SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

INTEGRATED REPORT 2018

WELCOME TO OUR REPORT

Spur Corporation Ltd ("Spur Corporation" or "the group") is a diversified holding company and multi-brand restaurant franchisor, with eight restaurant brands operating in South Africa and internationally. The group is listed in the travel and leisure sector of the JSE Ltd.

PERFORMANCE OVERVIEW

COMPARABLE OPERATING PROFIT BEFORE INCOME TAX

8.0%

REVENUE FROM CONTINUING OPERATIONS

R667.2 million

3.0%

DIVIDEND PER SHARE

123 cents

6.8%

RESTAURANT TURNOVER FROM CONTINUING OPERATIONS

R7.2 billion

0.6%

RETURN ON INVESTMENT PRE-TAX (CAPITAL AND DIVIDENDS)

(4.0%)

COMPARABLE DILUTED HEPS

9.6%

SPUR FAMILY CARD MEMBERS ACCOUNTING FOR 36% OF LOCAL SPUR RESTAURANT TURNOVER IN JUNE 2018

1.5 million

TOTAL CSI SPEND

R2.6 million

11.2%

INVESTMENT IN EMPLOYEE TRAINING

R1.8 million

19.4%

COMMUNITY-FOCUSED EVENTS HOSTED

64

NEW OUTLETS OPENED

55

OUTLETS RELOCATED

4

OUTLETS REFURBISHED

10

CONTENT 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.

NAVIGATIONAL ICONS

Cross-reference to relevant sections within this report

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

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.

ABOUT THIS REPORT

SCOPE AND BOUNDARY

Reporting period
12 months to 30 June 2018.

This integrated report ("report") has been prepared by Spur Corporation to provide stakeholders with insight regarding the group's business model, strategy, past performance and future prospects. The report has been prepared for the benefit of all the group's stakeholders, with a focus on aspects relevant to providers of financial capital.

The report covers the activities of the group and includes information relating to the South African and international franchise, retail and ancillary operations for the reporting period. Environmental information relates only to the South African head office, corporate offices and manufacturing facilities, and excludes international operations and restaurants.

The contents of this 2018 integrated report are broadly comparable with that of the 2017 integrated report.
The only material events that may impact comparability are:
– the sale of the 30% interest in rib manufacturer, Braviz Fine Foods, effective 6 November 2017; and
– the sale of the Captain DoRegos business, effective 1 March 2018.

CONTENT DEVELOPMENT

– The International Integrated Reporting Council's <IR> Framework – This report is structured around Spur Corporation's material financial and non-financial risks and opportunities that impact value creation and strategy development. As defined by the <IR> Framework, material matters are those that impact the group's ability to create value for stakeholders in the short, medium and long term. 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 King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) – The group's approach to corporate governance aligns with the recommendations of King IV™, as required by the Johannesburg Stock Exchange (or JSE Ltd ("JSE")) through the JSE Listings Requirements. The board welcomed the shift in King IV™ towards outcomes-based integrated thinking.
– Disclosures in the report also address the requirements of the Companies Act (Act No. 71 of 2008), as amended.
– Non-financial material matters are incorporated into the group's strategy and decision-making structures and its disclosure in this report considers the guidance of 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 2018 report for publication.

AT SPUR CORPORATION WE CREATE VALUE FOR ALL OUR STAKEHOLDERS – OUR PRIORITY IS TO GROW REVENUE, AND TO CREATE A BUSINESS THAT IS SUSTAINABLE OVER THE LONG TERM. TO ACHIEVE THIS, WE FOCUS ON FINANCIAL, SOCIAL AND ENVIRONMENTAL SUSTAINABILITY AND SET CLEARLY DEFINED TARGETS AND OBJECTIVES TO GUIDE ACTIONS AND OUTCOMES. ABOVE ALL, WE DO WHAT WE DO BEST – PROVIDE OUR CUSTOMERS WITH QUALITY, VALUE AND INNOVATION.

GROUP AT A GLANCE

WHO WE ARE

Spur Corporation is a growing, multi-brand restaurant franchisor that owns several of South Africa's most recognised brands.

The group is headquartered in Cape Town, with franchisees trading through 575 outlets across South Africa, the rest of Africa, Mauritius, Australasia and the Middle East. The group also directly owns and runs 5 restaurants in South Africa ("retail" restaurants). Spur Corporation also 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 10.

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 mission statements

Bringing people together over great food.

- Our business exists to provide fun, memorable experiences over great food for 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 values

- **Brand family** – Being a part of our family means showing your commitment to the Spur Corporation family and its brands. We are caring and respectful towards our colleagues, customers and business partners.
- **Spirit of generosity** – Selfless sharing of our knowledge and experiences while being of service to our brands, customers and colleagues.
- **Daily excellence** – Consistent, excellent delivery and eagerness to learn to complete our job with unwavering attention to detail.
- **Fired up** – People with a taste for life! – A passionate contribution to the development and growth of our brands – having an engaging, enthusiastic and energetic attitude in our area of expertise.

Our promise

Food is our passion and welcoming you our pleasure.

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

Nothing satisfies us more than pleasing you, our customer.

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

Our brands

Spur Corporation's brands include Spur Steak Ranches, Spur Grill & Go, Panarottis Pizza Pasta, John Dory's Fish Grill Sushi, RocoMamas, The Hussar Grill, Casa Bella and Nikos Coalgrill Greek (acquired with effect from 1 August 2018).

The group's 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.

Our awards

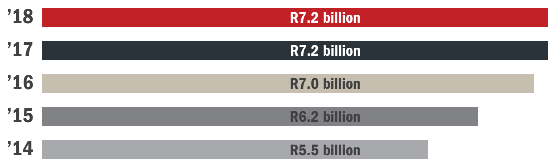
Spur Steak Ranches was recognised as the Coolest Eat Out Place in the *Sunday Times* Generation Next Survey Awards for the sixth year in a row, with RocoMamas, John Dory's and Panarottis all reaching the top 10.

Spur Steak Ranches retained its place as the best family sit-down restaurant in the *Sunday Times* Top Brands survey for the fourth consecutive year. RocoMamas made its first entry into the category in seventh place.

OUR BRANDS

FIVE-YEAR REVIEW

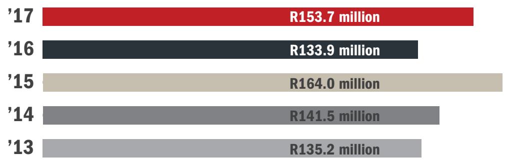
	Note	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Statement of profit or loss and comprehensive income						
Revenue		**667 192**	648 016	737 371	760 059	732 636
Operating profit before finance income	1	**200 079**	178 253	183 094	180 805	194 620
Adjusted operating profit	2	**195 574**	180 587	218 900	195 440	194 656
Net finance income		**31 289**	36 522	35 626	24 616	7 251
Profit before income tax	1	**231 368**	214 775	218 720	205 421	201 871
Headline earnings	3	**153 656**	133 863	163 977	141 511	135 203
Statement of financial position						
Property, plant and equipment		**101 094**	100 319	95 480	86 481	77 289
Cash and cash equivalents		**259 895**	265 953	286 582	304 851	91 966
Bank overdraft		**–**	4 491	1 155	3 557	539
Statement of cash flows						
Net cash flow from operating activities		**34 868**	32 719	32 619	28 717	43 355
Share statistics						
Weighted average number of shares ('000s)	3	**95 580**	95 828	95 955	92 636	85 633
Earnings per share (cents)	3	**165.85**	139.98	141.34	137.69	159.20
Headline earnings per share (cents)	3	**160.76**	139.69	170.89	152.76	157.89
Cash flow earnings per share (cents)	4	**195.31**	183.71	180.80	168.34	161.23
Operating cash flow per share (cents)	5	**36.48**	34.14	33.99	31.00	52.96
Net asset value per share (cents)	6	**919.24**	875.08	902.25	888.57	606.80
Dividend per share (cents)	7	**123**	132	140	132	121
Dividend cover (times)	8	**1.3**	1.1	1.2	1.2	1.3
Stock exchange performance						
Number of shares in issue ('000s)		**108 481**	108 481	108 481	108 481	97 633
Number of shares traded ('000s)		**16 127**	20 177	12 363	18 135	24 231
Value of shares traded (R'000)		**447 039**	645 942	403 723	623 894	742 544
Percentage of issued shares traded (%)		**14.87**	18.60	11.40	16.72	24.82
Market price per share (cents)						
– close		**2 576**	2 810	3 090	3 667	3 227
– high		**3 100**	3 508	3 825	4 178	3 383
– low		**2 500**	2 800	2 750	2 720	2 629
Headline earnings yield (%)	9	**6.24**	4.97	5.53	4.17	4.89
Dividend yield (%)	10	**4.77**	4.70	4.53	3.60	3.75
Price earnings ratio		**16.02**	20.12	18.08	24.00	20.44
Market capitalisation (R'000)		**2 794 471**	3 048 316	3 352 063	3 977 998	3 150 617
Business performance						
Operating profit margin (%)	11	**29.31**	27.87	29.69	25.71	26.57
Return on equity (%)	12	**18.08**	16.60	19.73	17.35	26.38
Return on total assets (%)	13	**15.41**	14.02	16.00	13.39	18.57
Liquidity ratio	14	**4.89**	4.56	3.78	3.30	1.66



RESTAURANT TURNOVER

R7.2 billion

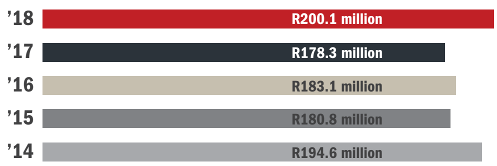
0.6%



HEADLINE EARNINGS

R153.7 million

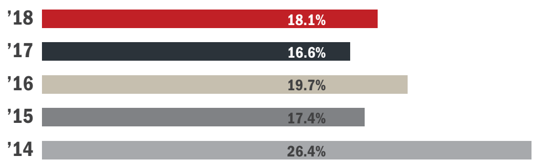
14.8%



OPERATING PROFIT BEFORE FINANCE INCOME (NOTE 1)

R200.1 million

12.2%



RETURN ON EQUITY (NOTE 12)

18.1%

Notes

1. Includes share of profit/loss of equity-accounted investee (net of income tax), and profit from discontinued operation.
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 136.
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 dividend for the financial year to which it relates.
8. Headline earnings per share divided by dividend per share (see note 7).
9. Headline earnings per share divided by the closing share price.
10. Dividend 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.

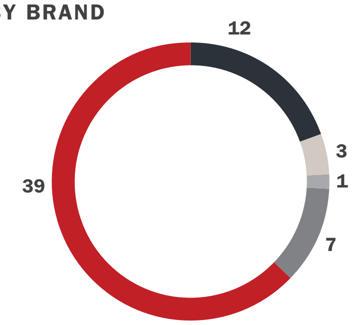
GROUP PROFILE

OUR MARKETS

Spur Corporation has geographically diverse market exposure through a range of brands. The group implements appropriate strategies to ensure local appeal in the international territories in which it trades, across a range of appetites, in terms of menu and value.

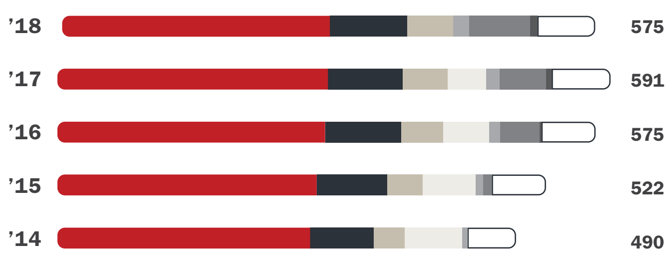
Outlets

INTERNATIONAL RESTAURANTS BY BRAND



■ SPUR ■ PANAROTTIS ■ 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

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

Quick-service takeaways

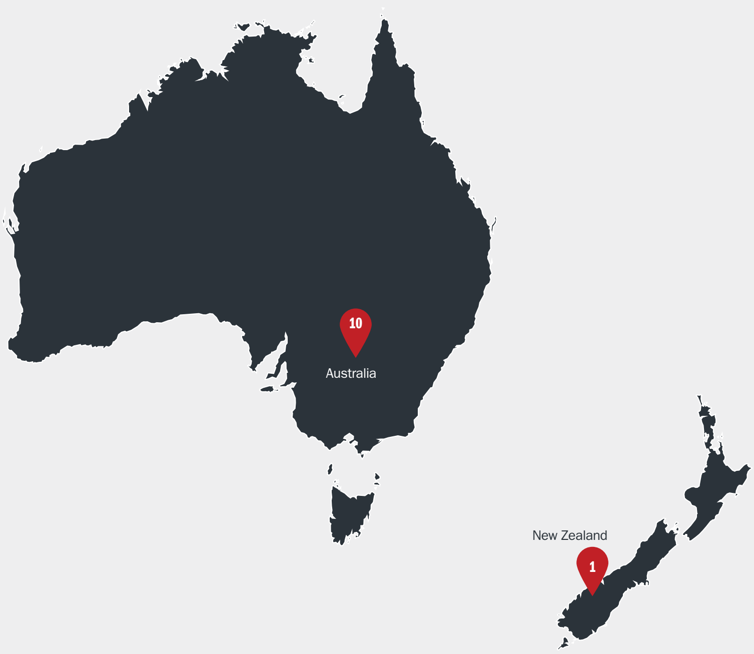
Spur Grill & Go

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

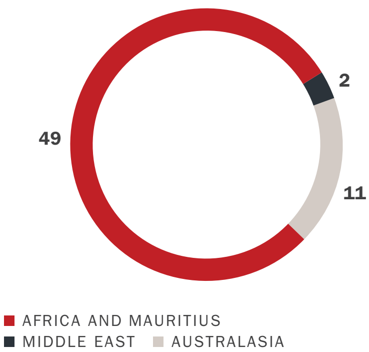
Gourmet burgers, ribs and wings

RocoMamas

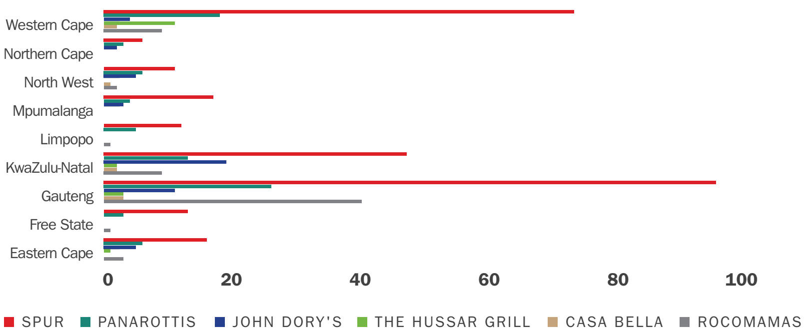
– Trendy, fast but personalised concept with an artisanal-style offering
– Well positioned in the fast-growing local gourmet burger market



INTERNATIONAL RESTAURANTS BY LOCATION



OUTLETS BY PROVINCE AT 30 JUNE 2018



OUR 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 output 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 engaging meaningfully 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 the 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 usage and minimise waste

Our revenue drivers

Franchise and retail outlets

The 575 franchised restaurants across the group's brand portfolio and located mostly in South Africa, 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. We offer operational support to franchised restaurants through regular visits to assess food safety and product and service standards against group and regulatory requirements. We also offer restaurant development through the dedicated management of new franchises, relocations and refurbishments. This includes site selection, project management and store openings.

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

International operations

Our operations in Africa, Mauritius, Australasia and the Middle East include an international head office in the Netherlands and regional head offices in Australia and Namibia. These lend operational and restaurant development support to the group's international operations.

Procurement, manufacturing and distribution

Spur Corporation maintains sustainable supply chain relationships with our outsourced logistics service provider, suppliers and franchisees. Our 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. The group also operates a sauce manufacturing factory which supplies franchisees with certain of the group's secret sauces. Certain products, which are externally manufactured under licence, are sold directly to consumers in major South African retailers, including sauces, ribs and burgers.

Group functions

– Spur Corporation provides franchisees with the resources to deliver a consistently high-quality product in line with each brand promise. These services include group marketing, our customer care centre and training.
– Our centralised corporate services include facilities management, executive, human resources, export, information technology, finance and legal, which support the business in achieving its objectives.

Our outputs

Products, services, by-products or waste

55.5 million main meals served across our brands in South Africa.

Percentage of waste diverted from landfill at Regional offices (% of total kg per annum)	72%
Total waste diverted from landfill at our facilities in 2018, including head office, décor, training, our call centre and central kitchen	45,3 ton to landfill and 13 ton diverted through recycling

Restaurant footprint in South Africa

Spur	290
Panarottis	84
John Dory's	49
The Hussar Grill	17
RocoMamas	65
Casa Bella	8

International footprint

Africa, Mauritius	49
Middle East	2
Australasia	11

Our outcomes

The consequences that Spur Corporation's business activities and outputs have on the six capitals.

– Financial capital
  - R7.2 billion in total restaurant sales
  - R153.7 million headline earnings generated
  - Dividend of 123 cents per share declared
  - Local economies supported through the payment of R60.6 million in taxes
– Manufactured capital
  - R10.3 million increase in manufactured capital through capital expenditure
– Intellectual capital
  - 8 048 staff trained
– Human capital
  - R172.4 million paid to employees in salaries
– Social and relationship capital
  - R2.6 million allocated to CSI
  - Ongoing commitment to excellent customer service, great brands and loyalty programmes
– Natural capital
  - 7 300 kℓ water used to support operations
  - 1 062 622 kWh of electricity consumed

INVESTMENT CASE

Spur Corporation is one of South Africa's most recognised brands.

– The group owns diverse brands serving a full range of customers:
  - 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 distinctive and trendy Smashburger brand that offers a niche, fast casual-dining experience.
  - 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, both locally and internationally.

The group aims to create sustainable returns for its providers of financial capital through two strategic objectives:

Growing revenues

Growing the footprint of existing brands, expanding into new territories and acquiring new businesses.

Local and international operations

– The group's presence is predominantly in South Africa, but extends to 12 countries in Africa, Mauritius, the Middle East, Australia and New Zealand.
– Spur Corporation's strategic focus remains new business development and expanding the group's footprint in high-growth markets across Africa, the Middle East and Australasia.
– Revised restaurant formats such as Spur Grill & Go offer untapped market growth in sites and locations previously not targeted by the group.

Maintaining a sustainable business

Employment of a responsive and agile franchise model, and the ongoing monitoring of the broader social and environmental risks and opportunities faced by the group.

Strong and committed leadership

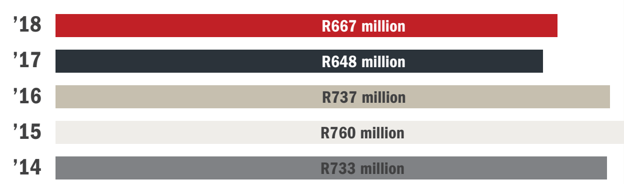
– Spur Corporation's directors and senior executives – many of whom started their careers working in group restaurants – guarantee industry expertise.
– Their operational style reflects the fundamentals on which the group was built: people, entrepreneurial flair, customer focus, operational excellence, empowerment and learning, and prudent and considered decision-making.
– Various levels of management continually identify, assess, manage and monitor key business risks as part of the group's day-to-day operations.
– 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.

Procurement, manufacturing and distribution

– The group's procurement function ensures food safety, quality and a stable supply.
– Relationships with outsourced logistics service providers, suppliers and franchisees are sustainably managed.

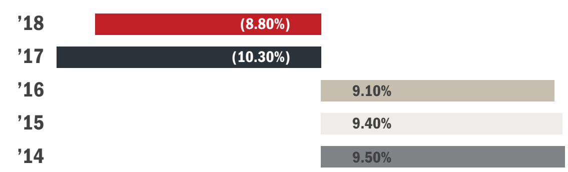
Group services and marketing support

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



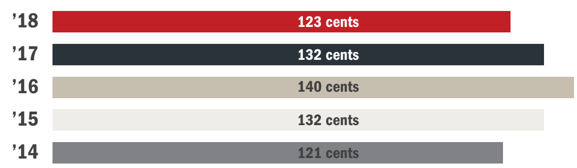
REVENUE

R667 million



CHANGE IN COMPARABLE PROFIT BEFORE FINANCE INCOME

(8.80%)



DIVIDENDS PER SHARE

123 cents

CASE STUDY

THE OCEAN VIEW FOOTBALL CLUB ANNUAL ENVIRONMENT DAY

The annual Ocean View Football Club environment day is a Spur Corporation initiative aimed at inspiring young volunteers to save water and appreciate marine life.

The theme for 2018 was "water-wise" and the day was hosted at the Soetwater Environmental Centre in Cape Town, in collaboration with the Two Oceans Aquarium.

The fun-filled day included a beach clean-up, educational talks around the importance of saving water, a puppet show and the Oceans in Motion mobile aquarium where children had an unforgettable experience with live marine animals. After all the hard work, fun and learning, the children were treated to Spur Burgers.

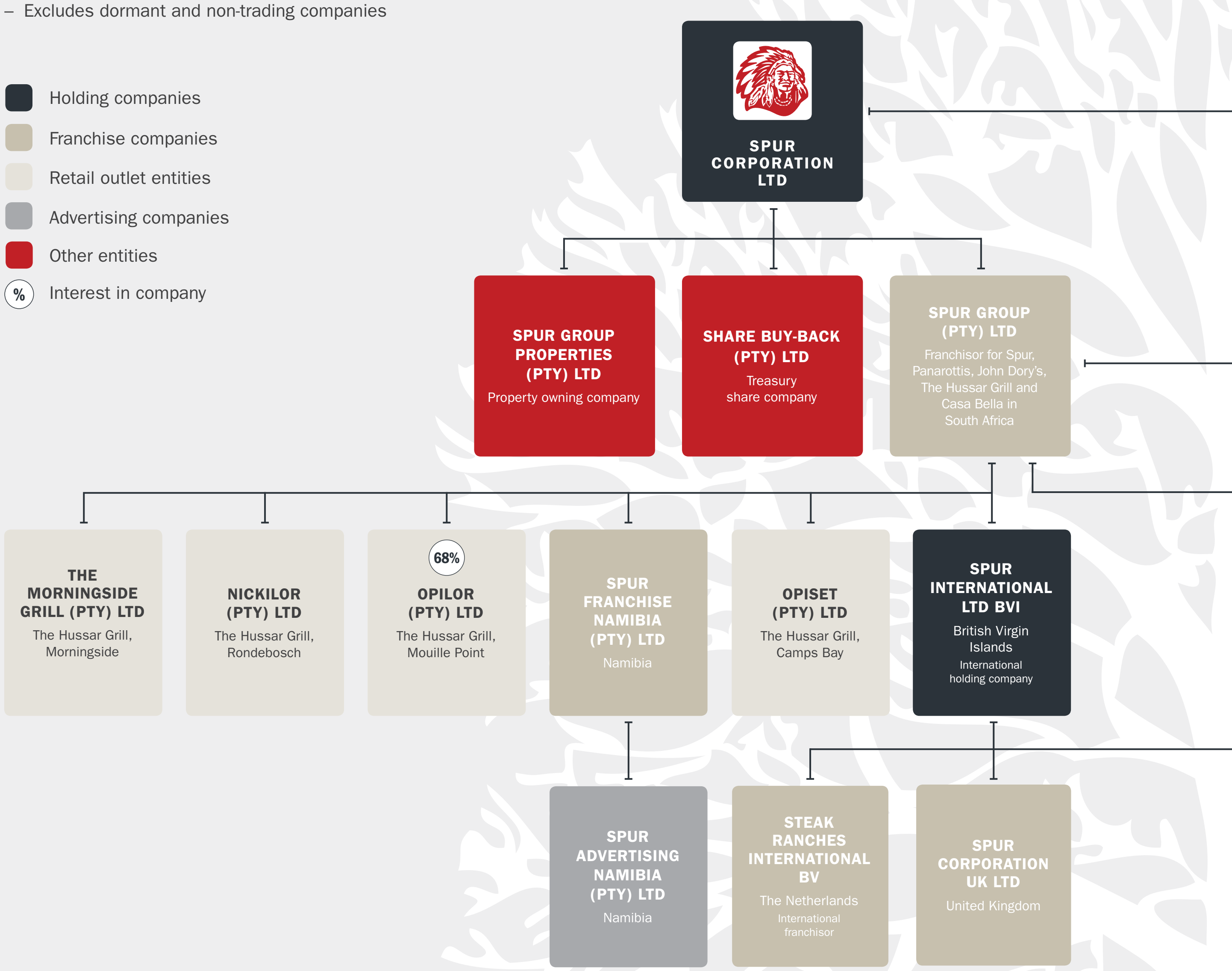
There can be no doubt that this initiative inspires the young people of Ocean View to contribute to the conservation of our oceans for generations to come.

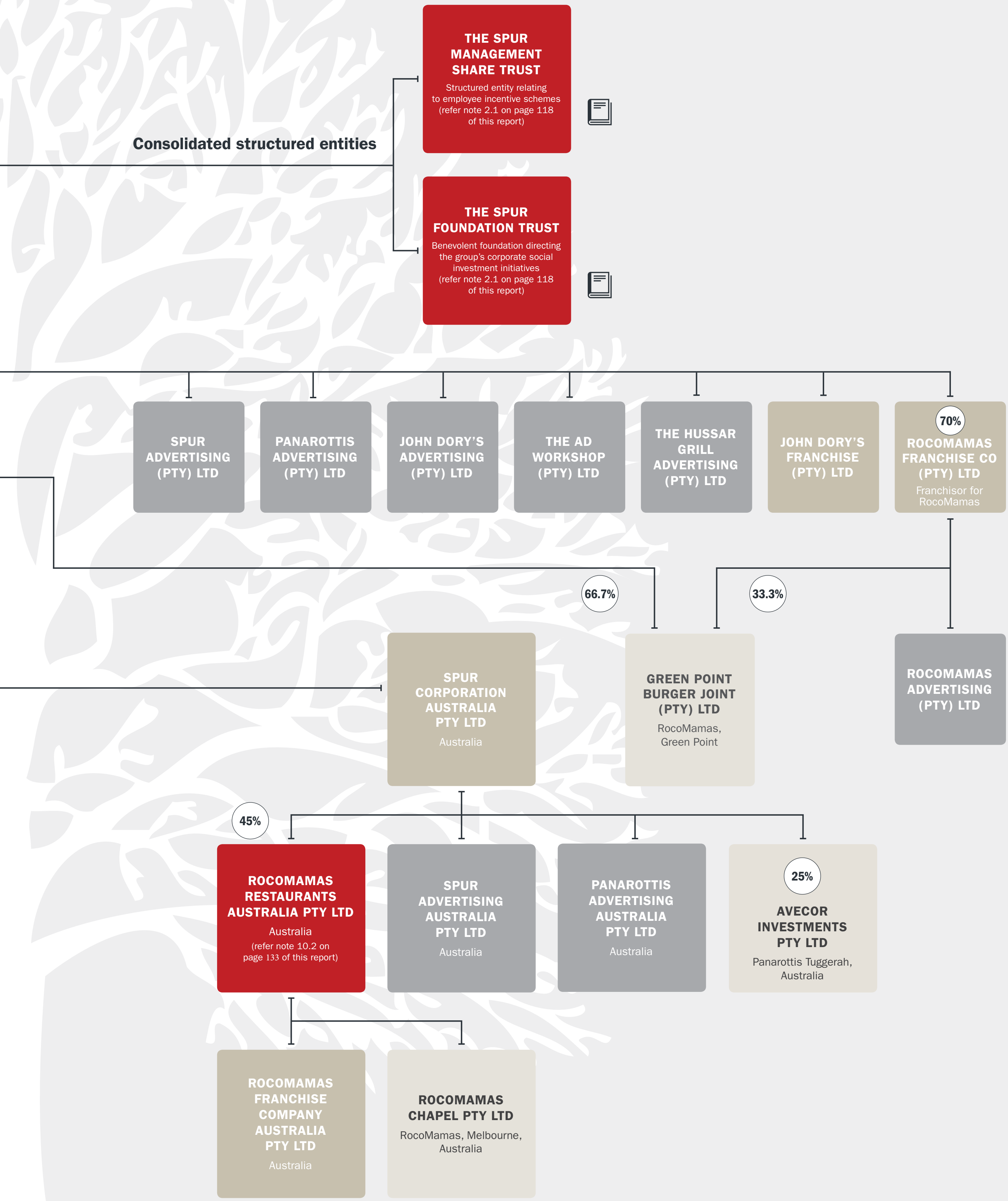
"This initiative teaches kids about the importance of saving water and taking responsibility for the well-being of marine life and the environment."

Earle Cloete, Spur Corporation CRM manager

GROUP LEGAL STRUCTURE

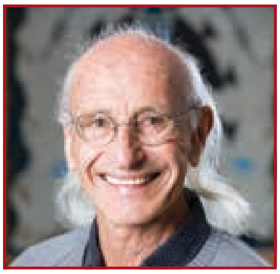
– All entities are domiciled in South Africa unless otherwise stated
– All entities are wholly owned unless otherwise stated
– Excludes dormant and non-trading companies




Consolidated structured entities
THE SPUR MANAGEMENT SHARE TRUST
Structured entity relating to employee incentive schemes (refer note 2.1 on page 118 of this report)
THE SPUR FOUNDATION TRUST
Benevolent foundation directing the group's corporate social investment initiatives (refer note 2.1 on page 118 of this report)
SPUR ADVERTISING (PTY) LTD
PANAROTTIS ADVERTISING (PTY) LTD
JOHN DORY'S ADVERTISING (PTY) LTD
THE AD WORKSHOP (PTY) LTD
THE HUSSAR GRILL ADVERTISING (PTY) LTD
JOHN DORY'S FRANCHISE (PTY) LTD
70%
ROCOMAMAS FRANCHISE CO (PTY) LTD
Franchisor for RocoMamas
66.7%
33.3%
SPUR CORPORATION AUSTRALIA PTY LTD
Australia
GREEN POINT BURGER JOINT (PTY) LTD
RocoMamas, Green Point
ROCOMAMAS ADVERTISING (PTY) LTD
45%
ROCOMAMAS RESTAURANTS AUSTRALIA PTY LTD
Australia
(refer note 10.2 on page 133 of this report)
SPUR ADVERTISING AUSTRALIA PTY LTD
Australia
PANAROTTIS ADVERTISING AUSTRALIA PTY LTD
Australia
25%
AVECOR INVESTMENTS PTY LTD
Panarottis Tuggerah, Australia
ROCOMAMAS FRANCHISE COMPANY AUSTRALIA PTY LTD
Australia
ROCOMAMAS CHAPEL PTY LTD
RocoMamas, Melbourne, Australia

BOARD AND MANAGEMENT

EXECUTIVE DIRECTORS



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1. ALLEN AMBOR (77)

Executive chairman
51 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.

2. PIERRE VAN TONDER (59)

Chief executive officer
36 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.

3. MARK FARRELLY (54)

Chief operating officer
28 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.

4. PHILLIP MATTHEE (40)

Chief financial officer
11 years of service
B.Com (Accounting); Postgraduate Diploma in Accounting – University of Cape Town; CA(SA)

Phillip joined Spur Corporation in 2007 as new business development manager. In 2008 he was appointed as group finance executive and joined the board as chief financial officer on 1 April 2018, following the resignation of Ronel van Dijk as chief financial officer on 31 March 2018.

Phillip is responsible for the finance, administrative, legal and compliance functions of the group. He also fulfils a supervisory function for information technology.

NON-EXECUTIVE DIRECTORS

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5. KEITH GETZ (62)

Non-executive director
27 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.

6. DEAN HYDE (51)

Independent non-executive director
24 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.

7. MUZI KUZWAYO (50)

Independent non-executive director
10 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.

8. KEITH MADDERS MBE (70)

Independent non-executive director
23 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

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9. DINEO MOLEFE (41)
Independent non-executive director
5 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 CEO 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.

10. MNTUNGWA MOROJELE (59)
Independent non-executive director; lead independent director
8 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 four of its subsidiaries) 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.

11. PRABASHINEE MOODLEY (47)
Non-executive director
Appointed 15 August 2018
B.SocSci and Master of Town and Regional Planning – University of KwaZulu-Natal; MBA – Lake Forest Graduate School of Business (Illinois)

Prabashinee 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.

Prabashinee is a qualified urban planner and developed her career in the field of global growth strategy for the quick service restaurant industry. She has extensive experience in the field of new market entry, existing market growth, and strategic franchise partnerships within the food services industry.

Prabashinee was nominated to the board, to replace Tasneem Karriem, who resigned from the board on 15 August 2018. Shareholders will be requested to confirm her appointment to the board at the forthcoming annual general meeting.

KEY MANAGEMENT

Anton Geldenhuys (40)
Chief operating officer: RocoMamas
15 years of service

Blaine Freer (53)
Group development executive
19 years of service

Brian Altriche (48)
Creative executive: RocoMamas
3 years of service

Chris Lotter (40)
Group IT executive
3 years of service

Cobus Jooste (42)
National training executive
13 years of service

Derick Koekemoer (48)
Franchise executive: Africa
14 years of service

Duncan Werner (58)
Group procurement and development executive
30 years of service

José Vilar (60)
Franchise executive: Australia
27 years of service

Justin Fortune (46)
Chief operating officer: The Hussar Grill
18 years of service

Kevin Robertson (52)
Chief operating officer: Spur Steak Ranches
27 years of service

Leonard Coetzee (45)
Chief operating officer: John Dory's
22 years of service

Nazrana Hawa (35)
Group legal and compliance executive and company secretary
7 years of service

Patrick Lawson (47)
Group strategy executive
9 years of service

Robin Charles (44)
National procurement executive
10 years of service

Sacha du Plessis (40)
Group marketing executive
11 years of service

Samkelo Blom (46)
Transformation executive
5 years of service

Tyrone Herdman-Grant (47)
Chief operating officer: Panarottis
20 years of service

Vivy Novos (41)
Group finance executive
13 years of service

CASE STUDY

NOURISH, NURTURE, NOW!

Spur Corporation is active in communities through various corporate social investment ("CSI") initiatives, managed by The Spur Foundation. The Foundation aims to uplift and improve the lives of South African families, especially children, in line with its core value of generosity and Ubuntu. These initiatives reflect the Foundation's motto "Nourish, Nurture, Now!"

The Spur Foundation was established on International Mandela Day, 18 July 2012, with a donation of R670 000 by the Spur Corporation, resonating with the "67 minutes" theme of Mandela Day, and the founding of the Spur family in 1967. In 2014, Spur Corporation committed to funding the Spur Foundation through a donation of 100 000 treasury shares per year for five years. To date, four tranches of shares have been transferred. The dividends from these shares will provide ongoing annuity income to help support the Spur Foundation's CSI initiatives. Funding is further supplemented through restaurant campaigns and event contributions. Spur Corporation has a voluntary employee salary deduction donation scheme and employees are encouraged to make a difference in their communities.

The Spur Foundation supported several initiatives in 2018 including:

- The Full Tummy Fund, a Spur Foundation initiative, which primarily focuses on Early Childhood Development ("ECD") and nutrition for children from disadvantaged communities up to the age of six.
- Spur Corporation urged customers to donate in aid of those affected by the Knysna Fires in 2017. A total of R81 000 was raised and matched by the Spur Foundation. All funds were used to assist Tinkerland Nursery School in Concordia, an informal settlement in Knysna.
- Over the past five years, donations from the Spur Foundation totalling more than R1 million have enabled the ASHA Trust to make a very real difference in the lives of vulnerable children and the teachers who look after them, by providing basic ECD training, business and financial management, as well as child development and inclusion training programmes.
- Over 3 000 boys and girls aged between 10 and 12 have been through the Spur Soccer Masidlale programme since its inception in 2005. R1.3 million was spent on this seven-a-side soccer and life skills initiative in 2018.
- Spur Corporation funds a range of community-focused events that encourage families and children to improve their health while having fun and experiencing the Spur "taste for life". More than 60 events were supported during the year to uplift communities through sport. Funds raised through these events support feeding schemes.
- The Foundation's Staff Initiatives programme provides limited funding to employees who are actively involved with charitable work in their communities. In 2018 the Foundation created a Franchisee Fund which enables franchisees to apply for additional funding in aid of the charitable organisations they currently support.

MATERIAL MATTERS

The content of this integrated report is based on Spur Corporation's economic, environmental, social and governance material matters. These have the potential to most significantly impact the group's ability to create sustainable value by executing its strategic objectives. The group's most material matters are shown in the table below.

These material matters are identified from a range of sources, and are then assessed according to the potential magnitude of their impact on the group's ability to create value. Inputs into the identification and significance of the group's material matters include:

- The group risk assessment document
- Management and board discussions
- Feedback from stakeholder interactions
- Sustainability and integrated reporting guidelines
- The expectations, interests and needs of key stakeholders

Economic material matters are discussed in more detail in the strategy section on page 40.

Information regarding the importance of our social and environmental material matters, and the group's strategic response to these, is available in the online sustainability supplements on the group website at www.spurcorporation.com/investors/results-centre/.

Material matter	Importance	Strategy	More detail
Economic: strategic			
Sustainable local franchise model	Restaurant 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 and attract franchisees.	Sustainable business	40
Restaurant design and specifications	Intelligent restaurant design reduces set-up costs, running costs and labour costs. It can increase efficiency and reduce the environmental impact of an outlet. Smaller format restaurants increase the range of potential locations available.	Growing revenue/ Sustainable business	41
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	42
International expansion	Growing the group's brands in new markets bolsters the group, grows revenue and diversifies geopolitical risk across regions.	Growing revenue	43
Product responsibility (procurement)	Food quality and food safety are critical considerations in the restaurant industry. Spur Corporation has several initiatives in place to ensure that our food is of a consistently high quality.	Sustainable business	44
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 restaurants explore innovative ways to increase water and energy efficiency.	Sustainable business	42

Material matter	Importance	Strategy	More detail
Social: strategic and operational			
Regulatory compliance	As a responsible corporate citizen, Spur Corporation needs to ensure that we stay aware of and comply with developing legislation.	Sustainable business	
Health and safety	Ensuring the health and safety of group and franchisee employees, as well as customers is an important legal, ethical and reputational concern.	Sustainable business	
Customer service	Excellent customer service, meaningful loyalty programmes and our 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 our communities through the activities of The Spur Foundation. The Foundation's initiatives also impact on food security.	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 our brands.	Sustainable business	
Transformation	Spur Corporation believes that the long-term success of South Africa is critically dependent on transformation and the group is committed to the principles of B-BBEE. Transformation is monitored by the transformation committee and progress is measured against the dti Codes of Good Practice.	Sustainable business	
Environmental: strategic			
Strategic resource management	The group's direct environmental impact is minimal. However, the broader impact of the group and our franchise restaurants and operations are significant, and we support franchisees to manage their environmental impact 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 using the green operations report and 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 in identifying opportunities to implement or improve environmental initiatives, often resulting in cost savings through reduced resource (electricity and water) consumption and waste reduction.	Sustainable business	

CASE STUDY

SPUR CORPORATION'S GREEN FEATHER REWARDS

The group's commitment to creating a sustainable business involves collaboration with our business partners, specifically our franchisees. To further develop and support the group's environmental journey, policy and operational best practice, the environmental sustainability committee launched the Green Feather Rewards programme.

This programme aims to recognise franchisees for improvement in energy consumption, water conservation, waste management and eco-procurement of non-centralised produce. We are very proud to announce the well-deserving recipients of the 2018 Green Feather Rewards:

– Winners:
  - Panarottis Mthatha (Eastern Cape)
  - RocoMamas Mall of Africa (Gauteng)
  - Little Eagle Spur (Gauteng)

– Runners-up:
  - Big Eagle Spur (Eastern Cape)
  - RocoMamas Cresta Crossing (Gauteng)
  - Rodeo Spur (Western Cape)

The winners and runners-up receive additional financial support to further encourage their sustainability journey, a plaque of recognition to display in their restaurant, in-restaurant training, an eco-intervention, social media artwork, the Green Feather icon on the brand's website and PR content for use on digital platforms and in the press.

STAKEHOLDER MATRIX

Spur Corporation's stakeholders are those individuals or groups that can affect or be affected by the group's actions, objectives and policies. We understand that by engaging our key stakeholders we gain insights into their needs and concerns and can address these where possible. This also allows us to manage stakeholder expectations proactively, while ensuring that the group's contributions as a responsible corporate citizen create significant shared value.

Engagement	Key concerns	Related material matter	Our response
Stakeholder group: employees			
– Company values – HR road shows – Intranet – Open-door policy	– Career opportunities – Fair remuneration – Skills development – Transformation	– Human capital and skills development – Transformation – Health and safety	– HR policies ensure employees are equitably remunerated and appropriately incentivised and can develop and progress in their careers. – Spur Corporation believes that the long-term success of South Africa is critically dependent on transformation and the group is committed to the principles of B-BBEE. – The group's investment in skills development is crucial to ensure we support and harness the best from our human capital.
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	– The group's long-term incentive programmes are designed to ensure the alignment of management's interests with those of shareholders. – The management team has experience in the restaurant industry and a conservative approach to international expansion.
Stakeholder group: franchisees			
– Advisory committees – Extranet – Restaurant visits – Road shows – Conversation cafés	– Ongoing support – Return on investment	– Sustainable local franchise model – Restaurant 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. This includes training of franchisee management which emphasises the importance of providing excellent customer service. – The outsourced distribution model enhances procurement efficiencies, while maintaining food safety standards and consistent product quality.
Stakeholder group: suppliers			
– Day-to-day interaction – Assessments – Meetings – Supplier audits	– Certainty of supply – Fair payment terms – 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. – Franchised restaurants in the Spur Corporation group purchase significant quantities of raw materials and we aim to ensure our suppliers share our commitment to sustainable practices.

Engagement	Key concerns	Related material matter	Our response
Stakeholder group: customers and future customers			
– Customer care centre – Loyalty programmes – Mobile applications (John's Club app and Spur Family app) – Social media – Spur Secret Tribe – E-gifting	– A welcoming family experience – Excellent food – Great service	– Community support – Customer service – Health and safety	– Operations managers monitor food quality, customer service and restaurant management during restaurant inspections. – Food safety is of critical importance to Spur Corporation and we take all issues regarding the production and preparation of our food extremely seriously. Stringent food safety standards are applied to suppliers, the outsourced logistics service provider and the group's manufacturing facilities. – The group takes resolving complaints seriously and has robust and formalised complaint handling procedures in place. – Spur Corporation's in-house customer service centre is an important customer touchpoint and base for monitoring consumer relations. The service centre supports franchisees and provides customer feedback to franchisees to ensure any required operational improvements are addressed. – The group's social media team monitors and responds to queries, compliments and complaints posted to sites such as TripAdvisor, GoReview, Facebook and Twitter. – The ongoing revamp programme ensures outlet design and specifications are kept up to date and in line with group quality standards.
Stakeholder group: communities and potential customers			
– Corporate social investment ("CSI") – Outdoor events	– Ongoing support	– Customer service – Community support	– Spur Corporation is active in communities through various corporate social investment ("CSI") initiatives run through The Spur Foundation. These aim to provide ongoing support for underprivileged youth. – The group's sponsorship of a multitude of outdoor events encourages a healthy and fun lifestyle.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

OUR PRIORITY AT SPUR CORPORATION IS TO CREATE VALUE FOR ALL OUR STAKEHOLDERS. THIS MEANS NOT ONLY GROWING REVENUE, BUT ALSO CREATING A BUSINESS THAT IS SUSTAINABLE OVER THE LONG TERM.

R7.2 billion

0.6%

RESTAURANT TURNOVER
CONTINUING OPERATIONS

123 cents

6.8%

DIVIDEND PER SHARE

Allen Ambor
Executive chairman

Pierre van Tonder
Chief executive officer

OPERATING CONTEXT

While South Africa's gross domestic product (GDP) grew 0.4% year on year for the quarter to June 2018, two consecutive quarters of contraction in GDP means that the local economy is in recession. Although headline CPI stood at 4.6% at the end of June 2018, the economic reality is that actual inflation applicable to goods and services purchased by the average person is more than this number. Consumers' disposable income is eroded by increasing healthcare, education, transport, utility, property and food costs, in addition to the increase in the VAT rate and the absence of inflation-linked tax relief for taxpayers. Most recently, the politically charged discourse on land reform has added to negative sentiment. This has resulted in sustained low levels of consumer and business confidence, and continuing pressure on franchisee profitability.

