SPUR CORP.
PASSIONATE PEOPLE BUILDING GREAT BRANDS

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND CASH DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Prepared under the supervision of the Chief Financial Officer, Ronel van Dijk CA(SA)

Spur Corporation Limited
(Registration number: 1998/000828/06)

www.spurcorporation.com

OVERVIEW

RESTAURANT SALES - 2.6%	COMPARABLE HEADLINE EARNINGS PER SHARE - 19.6%
COMPARABLE PROFIT BEFORE TAX - 18.6%	INTERIM DIVIDEND PER SHARE - 11.3% to 63 cents

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RESULTS COMMENTARY

TRADING PERFORMANCE

Spur Corporation's performance for the six months to December 2017 reflects the difficult economic and trading conditions during the period in most major markets in which the group operates. Total franchised restaurant sales from continuing operations across the local and international operations declined by 2.6% to R3.7 billion.

Franchised restaurant sales in South Africa were 3.0% lower as ongoing political instability and higher living costs negatively impacted consumer sentiment and discretionary spending. This contributed to a sharp decline in restaurant and shopping centre foot traffic.

Having declined by 6.2% in the first quarter of the financial year, local restaurant sales showed a marked improvement in the second quarter with sales declining by only 0.2%.

This trend was particularly evident in the performance of the flagship Spur Steak Ranches chain which reported a 5.3% decline in second quarter sales compared to 14.0% in the first quarter. Total sales for the six months decreased by 9.3%. While restaurant turnovers in the first quarter were impacted in the aftermath of the social media fallout following a customer incident in a Spur outlet in March 2017, the stronger second quarter suggests a positive outlook for the Spur brand for the remainder of the financial year.

Management continues to take decisive action to ensure the profitability of its franchisees in the current trading environment. This includes a shift in the promotional strategy away from discounting to protect franchisee margins. While this has had the expected negative impact on restaurant turnovers in the short term, the move has buoyed franchisee profitability which is critical to the sustainability of the franchise model.

Pizza and Pasta, incorporating Panarottis and Casa Bella, grew sales by 6.6%. This is a pleasing performance in the highly competitive pizza market where several chains have launched aggressive discounting campaigns to attract customers.

RocoMamas continued its strong growth trajectory and increased sales by 37.5% as eight new restaurants were opened in South Africa. John Dory's opened a net two new outlets and increased sales by 1.8%.

The Hussar Grill again showed the resilience of its higher income customer base as sales grew by 24.1%. Three new restaurants were opened as the chain expanded its presence nationally to 17.

The financial stress of Captain DoRegos' lower income market contributed to sales declining by 12.2%.

International restaurant sales increased by 1.3% in rand terms and by 3.2% on a constant exchange rate basis. Sales in Mauritius (11 outlets) increased by 15.7%, Africa (39 outlets) declined by 0.9% while sales in Australasia (11 outlets) were 12.0% lower.

RESTAURANT EXPANSION

The group continued its measured expansion programme despite the tough trading conditions and opened a net 22 outlets across all brands in South Africa, bringing the local restaurant base to 550. A further six outlets were revamped and six relocated to better trading locations.

Five new international outlets were opened and five closed. The new outlets are in Nigeria (Spur and Panarottis), Mauritius (Spur Grill & Go), Kenya (RocoMamas) and Namibia (John Dory's).

RESTAURANT FOOTPRINT AT 31 DECEMBER 2017

Franchise brand	South Africa	International	Total
Spur Steak Ranches	292	41	**333**
Panarottis Pizza Pasta	83	11	**94**
Casa Bella	7	–	**7**
John Dory's Fish Grill Sushi	51	3	**54**
Captain DoRegos	42	2	**44**
The Hussar Grill	17	1	**18**
RocoMamas	58	5	**63**
Total	550	63	**613**

FINANCIAL PERFORMANCE

The group ceased trading in the United Kingdom and Ireland by the end of the 2016 financial year. These operations were reported as a separate operating segment and are accordingly disclosed separately to continuing operations.

Revenue from continuing operations declined by 0.9% to R344.6 million. Revenue was impacted by reduced franchise fee income as a result of the lower restaurant sales and fee concessions being granted to assist numerous franchisees to ensure their businesses remained viable during the current economic downturn.

Franchise revenue in Spur Steak Ranches declined by 12.9% and increased in Pizza and Pasta by 1.6%, John Dory's 3.9%, The Hussar Grill by 33.0%, RocoMamas by 45.0%, and Captain DoRegos by 2.8%.

Local retail revenue, representing the group's interests in four The Hussar Grill restaurants and one RocoMamas outlet, increased by 14.6%.

The manufacturing and distribution division grew revenue by 3.0%, negatively impacted by the lower restaurant foot traffic and slower sales from the sauce factory. Margins continued to be under pressure from higher raw material input costs which have not all been passed on as management seeks to balance franchisee and franchisor margins to ensure the group's brands remain competitive.

While the operating margin expanded in RocoMamas and the retail division, the margin in all the other brands as well as the manufacturing division contracted as expenses grew ahead of revenue.

Profit before income tax from continuing operations declined by 15.5% to R134.3 million. This includes a profit on the disposal of the Braviz rib processing facility of R17.5 million (following an impairment loss of R44.2 million recognised in the second half of the 2017 financial year), a net charge of R3.4 million (2016: gain of R0.6 million) related to the long-term share-linked employee retention and incentive schemes, a fair value loss of R10.6 million (2016: R2.8 million) relating to the RocoMamas contingent consideration liability, 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), declined by 18.6%.

