		
South Africa	**466 856**	465 814
United Kingdom	**–**	–
Australasia	**25**	68
Other countries	**24**	49
Total non-current assets	**466 905**	465 931

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

6. **REVENUE**

	Continuing operations		Discontinued operation*		Total	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Manufacturing and distribution sales and rebates	**181 834**	180 750	**–**	–	**181 834**	180 750
Franchise-related fee income	**336 493**	339 660	**–**	295	**336 493**	339 955
Rental income	**1 030**	930	**–**	–	**1 030**	930
Retail restaurants' sales	**63 569**	48 137	**–**	104 007	**63 569**	152 144
Other sundry sales	**47 349**	46 273	**–**	–	**47 349**	46 273
Other sundry services rendered	**17 741**	17 319	**–**	–	**17 741**	17 319
	648 016	633 069	**–**	104 302	**648 016**	737 371

* 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	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Fair value gain on contingent consideration liability (refer note 23)	**–**	3 723	**–**	–	**–**	3 723
Marketing fund administration fees	**23 605**	21 165	**–**	–	**23 605**	21 165
Profit on disposal of property, plant and equipment	**167**	64	**–**	5 459	**167**	5 523
Profit on disposals of subsidiaries	**–**	–	**5 435**	–	**5 435**	–
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	**–**	–	**772**	–	**772**	–
Spur Foundation donation income	**889**	1 498	**–**	–	**889**	1 498
Other	**127**	253	**–**	–	**127**	253
	24 788	26 703	**6 207**	28 263	**30 995**	54 966

* Refer note 4.

Marketing fund administration fees relate to administrative support services rendered by the group in respect of marketing funds (refer note 39).

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 profit or loss and comprehensive income.

8. OPERATING PROFIT BEFORE FINANCE INCOME

The following items have been taken into account in determining operating profit before finance income (other than those items disclosed in other income (see note 7)):

	Continuing operations		Discontinued operation*		Total	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Auditor's remuneration#	1 451	1 561	–	–	1 451	1 561
– Audit services	1 209	1 437	–	–	1 209	1 437
– Other services	242	124	–	–	242	124
Amortisation – intangible assets (refer note 14)	1 886	10	–	–	1 886	10
Bad debts	1 341	681	–	498	1 341	1 179
Depreciation (refer note 13)	8 652	6 445	–	4 440	8 652	10 885
– Buildings	610	321	–	–	610	321
– Leasehold improvements	860	592	–	2 520	860	3 112
– Furniture and fittings	1 553	982	–	766	1 553	1 748
– Plant, equipment and vehicles	2 288	2 086	–	905	2 288	2 991
– Computer equipment	3 341	2 464	–	249	3 341	2 713
Employment costs	150 548	128 214	221	38 454	150 769	166 668
– Salaries and wages (excluding directors)	121 333	100 425	221	38 454	121 554	138 879
– Executive directors' and prescribed officer's emoluments (refer note 41)†	18 961	18 298	–	–	18 961	18 298
– Provident fund expense – defined contribution plan (refer note 38)	13 064	11 025	–	–	13 064	11 025
– Share-based payments credit – cash-settled – long-term share-linked employee retention scheme (refer note 24)	(3 795)	(2 361)	–	–	(3 795)	(2 361)
– Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 21.4)	985	827	–	–	985	827
Fair value loss on derivative financial instruments at fair value through profit or loss (refer note 25)	5 791	27 714	–	–	5 791	27 714
Foreign exchange loss	799	3 768	342	196	1 141	3 964
Impairment allowance – trade receivables	84	406	–	–	84	406
Impairment losses	50 970	18 969	–	–	50 970	18 969
– Impairment of intangible assets (refer note 14)	6 778	18 969	–	–	6 778	18 969
– Impairment of loan receivable (refer note 15.1)	44 192	–	–	–	44 192	–
Operating lease charges	12 623	7 985	–	26 127	12 623	34 112
– Lease charges paid in cash	11 589	6 549	–	22 887	11 589	29 436
– Amortisation of leasing rights (refer note 17)	549	366	–	3 326	549	3 692
– Straight-line lease charge/(credit) (refer note 26)	485	1 070	–	(86)	485	984
Other non-trading losses	777	–	12	25 322	789	25 322
– Fair value loss on contingent consideration liability (refer note 23)	777	–	–	–	777	–
– Loss on disposal of goodwill	–	–	–	444	–	444
– Loss on disposal of subsidiary	–	–	12	–	12	–
– Loss on disposal of property, plant and equipment related to discontinued operation	–	–	–	24 878	–	24 878

* 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.

9. NET FINANCE INCOME

	Continuing operations		Discontinued operation*		Total	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Finance income and expense recognised in profit before income tax						
Interest income on bank deposits	**20 319**	19 920	**–**	31	**20 319**	19 951
Interest income on financial assets measured at amortised cost	**16 287**	15 760	**–**	31	**16 287**	15 791
Interest income	**36 606**	35 680	**–**	62	**36 606**	35 742
Interest expense on financial liabilities measured at amortised cost	**(84)**	(78)	**–**	(38)	**(84)**	(116)
Interest expense	**(84)**	(78)	**–**	(38)	**(84)**	(116)
Net interest income recognised in profit before income tax	**36 522**	35 602	**–**	24	**36 522**	35 626

* Refer note 4.

10. INTEREST IN EQUITY-ACCOUNTED INVESTEE

	2017 R'000	2016 R'000
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 15.1)	**–**	34 804
Gross loan (included in loans receivable in statement of financial position) considered part of the net investment in equity-accounted investee for the purposes of recognising subsequent losses in excess of the carrying value of the investment in associate	**47 745**	45 017
Cumulative share of loss of equity-accounted investee (net of income tax) previously recognised	**(10 189)**	(10 213)
Net receivable considered part of the net investment in equity-accounted investee	**37 556**	34 804
Impairment recognised in terms of IAS 39	**(37 556)**	–
Carrying value at 30 June	**–**	34 804
Gross bridging finance loan advanced to equity-accounted investee (refer note 15.1)	**6 636**	9 500
Impairment recognised in terms of IAS 39	**(6 636)**	–
Carrying value at 30 June	**–**	9 500
Allocation of share of profit/(loss) of equity-accounted investee (net of income tax):		
Allocated to loan to equity-accounted investee	**24**	(8 601)

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 initial purchase consideration amounted to R0.4 million (comprising ordinary shares of R300 and initial transaction costs of R0.4 million). The group simultaneously advanced a loan in the amount of R36.250 million to the entity (refer note 15.1). To the extent that the group's share of cumulative trading losses has exceeded the carrying value of the equity-accounted investee, the losses have been recognised as a reduction in the loan receivable. The investee's losses incurred to date relate to depreciation charges, finance charges and, in particular in the current year, lower than expected sales volumes due to operational issues and the downturn in the local economy. The loan has been fully impaired in the current year (refer note 15.1).

Refer note 15.1 for details on restrictions on the ability of the associate to transfer cash to the group.

10. INTEREST IN EQUITY-ACCOUNTED INVESTEE continued

	2017 R'000	2016 R'000
The following is summarised financial information for Braviz Fine Foods (Pty) Ltd based on its financial statements prepared in accordance with IFRS:		
Non-current assets (100%)	**91 961**	137 309
Current assets (100%)	**27 546**	18 024
Non-current liabilities (100%)	**(154 724)**	(160 855)
Current liabilities (100%)	**(38 741)**	(30 539)
Net liabilities (100%)	**(73 958)**	(36 061)
Group's share of net liabilities (30%)	**(22 187)**	(10 819)
Goodwill implicit in carrying value of equity-accounted investee	**606**	606
Cumulative losses allocated to loan to equity-accounted investee	**10 189**	10 213
Cumulative losses not recognised by group	**11 392**	–
Carrying amount of interest in associate	**–**	–
Revenue (100%)	**138 624**	161 578
Loss from continuing operations (100%)	**(37 897)**	(28 670)
Other comprehensive income (100%)	**–**	–
Total comprehensive income (100%)	**(37 897)**	(28 670)
Attributable to the group	**(11 368)**	(8 601)
Recognised by the group	**24**	(8 601)
Not recognised by the group	**11 392**	–
Attributable to the investee's other shareholders	**(26 529)**	(20 069)
Included in the net liabilities above are the following loans owed to the group:		
Shareholder loan (refer note 15.1) – impaired by group	**47 745**	45 017
Short-term bridging finance (refer note 15.1) – impaired by group	**6 636**	9 500

11. INCOME TAX

		2017 R'000	2016 R'000
11.1 Income tax expense			
South African normal tax			
Current	– current year	**70 466**	79 762
	– prior year underprovision	**230**	83
Deferred	– current year	**931**	(8 461)
	– prior year underprovision	**54**	–
	– rate change	**–**	961
		71 681	72 345
South African dividend withholding tax		**1 642**	1 375
Namibian normal tax			
Current	– current year	**1 122**	1 263
Namibian withholding tax		**242**	–
Dutch normal tax			
Current	– current year	**2 025**	343
Deferred	– current year	**–**	24
		2 025	367
United Kingdom normal tax			
Current	– prior year overprovision	**–**	(27)
Deferred	– current year	**–**	5 867
	– prior year overprovision	**–**	(2 201)
		–	3 639
Australian normal tax			
Current	– current year	**–**	549
	– prior year overprovision	**(28)**	(44)
Deferred	– current year	**(33)**	(56)
	– prior year under/(over)provision	**1**	(18)
	– rate change	**24**	–
		(36)	431
Income tax expense		**76 676**	79 420
Total current normal tax		**73 815**	81 929
Total deferred normal tax (refer note 16)		**977**	(3 884)
Total withholding taxes		**1 884**	1 375
Income tax expense		**76 676**	79 420
relating to continuing operations		**76 676**	76 540
relating to discontinued operation*		**–**	2 880

* Refer note 4.

Also refer contingent liability note 44.1.

11. INCOME TAX continued

11.2 Reconciliation of tax rate

	2017 %	2016 %
South African normal tax rate	**28.0**	28.0
Change in tax rate	**–**	0.4
Effect of tax in foreign jurisdictions	**0.1**	(1.0)
Effect of tax at capital gains rate	**0.2**	0.5
Income of foreign subsidiaries attributed to South Africa	**–**	0.1
Non-deductible UK depreciation and closure-related costs*	**0.2**	1.0
Non-deductible loss on disposal of UK property, plant and equipment*	**–**	3.3
Non-deductible loan impairments	**5.8**	–
Non-deductible other expenditure (capital items and items not in production of income)	**1.2**	1.0
Non-taxable dividend income	**(1.1)**	(0.9)
Non-deductible/(non-taxable) fair value loss/(gain) on contingent consideration liability	**0.1**	(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	**(0.2)**	(0.1)
Non-taxable profit on sale of UK property, plant and equipment*	**–**	(0.5)
Non-taxable profit on disposal of UK subsidiaries*	**(0.7)**	–
Prior year under/(over)provision	**0.1**	(1.0)
Share of loss of equity-accounted investee	**–**	1.1
Tax losses on which deferred tax not provided	**0.4**	5.6
Tax losses utilised on which deferred tax not previously provided	**(0.2)**	–
Withholding tax	**1.8**	0.8
Effective tax rate	**35.7**	36.3

* Refer note 4.

The statutory rates of tax applicable to group entities in the Netherlands, Australia and Namibia are 25%, 27.5% (2016: 30%) and 32% respectively. The tax rate in the Netherlands operates on a sliding scale. During the prior year, 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.

11.3 Tax losses

	2017 R'000	2016 R'000
Estimated group tax losses available for set-off against future taxable income	**29 979**	31 539

A deferred tax asset has not been recognised in respect of tax losses amounting to R29.979 million (2016: R30.880 million). A deferred tax asset amounting to Rnil (2016: R0.184 million) has been recognised in respect of the balance of the tax losses. R3.255 million and R25.505 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).

11.4 Tax credited to other comprehensive income

	2017 R'000	2016 R'000
Deferred tax on foreign exchange loss on net investments in foreign operations – continuing operations	**–**	(3 209)
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 to other comprehensive income	**–**	(1 618)

* Refer note 4.

	2017 R'000	2016 R'000
11.5 Tax charged directly to equity		
Current tax on intercompany transfer of treasury shares (refer note 21.4)	**795**	625
Current tax on intragroup sale of business (refer note 36.1)	**523**	–
Deferred tax on equity-settled share-based payment	**(183)**	(36)
Total tax charged directly to equity	**1 135**	589

The deferred tax credited to equity in respect of the equity-settled share-based payment is the amount of the deferred tax credit relating to the group's long-term share incentive schemes (refer note 21.4) that exceeds 28% of the share-based payment expense included in profit before income tax.

