PASSIONATE PEOPLE BUILDING GREAT BRANDS

NOTICE AND PROXY OF ANNUAL GENERAL MEETING AND ABRIDGED (SUMMARISED AUDITED) CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

CONTENTS

LETTER TO SHAREHOLDERS

Dear Shareholder

NOTICE OF ANNUAL GENERAL MEETING AND PROXY
The booklet accompanying this letter is our detailed notice of annual general meeting for the Spur Corporation Ltd annual general meeting to be held at 11:00 on Friday, 1 December 2017 at 14 Edison Way, Century Gate Business Park, Century City, Cape Town ("the AGM"). We have also included abridged consolidated financial statements with explanatory notes and commentary, and a proxy form. These documents comply with the requirements of the Companies Act (Act No. 71 of 2008, as amended) ("the Act") and the JSE Limited ("JSE") Listings Requirements.

Printed copies of the full integrated annual report (incorporating a full set of audited financial statements) will only be mailed to shareholders on request. Should you wish to receive a printed copy of the integrated annual report, please forward an email request to spur@spur.co.za. The full integrated annual report is available for download on our website at www.spurcorporation.com.

Yours sincerely,

Nazrana Hawa
Company Secretary

29 September 2017

NOTICE OF ANNUAL GENERAL MEETING

Spur Corporation Limited
(Incorporated in the Republic of South Africa)
(Registration number 1998/000828/06)
Share code: SUR ISIN: ZAE 000022653
("the Company")

NOTICE IS HEREBY GIVEN that the next annual general meeting of the shareholders of the Company will be held at 11:00 on Friday, 1 December 2017 at 14 Edison Way, Century Gate Business Park, Century City, Cape Town to conduct the undermentioned business and for the undermentioned ordinary and special resolutions to be proposed:

PRESENTATION OF AUDITED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company, including the reports of the directors, audit committee, risk committee and the independent auditor, for the year ended 30 June 2017, will be presented to shareholders as required in terms of section 30(3)(d) of the Act. The directors' and independent auditor's reports are set out on pages 83 and 87 respectively of the integrated annual report, and the audit committee's and risk committee's reports are set out on pages 80 and 68 respectively thereof.

ORDINARY BUSINESS

To consider, and, if deemed fit, pass, the following ordinary resolutions (numbers 1 to 5), with or without modification (in order to be adopted, these resolutions require the support of more than 50% of the total number of votes exercisable by shareholders present or represented by proxy at the meeting):

1. **Ordinary Resolution Number 1 – The re-appointment of directors**
   "To re-elect the following directors who, in terms of the company's Memorandum of Incorporation, retire at the annual general meeting, but, being eligible, offer themselves for re-election:

   1.1 Muzi Kuzwayo – independent non-executive director;
   1.2 Mntungwa Morojele – independent non-executive director; and
   1.3 Dineo Molefe – independent non-executive director."

   Brief biographies of the aforementioned directors are included in Annexure 2 to this report.

   The appointments numbered 1.1 to 1.3 constitute separate ordinary resolutions and will be considered by separate votes.

2. **Ordinary Resolution Number 2 – The ratification of appointment of director**
   "To ratify the appointment of Tasneem Karriem, as director on the board, who was appointed on 12 April 2017 to replace Alan Keet, as shareholder representative of Grand Parade Investments Ltd."

   A brief biography of the aforementioned director is included in Annexure 2 of this report.

3. **Ordinary Resolution Number 3 – The re-appointment of the independent auditor and the designated auditor**
   "To re-appoint the firm KPMG Inc. as independent auditors, and Bronvin Heuvel as the individual designated auditor, of the Company for the ensuing period terminating on the conclusion of the next annual general meeting of the Company and to authorise the directors to determine the remuneration of the auditors for the past year."

4. **Ordinary Resolution Number 4 – The appointment of the audit committee for the ensuing year**

   "To elect the following directors, who are eligible and offer themselves for election, to the audit committee for the ensuing year, as recommended by the board in accordance with section 94(2) of the Act:

   4.1 Dean Hyde (chairman) – independent non-executive director;

   4.2 Dineo Molefe – independent non-executive director, subject to the passing of Ordinary Resolution Number 1.3 above; and

   4.3 Mntungwa Morojele – independent non-executive director, subject to the passing of Ordinary Resolution Number 1.2 above."

   Brief biographies of the aforementioned directors are included in Annexure 3 to this report.

   The appointments numbered 4.1 to 4.3 constitute separate ordinary resolutions and will be considered by separate votes.

5. **Ordinary Resolution Number 5 – Endorsement of remuneration policy**

   "To endorse, by way of a non-binding advisory vote, the group's remuneration policy as summarised in Annexure 4 to this report."

