Spur Corporation

2015

UNAUDITED CONDENSED CONSOLIDATED RESULTS AND CASH DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

PREPARED UNDER THE SUPERVISION OF THE CHIEF FINANCIAL OFFICER, RONEL VAN DIJK CA(SA)

RESTAURANT SALES

▲ 14.1%

COMPARABLE PROFIT

▲ 15.3%

INTERIM DIVIDEND PER SHARE 62 CENTS

RESULTS COMMENTARY

TRADING PERFORMANCE

Spur Corporation posted a highly competitive trading performance in the six months to December 2014 as total restaurant sales increased by 14.1% to R3.2 billion.

Sales in South African restaurants grew by 12.6% as Panarottis Pizza Pasta continued its strong recent growth trend and lifted sales by 25.4%. Spur Steak Ranches, which accounts for 80% of local restaurant sales, grew by 11.1% and John Dory's Fish Grill Sushi by 10.6%.

The Spur Family Card continues to drive sales and customer loyalty, attracting over 16 000 new members each month. The loyalty programme now has 1.8 million active members who account for 41% of Spur's restaurant sales.

Captain DoRegos sales, representing 2.4% of group restaurant turnover, declined 18.2% as lower income consumers remain cash strapped. Six redundant Captain DoRegos outlets were closed (FY 2014: 15 closures) as the post-acquisition consolidation of the brand nears completion. The brand now has a stable platform from which to expand.

The Hussar Grill, which was acquired with effect from 1 January 2014, performed in line with expectations in its first year in the group, and opened two new franchised outlets.

Trading over the all-important festive season was adversely impacted by load shedding, particularly in The Hussar Grill steakhouse chain. Management is engaging with franchisees across the group on the installation of generators to limit trading disruption.

International restaurant sales benefited from the depreciating rand and increased by 25.8%. Applying a constant exchange rate, international restaurant sales grew by a creditable 19.1%. Three additional Spur Steak Ranches were opened in Namibia, bringing the number of outlets in the country to 11, and a further franchised outlet opened in Perth, Australia. Trading in Africa has generally been strong and supported by new restaurant openings in the current and prior periods. The United Kingdom restaurant market remains fiercely competitive, while restaurant sales in Australia have been encouraging and benefited from the opening of two new outlets in the past 12 months.

Following the opening of five Spur, six Panarottis, one John Dory's, five Captain DoRegos and two franchised The Hussar Grill outlets during the past six months, the group's restaurant base increased to 503.

Restaurant footprint at 31 December 2014

Franchise brand	South Africa	International	Total
Spur Steak Ranches	275	43	318
Panarottis Pizza Pasta	71	11	82
John Dory's Fish Grill Sushi	33	–	33
Captain DoRegos	60	2	62
The Hussar Grill	8	–	8
Total	447	56	503

FINANCIAL PERFORMANCE

Group revenue increased by 8.7% to R408.7 million, with revenue generated in South Africa 13.0% higher.

Franchise revenue in Spur increased by 11.8%, Panarottis 24.5%, John Dory's 13.0%, while Captain DoRegos declined by 30.4%. Revenue from The Hussar Grill's three company-owned restaurants and franchise division totalled R15.8 million.

Revenue in the manufacturing and distribution division was 9.0% lower owing to the impact of the closure of the Captain DoRegos warehouse and distribution centre in the previous financial year. Comparable revenue increased by 16.9%. Income from distribution increased by 17.8% due to the growth in the basket of goods distributed by Vector Logistics and increased volumes to restaurants.

International revenue, comprising franchise revenue and company-owned restaurant turnover, increased by 0.3%. The performance in the United Kingdom was disappointing as revenue was impacted by the high levels of competition and the closure of a company-owned store in the prior period. Profitability was impacted by higher labour costs, occupancy costs and food inflation. Trading in Australia has been encouraging, but revenue was impacted by the disposal of two Panarottis company-owned outlets in the past year, which were both converted to franchise stores. The disposal of the Panarottis in Blacktown in November 2014 realised a profit on disposal of R1.5 million. The improved profitability in the African franchise operation was largely in line with revenue growth.

The group's performance for the period has been impacted by a share-based payment expense of R32.96 million relating to the broad-based black economic empowerment ("B-BBEE") transaction with Grand Parade Investments Limited ("GPI") effected on 30 October 2014. The transaction resulted in the issue of 10.848 million new ordinary shares which increased the weighted average number of shares in issue from 85.633 million in the previous comparable period to 89.178 million shares for the period to December 2014.

Profit before tax declined by 12.1% to R92.1 million. This includes the charge relating to the GPI transaction of R32.96 million, a net charge of R11.8 million (2013: R4.8 million) related to the long-term share-linked retention scheme, foreign exchange gains and losses and other one-off and exceptional items in the current and previous comparable periods.

Comparable profit before income tax, excluding exceptional and one-off items (including those listed above) and the impact of the GPI transaction, increased by 15.3%.

Headline earnings declined 25.2% to R54.5 million, with diluted headline earnings per share 28.2% lower at 61.2 cents per share. This is in line with the group's trading statement released on SENS on 20 February 2015.