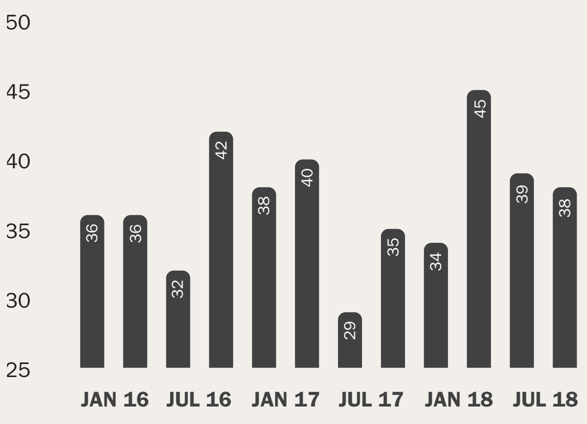
The restaurant market is facing increased competition due to the growing presence of independent restaurants, new brands, international restaurant and fast food brands, as well as the availability of quick meals from convenience stores and supermarkets.

To grow revenues, Spur Corporation depends on a ready supply of prospective franchisees with the necessary funds to invest. Economic concerns and increased risk aversion have resulted in it becoming more difficult for franchisees to secure debt funding for refurbishments and new restaurant development.

For existing franchisees, increases in the cost of meat, fish and vegetables reduce profit margins. This affects their return on investment and ultimately impacts the financial sustainability of the business. Multiple droughts across South Africa will continue to impact the price of goods for the foreseeable future.

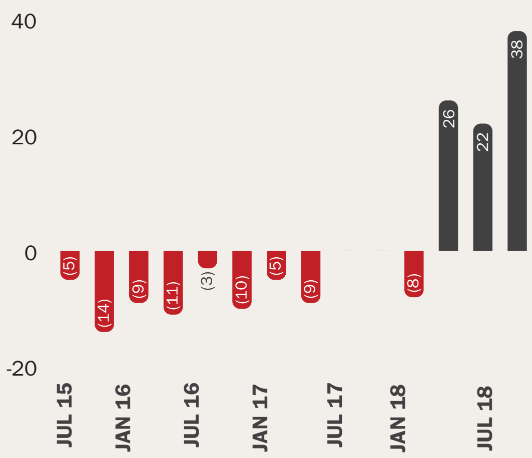
In response to this challenging environment, it is necessary that we maintain exceptional operational discipline, backed by innovative marketing to attract consumers and prospective franchisees. Our network of well-established and diverse brands serves a full range of customers and offers consistent value at multiple price points. Our customer loyalty programmes across our brands also offer value for money.

SOUTH AFRICA BUSINESS CONFIDENCE INDEX



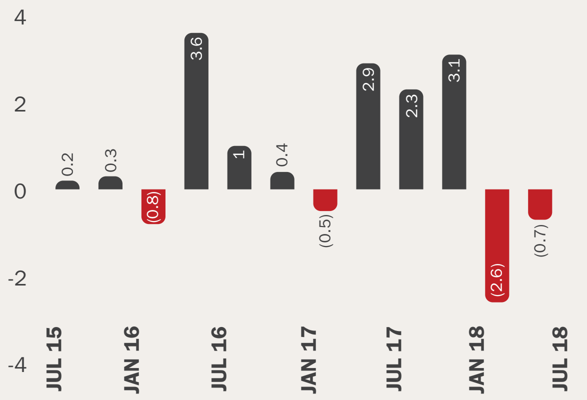
SOURCE: TRADINGECONOMICS.COM | BUREAU FOR ECONOMIC RESEARCH (BER)

SOUTH AFRICA CONSUMER CONFIDENCE INDEX



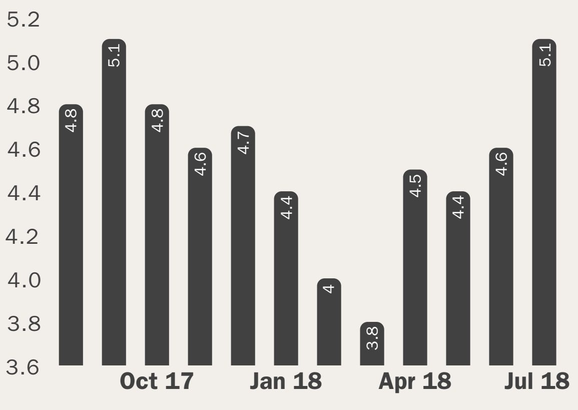
SOURCE: TRADINGECONOMICS.COM | BUREAU FOR ECONOMIC RESEARCH (BER)

SOUTH AFRICA GDP GROWTH RATE (%)



SOURCE: TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA

SOUTH AFRICA INFLATION RATE



SOURCE: TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA

STRATEGY

Our priority at Spur Corporation is to create value for all our stakeholders. This means not only growing revenue, but also creating a business that is sustainable over the long term. Therefore, after analysis of sales and costs, coupled with extensive franchisee engagement, we made the strategic decision to move away from relying on discounting to drive restaurant sales growth, at the expense of franchisees. This strategy was implemented in the Spur brand in the fourth quarter of the 2017 financial year. This has tempered sales growth, as expected, but has improved franchisees' profitability and resulted in a more sustainable franchise business. Based on this success, a similar strategy was implemented in the Panarottis brand in the second half of the 2018 financial year, and is being considered in other brands. Despite low growth in restaurant sales, our franchisees are in a healthier financial state than they were a year ago.

Our growth strategy is further underpinned by the enhancement of our mainstream brands to meet evolving consumer needs, as well as the acquisition of fledgling brands.

The focus in our mainstream restaurants is to deliver quality, high-value brands through continuous improvement of our operational fundamentals, labour and energy cost savings, and service and product innovation. To this end, we refurbished 14 restaurants across the group and reviewed the menus of all our brands to ensure that we continue to give consumers consistent value. The group plans to increase market share by capitalising on the growing delivery opportunity through services including Uber Eats and Mr Delivery as well as "call and collect". These services are becoming increasingly popular across all brands. Management recognises the increasing role of digital technology in customers' social and purchasing behaviour and will, as a result, be launching new e-commerce apps in the year ahead which will cater for on-line ordering and payment facilities, earning and redeeming of loyalty benefits, e-gifting, links to delivery services and product promotions.

As a multi-brand restaurant franchisor, we are experienced in acquiring and expanding niche restaurant concepts. The acquisition of the RocoMamas brand in particular has proven to be a successful investment. After year-end, we grew our restaurant portfolio with the acquisition of a 51% stake in franchise restaurant group Nikos Coalgrill Greek. Nikos operates six franchised restaurants, with a further four outlets confirmed to open in the coming months. Other corporate transactions during the year included the following:

- Effective 6 November 2017, the group disposed of its 30% interest in rib processing plant, Braviz Fine Foods, following operational challenges experienced at the plant.
- Effective 1 March 2018, the Captain DoRegos brand was disposed of. Despite our best efforts, the impact of intense competition and a subdued economy on the brand's target market, and the relatively low profit contribution per restaurant, meant that the business was not able to deliver the financial performance originally anticipated.
- During the year, Spur Corporation partnered with experienced Australian restaurateurs to establish the RocoMamas brand in Australia. The first company-owned restaurant commenced trading in Melbourne in June 2018. Using this restaurant as a test case, the group plans to expand the brand on a franchise basis in Australia.

To diversify our geopolitical risk, the group's strategy remains to expand our presence in international markets with stable economic and political environments. Eleven international outlets were opened during the year, with at least another 14 due to open in the year ahead. We have concluded agreements with franchisees in India, Cyprus and Pakistan, and intend expanding into these regions.

In October 2017, Spur Corporation celebrated its 50th birthday. The group's management took the opportunity to review and celebrate what we have achieved over the past 50 years, and to assess what would be required to remain successful and relevant in the years that lie ahead. We have commenced a process of engaging with key stakeholders to define the future of our business.

PERFORMANCE

Spur Corporation produced a resilient performance for the year, steadily recovering throughout the year from the significant decline in profitability in the fourth quarter of the 2017 financial year.

In the latter part of the 2017 financial year, political and economic woes coincided with the strategic decision to cease excessive discounting in the Spur brand, as well as the social media fallout from an unfortunate incident at a Gauteng Spur. These factors resulted in a significant downturn in sales performance after March 2017, particularly in the Spur brand, which has endured into the 2018 financial year. The group has however steadily recovered during the financial year. Several Spur franchisees found themselves in financial distress during this period and we had to support these franchisees financially to ensure ongoing sustainability, both of their businesses and of the group. Fortunately, because of the steady recovery during the year, the extent of the financial support that we have needed to provide to franchisees has steadily reduced over the same period.

The upside to this incident has been that the group, as well as our franchisees, have had to consolidate and refocus to continue meeting our customers' needs. We have prioritised our focus on product quality, service and innovation. There is also a heightened awareness by all stakeholders of the importance of reputation management and the role that social media plays in influencing reputation.

We invested in social media tracking software and our social media team has grown to four dedicated social media ambassadors, monitoring and responding to queries, compliments and complaints posted on sites such as TripAdvisor, GoReview, Facebook and Twitter. Negative comments are forwarded to the customer service centre for logging and resolution. In addition, our customer service centre handles approximately 120 000 queries a year, of which only a small fraction are complaints. Customer interactions increased by 16% during the year under review. Of these, 76% were queries, 18% were compliments and 6% complaints.

Franchised restaurant sales increased by 0.6% to R7.2 billion, and by 1.3% to R7.1 billion excluding Captain DoRegos. Excluding Captain DoRegos, franchised restaurant sales in South Africa grew by 1.5%, while international restaurant sales decreased by 0.7% in rand terms and increased by 2.7% on a constant exchange rate basis. Excluding Captain DoRegos, which comprised 46 restaurants at the date of disposal, 55 new restaurants were opened during the year, and 27 closed, taking the number of restaurants to 575, of which 62 operate outside South Africa.

Local restaurant sales for Spur Steak Ranches declined by 9.3% in the first half and 3.2% in the third quarter, but increased by 14.8% in the fourth quarter, resulting in a 2.8% decrease for the full year, clearly indicating the extent of recovery during the year. Despite the challenges facing the brand over the past year, we managed to maintain the number of restaurants at 290 (2017: 289).

The pizza and pasta division grew restaurant sales by 4.2% for the year, while the number of local restaurants increased from 86 to 92. The domestic pizza market is highly competitive with several major chains following aggressive discounting strategies. Wood-fired pizza ovens have been introduced in selected outlets to enhance product quality and save on electricity consumption and will be rolled out to at least another 10 restaurants in the new year.

RocoMamas restaurant sales increased by 31.5% as 15 restaurants were opened in South Africa. The brand has grown from five outlets when we bought the business in 2015 to a national footprint of 65 restaurants. The brand's quality and innovation continue to attract strong support from the urban millennial market.

John Dory's restaurant sales grew by 0.6% with the performance impacted by the temporary closure of two major outlets for shopping mall redevelopment. The number of restaurants increased from 48 to 49 during the year.

The Hussar Grill grew restaurant sales by 24.4%, assisted by the opening of three new restaurants, taking the number of local restaurants from 14 to 17. While the chain's upper income customer base continues to be more resilient than the middle-income market, there are signs of increasing pressure on these customers due to the state of the economy.

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

The Mauritius operation continues to trade well, and Africa generally performed in line with expectations, although trading in Kenya and Tanzania was impacted by political issues, Zambia by the outbreak of cholera in the region and Namibia by tough trading conditions similar to those experienced in South Africa. The trading environment in Australia, which is a resource-based economy, has been particularly challenging, compounded by high labour costs, which has put pressure on the franchise model in the country. Based on the performance of the operations in Australia, the group is re-evaluating the business model in that country with the aim of implementing technology solutions to reduce labour costs while actively engaging with landlords and franchisees to reduce restaurant sizes to ensure the sustainability of the business.

Revenue from continuing operations increased by 3.0% to R667.2 million. Revenue was impacted by the franchise fee concessions granted to assist several Spur franchisees in the aftermath of the Spur social media incident. Franchise revenue in Spur declined by 3.2% and increased in Pizza and Pasta by 2.6%, John Dory's 2.0%, The Hussar Grill by 33.6% and RocoMamas by 37.8%.

Revenue from the manufacturing and distribution division increased by 2.4%, negatively impacted by lower restaurant demand for manufactured and centrally procured items.

Margins came under pressure across all divisions in South Africa, except for RocoMamas, as operational costs (mainly employment costs) increased ahead of revenue growth. The manufacturing and distribution margin declined due to higher input costs which were not passed on to franchisees, and lower volumes of products supplied to franchisees.

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

SUSTAINABILITY, GOVERNANCE AND TRANSFORMATION

The worldwide paradigm shift relating to social and environmental sustainability has been profound, and consumers support brands with clear positions on sustainability, fair and just employment practices and that are active in their communities. Sustainable business practices also attract the right talent and investors, ultimately enhancing the group's reputation and leading to sustained financial growth.

Therefore, operating in a sustainable manner is crucial for Spur Corporation. We focus on financial, social and environmental sustainability and set clearly defined targets and objectives to guide actions and outcomes in this regard. The group's regular review of social and environmental risks, legislative requirements and best practice feeds into strategic discussions throughout Spur Corporation.

In 2018, several factors pointed to the importance of environmental sustainability. Globally, the biggest social conscience trend was a significant shift in awareness around plastic pollution. In South Africa, this global movement as well as severe water shortages in the Western and Eastern Cape initiated consumer pressure across the group's brands to tackle environmental issues.

Spur Corporation is committed to good corporate citizenship. The board is responsible for the application of integrated thinking as encapsulated in King IV™*, which will protect our ability to continue sharing value with our stakeholders. We understand that, by engaging our key stakeholders meaningfully and in line with King IV™, we can gain insights into their needs. Details of our stakeholder engagement can be found on page 22.

Spur Corporation's success and business objectives are dependent on the talent, skills and expertise of its employees. Huge emphasis and value are placed on ensuring that we have a skilled and diverse workforce. The group's investment in skills development is crucial to ensure we support and harness the best from our human capital. Training and development initiatives provided to franchisee employees further ensure that quality and service are maintained at the highest standard.

Spur Corporation, along with many of our franchisees, is active in communities through various corporate social investment ("CSI") initiatives that aim to make a positive and lasting difference. Managed by The Spur Foundation, our CSI initiatives reflect its motto "Nourish, Nurture, Now!" through feeding and education programmes for children and the provision of necessities and amenities.

Spur remains committed to the undertakings made by the industry to the Department of Health and, "Better for You" meals, or healthier swap recommendations now feature on the kids' and adult menus of Spur Steak Ranches, Panarottis and John Dory's.

Further details on these initiatives can be found in the online sustainability supplements at www.spurcorporation.com/investors/results-centre/.

OUTLOOK AND APPRECIATION

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

In the next year, we plan to open at least 29 restaurants across our brands locally, and at least 14 restaurants internationally. The expansion will focus mainly on Africa where new outlets will be opened in Zambia (eight), Namibia (two) and Botswana (one). The group's first restaurant will be opened in India (RocoMamas) with a further two outlets planned for Saudi Arabia (RocoMamas and The Hussar Grill). The group is also in advanced negotiations to expand into Cyprus (RocoMamas) and Pakistan (Spur) where potential sites are currently being assessed.

We would like to thank our shareholders and other stakeholders, and particularly the staff of Spur Corporation, for the hard work done behind the scenes to make the group a success.

We thank our franchisees for their unwavering commitment in difficult trading times. Despite significant pressure on their margins, they continue to trade aggressively and capitalise on opportunities to grow market share.

Finally, we thank our customers for their continued patronage of our business.

Allen Ambor
Executive chairman

Pierre van Tonder
Group chief executive officer

RETIREMENT OF SPUR FOUNDER AND EXECUTIVE CHAIRMAN

Spur Corporation founder and executive chairman, Allen Ambor, is to retire from the company and the board, effective 1 March 2019, after 51 years' service.

Allen (77) founded Spur when he opened the first restaurant in Newlands, Cape Town, in 1967. He has served as executive chairman of the board since the company's listing on the JSE in 1986.

On behalf of the board, we thank Allen for his unrivalled passion, commitment and inspiration over the past five decades in building Spur Corporation into the market-leading business that it is today. He has overseen the growth of the business from a single outlet to a multi-brand franchisor with over 575 restaurants in South Africa and internationally.

The nominations committee of the board is in the process of identifying a new board chairman.

CASE STUDY

FILL A TUMMY, FEED A MIND

In 2017, we launched the Full Tummy Fund initiative as a programme of the Spur Foundation and the vehicle used to invest in Early Childhood Development ("ECD") and nutritional programmes. John Dory's, Panarottis and Spur Steak Ranches support the Full Tummy Fund by adding an automatic donation of R2 to selected kids' meals on their menus.

We're taking the long-term view – South Africa can only grow if we are able to address the developmental challenges facing its citizens. Early childhood is a critical stage of development that forms the foundation for children's future well-being and learning. Although experts agree that the situation for South African children under six years old has improved since 1994, the ECD sector still faces significant challenges, including poor nutrition, lack of funding, few well-trained ECD staff, lack of appropriate instruction programmes, insufficient facilities and lack of institutional capacity.

Investing in early childhood development is known to be one of the most effective means of eradicating poverty. Integrated programmes that target children in their early years are critical for their mental and psycho-social development. It is for this reason our developmental focus remains strongly on the first 2 000 days of a child's life, with emphasis on early childhood development and nutrition for children from disadvantaged communities.

By providing support over the critical phase in a child's early development, the Full Tummy Fund initiatives help to lay a strong educational foundation on which a healthier, more prosperous and better society can be built. We know that you can't teach a hungry child, and during these first, formative years, the essential building blocks for brain and body development are laid.

In July 2018, South Africa's First Lady, Dr Tshepo Motsepe, hosted a celebration in Pretoria when 90 women received recognition for completing an ASHA Trust course that is designed to directly address the crisis in early childhood care and education in South Africa. Nineteen of these women are principals at crèches sponsored by the Full Tummy Fund.

During the year, the Full Tummy Fund contributed R2.6 million to ECD initiatives.

CHIEF FINANCIAL OFFICER'S REPORT

Phillip Matthee
Chief financial officer

Spur Corporation's financial results for the 2018 financial year reflect the most challenging trading environment in recent history. However, the trajectory of the Spur brand, comprising two-thirds of the local business and approximately 60% of the group's worldwide business, has been positive.

The effect of last year's social media reaction to the incident at a Spur outlet in Johannesburg, compounded by political instability and economic woes, had a lingering impact on the current financial year. In addition, the South African consumer has seen no respite from economic headwinds. Positive consumer sentiment following the inauguration of President Ramaphosa in February 2018 has been tempered by the realisation that there is no short-term solution to the challenges facing South Africa.

Spur Steak Ranches managed to recover much of the trade lost in the fourth quarter of the 2017 financial year. While revenue generated by the Spur brand is lower because of lower restaurant sales, the impact was exaggerated by the need to support franchisees in the form of temporary franchise fee concessions to trade through the adverse conditions. As at 30 June 2018, seven of these franchise fee concessions remained in place, significantly lower than the 134 that existed at the same time last year.

The shift in promotional strategy to decrease excessive discounting at franchisees' expense for Spur Steak Ranches in March 2017, and Panarottis during the second half of the 2018 financial year has had the predicted impact of tempering restaurant turnover growth in the short term with a concomitant impact on the group's revenue growth. However, this strategic shift enhances the sustainability of our franchise model and bodes well for the longer-term financial feasibility of our franchise business.

Operating margins have declined across our mature brands as a result of operational costs, predominantly employment costs, increasing more than revenue. The franchise business is a high-margin business, reliant on key skills. It is necessary to ensure remuneration remains competitive, especially when we require competent people to trade through difficult conditions. This requires above-inflation increases. When combined with lower-than-inflation increases in revenue, the impact on margins is significant.

Internationally, our business in Mauritius grew well and Africa performed in line with our expectations.

The performance of our Australian operations is concerning. The recovery in the Australian economy, which is predominantly resource-based, has taken longer than expected, resulting in pressure on franchise restaurant sales. At the same time, the high cost of labour affects franchisee profitability. This required the group to provide financial assistance to franchisees in the form of loans and temporary franchise fee concessions. We also had to close two restaurants that were no longer viable. The fewer number of restaurants and increased franchise fee concessions compounded the impact on revenue and profitability in the region. Furthermore, we had to recognise impairment losses of R7.2 million in respect of loans granted to franchisees.

During the year, we partnered with local Australian entrepreneurs to establish the RocoMamas brand in Australia. Our Australian partners own 45% of the venture, RocoMamas founder, Brian Altriche, owns 10% and Spur Corporation 45%. The first RocoMamas outlet in Australia was opened in Melbourne in June 2018 and is owned by the venture. In addition to the initial investment of R5.3 million, costs incurred by the group in establishing the venture and supporting opening of the initial outlet amounted to R2.3 million for the year. The group's share of equity-accounted start-up losses for the venture amounted to R1.8 million.

Following the protracted underperformance of our 30% investment in Braviz, a start-up rib manufacturing factory, we impaired our full investment of R44.2 million in the prior year.

Restaurant turnovers*

	2018		2017			
Brand	**R'000**	**No. of restaurants**	R'000	No. of restaurants	% change in restaurant turnover	% change in existing restaurants turnover
Spur Steak Ranches	**4 351 067**	**290**	4 478 004	289	(2.8)	(4.9)
Pizza Pasta	**792 547**	**92**	760 591	86	4.2	(0.6)
John Dory's	**453 809**	**49**	450 919	48	0.6	(7.3)
The Hussar Grill	**184 298**	**17**	148 183	14	24.4	6.6
RocoMamas	**627 951**	**65**	477 619	50	31.5	14.5
Total South Africa	**6 409 672**	**513**	6 315 316	487	1.5	(2.8)
International	**711 505**	**62**	716 419	60	(0.7)	(6.3)
Total group	**7 121 177**	**575**	7 031 735	547	1.3	(3.2)

* Excluding Captain DoRegos (sold with effect from 1 March 2018).

Percentage change in restaurant turnovers by quarter – South Africa*

Brand	Q1	Q2	Q3	Q4
Spur Steak Ranches	(14.0)	(5.3)	(3.2)	14.8
Pizza Pasta	7.3	6.0	4.4	(1.0)
John Dory's	1.4	2.1	4.4	(5.7)
The Hussar Grill	20.2	27.4	21.3	28.4
RocoMamas	44.0	32.5	27.9	23.7
Total	(6.0)	(0.1)	1.4	12.2

* Excluding Captain DoRegos (sold with effect from 1 March 2018).

During the current year, we negotiated the sale of our investment to the remaining shareholders of the venture for R17.5 million. We acquired the Captain DoRegos brand in 2012 to make inroads into the quick-service restaurant market and service a customer that the group previously had no exposure to. However, the impact of the sluggish economy on the lower-income market serviced by the brand, as well as the relatively low profit contribution per unit (owing to lower turnover), and fierce competition from independent traders negatively impacted the business. Despite our efforts to make a success of it, we took the decision to dispose of the business. The assets of Captain DoRegos had been fully impaired as at 30 June 2017. We were able to sell the business for R4.8 million with effect from 1 March 2018.

The impact of the social media incident in the fourth quarter of the prior year on Spur brand restaurant turnover exaggerated the improvement reported in the fourth quarter of the current year. Locally, the decline in existing restaurant sales was driven largely by the Spur brand for the reasons articulated above, the implementation of the change in discounting strategy in the Panarottis brand in the second half of the financial year, and the temporary closure of certain key John Dory's restaurants due to development activity in the malls where they trade.

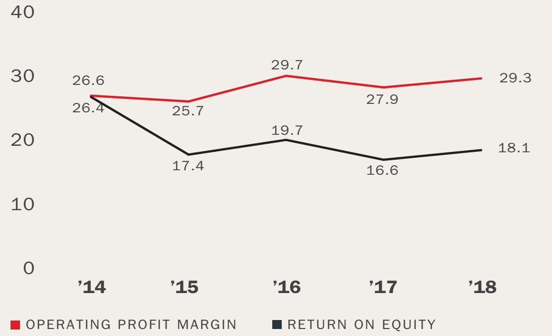
International restaurant sales increased by 2.7% on a constant exchange rate basis and declined by 0.7% in rand terms, largely driven by the Australasia region.

Group revenue from continuing operations increased by 3.0% to R667.2 million (2017: R648.0 million) and group profit before income tax from continuing operations increased by 9.8% to R231.4 million (2017: R210.7 million).

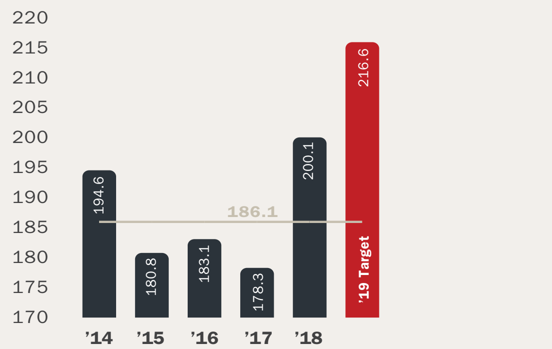
Group operating profit before finance income (including share of profit/loss of equity-accounted investee (net of income tax)) of R200.1 million exceeded the 2018 target of R186.1 million. This was primarily due to profits recognised on the sale of Braviz (R17.5 million) and Captain DoRegos (R4.8 million) that significantly distort the performance of the group.

There are a number of one-off and exceptional items that affect the comparability of group profit before income tax and headline earnings per share. These are reconciled in the tables on pages 32 and 33 of this report. Adjusting for these distortions, comparable profit before income tax declined by 8.0%, comparable profit before finance income declined by 8.8% and comparable headline earnings per share declined by 9.5%. The target of 6.8% growth in comparable profit before finance income was not achieved because of the losses incurred in Australia and lower than anticipated profits in South Africa. While operating margin and return on equity both increased, these are distorted as a result of the aforementioned one-off and exceptional items.

OPERATING MARGIN AND RETURN ON EQUITY (%)

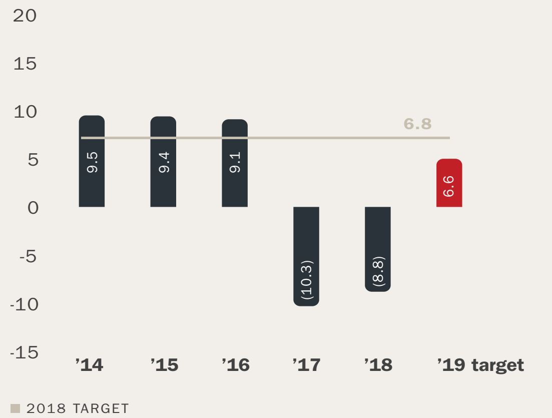


OPERATING PROFIT BEFORE FINANCE INCOME* (R'm)



* As defined in note 1 on page 7

GROWTH IN COMPARABLE PROFIT BEFORE FINANCE INCOME (%)



FINANCIAL PERFORMANCE

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

	2018 R'000	2017 R'000	% change
Profit before income tax	**231 368**	214 775	7.7
Exclude profit from discontinued operations (UK)	**–**	(4 084)	
Profit before income tax – continuing operations	**231 368**	210 691	9.8
Australia loan impairments and write-offs	**7 230**	–	
Braviz	**(17 500)**	44 192	
Braviz (interest)	**–**	(4 284)	
Captain DoRegos	**(4 750)**	7 764	
Foreign exchange loss	**401**	799	
RocoMamas Australia	**4 066**	–	
RocoMamas contingent consideration	**12 745**	777	
Share appreciation rights cost (net of related hedge)	**2 283**	1 996	
Share appreciation rights cost (actual net cost amortised on straight-line basis)	**(1 258)**	(4 313)	
Share incentive scheme (new equity-settled forfeitable share plan and share appreciation rights schemes)	**1 919**	985	
Spur Foundation	**907**	1 206	
Tax litigation costs	**1 692**	200	
Comparable profit before income tax	**239 103**	260 013	(8.0)
Net finance income (excluding impact of Braviz)	**(31 289)**	(32 238)	
Comparable profit before finance income	**207 814**	227 775	(8.8)

Item	2018	2017
Australia loan impairments and write-offs	Comprises R6.753 million impairment loss on loans granted to two Panarottis franchise outlets in Australia and R0.477 million relating to other write-offs in Australia.	
Braviz	Profit on disposal of Braviz shareholder funding on 6 November 2017 as detailed in note 10.1 on page 132 of the consolidated financial statements.	Impairment of the Braviz shareholder funding in full as detailed in note 15.1 on page 142 of the consolidated financial statements.
Braviz (interest)	As the Braviz shareholder funding had been fully impaired at 30 June 2017, no interest was recognised in profit for the 2018 financial year.	Interest earned on Braviz shareholder funding.
Captain DoRegos	Profit on disposal of Captain DoRegos with effect from 1 March 2018 as detailed in note 14.1 on page 140 of the consolidated financial statements.	R6.778 million related to the impairment of the Captain DoRegos trademark and related intellectual property intangible assets as detailed in note 14.1 on page 140 of the consolidated financial statements. R0.986 million related to a loan to the Captain DoRegos marketing fund which was forgiven during the year.
Foreign exchange	Realised and unrealised exchange differences related predominantly to the group's international operations.	
RocoMamas contingent consideration	The purchase consideration for the acquisition of RocoMamas was determined as five times RocoMamas' profit before income tax in the third year following the date of acquisition. IFRS required a liability to be recognised at fair value for this contingent consideration. Any change in the fair value was recognised in profit. Refer to note 26 on page 156 of the consolidated financial statements.	

Item	2018
Share appreciation rights cost (net of related hedge) (long-term share-linked employee retention scheme)	Comprises a cash-settled share-based payment credit of R0.885 million (2017: R3.795 million), net of a loss on the related hedging instrument of R3.168 million (2017: R5.791 million) – see notes 27 and 28 on pages 157 and 158 respectively of the consolidated financial statements.
Share appreciation rights cost (actual net cost amortised on straight-line basis)	The vagaries of the IFRS treatment of the cash-settled share appreciation rights and related hedging instruments created significant volatility in earnings. The purpose of the hedge was to fix the cost of the scheme at the commencement of each tranche of rights, on the assumption that the vesting date share price would exceed the original grant date share price. The economic cost to Spur Corporation of the transaction, had it been amortised on a straight-line basis over the vesting period of each tranche, amounts to R1.258 million (2017: R4.313 million).
Share incentive scheme (new equity-settled forfeitable share plan and share appreciation rights schemes)	The equity-settled share-based payment expense relates to the forfeitable share plan and share appreciation schemes implemented in April 2016. Refer to note 21.4 on page 151 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.
Tax litigation costs	As detailed in note 44.1 on page 183 of the consolidated financial statements, a wholly-owned subsidiary has appealed additional assessments issued by SARS for the 2005 to 2012 years of assessment related to a disallowance of a deduction claimed in respect of the group's 2004 share incentive scheme. The matter was heard by the Income Tax Court in February 2018. While the Court ruled in favour of the subsidiary, SARS has appealed the judgement.

The effective tax rate from continuing operations decreased to 29.5% (2017: 36.4%). The prior year was inflated mainly due to the impairments related to Captain DoRegos and Braviz which were not deductible. The current year includes profits on disposal of Captain DoRegos and Braviz assets which are not taxable.

The effective tax rate is greater than the corporate tax rate of 28% due to:
- Australian loan impairments which are not tax deductible;
- the RocoMamas contingent consideration fair value adjustment which is not tax deductible;
- listings and trademark-related costs that are not deductible;
- costs related to the establishment of the RocoMamas venture and first RocoMamas retail outlet in Australia that are not deductible; and
- local and foreign withholding taxes that are not recoverable.

Comparable headline earnings reconciliation	**2018 R'000**	2017 R'000	% change
Headline earnings – as reported	**153 656**	133 863	14.8
Exclude headline earnings from discontinued operations (UK)	**–**	1 218	
Headline earnings from continuing operations	**153 656**	135 081	13.8
Australia loan impairments and write-offs	**7 230**	–	
Braviz	**(20 757)**	44 192	
Braviz (interest)	**–**	(3 084)	
Captain DoRegos	**–**	986	
Foreign exchange loss	**401**	776	
RocoMamas Australia	**3 873**	–	
RocoMamas contingent consideration	**12 745**	777	
Share appreciation rights cost (net of related hedge)	**1 644**	1 437	
Share appreciation rights cost (actual net of cost amortised on straight-line basis)	**(906)**	(3 105)	
Share incentive scheme (new equity-settled forfeitable share plan and share appreciation rights schemes)	**1 463**	665	
Tax litigation costs	**1 218**	144	
Comparable headline earnings	**160 567**	177 869	(9.7)
Weighted average number of ordinary shares ('000)	**95 580**	95 828	(0.3)
Comparable headline earnings per share (cents)	**167.99**	185.61	(9.5)

Earnings per share from continuing operations increased by 22.3% to 165.8 cents (2017: 135.6 cents) and headline earnings per share from continuing operations increased by 14.0% to 160.8 cents (2017: 141.0 cents). These increases are distorted by the items impacting comparable profit in the tables above.

Comparable headline earnings per share decreased by 9.5%. The dividend per share declined by 6.8% to 123 cents (2017: 132 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	**2018 R'000**	2017 R'000	% change	**2018 R'000**	2017 R'000	% change	**2018 %**	2017 %	% change
Manufacturing and distribution	**186 224**	181 834	2.4	**61 050**	66 243	(7.8)	**32.8**	36.4	(3.6)
Spur	**211 018**	217 918	(3.2)	**176 481**	188 047	(6.2)	**83.6**	86.3	(2.7)
Pizza and Pasta	**36 388**	35 471	2.6	**22 189**	22 967	(3.4)	**61.0**	64.7	(3.8)
John Dory's	**20 096**	19 699	2.0	**9 491**	9 715	(2.3)	**47.2**	49.3	(2.1)
Captain DoRegos*	**1 924**	2 812	(31.6)	**4 002**	(8 040)	149.8	**208.0**	(285.9)	493.9
The Hussar Grill	**6 324**	4 733	33.6	**4 871**	4 092	19.0	**77.0**	86.5	(9.5)
RocoMamas	**32 817**	23 809	37.8	**22 988**	16 457	39.7	**70.0**	69.1	0.9
Retail	**69 534**	63 569	9.4	**6 785**	4 633	46.4	**9.8**	7.3	2.5
Other segments	**67 852**	62 851	8.0	**(4 953)**	(3 188)	(55.4)			
Unallocated	**2 552**	3 269	(21.9)	**(65 352)**	(93 794)	30.3			
Total South Africa	**634 729**	615 965	3.0	**237 552**	207 132	14.7	**37.4**	33.6	3.8
UK (discontinued)	**–**	–		**–**	4 084				
Australasia	**6 547**	9 870	(33.7)	**(10 993)**	(111)				
Other segments	**25 916**	22 181	16.8	**13 114**	8 991	45.9			
Unallocated	**–**	–		**(6 492)**	(5 345)	(21.5)			
Total International	**32 463**	32 051	1.3	**(4 371)**	7 619	(157.4)	**(13.5)**	23.8	(37.3)
Total	**667 192**	648 016	3.0	**233 181**	214 751	8.6	**34.9**	33.1	1.8

* Sold with effect from 1 March 2018.

\+ Profit before income tax excluding share of loss/profit from equity-accounted investee and including profit/loss from discontinued operation.

Operating margin in the manufacturing and distribution segment declined in part due to lower product volumes supplied to Spur brand restaurants and higher input costs in the sauce manufacturing facility. The increased costs were not passed on to franchisees to maintain franchisee profitability. Revenue relating to the outsourced distribution business, which essentially operates at a 100% margin, declined to a greater extent than restaurant sales. This was a result of certain brands that participate in the distribution model, particularly Spur Steak Ranches, moving key products away from central procurement to be manufactured in-restaurant.

Revenue in The Hussar Grill, John Dory's and RocoMamas increased in line with restaurant turnovers. Revenue in Spur Steak Ranches declined slightly more than restaurant sales, and revenue in the Pizza and Pasta division increased slightly less than restaurant sales because of temporary franchise fee concessions granted to franchisees to trade through the difficult conditions. Operating margins have declined across all trading brands except RocoMamas, as employment costs, which comprise the majority of direct operations costs, grew more than revenue growth. Profit in the Pizza and Pasta division included intellectual property development costs related to the wood-fired pizza concept and additional marketing costs for Casa Bella. The Hussar Grill was impacted by the employment of additional operations employees.

Captain DoRegos' profit included the intangible asset impairment loss of R6.8 million and the write-off of the marketing fund loan of R1.0 million in the prior year, while the current year includes the profit on disposal of the business of R4.8 million.

The retail division performed well in the year under review.

The "Other segments" category of the South Africa segmental results includes the group's décor manufacturing, export, radio station, training and call centre businesses. Apart from the export business, the other businesses are not intended to make significant profits as they are functions to support franchisees. The increase in revenue is largely attributable to a greater value of ancillary items sold to franchisees that generate a very small margin. The decline in profitability stems from an increase of R1.3 million in the loss realised in the group's décor manufacturing business, as décor sales declined in response to smaller new restaurants and fewer bespoke décor items being utilised in the latest restaurant specification. The loss recognised by the group's training division increased by R0.5 million due to a shift away from expensive traditional classroom training to more efficient online training which is cheaper for franchisees and more effective.

Local franchise operating profit margin	2018 %	2017 %	2016 %	2015 %	2014 %
Manufacturing and distribution	**32.8**	36.4	37.9	38.6	33.1
Spur Steak Ranches	**83.6**	86.3	89.6	89.3	88.9
Pizza and Pasta	**61.0**	64.7	67.9	68.6	62.7
John Dory's	**47.2**	49.3	51.6	56.2	54.2
Captain DoRegos*	**208.0**	(285.9)	(393.7)	(194.5)	26.4
The Hussar Grill	**77.0**	86.5	77.3	53.7	67.3
RocoMamas	**70.0**	69.1	70.1	63.7	–

* Sold with effect from 1 March 2018.

Unallocated South Africa loss before income tax includes:

- administration fee income of R20.7 million (2017: R21.7 million) from marketing funds (refer note 39 on page 171 of the consolidated financial statements) determined as a percentage of marketing fund inflows;
- net finance income of R30.5 million (2017: R35.8 million);
- profit on the sale of Braviz shareholder loans of R17.5 million compared to the impairment loss on the loans in the prior year of R44.2 million;
- share-based payment expense of R4.2 million (2017: R2.3 million) relating to the group's share-linked employee retention and incentive schemes;
- the fair value adjustment related to the RocoMamas contingent consideration of R12.7 million (2017: R0.8 million); and
- tax litigation costs of R1.7 million (2017: R0.2 million).

Excluding the above items, unallocated local costs increased by 11.7%. The bulk of these costs comprise employment costs which increased by 12%. Other unusual costs include:

- increased rent as we expanded our Johannesburg corporate office;
- legal costs related to the Braviz sale; and
- external consulting costs incurred for a leadership culture transformation journey initiated during the year.

The reported lower restaurant sales and the increased temporary franchise fee concessions in Australia have negatively impacted revenue and profitability of the Australasia segment. The challenging trading environment and high labour costs in Australia required us to reassess the recoverability of loans granted to franchisees and we have had to impair loan receivables to the extent of R6.8 million. In addition, the division's loss includes R2.3 million related to the establishment of the RocoMamas franchise business and first company-owned RocoMamas outlet in Australia.

The increase in revenue from the "Other international" segment, comprising largely the African operations, was exaggerated by the inclusion of initial franchise fees of R3.4 million (2017: R1.3 million) including R1.6 million from franchisees in India, Pakistan and Cyprus. In these regions, costs are only likely to be incurred in the 2019 financial year once suitable sites are secured. Excluding the impact of initial franchise fees and associated restaurant development costs, the division increased profit by 3.5%. Costs of servicing African countries are high, as they are incurred in US dollars, while revenue is earned in local currencies, which have been weak in many of the countries where we trade.

Unallocated international loss before income tax includes a foreign exchange loss of R0.4 million (2017: R0.7 million). Excluding this adjustment, the loss increased by 32.5% in rand terms and by 28.3% on a comparable exchange rate basis. This is partly due to European travel costs for group employees now included in full as part of the unallocated loss. Previously, a portion was allocated to the UK division. Additional professional services costs incurred were related to international tax compliance.

FINANCIAL POSITION

The group invested R5.3 million for its 45% interest in the Australian RocoMamas venture. All shareholders contributed funding in proportion to their shareholding. The funds invested have been utilised to establish the intellectual property of the brand and set up the first RocoMamas in Australia. The group's share of these initial losses, amounting to R1.8 million for the year, have been equity-accounted against the carrying value of the investment.

Loans receivable have increased by R15.9 million. Of this increase, R4.0 million relates to deferred proceeds on the sale of the Captain DoRegos business, R11.0 million was advanced to Australasian franchisees, and R9.0 million relates to an increase in the loan receivable from the Spur marketing fund (refer to note 15 on page 142 of the consolidated financial statements). The increased loan to the marketing fund arises from an overspend in the fund following the decline in restaurant turnovers and resulting marketing fund contributions over the past 15 months. The loan is financed by Spur Corporation (refer note 15.10 on page 146 of the consolidated financial statements). The board, management of the marketing fund and franchisees are reassessing the priorities of the marketing fund to ensure that expenditure is curtailed in a responsible manner, such that the loan can be repaid with the least negative impact for the brand and franchisees.

Tax receivable of R36.2 million includes R22.0 million of taxes and interest paid for additional assessments issued by SARS related to the dispute of the 2004 to 2009 share incentive scheme, as referred to below. It also includes withholding tax credits related to foreign jurisdictions which can be used once the foreign subsidiaries in question are in a tax-paying position.

Trade receivables have increased by R27.2 million, the bulk of which pertains to franchise and marketing fees receivable in the last month of the financial year. June 2017 marked the peak of the impact of the social media incident and franchise fees receivable for that period were unusually low. The increase reflects the recovery in restaurant turnovers and related fees receivable. Trade receivables related to manufacturing and distribution sales increased for the same reason and contributed to the overall increase in trade receivables.

The increase in trade payables of R14.1 million includes increases in VAT payable due to higher revenue for the month of June relative to the prior year, increases in leave and bonus provisions and increased purchases of raw materials by the manufacturing facility as a result of higher production volumes relative to the prior year.

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 increased by R3.8 million because certain expenditure items have been deferred to the next financial year.

The acquisition of 51% of RocoMamas in 2015 led to the raising of a contingent consideration liability. The purchase consideration was determined as five times the profit before income tax of the business for the 12-month period ended 28 February 2018. Following an initial payment of R2.0 million made on the acquisition date, further payments were made on the first, second and third anniversary dates of the acquisition. These were calculated as five times the profit before income tax of each anniversary period less any previous payments made. The final payment of R18.5 million was settled in cash during the year (2017: R18.3 million), denoting a total purchase consideration for the 51% interest of R59.2 million. 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. The transaction has yielded a compelling return to date on the aggregate investment of R73.2 million, with an after-tax return of 17.0% (or 23.7% pre-tax) realised for the 2018 financial year.

The group acquired an additional 160 000 treasury shares at an aggregate cost of R4.2 million during the year. The group intends 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 16.0% to R197.2 million (2017: R234.7 million). Operating profit before working capital changes declined in line with the lower profitability of local operations, while investment in working capital increased significantly, due primarily to the increase in trade receivables, as detailed above.

Capital expenditure	**2018 R'000**	2017 R'000	2016 R'000
Maintenance	**10 291**	10 983	9 890
Expansion	**–**	2 709	35 808
Total	**10 291**	13 692	45 698

Capital expansion in 2016 and 2017 related largely to the extension of our corporate head office in Cape Town. The biggest contributor to maintenance expenditure is information technology.

TAX QUERIES

During prior years, SARS had issued the group with additional assessments in respect of the 2005 to 2012 years of assessment totalling R22.0 million, following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. The assessments were settled in cash in prior years. Following failed alternative dispute resolution proceedings, the matter was heard in the income tax court in February 2018. The tax court found in favour of the group, but SARS has appealed the ruling. A trial date to hear the appeal has yet to be set. The board, in consultation with its tax advisors, remains confident that the probability of SARS' appeal being successful is low. Consequently, no liability has been raised in respect of the assessments issued and the payments made to date are accounted for as prepayments of income tax.

LONG-TERM SHARE-LINKED EMPLOYEE RETENTION AND INCENTIVE SCHEME

A cash-settled long-term share-linked employee retention scheme was implemented in December 2010 in terms of which a maximum of 1.5 million cash-settled share appreciation rights were issued to senior management each financial year up to the 2015 financial year. The group's obligations in respect of these rights were hedged to the extent possible to mitigate the liquidity risk associated with the rights. A number of forward purchase transactions were accordingly concluded to hedge the possible cash outflow resulting from the rights. The hedges were designed to be effective only if the share price appreciated above the forward price of the contracts.