Headline earnings declined by 10.5% to R96.6 million and headline earnings from continuing operations decreased by 11.8% to R96.6 million. Headline earnings on a comparable basis declined by 19.7%.

Diluted headline earnings per share from continuing operations was 11.7% lower at 100.87 cents.

An interim dividend of 63 cents per share (2016: 71 cents) has been declared.

PROSPECTS

The group's focus in the months ahead will be on food quality, value, competitive pricing and driving customer loyalty across all brands. The improving performance in the second quarter augurs well for a stronger result in the second half of the year, particularly for the Spur Steak Ranches chain which encountered major headwinds in the first half.

The water crisis in the Western Cape poses a risk in the months ahead and remedial strategies are being implemented to minimise the impact on trading.

The restaurant footprint in South Africa will be expanded with the opening of 21 restaurants across Spur Steak Ranches (3), Panarottis (1), RocoMamas (10), Captain DoRegos (5), The Hussar Grill (1) and Casa Bella (1) in the remainder of the financial year. Management continues to seek opportunities to acquire brands with good growth prospects.

The group aims to open at least 10 international restaurants to June 2018, with the focus mainly on Africa where new outlets will be opened in Namibia (three), Zambia, Zimbabwe and Swaziland. A further two outlets will be opening in Saudi Arabia, one in Mauritius and the first RocoMamas in Australia.

While the stabilising political environment in South Africa is expected to boost consumer confidence in the short term, the directors believe that any marked improvement in spending is only likely to follow an economic recovery in the medium to longer term.

CASH DIVIDEND

Shareholders are advised that the board of directors of the company has, on Wednesday, 21 February 2018, resolved to declare an interim gross cash dividend for the six-month period to 31 December 2017 of R68.343 million, which equates to 63.0 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 20%.

The dividend has been declared from income reserves. The net dividend is 50.4 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'	Monday, 26 March 2018
Shares commence trading 'ex dividend'	Tuesday, 27 March 2018
Record date	Thursday, 29 March 2018
Payment date	Tuesday, 3 April 2018

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

Share certificates may not be dematerialised or rematerialised between Tuesday, 27 March 2018 and Thursday, 29 March 2018, both days inclusive.

For and on behalf of the board

A Ambor
Executive Chairman

P van Tonder
Group Chief Executive Officer

22 February 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

R'000	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	% change	Audited year ended 30 June 2017
Continuing operations				
Revenue	**344 553**	347 619	(0.9)	648 016
Gross profit	**244 874**	254 732	(3.9)	469 336
Operating profit before finance income	**118 938**	138 339	(14.0)	174 145
Net finance income	**15 395**	19 197		36 522
Share of profit of equity-accounted investee (net of income tax)	**–**	1 485		24
Profit before income tax	**134 333**	159 021	(15.5)	210 691
Income tax expense	**(34 501)**	(47 058)		(76 676)
Profit from continuing operations	**99 832**	111 963	(10.8)	134 015
Discontinued operation				
Profit from discontinued operation, net of tax (refer note 2)	**–**	3 456		4 084
Profit	**99 832**	115 419	(13.5)	138 099
Other comprehensive income#:	**(1 233)**	(5 763)		(4 462)
Foreign currency translation differences for foreign operations	**(1 132)**	(5 844)		(4 473)
Foreign exchange (loss)/gain on net investments in foreign operations	**(101)**	81		11
Total comprehensive income	**98 599**	109 656	(10.1)	133 637
Profit attributable to:				
Owners of the company	**96 689**	113 320	(14.7)	134 143
Non-controlling interests	**3 143**	2 099	49.7	3 956
Profit	**99 832**	115 419	(13.5)	138 099
Total comprehensive income attributable to:				
Owners of the company	**95 456**	107 557	(11.3)	129 681
Non-controlling interests	**3 143**	2 099	49.7	3 956
Total comprehensive income	**98 599**	109 656	(10.1)	133 637
Earnings per share (cents)				
Basic earnings	**101.11**	118.25	(14.5)	139.98
Diluted earnings	**100.94**	118.15	(14.6)	139.82
Earnings per share (cents) – continuing operations				
Basic earnings	**101.11**	114.35	(11.6)	135.60
Diluted earnings	**100.94**	114.26	(11.7)	135.44

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited as at 31 December 2017	Unaudited as at 31 December 2016	Audited as at 30 June 2017
ASSETS			
Non-current assets	**609 899**	622 990	579 085
Property, plant and equipment	**98 315**	99 520	100 319
Intangible assets and goodwill	**361 870**	368 298	362 101
Loans receivable	**144 032**	149 223	110 730
Deferred tax	**1 472**	1 190	1 450
Leasing rights	**4 210**	4 759	4 485
Current assets	**439 799**	474 883	412 084
Inventories	**16 485**	17 058	12 731
Tax receivable	**42 686**	33 917	41 479
Trade and other receivables	**150 078**	117 557	72 836
Loans receivable	**17 098**	19 944	19 085
Cash and cash equivalents	**213 452**	286 407	265 953
TOTAL ASSETS	**1 049 698**	1 097 873	991 169
EQUITY			
Total equity	**872 419**	904 179	837 176
Ordinary share capital	**1**	1	1
Share premium	**294 663**	294 663	294 663
Shares repurchased by subsidiaries	**(106 412)**	(97 963)	(102 956)
Foreign currency translation reserve	**25 016**	24 948	26 249
Share-based payments reserve	**2 950**	2 498	1 812
Retained earnings	**643 769**	665 523	605 388
Total equity attributable to owners of the company	**859 987**	889 670	825 157
Non-controlling interests	**12 432**	14 509	12 019
LIABILITIES			
Non-current liabilities	**65 520**	76 556	63 600
Contingent consideration liability (refer note 5)	**–**	12 323	–
Operating lease liability	**2 969**	2 479	2 676
Deferred tax	**62 551**	61 754	60 924
Current liabilities	**111 759**	117 138	90 393
Bank overdrafts	**3 484**	4 017	4 491
Tax payable	**1 318**	1 793	880
Trade and other payables	**67 670**	64 561	60 313
Loans payable	**22 297**	25 209	6 912
Contingent consideration liability (refer note 5)	**16 404**	13 784	5 797
Employee benefits (refer note 6)	**–**	4 072	885
Derivative financial liability (refer note 6)	**–**	3 191	10 572
Shareholders for dividend	**586**	511	543
TOTAL EQUITY AND LIABILITIES	**1 049 698**	1 097 873	991 169