Excluding the impact of the share-based payment charge relating to the GPI transaction, diluted HEPS increased by 15.2%. Excluding the impact of the GPI transaction in its entirety, diluted HEPS increased by 17.0%.

The interim dividend was increased 8.8% to 62.0 cents per share. This equates to a dividend payment of R67.3 million, an increase of 20.9% on the prior period.

PROSPECTS

Consumer spending in the group's middle-income target market is unlikely to improve markedly in the next 12 to 18 months. The financial pressures being experienced by the group's customer base are being compounded by the current uncertainty in the country, which is weighing on consumer sentiment. This is particularly evident in the lower LSM customer market served by Captain DoRegos.

Protracted periods of Eskom load shedding locally are likely to impact restaurant turnover.

For the remainder of the financial year to 30 June 2015, the group plans to open 21 restaurants across its brands in South Africa, while international expansion will focus on Africa where five new franchised outlets will be opened. These are additional Spur stores in Nigeria, Zambia and Tanzania, a Panarottis in Tanzania and the first international John Dory's which will be opened in Zambia.

Management continues to pursue its strategy of disposing of company-owned restaurant investments in Australia and to only operate the franchise model in future. In the United Kingdom, a smaller format Spur brand, known as RBW (Ribs Burgers Wings), is being developed and pilot sites have been identified.

Shortly after the end of the reporting period, the group concluded negotiations to purchase a 51% stake in RocoMamas, a trendy, niche brand offering hand-made "smash-style" burgers, ribs and wings through its chain of five franchised restaurants in Gauteng. Subsequent to the intended acquisition date of March 2015, the group plans to expand the RocoMamas brand nationally with capacity to extend the chain to 30 to 40 outlets in the next few years.

CASH DIVIDEND

Shareholders are advised that the board of directors of the company has, on Wednesday, 25 February 2015, resolved to declare an interim gross cash dividend for the six-month period to 31 December 2014 of R67.3 million, which equates to 62.0 cents per share for each of the 108 480 926 shares in issue, subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962 amended) ("dividend withholding tax") of 15%. There are no STC credits available to be utilised.

The dividend has been declared from income reserves. The net dividend is 52.7 cents per share for shareholders liable to pay dividend withholding tax. The company's income tax reference number is 9695015033. The company has 108 480 926 shares in issue at the date of declaration.

In accordance with the provisions of Strate, the electronic settlement and custody system used by the JSE Limited, the relevant dates for the dividend are as follows:

Event	Date
Last day to trade 'cum dividend'	Friday, 20 March 2015
Shares commence trading 'ex dividend'	Monday, 23 March 2015
Record date	Friday, 27 March 2015
Payment date	Monday, 30 March 2015

Those shareholders of the company who are recorded in the company's register as at the record date will be entitled to the dividend.

Share certificates may not be dematerialised or rematerialised between Monday, 23 March 2015, and Friday, 27 March 2015, both days inclusive.

For and on behalf of the board

A AMBOR (Executive Chairman)
P VAN TONDER (Chief Executive Officer)

26 February 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unaudited six months ended 31 December 2014	Unaudited six months ended 31 December 2013	% change	Audited year ended 30 June 2014
Revenue	**408 681**	375 988	8.7	732 636
Gross profit	**291 987**	262 331	11.3	521 996
Operating profit before finance income	**84 081**	101 176	(16.9)	194 999
Net finance income	**8 412**	3 590		7 251
Share of loss of equity-accounted investee (net of income tax)	**(354)**	–		(379)
Profit before income tax	**92 139**	104 766	(12.1)	201 871
Income tax expense	**(36 082)**	(31 183)		(64 638)
Profit for the period	**56 057**	73 583	(23.8)	137 233
Other comprehensive income*	**(2 172)**	10 602		5 621
Foreign currency translation differences for foreign operations	**(1 411)**	13 059		8 348
Reclassification of foreign currency loss/(gain) from other comprehensive income to profit or loss on disposal/abandonment/deregistration of foreign operations	**345**	–		(3 386)
Foreign exchange (loss)/gain on net investments in foreign operations	**(1 475)**	(3 276)		879
Tax on foreign exchange loss/(gain) on net investments in foreign operations	**369**	819		(220)
Total comprehensive income for the period	**53 885**	84 185	(36.0)	142 854
Profit attributable to:				
Owners of the company	**54 937**	72 777	(24.5)	136 331
Non-controlling interest	**1 120**	806		902
Profit for the period	**56 057**	73 583	(23.8)	137 233
Total comprehensive income attributable to:				
Owners of the company	**52 748**	83 446	(36.8)	142 932
Non-controlling interest	**1 137**	739		(78)
Total comprehensive income for the period	**53 885**	84 185	(36.0)	142 854

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

Earnings per share (cents)				
Basic earnings	**61.60**	84.99	(27.5)	159.20
Diluted earnings	**61.60**	84.99	(27.5)	159.20