SPECIAL BUSINESS

To consider, and, if deemed fit, pass, the following special resolutions (numbers 1 to 3), with or without modification (in order to be adopted, these resolutions require the support of at least 75% of the total number of votes exercisable by shareholders present or represented by proxy at the meeting):

6. **Special Resolution Number 1 – The authority to repurchase shares**

   "To authorise the Company (or one of its subsidiaries) to repurchase or purchase, as the case may be, ordinary shares issued by the Company on such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject always to the provisions of sections 46 and 48 of the Act, the Listings Requirements of the JSE ("JSE Listings Requirements") and the following limitations:

   (i) that the repurchase of shares be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);

   (ii) that this authority shall not extend beyond 15 months from the date of this resolution or the date of the next annual general meeting, whichever is the earlier date;

   (iii) that authorisation thereto is given by the Company's Memorandum of Incorporation;

   (iv) that an announcement be made giving such details as may be required in terms of the JSE Listings Requirements when the Company (or a subsidiary or subsidiaries collectively) has cumulatively repurchased 3% of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter;

   (v) at any one time, the Company (or any subsidiary) may only appoint one agent to effect any repurchase on behalf of the Company or any subsidiary (as the case may be);

   (vi) the repurchase of shares by the Company or its subsidiaries will not take place during a prohibited period as defined by the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation), and this programme has been submitted to the JSE in writing. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

(vii) the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% of the Company's issued share capital at the time this authority is given, provided that a subsidiary of the Company (or subsidiaries of the Company collectively) shall not hold in excess of 10% of the number of shares issued by the Company;

(viii) the repurchase of shares may not be made at a price greater than 10% above the weighted average traded price of the market value of the shares as determined over the five business days immediately preceding the date on which the transaction was effected; and

(ix) prior to entering the market to proceed with the repurchase, the board of the Company shall have passed a resolution that it has authorised the repurchase, that the Company and its subsidiaries have passed the solvency and liquidity tests as set out in section 4 of the Act and confirming that, since the tests were performed, there had been no material changes to the financial position of the group."

The reason for this special resolution is, and the effect thereof will be, to grant, in terms of the provisions of the Act and the JSE Listings Requirements, and subject to the terms and conditions embodied in the said special resolution, a general authority to the directors to approve the acquisition by the Company of its own shares, or by a subsidiary (or subsidiaries) of the Company of the Company's shares, which authority shall be used by the directors at their discretion during the course of the period so authorised.

Disclosures required in terms of the JSE Listings Requirements
In terms of the JSE Listings Requirements, the following disclosures are required with reference to the repurchase of the Company's shares as set out in Special Resolution Number 1 above:

Statement of directors
As at the date of this report, the Company's directors undertake that, after considering the effect of the maximum repurchase permitted, they will not implement any such repurchase unless the provisions of sections 4 and 48 of the Act will be complied with and for a period of 12 months after such general repurchase:

(i) the Company and the group will be able, in the ordinary course of business, to pay its debts;
(ii) the assets of the Company and the group will be in excess of the liabilities of the Company and the group, recognised and measured in accordance with International Financial Reporting Standards;
(iii) the share capital and reserves of the Company and the group will be adequate for ordinary business purposes;
(iv) the working capital resources of the Company and the group will be adequate for ordinary business purposes; and
(v) the Company and the group have complied with the applicable provisions of the Act and the JSE Listings Requirements.

Directors' responsibility statement
The directors, whose names are given in Annexure 11 to this report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all information required by law and the JSE Listings Requirements.

Material changes
Other than the facts and developments reported on in this report, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this report and the posting date thereof.

The following further disclosures required in terms of the JSE Listings Requirements are set out in accordance with the reference pages in the report of which this notice forms part:

– Major shareholders of the Company (refer Annexure 7 to this report); and
– Share capital (refer Annexure 8 to this report).

7. Special Resolution Number 2 – The authority to provide financial assistance

"To authorise the directors in terms of, and subject to, the provisions of sections 44 and/or 45 of the Act to cause the Company to, from time to time, provide any direct and/or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise) for a period of two years commencing on the date of this special resolution to any of its present or future subsidiaries and/or any other company or corporation which is or becomes related or inter-related to the Company for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related company or for the purchase of any securities of the Company or related or inter-related company; provided that the board is satisfied that immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity tests contemplated in section 4 of the Act, that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company and that the conditions or restrictions in respect of the granting of the financial assistance which may be set out in the Company's Memorandum of Incorporation have been satisfied."

The reason for this special resolution is, and the effect thereof will be, to authorise the board to cause the Company to provide financial assistance to any entity which is related or inter-related to the Company.

8. Special Resolution Number 3 – The authority to pay non-executive directors' remuneration

"To approve the board's recommendation in respect of remuneration of non-executive directors for services in their capacity as directors (including services rendered on any board committee), as contemplated in section 66(9) of the Act, with effect from 1 July 2017, until the expiry of a period of 24 months from the date of passing of this Special Resolution Number 3 (or until amended by special resolution of shareholders prior to the expiry of such period), which remuneration is, in the aggregate for each non-executive director, R425 000 (excluding VAT, where applicable) per annum as detailed in Annexure 5 to this report."

The reason for, and the effect of, this special resolution is to enable the Company to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the Act, which stipulate that, subsequent to the commencement date of the Act on 1 May 2011, remuneration to directors for their services as directors may be paid only in accordance with a special resolution approved by shareholders within the previous two years.

VOTING PROXIES

In terms of section 63(1) of the Act, before any person may attend or participate in a shareholders meeting such as the meeting convened in terms of this notice of general meeting, that person must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified. The Company will regard presentation of an original of a meeting participant's valid driver's licence, identity document or passport to be satisfactory identification.

On a show of hands, every shareholder present in person or by proxy and if a member is a body corporate, its representative, shall have one vote, and on a poll, every shareholder present in person or by proxy and if the person is a body corporate, its representative, shall have one vote for every share held or represented by him.