The final tranche of cash-settled share appreciation rights vested in December 2017. As the share price on vesting was below the grant price, no payments were made to participants of the scheme this year. In addition, the group was required to settle the deficit between the forward price of the forward purchase contracts referred to above and the value of the shares on vesting date, which amounted to R13.4 million, in cash during the year. The impact on profit of the rights and related hedging instruments, as well as an indication of the straight-lined cost of the scheme is included in the comparable profit table above.

In 2015, shareholders approved two new share schemes, a forfeitable share plan retention scheme and a share appreciation rights incentive scheme, to replace the previous 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 remuneration practice recommendations of King IV™. The first two tranches of awards in terms of the schemes were granted in April 2016 and April 2017. No awards were granted in the current financial year, pending further engagement with key stakeholders on the implementation of King IV™ principles adopted. It is anticipated that the next awards will be granted by November 2018.

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

Spur Corporation acquired 51% of Nikos Coalgrill Greek after year-end with effect from 1 August 2018. The purchase price mechanism is similar to that of the RocoMamas acquisition. While we do not expect the expansion of this brand to be as prolific and quick as RocoMamas, it is scalable, and a number of sites have already been identified for expansion of the footprint. This presents an opportunity to expand into a product offering that is gaining popularity, and make a meaningful contribution to group profits.

Heading into an election in 2019, we expect politics to monopolise the national discourse in the months ahead, and populist rhetoric on economic and other policies to potentially unsettle markets. In this environment, it is unlikely that meaningful measures will be implemented to stimulate economic growth. Trading is likely to remain difficult. To ensure that we can maintain a sustainable business, we will continue to be responsibly cost-conscious in the year ahead, balancing the need to grow profits with the need to retain and attract key skills. We will do what we do best – provide our customers with quality, value and innovation. Our strategy will be to continue to expand in international markets, in an effort to diversify our geopolitical risk away from South Africa. Expansion in India, Pakistan and Cyprus, in addition to certain of our existing markets in Africa, and the expansion of RocoMamas in Australia could present opportunities to grow the international business.

Phillip Matthee
Chief financial officer

STRATEGY

Spur Corporation's goal is to generate sustainable returns for our providers of financial capital over the long term. These returns support the creation of value for the group's other key stakeholders. The group's strategy is based on two complementary objectives, supported by strategic value drivers:

OUR STRATEGIC OBJECTIVES

Growing revenues

- Increase existing restaurant 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

Maintaining a sustainable business

- Responsive and agile franchise model
- Ensure that franchisees can earn a competitive return on their investment
- Ethical business practices and good corporate governance
- Social responsibility
- Environmental responsibility

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 IT as a key enabler to achieve the group's strategy and invests heavily in building IT capability that supports improved strategy execution.

Strategic performance is tracked against key performance indicators ("KPIs") which include short-term (one-year) and medium-term targets. The KPIs in the table below provide a summary of current and historic performance measures, and short and medium-term targets for a range of relevant economic, social and environmental indicators. The full table can be found on page 95.

The short-term incentive scheme and the long-term equity-settled share appreciation rights schemes reward successful implementation of group strategy, as discussed in the remuneration committee report on page 71.

OUR KEY PERFORMANCE INDICATORS

	2017	Target 2018	2018	Target 2019
Total worldwide restaurant turnover (R'm)	7 157	**7 074**	**7 197**	7 547
Operating profit margin[1]	27.9%	**29.5%**	**29.3%**	31.5%
Return on equity[2]	16.6%	**17.8%**	**18.1%**	18.9%
Total local restaurants	528	**548**	**513**	532
Percentage of international revenue to total group revenue	4.9%	**5.0%**	**4.9%**	4.6%
Percentage of international profits to total group profit before income tax	3.5%	**2.5%**	**(1.9%)**	1.2%
Number of international outlets	63	**68**	**62**	70
Percentage of suppliers that have adequate and appropriate sustainability plans in place	100%	**100%**	**100%**	100%
Employee training costs (R'000)	2 248	**2 057**	**1 794**	2 779
Community support (R'000)	2 930	**3 473**	**2 602**	3 041
Electricity consumption (MWh per annum)	1 178	**1 200**	**1 063**	1 100

[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.

- 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 19.
- The group's economic material matters, including the group's strategic response to the opportunities and risks associated with each are discussed in more detail on page 40.
- Spur Corporation's social and environmental material matters are discussed in the online sustainability supplements at www.spurcorporation.com/investors/results-centre/.
- The group's main stakeholders, their key concerns and how we aim to address these are analysed on page 22.

CASE STUDY

SPUR'S 50TH BIRTHDAY

Spur Corporation turned 50 on 24 October 2017. Founder, Allen Ambor, opened the first Spur in Newlands, Cape Town in 1967. Today, 329 Spur Steak Ranches serve customers all over the world and the brand has been voted South Africa's top sit-down restaurant in the Sunday Times Top Brands Awards for six years running. The group's founding value of putting the customer first has entrenched the brand in the hearts of most South Africans.

To celebrate the 50 years, Spur Steak Ranches embarked on several activities, centred on giving back to their customers and their communities. They teamed up with radio stations in key regions to broadcast live from children's charities. Teams of volunteers helped spruce up the charities' premises while the kids enjoyed birthday parties at their local Spurs.

The brand also offered special giveaways on their social media channels, had surprise special offers in their restaurants and gave away R100 000 in Spur eGift cards. They launched nostalgic wooden menus in all Spur restaurants and brought back original favourites from yesteryear such as the Whizz Burger and Knickerbocker Sundae, for a limited time.

"Spur is more than just an employer of people; it's the place where friends, family and co-workers come together over great food to create outstanding memories."

Allen Ambor, Spur Founder

ECONOMIC MATERIAL MATTERS

SUSTAINABLE LOCAL FRANCHISE MODEL

Supporting the collective revenue growth of franchisees across the group supports group revenue growth.

Spur Corporation's business model is critically dependent on the financial success of our franchisees, since franchise fees comprise 51% of group revenue. Keeping the franchise model agile and responsive to changing market conditions supports franchisee profitability. This ensures the sustainability of their businesses and keeps the group's brands attractive to potential franchisees.

Strategic response

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

Our development teams support prospective franchisees by:

- Ensuring they have the necessary skills and capital to succeed.
- Identifying and securing suitable sites that align with the brands' target markets. Given that occupancy cost is a significant expense and above-inflation increases rapidly erode profitability. It is imperative that sites attract sufficient foot traffic to support feasible restaurants.
- Refining restaurant designs to reduce set-up costs, improve kitchen efficiencies, make effective use of space, and introduce sustainable technologies.

Our operations management teams provide support to franchisees by:

- Helping them to manage their businesses efficiently and sustainably.
- Identifying marketing opportunities and aiding the development and implementation of bespoke marketing plans for each restaurant.
- Upholding brand and product standards through regular inspections and assessments against group operational standards.

The group supports ongoing franchisee profitability by:

- Frequently reviewing and adapting the franchise model to support franchisee profitability.
- Raising brand awareness and drawing customers to restaurants through innovative marketing initiatives across a variety of channels, including social media.
- Strengthening customer engagement through loyalty programmes.
- Providing training to franchisee employees 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.

	2018 target	Achieved	2019 target
Number of local outlets			
Spur Steak Ranches	293	290	297
Panarottis	81	84	83
John Dory's	49	49	50
The Hussar Grill	17	17	20
RocoMamas	57	65	75
Casa Bella	8	8	7
Existing restaurant turnover growth percentage			
Spur Steak Ranches	(9.9)	(4.9)	5.8
Panarottis	1.6	(2.2)	3.6
John Dory's	0.6	(7.3)	5.2
The Hussar Grill	7.3	6.6	8.2
RocoMamas	12.4	14.5	13.6
Casa Bella	41.8	25.5	7.4
Total restaurant sales (R'm)			
Spur Steak Ranches	4 091	4 351	4 530
Panarottis	756	722	761
John Dory's	475	454	490
The Hussar Grill	176	184	209
RocoMamas	561	628	743
Casa Bella	72	70	77

RESTAURANT DESIGN AND SPECIFICATIONS

Standardisation supports the ability of franchisees to maintain the consistently high standards required by the group.

Standardisation of restaurant design and specifications across each brand ensures consistency across operations in terms of buildings, kitchens, service, food offerings and customer experience.

Strategic response

Regular revamps and refurbishments upgrade restaurants to keep them fresh and appealing to customers and have a direct impact on franchisee turnover. Franchisees invested more than R32 million on revamps and relocations during 2018.

New restaurant designs and equipment specifications support franchisee profitability by improving food preparation efficiency and reducing energy and labour costs. Group restaurant designs include smaller format restaurants that reduce set-up and operating costs and are better suited to smaller urban areas. These include smaller format Spur and Panarottis outlets and the Spur Grill & Go format, which is suited to high foot-traffic sites. The increases in costs of occupation (including rent, landlord operating costs, rates and utilities) has resulted in careful consideration of the size of all new restaurants, with focus on maximising trading densities. The installation of kids' play areas in Spur, Panarottis and John Dory's provides for an exciting family entertainment destination.

Operational inspections include an assessment of restaurant facilities to ensure that these continue to meet the required standards.

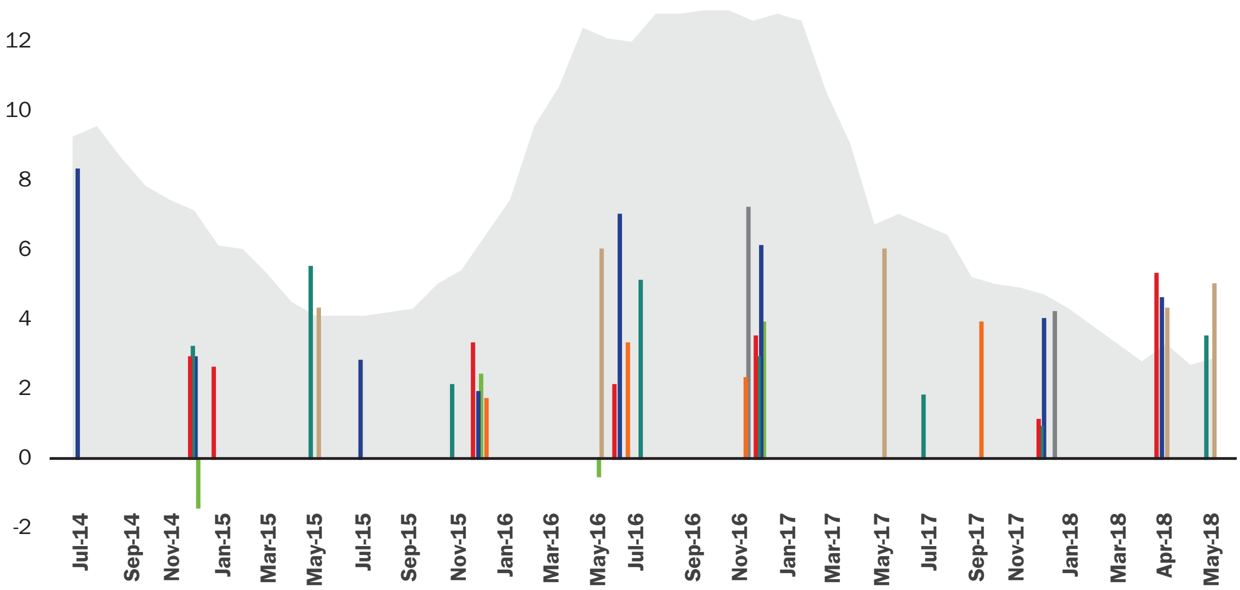
MENU ENGINEERING

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.

Strategic response

In an environment of high food inflation, increased competition and financial pressure on consumers, ongoing menu engineering supports margins by optimising sales mix and product range, thus reducing wastage, controlling food costs and reducing labour costs. This improves process efficiencies and enhances the appeal of brands to their target markets.

LOCAL MENU PRICE INFLATION AND FOOD INFLATION (%)



* Source: STATSSA

EFFICIENT USE OF RESOURCES TO REDUCE COSTS

Maintaining a sustainable business involves managing environmental risks related to climate change and responding to consumers' environmental consciousness.

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 online sustainability supplements at www.spurcorporation.com/investors/results-centre/.

However, the group 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 their energy and water efficiency. Redesigns of back-of-house layouts and the use of innovative technology offer solutions to improve energy and water efficiency and reduce oil usage. Certain franchisees have also invested in environmentally friendly solutions to reduce energy costs in restaurants with favourable returns on their investments.

INTERNATIONAL EXPANSION

Extending Spur Corporation'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.

Strategic response

Spur Corporation has restaurants operating outside South Africa in Africa, Mauritius, the Middle East and Australasia.

Trading conditions in Australasia continue to be challenging, particularly due to high occupancy and labour costs.

Spur Corporation is engaging with its franchisees in the region in an effort to reduce the size of existing outlets, rationalise the product offering and implement technology to improve efficient use of labour. The new RocoMamas in Australia incorporates these elements and will serve as a test case for determining whether a viable franchise model in the region is practicable.

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 2019, the group will continue to expand into existing markets, while further expanding into India, Pakistan and Cyprus.

The group's international footprint is shown in the diagram on page 8.

% OF INTERNATIONAL REVENUE AND PROFIT

2018 target	Achieved in 2018	2019 target	Comment
International revenue 5.0% of total group revenue	**4.9%**	4.6%	Revenue in the international business did not achieve target due to the poor trading conditions in Australasia as well as trading fewer restaurants than projected in Africa.
International profits 2.5% of total group profit	**(1.9%)**	1.2%	The loss for the year includes impairment losses and write-offs in Australia of R7.2 million. In addition, revenue was short of target.
68 international outlets	**62**	70	Fewer restaurants were opened than anticipated in Africa due to economic and political instability on the continent. In addition, three restaurants were closed in Tanzania following political issues in that country and two Panarottis outlets in Australia were closed that were not anticipated.

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 ensure we source products from suppliers that share the group's aspirations.

Strategic response

Franchisee employees receive extensive, ongoing training in food preparation, customer service, food safety and other relevant areas. All staff are trained to the highest health and food safety standards. 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 restaurant 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. Managers based in kitchens include trained quality coordinators, who check meals before delivery to our customers.

Managers in each restaurant conduct food quality and hygiene checks several times a day. At least every two months, restaurants have detailed food, hygiene and safety audits conducted on-site by corporate operations managers. Regular service and standards audits are also conducted.

A range of initiatives aim to ensure high standards in our supply chain and sauce manufacturing facilities, including:
- 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.
- Three qualified food technologists monitor quality control in the sauce manufacturing facility.

Spur Corporation's ethical sourcing policy encompasses the principles of the Ethical Trading Initiative Base Code as well as 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.

Our outsourced logistics partner delivered 40 477 tons to our outlets during the year, compared to 45 382 tons in the previous year. This can be attributed to lower turnover in Spur restaurants as well as shift of certain key products away from central procurement to being manufactured in restaurants to improve the customer offering. All major hubs servicing Spur Corporation brands at our outsourced logistics partner are ISO 22000 certified, and environmental management programmes align with the ISO 14001 standard. Four of the hubs are also accredited under OHSAS 18001, the health and safety standard.

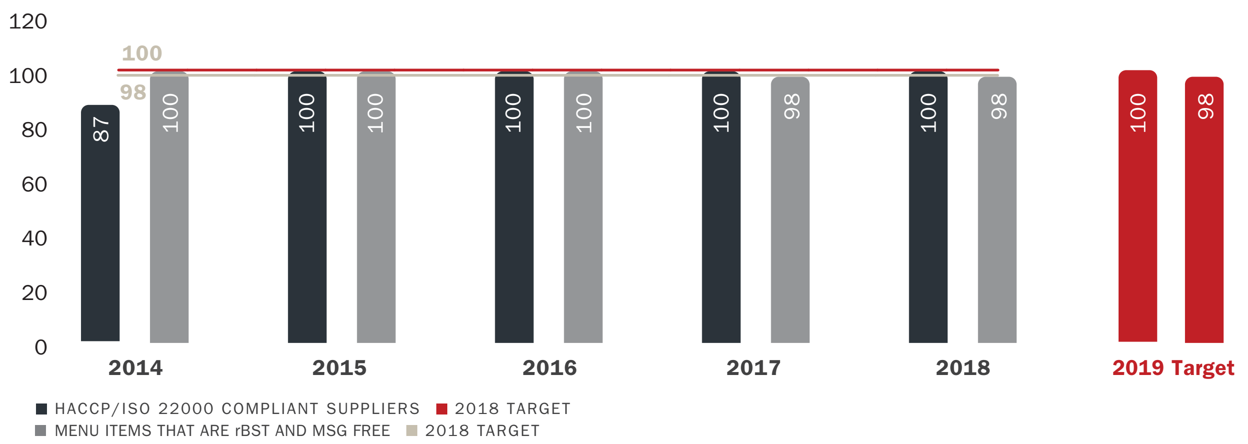
The group aims to source seafood through responsible suppliers that comply with South African Sustainable Seafood Initiative ("SASSI") and Marine Stewardship Council ("MSC") guidelines wherever possible.

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 Choose Healthy Options Wisely ("CHOW") accreditation for healthier menu items, which link to the CHOW app to offer customers independent verification to influence behavioural change and promote healthier eating. Our "Better for You" meals now feature on the kids' and adult menus of Spur Steak Ranches, Panarottis and John Dory's.

There is continued progress in respect of supply and logistics throughout the African continent. We now have full supply support in Swaziland, Lesotho, Namibia, Zambia and Botswana. Excellent progress has also been made in Kenya and Nigeria, and we have seen an overall improvement in the quality and consistency of products across the continent.

HACCP/ISO 22000 COMPLIANCE AND MENU ITEMS (%)



OPERATIONAL REPORTS

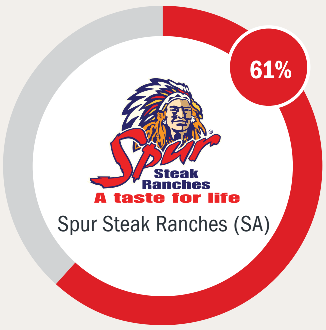
SPUR STEAK RANCHES

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.

Kevin Robertson
Chief operating officer

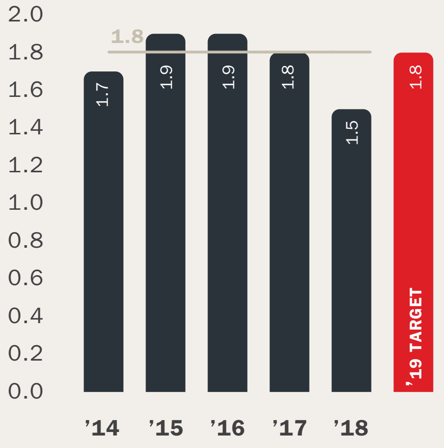
Contribution to restaurant turnover



PERFORMANCE SCORECARD

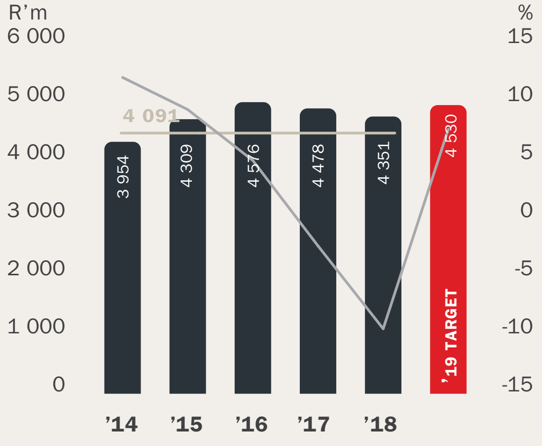
RESTAURANT TURNOVER **R4.35 billion** 2.8% (2017: R4.48 billion)	**FRANCHISE REVENUE** **R211.0 million** 3.2% (2017: R217.9 million)	**CONTRIBUTION TO GROUP PROFIT** **R176.5 million** 6.2% (2017: R188.0 million)
TOTAL RESTAURANTS IN SOUTH AFRICA – SPUR STEAK RANCHES **284** (2017: 283)	**ACTIVE SPUR FAMILY CARD HOLDERS** **1.46 million** (2017: 1.77 million)	**NEW OUTLETS** **12**
TOTAL RESTAURANTS IN SOUTH AFRICA – SPUR GRILL & GO **6** (2017: 6)	**CORPORATE EMPLOYEES** **37** (2017: 37)	**REVAMPS** **6** **RELOCATIONS** **4**

SPUR FAMILY CARD MEMBERSHIP (MILLION)



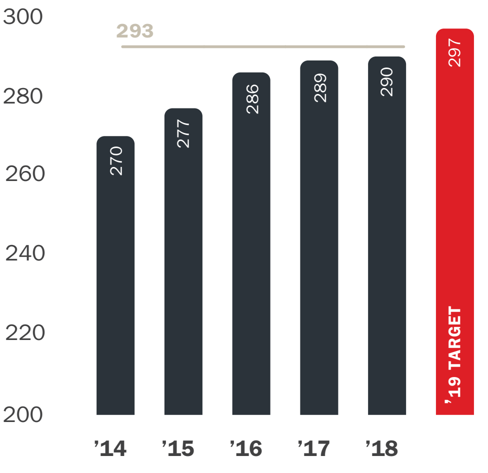
■ FAMILY CARD MEMBERSHIP
■ 2018 TARGET

SPUR RESTAURANT TURNOVER (R'm) AND EXISTING RESTAURANT TURNOVER GROWTH (%)



■ RESTAURANT TURNOVER ■ EXISTING RESTAURANT TURNOVER GROWTH
■ 2018 TARGET RESTAURANT TURNOVER

SPUR SOUTH AFRICA RESTAURANTS (number)



■ RESTAURANTS
■ 2018 TARGET

Performance overview

We have seen a positive turnaround in the brand following a challenging trading period in which we experienced the impact of a constrained economy and lingering effects of last year's social media fallout. Total restaurant turnover decreased by 2.8% to R4.35 billion (2017: R4.48 billion), and existing restaurant turnover decreased by 4.9%.

For the sixth year in a row, Spur won the *Sunday Times* Generation Next Survey Award for the "Coolest Place to Eat Out" and retained its position as the retail brand in South Africa with the largest presence on Facebook and Twitter. We are focused on maintaining our position as a leading digital brand in the retail food industry. The Spur Family App now has 82 000 active users. We will further leverage this asset to ensure a seamless in-restaurant customer experience. This includes possible in-app payment and more.

The Spur Family Card continues to perform well, with 1.46 million active members and R1.7 billion in loyalty turnover over the past year. The redemption rate of Spur Family Card vouchers remains healthy at 64%. Secret Tribe birthday vouchers received renewed focus and their redemption rate increased by 14.7%. We introduced a monthly SMS application to advise customers of special offers and voucher entitlements, which sent just over 3 million text messages during the financial year. The eGift voucher platform continues to deliver good results, with voucher sales of over R10.1 million and a redemption rate of 92% for 2018. Our business portal, which allows businesses to reward their employees or loyalty members, has more than 30 companies utilising it and is showing encouraging and consistent growth.

Strategic outlook

We will continue to focus on menu engineering and product innovation to respond to customer needs. Product quality is critical, and this will receive ongoing attention. Marketing initiatives will focus on the authenticity of the brand and quality of its products.

Following the launch of our app during the year, we will proceed with adding functionality over a period, to improve our interaction with our customers and offer added convenience.

Refurbishments and strategic relocations will also continue. We will also be assisting franchisees in trying to reduce restaurant sizes and improve trading densities to improve their profitability.

STRATEGIC GOALS	2018 GOALS AND ACHIEVEMENTS	2019 GOALS
Open 10 new outlets.	12 new outlets opened.	Open nine new outlets.
Open one Grill & Go restaurant (included in above).	No new Grill & Go restaurants opened.	Roll out of the Grill & Go concept as well as new smaller-format Spur restaurants targeted at smaller towns.
Revamp/relocate 12 existing outlets.	We revamped six and relocated four existing outlets.	Revamp/relocate 12 existing outlets.
Develop an IT solution that provides a single view of the customer and deliver by June 2018.	Infrastructure established. Full implementation delayed to 2019.	Complete implementation of single view of customers. Implement marketing automation system.
Entrench change in promotional strategy, with greater focus on product innovation, product quality and customer relationships.	Successfully moved away from destructive discounting practices. Implemented "homemade" desserts made fresh in restaurants. Schnitzels and ribs made in restaurants to improve quality.	Ongoing emphasis on product quality in marketing communication. Continuous product innovation.
"Full Tummy Fund" customer donation to the Spur Foundation Trust to be launched for the Spur menu.	Launched during the year – a R2 donation will be made to the Full Tummy Fund for every kids' burger ordered.	Investigate enhancements to improve contributions from initiative.

PIZZA AND PASTA

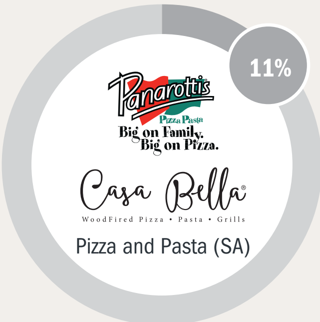
PIZZA AND PASTA INCLUDES THE PANAROTTIS AND CASA BELLA BRANDS

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

Tyrone Herdman-Grant
Chief operating officer

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

Contribution to restaurant turnover



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

PERFORMANCE SCORECARD

RESTAURANT TURNOVER – PANAROTTIS
R722.1 million
0.8%
(2017: R716.1 million)

RESTAURANT TURNOVER – CASA BELLA
R70.4 million
58.4%
(2017: R44.5 million)

FRANCHISE REVENUE
R36.4 million
2.6%
(2017: R35.5 million)

CONTRIBUTION TO GROUP PROFIT
R22.2 million
3.4%
(2017: R23.0 million)

TOTAL RESTAURANTS IN SOUTH AFRICA – PANAROTTIS
84
(2017: 80)

TOTAL RESTAURANTS IN SOUTH AFRICA – CASA BELLA
8
(2017: 6)

ACTIVE PANAROTTIS REWARDS MEMBERS
147 000
(2017: 158 000)

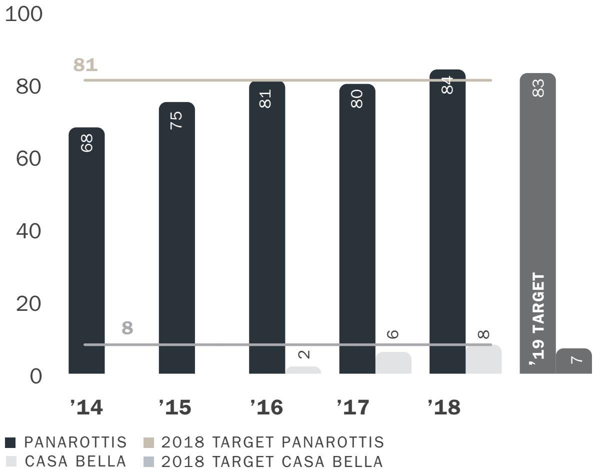
CORPORATE EMPLOYEES
14
2017: 13

NEW OUTLETS
5 Panarottis
2 Casa Bella

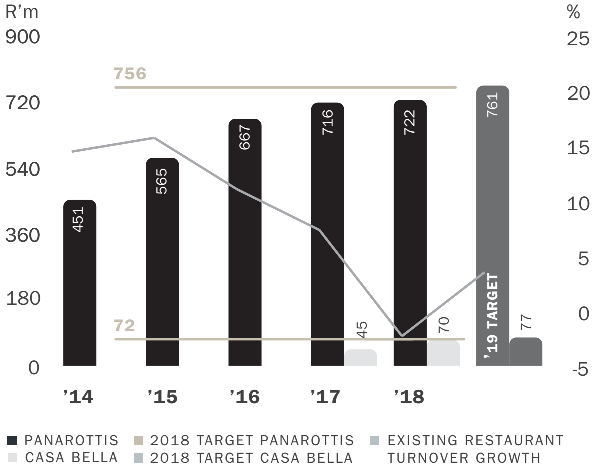
REVAMPS
2 Panarottis

RELOCATIONS
–

PIZZA AND PASTA SOUTH AFRICA RESTAURANTS (number)



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



Performance overview

Panarottis

Restaurant turnover for the year increased by 0.8% to R722.1 million (2017: R716.1 million). Growth was negatively impacted by the discontinuation of our weekday specials and Kids Eat Free Sundays. This is in line with our change in discounting strategy away from excessive discounting. While discounting is attractive to some consumers in the tight economic environment, we maintain our focus on quality and customer experience.

The pizza sector continues to be highly competitive. New operators are entering the market and rival brands continue to run heavily discounted specials, while increasing television marketing.

Considering these tough trading conditions, we continued to focus on franchisee profitability by reducing labour costs and assisting franchisees with restructuring bank loans and negotiating rental reductions. Once again, menu engineering proved highly beneficial and food costs were consistent for most of the year. In addition, wood-fired ovens result in a cost saving to franchisees through reduced electricity usage, contributing to improved franchisee cash flow margins.

Our Panarottis Rewards loyalty programme continues to perform well. This is underscored by a healthy voucher redemption rate of 34.7%. Since inception, loyalty sales have grown to approximately R313 million, with an average spend of R263 per visit. Panarottis Kids now comprises 101 410 children. Birthday redemptions increased to 11.4%.

Casa Bella

Restaurant turnover for the year grew by 58.4% to R70.4 million (2017: R44.5 million), benefitting by the opening of two new restaurants during the year. Since the launch of the brand in March 2016, we have invested significantly in improving operational systems and procedures, as well as boosting franchisee profitability. Menu engineering remains a focus to maintain food costs. For the second year in a row, we were awarded the Diners Club Wine List Award. In 2018, we were further awarded the Diners Club International Platinum Award.

Strategic outlook

In the year ahead, we will continue to improve operational fundamentals, reduce labour and energy costs, and drive service and product innovation. Furthermore, we are excited about the new look-and-feel Panarottis, including the revised logo and signage, uniforms, crockery, and the introduction of wood-fired ovens. A primary focus will be on restructuring poor-performing businesses to ensure they are sustainable through the current challenging economic times. Revamps will be prioritised where economically viable. Product quality will remain a critical brand pillar. This includes communicating a strong message to our customers of product provenance.

STRATEGIC GOALS	2018 GOALS AND ACHIEVEMENTS	2019 GOALS
Open four Panarottis outlets and two Casa Bella outlets.	Five new Panarottis outlets were opened during the year and two new Casa Bella outlets were opened.	Open three new Panarottis outlets.
Revamp and relocate four existing outlets.	No Panarottis outlets were relocated during the year and two outlets were renovated.	Three relocations/revamps planned.
Continue to entrench loyalty offering.	The launch of the Panarottis Rewards app was delayed.	Panarottis Rewards app to be launched early in 2019. Increase earn value of vouchers from R25 for R500 spend, to R50 for R1 000 spend.
Continued emphasis on community involvement and "Pizza Busts".	On average two "Pizza Busts" were conducted every month by each franchisee.	Strategy to continue. Functionality to nominate "Pizza Busts" to be included on the app.
Pilot wood-fired pizza concept in Panarottis.	Six outlets invested in wood-fired ovens during the year.	10 outlets to be converted to wood-fired.

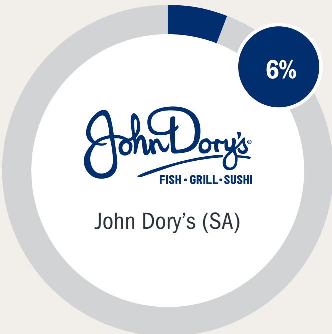
JOHN DORY'S

FISH GRILL SUSHI

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

Leonard Coetzee
Chief operating officer

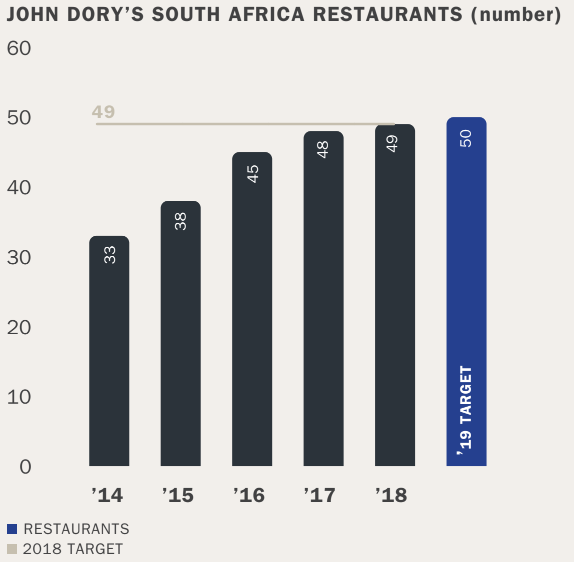
Contribution to restaurant turnover

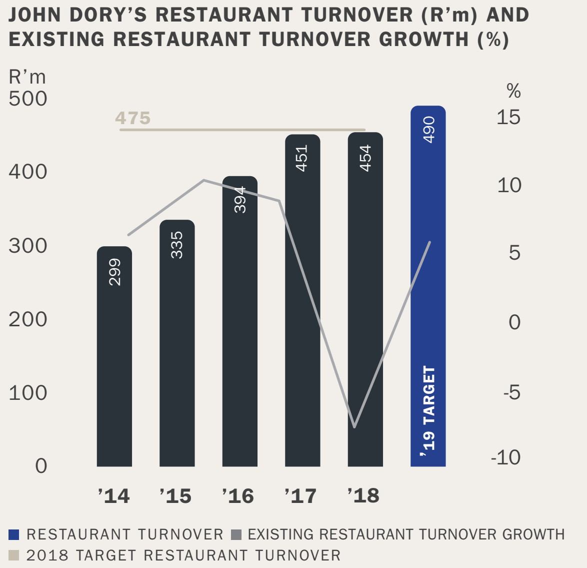


Our vision is to be the first-choice fish, grill and sushi restaurant in South Africa, offering great value, quality and sustainable meals in a family-friendly environment. We constantly measure franchisee actions and performance against this vision, backed by a capable, experienced and motivated operations team.

PERFORMANCE SCORECARD

RESTAURANT TURNOVER **R453.8 million** ▲ 0.6% 2017: R450.9 million	**FRANCHISE REVENUE** **R20.1 million** ▲ 2.0% (2017: R19.7 million)	**CONTRIBUTION TO GROUP PROFIT** **R9.5 million** ▼ 2.3% (2017: R9.7 million)
TOTAL RESTAURANTS IN SOUTH AFRICA **49** (2017: 48)	**ACTIVE JOHN'S CLUB MEMBERS** **157 000** (2017: 193 000)	**CORPORATE EMPLOYEES** **10** (2017: 10)
NEW OUTLETS **6**	**REVAMPS** **2**	**RELOCATIONS** **–**





Performance review

In a tough operating environment, our people must challenge the status quo continuously to add value, promote the brand and stay ahead of competitors. We renewed our focus on training and development during the year, with additional training facilities made available to operators and management. We also completed a SWOT analysis at every John Dory's restaurant. This will better enable operations managers to provide franchisees with specific guidance on how to mitigate risks and improve overall standards.

We prioritised the identification of local marketing and sponsorship opportunities to galvanise franchisees, ramp up brand visibility and increase foot traffic to our restaurants. We added Mr Delivery and Uber Eats delivery services to our portfolio, as we recognise that online ordering is a significant potential growth area among millennials and younger customers. The John Dory's loyalty programme remains critical. We launched the John's Club app in June 2018, providing a seamless in-restaurant customer experience.

We reverted to making certain products in-house. This includes our homemade sauces and other popular menu items, such as ribs and crumbed chicken. We continuously engage with our loyal suppliers to look at innovative menu items that can be incorporated into our value-added campaigns, while delivering margin for our franchisees.

Sustainability remains front of mind and we cemented our relationship with the World Wildlife Fund South Africa and SASSI during the year. With multiple provinces in South Africa facing drought and severe water shortages, we are mindful of our reliance on fresh water and the ocean, and the need to preserve this critical resource. We expanded our participation in clean-up operations on several of the country's beaches, harbours and lagoons.

We have also committed to remove all plastic from our restaurants and have made single-use plastic items our primary focus to reduce our environmental impact. Plastic straws have been replaced with paper straws and all plastic bags and polystyrene takeaway boxes have been discontinued. Only paper boxes and bags are now used. Wooden chopsticks, previously packaged in plastic, are now packaged in paper.

All our restaurants boast free Wi-Fi, and 88% have play areas for children. The new-look design introduced into our outlets has been favourably received by franchisees and property owners in South Africa, and will be rolled out nationally. To date, 23 restaurants boast the new look.

Strategic outlook

STRATEGIC GOALS	2018 GOALS AND ACHIEVEMENTS	2019 GOALS
Open four new outlets.	Six new outlets opened.	Open two new outlets.
Revamp and relocate three existing outlets.	Two revamps.	Three revamps.
Identify opportunities to explore seasonal supply cycles and readily available seafood stocks, taking cognisance of SASSI guidelines.	Ongoing.	Ongoing.
Specific focus on back-of-house controls to address inefficiencies, thereby improving franchisee profitability.	Modular training rolled out to improve efficiencies, as well as additional training facilities made available to operators and management.	Ongoing focus area.
Continue to monitor usage and effectiveness of loyalty programmes.	Ongoing.	Ongoing.
Continue to identify opportunities to use loyalty data for targeted marketing initiatives.	Migrated to new loyalty platform.	Leverage new platform to improve customised, targeted customer communication.
Continue assessing opportunities in large metros including Cape Town.	One new restaurant opened in the Western Cape.	Open two new restaurants in the Western Cape.
Continued community involvement.	Many franchisees run CSI initiatives in their local communities. Franchisees actively support school involvement, sports' team branding, and school fun days.	Continued community involvement.

CASE STUDY

PROTECTING OUR MARINE LIFE

John Dory's is committed to sustainable business practices through our Eco Voyage sustainability programme. In collaboration with Spur Corporation, we ensure our environmental sustainability policy is a living reality in their restaurants. We demonstrate the brand's commitment to sustainability with a specific focus on the preservation of our oceans and natural seafood resources, while proactively managing unexpected cost implications.

Green operational reports encourage franchisees to focus on energy reduction and saving, water conservation, waste reduction and community projects and provide data and feedback that supports further research and development in technologies to help reduce our environmental impact.

SUSTAINABLE SOURCING

John Dory's faces a significant challenge in securing a reliable supply of seafood from sustainable sources. Our partnership with the World Wide Fund for Nature's Southern African Sustainable Seafood Initiative (WWF-SASSI) is central to our commitment to managing our precious ocean resources. Through this collaboration, we have already taken major steps towards supporting sustainable fishing practices.

John Dory's set a commitment to source 100% of our seafood from Aquaculture Stewardship Council or Marine Stewardship Council certified sources, species that are on the WWF-SASSI Green List, or from sources that are involved in a credible improvement project. Spur Corporation's procurement and sustainability teams are currently working with WWF-SASSI to ensure that all seafood procured for the group meets this commitment.

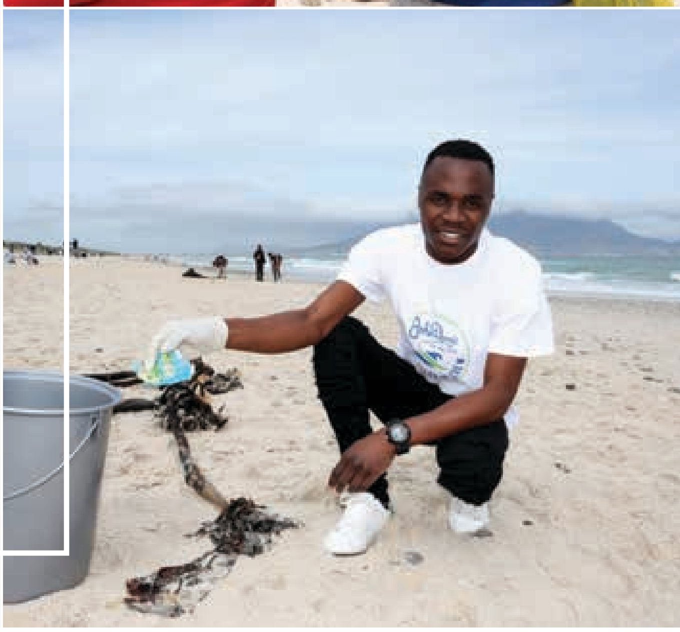
SAYING NO TO PLASTIC

Packaging, especially single use items such as takeaway containers, plastic bags and plastic straws, provide a convenience to customers. However, they also contribute to waste, landfill and environmental pollution if not managed properly. Plastic straws, in particular, are not always necessary and cause pollution and physical harm to marine life. We have been working closely with our suppliers since early 2017 to introduce viable alternatives and are currently running trials with paper and other materials.

John Dory's have removed plastic bags, polystyrene takeaway boxes and plastic straws from all our restaurants and are in the process of replacing plastic wrapped chopsticks with paper wrapped ones. The brand fully supports the #SayNoToStraws and #SayNoToPlasticBags campaigns.

Packaging across the Spur Corporation's brands contains relevant information to educate and encourage customers to recycle or dispose of takeaway containers and related items in a responsible manner. We are further redesigning our operational processes to minimise wasteful behaviour by not automatically handing out a straw with every drink, with the view to phase out plastic straws completely in time as the main objective. Plastic bags have been removed from all Spur and Panarottis restaurants and consumers are given a choice as to whether they would like to use plastic straws.

It is important that Spur Corporation ensures our customers, franchisees and suppliers are part of this process to ensure long-term buy-in to effect real change.

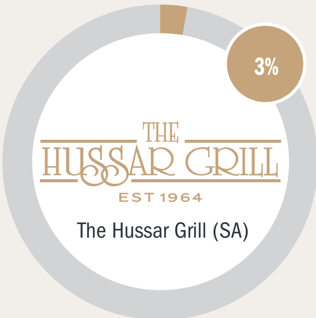


THE HUSSAR GRILL

A chain of premier grillrooms offering specialty 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

R184.3 million

24.4%

(2017: R148.2 million)

FRANCHISE REVENUE

R6.3 million

33.6%

(2017: R4.7 million)

COMPANY-OWNED (RETAIL) RESTAURANT REVENUE

R54.2 million

6.7%

(2017: R50.7 million)

COMBINED FRANCHISE AND RETAIL CONTRIBUTION TO GROUP PROFIT

R10.5 million

20.2%

(2017: R8.7 million)

TOTAL RESTAURANTS IN SOUTH AFRICA

17

(2017: 14)

CORPORATE EMPLOYEES

4

(2017: 3)

RELOCATIONS

–

NEW OUTLETS

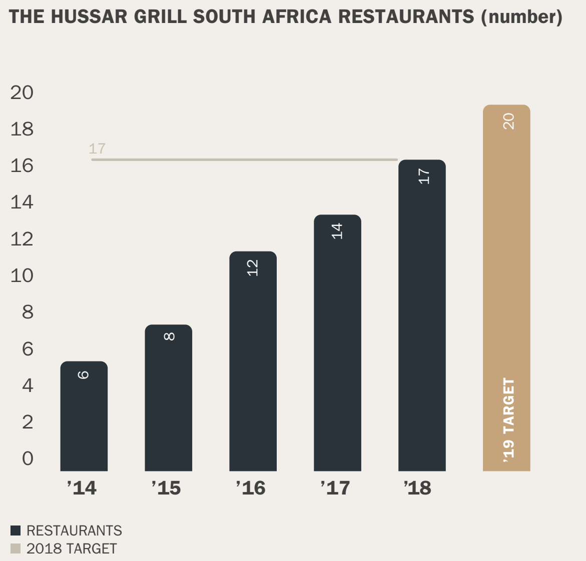
3

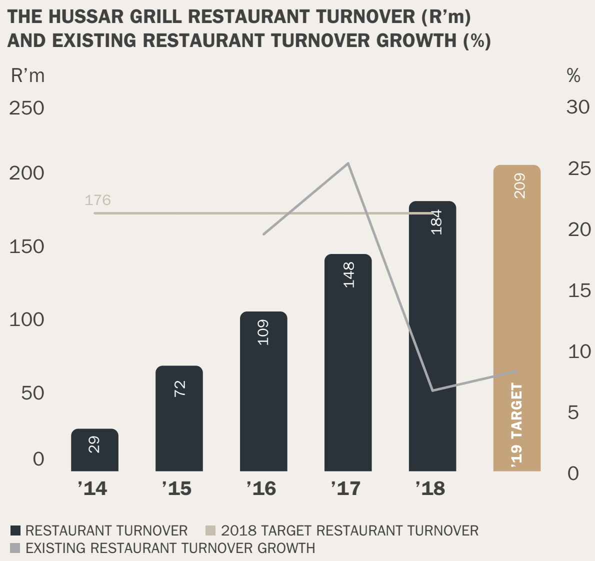
REVAMPS

–

COMPANY-OWNED (RETAIL) RESTAURANT EMPLOYEES

205





Performance overview

The Hussar Grill continues to trade well in a tough economic environment. While this demonstrates the resilience of the brand's higher-income target market, customers are beginning to feel the impact of pressure on spend.