RECONCILIATION OF HEADLINE EARNINGS

R'000	Unaudited six months ended 31 December 2014	Unaudited six months ended 31 December 2013	% change	Audited year ended 30 June 2014
Profit attributable to ordinary shareholders	**54 937**	72 777	(24.5)	136 331
Headline earnings adjustments:				
Impairment of property, plant and equipment (refer note 12)	**–**	–		2 313
Impairment of intangible assets (refer note 11)	**–**	–		1 866
Bargain purchase gain	**–**	(45)		–
(Profit)/loss on disposal of property, plant and equipment (net of tax)	**(32)**	172		233
Profit on disposal of subsidiary (refer notes 4 and 8)	**(372)**	–		(2 154)
Reclassification of foreign currency gain from other comprehensive income to profit or loss on abandonment/deregistration of foreign operations (refer note 10)	**–**	–		(3 386)
Headline earnings	**54 533**	72 904	(25.2)	135 203

None of the above items has any tax or non-controlling interest consequences, with the exception of:

- Gross impairment of property, plant and equipment comprises R2.496 million for the year ended 30 June 2014, with an amount of R0.183 million attributable to non-controlling interest.
- (Profit)/loss on disposal of property, plant and equipment comprises a profit of R0.045 million for the period (2013: R0.302 million loss; year ended 30 June 2014: R0.444 million loss) adjusted for tax of R0.013 million (2013: R0.130 million; year ended 30 June 2014: R0.211 million).
- Profit on disposal of subsidiary comprises a gross profit of R1.506 million for the period (2013: Rnil; year ended 30 June 2014: R2.154 million) adjusted for tax of R1.134 million.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited at 31 December 2014	Unaudited at 31 December 2013	Audited at 30 June 2014
ASSETS			
Non-current assets	**582 730**	447 299	512 900
Property, plant and equipment	**83 077**	80 495	77 289
Intangible assets and goodwill	**359 169**	324 166	359 742
Investments and loans	**130 689**	16 142	53 471
Deferred tax	**5 926**	11 603	6 536
Leasing rights	**3 149**	5 483	3 352
Derivative financial asset	**720**	9 410	12 510
Current assets	**462 208**	286 045	225 071
Inventories	**10 448**	13 512	12 132
Tax receivable	**11 314**	9 682	10 719
Trade and other receivables	**117 956**	103 612	88 097
Derivative financial asset	**9 866**	19 315	22 157
Cash and cash equivalents	**312 624**	139 924	91 966
TOTAL ASSETS	**1 044 938**	733 344	737 971
EQUITY			
Total equity	**834 153**	508 712	519 620
Ordinary share capital	**1**	1	1
Share premium	**294 663**	6	6
Shares repurchased by subsidiaries	**(86 580)**	(77 235)	(77 235)
Foreign currency translation reserve	**23 046**	29 303	25 235
Retained earnings	**605 689**	560 883	575 670
Total equity attributable to equity holders of the parent	**836 819**	512 958	523 677
Non-controlling interest	**(2 666)**	(4 246)	(4 057)
LIABILITIES			
Non-current liabilities	**77 759**	81 579	82 526
Long-term loan payable	**–**	459	–
Employee benefits	**2 598**	6 021	10 909
Derivative financial liability	**4 271**	–	319
Operating lease liability	**1 338**	3 564	1 776
Deferred tax	**69 552**	71 535	69 522
Current liabilities	**133 026**	143 053	135 825
Bank overdrafts	**2 833**	2 147	539
Tax payable	**2 766**	2 390	4 559
Trade and other payables	**116 315**	122 810	108 299
Employee benefits	**10 649**	15 334	22 017
Shareholders for dividend	**463**	372	411
TOTAL EQUITY AND LIABILITIES	**1 044 938**	733 344	737 971

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unaudited six months ended 31 December 2014	Unaudited six months ended 31 December 2013	Audited year ended 30 June 2014
Cash flow from operating activities			
Operating profit before working capital changes (refer note a)	**109 407**	92 721	198 644
Working capital changes	**(15 448)**	3 182	3 971
Cash generated from operations	**93 959**	95 903	202 615
Net interest received	**5 589**	3 590	6 313
Tax paid	**(38 635)**	(34 740)	(66 891)
Dividends paid	**(54 732)**	(47 909)	(96 682)
Net cash flow from operating activities	**6 181**	16 844	45 355
Net cash flow from investing activities (refer note b)	**(70 286)**	11 438	(63 484)
Net cash flow from financing activities (refer note c)	**282 277**	(3 654)	(3 670)
Net movement in cash and cash equivalents	**218 172**	24 628	(21 799)
Effect of foreign exchange fluctuations	**192**	(70)	7
Net cash and cash equivalents at beginning of period	**91 427**	113 219	113 219
Net cash and cash equivalents at end of period	**309 791**	137 777	91 427

Notes:

a) **Operating profit before working capital changes** – Includes a gross cash outflow of R24.045 million (six months to 31 December 2013 and year to 30 June 2014: R23.357 million) in respect of the settlement of the share appreciation rights granted in terms of the group's long-term share retention scheme (refer also note 5).