12. EARNINGS PER SHARE

	2017 cents	2016 cents
12.1 Statistics		
Basic earnings per share	**139.98**	141.34
Basic earnings per share – continuing operations	**135.60**	174.64
Diluted earnings per share	**139.82**	141.31
Diluted earnings per share – continuing operations	**135.44**	174.61
Headline earnings per share	**139.69**	170.89
Headline earnings per share – continuing operations	**140.96**	190.01
Diluted headline earnings per share	**139.53**	170.86
Diluted headline earnings per share – continuing operations	**140.80**	189.98

The earnings used for diluted earnings per share are the same as the earnings used for basic earnings per share, which equates to profit attributable to the owners of the company of R134.143 million (2016: R135.619 million) and R129.938 million (2016: R167.576 million) for the group and continuing operations, respectively.

	2017 '000	2016 '000
12.2 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**	108 481
Shares repurchased at beginning of year (refer note 21.2)	**(12 647)**	(12 361)
Shares repurchased during the year weighted for period held by the group (refer note 21.2)	**(6)**	(165)
Weighted average number of ordinary shares in issue for the year	**95 828**	95 955
Dilutive potential ordinary shares weighted for period outstanding (refer note 21.4)	**110**	17
Dilutive weighted average number of shares in issue for the year	**95 938**	95 972

	2017 R'000	2016 R'000
12.3 Reconciliation of headline earnings		
Total group		
Profit attributable to owners of the company	**134 143**	135 619
Impairment of intangible assets	**5 260**	14 720
Loss on disposal of goodwill	**–**	444
Loss on disposal of property, plant and equipment	**3**	26 304
Loss on disposal of subsidiary	**12**	–
Profit on disposal of property, plant and equipment	**(120)**	(4 481)
Profit on disposals of subsidiaries	**(5 435)**	–
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	**–**	(8 629)
Headline earnings	**133 863**	163 977

12. EARNINGS PER SHARE continued

12.3 Reconciliation of headline earnings continued

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2017				
Impairment of intangible assets (refer note 14)	**6 778**	**(1 518)**	**–**	**5 260**
Loss on disposal of property, plant and equipment (refer note 13)	**5**	**(1)**	**(1)**	**3**
Loss on disposal of subsidiary (refer note 4)	**12**	**–**	**–**	**12**
Profit on disposal of property, plant and equipment (refer note 13)	**(167)**	**47**	**–**	**(120)**
Profit on disposal of subsidiaries (refer note 4)	**(5 435)**	**–**	**–**	**(5 435)**
	1 193	**(1 472)**	**(1)**	**(280)**
2016				
Impairment of intangible assets (refer note 14)	18 969	(4 249)	–	14 720
Loss on disposal of goodwill (refer note 4)	444	–	–	444
Loss on disposal of property, plant and equipment (refer note 13)	24 990	2 796	(1 482)	26 304
Profit on disposal of property, plant and equipment (refer note 13)	(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

	2017 R'000	2016 R'000
Continuing operations		
Profit attributable to owners of the company	**134 143**	135 619
Exclude: (profit)/loss from discontinued operation (refer note 4)	**(4 205)**	31 957
Profit attributable to owners of the company – continuing operations	**129 938**	167 576
Impairment of intangible assets	**5 260**	14 720
Loss on disposal of property, plant and equipment	**3**	75
Profit on disposal of property, plant and equipment	**(120)**	(44)
Headline earnings – continuing operations	**135 081**	182 327

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2017				
Impairment of intangible assets (refer note 14)	**6 778**	**(1 518)**	**–**	**5 260**
Loss on disposal of property, plant and equipment (refer note 13)	**5**	**(1)**	**(1)**	**3**
Profit on disposal of property, plant and equipment (refer note 13)	**(167)**	**47**	**–**	**(120)**
	6 616	**(1 472)**	**(1)**	**5 143**
2016				
Impairment of intangible assets (refer note 14)	18 969	(4 249)	–	14 720
Loss on disposal of property, plant and equipment (refer note 13)	112	(32)	(5)	75
Profit on disposal of property, plant and equipment (refer note 13)	(64)	18	2	(44)
	19 017	(4 263)	(3)	14 751

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Leasehold improvements R'000	Furniture and fittings R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Total R'000
2017						
COST						
Balance at 1 July 2016	**75 202**	**31 137**	**12 974**	**22 980**	**16 573**	**158 866**
Additions	**2 709**	**1 546**	**2 536**	**1 685**	**5 216**	**13 692**
Disposals	**–**	**–**	**–**	**(618)**	**(816)**	**(1 434)**
Effect of foreign exchange fluctuations	**–**	**(19)**	**(9)**	**(1)**	**(85)**	**(114)**
Balance at 30 June 2017	**77 911**	**32 664**	**15 501**	**24 046**	**20 888**	**171 010**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2016	**(2 721)**	**(26 272)**	**(6 563)**	**(16 002)**	**(11 828)**	**(63 386)**
Disposals	**–**	**–**	**–**	**497**	**752**	**1 249**
Depreciation	**(610)**	**(860)**	**(1 553)**	**(2 288)**	**(3 341)**	**(8 652)**
Effect of foreign exchange fluctuations	**–**	**17**	**9**	**1**	**71**	**98**
Balance at 30 June 2017	**(3 331)**	**(27 115)**	**(8 107)**	**(17 792)**	**(14 346)**	**(70 691)**
CARRYING VALUE						
Balance at 1 July 2016	**72 481**	**4 865**	**6 411**	**6 978**	**4 745**	**95 480**
Additions	**2 709**	**1 546**	**2 536**	**1 685**	**5 216**	**13 692**
Disposals	**–**	**–**	**–**	**(121)**	**(64)**	**(185)**
Depreciation	**(610)**	**(860)**	**(1 553)**	**(2 288)**	**(3 341)**	**(8 652)**
Effect of foreign exchange fluctuations	**–**	**(2)**	**–**	**–**	**(14)**	**(16)**
Balance at 30 June 2017	**74 580**	**5 549**	**7 394**	**6 254**	**6 542**	**100 319**
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

* Refer also note 36.1 for non-cash additions.

14. INTANGIBLE ASSETS AND GOODWILL

	Trademarks and intellectual property R'000	Software licences R'000	Goodwill R'000	Total R'000
2017				
COST				
Balance at 1 July 2016	**328 535**	**231**	**76 047**	**404 813**
Additions	**–**	**3 760**	**–**	**3 760**
Deferred tax adjustment on trademarks and intellectual property (refer note 16)	**–**	**–**	**1 588**	**1 588**
Balance at 30 June 2017	**328 535**	**3 991**	**77 635**	**410 161**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2016	**(32 874)**	**(10)**	**(6 512)**	**(39 396)**
Amortisation	**–**	**(1 886)**	**–**	**(1 886)**
Impairment (refer note 14.1)	**(6 778)**	**–**	**–**	**(6 778)**
Balance at 30 June 2017	**(39 652)**	**(1 896)**	**(6 512)**	**(48 060)**
CARRYING VALUE				
Balance at 1 July 2016	**295 661**	**221**	**69 535**	**365 417**
Additions	**–**	**3 760**	**–**	**3 760**
Amortisation	**–**	**(1 886)**	**–**	**(1 886)**
Deferred tax adjustment on trademarks and intellectual property (refer note 16)	**–**	**–**	**1 588**	**1 588**
Impairment (refer note 14.1)	**(6 778)**	**–**	**–**	**(6 778)**
Balance at 30 June 2017	**288 883**	**2 095**	**71 123**	**362 101**
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 14.1)	(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 14.1)	(18 969)	–	–	(18 969)
Effect of foreign exchange fluctuations	–	–	(1)	(1)
Balance at 30 June 2016	295 661	221	69 535	365 417

None of the above intangible assets are internally generated.

14.1 Trademarks and intellectual property

"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 lifecycle 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:

	2017 R'000	2016 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
The Hussar Grill Franchise operations	**9 904**	9 904
RocoMamas Franchise operations	**7 114**	7 114
	288 883	295 661

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. Given the nature of the franchise business, the directors consider that the fair values less costs to sell of the intangible assets are unlikely to differ significantly from 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 2018 financial year were conservatively estimated based on budgets derived from historic trends. Turnovers were conservatively estimated to grow by 6.5% for Spur, Panarottis, The Hussar Grill, John Dory's and RocoMamas, and 5% for Captain DoRegos for the 2019 to 2022 financial years on existing business, in addition to the impact of expected new stores.
– Cash outflows for the 2018 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 7%, 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 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.

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 R6.778 million (2016: R25.747 million) while the estimated recoverable amount was Rnil (2016: R6.778 million), resulting in an impairment loss of R6.778 million (2016: R18.969 million). The Captain DoRegos brand is a value-oriented takeaway chain offering a combination of chicken, seafood and burgers to consumers operating through 41 (2016: 49) franchised outlets locally and three (2016: three) 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.

* The assumptions applied in the current year were largely similar to those applied in the prior year, except that growth in restaurant turnovers for Spur, Panarottis and The Hussar Grill was reduced from 8% to 6.5%, growth in John Dory's restaurants was reduced from 7% to 6.5%, and increases in employment costs were reduced from 10% to 7%.

14. INTANGIBLE ASSETS AND GOODWILL continued

14.1 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:

Change in variable:	Increase in recoverable amount and decrease in profit before income tax R'000
Revenue growth	
– Increased by 2%	**1 316**
– Decreased by 2%	**–**
Discount rate	
– Increased by 2%	**–**
– Decreased by 2%	**348**
Growth in perpetuity	
– Increased by 2%	**208**
– Decreased by 2%	**–**

14.2 Goodwill

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

	2017 R'000	2016 R'000
John Dory's Franchise operations	**178**	178
RocoMamas Franchise operations	**43 102**	42 439
The Hussar Grill Franchise operations	**13 870**	12 945
The Hussar Grill Retail operations	**13 973**	13 973
	71 123	69 535

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 note 14.1.

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 2018 financial year were conservatively estimated based on historic trends. Turnovers were estimated to grow by 6.5% per annum for the 2019 to 2022 financial years, slightly ahead of the South African targeted rate of inflation.
- Cash outflows for the 2018 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.

* The assumptions applied in the current year were largely similar to those applied in the prior year, except that growth in restaurant turnovers was reduced from 8% to 6.5%.

14.3 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	1 040 653
Panarottis Franchise operations	32 925	148 665
John Dory's Franchise operations	8 643	91 880
The Hussar Grill Franchise operations	23 774	35 735
The Hussar Grill Retail Operations	26 600	72 627
RocoMamas Franchise operations	50 216	122 252

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.

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 14.2 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 (%)	7.3
Growth in restaurant turnover (%)	(7.6)

15. LOANS RECEIVABLE

	2017 R'000	2016 R'000
Total gross loans receivable at end of year	184 196	178 163
Cumulative share of loss of equity-accounted investee (net of income tax) (refer note 10)	(10 189)	(10 213)
Impairment	(44 192)	–
Current portion included in current assets	19 085	(24 211)
Total non-current loans receivable	110 730	143 739

These loans comprise:

15.1 Braviz Fine Foods (Pty) Ltd

	2017 R'000	2016 R'000
Gross loans receivable at end of year	54 381	54 517
Shareholder funding	47 745	45 017
Short-term bridging finance	6 636	9 500
Cumulative share of loss of equity-accounted investee (net of income tax) (refer note 10)	(10 189)	(10 213)
Impairment	(44 192)	–
Current portion included in current assets	–	(9 500)
Non-current portion	–	34 804

15. **LOANS RECEIVABLE** continued

15.1 **Braviz Fine Foods (Pty) Ltd** continued

The shareholder loan was granted on 18 March 2014 to the associate in question (refer note 10) as part of the initial funding of the entity. With effect from 1 January 2017, to the extent that the loan is disproportionate to the respective shareholders' shareholding in the entity, the loan is subject to interest at the prime overdraft rate of interest, while the remaining loan is interest free. Prior to this, the entire loan was subject to interest at the prime overdraft rate of interest. This loan is intended to be part of the investment in the associate and, as such, there are no repayment terms and the loan is unsecured. However, the associate is contractually precluded from declaring any dividend until such time as it has repaid all shareholder loans. In the event that the associate repays any shareholder loan, it is contractually bound to repay all shareholders' loans on a *pro rata* basis. No shareholder of the associate shall be permitted to demand repayment of the loan unless authorised by a special resolution of the shareholders of the associate. No such resolution has been passed. The loan has been subordinated in favour of the external financier of the borrower. The interest payments for May 2017 and June 2017 are outstanding.

The bridging finance loan was advanced to serve as short-term bridging finance for the associate in question. The loan bears interest at 2% (2016: 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 interest payments for May 2017 and June 2017 are outstanding. The loan was repayable by 30 June 2017, but the counterparty failed to repay the loan.

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

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

	2017 R'000	2016 R'000
15.2 Captain DoRegos Marketing Fund		
Gross loan receivable at end of year	**–**	1 027
Current portion included in current assets	**–**	–
Non-current portion	**–**	1 027

This loan was advanced to the Captain DoRegos Marketing Fund to finance the installation of new signage at selected franchised outlets. The loan was previously unsecured and was subject to interest at 2% above the prime overdraft rate of interest. Repayments were linked to the turnover of the underlying franchised outlets. The loan was forgiven during the year.