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Ordinary share capital and share premium (net of treasury shares)	Retained earnings and other reserves	Non-controlling interests	Total
Balance at 1 July 2016 (audited)	196 701	653 592	14 370	864 663
Total comprehensive income for the year	–	129 681	3 956	133 637
Profit for the year	–	134 143	3 956	138 099
Other comprehensive income	–	(4 462)	–	(4 462)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	(4 993)	(137 693)	(3 880)	(146 566)
Equity-settled share-based payment (refer note 6)	–	1 168	–	1 168
Indirect costs arising on intra-group sale of shares related to equity-settled share-based payment (refer note 6)	–	(860)	–	(860)
Own shares acquired	(4 993)	–	–	(4 993)
Dividends	–	(138 001)	(3 880)	(141 881)
Changes in ownership interests in subsidiaries	–	(12 131)	(2 427)	(14 558)
Acquisition of non-controlling interest in subsidiary without a change in control (refer notes 5 and 9)	–	(12 131)	(2 427)	(14 558)
Total transactions with owners	(4 993)	(149 824)	(6 307)	(161 124)
Balance at 30 June 2017 (audited)	**191 708**	**633 449**	**12 019**	**837 176**
Total comprehensive income for the period	**–**	**95 456**	**3 143**	**98 599**
Profit for the period	**–**	**96 689**	**3 143**	**99 832**
Other comprehensive income	**–**	**(1 233)**	**–**	**(1 233)**
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners	**(3 456)**	**(57 170)**	**(2 730)**	**(63 356)**
Equity-settled share-based payment (refer note 6)	**–**	**1 379**	**–**	**1 379**
Own shares acquired	**(3 456)**	**–**	**–**	**(3 456)**
Dividends	**–**	**(58 549)**	**(2 730)**	**(61 279)**
Balance at 31 December 2017 (unaudited)	**188 252**	**671 735**	**12 432**	**872 419**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	Audited year ended 30 June 2017
Operating profit before working capital changes (refer note a)	**122 623**	139 427	236 229
Working capital changes	**(36 512)**	(21 341)	(1 515)
Cash generated from operations	**86 111**	118 086	234 714
Interest income received	**10 208**	12 984	25 201
Interest expense paid	**(17)**	(45)	(84)
Tax paid	**(33 513)**	(43 649)	(85 303)
Dividends paid	**(61 236)**	(71 879)	(141 809)
Net cash flow from operating activities	**1 553**	15 497	32 719
Cash flow from investing activities			
Additions of intangible assets	**(675)**	(3 443)	(3 760)
Additions of property, plant and equipment	**(2 772)**	(8 313)	(13 692)
Cash outflow from share-based payment hedge (refer note 6)	**(13 740)**	(7 359)	(7 405)
Disposals of subsidiaries (refer note 2)	**–**	(1 525)	(1 358)
Loan advanced to Spur Steak Ranches Marketing Fund (refer note 7)	**(29 000)**	–	–
Loans advanced to franchisees	**(8 499)**	(5 541)	(7 318)
Loan repaid by associate company	**–**	–	3 000
Proceeds from disposal of property, plant and equipment	**142**	252	347
Repayment of loans receivable	**5 080**	7 674	11 409
Net cash flow from investing activities	**(49 464)**	(18 255)	(18 777)
Cash flow from financing activities			
Acquisition of non-controlling interest without a change in control (refer note 5)	**–**	–	(14 035)
Acquisition of treasury shares	**(3 456)**	–	(4 993)
Loan repaid to non-controlling shareholders	**–**	(380)	(380)
Settlement of contingent consideration (refer note 5)	**–**	–	(18 271)
Net cash flow from financing activities	**(3 456)**	(380)	(37 679)
Net movement in cash and cash equivalents	**(51 367)**	(3 138)	(23 737)
Effect of foreign exchange fluctuations	**(127)**	101	(228)
Net cash and cash equivalents at beginning of period	**261 462**	285 427	285 427
Net cash and cash equivalents at end of period	**209 968**	282 390	261 462

Refer note 2 for cash flows attributable to discontinued operation.

Notes

a) **Operating profit before working capital changes** – Includes a gross cash outflow of Rnil (six months ended 31 December 2016: R3.129 million; year ended 30 June 2017: R3.130 million) in respect of the settlement of the cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (also refer note 6).