A form of proxy is attached for completion by registered certificated shareholders and dematerialised shareholders with own name registration who are unable to attend the annual general meeting in person.

Forms of proxy may be presented at any time prior to or at the annual general meeting and also at the Company's registered office, or the Company's transfer secretaries. Should forms of proxy be presented at the Company's transfer secretaries, these must be completed and received by Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Postal Address: PO Box 61051, Marshalltown, 2107) ("Transfer Secretaries") by 11:00 on Thursday, 30 November 2017.

1. Registered certificated shareholders and dematerialised shareholders with own name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting to the exclusion of their appointed proxy/(ies) should such member wish to so do.

2. Dematerialised shareholders, other than with own name registrations, must inform their CSDP or broker of their intention to attend the annual general meeting and obtain the necessary authorisation from their CSDP or broker to attend the annual general meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the annual general meeting in person but wish to be represented thereat. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in his/her stead.

Shares held by a share trust or scheme will not have their votes at the annual general meeting taken into account for purposes of the resolutions proposed in terms of the JSE Listings Requirements. Shares held as treasury shares will not have their votes taken into account at the annual general meeting.

RELEVANT DATES

Date of posting of this notice of AGM and announcement of AGM on SENS	Friday, 29 September 2017
Record date to determine which shareholders are entitled to receive the notice of annual general meeting	Friday, 22 September 2017
Last day to trade in order to be eligible to attend and vote at the annual general meeting	Tuesday, 21 November 2017
Record date to determine which shareholders are entitled to attend and vote at the annual general meeting	Friday, 24 November 2017
Forms of proxy to be lodged at the Company's transfer secretaries by 11:00 on	Thursday, 30 November 2017
Forms of proxy to be received at the annual general meeting of the Company by 11:00 on	Friday, 1 December 2017
Annual general meeting of the Company to be held at 11:00 on	Friday, 1 December 2017
Results of the annual general meeting announced on SENS	Friday, 1 December 2017

By order of the board

Nazrana Hawa
Secretary

Cape Town
29 September 2017

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	2017 R'000	2016 R'000
Continuing operations		
Revenue	**648 016**	633 069
Cost of sales	**(178 680)**	(166 850)
Gross profit	**469 336**	466 219
Other income[1]	**24 788**	26 703
Administration expenses[2]	**(148 366)**	(157 584)
Distribution expenses	**(4 663)**	(4 730)
Franchise operations expenses	**(85 309)**	(72 471)
Impairment losses[3]	**(50 970)**	(18 969)
Other non-trading losses[4]	**(777)**	–
Retail operating expenses	**(29 894)**	(18 602)
Operating profit before finance income	**174 145**	220 566
Net finance income	**36 522**	35 602
Interest income	**36 606**	35 680
Interest expense	**(84)**	(78)
Share of profit/(loss) of equity-accounted investee (net of income tax) (refer note 6)	**24**	(8 601)
Profit before income tax	**210 691**	247 567
Income tax expense	**(76 676)**	(76 540)
Profit from continuing operations	**134 015**	171 027
Discontinued operation		
Profit/(loss) from discontinued operation (net of income tax) (refer note 3)	**4 084**	(31 727)
Profit	**138 099**	139 300
Other comprehensive income#:	**(4 462)**	8 460
Foreign currency translation differences for foreign operations	**(4 473)**	26 715
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	**–**	(7 038)
Tax on reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	**–**	(1 591)
Foreign exchange gain/(loss) on net investments in foreign operations	**11**	(12 835)
Tax on foreign exchange loss on net investments in foreign operations	**–**	3 209
Total comprehensive income	**133 637**	147 760

	2017 R'000	2016 R'000
Profit attributable to:		
Owners of the company	**134 143**	135 619
Non-controlling interests	**3 956**	3 681
Profit	**138 099**	139 300
Total comprehensive income attributable to:		
Owners of the company	**129 681**	144 016
Non-controlling interests	**3 956**	3 744
Total comprehensive income	**133 637**	147 760
Earnings per share (cents) (refer note 5)		
Basic earnings	**139.98**	141.34
Diluted earnings	**139.82**	141.31
Earnings per share (cents) – continuing operations (refer note 5)		
Basic earnings	**135.60**	174.64
Diluted earnings	**135.44**	174.61

[1] *Includes marketing fund administration fee income of R23.605 million (2016: R21.165 million). The prior year includes a fair value gain of R3.723 million on the RocoMamas contingent consideration liability (refer note 10).*

[2] *Includes amortisation of intangible assets of R1.886 million (2016: R0.010 million), depreciation of R8.652 million (2016: R6.445 million), a share-based payment credit of R3.795 million (2016: R2.361 million) relating to the group's cash-settled long-term share-linked employee retention scheme (refer note 11), a share-based payment charge of R0.985 million (2016: R0.827 million) relating to the group's equity-settled long-term share-linked incentive schemes (refer note 9), a fair value loss on the derivative financial instruments relating to the group's cash-settled long-term share-linked employee retention scheme of R5.791 million (2016: R27.714 million) (refer note 12), and foreign exchange losses of R0.799 million (2016: R3.768 million).*

[3] *Relates to the impairment of the Captain DoRegos trademarks and related intellectual property intangible assets (refer note 7) of R6.778 million (2016: R18.969 million), and the loans advanced to equity-accounted associate, Braviz Fine Foods (Pty) Ltd of R44.192 million (2016: Rnil) (refer note 6).*