	2017 R'000	2016 R'000
15.3 Franchisees (foreign: Australian dollars)		
Gross loans receivable at end of year	**8 781**	6 232
Current portion included in current assets	**(3 266)**	(2 718)
Non-current portion	**5 515**	3 514

These loans amount to AU$874 618 (2016: AU$567 722) at the reporting date. Of the total, R0.378 million (2016: R0.957 million) is interest free, and the balance is subject to interest of between 2% above the Reserve Bank of Australia's cash rate and a fixed rate of 4.5%. The loans are repayable over various periods up to five years. The loans are all secured by at least a personal suretyship of the shareholders of the respective franchisees.

The loans include a receivable from related party, White Cloud Restaurant Ltd, in the amount of R1.729 million (2016: Rnil) as detailed in note 42.3.

	2017 R'000	2016 R'000
15.4 Franchisees (foreign: euros)		
Gross loans receivable at end of year	**1 956**	1 756
Current portion included in current assets	**(1 630)**	(1 756)
Non-current portion	**326**	–

These loans amount to €131 079 (2016: €106 963) as at the reporting date. The loans bear interest at between the 6-month EURIBOR and 2% above the 12-month EURIBOR rate of interest, are repayable over a period of between 12 and 18 months, and are secured by personal suretyships of the shareholders of the respective franchisees.

	2017 R'000	2016 R'000
15.5 Franchisees (local)		
Gross loans receivable at end of year	**8 970**	10 121
Current portion included in current assets	**(2 033)**	(2 759)
Non-current portion	**6 937**	7 362

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.

	2017 R'000	2016 R'000
15.6 GPI Investments 1 (RF) (Pty) Ltd (previously GPI Spur (RF) (Pty) Ltd)		
Gross loan receivable at end of year	**91 959**	83 766
Current portion included in current assets	**–**	–
Non-current portion	**91 959**	83 766

With effect from 30 October 2014, 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. In terms of the agreements, GPI is restricted from trading the shares in question without the express permission of the company for a period of five years from the effective date of the transaction and is furthermore required to maintain its broad-based black economic empowerment credentials for the same period. The shares were issued at a price of R27.16 per share, resulting in the aggregate proceeds from the issue of shares amounting to R294.657 million.

This 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 GPI broad-based black economic empowerment transaction ("B-BBEE transaction"). 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.

	2017 R'000	2016 R'000
15.7 Hunga Busters Pty Ltd*		
Gross loan receivable at end of year	**8 530**	12 218
Current portion included in current assets	**(2 537)**	(2 726)
Non-current portion	**5 993**	9 492

This loan arose on the disposal of the shares in a former Australian subsidiary and the net assets of a former company-owned restaurant in Australia during the 2015 financial year. The loan is denominated in Australian dollars, with a carrying value of AU849 516 (2016: AU$1 113 090) 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 the former subsidiary referred to above, owned by the borrower, as well as a pledge of the shares in the borrower from the shareholders of the borrower.

* Related party. Refer note 42.

15. LOANS RECEIVABLE continued

	2017 R'000	2016 R'000
15.8 Marketing funds		
Gross loans receivable at end of year	**5 845**	1 419
Current portion included in current assets	**(5 845)**	(1 419)
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 39 for more details.

	2017 R'000	2016 R'000
15.9 Spur Marketing Fund		
Gross loan receivable at end of year	**3 774**	7 107
Current portion included in current assets	**(3 774)**	(3 333)
Non-current portion	**–**	3 774

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.

16. DEFERRED TAX

	Balance at beginning of year R'000	Recognised in profit or loss R'000	Recognised in other comprehen-sive income R'000	Recognised directly in equity (retained earnings) R'000	Recognised in goodwill R'000	Balance at end of year R'000
2017						
Accruals	**422**	**(45)**	**–**	**–**	**–**	**377**
Derivative financial instruments	**3 412**	**(452)**	**–**	**–**	**–**	**2 960**
Income received in advance	**653**	**(560)**	**–**	**–**	**–**	**93**
Intangible assets	**(67 559)**	**1 518**	**–**	**–**	**(1 588)**	**(67 629)**
Leave pay accrual	**1 484**	**119**	**(27)**	**–**	**–**	**1 576**
Long-term employee benefits	**2 330**	**(1 619)**	**–**	**183**	**–**	**894**
Operating lease liability	**458**	**190**	**–**	**–**	**–**	**648**
Prepayments	**(541)**	**42**	**–**	**–**	**–**	**(499)**
Property, plant and equipment	**(193)**	**4**	**–**	**–**	**–**	**(189)**
Short-term employee incentives	**2 285**	**10**	**–**	**–**	**–**	**2 295**
Tax losses	**184**	**(184)**	**–**	**–**	**–**	**–**
South Africa	**184**	**(184)**	**–**	**–**	**–**	**–**
Total net deferred tax liability	**(57 065)**	**(977)**	**(27)**	**183**	**(1 588)**	**(59 474)**
Current year deferred tax credit		**(953)**				
Change in tax rate		**(24)**				
Effect of foreign exchange fluctuations			**(27)**			

	Balance at beginning of year R'000	Recognised in profit or loss R'000	Recognised in other comprehensive 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 net 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)		

	Deferred tax asset		Deferred tax liability	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
The deferred tax asset/(liability) comprises deductible/(taxable) temporary differences relating to:				
Accruals	**65**	54	**312**	368
Derivative financial instruments	**–**	–	**2 960**	3 412
Income received in advance	**–**	–	**93**	653
Intangible assets	**–**	–	**(67 629)**	(67 559)
Leave pay accrual	**608**	569	**968**	915
Long-term employee benefits	**–**	–	**894**	2 330
Operating lease liability	**491**	301	**157**	157
Prepayments	**(111)**	(71)	**(388)**	(470)
Property, plant and equipment	**3**	(4)	**(192)**	(189)
Short-term employee incentives	**394**	277	**1 901**	2 008
Tax losses	**–**	184	**–**	–
South Africa	**–**	184	**–**	–
	1 450	1 310	**(60 924)**	(58 375)

17. LEASING RIGHTS

	2017 R'000	2016 R'000
Balance at beginning of year	**5 034**	2 855
Additions (refer note 36.1)	**–**	5 400
Recognised in profit before income tax	**(549)**	(3 692)
Monthly amortisation	**(549)**	(967)
Accelerated amortisation	**–**	(2 725)
Effect of foreign exchange fluctuations	**–**	471
Balance at end of year	**4 485**	5 034

The leasing rights relate to:

- The purchase during the prior year by the group of the Theo's Mouille Point lease as detailed in note 36.1. 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 previously occupied by Larkspur Seven Ltd and Larkspur Eight Ltd, former 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 prior year, the carrying values were written off to nil during the prior year by accelerating the amortisation of the assets.

18. INVENTORIES

	2017 R'000	2016 R'000
Raw materials	**1 556**	2 140
Packaging	**260**	340
Finished goods	**10 915**	9 668
	12 731	12 148

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

	2017 R'000	2016 R'000
Trade receivables	**64 625**	88 726
Impairment allowance	**(935)**	(851)
Net trade receivables	**63 690**	87 875
Prepayments	**3 995**	4 551
Deposits	**2 843**	2 091
Staff loans	**181**	370
VAT and other indirect taxes receivable	**967**	1 372
Other	**1 160**	328
	72 836	96 587

Trade receivables include receivables from related parties of R3.912 million (2016: R5.392 million) that arise in the ordinary course of business in respect of the transactions recorded in note 42.3. 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

	2017 R'000	2016 R'000
Current, call and short-term deposit accounts	**265 953**	286 582
Bank overdrafts	**(4 491)**	(1 155)
	261 462	285 427

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

21. CAPITAL AND RESERVES

	Number of shares			
	2017 '000	2016 '000	2017 R'000	2016 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**	108 481	**1**	1
Cumulative shares repurchased by subsidiaries	**(6 137)**	(5 913)	**–**	–
Cumulative shares held by The Spur Management Share Trust (consolidated structured entity)	**(6 375)**	(6 534)	**–**	–
Cumulative shares held by The Spur Foundation Trust (consolidated structured entity)	**(300)**	(200)	**–**	–
	95 669	95 834	**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 Shares repurchased by subsidiaries

During the year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 165 000 (2016: 285 500) Spur Corporation Ltd shares at an average cost of R30.26 (2016: R32.72) per share, totalling R4.993 million (2016: R9.341 million). A further 100 000 shares were transferred from Share Buy-back (Pty) Ltd to The Spur Foundation Trust, in accordance with a previously approved shareholders resolution to donate 500 000 of the company's shares (100 000 per annum over a period of five years). In addition, a wholly-owned subsidiary of the company, Spur Group (Pty) Ltd, acquired 159 000 (2016: 155 000) shares to be held in escrow on behalf of participants of the Spur Group Forfeitable Share Plan (refer note 21.4), at a cost of R5.403 million (2016: R4.498 million) from The Spur Management Share Trust. At the reporting date, the group owned 6 136 901 (2016: 5 912 901) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, at a total cost of R104.995 million (2016: R95.228 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 21.4) and those held by The Spur Foundation Trust, a consolidated structured entity. At the reporting date, the entities in question held 12 811 599 (2016: 12 646 599) of the company's shares in aggregate.

21.3 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.

21.4 Share-based payments reserve

The share-based payments reserve relates to the two equity-settled share incentive schemes for 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.

Cumulative share-based payments expense	**2017 R'000**	**2016 R'000**
Balance at beginning of year	**827**	–
Share-based payments expense for the year	**985**	827
– FSP – tranche 1	**985**	246
– SAR – tranche 1	**(581)**	581
– FSP – tranche 2	**295**	–
– SAR – tranche 2	**286**	–
Balance at end of year	**1 812**	827
Comprising		
– FSP – tranche 1	**1 231**	246
– SAR – tranche 1	**–**	581
– FSP – tranche 2	**295**	–
– SAR – tranche 2	**286**	–

	2017		**2016**	
Number of shares/rights in issue	**FSP shares**	**SAR rights**	**FSP shares**	**SAR rights**
Balance at beginning of year	**155 000**	**1 971 663**	–	–
Granted during the year	**159 000**	**2 619 226**	155 000	1 971 663
Balance at end of year	**314 000**	**4 590 889**	155 000	1 971 663

The terms of each tranche are as follows:

	Tranche 1	**Tranche 2**
FSP		
Date of grant	1 April 2016	3 April 2017
Number of shares awarded	155 000	159 000
Initial vesting date	1 April 2019	2 April 2020
Date from which shares may be traded	31 March 2021	1 April 2022
Service condition	3 years from grant date	3 years from grant date
Performance conditions	None	None
Grant-date fair value per share (R)	19.57	23.03
Proportion of shares expected to vest as assessed at reporting date (based on number of employees expected to meet service condition)	97.4%	100.0%

The forfeitable shares awarded are registered in the names of the individual participants, but held in escrow by Spur Group (Pty) Ltd 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 R0.065 million (2016: R0.054 million) and R0.795 million (2016: R0.625 million) respectively, both of which have been charged directly against equity (retained earnings).

	Tranche 1	Tranche 2
SAR		
Date of grant	1 April 2016	3 April 2017
Number of rights awarded	1 971 663	2 619 226
Strike price per right (R)	29.40	33.15
Initial vesting date	1 April 2019	2 April 2020
Date from which shares may be traded	31 March 2021	1 April 2022
Service conditions	3 years from grant date	3 years from grant date
Performance conditions	Return on equity and growth in comparable headline earnings per share	Return on equity and growth in comparable headline earnings per share
Grant-date fair value per right (R)	6.40	5.36
Proportion of rights expected to vest as assessed at reporting date (based on number of employees expected to meet service condition)	98.1%	100.0%
Proportion of rights expected to vest based on meeting of non-market performance conditions	0% (2016: 55.4%)	25.4%

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 the case of the first tranche, and between 0% and CPI+4% in the case of the second tranche, 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:

	Tranche 1	Tranche 2
Risk-free rate (based on R186 South African Government bond)	8.59%	7.85%
Expected dividend yield (based on historic dividend yield over historic period equivalent to vesting period)	3.88%	4.30%
Expected volatility (based on historic volatility over historic period equivalent to vesting period)	34.50%	23.57%
Liquidity discount due to trade restriction (5 years in the case of FSP)	19.60%	19.59%
Liquidity discount due to trade restriction (2 years in the case of SAR)	7.00%	6.99%

Dilution

The FSP forfeitable shares granted resulted in 110 351 (2016: 16 582) dilutive potential ordinary shares for the year (refer note 12.2). 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 2017	Ownership interests held by NCI 2016
RocoMamas Franchise Co (Pty) Ltd	South Africa	RocoMamas – Franchise	**30%**	49%*
The Spur Foundation Trust	South Africa	Unallocated South Africa	**100%**	100%
Opilor (Pty) Ltd	South Africa	Retail South Africa	**32%**	32%

* Refer note 35.