Our strategic objectives over the past year were to maintain and strengthen our position as the first-choice premier grillroom in the Western Cape; expand and build our brand in the Gauteng, KwaZulu-Natal and Eastern Cape provinces; and grow existing business turnover by maintaining our premium credentials and offering customers value.

In addition, we grew our brand by increasing spend on social media channels, securing public relations and blogger partnerships with celebrities and through strategic campaigns that showcased value to our customers. This includes, for example, wine-pairing evenings, two and three-course meal offerings, and our strapline, "We charge no corkage."

Strategic outlook

The Hussar Grill is well positioned for growth in the year ahead and we will continue our quest to establish ourselves as South Africa's premier grillroom.

Our focus for the year ahead includes building the brand and entrenching it in the Gauteng and Western Cape regions; maintaining best operating practice through ongoing training programmes; investing in marketing that reinforces our premium credentials and reputation for excellence; and ensuring that franchisees stay involved and support their communities through local restaurant initiatives.

STRATEGIC GOALS	2018 GOALS AND ACHIEVEMENTS	2019 GOALS
Open three new outlets.	Three new outlets opened.	Open three new outlets.
Grow existing business by 18.8%.	Existing business grew by 6.6%.	Grow existing business by 8.2%.
Two additional restaurants targeted for Gauteng.	Two new restaurants opened in Gauteng and one in the Western Cape.	–
Community involvement through local restaurant initiatives.		Ongoing.
Maximise franchisee profitability.		Marketing aimed at re-enforcing premium credentials and excellence. Focus on product innovation. Menu engineering to maintain and improve gross profit margins.

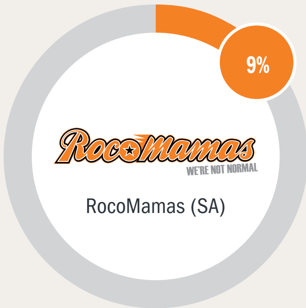
ROCOMAMAS

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.

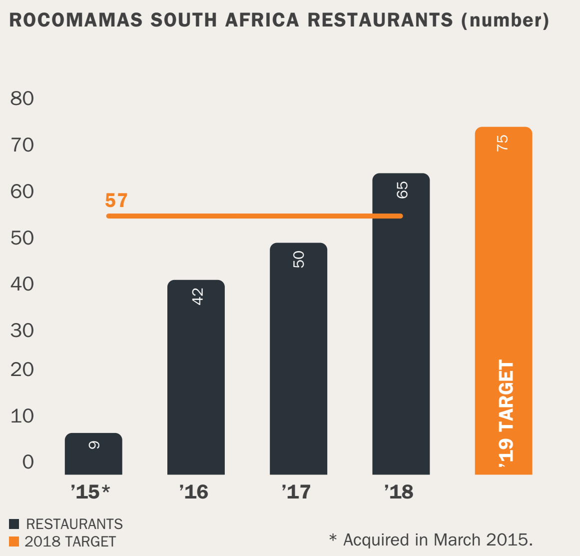
Anton Geldenhuys
Chief operating officer

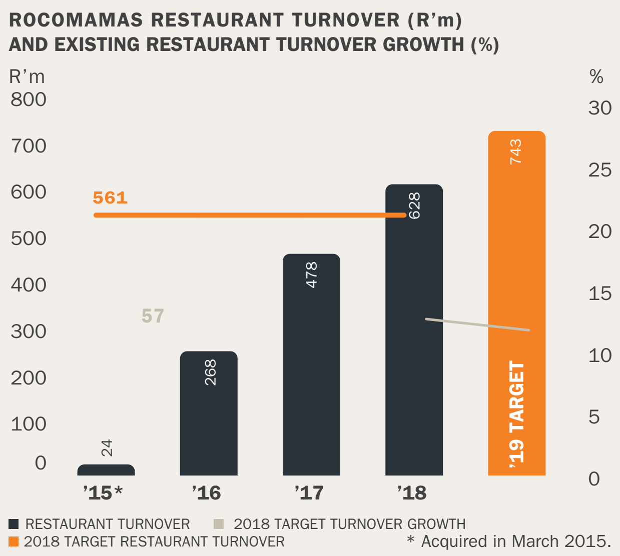
Contribution to restaurant turnover



PERFORMANCE SCORECARD

RESTAURANT TURNOVER **R628.0 million** 31.5% (2017: R477.7 million)	**FRANCHISE REVENUE** **R32.8 million** 37.8% (2017: R23.8 million)	**COMPANY-OWNED (RETAIL) RESTAURANT REVENUE** **R15.4 million** 19.9% (2017: R12.8 million)
COMBINED FRANCHISE AND RETAIL CONTRIBUTION TO GROUP PROFIT **R24.2 million** 46.8% (2017: R16.5 million)	**TOTAL RESTAURANTS IN SOUTH AFRICA** **65** (2017: 50)	**COMPANY-OWNED (RETAIL) RESTAURANT EMPLOYEES** **77** (2017: 54)
NEW OUTLETS **15**	**REVAMPS** **–**	**CORPORATE EMPLOYEES** **8** (2017: 8)





Performance overview

Restaurant turnover growth benefitted from 15 new outlets during the year. The brand continues to be one of the fastest growing in the South African fast casual dining sector.

During the past year, our focus was on growing existing business turnovers and capturing market share through the Uber Eats and Mr Delivery delivery services. We held our second strategic planning session in May 2018. The main agenda was to map out a plan for every restaurant against a range of KPIs.

The introduction of innovative products, such as twisted cheesecakes, is essential to meet the demands of our "not normal" customers. Further product offerings are in development, including additional salad options and new burger combinations.

Continued monitoring of customer experience is of paramount importance to the brand. We are in the process of developing a social media assessment report to reinforce among our franchisees that every customer is a critic. Accordingly, social media reviews on Facebook, Google and TripAdvisor are indispensable in terms of improving restaurant standards.

We developed an assessment report for operations managers to complete in each restaurant. The purpose of this report is to provide each operator with a holistic and strategic approach to monitor performance and strengthen business relationships between operations managers and franchisees.

Strategic outlook

The focus for the year ahead will be to further improve on existing business growth by executing each restaurant's individual strategic plan. Online delivery platforms are growing rapidly, and we will introduce a greater number of combo meals to increase the average spend per order.

STRATEGIC GOALS	2018 GOALS AND ACHIEVEMENTS	2019 GOALS
Open seven new outlets.	15 new outlets opened.	Open 10 new restaurants.
Focused marketing to our core millennial market, while starting to target the GenZed market as their influence is starting to show.	Continuing.	Ongoing, still very much a focus for the brand. Develop online assessment report to monitor social media perception of individual restaurants.
Implement a loyalty programme – pilot to be tested by September 2017.	Implementation delayed.	Revised loyalty programme app to be implemented, subject to results of proof of concept planned for first half of 2019 financial year.
Continue the development and implementation of an online ordering solution in 2018. In the interim, increase home delivery service through third-party vendors such as Uber Eats.	Ongoing – UberEats, Mr Delivery and take-outs now make up approximately 30% of national sales.	Ongoing engagement with strategic partners to drive delivery business.
Product innovation.	Ongoing	Ongoing new innovative products being tested.

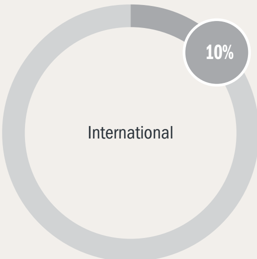
INTERNATIONAL

Derick Koekemoer
Franchise executive: Africa

José Vilar
Franchise executive: Australia

Following the disposal of the Captain DoRegos business during the year, Spur Corporation has 62 restaurants operating outside South Africa – 49 in Africa and Mauritius, two in the Middle East and 11 in Australasia. While most of these are Spur and Panarottis outlets, there is growing representation across the portfolio. The international restaurants closely resemble their South African counterparts, with slight adaptations to appeal to the local market. Expansion of the international business is focused primarily on Africa and the Middle East. All the group's international restaurants are franchised with the exception of the RocoMamas in Melbourne, Australia, in which the group has a 45% interest.

Contribution to restaurant turnover



PERFORMANCE SCORECARD

RESTAURANT TURNOVER^	TOTAL REVENUE	CONTRIBUTION TO GROUP PROFIT* – CONTINUING OPERATIONS
R711.5 million	**R32.5 million**	**R2.1 million**
0.7% (down)	1.3% (up)	76.4% (down)
(2017: R716.4 million)	(2017: R32.1 million)	(2017: R8.9 million)
TOTAL RESTAURANTS OUTSIDE SOUTH AFRICA^	**NEW OUTLETS^**	**CORPORATE EMPLOYEES**
62	**11**	**12**
(2017: 60)	(2017: 9)	(2017: 14)

^ Excludes Captain DoRegos.

* Excludes corporate services costs.

Performance overview

Excluding Captain DoRegos, international restaurant sales decreased slightly by 0.7% to R711.5 million (2017: R716.4 million). At constant exchange rates, international restaurant sales increased by 2.7%.

	Spur	Panarottis	John Dory's	The Hussar Grill	RocoMamas	Total restaurants
Africa and Mauritius	**32**	**9**	**3**	**1**	**4**	**49**
Botswana	2	–	–	–	–	2
Ethiopia	1	–	–	–	–	1
Kenya	5	–	–	–	1	6
Lesotho	1	–	–	–	–	1
Malawi	1	–	–	–	–	1
Namibia	7	1	2	–	1	11
Nigeria	4	1	–	–	–	5
Swaziland	3	–	–	–	–	3
Tanzania	1	–	–	–	–	1
Uganda	1	–	–	–	–	1
Zambia	3	–	1	1	–	5
Zimbabwe	–	–	–	–	1	1
Mauritius	3	7	–	–	1	11
Middle East	**–**	**–**	**–**	**–**	**2**	**2**
Oman	–	–	–	–	1	1
Saudi Arabia	–	–	–	–	1	1
Australasia	**7**	**3**	**–**	**–**	**1**	**11**
Australia	6	3	–	–	1	10
New Zealand	1	–	–	–	–	1
Total International	**39**	**12**	**3**	**1**	**7**	**62**

Australasia

Trading in Australia and New Zealand is down on the previous year, with total franchise restaurant sales down by 19.4% on the previous year (16.9% on a comparable exchange rate basis). Turnover was negatively impacted by the closure of two Panarottis outlets in December 2017 and January 2018. Turnover in Western Australia has been particularly disappointing, mainly attributable to the collapse of the mining sector and high unemployment. These factors have negatively impacted foot traffic to our restaurants.

Our main challenge in both Australia and New Zealand remains the high cost of labour. This results in a need to support franchisees through contributions to marketing efforts, franchise fee concessions and product subsidies, negatively impacting profitability. Management is therefore continuously challenged to find ways to ensure the ongoing provision of high-quality service while keeping labour costs low.

We are maintaining assertive marketing campaigns in all areas to boost consumer appeal. As each restaurant in Australia has its own customer base, we are focused on local marketing initiatives. We have introduced a schedule of weekly promotions as well as children's entertainment and meals. Several restaurants are trialling Uber Eats as an additional source of reliable revenue.

Our franchisees are leveraging social media to broadcast local specials and discount offerings. Locally generated content enables franchisees to tailor their social media engagements and marketing material specifically for their customers.

The first RocoMamas outlet opened in Australia during the year, in Melbourne. The brand has been modified to appeal to the local consumer. The small restaurant size, and limited menu offering differentiate the brand from the Spurs and Panarottis trading in Australia, and should provide a compelling investment proposition for prospective franchisees.

Africa, Mauritius and the Middle East

Total franchised restaurant sales in Africa, Mauritius and the Middle East grew by 9.6% (13.5% on a comparable exchange rate basis). The group opened a John Dory's and a Panarottis in Namibia, two Panarottis and one Spur Grill & Go in Mauritius, a Panarottis and a Spur in Nigeria, a RocoMamas in Zimbabwe and Kenya, and a Spur in Swaziland.

The group has invested significant resources in adjusting the traditional Spur model of large footprint restaurants to smaller units that include terrace areas. This smaller look and feel Spur has been well received. It has delivered improved operating margins, reduced set-up costs and an increased return on investment for franchisees. This model is being rolled out in the African market to other brands within our portfolio, backed by continued progress in enhancing our supply and logistics network throughout the continent. This will help us develop improved quality and consistency of product.

The Spur Loyalty programme is currently running in seven countries, with a further three launches planned for the 2019 financial year. The Go Review customer satisfaction tool is being rolled out in all countries and for all brands.

We are actively pursuing expansion in Saudi Arabia and are investigating opportunities to expand our brand portfolio into other parts of the Middle East region.

Strategic outlook

STRATEGIC GOALS	2018 GOALS AND ACHIEVEMENTS	2019 GOALS
Open nine new outlets.	11 new outlets opened.	Open at least 14 new outlets.
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.	Two outlets opened in Namibia, increasing presence to 11 outlets; three outlets opened in Mauritius, increasing presence to 11 outlets; two outlets opened in Nigeria, increasing presence to five; one outlet opened in Kenya, increasing presence to six.	Six outlets to be opened in Zambia, two further outlets in the Middle East.

MANUFACTURING AND DISTRIBUTION

Revenue from the manufacturing and distribution division increased by 2.4% to R186.2 million (2017: R181.8 million). Revenue growth was constrained by lower foot traffic in restaurants due to a challenging economic environment, as well as the need to mitigate the impact of food price inflation on franchisee margins.

Manufacturing

The sauce manufacturing facility in Cape Town manufactures more than 450 000 litres of sauce per month, including certain of the group's unique sauces. We have a committed team that ensures consistent quality and a supply of core ingredients and product lines.

Prices on centrally manufactured items were kept constant for the year, despite increases in input costs. This concession was made to further support franchisee profitability and strengthen the long-term sustainability of the business. This led to margin pressure in the manufacturing division.

The current sauce manufacturing facility is operating beyond its useful life. To take advantage of advances in technology, which enable improved efficiencies, support food safety standards and enhance production capabilities to manufacture sauces that the existing facility does not allow, it has become imperative to invest in a new facility. Investigations are under way and we anticipate commencing with the establishment of a new plant in the new financial year.

The new plant will enable us to produce most of the sauces required for our RocoMamas brand, as well as include the option of producing lines for bulk retail products. The shelf life of products will also be increased which should further improve efficiencies.

We are in the process of rewriting our food safety management system manual to align with ISO 22000 standards. The manual will be completed and reviewed by the time we move to our new facility.

Distribution

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

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

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

Volumes shipped through the distributor decreased by 11% to 40 477 tons (2017: 45 382 tons). This decrease was partly due to lower restaurant sales volumes. In addition, the strategic decision to manufacture certain key products in restaurants, which were previously centrally procured, to enhance the "homemade" quality of these products, further reduced distribution volumes. These products include ribs, schnitzels and certain desserts.

CORPORATE GOVERNANCE

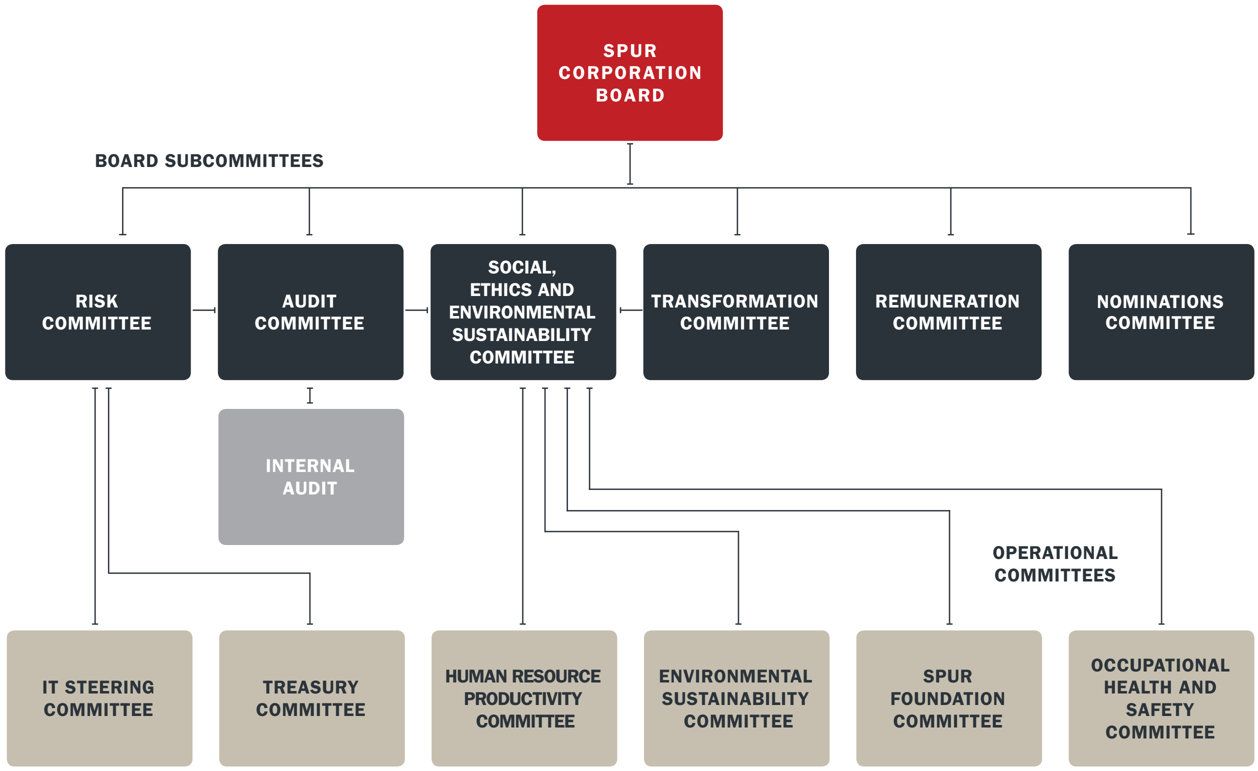
The board and management of Spur Corporation are committed to ensuring formal corporate governance structures and procedures are in place to maintain ethical and balanced decision-making practices that consider the interests of all stakeholders. These structures and procedures are implemented in a way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

The board has considered the group's application of King IV™ and believes Spur Corporation has adequately applied its principles and is attaining the fundamental objectives and spirit thereof.

CONTENT DASHBOARD

The content dashboard below provides an overview of the governance information reported on by Spur Corporation in 2018. It includes an indication of sections provided in the printed report and those available online governance supplement at www.spurcorporation.com/investors/results-centre/.

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 supplement at www.spurcorporation.com/investors/results-centre/.



GOVERNANCE STRUCTURES

Changes to the board

Ronel van Dijk, the chief financial officer and financial director, resigned as director of the company with effect from 31 March 2018. Phillip Matthee was subsequently appointed as the chief financial officer and financial director with effect from 1 April 2018, which appointment is to be ratified at the forthcoming annual general meeting ("AGM"). The board thanks Ms Van Dijk for her invaluable contribution and wishes her well in her future engagements.

Tasneem Karriem, 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 15 August 2018. This followed her resignation from GPI. Prabashinee Moodley was appointed by GPI to replace Ms Karriem, with effect from 15 August 2018. A resolution to approve this appointment will be tabled at the forthcoming AGM.

Executive chairman and founder of the group, Allen Ambor, tendered his resignation from the group and the board on 21 February 2018. In accordance with his employment agreement, he is serving 12 months' notice and will leave the group on 1 March 2019. The board thanks Mr Ambor for his guidance and leadership in developing Spur Corporation and wishes him well. A new chairman has not yet been appointed and announcements will be made once the board has elected a new chairman.

Chairman and lead independent director

The chairman of the board is an executive director and, as recommended by King IV™, the board appointed Mntungwa Morojele to serve as the lead independent director ("LID").

The LID charter was amended to accommodate King IV™ and was subsequently adopted by the board on 21 February 2018. The LID charter formalises Mr Morojele's role, which includes, *inter alia*:

- Performing all 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 the ability of the non-independent non-executive directors to act independently.
- Serving as principal liaison between the independent non-executive directors and the chairman.

Directors' responsibility

Management reports to the board on the material risks and opportunities that could impact the group's performance, and provides directors with the information necessary to make objective judgements and effective decisions regarding the group's affairs.

Directors have unrestricted access to all the group's information, records, documents, property, management and employees to fulfil their legal duties. They have unrestricted access to the advice and services of the company secretary and are entitled to seek independent professional advice at the group'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 has adopted a policy that details a formal and transparent procedure for appointing 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 group'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, Messrs Dean Hyde, Keith Getz and Keith Madders will retire.

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

BOARD AND COMMITTEES

Roles and responsibilities

The board is the 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.

The board's roles and responsibilities include ensuring that the group 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 group has effective and independent board and statutory committees.

The full list of the board's roles and responsibilities is available in the online governance supplement at www.spurcorporation.com/investors/results-centre/.

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. More information on the roles and responsibilities of the respective committees is contained within this report.

The board mandates the 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 conducted a self-evaluation in August 2016 and the next evaluation is scheduled to commence in October 2018. The directors noted no material issues that could adversely impact the board's ability to effectively meet its statutory and other obligations.

The board is satisfied that it has fulfilled its responsibilities according to its charter during this reporting period.

Composition and attendance

Board

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. 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.

Board composition

The group has a unitary board structure comprising:

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

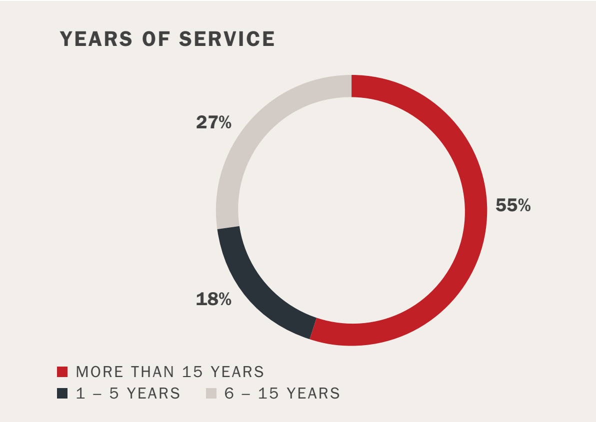
The number of independent non-executive directors increased from four to five on the reclassification of Keith Madders as independent. The independence of Mr Madders was considered by the LID, who applied the principles of King IV™. The LID subsequently concluded that Mr Madders is independent as no factors exist that are likely to unduly influence or cause bias in his decision-making.

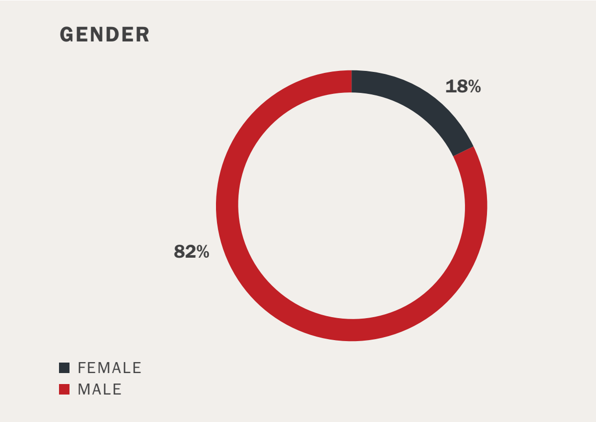
The board adopted a Diversity at Board Level Policy at its meeting of 24 February 2018, which incorporates the JSE's requirements on racial and gender diversity at board level. The policy stipulates that the board shall comprise of at least two female directors and no fewer than three black directors. Preference will further be given to black female candidates when replacing directors who retire or resign.

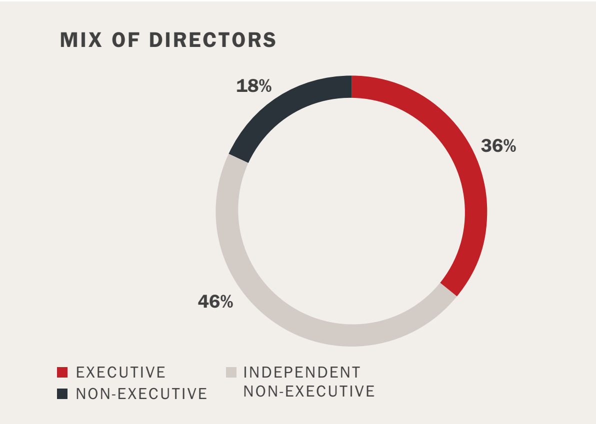
Notwithstanding the Diversity at Board Level Policy, the board appointed Phillip Matthee to the role of chief financial officer in accordance with the group's succession plan. The board deliberated on the matter and agreed that the departure from the policy was necessary and appropriate given that Mr Matthee was the designated successor to Ms Van Dijk. Mr Matthee has been with the group since 2007 and has the appropriate company and industry experience and knowledge to fulfil the role.

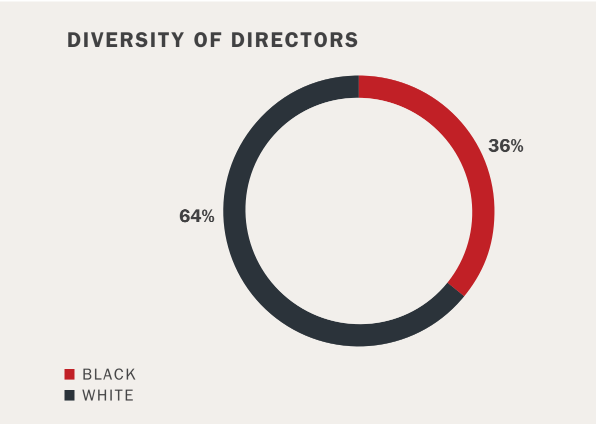
A formal Board Limits of Authority Policy is in place, which grants specific levels of management (including individual directors and groups of directors) authority to commit the group to financial obligations of set limits. This policy prohibits a veto by any one director. Other policies grant specific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









The board believes 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 board is also of the opinion that those non-executive directors who have served for longer than nine years on the board have the necessary independence and integrity to act in the best interest of the company.

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 group's engagements with its external and internal auditors, ensuring compliance with requirements of the Companies Act and reporting to the board regarding the group'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 the setting and implementation of remuneration policy in the group. 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 supplement at www.spurcorporation.com/investors/results-centre/.

The table below shows the composition, number of meetings, dates and attendance for the board and board committees for the year to 30 June 2018:

	Board		Audit committee		Nominations committee		Risk committee	
	5 – 6 Sep 2017	**21 Feb 2018**	5 Sep 2017	**20 Feb 2018**	4 Sep 2017	**19 Feb 2018**	4 Sep 2017	**20 Feb 2018**
Allen Ambor[e]	P†	**P†**						
Pierre van Tonder[e]	P	**P**					P†	**P†**
Mark Farrelly[e]	P	**P**					P	**N/A**
Ronel van Dijk[e]	P	**P**					P	**N/A**
Keith Getz[n]	P	**P**			P	**P**	P	**P**
Keith Madders[i]	P	**P**						
Dean Hyde[i]	P	**P**	P†	**P†**				
Mntungwa Morojele[i]	P	**P**	P	**P**	P†	**P†**		
Muzi Kuzwayo[i]	P	**P**	P	**N/A**	P	**P**		
Dineo Molefe[i]	P	**P**	P	**P**			N/A	**P**
Tasneem Karriem[n]	P	**P**						

	Social, ethics and environmental sustainability committee		Transformation committee		Remuneration committee	
	5 Sep 2017	**20 Feb 2018**	4 Sep 2017	**19 Feb 2018**	4 Sep 2017	**19 Feb 2018**
Pierre van Tonder[e]	P	**P**	P†	**P†**		
Mark Farrelly[e]			P	**P**		
Ronel van Dijk[e]	P	**N/A**	P	**P**		
Keith Getz[n]	P†	**P†**				
Dean Hyde[i]					P	**P**
Mntungwa Morojele[i]			P	**P**	P	**P**
Muzi Kuzwayo[i]	N/A	**P**	P	**P**	P†	**P†**

P Present
† Committee chair
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.

The board committees were restructured with effect from February 2018 as follows:
- Dineo Molefe was appointed to the risk committee.
- Muzi Kuzwayo resigned as a member of the audit committee and was appointed to the social, ethics and environmental sustainability committee.
- Mark Farrelly and Ronel van Dijk resigned as members of the risk committee.

IT GOVERNANCE

The board ultimately assumes the responsibility for the governance of information and technology ("IT") by setting the direction for how technology and information should be approached and addressed in the organisation.

The general management of the IT function has been delegated to the group IT executive, who is assisted by the IT steering committee. The IT steering committee meets quarterly and comprises senior executives of the group. The IT steering committee monitors the effectiveness of technology and information management and addresses any shortcomings that have been identified.

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.

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.

IT governance risk items are reported to the risk committee, which is chaired by the chief executive officer, and presented 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.

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 Principle 8 of King IV™. The risk management plan has been separated from the risk policy, so that the risk plan can be reviewed annually and the policy once every three years.

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.

Each functional executive is responsible for identifying, evaluating and managing risk daily in their respective functional areas and reporting the results of this process to the risk committee. Each brand and division (including the international divisions) has its own risk register that tracks brand-specific risks around operations, menu, and restaurant design and specifications.

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 addition, the board is presented with a summary of the highest-rated inherent and residual risks in the group. In determining these assessments, the committee uses the combined assurance approach and considers assurance provided by internal audit, management, or any other relevant external assurance provider.

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

In accordance with King IV™, the risk committee comprises a majority of non-executive directors and Dineo Molefe serves as a member of the risk and audit committees.

The board reviewed and approved the updated risk management plan at its meeting on 5 September 2018. 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 has incurred no material losses during the financial year ended 30 June 2018.

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, or that may potentially expose the group to material adverse financial or other consequence, 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 as part of its 2018 review that the risk management process adds value to the organisation, and that the group effectively applies the King IV™ 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.

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 this 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 30 June 2018 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 restaurant 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 40**
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**
Food safety standards Non-compliance with food safety standards at franchised restaurants and the group's manufacturing plants could harm the public, which would expose the group to financial liability and reputational harm.	– Suppliers of centrally procured items are subject to audit by the group's procurement department. – The group's sauce manufacturing facility is subjected to regular independent audits to confirm compliance with applicable standards. – Food technologists at the group's sauce manufacturing facility conduct continuous and regular sample checks on manufactured sauces to ensure that products fall within specification. – Operations management personnel conduct regular random checks on products in franchised restaurants to ensure that they are within specification.	**Procurement**

Risk	Mitigation	More detail
Reliance on natural resources The impact of climate change on our natural resources could have severe consequences on the long-term sustainability of the group. The recent water shortages in a number of regions of South Africa has highlighted the potentially devastating impact of climate change. Inefficient use of natural and other resources not only contributes to pollution and the long-term effects thereof, but impacts on short-term franchisee profitability.	– The environmental sustainability committee co-ordinates efforts in minimising the impact that the group has on the environment. – Implementation of green operations report to track progress made by franchisees in implementing environmental policy guidelines and identify further opportunities to assist franchisees in reducing carbon footprint, waste and costs. – Key focus is placed on water and electricity consumption. The concern regarding the potential for "Day Zero" in Cape Town (i.e. where the city would deplete its drinking water reserves) encouraged significant collaboration between franchisor, franchisees and local government to implement initiatives to reduce water consumption and reliance on municipal water sources in franchised restaurants and corporate offices. – Progress on initiatives is reported at each social, ethics and environmental sustainability committee meeting.	**Environmental supplement**
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. – 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 46**
Socio-political risk The prospects for the South African economy remain uncertain considering a lack of clear political leadership and government policies that are at odds with encouraging foreign investment and economic growth. Most 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 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 43**
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 restaurant-managed social media accounts and manage interactions between the group and the media.	**Customer service**

The committee conducts an annual evaluation of its functioning and effectiveness and the committee is satisfied that it has fulfilled its responsibilities according to its charter during this reporting period.

Pierre van Tonder
Chief executive officer and chief risk officer

REMUNERATION COMMITTEE REPORT

This is the first year that the company has been required to comply with, and report in terms of, the King IV Report on Corporate Governance for South Africa™, 2016 ("King IV™"), in accordance with the JSE Listings Requirements. These requirements include the annual compilation and presentation of remuneration and implementation reports by the company.

The group's remuneration committee operates in accordance with formal terms of reference approved by the board. The committee is mandated by the board to oversee the establishment and implementation of a group-wide remuneration policy. This policy is founded on the principle of fair, responsible and transparent remuneration practices, and seeks to:

- remunerate all employees in such a way so as not only to attract and retain talented, high-performing individuals, but also to motivate all employee to contribute continuously to the success of the group;
- promote the strategic objectives within the group's risk appetite in the short, medium and long terms;
- promote positive outcomes; and
- promote an ethical culture and responsible corporate citizenship.

A full list of roles and responsibilities of the remuneration committee is available in the online governance supplement at www.spurcorporation.com/investors/results-centre/.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the period under review.

PART 1: BACKGROUND STATEMENT

The year in review

While part of the group's strategy is to grow its international business, the group's primary market remains South Africa. The South African business comprises a significant majority of the group's consolidated profit and the internal and external factors impacting on the local business accordingly have the most significant influence on the group's financial performance.

While reported profit before income tax has increased by 9.8% and headline earnings per share by 15.1%, comparable profit before income tax has declined by 8.0% and comparable headline earnings per share by 9.5%, as detailed in the CFO's report.

Externally, for the second quarter of the calendar year, the local economy was in recession while growing by an annualised 0.4%, which is insufficient to address the economic transformation required in the country. While official headline consumer price inflation ("CPI") stood at 4.6% at the end of June 2018, anecdotally, the economic reality is that the cost of living has generally increased well in excess of inflation, compounded by an increase in the VAT rate from 14% to 15% on 1 April 2018. Coupled with lower consumer confidence arising from political and economic policy uncertainty, and the absence of inflation-linked tax relief for taxpayers, all consumers are feeling the pressure. While these factors have an impact on the group's target market consumers, and therefore the group's financial performance, they equally impact on our own employees directly. Maintaining a standard of living consequently requires inflation-linked increases in guaranteed remuneration in excess of CPI.

South Africa remains one of the most economically unequal societies in the world, with a Gini Coefficient of 0.68 in 2015. In determining increases in guaranteed remuneration, consideration must be given to the impact of inflation on employees who spend most of their income on necessities relative to higher income earners who spend a higher proportion of their income on discretionary costs.

Internally, the group's performance was impacted significantly by the social media fallout following an incident at one of the group's franchised restaurants in Johannesburg in March 2017. This had a significant impact on the fourth quarter of the 2017 financial year as well as most of the 2018 financial year, although the trend has shown a steady recovery during the 2018 financial year as discussed in the CEO's and CFO's reports. The strategic move away from excessive discounting, initially in the Spur brand in the fourth quarter of the 2017 financial year, and then in the Panarottis brand in the second half of the 2018 financial year, has also had a short term negative impact on the group's profitability, as anticipated, although it has improved the financial prospects of our franchisees and thereby strengthened the sustainability of the group in the medium term.

As franchising is essentially based on the continuous development of intellectual property, our business is highly reliant on key skills. From an operational perspective, these skills are typically sourced from restaurant managers and operators who harness and develop their skills over many years. Competition for effective operators is high in the industry, between competing brands and even between the corporate and franchisees. These resources cannot be easily replaced, and it is consequently necessary to ensure that the group's remuneration strategy achieves its objective of retaining these skills. In addition to the operational side of the business, the country generally faces a shortage of key skills, and the remuneration strategy therefore needs to attract and retain key talent.

Considering these factors, and in reviewing remuneration for the 2018 financial year, the committee and management had to carefully consider:

- the impact of above-inflation increases in costs on the standard of living of employees;
- the short-term decline in profitability arising from both controlled and uncontrolled events;
- the reliance on, and the need to retain, key skills; and
- addressing the impact of inflation on lower-income earners.

It is imperative that the group is able to retain and motivate its employee base to not only regain the profit lost over the past 15 months, but grow the business and implement its strategy into the future. The committee has therefore had to balance the need to retain key skills required to implement the recovery strategy, and the impact of increases in guaranteed and variable remuneration in the context of a decline in profitability.

The committee believes the long-term impact of retaining a skilled work force outweighs the short-term impact of the current increases in guaranteed pay and incentives on profitability. The committee acknowledges that increases in guaranteed remuneration above revenue growth are not sustainable and has accordingly reviewed the incentive programmes, as detailed in the remainder of this report.

Shareholder voting on remuneration policy

The remuneration policy tabled for shareholder consideration at the annual general meeting ("AGM") of 1 December 2017 was prepared in accordance with King III. The non-binding resolution to endorse the remuneration policy failed as 51% of the votes cast at the AGM were against the resolution. Based on informal discussions that management held with certain institutional shareholders, the following concerns have been identified by the committee which are believed to be the rationale for the votes against the resolution:

- "Free" forfeitable share plan ("FSP") long-term incentive scheme ("LTI") shares were awarded to executive directors, resulting in the possibility of mediocre or non-performance being rewarded.
- The performance criteria for the share appreciation rights ("SAR") LTI scheme could result in mediocre or non-performance being rewarded – specifically with reference to where performance criteria potentially reward profit growth at less than CPI.
- The performance hurdle for the short-term incentive scheme ("STI"), which is based on performance relative to budget, could result in mediocre or non-performance being rewarded – specifically in that the budget targets appeared not to be challenging enough.
- Insufficient emphasis is placed on effective employment of capital in determining STI payments which could result in awards not being aligned with positive outcomes.

As the rights granted to employees are contractual, the company is unable to unilaterally amend the terms of the existing shares/rights granted in terms of the LTI and the STI for the 2018 financial year. However, the committee has reviewed the rules of the schemes applicable to the STI and any shares/rights to be awarded in terms of the LTI in the 2019 financial year as detailed below.

In future, the committee intends to meet with key institutional shareholders on a more regular basis, prior to tabling this report.

Key areas of focus for the year

The committee's key area of focus for the year has been reviewing all remuneration practices and incentive scheme rules to ensure convergence with King IV™. This included focus on the group's STI and LTI schemes.

For the reasons noted above, no amendments were made to any scheme rules effective during 2018, but these will be implemented for the 2019 financial year.

Revision to STI

With effect from 1 July 2018, the STI scheme has been amended as detailed on page 74. The key changes include:

- The determination of the maximum incentive payable will be calculated with reference to the participant's salary and is dependent on seniority (four months' salary for executives, three months' salary for senior management and two months' salary for middle management). The bonus pool was previously calculated with reference to the dividends that would have been earned on a notional number of shares and was allocated to all participants *pro rata* to their salary.
- Financial performance criteria will be calculated with reference to growth in profit relative to CPI. Financial performance was previously determined with reference to the board-approved budget.
- A return on equity ("ROE") measure will be included in the financial performance criteria for executive management.

Revision to LTI

The allocation of shares and rights in accordance with the LTI schemes has been amended with effect from 1 July 2018 as detailed on page 76. The key changes include:

- No FSP shares to be awarded to executive management.
- While the performance hurdles remain at the discretion of the committee, a minimum performance hurdle of CPI must be achieved for any SARs to vest.
- Personal performance criteria to be applied to granting of FSP shares and vesting of SARs.
- A cap on the maximum value on vesting of SARs.
- Clawback provisions included in the rules of the scheme resulting in forfeiture and/or repayment in the event of material misstatement of financial results or major reputational, environmental or economic disaster where the participant was involved in and/or accountable for such event.

Use of service providers

The committee engaged the services of Moore Stephens Risk Services, who currently provide internal audit services to the group, to assist the committee in conducting a gap analysis to King IV™ and recommending key policy changes required to enhance compliance with Principle 14.

The committee had previously engaged the services of PwC to conduct a remuneration benchmarking exercise for executive management to determine remuneration effective 1 July 2015. The benchmarking included a comparison of guaranteed remuneration, STIs and LTIs, relative to the market and a specified comparator group of companies, which included companies in the same industry and those of a similar size in the retail industry. Based on the analysis conducted, the committee was satisfied that the remuneration of the chief executive officer, chief operating officer and chief financial officer was reasonable and in line with the group's remuneration strategy at that time. Given that increases since then have been in line with inflation, the committee is satisfied that the current remuneration of executive management is reasonable. It is anticipated that the next formal benchmarking exercise will be conducted prior to the review of remuneration effective 1 July 2019.

The committee is satisfied with the independence and objectivity of the service providers.

Effectiveness of remuneration policy

The committee is of the view that the current remuneration policy is effective in achieving its stated objectives but acknowledges that improvements can be made to remuneration practices in the organisation which will improve alignment with King IV™ (some of which are noted in the future focus areas detailed on the following page).

Future focus areas

The implementation of the revised STI and LTI scheme rules is being prioritised.

The exercise undertaken by Moore Stephens Risk Services highlighted deficiencies in the way the group profiles and grades employment roles and positions. This in turn impacts on the group's ability to conduct accurate remuneration benchmarking for all employees. Management is therefore initiating a project to reassess all roles throughout the group. This will include conducting suitable benchmarking to be able to perform a reasonable assessment of the appropriateness of remuneration levels throughout the organisation in time for the annual remuneration reviews effective 1 July 2019. This will allow a more objective assessment of whether the group's remuneration policy, with specific reference to targeted guaranteed remuneration relative to the industry, is being complied with.

In the longer term, the committee plans to work with management to implement an appropriate system to measure objectively quantifiable key performance indicators relating to intangible aspects of performance.

PART 2: OVERVIEW OF REMUNERATION POLICY

The full remuneration policy is available online at www.spurcorporation.com/investors/results-centre/.

The purpose of the group's remuneration policy is to provide the group with a framework within which to determine and approve organisation-wide remuneration that will attain the policy's overall objective: to articulate and effect fair, responsible and transparent remuneration.

By implementing the remuneration policy, in conjunction with other HR-related policies, the group aims to maintain a positive, high-quality, motivated workforce that operates responsibly and ethically. This in turn will maximise shareholder value.

To achieve this, the remuneration policy is based on the following principles:

- Adherence to principles of good corporate governance and regulatory frameworks.
- Alignment to the overall business strategy, objectives and values of the group.
- "Horizontal fairness" is applied: employees performing similar job requirements at the same or similar level of performance in the organisation receive the same or similar levels of remuneration. The following standardised considerations are taken into account:
  - seniority or length of service;
  - qualifications, ability, competence, potential;
  - shortage of relevant skill in a particular job classification; and
  - work performance.
- "Vertical fairness" is applied: differences in total remuneration between different job levels can be explained and justified on a consistent basis.
- Ensuring that executive management's remuneration is fair and responsible within the context of overall, organisation-wide employee remuneration.
- Remuneration for executive and senior management is to be balanced between guaranteed remuneration, and STI and LTI schemes which are aligned to positive strategic outcomes and shareholder interests.
- The group targets remuneration at the median of benchmarked remuneration levels.
- Over the medium term, the group intends to assess positive outcomes across the various contexts in which the group operates, namely, people (social), planet (environmental) and profit (economic).
- The group's performance management system aims to, *inter alia*, identify and reward individual performance.

Elements of remuneration

Remuneration consists of the following elements:

- Total guaranteed pay
- Thirteenth cheque and STI
- LTI, including:
  - Equity-settled FSP retention scheme
  - Equity-settled SAR incentive scheme

Total guaranteed pay

Total guaranteed pay comprises basic cost-to-company ("CTC") and, in certain instances where employees regularly and routinely are required to travel for business purposes, a travel allowance or company car.

The CTC amount comprises a cash salary, medical aid contribution and provident fund contribution where the cash salary is determined as the CTC amount less the employee's cost of medical aid and contribution to the provident fund. Employees are required to be covered by medical aid and be a member of the group's provident fund. Contributions to the provident fund include group life and disability cover.