Total depreciation and amortisation included in profit before income tax for the period is R5.620 million (six months ended 31 December 2016: R4.662 million; year ended 30 June 2017: R10.538 million).

RECONCILIATION OF HEADLINE EARNINGS

R'000	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	% change	Audited year ended 30 June 2017
Total group				
Profit attributable to owners of the company	**96 689**	113 320	(14.7)	134 143
Headline earnings adjustments:				
Impairment of intangible assets (refer note 4)	**–**	–		6 778
Loss on disposal of property, plant and equipment	**–**	5		5
Loss on disposal of subsidiary (refer note 2)	**–**	12		12
Profit on disposal of property, plant and equipment	**(64)**	(95)		(167)
Profit on disposal of subsidiaries (refer note 2)	**–**	(5 268)		(5 435)
Income tax impact of above adjustments	**–**	26		(1 472)
Amount of above adjustments attributable to non-controlling interests	**–**	(1)		(1)
Headline earnings	**96 625**	107 999	(10.5)	133 863
Continuing operations				
Profit attributable to owners of the company	**96 689**	113 320	(14.7)	134 143
Exclude: Profit from discontinued operation (refer note 2)	**–**	(3 731)		(4 205)
Profit attributable to owners of the company – continuing operations	**96 689**	109 589	(11.8)	129 938
Headline earnings adjustments:				
Impairment of intangible assets (refer note 4)	**–**	–		6 778
Loss on disposal of property, plant and equipment	**–**	5		5
Profit on disposal of property, plant and equipment	**(64)**	(95)		(167)
Income tax impact of above adjustments	**–**	26		(1 472)
Amount of above adjustments attributable to non-controlling interests	**–**	(1)		(1)
Headline earnings – continuing operations	**96 625**	109 524	(11.8)	135 081

OPERATING SEGMENT INFORMATION

R'000	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	% change	Audited year ended 30 June 2017
External revenue				
Manufacturing and distribution	**101 340**	98 356	3.0	181 834
Franchise – Spur	**107 170**	123 013	(12.9)	217 918
Franchise – Pizza and Pasta	**18 780**	18 488	1.6	35 471
Franchise – John Dory's	**10 718**	10 319	3.9	19 699
Franchise – Captain DoRegos	**1 633**	1 589	2.8	2 812
Franchise – The Hussar Grill	**3 264**	2 454	33.0	4 733
Franchise – RocoMamas	**16 942**	11 683	45.0	23 809
Retail (refer note b)	**35 144**	30 677	14.6	63 569
Other South Africa (refer note c)	**31 568**	32 876	(4.0)	62 851
Total South African segments	**326 559**	329 455	(0.9)	612 696
Unallocated – South Africa	**736**	918	(19.8)	3 269
Total South Africa	**327 295**	330 373	(0.9)	615 965
United Kingdom (refer note 2) (discontinued)	**–**	–		–
Australasia	**3 813**	5 614	(32.1)	9 870
Other International (refer note e)	**13 445**	11 632	15.6	22 181
Total International	**17 258**	17 246	0.1	32 051
TOTAL EXTERNAL REVENUE	**344 553**	347 619	(0.9)	648 016
Profit/(loss) before income tax				
Manufacturing and distribution	**33 523**	37 041	(9.5)	66 243
Franchise – Spur	**90 184**	108 823	(17.1)	188 047
Franchise – Pizza and Pasta	**11 595**	12 372	(6.3)	22 967
Franchise – John Dory's	**5 133**	5 657	(9.3)	9 715
Franchise – Captain DoRegos (refer note a)	**38**	110	(65.5)	(8 040)
Franchise – The Hussar Grill	**2 487**	2 323	7.1	4 092
Franchise – RocoMamas	**12 726**	8 224	54.7	16 457
Retail (refer note b)	**3 571**	2 312	54.5	4 633
Other South Africa (refer note c)	**(2 311)**	(1 050)	(120.1)	(3 188)
Total South African segments	**156 946**	175 812	(10.7)	300 926
Unallocated – South Africa (refer note d)	**(25 934)**	(21 090)	(23.0)	(93 794)
Total South Africa	**131 012**	154 722	(15.3)	207 132
United Kingdom (refer note 2) (discontinued)	**–**	3 456	(100)	4 084
Australasia	**(462)**	533	(186.7)	(111)
Other International (refer note e)	**6 974**	5 272	32.3	8 991
Total International segments	**6 512**	9 261	(29.7)	12 964
Unallocated – International (refer note f)	**(3 191)**	(2 991)	(6.7)	(5 345)
Total International	**3 321**	6 270	(47.0)	7 619
PROFIT BEFORE INCOME TAX AND SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEE	**134 333**	160 992	(16.6)	214 751
Share of profit of equity-accounted investee (net of income tax)	**–**	1 485	(100)	24
PROFIT BEFORE INCOME TAX	**134 333**	162 477	(17.3)	214 775

Notes

a) **Captain DoRegos** – The prior year ended 30 June 2017 includes an impairment loss of R6.778 million relating to intangible assets as well as a bad debt of R0.986 million in respect of a loan to the Captain DoRegos Marketing Fund that was forgiven during the year (refer note 4).

b) **Retail** – This segment comprises the group's interests in local restaurants consisting of four The Hussar Grill restaurants and one RocoMamas outlet.