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 eliminations with other companies in the group.

	RocoMamas Franchise Co (Pty) Ltd R'000	Opilor (Pty) Ltd R'000	Other individually immaterial subsidiaries R'000	Total R'000
2017				
Revenue	23 809	27 282		
Profit	11 449	2 909		
Other comprehensive income	–	–		
Total comprehensive income	11 449	2 909		
Profit/(loss) attributable to NCI	5 080	204	(1 328)	3 956
Total comprehensive income attributable to NCI	5 080	204	(1 328)	3 956
Current assets	12 990	1 141		
Non-current assets	1 969	11 729		
Current liabilities	(1 507)	(780)		
Net assets	13 452	12 090		
Carrying amount of NCI	5 771	3 869	2 379	12 019
Cash flows from operating activities	6 495	(3 986)		
Cash flows from investing activities	(1 866)	5 007		
Cash flows from financing activities	164	(1 382)		
Net increase/(decrease) in cash and cash equivalents	4 793	(361)		
Dividends paid to NCI during the year	1 960	1 920		

	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
2016					
Revenue	17 415	–	16 841		
Profit/(loss)	8 180	8	(1 320)		
Other comprehensive income	–	–	–		
Total comprehensive income	8 180	8	(1 320)		
Profit/(loss) 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		

23. CONTINGENT CONSIDERATION LIABILITY

	2017 R'000	2016 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	**23 291**	47 383
Fair value adjustment recognised in profit before income tax	**777**	(3 723)
Settled in cash	**(18 271)**	(20 369)
Balance at end of year	**5 797**	23 291
Current portion included in current liabilities	**5 797**	9 726
Non-current portion included in non-current liabilities	**–**	13 565

The purchase consideration for 51% of RocoMamas Franchise Co (Pty) Ltd ("RocoMamas"), 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 R47.215 million (2016: R52.800 million) at the reporting date. The reduction in the estimated consideration at 30 June 2017 relative to the prior year arose principally from a downward revision of the number of stores to be rolled out over the initial three-year period, a moderation of the expected growth in turnover of existing businesses in light of the state of the local economy as well as an upward revision of costs necessary to sustain operations and provide a platform for future growth, which similarly impacted on the fair value of the contingent consideration.

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 21.60% (2016: 26.40%), 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 roll-out 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 37.2 for more information concerning fair value sensitivity.

24. EMPLOYEE BENEFITS

	2017 R'000	2016 R'000
Obligation in respect of cash-settled long-term share-linked employee retention scheme share appreciation rights:		
– tranche 4	**–**	3 829
– tranche 5	**885**	3 981
Total liability at reporting date	**885**	7 810
Current portion included in current liabilities	**–**	3 829
Non-current portion included in non-current liabilities	**885**	3 981
The movement in the liability during the year was as follows:		
Balance at beginning of year	**7 810**	28 616
Share-based payments credit recognised in profit before income tax	**(3 795)**	(2 361)
Settled in cash paid to participants	**(3 130)**	(18 445)
Balance at end of year	**885**	7 810

The board approved the fourth and fifth tranches of cash-settled share appreciation rights to executives and senior managers of the company on 13 December 2013 and 15 December 2014 respectively. The salient features of these rights are listed below.

During the year, on 15 December 2016, the fourth tranche of 1.5 million share appreciation rights, with a grant-date strike price of R30.38 per share, vested and was settled in cash, at an exercise price of R32.50 per share. During the prior 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.

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 71 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 share appreciation rights are as follows:

	Tranche 4	Tranche 5
Grant date	13 December 2013	15 December 2014
Number of rights granted	1 500 000	1 500 000
Strike price per right	R30.38	R30.91
Exercise date	15 December 2016	14 December 2017
Exercise price	50-day VWAP at 15 December 2016	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 there be no gain 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:

	2017	2016
Share appreciation rights – tranche 4		
Expected dividend yield		4.43%
Expected volatility		34.13%
Interest rate (nominal annual compounded quarterly)		7.74%
Spot price on valuation date		R30.90
Total vesting period		3 years
Forfeiture rate		0%
Share appreciation rights – tranche 5		
Expected dividend yield	**5.12%**	4.43%
Expected volatility	**22.90%**	34.13%
Interest rate (nominal annual compounded quarterly)	**7.82%**	7.54%
Spot price on valuation date	**R28.10**	R30.90
Total vesting period	**3 years**	3 years
Forfeiture rate	**0%**	0%

25. DERIVATIVE FINANCIAL LIABILITIES

	2017 R'000	2016 R'000
Forward purchase contracts in respect of:		
– tranche 4 of share appreciation rights	–	(8 761)
– tranche 5 of share appreciation rights	**(10 572)**	(3 425)
Total liability at the reporting date	**(10 572)**	(12 186)
Current portion included in current liabilities	**(10 572)**	(8 761)
Non-current portion included in non-current liabilities	–	(3 425)
The movement in the liability during the year was as follows:		
Balance at beginning of year	**(12 186)**	28 181
Fair value loss recognised in profit before income tax	**(5 791)**	(27 714)
Settled in cash to/(from) counterparty	**7 600**	(11 858)
Refund of difference in guaranteed dividend from counterparty settled in cash	**(195)**	(795)
Balance at end of year	**(10 572)**	(12 186)

The contracts were concluded to hedge the upside price risk of the Spur Corporation Ltd share that the group is exposed to in respect of the cash-settled share appreciation rights detailed in note 24. The forward purchase contracts for the fourth and fifth tranches of the share appreciation rights were concluded on 13 December 2013 and 15 December 2014 respectively.

The fourth (2016: third) tranche of share appreciation rights vested on 15 December 2016 (2016: 15 December 2015) and was settled in cash during the year. The related forward purchase contract matured on the same date resulting in a payment by/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 4**	**Tranche 5**
Contract trade date	13 December 2013	15 December 2014
Number of shares	1 500 000	1 500 000
Forward price per share	R37.57	R35.94
Settlement date	15 December 2016	14 December 2017
Settlement price	50-day VWAP at 15 December 2016	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:

	2017	2016
Forward purchase contract – tranche 4 of share appreciation rights		
Expected volatility		34.13%
Interest rate (nominal annual compounded quarterly)		7.74%
Credit spread (basis points)		200
Dividend		Refer below
Forward purchase contract – tranche 5 of share appreciation rights		
Expected volatility	**22.90%**	34.13%
Interest rate (nominal annual compounded quarterly)	**7.82%**	7.54%
Credit spread (basis points)	**250**	250
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 4	Tranche 5
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 5
Vesting date	14 December 2017
Remaining vesting period (years)	0.5
Forward price	R35.94
Strike price (refer note 24)	R30.91
Number of share appreciation rights in issue	1 500 000
Total charge to profit before income tax over vesting period (R'000)	7 545
Cumulative net charge recognised in profit before income tax to 30 June 2017 (R'000)	11 457
Employee benefits (R'000) (refer note 24)	885
Derivative financial instruments (R'000)	10 572
Net credit still to be recognised in profit before income tax over remaining vesting period, assuming share price exceeds strike price on vesting date (R'000)	(3 912)

26. OPERATING LEASE LIABILITY

	2017 R'000	2016 R'000
Balance at beginning of year	**2 191**	1 200
Recognised in profit before income tax	**485**	984
Effect of foreign exchange fluctuations	**–**	7
Balance at end of year	**2 676**	2 191

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

	2017 R'000	2016 R'000
Trade payables	**24 709**	31 675
Accruals	**10 748**	7 271
Income received in advance	**934**	3 264
Employee benefits	**14 048**	13 910
Short-term profit share incentive scheme	**3 735**	4 699
Leave pay and other short-term employee benefits	**10 313**	9 211
VAT and other indirect taxes payable	**5 970**	7 872
Unredeemed gift vouchers	**3 112**	3 823
Other sundry payables	**792**	622
	60 313	68 437

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.

	2017 R'000	2016 R'000
27.1 Short-term profit share incentive scheme		
Balance at beginning of year	**4 699**	9 979
Payment in respect of prior year incentive	**(6 567)**	(8 127)
Recognised in profit before income tax	**5 603**	2 847
Balance at end of year	**3 735**	4 699

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

	2017 R'000	2016 R'000
Loan owing to non-controlling interest	–	1 152
Marketing funds	**6 912**	24 594
	6 912	25 746

Part of the loan owing to non-controlling interest was settled during the year, while the balance was released to income upon liquidation of the subsidiary in question.

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 39 for more details.

29. DIVIDENDS

	2017 R'000	2016 R'000
Final 2015 – dividend of 70.0 cents per share	–	75 936
Interim 2016 – dividend of 67.0 cents per share	–	72 683
Final 2016 – dividend of 73.0 cents per share	**79 191**	–
Interim 2017 – dividend of 71.0 cents per share	**77 022**	–
Total dividends to equity holders	**156 213**	148 619
Dividends external to the group are reconciled as follows:		
Gross dividends declared by the company	**156 213**	148 619
Dividends received on the company's shares held by the group	**(18 212)**	(17 126)
Total dividends declared by the company external to the group	**138 001**	131 493
Dividends declared by subsidiaries to non-controlling shareholders	**3 880**	2 042
Total dividends external to the group	**141 881**	133 535

The directors have approved a final dividend of 61 cents per share in respect of the 2017 financial year, funded by income reserves, to be paid in cash on 2 October 2017. 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 20%. The net dividend is therefore 48.8 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the financial year was 132 (2016: 140) cents per share equating to R143.195 million (2016: R151.873 million).

30. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	2017 R'000	2016 R'000
Profit before income tax	**214 775**	218 720
Adjusted for:		
Amortisation – intangible assets (refer note 14)	**1 886**	10
Amortisation – leasing rights (refer note 17)	**549**	3 692
Bad debts	**1 341**	1 179
Depreciation (refer note 13)	**8 652**	10 885
Expenses charged directly to equity (retained income) (refer note 21.4)	**(65)**	(54)
Fair value loss on derivative financial instruments at fair value through profit or loss (refer note 25)	**5 791**	27 714
Fair value loss/(gain) on contingent consideration liability (refer note 23)	**777**	(3 723)
Foreign exchange loss (excluding losses/gains on intercompany accounts)	**980**	1 095
Foreign currency translations not disclosed elsewhere in the statement of cash flows	**(1 273)**	6 298
Impairment of intangible assets (refer note 14)	**6 778**	18 969
Impairment of loan receivable (refer note 15.1)	**44 192**	–
Interest expense	**84**	116
Interest income	**(36 606)**	(35 742)
Loss on disposal of goodwill (refer note 4)	**–**	444
Loss on disposal of subsidiary (refer note 4)	**12**	–
Movement in operating lease liability (refer note 26)	**485**	984
Movement in bonus and leave pay provisions	**120**	(2 551)
Movement in trade receivable impairment allowance (refer note 19)	**84**	406
(Profit)/loss on disposal of property, plant and equipment	**(162)**	19 467
Profit on disposal of subsidiaries (refer note 4)	**(5 435)**	–
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations (refer note 4)	**–**	(7 038)
Release of financial liability (refer note 4)	**(772)**	–
Share-based payments cash settlement – long-term share-linked employee retention scheme (refer note 24)	**(3 130)**	(18 445)
Share-based payments credit – cash-settled – long-term share-linked employee retention scheme (refer note 24)	**(3 795)**	(2 361)
Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 21.4)	**985**	827
Share of (profit)/loss of equity-accounted investee (net of income tax) (refer note 10)	**(24)**	8 601
	236 229	249 493

31. WORKING CAPITAL CHANGES

	2017 R'000	2016 R'000
Increase in inventories	**(583)**	(419)
Decrease/(increase) in trade and other receivables	**22 983**	(636)
Decrease in trade and other payables	**(1 887)**	(12 456)
Increase in short-term loans receivable	**(4 475)**	(953)
(Decrease)/increase in short-term loans payable	**(17 553)**	7 138
	(1 515)	(7 326)

32. INTEREST INCOME RECEIVED

Interest income received is reconciled to the amount recognised in profit before income tax as follows:

	2017 R'000	2016 R'000
Interest accrued but not received at beginning of year	**20 101**	8 729
Interest income	**36 606**	35 742
Interest accrued but not received at end of year	**(31 506)**	(20 101)
	25 201	24 370

33. TAX PAID

Tax paid is reconciled to the amount recognised in profit or loss as follows:

	2017 R'000	2016 R'000
Net amount receivable at beginning of year	**33 817**	15 271
Current tax charged to profit or loss (refer note 11.1)	**(75 699)**	(83 304)
Current tax charged to equity (retained earnings) (refer note 11.5)	**(1 318)**	(625)
Effect of foreign exchange fluctuations	**(1 504)**	2 219
Net amount receivable at end of year	**(40 599)**	(33 817)
	(85 303)	(100 256)
The gross tax receivable at the reporting date comprises:		
Withholding tax credits	**13 399**	14 946
Prepayment of income tax relating to tax queries	**22 034**	22 845
Controlled foreign companies query	**–**	811
2004-2009 Share incentive scheme query (refer note 44.1)	**22 034**	22 034
Provisional tax payments in respect of current year exceeding actual estimated tax payable for the year	**6 046**	–
Tax payable by entities to which above prepayments relate	**–**	(1 577)
Total gross tax receivable at end of year	**41 479**	36 214

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

Dividends paid are reconciled to the amount disclosed as follows:

	2017 R'000	2016 R'000
Amount payable at beginning of year	**(471)**	(482)
Total dividends external to the group (refer note 29)	**(141 881)**	(133 535)
Amount payable at end of year	**543**	471
	(141 809)	(133 546)

35. ACQUISITION OF NON-CONTROLLING INTEREST IN ROCOMAMAS FRANCHISE CO (PTY) LTD WITHOUT A CHANGE IN CONTROL

With effect from 1 April 2017, the group acquired a further 19% interest in RocoMamas Franchise Co (Pty) Ltd ("RocoMamas"), an entity in which the group previously held a 51% interest, increasing the group's equity interest in the entity to 70%. RocoMamas operates as the franchisor of the RocoMamas brand. The purchase consideration of R14.035 million was settled in cash on the effective date. The net assets of RocoMamas at 1 April 2017 included in the consolidated financial statements of the group amounted to R16.433 million, of which R8.052 million was attributable to non-controlling interests. The purchase consideration has been debited directly to retained earnings and the reduction in the non-controlling interest's share in the net assets of the subsidiary has similarly been reallocated within equity to retained earnings.