b) **Cash flow from investing activities** – Includes a gross cash inflow of R20.565 million (2013: R20.794 million; year ended 30 June 2014: R21.364 million) arising from the economic hedging instrument utilised by the group for its long-term share retention scheme (refer also note 5). The current year includes a gross outflow of R72.613 million relating to the subscription of preference shares (including directly attributable costs) in an unconsolidated structured entity to finance the broad-based black economic empowerment ("B-BBEE") equity transaction as more fully described in note 2 as well as an outflow of R1.992 million for the acquisition of a further 50% equity interest in Panpen Pty Ltd as detailed in note 3. The year to 30 June 2014 includes a gross outflow of R36.650 million arising from the investment in Fine Foods (Pty) Ltd (refer also note 7) and a gross outflow of R35.380 million arising from the acquisition of The Hussar Grill (refer also note 6).

c) **Cash flow from financing activities** – Includes an inflow of R293.666 million relating to the issue of shares (net of directly attributable transaction costs) pursuant to the B-BBEE transaction as detailed in note 2 as well as a gross outflow of R9.345 million for the purchase of treasury shares.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Ordinary share capital and share premium (net of treasury shares)	Other reserves	Retained earnings and non-controlling interest	Total
Balance at 1 July 2013	**(77 228)**	**18 634**	**531 120**	**472 526**
Total comprehensive income for the year	**–**	**6 601**	**136 253**	**142 854**
Profit for the year	–	–	137 233	137 233
Other comprehensive income	–	6 601	(980)	5 621
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	**–**	**–**	**(96 766)**	**(96 766)**
Distributions to equity holders	–	–	(96 766)	(96 766)
Changes in ownership interests in subsidiaries that result in a loss of control	**–**	**–**	**1 006**	**1 006**
Disposal of controlling interest in subsidiary (refer note 8)	–	–	1 006	1 006
Total transactions with owners	**–**	**–**	**(95 760)**	**(95 760)**
Balance at 30 June 2014	**(77 228)**	**25 235**	**571 613**	**519 620**
Total comprehensive income for the period	**–**	**(2 189)**	**56 074**	**53 885**
Profit for the period	–	–	56 057	56 057
Other comprehensive income	–	(2 189)	17	(2 172)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	**285 312**	**–**	**(22 818)**	**262 494**
Issue of ordinary shares (refer note 2)	294 657	–	(991)	293 666
Equity-settled share-based payment (refer note 2)	–	–	32 957	32 957
Own shares acquired	(9 345)	–	–	(9 345)
Distributions to equity holders	–	–	(54 784)	(54 784)
Changes in ownership interests in subsidiaries that do not result in a loss of control	**–**	**–**	**(1 992)**	**(1 992)**
Acquisition of non-controlling interest in subsidiary (refer note 3)	–	–	(1 992)	(1 992)
Changes in ownership interests in subsidiaries that result in a loss of control	**–**	**–**	**146**	**146**
Disposal of controlling interest in subsidiary (refer note 4)	–	–	146	146
Total transactions with owners	**285 312**	**–**	**(24 664)**	**260 648**
Balance at 31 December 2014	**208 084**	**23 046**	**603 023**	**834 153**

CONDENSED CONSOLIDATED OPERATING SEGMENT REPORT

R'000	Unaudited six months ended 31 December 2014	Unaudited six months ended 31 December 2013	% change	Audited year ended 30 June 2014
External revenue				
Manufacturing and distribution (refer note a)	**93 035**	102 270	(9.0)	176 576
Franchise – Spur	**112 668**	100 737	11.8	198 498
Franchise – Panarottis	**13 476**	10 826	24.5	20 932
Franchise – John Dory's	**8 126**	7 192	13.0	14 271
Franchise – Captain DoRegos	**3 262**	4 690	(30.4)	8 185
Franchise – The Hussar Grill (refer note b)	**1 226**	–		700
Retail – The Hussar Grill (refer note b)	**14 579**	–		14 988
Other South Africa (refer note c)	**33 461**	22 592	48.1	44 958
Total South African segments	**279 833**	248 307	12.7	479 108
Unallocated – South Africa	**835**	38	2 097.4	1 595
Total South Africa	**280 668**	248 345	13.0	480 703
United Kingdom	**80 107**	77 795	3.0	157 565
Australia (refer note f)	**37 932**	42 754	(11.3)	79 366
Other International (refer note g)	**9 974**	7 094	40.6	15 002
Total International	**128 013**	127 643	0.3	251 933
TOTAL EXTERNAL REVENUE	**408 681**	375 988	8.7	732 636
Profit/(loss) before income tax				
Manufacturing and distribution (refer note a)	**36 391**	30 708	18.5	58 520
Franchise – Spur	**100 856**	89 919	12.2	176 552
Franchise – Panarottis	**9 144**	6 754	35.4	13 117
Franchise – John Dory's	**4 672**	4 225	10.6	7 736
Franchise – Captain DoRegos	**973**	1 903	(48.9)	2 158
Franchise – The Hussar Grill (refer note b)	**759**	–		471
Retail – The Hussar Grill (refer note b)	**1 985**	–		2 354
Other South Africa (refer note c)	**400**	167	139.5	(160)
Total South African segments	**155 180**	133 676	16.1	260 748
Unallocated – South Africa (refer note d)	**(68 311)**	(29 597)	(130.8)	(60 020)
Total South Africa	**86 869**	104 079	(16.5)	200 728
United Kingdom (refer note e)	**(2 418)**	2 206	(209.6)	(2 232)
Australia (refer note f)	**4 252**	825	415.4	(157)
Other International (refer note g)	**5 966**	4 151	43.7	8 829
Total International segments	**7 800**	7 182	8.6	6 440
Unallocated – International (refer note h)	**(2 176)**	(6 495)	66.5	(4 918)
Total International	**5 624**	687	718.6	1 522
PROFIT BEFORE INCOME TAX AND SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTEE	**92 493**	104 766	(11.7)	202 250
Share of loss of equity-accounted investee (net of income tax)	**(354)**	–		(379)
PROFIT BEFORE INCOME TAX	**92 139**	104 766	(12.1)	201 871