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

d) **Unallocated – South Africa** – Includes net finance income of R15.044 million (six months ended 31 December 2016: R18.821 million; year ended 30 June 2017: R35.788 million), which includes interest income on the loans receivable from Braviz (also refer note 3) for the period of Rnil (six months ended 31 December 2016: R3.014 million; year ended 30 June 2017: R4.283 million). The prior year ended 30 June 2017 includes an impairment loss relating to the funding of Braviz of R44.192 million, while the current period includes a profit on the disposal of these funding instruments of R17.500 million (also refer note 3). Includes a credit in respect of cash-settled share-based payments of R0.885 million (six months ended 31 December 2016: R0.609 million; year ended 30 June 2017: R3.795 million) and a fair value loss in respect of a related economic hedge of R3.168 million (six months ended 31 December 2016: gain of R1.637 million; year ended 30 June 2017: loss of R5.791 million) (also refer note 6). Includes an equity-settled share-based payment charge of R1.138 million (six months ended 31 December 2016: R1.671 million; year ended 30 June 2017: R0.985 million) (also refer note 6). Includes a fair value loss relating to the RocoMamas contingent consideration liability of R10.607 million (six months ended 31 December 2016: R2.816 million; year ended 30 June 2017: R0.777 million) (also refer note 5). Includes a profit of R0.079 million (six months ended 31 December 2016: loss of R0.877 million; year ended 30 June 2017: loss of R1.206 million) arising from The Spur Foundation Trust, a consolidated structured entity, all of which is attributable to non-controlling interests.

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

f) **Unallocated – International** – Includes a foreign exchange loss of R0.174 million (six months ended 31 December 2016: R0.164 million; year ended 30 June 2017: R0.716 million).

SHARE INFORMATION

	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	% change	Audited year ended 30 June 2017
Total shares in issue (000's)	**108 481**	108 481		108 481
Net shares in issue (000's)*	**95 539**	95 834		95 669
Weighted average number of shares in issue (000's)	**95 632**	95 834		95 828
Diluted weighted average number of shares in issue (000's)	**95 789**	95 916		95 938
Headline earnings per share (cents)	**101.04**	112.69	(10.3)	139.69
Diluted headline earnings per share (cents)	**100.87**	112.60	(10.4)	139.53
Headline earnings per share (cents) – continuing operations	**101.04**	114.29	(11.6)	140.96
Diluted headline earnings per share (cents) – continuing operations	**100.87**	114.19	(11.7)	140.80
Net asset value per share (cents)	**913.15**	943.48	(3.2)	875.08
Dividend per share (cents)#	**63.00**	71.00	(11.3)	132.00
Reconciliation of weighted average number of shares in issue ('000)				
Gross shares in issue at beginning of period	**108 481**	108 481	–	108 481
Shares repurchased at beginning of period	**(12 812)**	(12 647)		(12 647)
Shares repurchased during the period weighted for period held by the group	**(37)**	–		(6)
Weighted average number of shares in issue for the period	**95 632**	95 834		95 828
Dilutive potential ordinary shares weighted for period outstanding (refer note 6)	**157**	82		110
Diluted weighted average number of shares in issue for the period	**95 789**	95 916	(0.1)	95 938

* 108 480 926 total shares in issue less 6 166 901 (as at 31 December 2016: 5 812 901; as at 30 June 2017: 6 136 901) shares repurchased by wholly owned subsidiary companies, 6 374 698 (as at 31 December 2016: 6 533 698; as at 30 June 2017: 6 374 698) shares held by The Spur Management Share Trust (consolidated structured entity) and 400 000 (as at 31 December 2016 and 30 June 2017: 300 000) shares held by The Spur Foundation Trust (consolidated structured entity).

Refers to interim and final dividend declared for the respective year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2017 have been prepared in accordance with the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act (No. 71 of 2008), as amended. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by *IAS 34 – Interim Financial Reporting*. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the preparation of the group's consolidated financial statements for the year ended 30 June 2017.

2 DISCONTINUED OPERATION (UNITED KINGDOM)

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

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

	Unaudited six months ended 31 December 2016		
R'000	**Profit on disposal of subsidiaries**	**Loss on disposal of subsidiary**	**Total**
Net (liabilities)/assets disposed of	(5 268)	12	(5 256)
Cash and cash equivalents	1 506	19	1 525
Trade and other payables	(6 774)	(7)	(6 781)
Profit/(loss) on disposal	5 268	(12)	5 256
Proceeds on disposal	–	–	–

	Audited year ended 30 June 2017		
R'000	**Profit on disposal of subsidiaries**	**Loss on disposal of subsidiary**	**Total**
Net (liabilities)/assets disposed of	(5 435)	12	(5 423)
Cash and cash equivalents	1 339	19	1 358
Trade and other payables	(6 774)	(7)	(6 781)
Profit/(loss) on disposal	5 435	(12)	5 423
Proceeds on disposal	–	–	–

The results of the discontinued operation are illustrated below:

R'000	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	Audited year ended 30 June 2017
Revenue	–	–	–
Gross profit	–	–	–
Operating profit before finance income	–	3 456	4 084
Profit before income tax	–	3 456	4 084
Profit for the period	–	3 456	4 084
Profit attributable to owners of the company	–	3 731	4 205
Non-controlling interests	–	(275)	(121)
Profit for the period	–	3 456	4 084
The cash flows of the discontinued operation are listed below:			
Net cash flow from operating activities	–	(2 758)	(3 135)
Net cash flow from investing activities	–	(1 525)	(1 525)
Net cash flow from financing activities	–	(380)	(380)
Net movement in cash and cash equivalents for the period	–	(4 663)	(5 040)

3 INVESTMENT IN ASSOCIATE: BRAVIZ FINE FOODS

In March 2014, the group acquired a 30% interest in Braviz Fine Foods (Pty) Ltd ("Braviz"), a start-up operation which established a rib processing plant in Johannesburg. The initial purchase consideration amounted to R0.4 million (comprising ordinary shares of R300 and initial transaction costs of R0.4 million). The group simultaneously advanced a loan in the amount of R36.250 million to the entity. In addition, a further short-term bridging finance loan of R10.000 million was advanced to the associate during the 2016 financial year. The bridging finance loan was repayable by 30 June 2017, but the counterparty failed to repay the loan.