The changes in the group's ownership interest in RocoMamas is summarised below:

	2017 R'000
Group's ownership interest at 1 July 2016	6 012
Share of comprehensive income prior to acquisition of further interest	4 409
Dividend paid	(2 040)
Group's ownership interest at 31 March 2017	8 381
Acquisition of further interest	3 122
Share of comprehensive income subsequent to acquisition of further interest	1 963
Group's ownership interest at 30 June 2017	**13 466**

36. CHANGES IN LOCAL RETAIL OPERATIONS

36.1 The Hussar Grill/RocoMamas Green Point (significant non-cash transaction)

During the prior year, 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. During the prior year, 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 earned a profit before income tax of R0.151 million for the year (2016: a loss of R1.881 million (including initial trading and start-up losses)), and acquired property, plant and equipment of R3.531 million during the prior year.

During the current year, with effect from 1 June 2017, the group transferred the ownership of the RocoMamas Green Point outlet to a newly incorporated entity, Green Point Burger Joint (Pty) Ltd ("GPBJ"). Two thirds of the shares of GPBJ were issued to wholly-owned subsidiary, Spur Group (Pty) Ltd, with the remaining one third of the shares issued to 70%-owned subsidiary, RocoMamas Franchise Co (Pty) Ltd. The group's effective ownership interest in the outlet therefore increased from 68% to 90%. The profit before income tax attributable to the non-controlling shareholder of Opilor (Pty) Ltd, arising from the transaction, of R0.695 million has been allocated to non-controlling interests, and the tax of R0.523 million arising from the transaction has been charged directly to equity (retained earnings).

36.2 The Hussar Grill Morningside – prior year

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

37. FINANCIAL INSTRUMENTS

37.1 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.

	Note	Carrying amount (R'000)					Fair value (R'000)		
		Held for trading	Loans and receiv-ables	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 2	Level 3	Total
2017									
Financial assets not measured at fair value									
Loans receivable	15	–	129 815	–	–	129 815			
Financial assets included in trade and other receivables*	19	–	67 874	–	–	67 874			
Cash and cash equivalents	20	–	265 953	–	–	265 953			
		–	463 642	–	–	463 642			
Financial liabilities measured at fair value									
Contingent consideration liability	23	–	–	5 797	–	5 797	–	5 797	5 797
Derivative financial liability	25	–	–	10 572	–	10 572	10 572	–	10 572
		–	–	16 369	–	16 369			
Financial liabilities not measured at fair value									
Loans payable	28	–	–	–	6 912	6 912			
Bank overdrafts	20	–	–	–	4 491	4 491			
Financial liabilities included in trade and other payables#	27	–	–	–	39 361	39 361			
Shareholders for dividend		–	–	–	543	543			
		–	–	–	51 307	51 307			

* Includes trade receivables, staff loans, deposits and other financial assets as defined in terms of IAS 32 – Financial Instruments: Disclosure and Presentation.

Includes trade payables, accruals, unredeemed gift voucher liability and other financial liabilities as defined in terms of IAS 32 – Financial Instruments: Disclosure and Presentation.

37. **FINANCIAL INSTRUMENTS** continued

37.1 **Accounting classification and fair values** continued

	Note	Carrying amount (R'000)					Fair value (R'000)		
		Held for trading	Loans and receiv-ables	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 2	Level 3	Total
2016									
Financial assets not measured at fair value									
Loans receivable	15	–	167 950	–	–	167 950			
Financial assets included in trade and other receivables*	19	–	90 664	–	–	90 664			
Cash and cash equivalents	20	–	286 582	–	–	286 582			
		–	545 196	–	–	545 196			
Financial liabilities measured at fair value									
Contingent consideration liability	23	–	–	23 291	–	23 291	–	23 291	23 291
Derivative financial liability	25	–	–	12 186	–	12 186	12 186	–	12 186
		–	–	35 477	–	35 477			
Financial liabilities not measured at fair value									
Loans payable	28	–	–	–	25 746	25 746			
Bank overdrafts	20	–	–	–	1 155	1 155			
Financial liabilities included in trade and other payables#	27	–	–	–	43 391	43 391			
Shareholders for dividend		–	–	–	471	471			
		–	–	–	70 763	70 763			

* Includes trade receivables, staff loans, deposits and other financial assets as defined in terms of IAS 32 – Financial Instruments: Disclosure and Presentation.

\# Includes trade payables, accruals, unredeemed gift voucher liability and other financial liabilities as defined in terms of IAS 32 – Financial Instruments: Disclosure and Presentation.

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.

37.2 Measurement of fair values

Financial instruments measured at fair value – level 2: derivative financial liabilities

The valuation technique as well as the key assumptions into the valuation model for the derivative financial 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 a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on observable market data.

The fair value is determined based on the expected aggregate purchase consideration payments, discounted to present value using a risk-adjusted discount rate of 21.6% (2016: 26.40%), being the weighted average cost of capital specific to the acquired entity. The reduction in the discount rate relative to the prior year is attributable to reduced forecasting risk as the group now has sufficient historic information to be able to forecast the business's future profits more accurately. The expected purchase consideration payments were determined by considering various possible scenarios, and the probability of each scenario.

The significant unobservable inputs are the forecast profit before income tax and the risk-adjusted discount rate.

The fair value adjustment included in profit before income tax for the year is a charge of R0.777 million (2016: R3.723 million credit), and relates largely to the adjustment for the time value of money from the initial acquisition date to the reporting date (including the impact of the reduced discount rate), as well as changes to the forecast profit before income tax as referred to in note 23.

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	**2017 R'000**	**2016 R'000**
Forecast profit before income tax		
– Increased by 5%	**2 081**	2 127
– Decreased by 5%	**(2 081)**	(2 127)
Risk-adjusted discount rate		
– Increased by 2%	**(58)**	(392)
– Decreased by 2%	**60**	408

37.3 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 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.

37. **FINANCIAL INSTRUMENTS** continued

37.3 **Financial risk management** continued

37.3.1 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 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	
	2017 R'000	**2016 R'000**
Cash and cash equivalents (refer note 20)	**265 953**	286 582
Financial assets included in trade and other receivables (refer note 19)	**67 874**	90 664
Loans receivable (refer note 15)	**129 815**	167 950
	463 642	545 196

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.

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 franchisee, management actively engages with the franchisee to identify opportunities to assist the franchisee 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 assisting in 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	
	2017 R'000	**2016 R'000**
Domestic	**61 671**	84 849
Eurozone countries	**1 897**	1 848
United Kingdom	**–**	20
Australasia	**1 057**	2 009
	64 625	88 726

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	2017 R'000	**2016 R'000**
Wholesale customers	**17 027**	18 965
Franchisees (franchise businesses)	**47 598**	69 761
	64 625	88 726

There are no material 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:

	2017 R'000	**2016 R'000**
Balance at beginning of year	**851**	445
Additional impairment losses recognised	**1 425**	1 585
Irrecoverable debts written off	**(1 341)**	(1 179)
Balance at end of year	**935**	851

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 loan advanced to the Spur marketing fund is considered low as the group manages the liquidity of the related marketing fund.

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.

Guarantees
The group's policy is to provide financial guarantees only to subsidiaries domiciled in South Africa. At 30 June 2017 no material guarantees were outstanding from a group perspective (30 June 2016: Rnil).

37.3 Financial risk management continued

37.3.2 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:

		Contractual cash flows		
	Carrying amount R'000	Total R'000	1 – 12 months R'000	1 – 2 years R'000
30 June 2017				
Non-derivative financial liabilities				
Contingent consideration liability (refer note 23)	**5 797**	**6 575**	**6 575**	**–**
Unsecured loans payable (refer note 28)	**6 912**	**6 912**	**6 912**	**–**
Financial liabilities included in trade and other payables (refer note 27)	**39 361**	**39 361**	**39 361**	**–**
Bank overdrafts (refer note 20)	**4 491**	**4 491**	**4 491**	**–**
Shareholders for dividend	**543**	**543**	**543**	**–**
Derivative financial liabilities				
Derivative financial liabilities (refer note 25)	**10 572**	**10 572**	**10 572**	**–**
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

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 37.2).

The contractual cash flows relating to operating leases are detailed in note 40.

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 R7.545 million (2016: R18.330 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, the maximum additional exposure to the group is R46.365 million (2016: R91.935 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.

37.3.3 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 37.3.2). 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:

	Increase/(decrease) in profit before income tax		Increase/(decrease) in equity	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
30 June 2017				
Share appreciation rights	**(1 492)**	**682**	**(1 074)**	**491**
Derivate forward purchase contracts	**4 167**	**(4 173)**	**3 000**	**(3 005)**
Net increase/(decrease)	**2 675**	**(3 491)**	**1 926**	**(2 514)**
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)

37.3 Financial risk management continued

37.3.3 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.

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 currency 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:

	AU$'000	€'000
2017		
Assets		
Cash and cash equivalents	**489**	**195**
Trade and other receivables	**416**	**18**
Loans receivable	**1 771**	**132**
Total assets	**2 676**	**345**
Liabilities		
Loans payable	**–**	**(105)**
Trade and other payables	**(26)**	**(20)**
Total liabilities	**(26)**	**(125)**
Total net exposure	**2 650**	**220**
2016		
Assets		
Cash and cash equivalents	543	343
Trade and other receivables	265	217
Loans receivable	1 697	410
Total assets	2 505	970
Liabilities		
Loans payable	(51)	(1 060)
Trade and other payables	(22)	(79)
Total liabilities	(73)	(1 139)
Total net exposure	2 432	(169)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	**2016**	**2017**	**2016**
AU$1 = R	**10.2685**	10.5705	**10.0408**	10.9769
€1 = R	**14.8515**	16.1008	**14.9222**	16.4116

Sensitivity analysis
A 10% strengthening of the rand against the following currencies at 30 June would impact profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Increase in profit before income tax R'000	Decrease in equity R'000
30 June 2017		
€	**72**	**(930)**
AU$	**8**	**(2 291)**
30 June 2016		
€	376	(1 025)
AU$	1	(2 674)

A 10% weakening of the rand against the above currencies at 30 June would have had the equal but opposite effect 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
All material interest-bearing financial instruments are at variable rates.

Cash flow sensitivity analysis for variable rate instruments
An increase of 50 basis points in interest rates at the reporting date would impact 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.

	Increase/ (decrease) in profit before income tax R'000	Increase/ (decrease) in equity R'000
30 June 2017		
Variable-rate assets	**2 186**	**1 574**
Variable-rate liabilities	**(14)**	**(10)**
Net increase	**2 172**	**1 564**
30 June 2016		
Variable-rate assets	2 156	1 552
Variable-rate liabilities	(19)	(14)
Net increase	2 137	1 538

A decrease of 50 basis points in interest rates at the reporting date would have had the equal but opposite effect to the amounts shown above on the basis that all other variables remain constant.

37. FINANCIAL INSTRUMENTS continued

37.4 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.

38. RETIREMENT BENEFITS

The group has its own defined contribution provident fund in South Africa with 295 members at 30 June 2017 (2016: 293 members). The Spur Group (Pty) Ltd Provident Fund is administered by Liberty Group Ltd. Refer note 8 for contributions made to the fund.