Notes:

a) **Manufacturing and distribution** – Includes revenue of Rnil (2013: R22.696 million; year ended 30 June 2014: R22.724 million) and loss before income tax of Rnil (2013: R0.967 million; year ended 30 June 2014: R1.361 million) relating to the Captain DoRegos warehouse and distribution centre (refer note 9). Included in the prior period to 31 December 2013 are costs of R1.224 million (R1.326 million for the year to 30 June 2014) associated with the closure of the distribution centre, including retrenchment costs, losses on sales of property, plant and equipment and the impact of the increased cost of working during the process of closing down the facility.

b) **The Hussar Grill** – The Hussar Grill franchise division and three company-owned retail restaurants were acquired with effect from 1 January 2014. Refer note 6 for more details.

c) **Other South Africa** – Other local segments include the group's training division, export business, décor manufacturing business, call centre and radio station, which are each individually not material.

d) **Unallocated – South Africa** – Includes net finance income of R8.362 million (2013: R3.461 million; year ended 30 June 2014: R7.118 million), which includes interest and preference dividends relating to the GPI equity transaction (refer also note 2). Includes a charge in respect of cash-settled share-based payments of R4.366 million (2013: R16.547 million; year ended 30 June 2014: R28.117 million) and a fair value loss in respect of a related economic hedge of R7.469 million (2013: R11.729 million gain; year ended 30 June 2014: R17.922 million gain) (refer also note 5). The current year includes a share-based payment charge of R32.957 million relating to the GPI equity transaction (refer note 2), as well as related professional and advisory costs of R0.301 million. The prior year to 30 June 2014 includes transaction costs for the acquisition of The Hussar Grill of R1.620 million (refer also note 6) and costs of R0.495 million relating to the international group restructure undertaken during the prior year (refer also note 10).

e) **United Kingdom** – The prior year to 30 June 2014 includes an impairment of franchise rights (intangible asset) amounting to R1.866 million and the accelerated amortisation of leasing rights amounting to R1.612 million relating to Mohawk Spur Limited (refer also note 11).

f) **Australia** – The current year includes a profit of R1.506 million on the disposal of the Panarottis outlet in Blacktown (Australia) (refer also note 4). The prior year to 30 June 2014 includes an impairment loss of R2.496 million relating to the impairment of assets of the Panarottis in Blacktown (Australia) (refer also note 12) as well as a profit of R2.154 million on the disposal of the Panarottis in Tuggerah (Australia) (refer also note 8).

g) **Other International** – Other international segments comprise the group's franchise operations in Africa (outside of South Africa), Mauritius and the United Arab Emirates.

h) **Unallocated – International** – Includes a foreign exchange gain of R0.485 million (2013: R3.075 million loss; year ended 30 June 2014: R2.699 million net gain). The prior year to 30 June 2014 includes costs of R1.674 million relating to the group restructure undertaken during the prior year (refer also note 10).

SUPPLEMENTARY INFORMATION

	Unaudited six months ended 31 December 2014	Unaudited six months ended 31 December 2013	% change	Audited year ended 30 June 2014
Total shares in issue (000's)	**108 481**	97 633	11.1	97 633
Net shares in issue (000's)*	**96 181**	85 633	12.3	85 633
Weighted average number of shares in issue (000's)	**89 178**	85 633	4.1	85 633
Diluted weighted average number of shares in issue (000's)	**89 178**	85 633	4.1	85 633
Headline earnings per share (cents)	**61.15**	85.14	(28.2)	157.89
Diluted headline earnings per share (cents)	**61.15**	85.14	(28.2)	157.89
Net asset value per share (cents)	**867.27**	594.06	46.0	606.80
Dividend per share (cents)	**62.00**	57.00	8.8	121.00

* Total shares in issue less 5 511 401 (as at 31 December 2013 and 30 June 2014: 5 311 128) shares repurchased by a wholly-owned subsidiary company, 6 688 698 (as at 31 December 2013 and 30 June 2014: 6 688 698) shares held by the Spur Management Share Trust (consolidated structured entity) and 100 000 (as at 31 December 2013 and 30 June 2014: nil) shares held by the Spur Foundation Trust (consolidated structured entity).