Following various breaches of the terms of the respective loan agreements referred to above by the associate, and taking cognisance of the associate's financial performance, which had been impacted by reduced demand following a decline in the local economy, increased competition and aggressive pricing, the board considered the full extent of the receivables, amounting to R44.192 million at 30 June 2017, to be impaired. An impairment loss of this amount was consequently recognised in profit before income tax for the prior year ended 30 June 2017. The group's share of equity-accounted profit after income tax of the associate amounted to R1.485 million and R0.024 million for the prior six months to 31 December 2016 and prior year ended 30 June 2017 respectively. No equity-accounted profits or losses of the associate have been recognised subsequent to 30 June 2017 as a result of the impairment referred to above.

With effect from 6 November 2017, the group concluded an agreement to sell its equity interest and loan claims with Braviz to the existing Braviz shareholders for the sum of R17.500 million. The sale consideration is payable in four equal monthly instalments from the end of November 2017 to the end of February 2018, such instalments being held in escrow by the group's attorneys pending payment of the final instalment. The terms of the sale agreement have been substantially complied with to date. Accordingly, a receivable in the amount of R17.500 million has been recognised at the reporting date and a profit of 17.500 million on the disposal of the loan claims has been recognised in profit before income tax for the period. The transaction results in an income tax credit of R3.257 million which is included in the income tax expense for the period.

An analysis of the receivables as at the prior period reporting dates is detailed as follows:

R'000	Unaudited as at 31 December 2016	Audited as at 30 June 2017
Gross carrying value of receivable (included in loans receivable in statement of financial position) considered part of net investment in equity-accounted investee for the purposes of recognising losses in excess of the carrying value of the investment in associate	47 453	47 745
Cumulative share of losses of equity-accounted investee previously recognised	(8 728)	(10 189)
Net receivable considered part of the net investment in equity-accounted investee	38 725	37 556
Impairment recognised in terms of IAS 39	–	(37 556)
Carrying value at reporting date	38 725	–
Gross carrying value of further short-term loan advanced to equity-accounted investee	6 500	6 636
Impairment recognised in terms of IAS 39	–	(6 636)
Carrying value at reporting date	6 500	–

4 IMPAIRMENT OF CAPTAIN DOREGOS

The Captain DoRegos brand is a value-oriented takeaway chain offering a combination of chicken, seafood and burgers to consumers, operating through 42 franchised outlets locally and two internationally. The cash-generating unit has experienced a sustained period of profits being below expectations, due to the slowdown in the South African economy in recent years and its impact on the brand's target market.

Following an impairment test conducted at 30 June 2017, 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 to 30 June 2017. A corresponding deferred tax credit of R1.518 million was recognised in profit in the year to 30 June 2017, resulting in a net loss included in profit attributable to ordinary shareholders of R5.260 million for that period.

In addition, the group had previously advanced a loan to the Captain DoRegos Marketing Fund to finance the purchase of new signage at selected stores. In the interests of making available sufficient funds for marketing activities to ensure the sustainability of the brand, the group forgave the loan as at 30 June 2017. Consequently, a bad debt of R0.986 million was recognised in profit before income tax for the prior year ended 30 June 2017. Refer also note 10.

5 ROCOMAMAS CONTINGENT CONSIDERATION

With effect from 1 March 2015, the group acquired a 51% interest in RocoMamas Franchise Co (Pty) Ltd ("RocoMamas"), an entity owning the trademarks and related intellectual property of the RocoMamas brand.

The purchase consideration is determined as five times RocoMamas' profit before income tax of the third year following the date of acquisition, which ends on 28 February 2018. Following an initial payment of R2.0 million on the effective date, annual payments are due on the first, second and third anniversaries of the acquisition date, calculated as five times the profit before income tax of the year immediately preceding the anniversary date, less any aggregate payments already made. Payments of R20.369 million and R18.271 million were made on the first and second anniversaries of the acquisition date respectively.

The total purchase consideration over the three-year period was estimated at R57.541 million at the reporting date (at 31 December 2016: R52.800 million; at 30 June 2017: R47.215 million). The increase in the estimated consideration at the reporting date relative to 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 previously anticipated. Furthermore, a greater number of new restaurants were opened in the period to December 2017 than was previously anticipated.

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

R'000	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	Audited year ended 30 June 2017
Balance at beginning of period	**5 797**	23 291	23 291
Fair value adjustment recognised in profit before income tax	**10 607**	2 816	777
Payment made	**–**	–	(18 271)
Balance at end of period	**16 404**	26 107	5 797
Current portion included in current liabilities	**16 404**	13 784	5 797
Non-current portion included in non-current liabilities	**–**	12 323	–

During the prior year, with effect from 1 April 2017, the group acquired a further 19% interest in RocoMamas, increasing the group's equity interest in the entity to 70%. The purchase consideration of R14.035 million was settled in cash on the effective date. The net assets of RocoMamas at 1 April 2017 included in the consolidated financial statements of the group amounted to R16.433 million, of which R8.052 million was attributable to non-controlling interests. The purchase consideration was debited directly to retained earnings in the prior year and the non-controlling interest's share in the net assets of the subsidiary of R3.122 million was similarly reallocated within equity to retained earnings in the prior year.