39. 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 contributions are utilised for the procurement of marketing and advertising services for the benefit of franchisees. During the year, the marketing funds received R224.3 million (2016: R230.4 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 15.8 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.

40. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases are as follows:

	2017 R'000	2016 R'000
Next year	**8 001**	5 932
Year two through to year five	**29 385**	17 628
More than five years	**5 175**	7 217
	42 561	30 777

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.

41. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS

The following emoluments were paid by the company and subsidiary companies:

	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	Cash-settled share appreciation rights payout[3] R'000
2017									
Executive directors and prescribed officer									
For services, as employees, to subsidiary companies									
Current directors									
Allen Ambor	3 553	–	700	103	**4 356**	(154)	414	**4 616**	234
Pierre van Tonder	4 815	–	588	162	**5 565**	(848)	529	**5 246**	748
Mark Farrelly	3 038	–	449	91	**3 578**	(630)	511	**3 459**	514
Ronel van Dijk	2 798	–	364	–	**3 162**	(504)	300	**2 958**	421
Total executive directors	**14 204**	**–**	**2 101**	**356**	**16 661**	**(2 136)**	**1 754**	**16 279**	**1 917**
Prescribed officer									
Kevin Robertson	1 959	226	294	123	**2 602**	(458)	339	**2 483**	421
Non-executive directors									
For services, as directors, to the company									
Current directors									
Dean Hyde	400	–	–	–	**400**	–	–	**400**	–
Dineo Molefe	400	–	–	–	**400**	–	–	**400**	–
Keith Getz[4]	400	–	–	–	**400**	–	–	**400**	–
Keith Madders	400	–	–	–	**400**	–	–	**400**	–
Mntungwa Morojele[4]	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[5]	176	–	–	–	**176**	–	–	**176**	–
Keith Madders[6]	142	–	–	–	**142**	–	–	**142**	–
	318	–	–	–	**318**	–	–	**318**	–
Total non-executive directors	**2 718**	**–**	**–**	**–**	**2 718**	**–**	**–**	**2 718**	**–**
Total remuneration	**18 881**	**226**	**2 395**	**479**	**21 981**	**(2 594)**	**2 093**	**21 480**	**2 338**
Senior managers[7]									
Senior manager 1	2 099	–	199	–	**2 298**	–	–	**2 298**	–
Senior manager 2	1 625	–	244	92	**1 961**	(106)	261	**2 116**	106
Senior manager 3	1 705	–	256	–	**1 961**	(106)	261	**2 116**	106

* Refer to page 152 for footnotes.

41. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS continued

	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	Cash-settled share appreci-ation rights payout[3] R'000
2016									
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[5]	193	–	–	–	**193**	–	–	**193**	–
Keith Madders[6]	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[7]									
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 to page 152 for footnotes.

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.

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 4		Rights – tranche 5	
	2017 '000	**2016 '000**	**2017 '000**	**2016 '000**
Executive directors and prescribed officer				
Allen Ambor	–	110	**50**	50
Pierre van Tonder	–	352	**362**	362
Mark Farrelly	–	242	**265**	265
Ronel van Dijk	–	198	**218**	218
Kevin Robertson (prescribed officer)	–	198	**200**	200
	–	1 100	**1 095**	1 095
Senior managers[7]				
Senior manager 1	–	50	**–**	55
Senior manager 2	–	50	**55**	55
Senior manager 3	–	50	**55**	50
	–	150	**110**	160
Total awards allocated	–	1 250	**1 205**	1 255

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 21.4):

	FSP shares		SAR rights	
	2017 '000	**2016 '000**	**2017 '000**	**2016 '000**
Executive directors and prescribed officer				
Pierre van Tonder – tranche 1	**15**	15	**409**	409
Pierre van Tonder – tranche 2	**15**	–	**534**	–
Mark Farrelly – tranche 1	**10**	10	**353**	353
Mark Farrelly – tranche 2	**10**	–	**461**	–
Ronel van Dijk – tranche 1	**10**	10	**298**	298
Ronel van Dijk – tranche 2	**10**	–	**388**	–
Kevin Robertson (prescribed officer) – tranche 1	**10**	10	**242**	242
Kevin Robertson (prescribed officer) – tranche 2	**10**	–	**315**	–
	90	45	**3 000**	1 302
Senior managers[7]				
Senior manager 1 – tranche 1	**–**	5	**–**	74
Senior manager 1 – tranche 2	**–**	–	**–**	–
Senior manager 2 – tranche 1	**5**	5	**74**	74
Senior manager 2 – tranche 2	**5**	–	**97**	–
Senior manager 3 – tranche 1	**5**	5	**74**	56
Senior manager 3 – tranche 2	**5**	–	**97**	–
	20	15	**342**	204
Total awards allocated	**110**	60	**3 342**	1 506

* Refer to page 152 for footnotes.

41. DIRECTORS', PRESCRIBED OFFICER'S AND SENIOR MANAGEMENT'S EMOLUMENTS continued

Footnotes

[1] The equity compensation benefit is the pro rata share-based payments expense (in terms of IFRS 2 – Share-based Payments) attributable to each of the directors or employees. Refer notes 21.4 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 IFRS 2) 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 pe163riod. The actual payment is therefore not reflected as additional remuneration in the current year, but is disclosed for information purposes.

[4] On 10 February 2017, the South African Revenue Services ("SARS") issued binding general rulings BGR40 and BGR41 to respectively clarify SARS' position on the PAYE and VAT applicable to non-executive directors' fees. Accordingly, with effect from 1 June 2017, fees charged by non-executive directors, where such non-executive directors are VAT vendors, are required to be subject to VAT. While the company is not able to claim VAT input credits on these taxable supplies, as the VAT paid is not for the benefit of the directors in question, the amounts disclosed above are stated exclusive of VAT at 14%, where applicable.

[5] In addition to the standard non-executive director's fee of R400 000 (2016: R400 000) approved by shareholders, Keith Getz's fees include payments to a related party of R0.176 million (2016: R0.193 million) for Mr Getz's attendance at three (2016: three) meetings each of the board of directors of Steak Ranches International BV and Spur International Ltd BVI, all of which he chaired.

[6] In addition to the standard non-executive director's fee of R400 000 (2016: R400 000) approved by shareholders, Keith Madders' fees include payments for attendance at three (2016: three) meetings of the Steak Ranches International BV board.

[7] 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.

42. RELATED PARTY DISCLOSURES

42.1 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. Note 15.1 provides detail on the loans to associate. Also refer to note 12 of the separate financial statements on page 176 for guarantees given to subsidiary companies.

Interest income for the year on the loans to associate detailed in note 15.1 amounted to R4.284 million (2016: R5.617 million).

42.2 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 42.3	Relationship with related party
Alan Keet[2]	Nomivax (Pty) Ltd (trading as The Hussar Grill Grandwest)[1]	26	12% Shareholder
Keith Getz	Bernadt Vukic Potash & Getz		Partner
Keith Madders and son	White Cloud Restaurant Ltd (trading as White Cloud Spur (New Zealand))[1, 3]	36	10% Shareholder
Kevin Robertson (Spouse)	Brentwood Restaurant (Pty) Ltd (trading as Lone Spur)[1]	8	25% Shareholder
	Clearpan (Pty) Ltd (trading as Panarottis Clear Water Mall)[1]		20% Shareholder
	Limorox (Pty) Ltd (trading as Albuquerque Spur)[1]	18	25% Shareholder
Mark Farrelly	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[1]	4	25% Shareholder
	Apache Dawn (Pty) Ltd (trading as The Hussar Grill Somerset West)[1]	6	20% Shareholder
	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg)[1]	9	10% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (trading as RocoMamas I'Langa)[1]	15	21% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (trading as RocoMamas Stone Ridge Mall)[1]	16	21% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	32	22% Shareholder
	White Cloud Restaurant Ltd (trading as White Cloud Spur (New Zealand))[1]	36	80% Shareholder
Mark Farrelly (Brother)	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[1]	4	10% Shareholder
Mark Farrelly (Spouse)	Blue Desk Recruitment		Sole proprietor
Pierre van Tonder	Barleda 293 CC (trading as Cancun Spur)[1]	7	6.5% Member
	Meltrade 286 CC (trading as Casa Bella Grandwest)[1]	20	25% Member
	Meltrade 286 CC (trading as Silver Dollar Spur)[1]	21	25% Member
	Nomivax (Pty) Ltd (trading as The Hussar Grill Grandwest)[1]	26	18.75% Shareholder
Ronel van Dijk	Abaya Investments CC (trading as John Dory's The Grove, Windhoek (Namibia))[1,3]	1	25% Member
	Barleda 293 CC (trading as Cancun Spur)[1]	7	25% Member
	Kea Investments CC (trading as RocoMamas The Grove, Windhoek (Namibia))[1]	17	25% Member

Refer to page 159 for footnotes.

42. RELATED PARTY DISCLOSURES continued

42.2 Identity of related parties continued

Key management[5]	Entity	Cross reference to note 42.3	Relationship with entity
Blaine Freer	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[1]	4	25% Shareholder
	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg)[1]	9	25% Shareholder
	Evening Star Trading 384 (Pty) Ltd (trading as Maverick Spur)[1]		25% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (trading as RocoMamas I'Langa)[1]	15	21% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (trading as RocoMamas Stone Ridge Mall)[1]	16	21% Shareholder
	Pizza Mall of the North (Pty) Ltd (trading as Panarottis Mall of the North)[1]	28	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	32	22% Shareholder
	Vegix (Pty) Ltd (trading as Panarottis Waterfall Mall)[1]	35	10% Shareholder
Brian Altriche	Celapart (Pty) Ltd (trading as Golden Falcon Spur)[1]	10	70% (2016: 50%) Shareholder
	Double Ring Trading 299 (Pty) Ltd (trading as Falcon Arrow Spur)[1]	11	100% Shareholder
	Little Haiwatha Trading CC (trading as RocoMamas Rivonia)[1]	19	60% Member
	Twin Cities Trading 42 (Pty) Ltd (trading as Falcon Peak Spur)[1]	34	100% Shareholder
	Pizzade Trading CC (trading as RocoMamas Randburg)[1]	29	70% Member
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, 13]	10	0% (2016: 50%) Shareholder
	Little Haiwatha Trading CC (trading as RocoMamas Rivonia)[1]	19	20% Member
	Naxafin CC (trading as RocoMamas Fourways)[1]	23	50% Member
Brian Altriche (Sister)	Naxafin CC (trading as RocoMamas Fourways)[1]	23	50% Member
Derick Koekemoer	Abaya Investments CC (trading as John Dory's The Grove, Windhoek (Namibia))[1,3]	1	25% Member
	Barleda 293 CC (trading as Cancun Spur)[1]	7	25% Member
	Kea Investments CC (trading as RocoMamas The Grove, Windhoek (Namibia))[1]	17	25% Member
	Little Thunder (Pty) Ltd (trading as Tampico Spur)[1]		20% Shareholder
	Servigyn 25 CC (trading as Thunder Bay Spur)[1]	31	27.5% (2016: 31%) Member
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	32	15% Shareholder
	Ten Cents Investments 16 CC (trading as Sarasota Spur)[1]		50% Member
Duncan Werner	Rujac (Pty) Ltd (trading as Manitoba Spur)[1]	30	25% Shareholder
Duncan Werner (Spouse)	Design Form		Sole proprietor
José Vilar	Hunga Busters Pty Ltd (trading as Silver Spur (Australia))[1]	13	50% Shareholder
	Panpen Pty Ltd (trading as Panarottis Penrith (Australia))[1]	27	50% Shareholder
Justin Fortune	Alicente 144 CC (trading as Golden Bay Spur)[1]	2	25% Member
	Ambicor 195 CC (trading as Cincinnati Spur)[1]	5	25% Member
	Apache Dawn (Pty) Ltd (trading as The Hussar Grill Somerset West)[1]	6	20% Shareholder

Refer to page 159 for footnotes.