NOTES

1. **Basis of preparation** – The unaudited interim condensed consolidated results for the six months ended 31 December 2014 have been prepared in accordance with the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa (No. 71 of 2008). The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by *IAS 34 – Interim Financial Reporting*. The accounting policies and methods of computation applied in the preparation of these results are in accordance with IFRS and are consistent with those applied in the preparation of the group's annual financial statements for the year ended 30 June 2014.

2. **Broad-based black economic empowerment ("B-BBEE") deal with GPI** – As detailed in the circular to shareholders of 4 September 2014, and approved by shareholders at a general meeting on 3 October 2014, the company concluded various agreements to issue 10 848 093 new ordinary shares indirectly to Grand Parade Investments Limited ("GPI"), a strategic black empowerment partner, and separately donate 500 000 of the company's shares (100 000 shares per annum over five years), currently held as treasury shares, to the Spur Foundation, a benevolent foundation that is a consolidated structured entity. Both transactions were executed on 30 October 2014. In terms of the agreements, GPI is restricted from trading the shares in question without the express permission of the company for a period of five years from the effective date of the transaction and is furthermore required to maintain its B-BBEE credentials for the same period.

   The shares were issued at a price of R27.16 per share, representing a 10% discount to the volume-weighted average trading price of the company's shares on the JSE for the 90 trading days prior to 30 July 2014, resulting in the aggregate proceeds from the issue of shares amounting to R294.657 million. The market price of the shares on 30 October 2014 was R30.20 per share, equating to an effective discount of R32.957 million in aggregate. This discount has been recognised as a share-based payment expense in accordance with *IFRS 2 – Share-based Payments* and included in profit before income tax for the period, with a corresponding credit to equity (retained earnings).

   The group partially funded the transaction through a subscription of cumulative compulsorily redeemable five-year preference shares in an unconsolidated structured entity with a combined subscription value of R72.328 million (representing 24.5% of the total funding requirement for the 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. GPI has funded 24.5% of the total funding requirement and an external funding provider has funded the balance of 51% of the total funding requirement. 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.

   The transaction resulted in a net cash inflow of R222.328 million for the group. Of the total transaction costs of R1.525 million: R0.285 million relates directly to the subscription of the preference shares referred to above and is included in the carrying value of the preference shares; R0.991 million relates directly to the issue of the company's ordinary shares and has been charged directly against equity (retained earnings); and the balance of R0.301 million is included in profit before income tax.

3. **Acquisition of non-controlling interest in Panarottis Penrith (Australia)** – With effect from 1 August 2014, the group acquired the remaining 50% interest in Panpen Pty Ltd ("Panpen"), an Australian company in which the group had an existing 50% interest and which operates the Panarottis outlet in Penrith (Australia). Despite not owning a majority interest in Panpen prior to this transaction, the group effectively controlled Panpen and the entity was consequently consolidated. The purchase consideration of AU$200 000 (the equivalent of R1.992 million as at the effective date) was settled in cash on the effective date. As part of the transaction, Panpen was required to settle the outstanding shareholder's loan with the non-controlling shareholder in the amount of AU$158 342 (the equivalent of R1.576 million as at the effective date), which amount was settled in cash on the effective date. The net liabilities of Panpen at 1 August 2014 included in the consolidated financial statements of the group amount to R0.217 million, of which R0.108 million was attributable to non-controlling interest. The purchase consideration has been debited directly to retained earnings and the non-controlling interest's share in the net liabilities of the subsidiary has similarly been reallocated within equity to retained earnings.

4. **Disposal of Panarottis in Blacktown (Australia)** – With effect from 15 November 2014, the group disposed of its 92.67% interest in Panawest Pty Ltd, an Australian subsidiary operating the Panarottis outlet in Blacktown (Australia), for AU$1. The carrying value of the subsidiary's net liabilities amounted to R1.997 million as at the date of the transaction, of which R0.146 million was attributable to non-controlling interest. The net liabilities comprised property, plant and equipment of R2.000 million, inventory of R0.128 million, trade and other receivables of R0.121 million, cash of R0.206 million, tax assets of R0.141 million, trade and other payables of R0.682 million and shareholder loan liabilities of R3.911 million. The transaction resulted in a profit before income tax on disposal of the subsidiary of R1.851 million, which has been reduced by the reclassification of foreign exchange losses of R0.345 million previously recognised in other comprehensive income to profit before income tax, resulting in a net profit before income tax on disposal of R1.506 million. As part of the transaction, the former subsidiary will continue to repay the previous shareholder's loan with the group of AU$400 000 (the equivalent of R3.911 million on the date of the transaction), in equal instalments over 35 months to October 2017. The business contributed revenue for the period of R5.493 million (2013: R7.530 million; year to 30 June 2014: R14.986 million) and a loss before income tax of R0.061 million (excluding the profit on disposal) (2013: R0.548 million; year ended 30 June 2014: R3.732 million (which included an impairment loss of R2.496 million)).