[4] *Includes a fair value loss on the RocoMamas contingent consideration liability of R0.777 million (2016: Rnil) (refer note 10).*

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

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

	2017 R'000	2016 R'000
ASSETS		
Non-current assets	**579 085**	610 980
Property, plant and equipment	**100 319**	95 480
Intangible assets and goodwill	**362 101**	365 417
Loans receivable	**110 730**	143 739
Deferred tax	**1 450**	1 310
Leasing rights	**4 485**	5 034
Current assets	**412 084**	455 742
Inventories	**12 731**	12 148
Tax receivable	**41 479**	36 214
Trade and other receivables	**72 836**	96 587
Loans receivable	**19 085**	24 211
Cash and cash equivalents	**265 953**	286 582
TOTAL ASSETS	**991 169**	1 066 722
EQUITY		
Total equity	**837 176**	864 663
Ordinary share capital	**1**	1
Share premium	**294 663**	294 663
Shares repurchased by subsidiaries (refer note 8)	**(102 956)**	(97 963)
Foreign currency translation reserve	**26 249**	30 711
Share-based payments reserve (refer note 9)	**1 812**	827
Retained earnings	**605 388**	622 054
Total equity attributable to owners of the company	**825 157**	850 293
Non-controlling interests	**12 019**	14 370
LIABILITIES		
Non-current liabilities	**63 600**	81 537
Contingent consideration liability (refer note 10)	**–**	13 565
Employee benefits (refer note 11)	**–**	3 981
Derivative financial liability (refer note 12)	**–**	3 425
Operating lease liability	**2 676**	2 191
Deferred tax	**60 924**	58 375
Current liabilities	**90 393**	120 522
Bank overdrafts	**4 491**	1 155
Tax payable	**880**	2 397
Trade and other payables	**60 313**	68 437
Loans payable	**6 912**	25 746
Contingent consideration liability (refer note 10)	**5 797**	9 726
Employee benefits (refer note 11)	**885**	3 829
Derivative financial liability (refer note 12)	**10 572**	8 761
Shareholders for dividend	**543**	471
TOTAL EQUITY AND LIABILITIES	**991 169**	1 066 722

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

	Ordinary share capital and share premium (net of treasury shares) R'000	Retained earnings and other reserves R'000	Non-controlling interests R'000	Total R'000
Balance at 1 July 2015	**206 042**	**640 989**	**7 064**	**854 095**
Total comprehensive income for the year	**–**	**144 016**	**3 744**	**147 760**
Profit for the year	–	135 619	3 681	139 300
Other comprehensive income	–	8 397	63	8 460
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	**(9 341)**	**(131 309)**	**(2 042)**	**(142 692)**
Equity-settled share-based payment (refer note 9)	–	863	–	863
Indirect costs arising on intra-group sale of shares related to equity-settled share-based payment (refer note 9)	–	(679)	–	(679)
Own shares acquired (refer note 8)	(9 341)	–	–	(9 341)
Dividends	–	(131 493)	(2 042)	(133 535)
Changes in ownership interests in subsidiaries	**–**	**(104)**	**5 604**	**5 500**
Disposal of non-controlling interest in subsidiary without a change in control (refer note 14.1)	–	(104)	5 604	5 500
Total transactions with owners	**(9 341)**	**(131 413)**	**3 562**	**(137 192)**
Balance at 30 June 2016	**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 9)	–	1 168	–	1 168
Indirect costs arising on intra-group sale of shares related to equity-settled share-based payment (refer note 9)	–	(860)	–	(860)
Own shares acquired (refer note 8)	(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 13 and 14.1)	–	(12 131)	(2 427)	(14 558)
Total transactions with owners	**(4 993)**	**(149 824)**	**(6 307)**	**(161 124)**
Balance at 30 June 2017	**191 708**	**633 449**	**12 019**	**837 176**

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE

	2017 R'000	2016 R'000
Cash flow from operating activities		
Operating profit before working capital changes[1]	**236 229**	249 493
Working capital changes	**(1 515)**	(7 326)
Cash generated from operations	**234 714**	242 167
Interest income received	**25 201**	24 370
Interest expense paid	**(84)**	(116)
Tax paid	**(85 303)**	(100 256)
Dividends paid	**(141 809)**	(133 546)
Net cash flow from operating activities	**32 719**	32 619
Cash flow from investing activities		
Additions of intangible assets	**(3 760)**	(231)
Additions of property, plant and equipment[2]	**(13 692)**	(45 598)
Cash (outflow)/inflow from share-based payment hedge (refer note 12)	**(7 405)**	12 653
Disposals of subsidiaries (refer note 3)	**(1 358)**	–
Loan advanced to Captain DoRegos Marketing Fund	**–**	(430)
Loans advanced to franchisees	**(7 318)**	(11 351)
Loan repaid by associate company	**3 000**	500
Proceeds from disposal of property, plant and equipment[3]	**347**	8 143
Repayment of loans receivable	**11 409**	18 377
Net cash flow from investing activities	**(18 777)**	(17 937)
Cash flow from financing activities		
Acquisition of non-controlling interest without a change in control (refer note 13)	**(14 035)**	–
Acquisition of treasury shares (refer note 8)	**(4 993)**	(9 341)
Loan repaid to non-controlling shareholders	**(380)**	(485)
Settlement of contingent consideration (refer note 10)	**(18 271)**	(20 369)
Net cash flow from financing activities	**(37 679)**	(30 195)
Net movement in cash and cash equivalents	**(23 737)**	(15 513)
Effect of foreign exchange fluctuations	**(228)**	(354)
Net cash and cash equivalents at beginning of year	**285 427**	301 294
Net cash and cash equivalents at end of year	**261 462**	285 427

Refer note 3 for cash flows attributable to discontinued operation.