Key management[5]	Entity	Cross reference to note 42.3	Relationship with entity
Leonard Coetzee	Founad Trading 89 CC (trading as Grand Canyon Spur)[1]	12	11% Member
	JJ Links CC (trading as John Dory's Wilsons Wharf)[1]	14	11% Member
	Monnani (Pty) Ltd (trading as John Dory's Watercrest Mall)[1]	22	15% Shareholder
	Nitafin (Pty) Ltd (trading as John Dory's Secunda)[1]	24	10% Shareholder
	Nitaprox (Pty) Ltd (trading as Eldorado Spur)[1]	25	15% Shareholder
	Torinosun (Pty) Ltd (trading as Navaho Springs Spur)[1]	33	15% Shareholder
	Waterstone Trading 51 (Pty) Ltd (trading as Atlanta Spur)[1]		11% Shareholder
Sacha du Plessis	Barleda 293 CC (trading as Cancun Spur)[1]	7	6.5% Member
	Meltrade 286 CC (trading as Casa Bella Grandwest)[1]	20	25% Member
	Meltrade 286 CC (trading as Silver Dollar Spur)[1]	21	25% Member
	Nomivax (Pty) Ltd (trading as The Hussar Grill Grandwest)[1]	26	18.75% Shareholder
Tyrone Herdman-Grant	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[1]	4	10% Shareholder
	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg)[1]	9	20% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (trading as RocoMamas I'Langa)[1]	15	21% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (trading as RocoMamas Stone Ridge Mall)[1]	16	21% Shareholder
	Pizza Mall of the North (Pty) Ltd (trading as Panarottis Mall of the North)[1]	28	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	32	16.5% Shareholder
	Vegix (Pty) Ltd (trading as Panarottis Waterfall Mall)[1]	35	10% Shareholder
Wynand Viviers	Ordibyte (Pty) Ltd (trading as Captain DoRego's Botshabelo)[1,4]		25% Shareholder

Refer to page 159 for footnotes.

42.3 Transaction 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.

42. RELATED PARTY DISCLOSURES continued

42.3 Transaction with related parties continued

Transactions with related parties that are restaurants are detailed in the table below:

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[6] granted to a restaurant in which a director or prescribed officer has an interest must be approved by a disinterested quorum of the board.

		Temporary concession[6]	
		2017 R'000	**2016 R'000**
1	Abaya Investments CC (John Dory's The Grove, Windhoek (Namibia))	**166**	–
2	Alicente 144 CC (Golden Bay Spur)	**55**	–
3	Almescan (Pty) Ltd (RocoMamas Glen Acres)	**–**	–
4	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)	**–**	–
5	Ambicor 195 CC (Cincinnati Spur)	**217**	71
6	Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West)	**92**	–
7	Barleda 293 CC (Cancun Spur)	**126**	–
8	Brentwood Restaurant (Pty) Ltd (Lone Spur)	**119**	–
9	Calma Investments (Pty) Ltd (John Dory's Middelburg)	**327**	282
10	Celapart (Pty) Ltd (Golden Falcon Spur)	**310**	–
11	Double Ring Trading 299 (Pty) Ltd (Falcon Arrow Spur)	**–**	–
12	Founad Trading 89 CC (Grand Canyon Spur)	**–**	–
13	Hunga Busters Pty Ltd (trading as Silver Spur, Penrith (Australia))	**197**	–
14	JJ Links CC (John Dory's Wilsons Wharf)	**–**	–
15	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)	**286**	–
16	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stone Ridge Mall)	**–**	–
17	Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia))	**231**	–
18	Limorox (Pty) Ltd (Albuquerque Spur)	**98**	–
19	Little Haiwatha Trading CC (RocoMamas Rivonia)	**–**	–
20	Meltrade 286 CC (Casa Bella Grandwest)	**125**	–
21	Meltrade 286 CC (Silver Dollar Spur)	**30**	
22	Monnani (Pty) Ltd (John Dory's Watercrest Mall)	**223**	–
23	Naxafin CC (RocoMamas Fourways)	**–**	–
24	Nitafin (Pty) Ltd (John Dory's Secunda)	**434**	294
25	Nitaprox (Pty) Ltd (Eldorado Spur)	**294**	316
26	Nomivax (Pty) Ltd (The Hussar Grill Grandwest)	**125**	–
27	Panpen Pty Ltd (Panarottis Penrith (Australia))	**133**	–
28	Pizza Mall of the North (Pty) Ltd (Panarottis Mall of the North)	**–**	–
29	Pizzade Trading CC (RocoMamas Randburg)	**–**	–
30	Rujac (Pty) Ltd (Manitoba Spur)	**373**	–
31	Servigyn 25 CC (Thunder Bay Spur)	**42**	154
32	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)	**–**	–
33	Torinosun (Pty) Ltd (Navaho Springs Spur)	**304**	–
34	Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur)	**–**	–
35	Vegix (Pty) Ltd (Panarottis Waterfall Mall)	**138**	52
36	White Cloud Restaurant Ltd (White Cloud Spur (New Zealand))	**419**	–
	Total	**4 864**	1 169

a) Grand Canyon Spur: The group paid the franchisee an amount of R267 054 (2016: R252 167) in respect of outdoor events catering[10].

b) Hunga Busters Pty Ltd: Refer note 15.7 for details and outstanding balance of a loan advanced to this entity.

c) RocoMamas I'Langa Mall: The group paid R20 490 (2016: Rnil) to this entity for billboard rental.

d) Casa Bella Grandwest: During the year, the group assisted this outlet with the cost of replacement equipment to the value of R88 785, and paid this outlet R1 203 for meals provided for a corporate meeting. During the prior year, the group assisted this outlet with design concept development and set-up costs in the amount of R266 236, which was similar to the assistance provided to another pilot outlet opened in the prior year (which is not a related party).

e) Silver Dollar Spur: During the prior year, the group paid this outlet R2 952 for catering services provided[11] and assisted this outlet with the purchase of new specification crockery (for the purposes of testing) in the amount of R19 120.

f) The Hussar Grill Grandwest: During the prior year, the group paid this outlet R18 973 for meals served to members of the World President Organisation (WPO).

g) RocoMamas Randburg: During the prior year, this outlet provided operational consulting services to the group in the amount of R39 500.

Refer to page 159 for footnotes.

Training fees[7]		Marketing assistance[8]		Sales incentives[9]		
2017 R'000	**2016 R'000**	**2017 R'000**	**2016 R'000**	**2017 R'000**	**2016 R'000**	**Other transactions**
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	
–	–	**14**	–	**–**	–	
5	2	**9**	12	**4**	–	
–	–	**–**	–	**–**	–	
–	16	**2**	–	**5**	1	
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	
21	116	**–**	–	**–**	4	
–	–	**–**	–	**–**	–	
–	57	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	a
–	–	**–**	–	**–**	–	b
–	–	**–**	–	**–**	2	
–	–	**–**	13	**–**	–	c
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	
–	115	**–**	–	**–**	–	
49	–	**–**	–	**–**	–	d
7	–	**–**	20	**–**	–	e
–	–	**5**	22	**–**	–	
9	–	**–**	–	**1**	–	
–	–	**10**	11	**–**	–	
–	5	**–**	–	**–**	–	
9	–	**–**	–	**–**	–	f
–	–	**–**	–	**–**	–	
29	10	**–**	9	**–**	–	
47	39	**–**	–	**–**	–	g
–	–	**34**	–	**–**	–	h
–	–	**–**	–	**–**	–	
–	5	**–**	–	**4**	2	i
–	–	**–**	–	**–**	–	
–	–	**–**	–	**–**	–	j
–	–	**–**	–	**–**	–	k
–	–	**–**	–	**–**	–	l
176	365	**74**	87	**14**	9	

h) Manitoba Spur: During the prior year, the group assisted this outlet with the purchase of new specification crockery (for the purposes of testing) in the amount of R10 280.

i) 7 Eagles Spur: The group assisted this outlet with the purchase of new specification crockery (for the purposes of testing) in the amount of R7 000 (2016: R28 860), and purchased inventory to the value of R3 500 (2016: Rnil) from the restaurant.

j) Falcon Peak Spur: During the prior year, the group paid this outlet R4 362 for catering services provided[11].

k) Panarottis Waterfall Mall: The group subsidised this outlet's rental cost in the amount of R103 724 (2016: R278 086).

l) White Cloud Spur (New Zealand): The group granted this entity a loan in the amount of R2 168 060 (AU$200 000) to partially fund the fit-out of the restaurant. The loan bears interest at 4.25% and is repayable in 24 equal monthly instalments. The carrying value of the loan at the reporting date was R1 728 750 (2016: Rnil) (refer note 15.3). During the prior year, 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 prior year reporting date); the store opened in November 2016, and the amount was subsequently settled. The group also funded the cost of new specification bench seating for the outlet in the prior year in the amount of R140 000.

42. RELATED PARTY DISCLOSURES continued

42.3 Transaction 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 41) on various matters in the ordinary course of business to the value of R1 698 332 (2016: R1 858 630).

Blue Desk recruitment (Mark Farrelly spouse)

Blue Desk recruitment provided staff recruitment services to the group in the amount of R111 130 (2016: R125 904).

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 R619 856 (2016: R830 105). 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. In addition, during the prior year, Design Form provided the group with project management services relating to the building of the group's new corporate offices in Century City.

42.4 Key management[5]

The key management personnel compensation is as follows:

	2017 R'000	2016 R'000
Short-term employee benefits	**23 346**	23 652
Other long-term benefits	**2 781**	2 488
Equity compensation benefits (refer notes 21.4 and 24)	**(680)**	(400)
Total remuneration included in profit before income tax	**25 447**	25 740
In addition to the above, payments made in terms of the group's long-term share-linked employee retention scheme[12]	**850**	4 902
Key management comprises 17 (2016: 17) employees.		
In addition to the above, emoluments to directors and prescribed officers amounted to (refer note 41)	**21 480**	21 929

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] Alan Keet resigned as a director with effect from 1 April 2017.

[3] These interests were acquired during the current year.

[4] The interest is held indirectly through a trust. The member of key management in question is a trustee of the trust.

[5] Key management are listed on page 15 and exclude directors and prescribed officers (directors' and prescribed officer's emoluments are detailed in note 41).

[6] 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.

[7] 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).

[8] 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).

[9] 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).

[10] 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.

[11] 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.

[12] Actual pay-out 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 IFRS 2) 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.

[13] These interest were disposed of during the year.

43. SUBSEQUENT EVENTS

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

43.1 Dividends

On 6 September 2017, the board declared a final dividend of 61.0 cents per ordinary share in respect of the 2017 financial year, payable on 2 October 2017 as referred to in note 29 and in the directors' report on page 84 of this report.

44. CONTINGENT LIABILITIES

44.1 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 2005 to 2012 years of assessment totalling R22.034 million (comprising R13.996 million in additional income tax and R8.038 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. Of the total amount, R15.445 million was settled in cash in September 2015, with the balance of R6.589 million settled in the 2015 financial year. The matter was referred to ADR proceedings, which were held in the prior year, but no agreement could be reached with SARS. The matter has been referred to the income tax court, but no court date has yet been set down for the matter to be heard. 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 (refer note 33).

44. CONTINGENT LIABILITIES continued

44.2 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.

45. SIGNIFICANT ACCOUNTING POLICIES

45.1 Basis of consolidation

45.1.1 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.

45.1.2 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 associates, 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.

Loans advanced to an associate which are considered part of the permanent equity of the investee are treated as part of the cost of the investment in the associate for the purposes of recognising the group's share of losses of the associate, subsequent to initial recognition. Where such a loan is impaired in any financial year, an impairment loss is recognised in accordance with *IAS 39 – Financial Instruments: Recognition and Measurement* prior to recognising the group's share of the associate's profit or loss for that year. When the group's share of losses exceeds its investment in an associate (including any loan receivable considered part of the permanent equity of the associate), the carrying amount of the investment (including any loan receivable considered part of the permanent equity of the associate) 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.

45.1.3 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.

45.1.4 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.

45.1.5 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").

45.1.6 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

45.1.7 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.

45.1.8 Business combinations and goodwill

Business combinations 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 are recognised in accordance with *IAS 39 – Financial Instruments: Recognition and Measurement* in profit or loss.

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.

45.1.9 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.

45.1.10 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.

45.2 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.

45.3 Property, plant and equipment

45.3.1 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 and any other costs directly attributable to bringing the assets to a working condition for their intended use. 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.

45.3.2 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.

45.3.3 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 improvements	lesser of lease term and 10 years

Depreciation methods, useful lives and residual values are reassessed annually.

45.3.4 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.

45.4 Intangible assets (other than goodwill)

45.4.1 Trademarks 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 (where there is no limit to the use of the licence) or, if the licence is valid for a specific period less than 5 years, such shorter period

Amortisation methods, useful lives and residual values are reassessed annually.

45.4.2 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.

45.4.3 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.

45.5 Impairment

45.5.1 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, 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.

45.5.2 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.

45.6 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.

45.7 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.

45.7.1 Leasing rights

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.

45.8 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.

45.9 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.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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.

45.10 Share capital

45.10.1 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.

45.10.2 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.

45.10.3 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.

45.10.4 Dividends

Dividends are recognised as a liability in the period in which they are declared and approved by shareholders.

45.11 Financial instruments

45.11.1 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.

45.11.2 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.

45.11.3 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.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

45.12 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 included in other income on the face of the statement of profit or loss and 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.

45.12.1 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 profit or loss and comprehensive income, are stated exclusive of value added tax or other sales taxes and are recognised as services are rendered.

45.13 Finance income and expense

45.13.1 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.

45.13 Finance income and expense continued

45.13.2 Finance expense

Finance expense comprises interest payable on borrowings calculated using the effective interest method.

45.14 Employee benefits

45.14.1 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.