6 SHARE INCENTIVE SCHEMES

- **Existing cash-settled share appreciation rights scheme**

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

R'000	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	Audited year ended 30 June 2017
Gross cash outflow on vesting of cash-settled rights	**–**	(3 129)	(3 130)
Gross cash outflow from economic hedging instrument	**(13 410)**	(7 599)	(7 600)
(Payment)/refund of difference in guaranteed dividend from hedge counterparty	**(330)**	240	195
Net cash flow effect	**(13 740)**	(10 488)	(10 535)
Share-based payment credit	**885**	609	3 795
Fair value (loss)/gain on economic hedging instrument	**(3 168)**	1 637	(5 791)
Net (expense)/gain included in profit before income tax	**(2 283)**	2 246	(1 996)

  Further details of the share appreciation rights and related hedges are detailed in notes 24 and 25 respectively on pages 130 and 132 respectively of the annual integrated report for the year ended 30 June 2017. Refer also note 12.

- **New equity-settled share incentive scheme**

  Following the approval by shareholders at the annual general meeting on 4 December 2015 of the Spur Group Forfeitable Share Plan and Spur Group Share Appreciation Rights Scheme, certain awards were granted to certain senior managers and directors during previous financial years, details of which are included in note 21.4 on page 126 of the annual integrated report for the year ended 30 June 2017. No further grants were awarded during the current period.

  The financial impact of the incentive schemes is summarised below:

R'000	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	Audited year ended 30 June 2017
Share-based payment expense included in profit before income tax	**1 138**	1 671	985
Income tax credit included in profit	**225**	268	320
Income tax credit included in equity (retained earnings)	**241**	108	183
Capital gains tax arising on intra-group sale of shares charged to equity (retained earnings)	**–**	–	795
Transaction costs arising on intra-group sale of shares charged to equity (retained earnings)	**–**	–	65

The forfeitable shares granted resulted in 156 607 (six months ended 31 December 2017: 82 208; year ended 30 June 2017: 110 351) dilutive potential ordinary shares for the period. As the performance conditions of the share appreciation 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 diluted weighted average number of shares in issue in respect of these contingently issuable shares for all periods reported.

7 LOAN TO SPUR STEAK RANCHES MARKETING FUND

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

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

During the period, the board approved a loan facility to be made available to the Marketing Fund in the amount of R35 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 60 equal monthly instalments commencing July 2018. As at the reporting date, the carrying amount of the loan was R29.557 million (comprising R29.000 million capital and R0.557 million in interest), and is included in loans receivable in the consolidated statement of financial position.

The board, management of the Marketing Fund and franchisees are critically 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. The board has undertaken to review the terms of the loan facility on a regular basis, and amend these as necessary, to ensure that no creditor is prejudiced.

8 TAX RATE RECONCILIATION

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

%	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016	Audited year ended 30 June 2017
South African normal tax rate	**28.0**	28.0	28.0
(Non-taxable profit on disposal of Braviz loans)/ Non-deductible impairment of Braviz loans (refer note 3)	**(6.7)**	–	5.8
Non-taxable dividend income	**(0.9)**	(0.7)	(1.1)
Non-deductible fair value adjustment on RocoMamas contingent consideration liability (refer note 5)	**2.2**	0.5	0.1
Non-deductible other expenditure (capital items and items not in the production of income)	**1.0**	0.7	1.3
Withholding taxes not recoverable	**1.4**	1.2	1.8
Other	**0.7**	(0.7)	(0.2)
Effective rate of tax – group	**25.7**	29.0	35.7
Effective rate of tax – continuing operations	**25.7**	29.6	36.4

9 CHANGES IN LOCAL RETAIL OPERATIONS

- **RocoMamas Green Point (prior year)** – During the prior year, with effect from 1 June 2017, a subsidiary, Opilor (Pty) Ltd (in which the group has a 68% equity interest) sold the business of RocoMamas Green Point to a newly established entity, Green Point Burger Joint (Pty) Ltd, two-thirds of which is owned by wholly owned subsidiary, Spur Group (Pty) Ltd, and the remaining third by 70%-owned subsidiary, RocoMamas Franchise Co (Pty) Ltd. This resulted in an effective increase in the group's ownership interest in the outlet from 68% to 90% in the prior year. The profit before income tax attributable to the non-controlling shareholder of Opilor (Pty) Ltd, arising from the transaction, of R0.695 million was allocated to non-controlling interests in the prior year, and the tax of R0.523 million arising from the transaction was charged directly to equity (retained earnings) in the prior year.

10 SUBSEQUENT EVENTS

- **Dividend** – Subsequent to the reporting date, a dividend of 63 cents per ordinary share in issue, amounting to R68.343 million, was declared by the board on 21 February 2018 and is payable on 3 April 2018.

- **Disposal of Captain DoRegos** – Subsequent to the reporting date, on 20 February 2018, the group concluded an agreement to dispose of the business of Captain DoRegos with effect from 1 March 2018, for a consideration of R5 million. Of the total consideration, R1 million is payable on the effective date, and the balance of R4 million is payable in equal monthly instalments over 48 months. The receivable relating to the consideration due is secured by mortgages over immovable property of the purchaser. The assets disposed of comprise largely trademarks and related intellectual property, which were impaired in prior years (refer note 4). The transaction is anticipated to result in a profit on disposal of R5 million included in profit before income tax.