5. **Long-term share-linked retention scheme** – In December 2014, the second tranche (2013: first tranche) of share appreciation rights granted in terms of the group's long-term share-linked retention scheme was settled in cash. This resulted in a gross cash outflow of R24.045 million (2013: R23.357 million) to the scheme participants. Simultaneously, the economic hedging instrument utilised by the group matured, which resulted in a gross cash inflow of R19.725 million (2013: R19.920 million). During the period, the share-based payment expense in respect of the scheme included in profit before income tax amounted to R4.366 million (2013: R16.547 million; year ended 30 June 2014: R28.117 million), while the loss on the related economic hedging instrument recognised in profit before income tax amounted to R7.469 million (2013: R11.729 million gain; year ended 30 June 2014 R17.922 million gain). Further details of the share appreciation rights and related hedges are detailed in notes 23 and 17 respectively on pages 132 and 128 respectively of the annual integrated report for the year ended 30 June 2014.

6. **Prior year acquisition of The Hussar Grill** – During the prior year and with effect from 1 January 2014, a wholly-owned subsidiary of the group acquired the franchise business of The Hussar Grill as well as three restaurants trading as The Hussar Grill in Rondebosch, Green Point and Camps Bay (all in the Western Cape). The acquisition gives the group exposure to an upmarket specialist steakhouse chain. The aggregate purchase consideration of R35.380 million was settled in cash on the effective date. Transaction costs in the amount of R1.620 million, relating to financial and legal due diligence, legal and consulting services, are included in profit before income tax for the prior year to 30 June 2014.

7. **Prior year investment in associate, Braviz Fine Foods** – During the prior year, and with effect from 18 March 2014, a wholly-owned subsidiary of the group acquired a 30% interest in Braviz Fine Foods (Pty) Ltd. The entity is a start-up operation establishing a rib processing plant in Johannesburg, which commenced formal production in January 2015. As the group is able to exercise significant influence over the entity, but not control, it equity accounts the investment. The initial purchase consideration amounted to R0.4 million (comprising ordinary shares of R300 and initial transaction costs of R0.4 million). The group simultaneously advanced a loan in the amount of R36.250 million to the entity. The loan bears interest at the prevailing prime overdraft rate of interest and has no formal repayment terms (although any repayment of shareholder loans is to be made on a *pro rata* basis between the respective shareholders) and is consequently considered part of the net investment in the equity-accounted investee. The group's share of equity-accounted losses after income tax for the period amounts to R0.354 million (2013: Rnil; year ended 30 June 2014: R0.379 million) and arose primarily from finance costs incurred by the entity on shareholder funding for the respective periods and administrative costs in the current period prior to commencement of production in January 2015.

8. **Prior year disposal of Panarottis Tuggerah (Australia)** – During the prior year and with effect from 1 January 2014, a wholly-owned subsidiary of the group, which was the 80% partner of the Panarottis Tuggerah partnership, agreed with the remaining 20% partner to dissolve the partnership in question. The partnership previously operated the Panarottis restaurant in Tuggerah (Australia). The transaction resulted in a profit before income tax on disposal of the partnership interest in the amount of R2.154 million recognised in the year to 30 June 2014. The partnership contributed revenue of R6.050 million and earned a profit before income tax of R0.061 million for the period to 31 December 2013 (the date of the disposal).

9. **Prior year closure of Captain DoRegos distribution centre in Bloemfontein** – During the prior year, in November 2013, the group closed its Captain DoRegos warehouse and distribution centre in Bloemfontein. The distribution operations were absorbed into the group's existing outsourced logistics network. One-off costs associated with the closure of the warehouse amounted to R1.224 million for the period to 31 December 2013 and R1.326 million for the year to 30 June 2014 and were included in profit before income tax for the respective periods.

10. **Prior year international group restructure** – During the prior year, between 31 March 2014 and 30 June 2014, the group restructured certain of its international subsidiaries in order to ensure the continued validity of franchise agreements concluded between the group and its international franchisees. The restructure resulted in certain foreign subsidiaries commencing deregistration procedures or becoming dormant, which resulted in foreign exchange gains on translation of these foreign operations previously recognised in equity (FCTR) through other comprehensive income being recycled through other comprehensive income back to profit before income tax in the prior year to 30 June 2014 in the amount of R3.386 million. Legal, consulting and other advisory costs relating to the restructure amounted to R2.169 million during the prior year to 30 June 2014 and were included in profit before income tax for that year.

11. **Prior year losses of Mohawk Spur in Wandsworth (England)** – As a consequence of sustained trading losses incurred by the Mohawk Spur in Wandsworth (England), the group impaired the franchise rights intangible asset of R1.866 million attributable to the cash-generating unit at 30 June 2014, and the full carrying value of the intangible asset was charged to profit before income tax in the year to 30 June 2014. Furthermore, in considering the ability of the restaurant in question to continue trading, the group accelerated the amortisation of the lease previously acquired by the group relating to the restaurant, resulting in a further charge of R1.612 million to profit before income tax in the year to 30 June 2014. The group intends ceasing to trade this outlet at the end of February 2015.