45.14.2 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.

45.14.3 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. 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.

45.15 Non-current assets held for sale and discontinued operations

Disposal groups (assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use) 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. The profit or loss from discontinued operations is disclosed separately from that relating to continuing operations.

45.16 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 potential ordinary shares 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 potential ordinary shares granted to employees.

46. 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 2017, 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.

IAS 7 – 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.

IAS 12 – 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.

IFRS 2 – 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.

IFRS 9 – Financial instruments

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

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

IFRS 15 – Revenue from contracts with customers

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

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

IFRS 16 – Leases

IFRS 16, published in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases for lessees and lessors, and replaces the previous leases standard, *IAS 17 – Leases*, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors. This standard becomes mandatory for the group's 2020 financial statements.

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

SEPARATE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE

	Note	2017 R'000	2016 R'000
Dividend income		**150 667**	153 772
Distribution received from trust	7	**3 500**	–
Interest income		**4 177**	91
Operating expenses		**(2 646)**	(2 288)
Profit before income tax	1	**155 698**	151 575
Income tax expense	2	**(1 169)**	(25)
Profit		**154 529**	151 550
Total comprehensive income		**154 529**	151 550

SEPARATE STATEMENT OF FINANCIAL POSITION
AT 30 JUNE

	Note	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Interest in subsidiary companies	3	**220 227**	302 201
Dividends receivable	4	**–**	3 137
Total non-current assets		**220 227**	305 338
Current assets			
Prepaid expenses		**35**	–
Tax receivable		**10**	–
Cash and cash equivalents		**85 419**	1 004
Total current assets		**85 464**	1 004
TOTAL ASSETS		**305 691**	306 342
EQUITY			
Ordinary share capital	5	**1**	1
Share premium		**294 663**	294 663
Retained earnings		**10 398**	7 539
Total equity		**305 062**	302 203
LIABILITIES			
Current liabilities			
Accrued expenses		**86**	37
Shareholders for dividend		**543**	471
Tax payable		**–**	631
Loan from subsidiary company	6	**–**	3 000
Total current liabilities		**629**	4 139
TOTAL EQUITY AND LIABILITIES		**305 691**	306 342

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR 30 JUNE

	Ordinary share capital R'000	Share premium R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 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
Total comprehensive income for the year				
Profit	**–**	**–**	**154 529**	**154 529**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners	**–**	**–**	**(151 670)**	**(151 670)**
Vesting of income by trust (refer note 7)	**–**	**–**	**5 338**	**5 338**
Income tax on vesting of income by trust (refer note 7)	**–**	**–**	**(795)**	**(795)**
Dividends (refer note 10)	**–**	**–**	**(156 213)**	**(156 213)**
Balance at 30 June 2017	**1**	**294 663**	**10 398**	**305 062**

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE

	Note	2017 R'000	2016 R'000
Cash flow from operating activities			
Operating loss before working capital changes	8	**(2 646)**	(2 288)
Working capital changes		**14**	(16)
Cash utilised by operations		**(2 632)**	(2 304)
Interest received		**4 177**	91
Tax paid	9	**(2 605)**	(19)
Dividends received	4	**153 804**	161 072
Distribution received from trust	7	**3 500**	–
Dividends paid	10	**(156 141)**	(148 630)
Income vested by trust	7	**5 338**	4 443
Net cash flow from operating activities		**5 441**	14 653
Cash flow from investing activities			
Decrease/(increase) in loans to subsidiary companies		**81 974**	(9 829)
Net cash flow from investing activities		**81 974**	(9 829)
Cash flow from financing activities			
Decrease in loans from subsidiary companies		**(3 000)**	(5 000)
Net cash flow from financing activities		**(3 000)**	(5 000)
Net movement in cash and cash equivalents		**84 415**	(176)
Cash and cash equivalents at beginning of year		**1 004**	1 180
Cash and cash equivalents at end of year		**85 419**	1 004

1. PROFIT BEFORE INCOME TAX

	2017 R'000	2016 R'000
The following items have been taken into account in determining profit before income tax:		
Consulting fees	**402**	395
Directors emoluments (refer note 11)	**165**	–
JSE listing fees and other related costs	**502**	653

2. INCOME TAX

	2017 R'000	2016 R'000
2.1 Income tax expense		
South African normal current tax - current year	**1 169**	25

	2017 %	2016 %
2.2 Reconciliation of rate of tax		
South African normal tax rate	**28.0**	28.0
Non-taxable distributions income	**(27.7)**	(28.4)
Non-deductible operating expenditure (capital items and items not in production of income)	**0.5**	0.4
Effective tax rate	**0.8**	–
2.3 Tax charged directly to equity		
Current tax on income vested by trust (refer note 7)	**795**	625

3. INTEREST IN SUBSIDIARY COMPANIES

	2017 R'000	2016 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	**209 013**	290 987
	220 227	302 201

In terms of the group's accounting policies, equity-settled share-based payments, determined in accordance with *IFRS 2 – 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 loan to subsidiary company is unsecured, interest-free and has no fixed date of repayment. While there is no intention to call up the loan, 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.

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	Loan to subsidiary 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	209 013	100.0
– Spur Group Properties (Pty) Ltd	South Africa	0.1	–	100.0
Indirect				
– Green Point Burger Joint (Pty) Ltd trading as RocoMamas Green Point	South Africa	0.1		90.0
– 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	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		70.0
– 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
– Spur Advertising Australia Pty Ltd	Australia	0.6		100.0
– Spur Corporation Australia Pty Ltd	Australia	16 129.1		100.0
– Spur Corporation UK Ltd	United Kingdom	3.5		100.0
Dormant#		1.4		100.0
			209 013	

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.

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

	2017 R'000	2016 R'000
Profits	**138 328**	237 908
Losses	**(4 571)**	(91 466)

4. DIVIDENDS RECEIVABLE

The dividends receivable related 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 was unsecured, interest-free and there were no fixed terms of payment. The final amount owing was settled during the year.

Dividends received are reconciled to the amount disclosed in profit or loss as follows:

	2017 R'000	2016 R'000
Amount receivable at beginning of year	**3 137**	10 437
Dividend income recognised in profit or loss before income tax	**150 667**	153 772
Amount receivable at end of year	**–**	(3 137)
Dividends received	**153 804**	161 072

5. ORDINARY SHARE CAPITAL

	2017 R'000	2016 R'000
Authorised		
201 000 000 ordinary shares of 0.001 cents each	**2**	2
Issued and fully paid		
108 480 926 ordinary shares of 0.001 cents each	**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.

6. LOAN FROM SUBSIDIARY COMPANY

	2017 R'000	2016 R'000
Share Buy-back (Pty) Ltd	**–**	3 000

This loan was unsecured and incurred no interest. The loan was repayable on demand and was settled during the year.

7. SPUR MANAGEMENT SHARE TRUST

During the year, the Spur Management Share Trust ("the Trust") vested income of R5.338 million (2016: 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 R0.795 million (2016: R0.625 million), which has similarly been charged directly to equity (retained earnings).

In addition, the Trust made a discretionary distribution of R3.500 million to the company, which is included in profit or loss before income tax.

8. OPERATING LOSS BEFORE WORKING CAPITAL CHANGES

	2017 R'000	2016 R'000
Profit before income tax	**155 698**	151 575
Adjusted for:		
Dividend income	**(150 667)**	(153 772)
Distribution received from trust	**(3 500)**	–
Interest income	**(4 177)**	(91)
	(2 646)	(2 288)

9. TAX PAID

	2017 R'000	2016 R'000
Tax paid is reconciled to the amount disclosed in profit or loss as follows:		
Amount receivable at beginning of year	**(631)**	–
Current tax charged to profit or loss	**(1 169)**	(25)
Current tax charged directly to equity	**(795)**	(625)
Amount (receivable)/payable at end of year	**(10)**	631
Tax paid	**(2 605)**	(19)

10. DIVIDENDS

	2017 R'000	2016 R'000
Dividends declared are as follows:		
Final 2015 – dividend of 70.0 cents per share	**–**	75 936
Interim 2016 – dividend of 67.0 cents per share	**–**	72 683
Final 2016 – dividend of 73.0 cents per share	**79 191**	–
Interim 2017 – dividend of 71.0 cents per share	**77 022**	–
Total dividends to equity holders	**156 213**	148 619

The directors have approved a final dividend of 61.0 cents per share in respect of the 2017 financial year, funded by income reserves, to be paid in cash on 2 October 2017. 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 20%. The net dividend is therefore 48.8 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the financial year was 132 (2016: 140) cents per share equating to R143.195 million (2016: R151.873 million).

	2017 R'000	2016 R'000
Dividends paid are reconciled to the amount disclosed above as follows:		
Amount payable at beginning of year	**(471)**	(482)
Dividends declared	**(156 213)**	(148 619)
Amount payable at end of year	**543**	471
Dividends paid	**(156 141)**	(148 630)

11. DIRECTORS' EMOLUMENTS

	2017 R'000	2016 R'000
The following emoluments were paid by the company:		
For services as directors to the company		
Dean Hyde	**33**	–
Dineo Molefe	**33**	–
Keith Getz*	**33**	–
Mntungwa Morojele*	**33**	–
Muzi Kuzwayo	**33**	–
	165	–

All other emoluments were paid by subsidiaries of the company. Refer note 41 of the consolidated financial statements on page 149 of this report for further details.

* On 10 February 2017, the South African Revenue Services ("SARS") issued binding general rulings BGR40 and BGR41 to respectively clarify SARS' position on the PAYE and VAT applicable to non-executive directors' fees. Accordingly, with effect from 1 June 2017, fees charged by non-executive directors, where such non-executive directors are VAT vendors, are required to be subject to VAT. As the company is not able to claim VAT input credits on these taxable supplies, the amounts disclosed above are stated exclusive of VAT at 14%, where applicable.

12. GUARANTEES

The company has provided unlimited guarantees to financial institutions in respect of debts of certain local subsidiary companies.

13. RELATED PARTY DISCLOSURES

Identity of related parties
Refer note 3 for a detailed list of subsidiaries.

Related party transactions
An amount of R38 218 (2016: R8 000) 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.

Dividend/distribution income was received from the following related parties:

	2017 R'000	2016 R'000
Spur Group (Pty) Ltd	**150 667**	153 772
Spur Management Share Trust	**3 500**	–

Details of directors' emoluments are included in note 11.

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.

	Note	Carrying amount (R'000)		
		Loans and receivables	Other financial liabilities	Total
2017				
Financial assets not measured at fair value				
Loan to subsidiary company	3	**209 013**	**–**	**209 013**
Cash and cash equivalents		**85 419**	**–**	**85 419**
		294 432	**–**	**294 432**
Financial liabilities not measured at fair value				
Accrued expenses		**–**	**86**	**86**
Shareholders for dividend		**–**	**543**	**543**
		–	**629**	**629**
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				
Accrued expenses		–	37	37
Shareholders for dividend		–	471	471
Loan from subsidiary company	6	–	3 000	3 000
		–	3 508	3 508

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 loans from subsidiary companies respectively. Due to the short-term nature of cash and cash equivalents, accrued expenses, and shareholders for dividend, their fair values have been determined to approximate their carrying values.

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 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. FINANCIAL INSTRUMENTS continued

14.2 Financial risk management continued

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:

	2017 R'000	2016 R'000
Loans to subsidiary companies (refer note 3)	**209 013**	290 987
Dividends receivable (refer note 4)	**–**	3 137
Cash and cash equivalents	**85 419**	1 004
	294 432	295 128

The company's subsidiaries are largely cash generative 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 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 12, the company has provided unlimited guarantees to financial institutions in respect of debts 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 policies 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:

		Contractual cash flows	
	Carrying amount R'000	Total R'000	1 – 12 months R'000
2017			
Non-derivative financial liabilities			
Accrued expenses	**86**	**86**	**86**
Shareholders for dividend	**543**	**543**	**543**
2016			
Non-derivative financial liabilities			
Accrued expenses	37	37	37
Shareholders for dividend	471	471	471
Loan from subsidiary company	3 000	3 000	3 000

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 non-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 or loss before income tax and equity:

	2017 R'000	2016 R'000
Increase in profit or loss before income tax	**216**	5
Increase in equity	**156**	4

A decrease of 50 basis points in the interest rate would have had an equal, but opposite, impact on profit or loss 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 45 of the consolidated annual financial statements (on page 160 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 6 September 2017 to be paid on 2 October 2017, as detailed in note 10.

CORPORATE INFORMATION

DIVIDENDS

Interim dividend: 71 cents per share

Record date: 31 March 2017

Payment date: 3 April 2017

Final dividend: 61 cents per share

Record date: 29 September 2017

Payment date: 2 October 2017

REPORTS 2017

Interim for six months ended 31 December 2016 published February 2017

Preliminary announcement for year ended 30 June 2017 published September 2017

Annual for year ended 30 June 2017 published September 2017

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