[1] *Includes a gross cash outflow of R3.130 million (2016: R18.445 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 11). The prior year includes a gross cash inflow of R15.766 million relating to the disposal of the Silver Lake Spur and Apache Spur leases in the UK (also refer note 3).*

[2] *The prior year includes the building cost of the new Cape Town corporate offices of R26.9 million, and the fit-out of the company-owned The Hussar Grills in Morningside and Mouille Point and RocoMamas in Green Point (also refer note 14).*

[3] *The prior year includes an inflow of R7.902 million arising on the disposal of the assets of Cheyenne Spur in the UK (also refer note 3).*

NOTES TO THE ABRIDGED (SUMMARISED AUDITED) CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These abridged (summarised audited) consolidated financial statements for the year ended 30 June 2017 have been extracted from the audited financial statements for the year then ended, but are not audited themselves. The directors take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying audited financial statements. These abridged (summarised audited) consolidated financial statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports and the requirements of the South African Companies Act (Act No. 71 of 2008, as amended) as applicable to summarised financial statements.

The audited financial statements from which the abridged (summarised audited) financial statements are extracted have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2. AUDIT REPORT

The financial statements from which this abridged report was extracted were audited by KPMG Inc., who expressed an unmodified opinion thereon. The audited financial statements and the auditor's report thereon are available for inspection at the company's registered office.

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

3. DISCONTINUED OPERATION – UNITED KINGDOM (continued)

During the current year:

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

The impact of the above disposals is as follows:

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

The results of the discontinued operation are illustrated below:

	2017 R'000	2016 R'000
Revenue	–	104 302
Gross profit	–	71 790
Operating profit/(loss) before finance income	4 084	(28 871)
Net finance income	–	24
Profit/(loss) before income tax	4 084	(28 847)
Income tax expense	–	(2 880)
Profit/(loss) for the year	4 084	(31 727)
Profit/(loss) attributable to owners of the company	4 205	(31 957)
Non-controlling interests	(121)	230
Profit/(loss) for the year	4 084	(31 727)
Basic earnings per share (cents)	4.38	(33.30)
Diluted earnings per share (cents)	4.38	(33.30)
The cash flows of the discontinued operation are listed below:		
Net cash flow from operating activities	(3 135)	(11 022)
Net cash flow from investing activities	(1 525)	5 757
Net cash flow from financing activities	(380)	(484)
Net movement in cash and cash equivalents for the year	(5 040)	(5 749)

Further details of the above-listed transactions are listed below:

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

4. OPERATING SEGMENTS

	2017 R'000	2016 R'000
External revenue		
Manufacturing and distribution	**181 834**	180 750
Franchise – Spur	**217 918**	229 953
Franchise – Pizza and Pasta	**35 471**	32 501
Franchise – John Dory's	**19 699**	18 528
Franchise – Captain DoRegos	**2 812**	4 534
Franchise – The Hussar Grill	**4 733**	3 607
Franchise – RocoMamas	**23 809**	17 415
Retail (refer note b)	**63 569**	48 139
Other South Africa (refer note c)	**62 851**	61 905
Total South African segments	**612 696**	597 332
Unallocated – South Africa	**3 269**	2 617
Total South Africa	**615 965**	599 949
United Kingdom (refer note 3) (discontinued)	**–**	104 302
Australasia	**9 870**	10 948
Other International (refer note e)	**22 181**	22 172
Total International	**32 051**	137 422
TOTAL EXTERNAL REVENUE	**648 016**	737 371
Profit/(loss) before income tax		
Manufacturing and distribution	**66 243**	68 486
Franchise – Spur	**188 047**	206 052
Franchise – Pizza and Pasta	**22 967**	22 064
Franchise – John Dory's	**9 715**	9 558
Franchise – Captain DoRegos (refer note a)	**(8 040)**	(17 851)
Franchise – The Hussar Grill	**4 092**	2 789
Franchise – RocoMamas	**16 457**	12 210
Retail (refer note b)	**4 633**	927
Other South Africa (refer note c)	**(3 188)**	1 198
Total South African segments	**300 926**	305 433
Unallocated – South Africa (refer note d)	**(93 794)**	(53 071)
Total South Africa	**207 132**	252 362
United Kingdom (refer note 3) (discontinued)	**4 084**	(28 847)
Australasia	**(111)**	3 177
Other International (refer note e)	**8 991**	10 955
Total International segments	**12 964**	(14 715)
Unallocated – International (refer note f)	**(5 345)**	(10 326)
Total International	**7 619**	(25 041)
PROFIT BEFORE INCOME TAX AND SHARE OF PROFIT/(LOSS) OF EQUITY-ACCOUNTED INVESTEE	**214 751**	227 321
Share of profit/(loss) of equity-accounted investee (net of income tax) (refer note 6)	**24**	(8 601)
PROFIT BEFORE INCOME TAX	**214 775**	218 720