The following prevalent details or principles apply to CTC and increases thereon:

- CTC is largely based on competitive benchmarking undertaken from time to time. On an *ad hoc* basis, remuneration information on market-related remuneration packages are specifically requested from reputable service providers to perform a comparison.
- Consideration is given to "horizontal fairness" and "vertical fairness".
- CTC is fixed for a period of 12 months and is subject to an annual review with effect from 1 July each year.
- Increases are based on inflation, individual key performance indicators, benchmarking exercises, core skills, changes in responsibilities and group financial performance measures. Increases (excluding those of executive directors) are proposed by the relevant line managers, reviewed and recommended by the chief financial officer and chief operating officer and reviewed and approved by the chief executive officer.
- Executive directors' increases in CTC are recommended by the chief executive officer, reviewed and endorsed by the remuneration committee, and approved by the board. The board approves the chief executive officer's remuneration, subject to the recommendation of the remuneration committee.

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. The last review was conducted in June 2018 and amendments made with effect from 1 July 2018.

Company cars are granted at the discretion of the company. The type of vehicle is at the company's discretion.

Thirteenth cheque and STI
Employees either participate in the STI scheme or are eligible for a thirteenth cheque, depending on their position and seniority.

Participants of the STI scheme are middle management and higher-level employees, who have been determined to have sufficient discretionary managerial or executive (depending on the status of the eligible employee) decision-making authority, influence and ability to be able to have a meaningful impact on the financial performance of the group. Thirteenth cheques are available to all other employees who do not form part of the STI scheme.

STI
The purpose of the STI is to align the interests of eligible employees with those of shareholders in the short term i.e. based on profits.

2018

Step	Description		
Determine bonus pool and allocation of bonus pool to participants	**Maximum bonus** – 125% of dividends earned (net of withholding tax) on a notional 6.7 million shares allocated *pro rata* to all participants based on salary.		
Allocation of maximum bonus to three elements of bonus	**Personal performance bonus** – 20% of maximum bonus	**Group performance bonus** – 15% of maximum bonus	**Divisional performance bonus** – 65% of maximum bonus
Determine financial performance bonus – financial performance criteria applied	None	A factor of between 0% and 100% applied to group performance bonus for achievement of between 95% and 100% of average comparable budgeted EPS and HEPS	A factor of between 0% and 100% applied to divisional performance bonus for achievement of between 95% and 100% of budgeted operating profit*
Determine actual bonus payment – personal performance applied	A factor of between 0% and 100% applied to financial performance and personal performance bonuses based on personal performance.		

* "Divisional financial performance factor" for non-profit generating units is the weighted average "divisional financial performance factor" for all profit generating units. "Divisional financial performance factor" for executive directors is the same as the "group financial performance factor".

The use of dividends in the determination of the bonus pool provides alignment between participants and shareholders.

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.

Bonus payments are determined by the chief executive officer in accordance with the rules of the scheme approved by the remuneration committee. The 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.

2019

<table>
<tr><th>Step</th><th colspan="3">Description</th></tr>
<tr><td>Determine bonus pool and allocate to individual participants</td><td colspan="3">Maximum bonus:
– Executive management – 4 x monthly CTC
– Senior management – 3 x monthly CTC
– Middle management – 2 x monthly CTC</td></tr>
<tr><td>Allocation of maximum bonus to three elements of bonus</td><td>Personal performance bonus – 20% of maximum bonus</td><td>Group performance bonus – 15% of maximum bonus</td><td>Divisional performance bonus – 65% of maximum bonus</td></tr>
<tr><td rowspan="2">Determine financial performance bonus – financial performance criteria applied</td><td rowspan="2">None</td><td>A factor of between 33% and 100% applied to group performance bonus for achievement of between CPI[1] and stretch target[2] growth in adjusted HEPS[3]</td><td>A factor of between 33% and 100% applied to divisional performance bonus for achievement of between CPI[1] and stretch target[2] growth in operating profit[4]</td></tr>
<tr><td colspan="2">For executive directors: A factor of between 0% and 100% applied to group performance bonus for ROE of 85% and 115% of on-target ROE[5]</td></tr>
<tr><td>Determine potential bonus payment – personal performance applied</td><td colspan="3">A factor of between 0% and 100% applied to personal, group and divisional performance bonuses based on personal performance.</td></tr>
<tr><td>Determine actual bonus payment</td><td colspan="3">Aggregate bonuses paid may not exceed 50% of the extent to which actual profit has grown ahead of profit growth at CPI. This determination is made for each business unit and the group as a whole. Provided that: participants will receive a minimum bonus payment of one month’s CTC in the event that profit growth is at least CPI.

The CEO has the discretion, in exceptional circumstances, to grant any participant (who is not executive management) an additional discretionary bonus of up to 100% of the amount calculated above, provided that the total bonus paid to the participant shall not exceed the limit applied to monthly CTC applicable to that participant, and provided further that the total aggregate bonuses paid to all participants shall not exceed 50% of the extent to which actual profit has grown ahead of profit growth at CPI.</td></tr>
</table>

1 Expected CPI for the year as determined at the beginning of the financial year.

2 Stretch target is determined each year by the committee.

3 HEPS adjusted to include any impairments and reversals of impairments, and exclude the cost of incentive schemes.

4 “Divisional financial performance factor” for non-profit generating units is the weighted average “divisional financial performance factor” for all profit generating units. “Divisional financial performance factor” for executive directors is the same as the “group financial performance factor”, i.e. 80% of executive directors’ maximum bonus is based on the group’s financial performance.

5 On-target ROE for any subsequent year cannot be lower than the previous year’s target.

Financial performance is determined with reference to growth on the prior year relative to CPI. While the exact performance criteria are at the discretion of the committee, the minimum financial performance criteria is growth of at least CPI. For executive directors, an additional performance criterion relating to targeted ROE is applicable.

STI bonus payments are determined by the chief executive officer in accordance with the rules of the scheme approved by the committee. Payments to executive directors are reviewed and approved by the remuneration committee in advance.

Thirteenth cheques

Thirteenth cheques are determined at the discretion of the executive board and the committee, based on the financial performance of the group and each individual’s annual performance appraisal. Depending on the financial performance of the group, a full or partial thirteenth cheque may be declared. Each individual’s participation is limited to a maximum of one month’s CTC.

Thirteenth cheques are proposed by the relevant line managers, based on individual performance, reviewed and recommended by the chief financial officer and chief operating officer, and reviewed and approved by the chief executive officer.

LTI

Cash-settled SAR employee retention scheme (final tranche settled in 2018 financial year)

The executive directors and certain members of senior management participated in a cash-settled SAR employee retention scheme. These rights vested and were compulsorily exercisable three years after the date of issue. The strike price was 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, were 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 had to be hedged. There were no financial performance vesting criteria applicable to the rights. The final tranche of rights issued in terms of this scheme vested in December 2017.

Equity-settled FSP employee retention scheme and SAR incentive scheme (first tranche awarded April 2016)

At the AGM of 4 December 2015, shareholders approved the Spur Group FSP and SAR schemes, in terms of which a maximum of 3 254 428 and 7 593 665 shares respectively may be awarded to employees and directors.

Element	FSP retention scheme	SAR 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. The increase in value of the right (determined on a 10-day volume-weighted average price ("VWAP")) over the vesting period is settled in shares on the vesting date. 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	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.
Available to	Executives Senior management Middle management	Executives Senior management
Performance conditions	Previously none For awards granted from 1 July 2018, personal key performance indicators applied at grant date only	Return on equity and compounded annual growth in comparable headline earnings per share relative to CPI over the vesting period. Performance conditions are applied at the vesting date. For awards granted from 1 July 2018, earnings measure is based on growth in adjusted HEPS (HEPS adjusted to include any impairments and reversals of impairments, and exclude the cost of incentive schemes). For awards granted from 1 July 2018, personal key performance indicators to be applied on vesting.
Capping	None	Previously none. For all awards granted from 1 July 2018, the maximum value of award on vesting date is capped at 24 times monthly CTC.

Equity-settled FSP employee retention scheme

The FSP is used as a mechanism for the retention of certain of the group's key employees and as such has no vesting criteria other than the requirement to remain employed by the group for a period of three years from the grant date. This plan increases the commitment and interest of employees in the group's long-term business goals and performance through share ownership.

The annual allocation of FSP shares and the participants of the scheme are recommended by executive management but subject to the approval of the committee and the board.

For any FPS shares awarded subsequent to 1 July 2018:

- directors may not participate in the scheme;
- granting will be subject to personal performance criteria;
- terms will include malice and/or clawback provisions which will require forfeiture and/or repayment in the event of material misstatement of financial results or major reputational, environmental or economic disaster where the participant was involved in and/or accountable for such event; and
- participation and allocations will be more consistently applied based on employment levels. For 2019, senior management will be awarded 5 000 shares, and middle management, 4 000 shares, or a proportion of this number, based on personal performance criteria at grant date.

While the rules of the scheme provide that the maximum allocation at any time per participant cannot exceed 162 721 shares, it is not anticipated that any participant will exceed 50 000 shares in aggregate at any point in time.

Equity-settled SAR employee incentive scheme

This scheme is available to executive directors and certain of the group's key senior managers who are able to influence the share price. The scheme increases the commitment and interest of these participants in the group's long-term business goals and performance through share ownership. It is an incentive for the employees to execute and enhance the group's future performance and growth strategies.

The participants of the scheme are recommended by executive management but subject to the approval of the committee and the board.

Vesting criteria include a three-year employment period from grant date, return on equity targets, and specified growth targets in adjusted headline earnings per share relative to inflation over three years, as determined by the committee.

For any SARs awarded subsequent to 1 July 2018:

- a minimum growth target of CPI must be achieved for any rights to vest;
- vesting will be subject to personal performance criteria;
- terms will include malice and/or clawback provisions which will require forfeiture and/or repayment in the event of material misstatement of financial results or major reputational, environmental or economic disaster where the participant was involved in and/or accountable for such event; and
- participation and allocations will be more consistently applied based on employment levels. In particular the number of rights will be determined based on the expected aggregate value of the rights and FSP shares (where applicable) on vesting, applying "on target" vesting criteria as a multiple of monthly CTC:
  - Chief executive officer – five times monthly CTC
  - Chief operating and financial officers – four times monthly CTC
  - Senior leadership team – three times monthly CTC
  - Other senior management – two times monthly CTC
  - Subject to a minimum of the equivalent of 10 000 shares in aggregate for the FSP and SAR schemes per participant, before applying personal performance criteria on grant date.
- The maximum value on vesting of the rights will be capped at 24 times monthly CTC.

The maximum allocation at any time per participant cannot exceed the equivalent of 379 682 shares.

Termination benefits

No employment agreements provide for any termination benefits, other than those required by law. Termination benefits are not paid, except in circumstances where it is in the company's interests to do so.

Performance measures used to assess achievement of strategic objectives

The table below identifies the performance measures applicable to variable remuneration and how these are linked to positive outcomes:

Achievement of strategic objectives	STI	LTI
Growth in profit in short and medium term	**Executives** – growth in adjusted HEPS relative to CPI over one year (80% weighting) **Participants other than executives** – growth in operating profit (65% weighting) and growth in adjusted HEPS (15% weighting) relative to CPI over one year	SAR: Growth in adjusted HEPS relative to CPI over three years
Efficient use of capital (shareholder alignment)	**Executives** – return on equity target to be achieved **Participants other than executives** – none	SAR: Return on equity target to be achieved
Growth in share price (shareholder alignment)	–	SAR: Growth in share price
Individual performance excellence	Performance appraisal rating (STI on payment; FSP on grant date; SAR on vesting)	

Illustration of potential consequences on executive remuneration

The section that follows seeks to provide an indication of the potential results of the revised STI and LTI schemes applicable from 1 July 2018 on executive remuneration.

The targets below assume an expected inflation rate of 5% for the year ahead.

STI performance measure	Impact
Growth in adjusted HEPS over one year	**Proportion of bonus pool paid**
< 5% (CPI) (threshold)	0%
5% – 7% (on-target)	33% – 50%
7% – 11% (stretch)	50% – 100%
Return on equity	**Proportion of bonus pool paid**
< 12.75% (85% of target of 15%)	0%
12.75% – 15% (100% of target of 15%)	0% – 50%
15% – 17.25% (115% of target of 15%)	50% – 100%
Individual performance rating	**Proportion of bonus calculated paid**
< 75%	0%
75% – 85%	50%
85% – 90%	80%
>90%	100%

Where STI payment = (80% of maximum bonus x profit growth factor x return on equity factor x individual performance factor) + (20% of maximum bonus x individual performance factor)

LTI performance measure	Impact
Growth in adjusted HEPS (nominal annual compounded annually over three-year vesting period)	**Proportion of rights vesting**
< 5% (threshold)	0%
5% – 7% (target)	33% – 50%
7% – 11% (stretch)	50% – 100%
Return on equity	**Proportion of rights vesting**
< 12.75% (85% of target of 15%)	0%
12.75% – 15% (100% of target of 15%)	0% – 50%
15%-17.25% (115% of target of 15%)	50% – 100%
Individual performance rating	**Proportion of rights vesting**
< 75%	0%
75% – 85%	50%
85% – 90%	80%
>90%	100%

Where total number of rights vesting = number of rights granted x financial performance factor x return on equity factor x individual performance rating factor.

The table below illustrates the impact on executive remuneration for the 2019 financial year based on various scenarios where targeted CPI is 5%:

Maximum bonus declared/rights vesting

Executive management	2019 annual CTC (R'000)	Bonus pool (R'000)	Individual performance	Proportion of bonus paid
STI				
CEO	6 019	2 006	>90%	100.0%
			85% – 90%	80.0%
			75% – 85%	50.0%
			<75%	–
Group COO	3 870	1 290	>90%	100.0%
			85% – 90%	80.0%
			75% – 85%	50.0%
			<75%	–
CFO	3 150	1 050	>90%	100.0%
			85% – 90%	80.0%
			75% – 85%	50.0%
			<75%	–

\# For STI, growth refers to growth over one year.

	No. of rights awarded	Individual performance	Proportion of rights vesting
LTI			
CEO	857 217	>90%	100.0%
		85% – 90%	80.0%
		75% – 85%	50.0%
		<75%	–
Group COO	440 985	>90%	100.0%
		85% – 90%	80.0%
		75% – 85%	50.0%
		<75%	–
CFO	358 906	>90%	100.0%
		85% – 90%	80.0%
		75% – 85%	50.0%
		<75%	–

* Gross value on vesting assumes a grant date share price of R26 and that share price grows in line with profit over the vesting period.

\# For LTI, growth refers to nominal rate compounded annually over the vesting period of the rights.

		Individual performance	Proportion based on individual performance
Total variable remuneration (STI and LTI)			
CEO	6 019	>90%	100.0%
		85% – 90%	80.0%
		75% – 85%	50.0%
		<75%	–
Group COO	3 870	>90%	100.0%
		85% – 90%	80.0%
		75% – 85%	50.0%
		<75%	–
CFO	3 150	>90%	100.0%
		85% – 90%	80.0%
		75% – 85%	50.0%
		<75%	–

	Growth in adjusted HEPS (assuming ROE stretch target achieved)						ROE (assuming adjusted HEPS on-target achieved)			
	At threshold (5%#)		At target (7%#)		At stretch (11%#)		At target (15%)		At stretch (17.25%)	
	33%		50%		100%		50%		100%	
	Bonus (R'000)	% of annual CTC	Bonus (R'000)	% of annual CTC	Bonus (R'000)	% of annual CTC	Bonus (R'000)	% of annual CTC	Bonus (R'000)	% of annual CTC
	931	15.5%	1 204	20.0%	2 006	33.3%	803	13.3%	1 204	20.0%
	745	12.4%	963	16.0%	1 605	26.7%	642	10.7%	963	16.0%
	465	7.7%	602	10.0%	1 003	16.7%	401	6.7%	602	10.0%
	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	599	15.5%	774	20.0%	1 290	33.3%	516	13.3%	774	20.0%
	479	12.4%	619	16.0%	1 032	26.7%	413	10.7%	619	16.0%
	299	7.7%	387	10.0%	645	16.7%	258	6.7%	387	10.0%
	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	487	15.5%	630	20.0%	1 050	33.3%	420	13.3%	630	20.0%
	390	12.4%	504	16.0%	840	26.7%	336	10.7%	504	16.0%
	244	7.7%	315	10.0%	525	16.7%	210	6.7%	315	10.0%
	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%

	Gross value on vesting* (R'000)	% of annual CTC	Gross value on vesting* (R'000)	% of annual CTC	Gross value on vesting* (R'000)	% of annual CTC	Gross value on vesting* (R'000)	% of annual CTC	Gross value on vesting* (R'000)	% of annual CTC
	1 170	19.4%	2 508	41.7%	8 194	136.1%	1 254	20.8%	2 508	41.7%
	936	15.5%	2 006	33.3%	6 555	108.9%	1 003	16.7%	2 006	33.3%
	468	7.8%	1 003	16.7%	3 277	54.5%	502	8.3%	1 003	16.7%
	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	602	15.5%	1 290	33.3%	4 215	108.9%	645	16.7%	1 290	33.3%
	481	12.4%	1 032	26.7%	3 372	87.1%	516	13.3%	1 032	26.7%
	241	6.2%	516	13.3%	1 686	43.6%	258	6.7%	516	13.3%
	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	490	15.5%	1 050	33.3%	3 431	108.9%	525	16.7%	1 050	33.3%
	392	12.4%	840	26.7%	2 744	87.1%	420	13.3%	840	26.7%
	196	6.2%	420	13.3%	1 372	43.6%	210	6.7%	420	13.3%
	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%

	Total variable remune-ration (R'000)	% of annual CTC	Total variable remune-ration (R'000)	% of annual CTC	Total variable remune-ration (R'000)	% of annual CTC	Total variable remune-ration (R'000)	% of annual CTC	Total variable remune-ration (R'000)	% of annual CTC
	2 101	34.9%	3 712	61.7%	10 200	169.5%	2 056	34.2%	3 712	61.7%
	1 681	27.9%	2 969	49.3%	8 160	135.6%	1 645	27.3%	2 969	49.3%
	933	15.5%	1 605	26.7%	4 281	71.1%	903	15.0%	1 605	26.7%
	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	1 200	31.0%	2 064	53.3%	5 505	142.2%	1 161	30.0%	2 064	53.3%
	960	24.8%	1 651	42.7%	4 404	113.8%	929	24.0%	1 651	42.7%
	540	14.0%	903	23.3%	2 331	60.2%	516	13.3%	903	23.3%
	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	977	31.0%	1 680	53.3%	4 481	142.2%	945	30.0%	1 680	53.3%
	782	24.8%	1 344	42.7%	3 584	113.8%	756	24.0%	1 344	42.7%
	440	14.0%	735	23.3%	1 897	60.2%	420	13.3%	735	23.3%
	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%

Fair and responsible remuneration of executives relative to overall employee remuneration

The policy requires that a benchmarking analysis of all employees is to be conducted every five years. As indicated earlier in this report, this has not been practicable until now. Under the supervision of the committee, management is initiating a project to reassess all roles throughout the group and conduct suitable benchmarking to be able to perform an objective assessment of the appropriateness of remuneration levels throughout the organisation in time for the annual salary reviews effective 1 July 2019. One of the key deliverables of this project will be to provide a benchmarked salary band for each employment level. This will allow a more factual assessment of whether the group's remuneration policy achieves the objective of fair and responsible executive remuneration relative to overall employee remuneration.

Use of benchmarks

No specific, formally commissioned benchmark studies have been conducted during the year. It is anticipated that a formal benchmarking exercise will be conducted in time for the annual remuneration review effective 1 July 2019.

Executive directors' service contracts

Executive directors have varying notice periods in terms of their employment contracts, ranging between a one-month to a 12-month period. Mr Mark Farrelly has a three-month notice period, Mr Pierre van Tonder has a six-month notice period, Mr Allen Ambor has a 12-month notice period (which expires on 1 March 2019), and Mr Phillip Matthee 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.

Basis for setting fees of non-executive directors

The board determines fees to non-executive directors for membership on the board and board committees. The board believes such fees are market-related and commensurate with the time and effort required by the directors to undertake their duties. Fees are compared to the data contained in the *Annual Report on Non-executive Director Remuneration* issued by PwC from time to time.

Given the size and nature of the group, and the informal involvement of all non-executive directors in key decisions, the board believes an equitable flat rate is appropriate for all non-executive directors. At the AGM on 5 December 2017, shareholders approved (by way of special resolution) the remuneration of directors for services as directors at R425 000 per annum with effect from 1 July 2017. The shareholders' resolution remains in effect until 30 June 2019.

No non-executive directors participate in any incentive schemes and their remuneration is not linked to the performance of the group or its share performance.

Details of fees paid to non-executives are included on note 41 of the consolidated financial statements on page 172 of this report.

PART 3: IMPLEMENTATION OF REMUNERATION POLICY

Executive remuneration

Annual increase in CTC

CTC for executive directors was increased by 3% with effect from 1 July 2017.

Given the performance of the group in the 2017 financial year and taking cognisance of the impact of above-inflation increases in basic goods and services on lower earners and the desire to maintain standards of living, increases that were effective across the group on 1 July 2017 (for the 2018 financial year) were stratified according to CTC as follows:

Monthly CTC (June 2017)	Increase granted effective July 2017	Proportion of workforce
>R170 000 (including executives)	3%	1.0%
R100 001 – R170 000	4%	3.8%
R85 001 – R100 000	5%	3.4%
R60 000 – R85 000	5.5%	6.9%
50 001 – R59 999	6%	3.1%
R40 001 – R50 000	6.5%	17.2%
R30 000 – R40 000	7%	10.7%
R25 000 – R29 999	8%	7.9%
R20 001 – R24 999	8.5%	9.7%
R16 001 – R20 000	9%	9.7%
R14 001 – R16 000	10%	5.8%
R10 001 – R14 000	12%	5.5%
<R10 000	14%	15.3%
Aggregate increase	6%	100.0%

The result of the above is a shift in the Gini Coefficient of the company's workforce from 0.467 in 2017 to 0.452 in 2018, which indicates a decline in income inequality and demonstrates the committee's commitment to ensuring that executive remuneration is fair and reasonable in relation to remuneration of other employees within the group. This is further demonstrated by the change in distribution of the company's monthly CTC as illustrated in the diagram below:

DISTRIBUTION OF COMPANY WORKFORCE MONTHLY GUARANTEED COST TO COMPANY

The 2018 distribution is slightly flatter than that of 2017, indicating less variability in CTC.

Total remuneration of executive directors

R'000	CTC[1]	Travel allowance	STI[2]	LTI[3]	Severance[4]	**Total cash received[5]**	LTI awards[6]	Prior year STI excluded[7]	Current year STI[8]	**Total remuneration[9]**	LTI IFRS 2 charge[10]
2018											
Executive directors											
Allen Ambor	4 356	–	–	–	–	**4 356**	–	–	–	**4 356**	(30)
Pierre van Tonder	5 732	–	219	–	–	**5 951**	–	(219)	446	**6 178**	15
Mark Farrelly	3 686	–	176	–	–	**3 862**	–	(176)	287	**3 973**	3
Ronel van Dijk (resigned 31 March 2018)	2 443	–	124	–	3 280	**5 847**	–	(124)	–	**5 723**	(129)
Phillip Matthee (appointed 1 April 2018)	750	–	–	–	–	**750**	–	–	234	**984**	10
Prescribed officer											
Kevin Robertson	2 448	226	117	–	–	**2 791**	–	(117)	190	**2 864**	32
2017											
Executive directors											
Allen Ambor	4 356	–	414	234	–	**5 004**	–	(414)	–	**4 590**	(154)
Pierre van Tonder	5 565	–	529	748	–	**6 842**	3 205	(529)	219	**9 737**	(848)
Mark Farrelly	3 578	–	511	514	–	**4 603**	2 700	(511)	176	**6 968**	(630)
Ronel van Dijk	3 162	–	300	421	–	**3 883**	2 310	(300)	124	**6 017**	(504)
Prescribed officer											
Kevin Robertson	2 376	226	339	421	–	**3 362**	1 920	(339)	117	**5 060**	(458)

Footnotes

1 CTC is shown as a single amount and includes provident fund and medical contributions. As the costs of these benefits form part of the guaranteed CTC, the allocation between the benefits has no impact on the total.

2 STI awards paid in the current year, but in respect of performance relating to the prior year.

3 Cash equivalent of LTI awards vested during the year.

4 Leave pay and severance pay, paid on termination, as it was in the company's interest to do.

5 Represents the total value of cash or cash equivalents received during the year.

6 LTI awards granted during the year, valued at grant date fair value.

7 Relates to prior year and therefore excluded from determination of total remuneration relating to current year.

8 For 2018, current year STI is best estimate at the time of drafting this report; for 2017, current year STI is actual STI payment in 2018 relating to 2017.

9 Total remuneration in respect of current financial year.

10 Share-based payment expense determined in accordance with IFRS 2 and relates to all LTI awards that vested during the year, as well as those that remain unvested as at the end of the financial year. Disclosed for completeness, but not included in total remuneration as the fair value of awards granted in the year is already included in total remuneration.

As referred to earlier in this report, the last executive remuneration benchmarking was conducted in determining executive remuneration for the 2016 financial year. Since then, executives have received increases in CTC of 8% and 3% for the 2017 and 2018 financial years respectively. On this basis, the committee is satisfied that executive remuneration is reasonable.

Refer to note 41 of the consolidated financial statements on page 172 of this report for further details of directors' remuneration.

LTI

LTI awards during the year

The committee has not approved the awarding of any grants during the year, pending consultation with key stakeholders. It is anticipated that awards will be granted by November 2018, applying the amendments to the schemes described earlier in this report, following discussions with certain stakeholders.

LTI awards not yet vested at reporting date

	No. of shares/ awards granted	Grant date strike price	Fair value at grant date (R) each	Fair value at grant date (R)	Grant date	Vesting date	Free to trade date	Fair value at reporting date (R) each	Fair value at reporting date (R)	Fair value at reporting date expected to vest (R)
Pierre van Tonder										
1st tranche FSP	15 000	N/A	19.57	293 550	01/04/16	01/04/19	31/03/21	22.46	336 900	336 900
1st tranche SAR	409 213	29.40	6.40	2 618 963	01/04/16	01/04/19	31/03/21	1.59	650 649	–
2nd tranche FSP	15 000	N/A	23.03	345 450	03/04/17	02/04/20	01/04/22	20.39	305 850	305 850
2nd tranche SAR	533 546	33.15	5.36	2 859 807	03/04/17	02/04/20	01/04/22	2.13	1 136 453	–
Mark Farrelly										
1st tranche FSP	10 000	N/A	19.57	195 700	01/04/16	01/04/19	31/03/21	22.46	224 600	224 600
1st tranche SAR	353 411	29.40	6.40	2 261 830	01/04/16	01/04/19	31/03/21	1.59	561 923	–
2nd tranche FSP	10 000	N/A	23.03	230 300	03/04/17	02/04/20	01/04/22	20.39	203 900	203 900
2nd tranche SAR	460 790	33.15	5.36	2 469 834	03/04/17	02/04/20	01/04/22	2.13	981 483	–
Ronel van Dijk										
1st tranche FSP	10 000	N/A	19.57	195 700	01/04/16	01/04/19	31/03/21	22.46	224 600	Forfeited
1st tranche SAR	297 610	29.40	6.40	1 904 704	01/04/16	01/04/19	31/03/21	1.59	473 200	Forfeited
2nd tranche FSP	10 000	N/A	23.03	230 300	03/04/17	02/04/20	01/04/22	20.39	203 900	Forfeited
2nd tranche SAR	388 034	33.15	5.36	2 079 862	03/04/17	02/04/20	01/04/22	2.13	826 512	Forfeited
Phillip Matthee										
1st tranche FSP	5 000	N/A	19.57	97 850	01/04/16	01/04/19	31/03/21	22.46	112 300	112 300
1st tranche SAR	74 402	29.40	6.40	476 173	01/04/16	01/04/19	31/03/21	1.59	118 299	–
2nd tranche FSP	5 000	N/A	23.03	115 150	03/04/17	02/04/20	01/04/22	20.39	101 950	101 950
2nd tranche SAR	97 008	33.15	5.36	519 963	03/04/17	02/04/20	01/04/22	2.13	206 627	–
Kevin Robertson*										
1st tranche FSP	10 000	N/A	19.57	195 700	01/04/16	01/04/19	31/03/21	22.46	224 600	224 600
1st tranche SAR	241 808	29.40	6.40	1 547 571	01/04/16	01/04/19	31/03/21	1.59	384 475	–
2nd tranche FSP	10 000	N/A	23.03	230 300	03/04/17	02/04/20	01/04/22	20.39	203 900	203 900
2nd tranche SAR	315 277	33.15	5.36	1 689 885	03/04/17	02/04/20	01/04/22	2.13	671 540	–

* Prescribed officer.

As Ronel van Dijk had ceased to be employed during the year, all awards granted were forfeited.

Performance hurdles in respect of LTI awards not yet vested

Vesting criteria	Tranche 1 FSP (April 2016)	Tranche 1 SAR (April 2016)	Tranche 2 FSP (April 2017)	Tranche 2 SAR (April 2017)
Service condition	Remain employed for duration of vesting period			
Return on equity	–	15% for vesting period	–	15% for vesting period
Growth in comparable HEPS*	–	– < CPI: 0% – CPI – CPI+2%: 0% to 50% vesting – CPI+2 – CPI+3%: 50% to 80% vesting – CPI+3% – CPI+4%: 80% to 100% vesting	–	– 0% – CPI: 0% to 25% vesting – CPI – CPI+2%: 25% to 50% vesting – CPI+2 – CPI+3%: 50% to 80% vesting – CPI+3% – CPI+4%: 80% to 100% vesting
Personal performance criteria	None			

* Growth in comparable HEPS is calculated as a nominal annual compounded annually increase in comparable HEPS, excluding the impact of all incentive schemes, over the respective vesting periods.

The financial performance criteria for the first and second tranches of SARs have not been met as at 30 June 2018. Consequently, as at the reporting date, none of the SARs are expected to vest on their respective vesting dates.

LTI awards vested during the year

	No. of rights granted	Award date	Vesting date	Grant date strike price (R) each	Vesting date price (R) each	Value (R) each	Payment made (R)
Allen Ambor							
5th tranche cash-settled SAR	50 000	15/12/14	14/12/17	30.91	27.00	(3.91)	–
Pierre van Tonder							
5th tranche cash-settled SAR	362 000	15/12/14	14/12/17	30.91	27.00	(3.91)	–
Mark Farrelly							
5th tranche cash-settled SAR	265 000	15/12/14	14/12/17	30.91	27.00	(3.91)	–
Ronel van Dijk							
5th tranche cash-settled SAR	218 000	15/12/14	14/12/17	30.91	27.00	(3.91)	–
Kevin Robertson*							
5th tranche cash-settled SAR	200 000	15/12/14	14/12/17	30.91	27.00	(3.91)	–

* Prescribed officer

As the vesting date price of the SARs awarded was lower than the grant-date strike price, the rights had no value on vesting and accordingly no payments were made to participants.

STI

The total bonus pool available to all participants on the scheme is calculated as 125% of the dividends, after withholding tax, on 6 688 698 shares. The interests of the participants and shareholders are aligned in that the participants and shareholders share commensurately in the dividends declared by the company.

The performance hurdles set by the committee for the 2018 financial year were:

Criteria	Qualifying thresholds	Percentage of bonus
Financial performance	95% to 100% of budget	0% – 100% of maximum bonus
Personal performance	< 50%	0% of calculated financial bonus
	50% – 70%	50% of calculated financial bonus
	70% – 85%	80% of calculated financial bonus
	>85%	100% of calculated financial bonus

The financial performance is calculated with reference to the board approved budget. The committee acknowledges that the budget approved for 2018 represented less of a stretch target than would ordinarily be the case. The March 2017 social media incident, which happened shortly before the 2018 budget was approved by the board, gave rise to unprecedented uncertainty with regards to projecting future income. At the same time, the morale of all employees was at a concerningly low level because of continuous negative media coverage of the incident and a significant decline in profitability. In these circumstances, the board had to adopt a conservative approach to budgeting. The committee is satisfied that the bonuses payable are appropriate in the circumstances, in recognition of the considerable efforts by management and participants of the scheme in overcoming the challenges presented by the incident and making considerable inroads into restoring lost market share, to ensure that the business remains sustainable.

The table below details the application of the performance criteria to the determination of the STI bonuses for executives. This is based on the best available information at the time of drafting this report.

		Financial performance		Personal performance		
	Bonus pool allocated	Achievement of target	Bonus factor	Rating	Bonus factor	Bonus payable
Pierre van Tonder	914 673					446 166
Personal performance (20%)	182 935	N/A	N/A	86.3%	100%	182 935
Group financial performance (80%)	731 738	96.8% of budget achieved	36.0%	86.3%	100%	263 231
Mark Farrelly	588 179					286 906
Personal performance (20%)	117 636	N/A	N/A	93.0%	100%	117 636
Group financial performance (80%)	470 543	96.8% of budget achieved	36.0%	93.0%	100%	169 270
Phillip Matthee	478 702					233 505
Personal performance (20%)	95 740	N/A	N/A	89.5%	100%	95 740
Group financial performance (80%)	382 962	96.8% of budget achieved	36.0%	89.5%	100%	137 765
Kevin Robertson	390 525					190 493
Personal performance (20%)	78 105	N/A	N/A	96.7%	100%	78 105
Group financial performance (80%)	312 420	96.8% of budget achieved	36.0%	96.7%	100%	112 388

Statement of compliance

The committee is satisfied that the policy has been complied with in all material respects, save for the following:

- The policy refers to a plan regarding profiling and grading employment roles and positions. In the absence of formal role gradings, a certain amount of discretion has been applied by the committee in terms of which employees participate in the LTI and STI schemes, and to what extent. The process of profiling and grading employment roles is expected to be concluded by 30 June 2019.

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 is comprised of a majority of non-executive directors. Permanent invitees include the chief financial officer, national procurement executive, legal and compliance officer, group finance executive, chief audit executive, the Spur Foundation Trust chairperson and the environmental sustainability committee chairperson.

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.

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

– Reviewing the group'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 group's compliance with all applicable legislation and Codes of Good Practice.
– Monitoring the group'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 group'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 group 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 in the online sustainability supplements at www.spurcorporation.com/investors/results-centre/.

The committee conducts an annual evaluation of its functioning and the committee is satisfied that it has fulfilled its responsibilities according to its charter during this reporting period.

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

KING IV™ APPLICATION REGISTER

In this register, which has been prepared in terms of the JSE Listings Requirements, Spur Corporation endeavours to explain its application of the King IV™ principles. The following table provides a high-level overview of responses to the 16 applicable King IV™ principles. Where relevant, we reference areas of our integrated report where detailed information can be found.

No.	Principle	Application
1	**The governing body should lead ethically and effectively**	The board is committed to ensuring that formal corporate governance structures and procedures are in place to maintain ethical and balanced decision-making practises 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 code of conduct sets the tone for ethical conduct throughout the group and requires that all directors and employees of the group maintain the highest standards of integrity and ethical conduct. All deliberations, decisions and actions of the board are based on fairness, accountability, responsibility and transparency.
2	**The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture**	The board has established a code of conduct and ethics-related policies, including ethical sourcing guidelines and a supplier code of conduct, through which the group's ethical standards are clearly articulated and implemented. The board and management ensure that the code of conduct is integrated into the strategy and operations of the group, such that the group's ethical organisational culture is reflected in the group's vision and mission, strategies and operations, its decisions and conduct and the way it treats its stakeholders. The board has delegated the implementation of the code of conduct and the ethical sourcing guidelines to management, who is required to report material breaches to the social, ethics and environmental sustainability committee. In addition, the human resources productivity committee reports directly to the social, ethics and environmental sustainability committee which ensures that the committee can provide oversight on the application of ethical conduct as it relates to staff matters. Employees can report contraventions of the code of conduct, or any other conduct inconsistent with the ethical culture of the company, to the ethics hotline on an anonymous basis. The hotline is available 24 hours a day, seven days a week and is managed by an independent and impartial third party.
3	**The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen**	The board's responsibilities include ensuring that the group 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. The board is assisted by the social, ethics and environmental sustainability committee in fulfilling this role, which includes compliance with the applicable laws, regulations and standards impacting the group as well as its own code of conduct and policies. The group is committed to environmental sustainability and is continually striving to improve operations to limit environmental impacts and to operate well within natural boundaries. Environmental sustainability, including the implementation of sustainability policies and the tracking, measurement and verification of environmental data streams, is overseen by the environmental sustainability committee. The Spur Foundation was established in 2012 to manage the group's social investment initiatives with the aim of uplifting and improving the lives of South African families, especially children, in line with its core values of generosity and Ubuntu.

No.	Principle	Application
4	**The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process**	The board is responsible for developing and adopting strategic plans that align with stakeholder interests and expectations, resulting in sustainable outcomes that do not give rise to risks that have not been thoroughly assessed by management. The board has delegated to management the detailed formulation and implementation of the approved strategy and the realisation of the expected returns. The board is responsible for approving the policies and operational plans developed by management. The year in review saw the establishment of the group leadership team, a committee comprising of senior executives. The group leadership team collaborates with the executive directors to formulate the group's short, medium and long-term strategies which are then presented to the board for its approval and recommendations. Financial statements of the group are circulated to board members prior to each board meeting. A solvency and liquidity assessment is prepared for any matter that may require this (including the declaration of dividends, acquisition of the group's own shares or provision of financial assistance). The audit committee reviews a documented assessment by management of the going concern premise of the group.
5	**The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects**	The board, assisted by its committees, monitors that the various reports of the group are compliant with legal reporting requirements and meet the reasonable and legitimate needs of the stakeholders. The board assumes responsibility for the integrity and transparency of the group's reporting and is assisted by the audit and risk committees and the internal and external auditors. The board, assisted by the audit committee, ensures that the integrated report conforms to the Companies Act and the JSE Listings Requirements. The audit committee approves the basis for determining materiality for reporting purposes. The group has used the Global Reporting Initiative (GRI) G4 guidelines as a guide for reporting on non-financial sustainability matters, providing stakeholders with information in a consistent and comparable way.
6	**The governing body should serve as the focal point and custodian of corporate governance in the organisation**	The board's objective is to provide responsible business leadership to the group with due regard to the interests of all stakeholders. It is fully committed to business integrity, fairness, transparency and accountability of all its activities. The board is assisted in carrying out its mandate by the various committees. The board charter, which was updated and approved at the board meeting of 5 September 2018, ensures that the roles, responsibilities and areas of accountability of the board and its members are documented and adhered to. The board charter stipulates that board members may, where necessary, take independent professional advice at the group's expense. This protocol is further amplified in each committee charter which permits the committee to obtain independent and external professional advice should it be deemed necessary. The board charter confirms that board members have unrestricted access to all group information, records, documents and property. Non-executive directors have access to management and may meet separately with management, without the attendance of executive directors. The board meets formally, twice a year, to attend to governance matters and discuss operations, strategy, risk and other key issues. Additional meetings are convened at short notice, as necessary, to discuss urgent business. The directors also participate together with management in various other *ad hoc* strategy and planning sessions.

No.	Principle	Application
7	**The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively**	The names of the board members during the review period, together with details of their age, qualifications, knowledge, skills and experience are disclosed in the integrated report (refer to page 16). The independence of the non-executive directors is reviewed on an annual basis by the nominations committee against the criteria stipulated in King IV™. The board has delegated the responsibility of assessing the skills and composition of the board to the nominations committee. The nominations committee recommends the appointment of directors to the board for approval when the need to fill vacancies on the board arises. The group has a unitary board structure comprising: – five independent non-executive directors, including the LID; – two non-executive directors who, in the opinion of the board, act independently; and – four executive directors. The group's gender diversity policy stipulates that the board shall comprise at least two female directors and no less than three black directors. In accordance with the policy, preference will be given to black female candidates when replacing directors who retire or resign. The board is satisfied that the composition of the board is appropriate, and constitutes a balance of power and authority so that no one individual or block of individuals is able to dominate the board's decision-making process. Currently, the board has sufficient members to serve on the various committees of the group.
8	**The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties**	The board retains ultimate responsibility for the proper fulfilment of its functions and delegates certain powers to elected committees, each with defined roles and responsibilities, in accordance with their respective formal charters. Feedback from board committees is a standard agenda item at each board meeting. Committees are entitled to obtain independent professional advice at the cost of the group on any issue within the ambit of its scope and subject to following a board approved process. The remuneration committee reviews the performance appraisals of the executive directors whilst the performance of the governing body as whole remains a matter for the board. The group has a dedicated risk committee which comprises of three members, the majority of which are non-executive directors. Dineo Molefe, an independent non-executive director, is a member of both the audit and risk committees. The standing committees of the board are: – Transformation committee – Risk committee – Social, ethics and environmental sustainability committee – Remuneration committee – Nominations committee – Audit committee With the exception of the transformation committee, each of the other committees comprise a majority of non-executive directors.

No.	Principle	Application
9	**The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness**	The board has adopted a performance appraisal process which is conducted every two years. The board evaluations are conducted on an anonymous basis and in a questionnaire format. The evaluation process is administered externally, and the results are submitted to the group secretary and tabled and discussed at the following board meeting. Committee evaluations are conducted annually by the committees themselves ("self evaluations") and this feedback is reported to the board.
10	**The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities**	The CEO is not a member of the audit, remuneration or nominations committees but is invited to attend these meetings or parts thereof. The board charter, together with the group's limits of authority policy, sets out the direction and parameters of the board's powers. The CEO's role and responsibilities are set out further in his employment contract which has recently been updated to ensure that the CEO's duties are clearly articulated and distinct from the board's duties and responsibilities. The company secretary provides guidance to the board on directors' legal and fiduciary duties and serves as the gate keeper of corporate governance within the company. The performance and independence of the company secretary is evaluated by the board on an annual basis and the board has satisfied itself of the appropriateness and arm's-length nature of this appointment.
11	**The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives**	The board's responsibility for risk governance is expressed in the board charter, the risk policy and the risk plan. The risk policy is reviewed and approved by the board every three years whilst the risk plan is reviewed and approved annually. Management is tasked with demonstrating to the board that their risk responses provide for the identification and exploitation of opportunities to improve the performance of the company. The board delegates to management the responsibility to continuously identify, assess, mitigate and manage risks within the existing operating environment. To the extent appropriate, mitigating controls are in place to address these risks, which are monitored on a continuous basis. 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. 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. 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.

No.	Principle	Application
12	**The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives**	The group IT executive is responsible for the general management of the IT function and is assisted by the IT steering committee. IT governance risk items are reported to the risk committee, which is chaired by the CEO. IT is a standing board agenda item. IT is recognised as a key enabler for the group and its activities and the organisational capacity of the IT function have expanded significantly. The IT and IT user policies are reviewed by the IT steering committee, the risk committee and ultimately the board, who is required to approve such policies prior to implementation thereof. 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. 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 as a business unit reports and rates its risks in the company's risk register. Performance management of third party and outsourced service providers has been delegated to the IT steering committee and the group IT executive. The board also reviews the findings of the internal and external auditors 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. Compliance with the POPI Act is work in progress. The company has undertaken an assessment of the various departments within the group to analyse and ascertain the extent to which personal information is circulated throughout the group. Remedial action to ensure the integrity and security of personal information is in the process of being implemented. Assurance on the company's IT arrangements is included in the work scope of the internal auditor who reports directly to the audit and risk committees.
13	**The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen**	A formal legal compliance policy is not in place. The board is satisfied, given the size and nature of the group and its activities, that the process of legal compliance is adequately managed by the structures in place which include the company's chief financial officer and legal and compliance executive. Given the size and nature of the group and its activities, the board is satisfied that the risk management process and report back from management provides adequate assurance in this regard. The legal and compliance department has prepared a register of applicable laws and rules per business unit which is presented to the social, ethics and environmental sustainability committee at each meeting. The register indicates whether or not the company complies with specific laws or rules. This register is reviewed on a continuous basis. In addition, a core function of the legal and compliance department is to monitor legislative developments that could have an impact on the company or its franchisees. The company proactively engages with the legislature on matters impacting the company or its industry at large.