No other material events have occurred between the reporting date and the date of this report.

11 CONTINGENT LIABILITIES

- **Tax on 2004 share incentive scheme** – As reported in note 44.1 on page 159 of the annual integrated report for the year ended 30 June 2017, SARS had previously issued additional assessments to wholly owned subsidiary, Spur Group (Pty) Ltd, 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 has been referred to the income tax court, and is expected to be heard in the week commencing 26 February 2018. The board, in consultation with its tax advisors, remains confident that it will be able to prove that SARS has erred in disallowing the deduction. 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.

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

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

- **Forward purchase derivative financial instruments** – The forward purchase derivative financial liabilities (disclosed as derivative financial liabilities on the face of the consolidated statement of financial position), previously utilised by the group to economically hedge the impact of the cash-settled share appreciation rights granted in terms of its long-term share-linked employee retention scheme, were measured at fair value at each reporting date (refer note 6). All these instruments had matured and were settled during the current period. Full details of the terms of the instruments and the fair values thereof were disclosed in note 25 on page 132 of the annual integrated report for the year ended 30 June 2017.

- **Contingent consideration liability** – The liability for the contingent consideration referred to in note 5 (as disclosed on the face of the consolidated statement of financial position) was initially recognised at fair value and is subsequently recognised at fair value at each reporting date. The liability is designated as a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on observable market data. The fair value is determined based on the expected aggregate purchase consideration payments, discounted to present value using a risk-adjusted discount rate of 21.4% (at 31 December 2016: 26.5%; at 30 June 2017: 21.6%), being the weighted average cost of capital of the subsidiary. The reduction in the discount rate relative to the prior year is attributable to reduced forecasting risk as the group now has sufficient historic information to be able to forecast the business's future profits more accurately. The expected purchase consideration payments were determined by considering various possible scenarios, and the probability of each scenario. The significant unobservable inputs are the forecast profit before income tax and the risk-adjusted discount rate. The fair value adjustment included in profit before income tax for the period is a charge of R10.607 million (six months ended 31 December 2016: R2.816 million; year ended 30 June 2017: R0.777 million) and relates to the adjustment for the time value of money (including the impact of the reduced discount rate), as well as changes to the forecast profit before income tax as referred to in note 5. The estimated fair value of the contingent consideration liability at the reporting date would change if the forecast profit before income tax or the risk-adjusted discount rate were to change as follows:

R'000	Increase/(decrease) in fair value of liability and decrease/(increase) in profit before income tax
Change in variable:	
Projected profit before income tax	
– Increased by 5%	2 792
– Decreased by 5%	(2 792)
Discount rate	
– Increased by 2%	(38)
– Decreased by 2%	39

- **Other financial instruments** – The group has not disclosed the fair values of loans receivable, financial assets included in trade and other receivables, cash and cash equivalents, loans payable, bank overdrafts, financial liabilities included in trade and other payables and shareholders for dividend as their carrying amounts are a reasonable approximation of their fair values. In the case of loans receivable and loans payable, the directors consider the terms of the loans (including in particular, the interest rates applicable) to be commensurate with similar financial instruments between unrelated market participants and the carrying values are therefore assumed to approximate their fair values. In the case of financial assets included in trade and other receivables, cash and cash equivalents, bank overdrafts, financial liabilities included in trade and other payables and shareholders for dividend, the durations of the financial instruments are short and it is therefore assumed that the carrying values approximate their fair values.

13 RELATED PARTIES

There have been no material changes in the nature or value of the related party transactions reported in note 42 on page 153 of the annual integrated report for the year ended 30 June 2017.

14 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for the group's financial reporting period beginning after 1 July 2018. These are detailed in note 46 on page 167 of the annual integrated report for the year ended 30 June 2017. None of these standards or amendments have been early adopted in the preparation of these interim condensed consolidated financial statements. The key standards that are expected to have a potential or actual impact on the group's consolidated financial statements include *IFRS 9 – Financial instruments, IFRS 15 – Revenue from contracts with customers*, and *IFRS 16 – Leases*. No further progress has been made on the transition to these standards, subsequent to the preparation of the consolidated financial statements for the year end 30 June 2017 referred to above.

15 CHANGE IN DIRECTOR

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

ADMINISTRATION

DIRECTORS

Executive Chairman: Allen Ambor

Chief Executive Officer: Pierre van Tonder

Chief Operating Officer: Mark Farrelly

Chief Financial Officer: Ronel van Dijk (refer note 15)

Non-executive Directors: Keith Getz; Keith Madders; Tasneem Karriem

Independent Non-executive Directors: Dean Hyde; Muzi Kuzwayo; Dineo Molefe; Mntungwa Morojele

COMPANY INFORMATION

Spur Corporation Ltd (registration number 1998/000828/06)

Share code: SUR

ISIN: ZAE000022653

Company Secretary: Nazrana Hawa

Registered Office: 14 Edison Way, Century Gate Business Park, Century City, 7441

Transfer Secretaries: Computershare Investor Services (Pty) Ltd, Rosebank Towers,
15 Biermann Avenue, Rosebank, 2196

Sponsor: Sasfin Capital (A division of Sasfin Bank Ltd)

Website: www.spurcorporation.com

NOTES

GREYMATTER & FINCH # 12037