Notes

a) ***Captain DoRegos*** – Includes an impairment loss of R6.778 million (2016: R18.969 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 (also refer note 7).

b) ***Retail*** – This segment comprises the group's interests in local restaurants consisting of four The Hussar Grill restaurants and one RocoMamas outlet. The Hussar Grill in Morningside (Gauteng) commenced trading in September 2015 and the RocoMamas in Green Point (Western Cape) commenced trading in December 2015. The Hussar Grill in Green Point was relocated to Mouille Point during the prior year and did not trade for the month of November 2015. Also refer to note 14 for further 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 an impairment loss relating to the funding of equity-accounted associate, Braviz Fine Foods (Pty) Ltd, of R44.192 million (also refer note 6). Includes a credit in respect of cash-settled share-based payments of R3.795 million (2016: R2.361 million) and a fair value loss in respect of a related economic hedge of R5.791 million (2016: R27.714 million) (also refer notes 11 and 12). Includes an equity-settled share-based payment charge of R0.985 million (2016: R0.827 million) (also refer note 9). Includes a fair value loss relating to the RocoMamas contingent consideration liability of R0.777 million (2016: gain of R3.723 million) (also refer note 10). Includes a loss of R1.206 million (2016: R0.259 million) arising from The Spur Foundation Trust, a consolidated structured entity, all of which is attributable to non-controlling interests.

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 R0.716 million (2016: R3.756 million).

5. EARNINGS PER SHARE

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

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

5. EARNINGS PER SHARE (continued)

		2017 '000	2016 '000
5.2	**Reconciliation of shares in issue to weighted average and dilutive weighted average number of ordinary shares**		
	Shares in issue at beginning of year	**108 481**	108 481
	Shares repurchased at beginning of year (refer note 8)	**(12 647)**	(12 361)
	Shares repurchased during the year weighted for period held by the group (refer note 8)	**(6)**	(165)
	Weighted average number of ordinary shares in issue for the year	**95 828**	95 955
	Dilutive potential ordinary shares weighted for period outstanding (refer note 9)	**110**	17
	Dilutive weighted average number of shares in issue for the year	**95 938**	95 972

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

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2017				
Impairment of intangible assets (refer note 7)	**6 778**	**(1 518)**	**–**	**5 260**
Loss on disposal of property, plant and equipment	**5**	**(1)**	**(1)**	**3**
Loss on disposal of subsidiary (refer note 3)	**12**	**–**	**–**	**12**
Profit on disposal of property, plant and equipment	**(167)**	**47**	**–**	**(120)**
Profit on disposal of subsidiaries (refer note 3)	**(5 435)**	**–**	**–**	**(5 435)**
	1 193	**(1 472)**	**(1)**	**(280)**
2016				
Impairment of intangible assets (refer note 7)	18 969	(4 249)	–	14 720
Loss on disposal of goodwill (refer note 3)	444	–	–	444
Loss on disposal of property, plant and equipment (refer note 3)	24 990	2 796	(1 482)	26 304
Profit on disposal of property, plant and equipment (refer note 3)	(5 523)	1 040	2	(4 481)
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations (refer note 3)	(7 038)	(1 591)	–	(8 629)
	31 842	(2 004)	(1 480)	28 358

5. EARNINGS PER SHARE (continued)

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

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2017				
Impairment of intangible assets (refer note 7)	**6 778**	**(1 518)**	**–**	**5 260**
Loss on disposal of property, plant and equipment	**5**	**(1)**	**(1)**	**3**
Profit on disposal of property, plant and equipment	**(167)**	**47**	**–**	**(120)**
	6 616	**(1 472)**	**(1)**	**5 143**
2016				
Impairment of intangible assets (refer note 7)	18 969	(4 249)	–	14 720
Loss on disposal of property, plant and equipment	112	(32)	(5)	75
Profit on disposal of property, plant and equipment	(64)	18	2	(44)
	19 017	(4 263)	(3)	14 751

6. INTEREST IN EQUITY-ACCOUNTED INVESTEE

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

The interest in equity-accounted investee comprises a 30% equity interest in associate, Braviz Fine Foods (Pty) Ltd, a start-up rib manufacturing facility based in Johannesburg (South Africa), acquired with effect from 18 March 2014. The entity commenced operations in January 2015.

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

6. INTEREST IN EQUITY-ACCOUNTED INVESTEE (continued)

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

The bridging finance loan was advanced to serve as short-term bridging finance for the associate in question. The loan bears interest at 2% (2016: 4%) above the prime overdraft rate of interest and is secured by way of a cession of trade debtors and general notarial bond over moveable assets. The interest payments for May 2017 and June 2017 are outstanding. The loan was repayable by 30 June 2017, but the counterparty failed to repay the loan.

The breach of the terms of the respective loan accounts referred to above served as an indication of impairment as at the reporting date. The shareholders are not prepared to provide further financial support to the company. Subsequent to the reporting date, the board of directors of Braviz resolved to commence voluntary liquidation proceedings in the event that the shareholders are unable to conclude a deal to enhance the ability of the associate to settle its debts in the ordinary course of business. No such deal has been concluded, and the board considers it likely that the associate company will be liquidated. As at 30 June 2017, Braviz was in a net liability position of R73.958 million. The majority of the associate's assets are pledged as security for external borrowings and rank ahead of the group's receivables. On this basis, the board has concluded that the prospects of recovering a material part of the receivables is remote, and the full extent of the receivables has consequently been impaired.