No.	Principle	Application
14	**The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.**	The group has significantly restructured its remuneration policy to provide the group with a framework within which to determine and approve group-wide remuneration which will attain the policy's overall objective, namely to articulate and effect fair, responsible and transparent remuneration. The remuneration policy has been designed to achieve the following objectives: – to attract, motivate, reward and retain human capital; – to promote the achievement of strategic objectives within the organisation's risk appetite; – to promote positive outcomes; and – to promote an ethical culture and responsible corporate citizenship. By implementing the remuneration policy, in conjunction with other human resources-related policies, the group aims to maintain a positive, quality, motivated workforce which operates responsibly within an ethical culture. This in turn will maximise shareholder value. The board, assisted by the remuneration committee, ensures that executives and general staff are remunerated fairly and responsibly in line with industry standards. No employment contract makes provision for any termination or settlement payment other than payments legally required. Given the size and nature of the group, as well as the informal involvement of all non-executive directors in key decisions, the board is of the opinion that an equitable flat remuneration rate is appropriate for all non-executive directors. Directors are furthermore expected and required to provide input on an on-going basis to matters that arise between meetings as well as to agenda items at board meetings if they do not attend those meetings. The group has applied the King IV™ recommendation with regards to reporting (refer page 71). The remuneration committee engages with stakeholders on any matters that they may have relating to the remuneration policy and implementation report.

No.	Principle	Application
15	**The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports**	A combined assurance model has been developed and formally implemented across the group to effectively cover the group's significant risks and material matters. The model includes, but is not be limited to, the group's established outsourced internal audit function, its risk management and compliance functions, the external auditors and regulatory inspectors, together with such other external assurance providers as may be appropriate or deemed necessary from time to time, including the company secretary, which provides assurance on aspects of corporate governance and a JSE sponsor which advises on the JSE Listings Requirements. The audit committee is responsible for ensuring that the group's internal audit function is independent and has the necessary resources, standing and authority within the group 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 and these functions. The internal audit function is sufficiently skilled and resourced to fulfil its mandate within the group. The internal audit 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 ("CAE") in terms of the charter and reports directly to the audit committee. The CAE is an independent, outsourced service provider and has a standing invitation to the following board committee meetings: risk, audit and social, ethics and environmental sustainability. In addition, the CAE is invited to certain executive meetings on an *ad hoc* basis.
16	**In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time**	The board determines the direction of stakeholder relationships and delegates to management the responsibility for implementation and execution thereof. The social, ethics and environmental sustainability committee assists the board with monitoring stakeholder management and with setting the approach to stakeholder relationships. Stakeholder relationships is a recurring item on the agenda of the committee's meetings. Currently there is no formal policy on stakeholder relationships and the board has committed to developing and approving such a policy within the next 12 months. The remuneration policy provides mechanisms for engaging with shareholders on related matters while the group has a corporate communications policy which governs persons authorised to communicate with stakeholders. In addition, the group conducts results presentation twice a year (after reporting interim and year-end results) to which stakeholders and interested parties are invited to attend.

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.

	2017	Target 2018	2018	Target 2019
Financial performance				
Operating profit before finance income (R'm) (as defined on page 5)	178.3	**186.1**	**200.1**	216.6
Growth in adjusted operating profit (as defined on page 7)	(17.5%)	**3.0%**	**8.3%**	10.7%
Operating profit margin (as defined on page 7)	27.9%	**29.5%**	**29.3%**	31.5%
Return on equity (as defined on page 7)	16.6%	**17.8%**	**18.1%**	18.9%
Return on investment (dividends per share plus change in share price expressed as a percentage of share price at the beginning of the financial year)	(4.8%)	**6.0%**	**(4.0%)**	6%
Restaurants				
New local restaurants				
– Spur	8	**10**	**12**	9
– Panarottis	–	**4**	**5**	3
– John Dory's	4	**4**	**6**	2
– Captain DoRegos^	–	**4**	**–**	–
– The Hussar Grill	2	**3**	**3**	3
– RocoMamas	8	**7**	**15**	10
– Casa Bella	4	**2**	**2**	–
Closed local restaurants				
– Spur	5	**–**	**11**	–
– Panarottis	1	**–**	**1**	–
– John Dory's	1	**–**	**5**	–
– Captain DoRegos^	8	**–**	**–**	–
– The Hussar Grill	–	**–**	**–**	–
– RocoMamas	–	**–**	**–**	–
Total local restaurants				
– Spur	289	**293**	**290**	297
– Panarottis	80	**81**	**84**	83
– John Dory's	48	**49**	**49**	50
– Captain DoRegos^	41	**43**		
– The Hussar Grill	14	**17**	**17**	20
– RocoMamas	50	**57**	**65**	75
– Casa Bella	6	**8**	**8**	7
Relocated#/revamped local restaurants				
– Spur	26	**12**	**10**	12
– Panarottis	5	**4**	**2**	3
– John Dory's	3	**3**	**2**	3
– Captain DoRegos^	5	**2**		
– The Hussar Grill	1	**1**	**–**	–
– RocoMamas	–	**–**	**–**	–
– Casa Bella	–	**–**	**–**	–
Total restaurant turnover				
Spur (R'm)	4 478	**4 091**	**4 351**	4 530
Percentage growth in restaurant turnover	(2.1%)	**(8.6%)**	**(2.8%)**	4.1%
Percentage growth in existing restaurant turnover	(3.4%)	**(9.9%)**	**(4.9%)**	5.8%
Panarottis (R'm)	716	**756**	**722**	761
Percentage growth in restaurant turnover	7.4%	**5.5%**	**0.8%**	5.4%
Percentage growth in existing restaurant turnover	7.4%	**1.6%**	**(2.2%)**	3.6%
John Dory's (R'm)	451	**475**	**454**	490
Percentage growth in restaurant turnover	14.3%	**5.4%**	**0.6%**	7.9%
Percentage growth in existing restaurant turnover	8.0%	**0.6%**	**(7.3%)**	5.2%

	2017	Target 2018	2018	Target 2019
Captain DoRegos (R'm)^	114	**119**	**72**	
Percentage growth in restaurant turnover	(17.6%)	**4.5%**		
Percentage growth in existing restaurant turnover	(17.6%)	**(1.3%)**		
The Hussar Grill (R'm)	148	**176**	**184**	209
Percentage growth in restaurant turnover	35.6%	**18.8%**	**24.4%**	13.6%
Percentage growth in existing restaurant turnover	25.2%	**7.3%**	**6.6%**	8.2%
RocoMamas (R'm)	478	**561**	**628**	743
Percentage growth in restaurant turnover	78.1%	**17.4%**	**31.5%**	18.3%
Percentage growth in existing restaurant turnover	62.6%	**12.4%**	**14.5%**	13.6%
Casa Bella (R'm)	45	**72**	**70**	77
Percentage growth in restaurant turnover	885.3%	**62.7%**	**58.4%**	10%
Total worldwide (R'm)^	7 157	**7 074**	**7 197**	7 547
Loyalty				
Family Card membership (million)	1.8	**1.8**	**1.5**	1.6
Family Card loyalty spend (R'bn)	2.0	**2.1**	**1.7**	1.8
Secret Tribe membership (million)	0.9	**1.0**	**1.2**	1.3
Panarottis Rewards loyalty spend (R'm)	168	**300**	**176**	190
Panarottis Rewards membership ('000)	158	**370**	**147**	158
John's Club loyalty spend (R'm)	169	**178**	**161**	174
John's Club membership ('000)	193	**230**	**157**	169
International expansion				
Percentage of international revenue to total group revenue	4.9%	**5.0%**	**4.9%**	4.6%
Percentage of international profits to total group profit before income tax	3.5%	**2.5%**	**(1.9%)**	1.2%
Number of international outlets	63	**68**	**62**	70
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%**	**90%**	95%
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)	2 930	**3 473**	**2 602**	3 041
Skills development				
Number of people trained	11 835	**13 750**	**8 048**	9 000
Corporate employees				
Corporate employee rotation	12%	**10%**	**12%**	10%
Employee training costs (including dependents' bursaries) (R'000)	2 248	**2 057**	**1 811**	2 933

	2017	Target 2018	2018	Target 2019
Environmental sustainability				
Corporate				
Electricity consumption corporate offices (MWh per annum)	1 178	**1 200**	**1 063**	1 100
Paraffin consumption (litres per annum)	47 515	**47 000**	**42 364**	42 000
Percentage of waste diverted from landfill at regional offices (% of total kg per annum)	71%	**75%**	**72%**	75%
Water consumption at corporate offices (kℓ per annum)	10 401	**10 400**	**7 300**	7 500
Diesel consumption for company fleet (kℓ per annum)	241	**253**	**236**	265
Franchisee				
Spent oil percentage collected for recycling	32%	**30%**	**30%**	30%
Spent oil recycled (kℓ per annum)	1 092	**1 050**	**844**	1 050
Average score on green operations report	48%	**60%**	**57%**	60%
Procurement				
Percentage takeaway packaging made from renewable materials	50%	**55%**	**55%**	60%
Paper consumed at corporate offices (kg per annum)	8 630	**8 500**	**4 618**	4 500
Marketing material				
Percentage renewable material	99%	**99%**	**97%**	98%

Notes

^ Captain DoRegos was sold with effect from 1 March 2018.

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.

SPUR CORPORATION LIMITED
(Registration number: 1998/000828/06)

CONSOLIDATED AND SEPARATE 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, Phillip Matthee.

AUDIT COMMITTEE REPORT

COMPANIES ACT COMPLIANCE

Spur Corporation Limited ("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 provisions 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.

MANDATE AND FUNCTIONING OF THE COMMITTEE

All members of the committee are independent non-executive directors and the committee operates within formal terms of reference approved by the board. The members of the committee and their attendance at committee meetings are included on page 67. Brief biographies of the committee members are included on page 16. 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. The committee is also satisfied that the external auditor is independent of the company in relation to significant changes in the management of the company during the external auditor's tenure, which may mitigate the attendant risk of familiarity between the external auditor and management.

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 to 2009 share incentive scheme, as detailed in note 44.1 on page 183 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, since 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 R530 080 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

The designated external audit partner, Bronvin Heuvel, has served the company for a period of five years and has informed the audit committee that, in accordance with the principle of mandatory audit partner rotation, a new external audit partner, Ivan Engels, will be the designated audit partner for the year ending 30 June 2019.

The committee has reviewed the information provided by KPMG Inc. pursuant to section 22(15)(h) of the JSE Listings Requirements, made appropriate enquiries of the audit team and discussed the performance of the auditor with management and the internal auditor. Based on this information, the committee is satisfied with the quality and effectiveness of the external audit.

In light of the above, the committee has recommended that the board reappoints KPMG Inc. as the company's external auditor, and Ivan Engels as the designated auditor. The board has endorsed this recommendation and the appointments will be tabled for shareholder approval at the annual general meeting on 6 December 2018.

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. The audit committee has reviewed and noted the contents of the *Report Back on Proactive Monitoring of Financial Statements in 2017*, issued by the JSE on 20 February 2018. No further 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 IV™ recommends that the committee advise the board to engage an external service provider to provide assurance over material elements of the integrated report outside of the annual financial statements, including the online sustainability supplements to 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 for 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 internal audit 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.

The audit committee has assessed the performance and effectiveness of the internal audit function and the chief audit executive, and is satisfied that the internal audit function is effective in fulfilling its mandate as per the internal audit charter.

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 Phillip Matthee, the group chief financial officer and financial director, possesses the appropriate expertise and experience to meet his 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 2018, 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 2018 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 IV™.

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 17 October 2018 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

17 October 2018

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR NINETEENTH ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018.

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, 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 112 and reflects the group's financial results.

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

Global franchised restaurant sales increased by 0.6% to R7.2 billion.

Franchised restaurant sales in South Africa (excluding Captain DoRegos) grew by 1.5%. After declining by 6.0% and 0.1% in the first and second quarters of the financial year, local restaurant sales increased by 1.4% in the third quarter and grew by a strong 12.2% in the fourth quarter. Local franchised restaurant sales for Pizza Pasta restaurants increased by 4.2%, John Dory's Fish Grill Sushi by 0.6%, The Hussar Grill by 24.4% and RocoMamas by 31.5%. The Captain DoRegos brand was sold with effect from 1 March 2018.

The flagship Spur Steak Ranches brand, which accounts for almost two-thirds of group restaurant sales, continued its recovery in the second half of the financial year following the damaging social media incident in March 2017. In addition, the decision to end aggressive discounting strategies in Spur from March 2017 has had the expected impact of tempering restaurant sales growth. However, the positive impact on franchisee margins has improved franchisees' profitability and resulted in a more sustainable franchise business. Restaurant sales declined by 9.1% in the first half and 3.2% in the third quarter, but increased by 14.8% in the fourth quarter, resulting in a 2.8% decrease for the full year.

International restaurant sales (excluding Captain DoRegos) increased by 2.7% on a constant exchange rate basis and declined by 0.7% in rand terms.

Following the opening of a net 28 outlets during the period, the group's restaurant base (excluding Captain DoRegos) increased to 575, of which 62 operate outside of South Africa.

Revenue from continuing operations increased by 3.0% to R667.2 million, with revenue generated in South Africa increasing by 3.0% to R634.7 million.

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

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

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

AUDIT AND RISK COMMITTEES

Pages 68 to 70 and 100 to 102 of this report set out the responsibilities of the audit and risk committees respectively and how these responsibilities have been discharged during the year.

SHARE CAPITAL

The number of authorised shares has remained at 201 000 000 ordinary shares of 0.001 cents each, for the year ended 30 June 2018.

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, third in December 2016 and the fourth in December 2017.

During the year, wholly-owned subsidiary, Share Buy-back (Pty) Ltd purchased 160 000 (2017: 165 000) shares at an average cost of R26.54 (2017: R30.26) per share, totalling R4.246 million (2017: R4.993 million), and wholly-owned subsidiary, Spur Group (Pty) Ltd, acquired nil (2017: 159 000) 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 6 196 901 (2017: 6 136 901). In addition, 6 374 698 (2017: 6 374 698) shares are held by The Spur Management Share Trust and, as noted above, 400 000 (2017: 300 000) 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 2018 was 95 509 327 (2017: 95 669 327).

EMPLOYEE SHARE-LINKED INCENTIVE SCHEMES

Details of employee share-linked incentive schemes are detailed in notes 21.4 and 27 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 2017 financial year of 61.0 cents per share was paid to shareholders on 2 October 2017. An interim cash dividend in respect of the 2018 financial year of 63.0 cents per share was paid to shareholders on 3 April 2018.

The directors declared a final cash dividend in respect of the 2018 financial year of 60 cents per share, funded by income reserves, on 5 September 2018, which was paid on 1 October 2018 to those shareholders of the company who were recorded in the company's register on 28 September 2018. As this dividend was declared after the reporting date, it will only be accounted for in the 2019 financial year.

SPECIAL RESOLUTIONS

On 1 December 2017, at the company's annual general meeting, a special resolution was passed in terms of which the directors were granted the authority to contract the company, or one of its wholly-owned subsidiaries, to acquire shares in the company issued by it, should the company comply with the relevant statutes and authorities applicable thereto. At the same meeting, special resolutions were passed in terms of which the directors were granted the authority to cause the company to provide financial assistance to any entity which is related or interrelated to the company, and to remunerate non-executive directors for their services as directors.

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

DIRECTORS AND SECRETARY

Details of the directors as at the date of this report, together with the name, business and postal address of the company secretary, are set out on pages 16, 17 and 204.

Ms Ronel van Dijk, the company's financial director, tendered her resignation from the board and the company on 24 November 2017 with effect from 31 March 2018. Mr Phillip Matthee was appointed as financial director and an executive director of the company with effect from 1 April 2018. Shareholders will be requested to ratify this appointment at the annual general meeting on 6 December 2018.

Ms Tasneem Karriem, 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 15 August 2018, following her resignation from GPI. Ms Prabashinee Moodley was appointed to replace Ms Karriem, with effect from 15 August 2018. A resolution to approve this appointment will be tabled at the annual general meeting on 6 December 2018.

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

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. Details of transactions between the companies' subsidiaries and directors are detailed in note 42 of the consolidated financial statements.

Shares

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

	2018			2017		
	Direct beneficial	**Indirect beneficial**	**Held by associates**	Direct beneficial	Indirect beneficial	Held by associates
Allen Ambor	**–**	**464 609**	**–**	–	464 609	–
Ronel van Dijk^				73 244	–	–
Keith Getz	**2 491**	**–**	**820**	2 491	–	820
Total	**2 491**	**464 609**	**820**	75 735	464 609	820
% interest*	**0.0**	**0.5**	**0.0**	0.1	0.5	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.
^ Resigned with effect from 31 March 2018.

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:

	2018	2017
Pierre van Tonder	**30 000**	30 000
Mark Farrelly	**20 000**	20 000
Ronel van Dijk^	**–**	20 000
Phillip Matthee#	**10 000**	–

^ Resigned with effect from 31 March 2018.
# Appointed with effect from 1 April 2018.

There have been no changes in directors' interests in share capital from 30 June 2018 to the date of issue of this integrated 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 2018:

	No. of shares	%*
Grand Parade Investments Ltd	19 295 824	18.9
Allan Gray	11 704 235	11.4
Coronation Fund Managers	10 477 465	10.2
Fidelity	8 866 068	8.7
Investec	5 534 540	5.4
Government Employees Pension Fund	4 091 895	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.

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	2	467 920	0.4
Subsidiaries holding treasury shares	2	6 196 901	5.7
The Spur Management Share Trust	1	6 374 698	5.9
The Spur Foundation Trust	1	400 000	0.4
Major shareholders (holding more than 10%)	3	41 477 524	38.2
Public shareholders	2 370	53 563 883	49.4
Total	2 379	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	1 951	82.0	3 208 868	3.0
10 001 – 25 000 shares	174	7.3	2 835 866	2.6
25 001 – 50 000 shares	83	3.5	2 993 733	2.8
50 001 – 100 000 shares	59	2.5	4 174 546	3.8
100 001 – 500 000 shares	82	3.4	17 501 983	16.1
500 001 – 1 000 000 shares	14	0.6	9 630 143	8.9
1 000 001 shares and over	16	0.7	68 135 787	62.8
	2 379	100.0	108 480 926	100.0

Distribution of shareholders	No. of shareholders	%	No. of shares	%
Banks and nominees	31	1.3	4 559 535	4.2
Empowerment funds	2	0.1	19 295 824	17.7
Endowment funds	28	1.2	729 302	0.7
Individuals	1 701	71.6	4 965 708	4.6
Insurance companies	32	1.3	2 499 377	2.3
Investment companies	1	0.0	66 500	0.1
Medical funds	9	0.4	641 567	0.6
Mutual funds	139	5.8	46 228 327	42.6
Own holdings	2	0.1	6 136 901	5.7
Pension and retirement funds	166	7.0	12 754 808	11.8
The Spur Foundation Trust	1	0.0	400 000	0.4
The Spur Management Share Trust	1	0.0	6 374 698	5.9
Other corporate bodies	266	11.2	3 828 379	3.4
	2 379	100.0	108 480 926	100.0

BORROWINGS

In terms of the Memorandum of Incorporation of the company and its main local operating entity, Spur Group (Pty) Ltd, the borrowing powers of the directors of these companies are unlimited. The group's overall level of formal loan indebtedness increased from R6.9 million to R10.7 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 to the consolidated financial statements.

SUBSEQUENT EVENTS

Details of material events occurring subsequent to 30 June 2018 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 2018 to the date of this report.

COMPANY INFORMATION

The company's registration number and registered address are presented on page 204. 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 112 to 203, which comprise the statements of financial position as at 30 June 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the 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 the Spur Corporation Limited as at 30 June 2018, 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.

Impairment Testing of Goodwill and Other intangibles
Refer to note 14 as well as notes 45.1.8, 45.4 and 45.5.1 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
The group has Goodwill of R71 million and other intangible assets, consisting of trademarks and intellectual property ("Other Intangibles") of R289 million. Goodwill is allocated to the following cash generating units ("CGUs") for the purposes of impairment testing: – Spur Franchise operations – Panarottis Franchise operations – John Dory's Franchise operations – RocoMamas Franchise operations – Hussar Grill Franchise operations – Hussar Grill Retail operations Other intangibles are allocated to the following CGUs: – Spur Franchise operations – Panarottis Franchise operations – John Dory's Franchise operations – RocoMamas Franchise operations – Hussar Grill Franchise operations Management have determined the values-in-use of the CGUs to which other intangibles are allocated. 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. There is a risk around the recoverability of the goodwill and other intangibles. Due to the magnitude of the aggregate carrying amounts of Goodwill and Other Intangibles, and the significant judgement 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.	We used our own Corporate Finance Specialists to test and challenge the impairment test calculations performed by management by performing the following procedures: – We assessed the appropriateness of the discounted cash flow as a valuation methodology and critically evaluated whether the discounted cash flow methodology complies with the requirements of IAS 36 *Impairment of Assets*. – We challenged the assumptions used by management by: • Evaluating and recalculating the discount rates and perpetuity growth rates in relation to external market data, and • Assessing the reasonableness of the assumptions relating to revenue and profit growth in relation to our knowledge of the group and the industries in which it operates. – We compared the projected cash flows, including the assumptions relating to revenue growth rates, profit growth and perpetuity growth rates, against historical performance to evaluate the reasonableness of management's projections. – We evaluated management's sensitivity analysis as disclosed in the financial statements. We have assessed the disclosure of the intangible assets, including the detail on impairment and the sensitivity analysis, by comparing it to the disclosure requirements per IAS 36 *Impairment of Assets*.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee Report and Declaration by Company Secretary as required by the Companies Act of South Africa and all other information included in the Integrated Report which we obtained prior to the date of this report. 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 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 on the other information obtained prior to the date of this audit report, 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 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 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Spur Corporation Limited for 19 years.

KPMG Inc.
Registered Auditor

Per BR Heuvel
Chartered Accountant (SA)
Registered Auditor
Director

Date: 17 October 2018

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	2018 R'000	2017 R'000
Continuing operations			
Revenue	6	**667 192**	648 016
Cost of sales		**(193 998)**	(178 680)
Gross profit		**473 194**	469 336
Other income	7	**44 903**	24 788
Administration expenses		**(162 400)**	(148 366)
Distribution expenses		**(4 915)**	(4 663)
Franchise operations expenses		**(96 363)**	(85 309)
Impairment losses	8	**(6 753)**	(50 970)
Other non-trading losses	8	**(12 745)**	(777)
Retail operating expenses		**(33 029)**	(29 894)
Operating profit before finance income	8	**201 892**	174 145
Net finance income	9	**31 289**	36 522
Interest income	9	**31 322**	36 606
Interest expense	9	**(33)**	(84)
Share of (loss)/profit of equity-accounted investee (net of income tax)	10	**(1 813)**	24
Profit before income tax		**231 368**	210 691
Income tax expense	11	**(68 159)**	(76 676)
Profit from continuing operations		**163 209**	134 015
Discontinued operation			
Profit from discontinued operation (net of income tax)	4	**–**	4 084
Profit		**163 209**	138 099
Other comprehensive income#:		**3 773**	(4 462)
Foreign currency translation differences for foreign operations		**3 957**	(4 473)
Foreign exchange (loss)/gain on net investments in foreign operations		**(184)**	11
Total comprehensive income		**166 982**	133 637
Profit attributable to:			
Owners of the company		**158 519**	134 143
Non-controlling interests		**4 690**	3 956
Profit		**163 209**	138 099
Total comprehensive income attributable to:			
Owners of the company		**162 292**	129 681
Non-controlling interests		**4 690**	3 956
Total comprehensive income		**166 982**	133 637
Earnings per share (cents)			
Basic earnings	12	**165.85**	139.98
Diluted earnings	12	**165.54**	139.82
Earnings per share (cents) – continuing operations			
Basic earnings	12	**165.85**	135.60
Diluted earnings	12	**165.54**	135.44

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

	Note	2018 R'000	2017 R'000
ASSETS			
Non-current assets		**605 752**	579 085
Property, plant and equipment	13	**101 094**	100 319
Intangible assets and goodwill	14	**362 709**	362 101
Interest in equity-accounted investee	10	**3 461**	–
Loans receivable	15	**132 816**	110 730
Deferred tax	16	**1 736**	1 450
Leasing rights	17	**3 936**	4 485
Current assets		**424 734**	412 084
Inventories	18	**15 702**	12 731
Tax receivable	33	**36 197**	41 479
Trade and other receivables	19	**99 997**	72 836
Loans receivable	15	**12 943**	19 085
Cash and cash equivalents	20	**259 895**	265 953
TOTAL ASSETS		**1 030 486**	991 169
EQUITY			
Total equity		**877 961**	837 176
Ordinary share capital	21.1	**1**	1
Share premium		**294 663**	294 663
Shares repurchased by subsidiaries	21.2	**(107 202)**	(102 956)
Foreign currency translation reserve	21.3	**30 022**	26 249
Share-based payments reserve	21.4	**3 731**	1 812
Retained earnings		**645 827**	605 388
Total equity attributable to owners of the company		**867 042**	825 157
Non-controlling interests	22	**10 919**	12 019
LIABILITIES			
Non-current liabilities		**65 667**	63 600
Operating lease liability	23	**3 919**	2 676
Deferred tax	16	**61 748**	60 924
Current liabilities		**86 858**	90 393
Bank overdrafts	20	**–**	4 491
Tax payable	33	**1 067**	880
Trade and other payables	24	**74 438**	60 313
Loans payable	25	**10 722**	6 912
Contingent consideration liability	26	**–**	5 797
Employee benefits	27	**–**	885
Derivative financial liability	28	**–**	10 572
Shareholders for dividend		**631**	543
TOTAL EQUITY AND LIABILITIES		**1 030 486**	991 169

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

	Note	Number of shares (net of treasury shares) '000	Ordinary share capital R'000	Share premium R'000
		Attributable to owners of the company		
Balance at 1 July 2016		**95 834**	**1**	**294 663**
Total comprehensive income for the year				
Profit		**–**	**–**	**–**
Other comprehensive income ("OCI")		**–**	**–**	**–**
Foreign currency translation differences for foreign operations		–	–	–
Foreign exchange gain on net investments in foreign subsidiaries		–	–	–
Total comprehensive income for the year		**–**	**–**	**–**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners		**(165)**	**–**	**–**
Equity-settled share-based payment	16 & 21.4	–	–	–
Indirect costs arising on intra-group 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	–	–	–
Total transactions with owners		**(165)**	**–**	**–**
Balance at 30 June 2017		**95 669**	**1**	**294 663**
Total comprehensive income for the year				
Profit		**–**	**–**	**–**
Other comprehensive income ("OCI")		**–**	**–**	**–**
Foreign currency translation differences for foreign operations		–	–	–
Foreign exchange loss on net investments in foreign subsidiaries		–	–	–
Total comprehensive income for the year		**–**	**–**	**–**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners		**(160)**	**–**	**–**
Equity-settled share-based payment	16 & 21.4	–	–	–
Purchase of treasury shares	21.2	(160)	–	–
Dividends	29	–	–	–
Total transactions with owners		**(160)**	**–**	**–**
Balance at 30 June 2018		**95 509**	**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
(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
–	–	–	158 519	158 519	4 690	163 209
–	3 773	–	–	3 773	–	3 773
–	3 957	–	–	3 957	–	3 957
–	(184)	–	–	(184)	–	(184)
–	3 773	–	158 519	162 292	4 690	166 982
(4 246)	–	1 919	(118 080)	(120 407)	(5 790)	(126 197)
–	–	1 919	468	2 387	–	2 387
(4 246)	–	–	–	(4 246)	–	(4 246)
–	–	–	(118 548)	(118 548)	(5 790)	(124 338)
(4 246)	–	1 919	(118 080)	(120 407)	(5 790)	(126 197)
(107 202)	30 022	3 731	645 827	867 042	10 919	877 961

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	Note	2018 R'000	2017 R'000
Cash flow from operating activities			
Operating profit before working capital changes	30	**224 787**	236 229
Working capital changes	31	**(27 560)**	(1 515)
Cash generated from operations		**197 227**	234 714
Interest income received	32	**22 570**	25 201
Interest expense paid		**(33)**	(84)
Tax paid	33	**(60 646)**	(85 303)
Dividends paid	34	**(124 250)**	(141 809)
Net cash flow from operating activities		**34 868**	32 719
Cash flow from investing activities			
Additions of intangible assets	14	**(1 924)**	(3 760)
Additions of property, plant and equipment	13	**(10 291)**	(13 692)
Cash outflow from share-based payment hedge	28	**(13 740)**	(7 405)
Cash outflow as a result of disposal of UK subsidiaries	4	**–**	(1 358)
Loans advanced to franchisees	15	**(11 188)**	(7 318)
Loan repaid by associate company	15.1	**–**	3 000
Proceeds from disposal of associate	10.1	**17 500**	–
Proceeds from disposal of property, plant and equipment and intangibles	13 & 14	**302**	347
Repayment of loans receivable	15	**11 160**	11 409
Acquisition of investment in associate	10.2	**(5 274)**	–
Net cash flow from investing activities		**(13 455)**	(18 777)
Cash flow from financing activities			
Acquisition of non-controlling interest without a change in control	35	**–**	(14 035)
Acquisition of treasury shares	21.2	**(4 246)**	(4 993)
Loan repaid to non-controlling shareholders		**–**	(380)
Settlement of contingent consideration	26	**(18 542)**	(18 271)
Net cash flow from financing activities		**(22 788)**	(37 679)
Net movement in cash and cash equivalents		**(1 375)**	(23 737)
Effect of foreign exchange fluctuations		**(192)**	(228)
Net cash and cash equivalents at beginning of year		**261 462**	285 427
Net cash and cash equivalents at end of year	20	**259 895**	261 462

Refer note 4 for cash flows attributable to discontinued operation in the prior period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ABOUT THESE FINANCIAL STATEMENTS

1.1 Reporting entity

Spur Corporation Ltd ("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 2018 comprise the company, its subsidiaries, consolidated structured entities and the group's interests in equity-accounted investees, together referred to as "the group".

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

1.2 Basis of accounting

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

Details of the group's accounting policies are set out in note 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, Phillip Matthee CA(SA), and authorised for issue by the directors on 17 October 2018. The financial statements were published on 19 October 2018.

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, which were in the statement of financial position in the prior year:

- Derivative financial instruments are measured at fair value (refer note 28);
- Contingent consideration liability is measured at fair value (refer note 26); and
- Liabilities for cash-settled share-based payment arrangements are measured at fair value (refer note 27).

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.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

2.1 Judgements continued

Accounting for marketing funds (note 39) continued

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 15.10 and 25).

Assessment of control and significant influence (notes 3 and 10)

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 to 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 workforce 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 RocoMamas Restaurants Australia Pty Ltd, an entity in which the group holds a 45% equity interest, in accordance with the requirements of IFRS 10. In assessing control, the following factors were taken into consideration:

- The group has the right to appoint two of the maximum of four directors to the board of the entity in terms of the shareholders agreement, and has appointed two of the four serving directors.
- The group has the right to exercise 45% of the voting rights attaching to the ordinary shares in issue.
- The shareholders agreement requires the approval of shareholders representing at least 50% of the ordinary shares in issue to implement any decisions and/or transactions that would materially affect the entity.
- While the group's management consults with the entity's management on strategic and operational matters, 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.

Consequently, the group has concluded that it has significant influence, but not control, over the relevant activities of the entity that affect the variable returns from its investment in the entity and, accordingly, accounts for the entity as an associate.

The group previously considered whether it controlled Braviz Fine Foods (Pty) Ltd, an entity in which the group held a 30% equity interest which was disposed of on 6 November 2017, in accordance with the requirements of IFRS 10. It was previously concluded that the group had significant influence, but not control, over the relevant activities of the entity that affected the variable returns from its investment in the entity as:

- the group had the right to appoint only two of the maximum of six directors to the board of the entity in terms of the shareholders agreement and had appointed two of the five serving directors;
- the group had the right to exercise only 30% of the voting rights attaching to the ordinary shares in issue; and
- the shareholders agreement required 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 has considered whether it controls GPI Investments 1 (Pty) Ltd, a structured entity in which the group has no equity interest, and concluded that it does not control the entity for the reasons detailed in note 3.3.

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 26)

The purchase consideration relating to the acquisition of RocoMamas Franchise Co (Pty) Ltd in the 2015 financial year, was determined as five times the acquiree's profit before income tax of the third year following the date of acquisition. Interim payments were made on the first and second anniversaries of the acquisition date and the third and final payment was made in the current year in March 2018. As only a nominal amount of R2.000 million was paid in cash on the acquisition date, the bulk of the total anticipated purchase consideration was deferred beyond one year of the acquisition date. On this basis, management considered 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 28)

Forward purchase contracts were previously 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 27. However, the group had elected not to apply hedge accounting. Given that hedge accounting was not applied, management considered 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 stand-alone 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 para 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 26)

In the prior year, 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 restaurant 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 were not reassessed in the current year as the final payment was made in March 2018. The other variables in determining the carrying value of the liability at the prior year reporting date, as well as the sensitivities thereto are detailed in notes 26 and 37.2 respectively.

Contingent liabilities (refer note 44)

The directors have considered the existence of certain possible liabilities, as well as the probability of an outflow of resources embodying economic benefits relating to certain other liabilities, in determining whether such liabilities are to be recognised or disclosed as contingent liabilities, as detailed in note 44.

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. The total unrecognised computed tax losses are disclosed in note 11.3. The rationale for recognising deferred tax assets in respect of tax losses is disclosed in note 16, where applicable.

Withholding tax credits (refer note 33)

The group has considered projections of future taxable income for wholly-owned subsidiary, Steak Ranches International BV, in order to assess the recoverability of the asset recognised in respect of withholding tax credits available to the entity, as detailed in note 33. Based on these projections, and taking into consideration that the credits do not expire, the directors have concluded that the asset is recoverable within a reasonable period of time.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

2.2 Assumptions and estimates continued

Fair values

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

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

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

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

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

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

- Financial instruments including contingent consideration liability (refer note 37)
- Employee benefits (refer notes 21.4 and 27)

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	123 570	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	0.2		100.0
– RocoMamas Advertising (Pty) Ltd	South Africa	0.1		70.0
– 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
– 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#		2.0		100.0
			123 570	

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:

	2018 R'000	2017 R'000
Profits	**169 090**	138 328
Losses	**(12 114)**	(4 571)

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 (2017: R0.280 million) and 100 000 (2017: 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 for the 2019 financial year).

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 15.5. 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 15.5. 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:

	Unaudited As at 30 June 2018 R'000	Audited* As at 30 June 2017 R'000
Assets		
Investment in Spur Corporation Ltd	**270 959**	286 542
Other assets	**5 818**	2 643
Total assets	**276 777**	289 185
Equity and liabilities		
Total equity	**20 974**	48 153
Liabilities	**255 803**	241 043
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	**76 132**	76 223
External debt – B preference shares: dividend at 80% of prime; secured by guarantee from GPI; redeemable in full prior to 30 October 2019	**79 046**	72 945
Debt owing to the group (refer note 15.5)	**100 625**	91 831
Other liabilities	**–**	33
Total equity and liabilities	**276 777**	289 185

* Audited by Ernst & Young Inc.

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, or commenced with voluntary liquidation proceedings of, its remaining UK subsidiaries, with the exception of Spur Corporation UK Ltd, effectively disposing of all remaining liabilities and cash balances for no consideration. The board has obtained legal opinion that the likelihood of there being any recourse by creditors or the liquidator against the group to settle any creditors' claims arising from the liquidation, is remote.

	2017		
The impact of the above disposals was as follows:	Profit on disposal of subsidiaries R'000	Loss on disposal of subsidiary R'000	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	–	–	–

4. DISCONTINUED OPERATION – UNITED KINGDOM continued

The results of the discontinued operation are detailed below:	2017 R'000
Other income	6 207
Administration expenses	(2 111)
Other non-trading losses	(12)
Profit before and after income tax	4 084
Profit/(loss) attributable to:	
Owners of the company	4 205
Non-controlling interests	(121)
Profit	4 084
Basic earnings per share (cents)	4.38
Diluted earnings per share (cents)	4.38
The cash flows of the discontinued operation are listed below:	
Net cash flow from operating activities	(3 135)
Net cash flow from investing activities	(1 525)
Net cash flow from financing activities	(380)
Net movement in cash and cash equivalents for the year	(5 040)
Further particulars of the above-listed transactions are detailed below:	
Loss on disposal of subsidiary	(12)
Profit on disposal of subsidiaries	5 435
Release of financial liability	772
Included in profit before and after income tax	6 195
Attributable to non-controlling interests	(154)
Attributable to owners of the company	6 041

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

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

The group's South African business comprises:

- the franchise businesses of its 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 discontinued operations in the United Kingdom (incorporating Ireland for the purposes of the segmental analysis) (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

	South Africa						
	Manu-facturing and distri-bution R'000	Franchise Spur R'000	Franchise Pizza and Pasta R'000	Franchise John Dory's R'000	Franchise Captain DoRegos R'000	Franchise The Hussar Grill R'000	Franchise Roco-Mamas R'000
2018							
Total revenues	**186 261**	**211 687**	**36 388**	**20 360**	**1 961**	**8 661**	**34 379**
Less: Intersegment revenues	**37**	**669**	**–**	**264**	**37**	**2 337**	**1 562**
External revenues	**186 224**	**211 018**	**36 388**	**20 096**	**1 924**	**6 324**	**32 817**
Profit/(loss) before income tax and share of loss of equity-accounted investee	**61 050**	**176 481**	**22 189**	**9 491**	**4 002**	**4 871**	**22 988**
Exclude:							
Interest income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Interest expense	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation and amortisation	**(844)**	**–**	**–**	**–**	**(3)**	**–**	**–**
EBITDA#	**61 894**	**176 481**	**22 189**	**9 491**	**4 005**	**4 871**	**22 988**
Exclude other material disclosable items:							
Fair value loss on contingent consideration liability	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign exchange loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment of loans receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Profit/(loss) on disposal of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Profit on disposal of intangible asset	**–**	**–**	**–**	**–**	**4 750**	**–**	**–**
Profit on disposal of equity-accounted investee		**–**	**–**	**–**	**–**	**–**	**–**
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	**61 894**	**176 481**	**22 189**	**9 491**	**(745)**	**4 871**	**22 988**
Capital expenditure	**1 571**	**–**	**–**	**–**	**–**	**–**	**–**
2017							
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 gain on contingent consideration liability	–	–	–	–	–	–	–
Foreign exchange (loss)/gain	–	–	–	–	–	–	–
Impairment of loans receivable							
Impairment of intangible assets	–	–	–	–	(6 778)	–	–
Profit/(loss) on disposal of property, plant and equipment	–	–	–	–	–	–	–
Profit 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	–	–	–	–	–	–

Notes (in addition to those items disclosed above):
South Africa – Captain DoRegos loss before income tax in the prior year includes a bad debt of R0.986 million relating to loan previously advanced to the Captain DoRegos marketing fund which was forgiven during the prior year.

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
69 534	**70 154**	**639 385**	**17 787**	**657 172**	**–**	**6 547**	**25 916**	**32 463**	**–**	**32 463**	**689 635**
–	**2 302**	**7 208**	**15 235**	**22 443**	**–**	**–**	**–**	**–**	**–**	**–**	**22 443**
69 534	**67 852**	**632 177**	**2 552**	**634 729**	**–**	**6 547**	**25 916**	**32 463**	**–**	**32 463**	**667 192**
6 785	**(4 953)**	**302 904**	**(65 352)**	**237 552**	**–**	**(10 993)**	**13 114**	**2 121**	**(6 492)**	**(4 371)**	**233 181**
–	**–**	**–**	**30 570**	**30 570**	**–**	**667**	**–**	**667**	**85**	**752**	**31 322**
–	**–**	**–**	**(33)**	**(33)**	**–**	**–**	**–**	**–**	**–**	**–**	**(33)**
(1 915)	**(109)**	**(2 871)**	**(7 764)**	**(10 635)**	**–**	**(21)**	**(24)**	**(45)**	**(7)**	**(52)**	**(10 687)**
8 700	**(4 844)**	**305 775**	**(88 125)**	**217 650**	**–**	**(11 639)**	**13 138**	**1 499**	**(6 570)**	**(5 071)**	**212 579**
–	**–**	**–**	**(12 745)**	**(12 745)**	**–**	**–**	**–**	**–**	**–**	**–**	**(12 745)**
–	**–**	**–**	**–**	**–**	**–**	**(44)**	**–**	**(44)**	**(357)**	**(401)**	**(401)**
–	**–**	**–**	**–**	**–**	**–**	**(6 753)**	**–**	**(6 753)**	**–**	**(6 753)**	**(6 753)**
(6)	**–**	**(6)**	**162**	**156**	**–**	**–**	**–**	**–**	**–**	**–**	**156**
–	**–**	**4 750**	**–**	**4 750**	**–**	**–**	**–**	**–**	**–**	**–**	**4 750**
–	**–**	**–**	**17 500**	**17 500**	**–**	**–**	**–**	**–**	**–**	**–**	**17 500**
–	**–**	**–**	**(2 283)**	**(2 283)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2 283)**
–	**–**	**–**	**(1 919)**	**(1 919)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1 919)**
8 706	**(4 844)**	**301 031**	**(88 840)**	**212 191**	**–**	**(4 842)**	**13 138**	**8 296**	**(6 213)**	**2 083**	**214 274**
1 577	**–**	**3 148**	**7 104**	**10 252**	**–**	**17**	**–**	**17**	**22**	**39**	**10 291**
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

South Africa – Unallocated loss before income tax includes net loss of R0.907 million (2017: R1.206 million) arising from The Spur Foundation Trust, a consolidated structured entity, all of which is attributable to non-controlling interests, administration fee income of R20.706 million (2017: R21.724 million) from marketing funds and tax litigation costs of R1.692 million (2017: R0.200 million). The prior year's interest income includes R4.284 million relating to the Braviz loan receivable; as the loan was impaired at 30 June 2017, no interest income was recognised in the current year (refer note 15.1).

Australasia – loss before income tax includes relocation costs of R0.477 million incurred on behalf of a franchisee, and R2.253 million relating to travel, legal, marketing and pre-opening costs for the establishment of the RocoMamas business and the first RocoMamas restaurant in Australia (refer note 10.2).

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	2018 R'000	2017 R'000
Total segmental profit before income tax and share of loss of equity-accounted investee (net of income tax)	233 181	214 751
Share of (loss)/profit of equity-accounted investee (net of income tax)	(1 813)	24
Profit before income tax	231 368	214 775
Profit before income tax from discontinued operation	–	(4 084)
Profit before income tax – continuing operations	231 368	210 691
Geographical allocation of non-current assets		
The group's non-current assets are allocated to the following geographic regions:		
South Africa	467 702	466 856
Australasia	22	25
Other countries	15	24
Total non-current assets	467 739	466 905

For the purposes of the above analysis, non-current assets exclude deferred tax assets, financial instruments and interest in equity-accounted investee.

6. REVENUE

	Total	
	2018 R'000	2017 R'000
Manufacturing and distribution sales	145 067	136 360
Distribution and rebate income	41 157	45 474
Franchise-related fee income	341 030	336 493
Rental income	1 112	1 030
Retail restaurants' sales	69 534	63 569
Other sundry sales	53 052	47 349
Other sundry services rendered	16 240	17 741
	667 192	648 016

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.

No revenue was attributable to the discontinued operation (refer note 4).

7. OTHER INCOME

	Continuing operations		Discontinued operation*		Total	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Marketing fund administration fees	**21 513**	23 605	**–**	–	**21 513**	23 605
Profit on disposal of property, plant and equipment	**156**	167	**–**	–	**156**	167
Profit on disposals of subsidiaries (refer note 4)	**–**	–	**–**	5 435	**–**	5 435
Profit on disposal of equity-accounted investee (refer note 10.1)	**17 500**	–	**–**	–	**17 500**	–
Profit on disposal of intangible asset (refer note 14.1)	**4 750**	–	**–**	–	**4 750**	–
Release of financial liability	**–**	–	**–**	772	**–**	772
Spur Foundation donation income	**872**	889	**–**	–	**872**	889
Other	**112**	127	**–**	–	**112**	127
	44 903	24 788	**–**	6 207	**44 903**	30 995

* Refer note 4.

Marketing fund administration fees relate to cost recoveries for administrative support services rendered by the group in respect of marketing funds (refer note 39), and are calculated as a percentage of contributions received by the marketing funds from franchisees.