12. **Prior year impairment of Panarottis Blacktown (Australia)** – As a consequence of sustained historic trading losses, the carrying value of property, plant and equipment of the Panarottis outlet in Blacktown (Australia), amounting to R2.496 million at 30 June 2014, was impaired and written off to profit before income tax for the year to 30 June 2014.

13. **Subsequent event**

    Acquisition of RocoMamas – On 16 January 2015, the group signed a non-binding heads of agreement to acquire a 51% interest in the franchise company for the RocoMamas brand. The brand offers handmade "smash-style" burgers, ribs and wings, with all orders prepared fresh, on site through its five franchised restaurants in Gauteng. Restaurants provide full-service, sit-down and take-away options within a nostalgic American rock ambience. The intended acquisition will give the group exposure to an exciting small-format restaurant concept that appeals to clientele from a broad spectrum. The group intends utilising its existing infrastructure to support the existing shareholder to accelerate the expansion of the brand nationally. It is anticipated that the effective date of the transaction will be in March 2015. The accounting treatment for the transaction has yet to be determined. It is anticipated that the purchase consideration will be paid over a three-year period, based effectively on a five-times earnings multiplier of the company's third year of profit before income tax.

14. **Contingent liabilities**

    - **International tax** – As reported in note 46.1 on page 159 of the annual integrated report for the year ended 30 June 2014, the South African Revenue Service ("SARS") had previously issued assessments to wholly-owned subsidiary, Spur Group (Pty) Ltd, for additional income from controlled foreign companies of the group for the 2009, 2010 and 2011 years of assessment. Following the objection process during the prior year, reduced assessments were issued amounting in aggregate to R1.993 million (comprising R1.561 million in tax and R0.432 million in interest), which were settled in cash in the prior year. The board of the company in question appealed SARS' decision to partially disallow the objection and alternate dispute resolution proceedings were initiated in November 2014 with SARS. The company awaits the final determination of the alternate dispute resolution process from SARS. The board continues to be of the view that it is able to defend its position. Consequently, a liability has not been raised in respect of the assessments issued, or the possible liability arising from the same disputed issue for the 2012 to 2014 years of assessment.

    - **Tax on 2004 share incentive scheme** – On 9 December 2014, following an audit of wholly-owned subsidiary, Spur Group (Pty) Ltd, SARS issued additional assessments to that company in respect of the 2010, 2011 and 2012 years of assessment totalling R6.589 million (comprising R5.098 million in tax and R1.491 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. The assessments were settled in cash on 30 January 2015. The board of the company in question intends to object to the additional assessments and is confident that it will be able to prove that SARS has erred in disallowing the deduction. Furthermore, on 10 December 2014, SARS advised that it intends issuing additional assessments relating to the same matter for the 2005 to 2009 years of assessment amounting to R8.725 million in tax (with interest not yet calculated). The board will similarly object to these assessments. No liability has been raised in respect of the assessments issued and those anticipated to be issued, on the basis that the board is confident that it can defend the matter.

    - There have been no further changes to the status of other contingent liabilities referred to in note 46 on page 159 of the annual integrated report for the year ended 30 June 2014.

15. **Fair value of financial instruments**

    - The hedge forward purchase derivative financial assets/(liabilities) utilised by the group to economically hedge the impact of the share appreciation rights granted in terms of its long-term share-linked retention scheme are fair valued at each reporting date (refer note 5). The fair values of the contracts are determined by an independent external professional financial instruments specialist using a Black-Scholes (risk neutral pricing) option pricing model in a manner that is consistent with prior reporting periods. The financial instruments in question are designated as level 2 financial instruments in terms of the fair value hierarchy specified in *IFRS 13 – Fair Value Measurement*, as the inputs into the valuation model are derived from observable inputs for the assets/liabilities in question, but are not quoted prices in active markets for identical assets/liabilities.

    - The investment in preference shares, relating to the B-BBEE transaction detailed in note 2, of R72.328 million is treated as a financial asset carried at amortised cost but was initially recognised at its fair value at the subscription date plus the value of transaction costs of R0.285 million. In determining the fair value of the investment at initial recognition, the directors considered the dividend/interest rates implicit in similar funding arrangements granted on similar terms and conditions between unrelated market participants. The directors determined that the dividend/interest rate applicable to the investment is commensurate with similar external funding instruments between unrelated market participants, and the nominal value of the investment therefore approximated its fair value at initial recognition. The financial asset is designated as a level 2 financial instrument in terms of the fair value hierarchy as the inputs into the valuation model are derived from observable inputs for the asset in question, but are not quoted prices in active markets for identical assets.

DIRECTORS

Executive Chairman: A Ambor

Chief Executive Officer: P van Tonder

Executive: M Farrelly, R van Dijk

Non-executive: K Getz, D Hyde, A Keet, M Kuzwayo, K Madders MBE (British), D Molefe, M Morojele

Company secretary: R van Dijk

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OUR BRAND FAMILY

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