	2017 R'000	2016 R'000
The following is summarised financial information for Braviz Fine Foods (Pty) Ltd based on its financial statements prepared in accordance with IFRS:		
Non-current assets (100%)	**91 961**	137 309
Current assets (100%)	**27 546**	18 024
Non-current liabilities (100%)	**(154 724)**	(160 855)
Current liabilities (100%)	**(38 741)**	(30 539)
Net liabilities (100%)	**(73 958)**	(36 061)
Group's share of net liabilities (30%)	**(22 187)**	(10 819)
Goodwill implicit in carrying value of equity-accounted investee	**606**	606
Cumulative losses allocated to loan to equity-accounted investee	**10 189**	10 213
Cumulative losses not recognised by group	**11 392**	–
Carrying amount of interest in associate	**–**	–

	2017 R'000	2016 R'000
Revenue (100%)	**138 624**	161 578
Loss from continuing operations (100%)	**(37 897)**	(28 670)
Other comprehensive income (100%)	**–**	–
Total comprehensive income (100%)	**(37 897)**	(28 670)
Attributable to the group	**(11 368)**	(8 601)
Recognised by the group	**24**	(8 601)
Not recognised by the group	**(11 392)**	–
Attributable to the investee's other shareholders	**(26 529)**	(20 069)
Included in the net liabilities above are the following loans owed to the group:		
Shareholder loan – impaired by group	**47 745**	45 017
Short-term bridging finance – impaired by group	**6 636**	9 500

7. IMPAIRMENT OF CAPTAIN DOREGOS INTANGIBLE ASSET

The Captain DoRegos brand is a value-oriented takeaway chain offering a combination of chicken, seafood and burgers to consumers, operating through 41 franchised outlets locally and three 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. In addition, as the trademark and related intellectual property assets are indefinite useful life assets, a mandatory impairment test is conducted annually.

In assessing the recoverable amount of the cash-generating unit, the directors have estimated the value-in-use of the cash-generating unit. Given the nature of the franchise business, the directors consider that the cash-generating unit's fair value less costs to sell is unlikely to differ significantly from its value-in-use. Prior to any current year impairment, the carrying value of the cash-generating unit, which comprised predominantly the value of the intangible assets, amounted to R6.778 million at the reporting date, following an impairment loss in the prior year of R18.969 million (R14.720 million after tax).

In determining the value-in-use of the cash-generating unit, the directors applied the following key assumptions which were based on historic performance:

- Cash inflows, comprising franchise fees, were estimated based on conservative budgets for the 2018 financial year and increases of 5.0% per annum for the 2019 to 2022 forecast horizon based on historic experience, adjusting for a net two new stores in each year.
- Cash outflows for the 2018 financial year were estimated based on detailed expense budgets prepared by management adjusted for the remainder of the forecast period as detailed below.
- Operating expenses were estimated to increase by inflation of 6.5%, and employment-related costs by 7.0% per annum.
- Growth of cash flows in perpetuity beyond the forecast horizon was estimated at 3%.
- Pre-tax cash flows were discounted at a pre-tax rate of 19.0%, being the risk free rate adjusted for risk factors.

Based on the value-in-use calculation, 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, resulting in a further impairment loss of R6.778 million (attributable to the intangible assets) being included in profit before income tax for the year. A corresponding deferred tax credit of R1.518 million has been recognised in profit, resulting in a net loss included in profit attributable to ordinary shareholders of R5.260 million.

7. IMPAIRMENT OF CAPTAIN DOREGOS INTANGIBLE ASSET (continued)

Three of the key variables in determining the recoverable amount above and the impact of a reasonably possible change in each variable on the recoverable amount are listed below:

	Increase in recoverable amount and decrease in profit before income tax
	2017 R'000
Change in variable:	
Revenue growth	
– Increased by 2%	**1 316**
– Decreased by 2%	**–**
Discount rate	
– Increased by 2%	**–**
– Decreased by 2%	**348**
Growth in perpetuity	
– Increased by 2%	**208**
– Decreased by 2%	**–**

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 has forgiven the loan as at the reporting date. Consequently, a bad debt of R0.986 million has been recognised in profit before income tax.

8. SHARES REPURCHASED BY SUBSIDIARIES

During the year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 165 000 (2016: 285 500) Spur Corporation Ltd shares at an average cost of R30.26 (2016: R32.72) per share, totalling R4.993 million (2016: R9.341 million). A further 100 000 shares were transferred from Share Buy-back (Pty) Ltd to The Spur Foundation Trust, in accordance with a previously approved shareholders resolution to donate 500 000 of the company's shares (100 000 per annum over a period of five years). In addition, a wholly-owned subsidiary of the company, Spur Group (Pty) Ltd, acquired 159 000 (2016: 155 000) shares to be held in escrow on behalf of participants of the Spur Group Forfeitable Share Plan (refer note 9), at a cost of R5.403 million (2016: R4.498 million) from The Spur Management Share Trust. At the reporting date, the group owned 6 136 901 (2016: 5 912 901) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, at a total cost of R104.995 million (2016: R95.228 million).