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	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Auditor's remuneration#	**2 112**	1 451	**–**	–	**2 112**	1 451
– Audit services	**1 582**	1 209	**–**	–	**1 582**	1 209
– Other services	**530**	242	**–**	–	**530**	242
Amortisation – intangible assets (refer note 14)	**1 281**	1 886	**–**	–	**1 281**	1 886
Bad debts	**1 195**	1 341	**–**	–	**1 195**	1 341
Depreciation (refer note 13)	**9 406**	8 652	**–**	–	**9 406**	8 652
– Buildings	**667**	610	**–**	–	**667**	610
– Leasehold improvements	**1 086**	860	**–**	–	**1 086**	860
– Furniture and fittings	**1 648**	1 553	**–**	–	**1 648**	1 553
– Plant, equipment and vehicles	**2 203**	2 288	**–**	–	**2 203**	2 288
– Computer equipment	**3 802**	3 341	**–**	–	**3 802**	3 341
Employment costs	**172 402**	150 548	**–**	221	**172 402**	150 769
– Salaries and wages (excluding directors)	**135 916**	121 333	**–**	221	**135 916**	121 554
– Executive directors' and prescribed officer's emoluments (refer note 41)†	**21 572**	18 961	**–**	–	**21 572**	18 961
– Provident fund expense – defined contribution plan (refer note 38)	**13 880**	13 064	**–**	–	**13 880**	13 064
– Share-based payments credit – cash-settled – long-term share-linked employee retention scheme (refer note 27)	**(885)**	(3 795)	**–**	–	**(885)**	(3 795)
– Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 21.4)	**1 919**	985	**–**	–	**1 919**	985
Fair value loss on derivative financial instruments at fair value through profit or loss (refer note 28)	**3 168**	5 791	**–**	–	**3 168**	5 791
Foreign exchange loss	**401**	799	**–**	342	**401**	1 141
Impairment allowance – trade receivables	**(135)**	84	**–**	–	**(135)**	84
Impairment losses	**6 753**	50 970	**–**	–	**6 753**	50 970
– Impairment of intangible assets (refer note 14)	**–**	6 778	**–**	–	**–**	6 778
– Impairment of loans receivable (refer note 15)	**6 753**	44 192	**–**	–	**6 753**	44 192
Operating lease charges	**15 765**	12 623	**–**	–	**15 765**	12 623
– Lease charges paid in cash	**14 677**	11 589	**–**	–	**14 677**	11 589
– Amortisation of leasing rights (refer note 17)	**549**	549	**–**	–	**549**	549
– Straight-line lease charge (refer note 23)	**539**	485	**–**	–	**539**	485
Other non-trading losses	**12 745**	777	**–**	12	**12 745**	789
– Fair value loss on contingent consideration liability (refer note 26)	**12 745**	777	**–**	–	**12 745**	777
– Loss on disposal of subsidiary (refer note 4)	**–**	–	**–**	12	**–**	12

* 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

	Total 2018 R'000	Total 2017 R'000
Finance income and expense recognised in profit before income tax		
Interest income on bank deposits	**20 151**	20 319
Interest income on financial assets measured at amortised cost	**11 171**	16 287
Interest income	**31 322**	36 606
Interest expense on financial liabilities measured at amortised cost	**(33)**	(84)
Interest expense	**(33)**	(84)
Net interest income recognised in profit before income tax	**31 289**	36 522

No net finance income was attributable to the discontinued operation (refer note 4).

10. INTEREST IN EQUITY-ACCOUNTED INVESTEE

	2018 R'000	2017 R'000
Net investment in equity-accounted investee for the purposes of recognising subsequent losses:		
Carrying value of equity-accounted investee	**3 461**	–
Loan to equity-accounted investee (refer note 15.1)	**–**	–
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
Cumulative share of loss of equity-accounted investee (net of income tax) previously recognised	**–**	(10 189)
Net receivable considered part of the net investment in equity-accounted investee	**–**	37 556
Impairment recognised in terms of IAS 39	**–**	(37 556)
Carrying value at 30 June	**3 461**	–
Gross bridging finance loan advanced to equity-accounted investee (refer note 15.1)	**–**	6 636
Cumulative share of loss of equity-accounted investee	**–**	
Impairment recognised in terms of IAS 39	**–**	(6 636)
Carrying value at 30 June	**–**	–
Allocation of share of (loss)/profit of equity-accounted investee (net of income tax):		
Allocated to investment in equity-accounted investee	**(1 813)**	–
Allocated to loan to equity-accounted investee	**–**	24

10. INTEREST IN EQUITY-ACCOUNTED INVESTEE continued

10.1 Braviz Fine Foods

In the prior year, the interest in equity-accounted investee comprised a 30% equity interest in associate, Braviz Fine Foods (Pty) Ltd ("Braviz"), 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 of Braviz 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. To the extent that the group's share of cumulative trading losses had exceeded the carrying value of the equity-accounted investee, the losses were recognised as a reduction in the loan receivable. The loan was fully impaired in the prior year (refer note 15.1).

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

	2017 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
Current assets (100%)	27 546
Non-current liabilities (100%)	(154 724)
Current liabilities (100%)	(38 741)
Net liabilities (100%)	(73 958)
Group's share of net liabilities (30%)	(22 187)
Goodwill implicit in carrying value of equity-accounted investee	606
Cumulative losses allocated to loan to equity-accounted investee	10 189
Cumulative losses not recognised by group	11 392
Carrying amount of interest in associate	–
Revenue (100%)	138 624
Loss from continuing operations (100%)	(37 897)
Other comprehensive income (100%)	–
Total comprehensive income (100%)	(37 897)
Attributable to the group	(11 368)
Recognised by the group	24
Not recognised by the group	11 392
Attributable to the investee's other shareholders	(26 529)
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
Short-term bridging finance (refer note 15.1) – impaired by group	6 636

10.2 RocoMamas Australia

With effect from 1 July 2017, the group acquired 45% of the issued share capital in RocoMamas Restaurants Australia Pty Ltd ("RRA"), a newly incorporated company incorporated and domiciled in Australia for AU$517 500 (the equivalent of R5.274 million). During the year, RRA established two wholly-owned subsidiaries, RocoMamas Franchise Company Australia Pty Ltd ("RFCA"), and RocoMamas Chapel Pty Ltd ("RMC"), both companies also incorporated and domiciled in Australia. The purpose of the investment in RRA was to establish a partnership with entrepreneurs having industry expertise in Australia to launch the RocoMamas brand in that country. To this end, subsidiaries in the group granted RFCA a master franchise agreement, in terms of which RFCA was granted rights to exploit the RocoMamas trademarks and related intellectual property in Australasia. RRA furthermore provided finance to RMC to build the first RocoMamas restaurant in Australia, trading in Melbourne, which commenced in June 2018.

	2018 R'000
The following is summarised financial information for RocoMamas Restaurants Australia Pty Ltd (including subsidiaries) based on its financial statements prepared in accordance with IFRS:	
Non-current assets (100%)	6 187
Current assets (100%)	10 066
Current liabilities (100%)	(8 563)
Net assets (100%)	7 690
Group's share of net liabilities (45%)	3 461
Carrying amount of interest in associate	3 461
Revenue (100%)	590
Loss from continuing operations (100%)	(4 028)
Other comprehensive income (100%)	–
Total comprehensive income (100%)	(4 028)
Attributable to the group	(1 813)
Attributable to the investee's other shareholders	(2 215)

No dividends may be paid to the investors without the unanimous consent of all shareholders.

11. INCOME TAX

		2018 R'000	2017 R'000
11.1 Income tax expense			
South African normal tax			
Current	– current year	**62 136**	70 466
	– prior year underprovision	**200**	230
Deferred	– current year	**1 147**	931
	– prior year underprovision	**(133)**	54
		63 350	71 681
South African dividend withholding tax		**1 580**	1 642
Namibian normal tax			
Current	– current year	**1 081**	1 122
Namibian withholding tax		**485**	242
Dutch withholding tax		**1 663**	2 025
Australian normal tax			
Current	– prior year overprovision	**–**	(28)
Deferred	– current year	**–**	(33)
	– prior year underprovision	**–**	1
	– rate change	**–**	24
		–	(36)
Income tax expense		**68 159**	76 676
Total current normal tax		**63 417**	71 790
Total deferred tax (refer note 16)		**1 014**	977
Total withholding taxes		**3 728**	3 909
Income tax expense		**68 159**	76 676

Also refer contingent liability note 44.1.

	2018 %	2017 %
11.2 Reconciliation of tax rate		
South African normal tax rate	**28.0**	28.0
Effect of tax in foreign jurisdictions	**0.1**	0.1
Effect of tax at capital gains rate	**–**	0.2
Non-deductible fair value loss on contingent consideration liability	**1.5**	0.1
Non-deductible loan impairments	**0.8**	5.8
Non-deductible other expenditure (capital items and items not in production of income)	**2.3**	1.2
Non-deductible UK depreciation and closure-related costs*	**–**	0.2
Non-taxable dividend income	**(1.0)**	(1.1)
Non-taxable other income	**–**	(0.2)
Non-taxable profit on disposal of Braviz loans	**(3.5)**	–
Non-taxable profit on disposal of Captain DoRegos	**(0.6)**	–
Non-taxable profit on disposal of UK subsidiaries*	**–**	(0.7)
Prior year underprovision	**–**	0.1
Share of loss of equity-accounted investee	**0.2**	–
Tax losses on which deferred tax not provided	**0.6**	0.4
Tax losses utilised on which deferred tax not previously provided	**(0.5)**	(0.2)
Withholding tax	**1.6**	1.8
Effective tax rate	**29.5**	35.7

* Refer note 4.

The statutory rates of tax applicable to group entities in the Netherlands, Australia and Namibia are 25%, 27.5% and 32% respectively. The tax rate in the Netherlands operates on a sliding scale.

	2018 %	2017 %
11.3 Tax losses		
Estimated group tax losses available for set-off against future taxable income	**21 682**	29 979

A deferred tax asset has not been recognised in respect of tax losses amounting to R21.682 million (2017: R29.979 million). R8.481 million and R11.709 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).

	2018 R'000	2017 R'000
11.4 Tax charged directly to equity		
Current tax on intercompany transfer of treasury shares (refer note 21.4)	**–**	795
Current tax on intragroup sale of business (refer note 36)	**–**	523
Deferred tax on equity-settled share-based payment	**(468)**	(183)
Total tax charged directly to equity	**(468)**	1 135

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

		2018 cents	2017 cents
12.1	**Statistics**		
	Basic earnings per share	**165.85**	139.98
	Basic earnings per share – continuing operations	**165.85**	135.60
	Diluted earnings per share	**165.54**	139.82
	Diluted earnings per share – continuing operations	**165.54**	135.44
	Headline earnings per share	**160.76**	139.69
	Headline earnings per share – continuing operations	**160.76**	140.96
	Diluted headline earnings per share	**160.46**	139.53
	Diluted headline earnings per share – continuing operations	**160.46**	140.80

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 R158.519 million (2017: R134.143 million) and R158.519 million (2017: R129.938 million) for the group and continuing operations, respectively.

		2018 '000	2017 '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)	**(12 812)**	(12 647)
	Shares repurchased during the year weighted for period held by the group (refer note 21.2)	**(89)**	(6)
	Weighted average number of ordinary shares in issue for the year	**95 580**	95 828
	Dilutive potential ordinary shares weighted for period outstanding (refer note 21.4)	**181**	110
	Dilutive weighted average number of shares in issue for the year	**95 761**	95 938

		2018 R'000	2017 R'000
12.3	**Reconciliation of headline earnings**		
	Total group		
	Profit attributable to owners of the company	**158 519**	134 143
	Impairment of intangible assets	**–**	5 260
	Loss on disposal of property, plant and equipment	**–**	3
	Loss on disposal of subsidiary	**–**	12
	Profit on disposal of intangible assets	**(4 750)**	–
	Profit on disposal of property, plant and equipment	**(113)**	(120)
	Profit on disposals of subsidiaries	**–**	(5 435)
	Headline earnings	**153 656**	133 863

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
12.3 Reconciliation of headline earnings continued				
2018				
Profit on disposal of intangible assets (refer note 14.1)	**(4 750)**	**–**	**–**	**(4 750)**
Profit on disposal of property, plant and equipment (refer note 13)	**(156)**	**44**	**(1)**	**(113)**
	(4 906)	**44**	**(1)**	**(4 863)**
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)

	2018 R'000	2017 R'000
Continuing operations		
Profit attributable to owners of the company	**158 519**	134 143
Exclude: profit from discontinued operation (refer note 4)	**–**	(4 205)
Profit attributable to owners of the company – continuing operations	**158 519**	129 938
Impairment of intangible assets	**–**	5 260
Loss on disposal of property, plant and equipment	**–**	3
Profit on disposal of intangible assets	**(4 750)**	–
Profit on disposal of property, plant and equipment	**(113)**	(120)
Headline earnings – continuing operations	**153 656**	135 081

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2018				
Profit on disposal of intangible assets (refer note 14.1)	**(4 750)**	**–**	**–**	**(4 750)**
Profit on disposal of property, plant and equipment (refer note 13)	**(156)**	**44**	**(1)**	**(113)**
	(4 906)	**44**	**(1)**	**(4 863)**
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

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Leasehold improve-ments R'000	Furniture and fittings R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Total R'000
2018						
COST						
Balance at 1 July 2017	77 911	32 664	15 501	24 046	20 888	171 010
Additions	–	2 030	931	2 637	4 693	10 291
Disposals	–	(25 199)	(1 767)	(3 429)	(4 009)	(34 404)
Effect of foreign exchange fluctuations	–	3	1	–	–	4
Balance at 30 June 2018	77 911	9 498	14 666	23 254	21 572	146 901
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2017	(3 331)	(27 115)	(8 107)	(17 792)	(14 346)	(70 691)
Disposals	–	25 199	1 767	3 416	3 911	34 293
Depreciation	(667)	(1 086)	(1 648)	(2 203)	(3 802)	(9 406)
Effect of foreign exchange fluctuations	–	(3)	(1)	–	1	(3)
Balance at 30 June 2018	(3 998)	(3 005)	(7 989)	(16 579)	(14 236)	(45 807)
CARRYING VALUE						
Balance at 1 July 2017	74 580	5 549	7 394	6 254	6 542	100 319
Additions	–	2 030	931	2 637	4 693	10 291
Disposals	–	–	–	(13)	(98)	(111)
Depreciation	(667)	(1 086)	(1 648)	(2 203)	(3 802)	(9 406)
Effect of foreign exchange fluctuations	–	–	–	–	1	1
Balance at 30 June 2018	73 913	6 493	6 677	6 675	7 336	101 094
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

14. INTANGIBLE ASSETS AND GOODWILL

	Trademarks and intellectual property R'000	Software licences R'000	Goodwill R'000	Total R'000
2018				
COST				
Balance at 1 July 2017	**328 535**	**3 991**	**77 635**	**410 161**
Additions	**–**	**1 924**	**–**	**1 924**
Disposals	**–**	**(77)**	**–**	**(77)**
Balance at 30 June 2018	**328 535**	**5 838**	**77 635**	**412 008**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2017	**(39 652)**	**(1 896)**	**(6 512)**	**(48 060)**
Amortisation	**–**	**(1 281)**	**–**	**(1 281)**
Disposals	**–**	**42**	**–**	**42**
Balance at 30 June 2018	**(39 652)**	**(3 135)**	**(6 512)**	**(49 299)**
CARRYING VALUE				
Balance at 1 July 2017	**288 883**	**2 095**	**71 123**	**362 101**
Additions	**–**	**1 924**	**–**	**1 924**
Disposals	**–**	**(35)**	**–**	**(35)**
Amortisation	**–**	**(1 281)**	**–**	**(1 281)**
Balance at 30 June 2018	**288 883**	**2 703**	**71 123**	**362 709**
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

None of the above intangible assets are internally generated.

14. INTANGIBLE ASSETS AND GOODWILL continued

14.1 Trademarks and intellectual property

"Trademarks and intellectual property" consists of the Spur, Panarottis, John Dory's, 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 (refer note 2.1).

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

	2018 R'000	2017 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
The Hussar Grill Franchise operations	**9 904**	9 904
RocoMamas Franchise operations	**7 114**	7 114
	288 883	288 883

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 8.0% in 2020 and 7% in 2021 to 2023 for Spur, 3.6% in 2020 and 5% in 2021 to 2023 for Panarottis, 8.2% for The Hussar Grill, 6.5% for John Dory's and 6.5% for RocoMamas for the 2020 to 2023 financial years on existing business, in addition to the impact of expected new stores.
- Cash outflows for the 2019 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 4.6% (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 18.75%, 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, the assets were not impaired as at the reporting date.

Captain DoRegos

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

During the current year, the group concluded an agreement to dispose of the Captain DoRegos business, comprising largely the trademarks and related intellectual property previously impaired as referred to above, with effect from 1 March 2018, for a consideration of R4.750 million. Of the total consideration, R0.500 million was paid on the effective date, R0.250 million was paid on 1 May 2018 and the balance of R4.000 million is payable in equal monthly instalments over 48 months with effect from 1 June 2018 (refer note 15). No income tax is applicable to the sale.

* The assumptions applied in the current year were largely similar to those applied in the prior year, except that the growth in restaurant turnovers where the following growth percentages were used: Spur, increased from 6.5% to 7%; Panarottis, reduced from 6.5% to 5%; The Hussar Grill increased from 6.5% to 8.2% while both John Dory's and RocoMamas remained the same at 6.5%; increases in employment costs remained the same at 7%.

14.2 Goodwill

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

	2018 R'000	2017 R'000
John Dory's Franchise operations	**178**	178
RocoMamas Franchise operations	**43 102**	43 102
The Hussar Grill Franchise operations	**13 870**	13 870
The Hussar Grill Retail operations	**13 973**	13 973
	71 123	71 123

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 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 2019 financial year were conservatively estimated based on historic trends. Turnovers were estimated to grow by 6.5% per annum for the 2020 to 2023 financial years, slightly ahead of the South African targeted rate of inflation.
– Cash outflows for the 2019 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 18.75%, 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.

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	1 083 867
Panarottis Franchise operations	32 925	96 621
John Dory's Franchise operations	8 643	79 585
The Hussar Grill Franchise operations	23 774	43 064
The Hussar Grill Retail Operations	31 621	108 588
RocoMamas Franchise operations	50 216	235 917

14. INTANGIBLE ASSETS AND GOODWILL continued

14.3 Sensitivity analysis continued

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 (%)	**11.3**
Growth in restaurant turnover (%)	**(10.6)**

15. LOANS RECEIVABLE

	2018 R'000	2017 R'000
Total gross loans receivable at end of year	**152 512**	184 196
Cumulative share of loss of equity-accounted investee (net of income tax) (refer note 10)	**–**	(10 189)
Impairment	**(6 753)**	(44 192)
Current portion included in current assets	**(12 943)**	(19 085)
Total non-current loans receivable	**132 816**	110 730

These loans comprise:

15.1 Braviz Fine Foods (Pty) Ltd

	2018 R'000	2017 R'000
Gross loans receivable at end of year	**–**	54 381
Shareholder funding	**–**	47 745
Short-term bridging finance	**–**	6 636
Cumulative share of loss of equity-accounted investee (net of income tax) (refer note 10)	**–**	(10 189)
Impairment	**–**	(44 192)
Non-current portion	**–**	–

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 shareholder loan was disproportionate to the respective shareholders' shareholding in the entity, the loan was subject to interest at the prime overdraft rate of interest, while the remaining loan was interest free. Prior to this, the entire loan was subject to interest at the prime overdraft rate of interest. This loan was intended to be part of the investment in the associate and, as such, there were no repayment terms and the loan was unsecured.

The bridging finance loan was advanced to serve as short-term bridging finance for the associate in question. The loan was subject to interest at 2% above the prime overdraft rate of interest and was secured by way of a cession of trade debtors and general notarial bond over moveable assets.

Following various breaches of the terms of the respective loan agreements referred to above by the associate, and taking cognisance of the associate's financial performance, which had been impacted by reduced demand following a decline in the local economy, increased competition and aggressive pricing, the board considered the full extent of the receivables, amounting to R44.192 million at 30 June 2017, to be impaired. An impairment loss of this amount was consequently recognised in profit before income tax in the prior year.

While interest income of R4.284 million was recognised in profit before income tax in the prior year, no interest was recognised in the current year as the loan had been impaired in full at 30 June 2017.

		2018 R'000	2017 R'000
15.2	**Franchisees (foreign: Australian dollars)**		
	Gross loans receivable at end of year	**7 531**	8 781
	Current portion included in current assets	**(2 874)**	(3 266)
	Impairment	**(2 916)**	–
	Non-current portion	**1 741**	5 515

These loans have a gross value of AU$739 102 (2017: AU$874 618) at the reporting date. The loans are subject to interest of between 2% above the Reserve Bank of Australia's cash rate and a fixed rate of 4.25%. The loans are repayable over various periods of 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 balance with related party, White Cloud Restaurant Pty Ltd, in the amount of R2.172 million (2017: R1.729 million) as detailed in note 42.3.

Included in the above is a loan of R2.916 million advanced to an entity trading as Panarottis Currambine. The restaurant ceased trading during the year and the entity is in the process of being liquidated. Based on an assessment of the financial standing of the sureties, the board considers the prospects of recovery of the loan to be low and the full extent of the receivable has accordingly been impaired during the year.

		2018 R'000	2017 R'000
15.3	**Franchisees (foreign: euros)**		
	Gross loans receivable at end of year	**1 790**	1 956
	Current portion included in current assets	**(1 790)**	(1 630)
	Non-current portion	**–**	326

These loans amount to €111 361 (2017: €131 079) as at the reporting date. The loans bear interest at 0.5% above the six-month EURIBOR rate of interest and are repayable over 12 months. The loans are secured by personal suretyships of the shareholders of the respective franchisees.

15. LOANS RECEIVABLE continued

	2018 R'000	2017 R'000
15.4 Franchisees (local)		
Gross loans receivable at end of year	**7 349**	8 970
Current portion included in current assets	**(2 324)**	(2 033)
Non-current portion	**5 025**	6 937

The loans bear interest at between the prime overdraft rate of interest and 3% 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.

	2018 R'000	2017 R'000
15.5 GPI Investments 1 (RF) (Pty) Ltd		
Gross loan receivable at end of year	**100 695**	91 959
Current portion included in current assets	**–**	–
Non-current portion	**100 695**	91 959

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.

	2018 R'000	2017 R'000
15.6 Hunga Busters Pty Ltd*		
Gross loan receivable at end of year	**6 137**	8 530
Current portion included in current assets	**(2 733)**	(2 537)
Non-current portion	**3 404**	5 993

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 AU$602 199 (2017: AU$849 516) 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.

		2018 R'000	2017 R'000
15.7	**Avecor Investments Pty Ltd trading as Panarottis Tuggerah**		
	Gross loan receivable at end of year	5 001	–
	Current portion included in current assets	(1 066)	–
		3 935	–

The loan is denominated in Australian dollars with a carrying value of AU$490 752 (2017: AU$nil) at the reporting date. The loan is subject to interest at a fixed rate of 4.5% and is repayable in 60 equal monthly instalments which commenced in March 2018. The loan is secured by a pledge of the shares in the borrower, personal suretyship of the borrower's shareholder, and a general deed of security over the borrower's assets.

		2018 R'000	2017 R'000
15.8	**Panawest Pty Ltd trading as Panarottis MacArthur**		
	Gross loan receivable at end of year	5 196	–
	Current portion included in current assets	(477)	–
	Impairment	(3 837)	–
		882	–

The loan is denominated in Australian dollars with a gross value of AU$509 897 (2017: AU$nil) at the reporting date. The loan is subject to interest at a fixed rate of 4.5% and is repayable in 36 equal monthly instalments which commenced in March 2018. The loan is secured by a pledge of the shares in the borrower and personal suretyship of the borrower's shareholder.

The board has considered cash flow projections of the borrower, which indicate that the borrower is unlikely to be in a financial position to honour the terms of the loan. The board has determined the recoverable amount of the loan at R1.359 million based on likely amounts that the borrower is able to repay and an impairment loss of R3.837 million has accordingly been recognised.

		2018 R'000	2017 R'000
15.9	**KG Holdings Family Trust**		
	Gross loan receivable at end of year	4 042	–
	Current portion included in current assets	(1 241)	–
		2 801	–

The receivable arises from the disposal of the Captain DoRegos business (refer note 14.1). The receivable is payable in equal monthly instalments over 48 months, commencing from 1 June 2018, and bears interest at the prime overdraft rate of interest. The receivable is secured by a personal guarantee from the purchaser and a trust which holds immovable property.

15. LOANS RECEIVABLE continued

	2018 R'000	2017 R'000
15.10 Marketing funds		
Gross loans receivable at end of year	**14 771**	5 845
Current portion included in current assets	**(438)**	(5 845)
Non-current portion	**14 333**	–

The loans owing by marketing funds represent the net liabilities and cumulative overspend of certain of the marketing funds as at the reporting date. The amounts are recovered through controlled underspending of marketing funds in subsequent years.

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

During the year, the board approved a loan facility to be made available to the Spur Steak Ranches Marketing Fund in the amount of R35.000 million. This was necessary in order to ensure the liquidity and solvency of the wholly-owned subsidiary that manages the marketing fund. The facility bears interest at the prime rate of interest and is repayable in 48 equal monthly instalments commencing July 2019. As at the reporting date, the carrying amount of the loan was R25.725 million. While the loan is eliminated on consolidation, repayment of the intercompany loan and the interest thereon will be funded by future marketing contributions from franchisees. As a result, at the reporting date, there is a net marketing fund receivable, comprising the net liabilities and cumulative overspend of the marketing fund, of R14.333 million (2017: R5.362 million). Given that the intercompany loan is only repayable from 1 July 2019, it is not anticipated that the marketing fund receivable will reduce before then, and the loan is accordingly classified as a non-current loan receivable (2017: current receivable) in the consolidated statement of financial position.

	2018 R'000	2017 R'000
15.11 Spur Marketing Fund		
Gross loan receivable at end of year	**–**	3 774
Current portion included in current assets	**–**	(3 774)
Non-current portion	**–**	–

This loan was advanced to the Spur Marketing Fund to finance the purchase of monitors for franchised restaurants. The loan was unsecured, subject to interest at 2% above the prime overdraft interest rate and was repayable in 60 equal monthly instalments which commenced in July 2013, with the last instalment being repaid in June 2018.

16. DEFERRED TAX

	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	Recognised in goodwill R'000	Balance at end of year R'000
2018						
Accruals	**377**	**220**	**–**	**–**		**597**
Derivative financial instruments	**2 960**	**(2 960)**	**–**	**–**		**–**
Income received in advance	**93**	**84**	**–**	**–**		**177**
Intangible assets	**(67 629)**	**–**	**–**	**–**		**(67 629)**
Leave pay accrual	**1 576**	**568**	**8**	**–**		**2 152**
Long-term employee benefits	**894**	**208**	**–**	**468**		**1 570**
Operating lease liability	**648**	**210**	**–**	**–**		**858**
Prepayments	**(499)**	**(209)**	**–**	**–**		**(708)**
Property, plant and equipment	**(189)**	**(7)**	**–**	**–**		**(196)**
Short-term employee incentives	**2 295**	**872**	**–**	**–**		**3 167**
Total net deferred tax liability	**(59 474)**	**(1 014)**	**8**	**468**		**(60 012)**
Current year deferred tax credit		**(1 014)**				
Change in tax rate		**–**				
Effect of foreign exchange fluctuations			**8**			
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 charge		(953)				
Change in tax rate		(24)				
Effect of foreign exchange fluctuations			(27)			

16. DEFERRED TAX continued

	Deferred tax asset		Deferred tax liability	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
The deferred tax asset/(liability) comprises deductible/(taxable) temporary differences relating to:				
Accruals	**–**	65	**597**	312
Derivative financial instruments	**–**	–	**–**	2 960
Income received in advance	**–**	–	**177**	93
Intangible assets	**–**	–	**(67 629)**	(67 629)
Leave pay accrual	**764**	608	**1 388**	968
Long-term employee benefits	**–**	–	**1 570**	894
Operating lease liability	**575**	491	**283**	157
Prepayments	**(101)**	(111)	**(607)**	(388)
Property, plant and equipment	**–**	3	**(196)**	(192)
Short-term employee incentives	**498**	394	**2 669**	1 901
	1 736	1 450	**(61 748)**	(60 924)

17. LEASING RIGHTS

	2018 R'000	2017 R'000
Balance at beginning of year	**4 485**	5 034
Recognised in profit before income tax	**(549)**	(549)
Balance at end of year	**3 936**	4 485

The leasing rights relate to the premises occupied by The Hussar Grill in Mouille Point, Cape Town. The lease is being amortised on a straight-line basis over the remaining lease term of 118 months from December 2015, and is included in profit or loss as part of the rent expense of the outlet.

18. INVENTORIES

	2018 R'000	2017 R'000
Raw materials	**2 317**	1 556
Packaging	**353**	260
Finished goods	**13 032**	10 915
	15 702	12 731

Finished goods include 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.

Included in finished goods is inventory at net realisable value of R3.818 million (2017: Rnil).

19. TRADE AND OTHER RECEIVABLES

	2018 R'000	2017 R'000
Trade receivables	**94 611**	64 625
Impairment allowance	**(800)**	(935)
Net trade receivables	**93 811**	63 690
Prepayments	**3 724**	3 995
Deposits	**1 238**	2 843
Staff loans	**293**	181
VAT and other indirect taxes receivable	**546**	967
Other	**385**	1 160
	99 997	72 836

Trade receivables include receivables from related parties of R4.579 million (2017: R3.912 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

	2018 R'000	2017 R'000
Current, call and short-term deposit accounts	**259 895**	265 953
Bank overdrafts	**–**	(4 491)
	259 895	261 462

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

21. CAPITAL AND RESERVES

	Number of shares 2018 '000	Number of shares 2017 '000	2018 R'000	2017 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	**(6 197)**	(6 137)	**–**	–
Cumulative shares held by The Spur Management Share Trust (consolidated structured entity)	**(6 375)**	(6 375)	**–**	–
Cumulative shares held by The Spur Foundation Trust (consolidated structured entity)	**(400)**	(300)	**–**	–
	95 509	95 669	**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 160 000 (2017: 165 000) Spur Corporation Ltd shares at an average cost of R26.54 (2017: R30.26) per share, totalling R4.246 million (2017: R4.993 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 nil (2017: 159 000) 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 Rnil (2017: R5.403 million) from The Spur Management Share Trust. At the reporting date, the group owned 6 196 901 (2017: 6 136 901) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, at a total cost of R107.586 million (2017: R104.995 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 12 971 599 (2017: 12 811 599) 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	2018 R'000	2017 R'000
Balance at beginning of year	**1 812**	827
Share-based payments expense for the year	**1 919**	985
– FSP – tranche 1	**722**	985
– SAR – tranche 1	**–**	(581)
– FSP – tranche 2	**1 048**	295
– SAR – tranche 2	**149**	286
Balance at end of year	**3 731**	1 812
Comprising:		
– FSP – tranche 1	**1 953**	1 231
– FSP – tranche 2	**1 343**	295
– SAR – tranche 2	**435**	286

	2018		2017	
Number of shares/rights in issue	**FSP shares**	**SAR rights**	FSP shares	SAR rights
Balance at beginning of year	**314 000**	**4 590 889**	155 000	1 971 663
Granted during the year	**–**	**–**	159 000	2 619 226
Forfeited during the year	**(40 000)**	**(722 844)**	–	–
Balance at end of year	**274 000**	**3 868 045**	314 000	4 590 889
Comprising:				
– tranche 1	**133 000**	**1 636 852**	155 000	1 971 663
– tranche 2	**141 000**	**2 231 193**	159 000	2 619 226

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)	85.8% (2017: 97.4%)	88.7% (2017: 100%)

The forfeitable shares awarded are 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.

21. CAPITAL AND RESERVES continued

21.4 Share-based payments reserve continued

The shares awarded during the prior 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 in the prior year amounted to R0.065 million and R0.795 million respectively, both of which were 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)	83.0% (2017: 98.1%)	85.2% (2017: 100%)
Proportion of rights expected to vest based on meeting of non-market performance conditions	0% (2017: 0%)	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)	7.63%	7.50%
Expected dividend yield (based on historic dividend yield over historic period equivalent to vesting period)	4.75%	4.75%
Expected volatility (based on historic volatility over historic period equivalent to vesting period)	32.37%	32.37%
Liquidity discount due to trade restriction (5 years in the case of FSP)	9.64%	13.74%
Liquidity discount due to trade restriction (2 years in the case of SAR)	7.01%	6.99%

Dilution

The FSP forfeitable shares granted resulted in 180 950 (2017: 110 351) 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 2018	2017
RocoMamas Franchise Co (Pty) Ltd	South Africa	RocoMamas – Franchise	**30%**	30%
Opilor (Pty) Ltd	South Africa	Retail South Africa	**32%**	32%
Green Point Burger Joint (Pty) Ltd	South Africa	Retail South Africa	**10%**	10%
The Spur Foundation Trust	South Africa	Unallocated South Africa	**100%**	100%

The following table summarises financial information for material subsidiaries with NCI, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the group's accounting policies, as well as other individually immaterial subsidiaries. The information is before intercompany eliminations with other companies in the group.

	RocoMamas Franchise Co (Pty) Ltd R'000	Opilor (Pty) Ltd R'000	Green Point Burger Joint (Pty) Ltd R'000	Other individually immaterial subsidiaries R'000	Total R'000
2018					
Revenue	32 817	16 544	15 384		
Profit	17 532	782	826		
Other comprehensive income	–	–	–		
Total comprehensive income	17 532	782	826		
Profit/(loss) attributable to NCI	5 260	250	87	(907)	4 690
Total comprehensive income attributable to NCI	5 260	250	87	(907)	4 690
Current assets	14 570	1 547	639		
Non-current assets	1 419	10 808	4 725		
Total liabilities	(2 306)	(1 358)	(4 519)		
Net assets	13 683	10 997	845		
Carry amount of NCI	5 841	3 519	58	1 501	10 919
Cash flows from operating activities	546	836	1 867		
Cash flows from investing activities	502	(68)	(65)		
Cash flows from financing activities	(125)	–	(1 791)		
Net increase in cash and cash equivalents	923	768	11		
Dividends paid to NCI during the year	5 190	600	–		

22. NON-CONTROLLING INTERESTS continued

	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		
Total 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		

23. OPERATING LEASE LIABILITY

	2018 R'000	2017 R'000
Balance at beginning of year	**2 676**	2 191
Recognised in profit before income tax	**539**	485
Landlord tenant installation allowance received	**704**	–
Balance at end of year	**3 919**	2 676

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.

24. TRADE AND OTHER PAYABLES

	2018 R'000	2017 R'000
Trade payables	**31 637**	24 709
Accruals	**9 971**	10 748
Income received in advance	**858**	934
Employee benefits	**18 641**	14 048
Short-term profit share incentive scheme	**5 822**	3 735
Leave pay and other short-term employee benefits	**12 819**	10 313
VAT and other indirect taxes payable	**9 248**	5 970
Unredeemed gift vouchers	**3 664**	3 112
Other sundry payables	**419**	792
	74 438	60 313

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.

	2018 R'000	2017 R'000
24.1 Short-term profit share incentive scheme		
Balance at beginning of year	**3 735**	4 699
Payment in respect of prior year incentive	**(3 818)**	(6 567)
Recognised in profit before income tax	**5 905**	5 603
Balance at end of year	**5 822**	3 735

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.

25. LOANS PAYABLE

	2018 R'000	2017 R'000
Marketing funds	**10 722**	6 912
	10 722	6 912

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. The loans are unsecured, do not bear interest and are expected to be settled within 12 months of the reporting date. Refer note 39 for more details.

26. CONTINGENT CONSIDERATION LIABILITY

	2018 R'000	2017 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	**5 797**	23 291
Fair value adjustment recognised in profit before income tax	**12 745**	777
Settled in cash	**(18 542)**	(18 271)
Balance at end of year	**–**	5 797

The purchase consideration for 51% of RocoMamas Franchise Co (Pty) Ltd ("RocoMamas"), acquired on 1 March 2015, was determined as five times RocoMamas' profit before income tax of the third year following the date of acquisition, which ended on 28 February 2018. Following an initial payment of R2.000 million on the effective date, annual payments were due on the first, second and third anniversaries of the acquisition date, calculated as five times the profit before income tax of the year immediately preceding the anniversary date, less any aggregate payments already made. Payments of R20.369 million and R18.271 million were made on the first and second anniversaries of the acquisition date respectively and the final payment of R18.542 million was paid in March 2018.

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

27. EMPLOYEE BENEFITS

	2018 R'000	2018 R'000
Obligation in respect of cash-settled long-term share-linked employee retention scheme share appreciation rights:		
– tranche 5	–	885
Total liability at reporting date	–	885
The movement in the liability during the year was as follows:		
Balance at beginning of year	**885**	7 810
Share-based payments credit recognised in profit before income tax	**(885)**	(3 795)
Settled in cash paid to participants	–	(3 130)
Balance at end of year	–	885

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 14 December 2017, the fifth (and final) tranche of 1.5 million share appreciation rights, with a grant-date strike price of R30.91 per share, vested. As the exercise price of the rights on vesting was R27.00 per share, which was below the grant-date strike price, the rights were effectively cancelled, and no payments were made to participants. During the prior 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. As at 30 June 2018, no cash-settled share appreciation rights are in issue.

In accordance with the rules of the scheme, the liquidity risk arising from obligations in respect of the rights in issue was to be hedged economically (refer note 28).

The fair values of the rights were 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 were compulsorily exercisable on the exercise date.

Fair value measurement

The liability in respect of the share appreciation rights was previously computed based on the fair values of the rights at the reporting dates adjusted for the vesting period. The fair values at the reporting dates were determined by an independent external professional financial instruments specialist using the Black-Scholes option pricing model on the following assumptions:

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

28. DERIVATIVE FINANCIAL LIABILITIES

	2018 R'000	2017 R'000
Forward purchase contracts in respect of:		
– tranche 5 of share appreciation rights	–	(10 572)
Total liability at the reporting date	–	(10 572)
The movement in the liability during the year was as follows:		
Balance at beginning of year	**(10 572)**	(12 186)
Fair value loss recognised in profit before income tax	**(3 168)**	(5 791)
Settled in cash to counterparty	**13 410**	7 600
Payment/(refund) of difference in guaranteed dividend from counterparty settled in cash	**330**	(195)
Balance at end of year	–	(10 572)

The contracts were concluded to hedge the upside price risk of the Spur Corporation Ltd share that the group was exposed to in respect of the cash-settled share appreciation rights detailed in note 27. 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 fifth (and final) (2017: fourth) tranche of share appreciation rights vested on 14 December 2017 (2017: 15 December 2016). The related forward purchase contracts matured on the same dates as the rights vested, resulting in payments by the group to the counterparty as indicated in the table above.

The fair values of the forward purchase contracts were determined at each reporting date and any changes in the values were 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 were settled in cash on the respective settlement dates. The amounts settled were 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. As the difference was negative for both the fourth and fifth tranches, the group was required to settle these differences with the counterparty.

Fair value measurement

The fair values of the forward purchase contract was determined by an independent external professional financial instruments specialist using a Black-Scholes (risk-neutral) pricing model, at each reporting date, on the following assumptions:

	2017
Forward purchase contract – tranche 5 of share appreciation rights	
Expected volatility	22.90%
Interest rate (nominal annual compounded quarterly)	7.82%
Credit spread (basis points)	250
Dividend	Refer next page

In addition, the forward prices per share for the forward purchase contract was subject to the following dividend streams in respect of the Spur Corporation Ltd shares:

	Tranche 5
October 2016 (cents per share)	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 were settled in cash between the parties.

29. DIVIDENDS

	2018 R'000	2017 R'000
Final 2016 – dividend of 73.0 cents per share	–	79 191
Interim 2017 – dividend of 71.0 cents per share	–	77 022
Final 2017 – dividend of 61.0 cents per share	66 173	–
Interim 2018 – dividend of 63.0 cents per share	68 343	–
Total dividends to equity holders	**134 516**	**156 213**
Dividends external to the group are reconciled as follows:		
Gross dividends declared by the company	134 516	156 213
Dividends received on the company's shares held by the group	(15 968)	(18 212)
Total dividends declared by the company external to the group	118 548	138 001
Dividends declared by subsidiaries to non-controlling shareholders	5 790	3 880
Total dividends external to the group	**124 338**	**141 881**

The directors have approved a final dividend of 60 cents per share in respect of the 2018 financial year, funded by income reserves, to be paid in cash on 1 October 2018. 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 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the financial year was 123 (2017: 132) cents per share equating to R133.431 million (2017: R143.195 million).

30. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	2018 R'000	2017 R'000
Profit before income tax	**231 368**	214 775
Adjusted for:		
Amortisation – intangible assets (refer note 14)	**1 281**	1 886
Amortisation – leasing rights (refer note 17)	**549**	549
Bad debts	**1 195**	1 341
Depreciation (refer note 13)	**9 406**	8 652
Expenses charged directly to equity (retained income) (refer note 21.4)	**–**	(65)
Fair value loss on derivative financial instruments at fair value through profit or loss (refer note 28)	**3 168**	5 791
Fair value loss on contingent consideration liability (refer note 26)	**12 745**	777
Foreign exchange loss (excluding losses/gains on intercompany accounts)	**401**	980
Foreign currency translations not disclosed elsewhere in the statement of cash flows	**2 457**	(1 273)
Impairment of finished goods stock	**750**	–
Impairment of intangible assets (refer note 14)	**–**	6 778
Impairment of loans receivable (refer note 15)	**6 753**	44 192
Interest expense	**33**	84
Interest income	**(31 322)**	(36 606)
Landlord tenant installation allowance received (refer note 23)	**704**	–
Loss on disposal of subsidiary (refer note 4)	**–**	12
Movement in operating lease liability (refer note 23)	**539**	485
Movement in bonus and leave pay provisions	**4 454**	120
Movement in trade receivable impairment allowance (refer note 19)	**(135)**	84
Profit on disposal of property, plant and equipment	**(156)**	(162)
Profit on disposal of subsidiaries (refer note 4)	**–**	(5 435)
Profit on disposal of equity-accounted investee (refer note 10.1)	**(17 500)**	–
Profit on disposal of intangible asset	**(4 750)**	–
Release of financial liability (refer note 4)	**–**	(772)
Share-based payments cash settlement – long-term share-linked employee retention scheme (refer note 27)	**–**	(3 130)
Share-based payments credit – cash-settled – long-term share-linked employee retention scheme (refer note 27)	**(885)**	(3 795)
Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 21.4)	**1 919**	985
Share of loss/(profit) of equity-accounted investee (net of income tax) (refer note 10)	**1 813**	(24)
	224 787	236 229

31. WORKING CAPITAL CHANGES

	2018 R'000	2017 R'000
Increase in inventories	**(3 721)**	(583)
(Increase)/decrease in trade and other receivables	**(28 406)**	22 983
Increase/(decrease) in trade and other payables	**9 787**	(1 887)
Increase in short-term loans receivable	**(8 919)**	(4 475)
Increase/(decrease) in short-term loans payable	**3 699**	(17 553)
	(27 560)	(1 515)

32. INTEREST INCOME RECEIVED

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

	2018 R'000	2017 R'000
Interest accrued but not received at beginning of year	31 506	20 101
Interest income	31 322	36 606
Interest accrued but not received at end of year	(40 258)	(31 506)
	22 570	25 201

33. TAX PAID

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

	2018 R'000	2017 R'000
Net amount receivable at beginning of year	40 599	33 817
Current tax charged to profit or loss (refer note 11.1)	(67 145)	(75 699)
Current tax charged to equity (retained earnings) (refer note 11.4)	–	(1 318)
Effect of foreign exchange fluctuations	1 030	(1 504)
Net amount receivable at end of year	(35 130)	(40 599)
	(60 646)	(85 303)
The net tax receivable at the reporting date comprises:		
Withholding tax credits	14 429	13 399
Prepayment of income tax relating to tax query (refer note 44.1)	22 034	22 034
Provisional tax payments in respect of current year (less than)/exceeding actual estimated tax payable for the year	(266)	6 046
Total gross tax receivable at end of year	36 197	41 479
Gross tax payable at end of year	(1 067)	(880)
Net tax payable at end of year	35 130	40 599

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:

	2018 R'000	2017 R'000
Amount payable at beginning of year	(543)	(471)
Total dividends external to the group (refer note 29)	(124 338)	(141 881)
Amount payable at end of year	631	543
	(124 250)	(141 809)

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

In the prior year, 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. In the prior year, the purchase consideration was 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.

36. PRIOR YEAR INTRAGROUP TRANSFER OF BUSINESS WITHOUT A CHANGE IN CONTROL

During the prior year, with effect from 1 June 2017, the group transferred the ownership of the RocoMamas Green Point outlet from a subsidiary in which the group has a 68% interest, Opilor (Pty) Ltd, 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).

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.

		Carrying amount (R'000)			Fair value (R'000)		
	Note	Loans and receiv-ables	Other financial liabilities	Total	Level 2	Level 3	Total
2018							
Financial assets not measured at fair value							
Loans receivable	15	**145 759**	**–**	**145 759**			
Financial assets included in trade and other receivables*	19	**95 727**	**–**	**95 727**			
Cash and cash equivalents	20	**259 895**	**–**	**259 895**			
		501 381	**–**	**501 381**			
Financial liabilities not measured at fair value							
Financial liabilities included in trade and other payables#	24	**–**	**45 691**	**45 691**			
Loans payable	25	**–**	**10 722**	**10 722**			
Shareholders for dividend		**–**	**631**	**631**			
		–	**57 044**	**57 044**			

		Carrying amount (R'000)				Fair value (R'000)		
	Note	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	26	–	5 797	–	5 797	–	5 797	5 797
Derivative financial liability	28	–	10 572	–	10 572	10 572	–	10 572
		–	16 369	–	16 369			
Financial liabilities not measured at fair value								
Bank overdrafts	20	–	–	4 491	4 491			
Financial liabilities included in trade and other payables#	24	–	–	39 361	39 361			
Loans payable	25	–	–	6 912	6 912			
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*.

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. FINANCIAL INSTRUMENTS continued

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 28.

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 26 was initially recognised at fair value and was subsequently recognised at fair value at each reporting date. The liability was settled during the current financial year. The liability was a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model were not based on observable market data.

As at 30 June 2017, the fair value was determined based on the expected aggregate purchase consideration payments, discounted to present value using a risk-adjusted discount rate of 21.6%, being the weighted average cost of capital specific to the acquired entity. The expected purchase consideration payments were determined by considering various possible scenarios, and the probability of each scenario. The significant unobservable inputs were the forecast profit before income tax and the risk-adjusted discount rate.

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.

37.3.1 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	
	2018 R'000	2017 R'000
Cash and cash equivalents (refer note 20)	**259 895**	265 953
Financial assets included in trade and other receivables (refer note 19)	**95 727**	67 874
Loans receivable (refer note 15)	**145 759**	129 815
	501 381	463 642

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 expected 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	
	2018 R'000	2017 R'000
Domestic	**90 502**	61 671
Eurozone countries	**2 832**	1 897
Australasia	**1 277**	1 057
	94 611	64 625

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

	Carrying amount	
	2018 R'000	2017 R'000
Wholesale customers	**27 385**	17 027
Franchisees (franchise businesses)	**67 226**	47 598
	94 611	64 625

37. FINANCIAL INSTRUMENTS continued

37.3 Financial risk management continued

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:

	2018 R'000	2017 R'000
Balance at beginning of year	935	851
Additional impairment losses recognised	1 060	1 425
Irrecoverable debts written off	(1 195)	(1 341)
Balance at end of year	800	935

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 2018, no material guarantees were outstanding from a group perspective (30 June 2017: Rnil).

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 2018				
Non-derivative financial liabilities				
Unsecured loans payable (refer note 25)	**10 722**	**10 722**	**10 722**	**–**
Financial liabilities included in trade and other payables (refer note 24)	**45 691**	**45 691**	**45 691**	**–**
Shareholders for dividend	**631**	**631**	**631**	**–**
30 June 2017				
Non-derivative financial liabilities				
Bank overdrafts (refer note 20)	4 491	4 491	4 491	–
Financial liabilities included in trade and other payables (refer note 24)	39 361	39 361	39 361	–
Unsecured loans payable (refer note 25)	6 912	6 912	6 912	–
Contingent consideration liability (refer note 26)	5 797	6 575	6 575	–
Shareholders for dividend	543	543	543	–
Derivative financial liabilities				
Derivative financial liabilities (refer note 28)	10 572	10 572	10 572	–

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 in the prior year were estimates determined based on management's projections of RocoMamas' future profit before income tax (refer notes 26 and 37.2).

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

37. FINANCIAL INSTRUMENTS continued

37.3 Financial risk management continued

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 was previously exposed to equity securities price risk related to the share price of the company due to the derivative financial instruments previously held by the group (refer note 28). 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 27). The forward purchase contracts matured on 14 December 2017 at the same time that the related cash-settled share appreciation rights vested, and there are accordingly no outstanding contracts as at 30 June 2018.

Sensitivity analysis

In respect of the prior year, the impact on profit before income tax and equity of a 10% increase or decrease in the company's share price insofar as it affected the fair values of 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)

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 is 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
2018		
Assets		
Cash and cash equivalents	**23**	**82**
Trade and other receivables	**146**	**20**
Loans receivable	**1 717**	**115**
Total assets	**1 886**	**217**
Liabilities		
Loans payable	**–**	**(92)**
Trade and other payables	**(114)**	**(73)**
Total liabilities	**(114)**	**(165)**
Total net exposure	**1 772**	**52**
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

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2018	2017	**2018**	2017
AU$1 = R	**9.9749**	10.2685	**10.1904**	10.0408
€1 = R	**15.3407**	14.8515	**16.0695**	14.9222

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 2018		
€	**52**	**(129)**
AU$	**4**	**(2 130)**
30 June 2017		
€	72	(930)
AU$	8	(2 291)

37. FINANCIAL INSTRUMENTS continued

37.3 Financial risk management continued

37.3.3 Market risk continued

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 2018		
Variable-rate assets	**1 933**	**1 392**
Variable-rate liabilities	**(11)**	**(8)**
Net increase	**1 922**	**1 384**
30 June 2017		
Variable-rate assets	2 186	1 574
Variable-rate liabilities	(14)	(10)
Net increase	2 172	1 564

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.

37.4 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 298 members at 30 June 2018 (2017: 295 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 R213.2 million (2017: R224.3 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 15.10 and 25). 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:

	2018 R'000	2017 R'000
Next year	**8 407**	8 001
Year two through to year five	**24 861**	29 385
More than five years	**2 264**	5 175
	35 532	42 561

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	Termination payout and leave pay R'000	Total remuneration included in profit or loss R'000
2018									
Executive directors and prescribed officer									
For services, as employees, to subsidiary companies									
Current directors									
Allen Ambor	3 657	–	586	113	**4 356**	(30)	–	–	**4 326**
Pierre van Tonder	5 152	–	370	210	**5 732**	15	219	–	**5 966**
Mark Farrelly	3 121	–	466	99	**3 686**	3	176	–	**3 865**
Ronel van Dijk[3]	2 160	–	283	–	**2 443**	(129)	124	3 280	**5 718**
Phillip Matthee[4]	652	–	98	–	**750**	10	–	–	**760**
Total executive directors	**14 742**	**–**	**1 803**	**422**	**16 967**	**(131)**	**519**	**3 280**	**20 635**
Prescribed officer									
Kevin Robertson	2 233	226	182	33	**2 674**	32	117	–	**2 823**
Non-executive directors									
For services, as directors, to the company									
Current directors									
Dean Hyde	425	–	–	–	**425**	–	–	–	**425**
Dineo Molefe	425	–	–	–	**425**	–	–	–	**425**
Keith Getz[4]	425	–	–	–	**425**	–	–	–	**425**
Keith Madders	425	–	–	–	**425**	–	–	–	**425**
Mntungwa Morojele[4]	425	–	–	–	**425**	–	–	–	**425**
Muzi Kuzwayo	425	–	–	–	**425**	–	–	–	**425**
	2 550	–	–	–	**2 550**	–	–	–	**2 550**
For services, as directors, to subsidiary companies									
Current directors									
Keith Getz[5]	184	–	–	–	**184**	–	–	–	**184**
Keith Madders[6]	144	–	–	–	**144**	–	–	–	**144**
	328	–	–	–	**328**	–	–	–	**328**
Total non-executive directors	**2 878**	**–**	**–**	**–**	**2 878**	**–**	**–**	**–**	**2 878**
Total remuneration	**19 947**	**132**	**1 985**	**455**	**22 519**	**(99)**	**636**	**3 280**	**26 336**
Senior managers[7]									
Senior manager 1	1 686	–	253	100	**2 039**	38	168	–	**2 245**
Senior manager 2	2 070	–	–	–	**2 070**	–	–	–	**2 070**
Senior manager 3	1 363	169	273	70	**1 875**	40	154	–	**2 069**

* Refer to page 175 for footnotes.

	Guaranteed remuneration					Variable remuneration			
	Cash remu-neration R'000	Travel allow-ance R'000	Provi-dent fund R'000	Medical aid R'000	Subtotal R'000	Equity compen-sation benefits[1] R'000	Per-formance bonus[2] R'000	Total remu-neration included in profit or loss R'000	Cash-settled share appreci-ation rights payout[8] 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	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]	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 175 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.

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

The following number of cash-settled share appreciation rights have been allocated to directors, prescribed officers and senior managers in terms of the long-term share-linked employee retention scheme and were outstanding as at the reporting date (refer note 27):

	Rights – tranche 5	
	2018 '000	2017 '000
Executive directors and prescribed officer		
Allen Ambor	**–**	50
Pierre van Tonder	**–**	362
Mark Farrelly	**–**	265
Ronel van Dijk	**–**	218
Kevin Robertson (prescribed officer)	**–**	200
	–	1 095
Senior managers[7]		
Senior manager 1	**–**	–
Senior manager 2	**–**	55
Senior manager 3	**–**	55
	–	110
Total awards allocated	**–**	1 205

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	
	2018 '000	2017 '000	**2018 '000**	2017 '000
Executive directors and prescribed officer				
Pierre van Tonder – tranche 1	**15**	15	**409**	409
Pierre van Tonder – tranche 2	**15**	15	**534**	534
Mark Farrelly – tranche 1	**10**	10	**353**	353
Mark Farrelly – tranche 2	**10**	10	**461**	461
Ronel van Dijk[3] – tranche 1	**–**	10	**–**	298
Ronel van Dijk[3] – tranche 2	**–**	10	**–**	388
Phillip Matthee[4] – tranche 1	**5**	–	**74**	–
Phillip Matthee[4] – tranche 2	**5**	–	**97**	–
Kevin Robertson (prescribed officer) – tranche 1	**10**	10	**242**	242
Kevin Robertson (prescribed officer) – tranche 2	**10**	10	**315**	315
	80	90	**2 485**	3 000
Senior managers[7]				
Senior manager 1 – tranche 1	**5**	–	**74**	–
Senior manager 1 – tranche 2	**5**	–	**97**	–
Senior manager 2 – tranche 1	**–**	5	**–**	74
Senior manager 2 – tranche 2	**–**	5	**–**	97
Senior manager 3 – tranche 1	**5**	5	**56**	74
Senior manager 3 – tranche 2	**5**	5	**73**	97
	20	20	**300**	342
Total awards allocated	**100**	110	**2 785**	3 342

* Refer to page 175 for footnotes.

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 27.

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 24.1.

3 Resigned with effect from 31 March 2018.

4 Appointed with effect from 1 April 2018.

5 In addition to the standard non-executive director's fee of R425 000 (2017: R400 000) approved by shareholders, Keith Getz's fees include payments to a related party of R0.184 million (2017: R0.176 million) for Mr Getz's attendance at three (2017: 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 R425 000 (2017: R400 000) approved by shareholders, Keith Madders' fees include payments for attendance at three (2017: 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.

8 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 27). 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 period. The actual payment is therefore not reflected as additional remuneration in the current year, but is disclosed for information purposes.

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 11 of the separate financial statements on page 199 for guarantees given to subsidiary companies.

Interest income for the year on the loans to associate detailed in note 15.1 amounted to Rnil (2017: R4.284 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
Keith Getz	Bernadt Vukic Potash & Getz		Partner
Keith Madders and son	White Cloud Restaurant Ltd (trading as White Cloud Spur (New Zealand))[1, 13]	39	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]	19	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, 13]	6	20% Shareholder
	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg)[1, 13]	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]	33	22% Shareholder
	White Cloud Restaurant Ltd (trading as White Cloud Spur (New Zealand))[1]	39	100% (2017: 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

42. RELATED PARTY DISCLOSURES continued

42.2 Identity of related parties continued

Director/former director/prescribed officer	Related party	Cross reference to note 42.3	Relationship with related party
Pierre van Tonder	Barleda 293 CC (trading as Cancun Spur)[1, 13]	7	6.5% Member
	Meltrade 286 CC (trading as Casa Bella Grandwest)[1, 13]	21	25% Member
	Meltrade 286 CC (trading as Silver Dollar Spur)[1, 13]	22	25% Member
	Nomivax (Pty) Ltd (trading as The Hussar Grill Grandwest)[1, 13]	27	18.75% Shareholder
Ronel van Dijk[2]	Abaya Investments CC (trading as John Dory's The Grove, Windhoek (Namibia))[1]	1	25% Member
	Barleda 293 CC (trading as Cancun Spur)[1]	7	25% Member
	Gapecovako Investments Close Corporation (trading as Panarottis Windhoek (Namibia))[1, 3]	12	25% Member
	Kea Investments CC (trading as RocoMamas The Grove, Windhoek (Namibia))[1]	17	25% Member

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 RocoMamas Middelburg)[1, 3]		23% Shareholder
	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg)[1]	9	23% (2017: 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]	29	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	33	22% Shareholder
	Vegix (Pty) Ltd (trading as Panarottis Waterfall Mall)[1]	37	10% Shareholder
Brian Altriche	Celapart (Pty) Ltd (trading as Golden Falcon Spur)[1]	10	50% (2017: 70%) Shareholder
	Double Ring Trading 299 (Pty) Ltd (trading as Falcon Arrow Spur)[1]		100% Shareholder
	Little Haiwatha Trading CC (trading as RocoMamas Rivonia)[1]	20	60% Member
	Pizzade Trading CC (trading as RocoMamas Randburg)[1]	30	70% Member
	Twin Cities Trading 42 (Pty) Ltd (trading as Falcon Peak Spur)[1]	36	100% Shareholder
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, 3]	10	50% Shareholder
	Little Haiwatha Trading CC (trading as RocoMamas Rivonia)[1]	20	20% Member
	Naxafin CC (trading as RocoMamas Fourways)[1]	24	50% Member
Brian Altriche (Sister)	Naxafin CC (trading as RocoMamas Fourways)[1]	24	50% Member
Colleen Eva (Spouse)	Centuria 82 CC (trading as Swiss Cool)		100% Member
Derick Koekemoer	Abaya Investments CC (trading as John Dory's The Grove, Windhoek (Namibia))[1]	1	25% Member
	Barleda 293 CC (trading as Cancun Spur)[1]	7	25% Member
	Gapecovako Investments Close Corporation (trading as Panarottis Windhoek (Namibia))[1, 3]	12	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]	32	27.5% Member
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	33	15% Shareholder
	Ten Cents Investments 16 CC (trading as Sarasota Spur)[1]	34	50% Member

Key management[5]	Entity	Cross reference to note 42.3	Relationship with entity
Duncan Werner	Rujac (Pty) Ltd (trading as Manitoba Spur)[1]	31	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]	28	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
	Laadned Trading 333 CC (trading as Cajun Spur)[1]	18	25% Member
Leonard Coetzee	Founad Trading 89 CC (trading as Grand Canyon Spur)[1]	11	11% Member
	JJ Links CC (trading as John Dory's Wilsons Wharf)[1]	14	10% (2017:11%) Member
	Monnani (Pty) Ltd (trading as John Dory's Watercrest Mall)[1]	23	12.5% (2017:15%) Shareholder
	Nitafin (Pty) Ltd (trading as John Dory's Secunda)[1]	25	10% Shareholder
	Nitaprox (Pty) Ltd (trading as Eldorado Spur)[1]	26	12.5% (2017:15%) Shareholder
	Torinosun (Pty) Ltd (trading as Navaho Springs Spur)[1]	35	12.5% (2017:15%) Shareholder
	Waterstone Trading 51 (Pty) Ltd (trading as Atlanta Spur)[1]	38	15% (2017:11%) Shareholder
Sacha du Plessis	Barleda 293 CC (trading as Cancun Spur)[1]	7	12.5% (2017: 6.5%) Member
	Meltrade 286 CC (trading as Casa Bella Grandwest)[1]	21	25% Member
	Meltrade 286 CC (trading as Silver Dollar Spur)[1]	22	25% Member
	Nomivax (Pty) Ltd (trading as The Hussar Grill Grandwest)[1]	27	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
	Calma Investments (Pty) Ltd (trading as RocoMamas Middelburg)[1, 3]		21% 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]	29	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	33	15% (2017: 16.5%) Shareholder
	Vegix (Pty) Ltd (trading as Panarottis Waterfall Mall)[1]	37	10% Shareholder
Vivy Novos (Spouse)	Jonathan Novos		Sole proprietor
Wynand Viviers	Ordibyte (Pty) Ltd (trading as Captain DoRego's Botshabelo)[1, 4, 14]		25% Shareholder

Refer to page 181 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]	
		2018 R'000	2017 R'000
1	Abaya Investments CC (John Dory's The Grove, Windhoek (Namibia))	**348**	166
2	Alicente 144 CC (Golden Bay Spur)	**339**	55
3	Almescan (Pty) Ltd (RocoMamas Glen Acres)	**–**	–
4	Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)	**–**	–
5	Ambicor 195 CC (Cincinnati Spur)	**355**	217
6	Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West)	**101**	92
7	Barleda 293 CC (Cancun Spur)	**157**	126
8	Brentwood Restaurant (Pty) Ltd (Lone Spur)	**364**	119
9	Calma Investments (Pty) Ltd (John Dory's Middelburg)	**344**	327
10	Celapart (Pty) Ltd (Golden Falcon Spur)	**181**	310
11	Founad Trading 89 CC (Grand Canyon Spur)	**–**	–
12	Gapecovako Investments Close Corporation (trading as Panarottis Windhoek)	**64**	–
13	Hunga Busters Pty Ltd (trading as Silver Spur, Penrith (Australia))	**1 010**	197
14	JJ Links CC (John Dory's Wilsons Wharf)	**–**	–
15	K2015180451 (South Africa) (Pty) Ltd (RocoMamas I'Langa)	**82**	286
16	K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stone Ridge Mall)	**–**	–
17	Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia))	**285**	231
18	Laadned Trading 333 CC (trading as Cajun Spur)	**225**	–
19	Limorox (Pty) Ltd (Albuquerque Spur)	**171**	98
20	Little Haiwatha Trading CC (RocoMamas Rivonia)	**–**	–
21	Meltrade 286 CC (Casa Bella Grandwest)	**76**	125
22	Meltrade 286 CC (Silver Dollar Spur)	**245**	30
23	Monnani (Pty) Ltd (John Dory's Watercrest Mall)	**239**	223
24	Naxafin CC (RocoMamas Fourways)	**–**	–
25	Nitafin (Pty) Ltd (John Dory's Secunda)	**446**	434
26	Nitaprox (Pty) Ltd (Eldorado Spur)	**300**	294
27	Nomivax (Pty) Ltd (The Hussar Grill Grandwest)	**140**	125
28	Panpen Pty Ltd (Panarottis Penrith (Australia))	**119**	133
29	Pizza Mall of the North (Pty) Ltd (Panarottis Mall of the North)	**–**	–
30	Pizzade Trading CC (RocoMamas Randburg)	**–**	–
31	Rujac (Pty) Ltd (Manitoba Spur)	**465**	373
32	Servigyn 25 CC (Thunder Bay Spur)	**–**	42
33	Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)	**–**	–
34	Ten Cents Investments 16 CC (trading as Sarasota Spur)	**45**	–
35	Torinosun (Pty) Ltd (Navaho Springs Spur)	**315**	304
36	Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur)	**–**	–
37	Vegix (Pty) Ltd (Panarottis Waterfall Mall)	**209**	138
38	Waterstone Trading 51 (Pty) Ltd (trading as Atlanta Spur)[1]	**–**	–
39	White Cloud Restaurant Ltd (White Cloud Spur (New Zealand))	**578**	419
	Total	**7 203**	4 864

a) Cincinnati Spur: During the year, the group paid this outlet R1 990 for catering services provided[11].
b) Golden Falcon Spur: During the year the group paid this outlet R4 196 for catering services provided[11].
c) Grand Canyon Spur: The group paid the franchisee an amount of R37 191 (2017: R267 054) in respect of outdoor events catering[10].
d) Hunga Busters Pty Ltd: Refer note 15.6 for details and outstanding balance of a loan advanced to this entity.
e) RocoMamas I'Langa Mall: The group paid R30 000 (2017: R20 490) to this entity for billboard rental.
f) RocoMamas Stone Ridge Mall: The group paid R20 950 (2017: Rnil) to this entity for billboard rental.
g) Casa Bella Grandwest: During the prior year, the group assisted this outlet with the cost of replacement equipment to the value of R88 785, and paid this outlet R14 289 (2017: R1 203) for meals provided for a corporate meeting.
h) RocoMamas Fourways: During the year the group paid this outlet R1 728 to refund them for an airfare.

Refer to page 181 for footnotes.

Training fees[7]		Marketing assistance[8]		Sales incentives[9]		
2018 R'000	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000	**Other transactions**
–	–	–	–	–	–	
–	–	–	–	–	–	
–	–	–	14	–	–	
6	5	–	9	–	4	
–	–	–	–	–	–	a
–	–	–	2	–	5	
–	–	–	–	–	–	
–	–	5	–	–	–	
–	21	–	–	–	–	
–	–	4	–	–	–	b
–	–	–	–	–	–	c
–	–	–	–	–	–	
–	–	–	–	–	–	d
–	–	4	–	–	–	
–	–	–	–	–	–	e
174	–	–	–	–	–	f
–	–	–	–	–	–	
–	–	–	–	–	–	
–	–	–	–	–	–	
–	–	–	–	2	–	
–	49	–	–	–	–	g
–	7	–	–	–	–	
–	–	–	5	–	–	
3	9	1	–	–	1	h
–	–	–	10	–	–	
–	–	4	–	–	–	i
–	9	1	–	–	–	
–	–	–	–	–	–	
30	29	–	–	–	–	
–	47	4	–	–	–	
–	–	1	34	–	–	
–	–	–	–	–	–	
47	–	–	–	30	4	j
–	–	–	–	–	–	
–	–	7	–	–	–	
–	–	–	–	–	–	k
–	–	–	–	–	–	l
–	–	11	–	–	–	
–	–	–	–	–	–	m
260	176	**42**	74	**32**	14	

i) Eldorado Spur: During the year the group paid this outlet R4 386 for catering services provided[11].
j) 7 Eagles Spur: The group assisted this outlet with the purchase of new specification crockery (for the purposes of testing) in the amount of Rnil (2017: R7 000), and purchased inventory to the value of Rnil (2017: R3 500) from the restaurant. During the year the group paid this outlet R1 458 for catering services provided[11].
k) Falcon Peak Spur: During the year, the group paid this outlet R5 632 for catering services provided[11].
l) Panarottis Waterfall Mall: The group subsidised this outlet's rental cost in the amount of R208 889 (2017: R103 724).
m) White Cloud Spur (New Zealand): The group granted this entity a loan in the amount of AU$213 138 (2017: AU$200 000) to partially fund the fit-out of the restaurant. The loan bears interest at 4.25% and is repayable by 30 June 2019. The loan is secured by the personal suretyship of Mark Farrelly. The carrying value of the loan at the reporting date was R2 171 962 (2017: R1 728 750) (refer note 15.2).

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 914 367 (2017: R1 698 332).

Blue Desk recruitment (Mark Farrelly's spouse)

Blue Desk recruitment provided staff recruitment services to the group in the amount of R73 930 (2017: R111 130).

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 R899 048 (2017: R619 856). 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 at Century City.

Jonathan Novos (Vivy Novos's spouse)

Jonathan Novos provided electrical services to the group in the amount of R297 899.

Centuria 82 CC T/A Swisscool (Coleen Eva's spouse)

Swisscool supplied Freezers and Chillers to the group in the mount of R325 532. The freezers and chillers were exported to franchisees in Swaziland and Zimbabwe and the group recovered the full cost from the said franchisees.

Marketing funds

The group has earned administration fee income from various marketing funds controlled by the group in the amount of R21.513 million (2017: R23.605 million) as detailed in note 7.

42.4 Key management[5]

The key management personnel compensation is as follows:

	2018 R'000	2017 R'000
Short-term employee benefits	**25 847**	23 346
Other long-term benefits	**3 040**	2 781
Termination payment (including leave pay)	**1 002**	–
Equity compensation benefits (refer notes 21.4 and 27)	**532**	(680)
Total remuneration included in profit before income tax	**30 421**	25 447
In addition to the above, payments made in terms of the group's long-term share-linked employee retention scheme[12]	**–**	850
Key management comprises 18 (2017: 17) employees.		
In addition to the above, emoluments to directors and prescribed officers amounted to (refer note 41)	**23 056**	21 480

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] Ronel van Dijk resigned as a director with effect from 31 March 2018.

[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 17 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 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 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 27). 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 interests were disposed of during the year.

[14] Wynand Viviers resigned with effect from 7 June 2018.

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 5 September 2018, the board declared a final dividend of 60.0 cents per ordinary share in respect of the 2018 financial year, payable on 1 October 2018, as referred to in note 29.

43.2 Purchase of 51% stake in Nikos Coalgrill Greek

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

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

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

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

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

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

The purchase consideration is determined as five times Nikos' profit before interest, tax, depreciation and amortisation ("EBITDA") of the third year following the date of acquisition. Following an initial payment of R5.000 million on the effective date, annual payments (or refunds as the case may be) are due on the first, second and third anniversaries of the acquisition date, calculated as five times the EBITDA of the year immediately preceding the anniversary date, less any aggregate payments already made. The total purchase consideration over the three-year period was estimated at R37.022 million as at the effective date, the present value of which is R24.818 million. The maximum purchase consideration is theoretically unlimited, although in determining the third year's EBITDA, the revenue of the business will be limited to that attributable to the first 40 restaurants in operation (if applicable). A financial liability measured at fair value of R19.818 million at the acquisition date will be recognised in respect of the gross contingent consideration of R37.022 million, less the initial payment of R5.000 million. In the event that the forecast EBITDA increases by 5% or decreases by 5%, the gross contingent consideration will increase to R35.171 million or decrease to R30.171 million respectively. In terms of IFRS 13, the contingent consideration liability is designated as a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on unobservable market date. The fair value is determined based on the expected aggregate purchase consideration payments, discounted to the present value using a risk-adjusted discount rate of 23.68%, being the weighted average cost of capital specific to the acquired business. Had the discount rate increased by 2% or decreased by 2% on the acquisition date, the fair value of the contingent consideration liability would have decreased to R19.133 million or increased to R20.542 million respectively.

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

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

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

44. CONTINGENT LIABILITIES

44.1 Income tax in respect of 2004 to 2009 share incentive scheme

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

44.2 Legal dispute with former Zambian franchisee

As previously 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.

44. CONTINGENT LIABILITIES continued

44.3 Legal dispute with former franchisee – Tzaneen, South Africa

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

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. SIGNIFICANT ACCOUNTING POLICIES continued

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. 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. SIGNIFICANT ACCOUNTING POLICIES continued

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 measured 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, rebate income, retail restaurant sales, 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.

Rebate income is recognised on the accrual basis when the right to receive payment has been met.

Revenue from the sale of supplies and promotional items and in retail restaurants 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.

45.13 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. SIGNIFICANT ACCOUNTING POLICIES continued

45.14 Finance income and expense

45.14.1 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.

45.14.2 Finance expense

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

45.15 Employee benefits

45.15.1 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.

45.15.2 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.

45.15.3 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.

45.16 Expenditure (not addressed by another policy)

Expenditure is recognised in the year that it is incurred.

45.17 Cost of sales

Cost of sales represents the carrying value of inventory (determined in accordance with note 45.6) sold, and is recognised as an expense at the same time that revenue from the related sale is recognised (as detailed in note 45.12).

45.18 Income (not addressed by another policy)

Income is recognised on the accrual basis, when the right to receive payment has been met.

45.19 Contingent liabilities

A contingent liability is either: a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured reliably. In both cases the existence of the contingent liability is disclosed, but no liability is recognised in the statement of financial position.

45.20 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.

45.21 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 2018, 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.

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 the group's existing financial instruments. As at 30 June 2018, there would be no impact on the group's financial statements related to the expected loss impairment model. This model requires anticipated future losses to be taken into consideration when measuring financial instruments at initial recognition and subsequent reporting dates. The group currently adopts the incurred loss model for determining impairment of financial instruments. The expected loss model requires considerable judgement as to how changes in economic factors may affect future losses arising from financial instruments.

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

IFRS 15 – Revenue from contracts with customers

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

The group has completed an initial assessment of the potential impact of the adoption of the standard on its consolidated financial statements, in terms of which, with the exception of initial franchise fees, no material changes to the method of recognising revenue are anticipated. Initial franchise fees are charged by the group upon signature of the franchise agreements concluded with independent franchisees, and are non-refundable. The franchise agreements oblige the franchisor to undertake activities for the duration of the franchise agreement to support the franchisee's brand that significantly affect the intellectual property to which the franchisee has rights, without resulting in a transfer of specific goods or services. Accordingly, it has been determined that the group's performance obligation in this regard is satisfied over time and that the revenue should be recognised on a straight-line basis over the terms of the respective franchise agreements. The group currently recognises revenue in respect of the initial franchise fees in full upon signature of the franchise agreements.

46. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE continued

IFRS 15 – Revenue from contracts with customers continued

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

Impact on statement of profit or loss and comprehensive income for the year ended 30 June 2018:

	R'000
Decrease in profit before income tax	(5 507)
Decrease in income tax expense	1 542
Decrease in profit after income tax	(3 965)

Impact on statement of financial position as at 30 June 2018:

	R'000
Increase in non-current liabilities	22 196
Increase in current liabilities	5 700
Decrease in deferred tax liability	(7 811)
Decrease in equity	(20 085)

IFRS 16 – Leases

IFRS 16, published in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases for lessees and lessors, and replaces the previous leases standard, *IAS17 – Leases*, and related interpretations. IFRS 16 has one model for lessees, which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors. This standard becomes mandatory for the group's 2020 financial statements.

The group has completed an initial assessment of the potential impact of the adoption of the standard on its consolidated financial statements. The group has determined that it will recognise right-of-use assets and lease liabilities in respect of premises occupied for its Johannesburg regional office as well as the 64 vehicles (as at 30 June 2018) currently leased. The group currently recognises the rental expense of the Johannesburg regional office and leased vehicles on a straight-line basis over the lease term. Upon the adoption of IFRS 16, the group's operating lease charge in profit or loss will be replaced by a depreciation charge in respect of the corresponding right-of-use assets, as well as an interest charge relating to the respective lease liabilities, which may, in aggregate, be different to the current operating lease charge. The group plans to adopt this standard in its financial statements for the year ending 30 June 2020, retrospectively, and is in the process of quantifying the impact.

SEPARATE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Note	2018 R'000	2017 R'000
Dividend income		**121 838**	150 667
Distribution received from trust	5	**6 200**	3 500
Interest income		**11 151**	4 177
Operating expenses		**(4 674)**	(2 646)
Profit before income tax	1	**134 515**	155 698
Income tax expense	2	**(3 121)**	(1 169)
Profit		**131 394**	154 529
Total comprehensive income		**131 394**	154 529

SEPARATE STATEMENT OF FINANCIAL POSITION

AT 30 JUNE

	Note	2018 R'000	2017 R'000
ASSETS			
Non-current assets			
Interest in subsidiary companies	3	**134 784**	220 227
Total non-current assets		**134 784**	220 227
Current assets			
Prepaid expenses		**–**	35
Tax receivable		**24**	10
Cash and cash equivalents		**167 802**	85 419
Total current assets		**167 826**	85 464
TOTAL ASSETS		**302 610**	305 691
EQUITY			
Ordinary share capital	4	**1**	1
Share premium		**294 663**	294 663
Retained earnings		**7 276**	10 398
Total equity		**301 940**	305 062
LIABILITIES			
Current liabilities			
Accrued expenses		**39**	86
Shareholders for dividend		**631**	543
Total current liabilities		**670**	629
TOTAL EQUITY AND LIABILITIES		**302 610**	305 691

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 2016	1	294 663	7 539	302 203
Total comprehensive income for the year				
Profit for the year	–	–	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 5)	–	–	5 338	5 338
Income tax on vesting of income by trust (refer note 5)	–	–	(795)	(795)
Dividends (refer note 6)	–	–	(156 213)	(156 213)
Balance at 30 June 2017	**1**	**294 663**	**10 398**	**305 062**
Total comprehensive income for the year				
Profit for the year	**–**	**–**	**131 394**	**131 394**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners	**–**	**–**	**(134 516)**	**(134 516)**
Dividends (refer note 6)	**–**	**–**	**(134 516)**	**(134 516)**
Balance at 30 June 2018	**1**	**294 663**	**7 276**	**301 940**

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	Note	2018 R'000	2017 R'000
Cash flow from operating activities			
Operating loss before working capital changes	7	**(4 674)**	(2 646)
Working capital changes		**(12)**	14
Cash utilised by operations		**(4 686)**	(2 632)
Interest received		**11 151**	4 177
Tax paid	8	**(3 135)**	(2 605)
Dividends received	9	**121 838**	153 804
Distribution received from trust	5	**6 200**	3 500
Dividends paid	6	**(134 428)**	(156 141)
Income vested by trust	5	**–**	5 338
Net cash flow from operating activities		**(3 060)**	5 441
Cash flow from investing activities			
Decrease in loans to subsidiary companies		**85 443**	81 974
Net cash flow from investing activities		**85 443**	81 974
Cash flow from financing activities			
Decrease in loans from subsidiary companies		**–**	(3 000)
Net cash flow from financing activities		**–**	(3 000)
Net movement in cash and cash equivalents		**82 383**	84 415
Cash and cash equivalents at beginning of year		**85 419**	1 004
Cash and cash equivalents at end of year		**167 802**	85 419

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. PROFIT BEFORE INCOME TAX

	2018 R'000	2017 R'000
The following items have been taken into account in determining profit before income tax:		
Consulting fees	**411**	402
Directors emoluments (refer note 10)	**2 125**	165
JSE listing fees and other related costs	**569**	502

2. INCOME TAX

		2018 R'000	2017 R'000
2.1	**Income tax expense**		
	South African normal current tax – current year	**3 121**	1 169

		2018 %	2017 %
2.2	**Reconciliation of rate of tax**		
	South African normal tax rate	**28.0**	28.0
	Non-taxable distributions income	**(26.7)**	(27.7)
	Non-deductible operating expenditure (capital items and items not in production of income)	**1.0**	0.5
	Effective tax rate	**2.3**	0.8
2.3	**Tax charged directly to equity**		
	Current tax on income vested by trust (refer note 5)	**–**	795

3. INTEREST IN SUBSIDIARY COMPANIES

	2018 R'000	2017 R'000
Shares at cost less impairment losses	**11 214**	11 214
Loans to subsidiary companies	**123 570**	209 013
	134 784	220 227

The loans to subsidiary companies are unsecured, interest-free and have no fixed dates of repayment. While there is no intention to call up the loans in question, they are repayable on demand. Given the potential short-term nature of the receivables, their fair values have been determined to approximate their carrying values.

3. INTEREST IN SUBSIDIARY COMPANIES continued

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		100.00
– Spur Group (Pty) Ltd	South Africa	0.1	123 570	100.00
– Spur Group Properties (Pty) Ltd	South Africa	0.1		100.00
Indirect				
– Green Point Burger Joint (Pty) Ltd trading as RocoMamas Green Point	South Africa	0.1		90.00
– John Dory's Advertising (Pty) Ltd	South Africa	0.1		100.00
– John Dory's Franchise (Pty) Ltd	South Africa	0.1		100.00
– Nickilor (Pty) Ltd trading as The Hussar Grill Rondebosch	South Africa	0.1		100.00
– Opilor (Pty) Ltd trading as The Hussar Grill Mouille Point	South Africa	17 500.1		68.00
– Opiset (Pty) Ltd trading as The Hussar Grill Camps Bay	South Africa	0.1		100.00
– Panarottis Advertising (Pty) Ltd	South Africa	0.2		100.00
– RocoMamas Advertising (Pty) Ltd	South Africa	0.1		100.00
– RocoMamas Franchise Co (Pty) Ltd	South Africa	0.1		70.00
– Spur Advertising (Pty) Ltd	South Africa	0.1		100.00
– The Ad Workshop (Pty) Ltd trading as Captain DoRegos Advertising	South Africa	0.1		100.00
– The Hussar Grill Advertising Company (Pty) Ltd	South Africa	0.1		100.00
– The Morningside Grill (Pty) Ltd trading as The Hussar Grill Morningside	South Africa	0.1		100.00
– Spur International Ltd	British Virgin Islands	1.4		100.00
– Steak Ranches International BV	The Netherlands	156 493.6		100.00
– Spur Advertising Namibia (Pty) Ltd	Namibia	0.1		100.00
– Spur Franchise Namibia (Pty) Ltd	Namibia	0.1		100.00
– Panarottis Advertising Australia Pty Ltd	Australia	0.6		100.00
– Spur Advertising Australia Pty Ltd	Australia	0.6		100.00
– Spur Corporation Australia Pty Ltd	Australia	16 129.1		100.00
– Spur Corporation UK Ltd	United Kingdom	3.5		100.00
Dormant#		2.0		100.00
			123 570	

\# 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:

	2018 R'000	2017 R'000
Profits	169 090	138 328
Losses	(12 114)	(4 571)

4. ORDINARY SHARE CAPITAL

	2018 R'000	2017 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.

5. SPUR MANAGEMENT SHARE TRUST

During the prior year, the Spur Management Share Trust ("the Trust") vested income of R5.338 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 was subject to income tax of R0.795 million in the prior year, which has similarly been charged directly to equity (retained earnings).

In addition, the Trust made a discretionary distribution of R6.200 million (2017: R3.500 million) to the company, as beneficiary, which is included in profit before income tax.

6. DIVIDENDS

	2018 R'000	2017 R'000
Dividends declared are as follows:		
Final 2016 – dividend of 73.0 cents per share	**–**	79 191
Interim 2017 – dividend of 71.0 cents per share	**–**	77 022
Final 2017 – dividend of 61.0 cents per share	**66 173**	–
Interim 2018 – dividend of 63.0 cents per share	**68 343**	–
Total dividends to equity holders	**134 516**	156 213

The directors have approved a final dividend of 60 cents per share in respect of the 2018 financial year, funded by income reserves, to be paid in cash on 1 October 2018. 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 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the financial year was 123 (2017: 132) cents per share equating to R133.431 million (2017: R143.195 million).

	2018 R'000	2017 R'000
Dividends paid are reconciled to the amount disclosed above as follows:		
Amount payable at beginning of year	**(543)**	(471)
Dividends declared	**(134 516)**	(156 213)
Amount payable at end of year	**631**	543
Dividends paid	**(134 428)**	(156 141)

7. OPERATING LOSS BEFORE WORKING CAPITAL CHANGES

	2018 R'000	2017 R'000
Profit before income tax	**134 515**	155 698
Adjusted for:		
Dividend income	**(121 838)**	(150 667)
Distribution received from trust	**(6 200)**	(3 500)
Interest income	**(11 151)**	(4 177)
	(4 674)	(2 646)

8. TAX PAID

	2018 R'000	2017 R'000
Tax paid is reconciled to the amount disclosed in profit or loss as follows:		
Amount receivable/(payable) at beginning of year	**10**	(631)
Current tax charged to profit or loss	**(3 121)**	(1 169)
Current tax charged directly to equity	**–**	(795)
Amount receivable at end of year	**(24)**	(10)
Tax paid	**(3 135)**	(2 605)

9. DIVIDENDS RECEIVED

The opening balance of 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, as beneficiary, 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 in the prior year.

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

	2018 R'000	2017 R'000
Amount receivable at beginning of year	–	3 137
Dividend income recognised in profit before income tax (refer note 12)	121 838	150 667
Dividends received	121 838	153 804

10. DIRECTORS' EMOLUMENTS

	2018 R'000	2017 R'000
The following emoluments were paid by the company:		
For services as directors to the company		
Dean Hyde	**425**	33
Dineo Molefe	**425**	33
Keith Getz	**425**	33
Mntungwa Morojele	**425**	33
Muzi Kuzwayo	**425**	33
	2 125	165

All other emoluments were paid by subsidiaries of the company. Refer note 41 of the consolidated financial statements on page 172 of this report for further details.

11. GUARANTEES

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

12. RELATED PARTY DISCLOSURES

Identity of related parties

Refer note 3 for a detailed list of subsidiaries.

Related party transactions

An amount of R21 608 (2017: R38 218) 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 note 3 for the details of a loan to a subsidiary company.

Dividend/distribution income was received from the following related parties:	2018 R'000	2017 R'000
Spur Group (Pty) Ltd	**121 838**	150 667
Spur Management Share Trust	**6 200**	3 500

Details of directors' emoluments are included in note 10.

13. FINANCIAL INSTRUMENTS

13.1 Accounting classification and fair values

The following table shows the carrying amounts of financial assets and liabilities. No financial instruments are required to be subsequently recognised at fair value at the reporting date. Fair value information for financial assets and liabilities not measured at fair value is not disclosed if the carrying amount is a reasonable approximation of fair value.

		Carrying amount (R'000)		
	Note	Loans and receivables	Other financial liabilities	Total
2018				
Financial assets not measured at fair value				
Loan to subsidiary company	3	**123 570**	**–**	**123 570**
Cash and cash equivalents		**167 802**	**–**	**167 802**
		291 372	**–**	**291 372**
Financial liabilities not measured at fair value				
Accrued expenses		**–**	**39**	**39**
Shareholders for dividend		**–**	**631**	**631**
		–	**670**	**670**
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

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 note 3 for a further explanation in this regard for the loan to a subsidiary company. 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.

13.2 Financial risk management

The company is exposed to credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing these risks, and the company's management of capital.

The company's objective is to manage effectively each of the above risks associated with its financial instruments, in order to limit the company's exposure as far as possible to any financial loss associated with these risks.

The board of directors has overall responsibility for the establishment and overseeing of the company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The audit committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company to the extent that these have an impact on these financial statements.

13.2.1 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 the loan to a subsidiary 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:

	2018 R'000	2017 R'000
Loan to subsidiary company (refer note 3)	**123 570**	209 013
Cash and cash equivalents	**167 802**	85 419
	291 372	294 432

The company's subsidiary is 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 subsidiary, to manage the recoverability of the loan.

The company's cash is placed only with major South African financial institutions of high credit standing. The group's treasury committee monitors liquid investments on a regular basis.

As detailed in note 11, the company has provided unlimited guarantees to financial institutions in respect of 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.

13.2.2 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 and interest on short term investments. The group's subsidiaries are largely cash generative and in a sound financial position. The directors are able to use their influence, as representatives of the sole shareholder of the subsidiaries, to manage the dividend policy of the subsidiaries. In addition, other group subsidiaries have provided unlimited guarantees to the company's bankers in respect of any debts incurred by the company to those bankers.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Contractual cash flows	
	Carrying amount R'000	**Total R'000**	**1 – 12 months R'000**
2018			
Non-derivative financial liabilities			
Accrued expenses	**39**	**39**	**39**
Shareholders for dividend	**631**	**631**	**631**
2017			
Non-derivative financial liabilities			
Accrued expenses	86	86	86
Shareholders for dividend	543	543	543

Where there are no formal repayment terms, the contractual cash flows are assumed to take place within 12 months and no interest is included.

13. FINANCIAL INSTRUMENTS continued

13.2 Financial risk management continued

13.2.3 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:

	2018 R'000	2017 R'000
Increase in profit or loss before income tax	633	216
Increase in equity	456	156

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.

13.3 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.

14. ACCOUNTING POLICIES

The separate financial statements were prepared using the accounting policies disclosed in note 45 of the consolidated financial statements (on page 184 of this report) to the extent relevant.

None of the standards issued, but not yet applicable in the preparation of these financial statements, as detailed in note 46 of the consolidated financial statements (on page 191 of this report), are expected to have any material impact on the company's financial statements once they become effective.

15. 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 5 September 2018, and paid on 1 October 2018, as detailed in note 6.

CORPORATE INFORMATION

DIVIDENDS

Interim dividend: 63 cents per share

Record date: 29 March 2018

Payment date: 3 April 2018

Final dividend: 60 cents per share

Record date: 28 September 2018

Payment date: 1 October 2018

REPORTS 2018

Interim for six months ended 31 December 2017 published February 2018

Preliminary announcement for year ended 30 June 2018 published September 2018

Annual for year ended 30 June 2018 published October 2018

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