The balance per the statement of financial position comprises the cost of the Spur Corporation Ltd shares that have been repurchased by subsidiaries, Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, those held by The Spur Management Share Trust, a consolidated structured entity, for the purposes of the group's share incentive schemes (refer note 9) and those held by The Spur Foundation Trust, a consolidated structured entity. At the reporting date, the entities in question held 12 811 599 (2016: 12 646 599) of the company's shares in aggregate.

9. SHARE-BASED PAYMENTS RESERVE

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

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

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

9. SHARE-BASED PAYMENTS RESERVE (continued)

The terms of each tranche are as follows:

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

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

The shares awarded during the year were existing shares held by consolidated structured entity, The Spur Management Share Trust (i.e. treasury shares). Costs and capital gains tax associated with the transfer amounted to R0.065 million (2016: R0.054 million) and R0.795 million (2016: R0.625 million) respectively, both of which have been charged directly against equity (retained earnings).

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

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

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

Dilution
The FSP forfeitable shares granted resulted in 110 351 (2016: 16 582) dilutive potential ordinary shares for the year (refer note 5). As the performance conditions of the SAR Scheme rights, as assessed at the reporting date, had not been met to result in any vesting of the rights, no adjustment has been made to the dilutive weighted average number of shares in issue in respect of these contingently issuable shares.

10. CONTINGENT CONSIDERATION LIABILITY

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

The purchase consideration for 51% of RocoMamas Franchise Co (Pty) Ltd ("RocoMamas"), acquired on 1 March 2015, is determined as five times RocoMamas' profit before income tax of the third year following the date of acquisition. Following an initial payment of R2.000 million on the effective date, annual payments (or refunds as the case may be) are due on the first, second and third anniversaries of the acquisition date, calculated as five times the profit before income tax of the year immediately preceding the anniversary date, less any aggregate payments already made.

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

10. CONTINGENT CONSIDERATION LIABILITY (continued)

Fair value measurement

The fair value is based on the expected aggregate purchase consideration payments, discounted to present value using a risk-adjusted discount rate of 21.60% (2016: 26.40%), being the weighted average cost of capital of the subsidiary.

The expected purchase consideration payments were determined by considering various possible scenarios, and the probability of each scenario, taking into consideration:

- the expected store roll-out plan, the average store turnover of new outlets, and the anticipated growth in store turnover of existing outlets;
- the expected growth in human resources to support the growing store base; and
- inflationary increases in anticipated costs.

The liability is 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.

Refer note 15 for more information concerning fair value sensitivity.

11. EMPLOYEE BENEFITS

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

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

During the year, on 15 December 2016, the fourth tranche of 1.5 million share appreciation rights, with a grant-date strike price of R30.38 per share, vested and was settled in cash, at an exercise price of R32.50 per share. During the prior year, on 15 December 2015, the third tranche of 1.5 million share appreciation rights, with a grant-date strike price of R21.29 per share, vested and was settled in cash, at an exercise price of R33.55 per share.

In accordance with the rules of the scheme, the liquidity risk arising from obligations in respect of the rights in issue is to be hedged economically (refer note 12).

The fair values of the rights are determined at each reporting date and recognised in profit or loss over the vesting period of the rights.

	Tranche 4	Tranche 5
The terms of each tranche of share appreciation rights are as follows:		
Grant date	13 December 2013	15 December 2014
Number of rights granted	1 500 000	1 500 000
Strike price per right	R30.38	R30.91
Exercise date	15 December 2016	14 December 2017
Exercise price	50-day VWAP at 15 December 2016	50-day VWAP at 14 December 2017

The rights are compulsorily exercisable on the exercise date. The gain on each right is calculated as the difference between the 50-day volume-weighted average price ("VWAP") of the Spur Corporation Ltd shares on the exercise date and the strike price. The strike price was determined as the average share price utilised in the costing of the forward purchase contracts detailed in note 12. The gain will be settled in cash on the exercise date. Should there be no gain at the exercise date, the rights are cancelled without any recourse.

12. DERIVATIVE FINANCIAL LIABILITIES

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

The contracts were concluded to hedge the upside price risk of the Spur Corporation Ltd share that the group is exposed to in respect of the cash-settled share appreciation rights detailed in note 11. The forward purchase contracts for the fourth and fifth tranches of the share appreciation rights were concluded on 13 December 2013 and 15 December 2014 respectively.

The fourth (2016: third) tranche of share appreciation rights vested on 15 December 2016 (2016: 15 December 2015) and was settled in cash during the year. The related forward purchase contract matured on the same date resulting in a payment by/to the group from the counterparty as indicated above.

12. DERIVATIVE FINANCIAL LIABILITIES (continued)

The fair values of the forward purchase contracts are determined at each reporting date and any changes in the values are recognised in profit or loss.

	Tranche 4	Tranche 5
The terms of each of the contracts are as follows:		
Contract trade date	13 December 2013	15 December 2014
Number of shares	1 500 000	1 500 000
Forward price per share	R37.57	R35.94
Settlement date	15 December 2016	14 December 2017
Settlement price	50-day VWAP at 15 December 2016	50-day VWAP at 14 December 2017

The forward purchase contracts are to be settled in cash on the respective settlement dates. The amounts settled are calculated as the difference between the 50-day volume-weighted average price ("VWAP") of the Spur Corporation Ltd shares on the settlement date and the forward price. In the event that this difference is positive, the counterparty will settle this difference with the group; should the difference be negative, the group is required to settle this difference with the counterparty.

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

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

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

14. CHANGES IN LOCAL RETAIL OPERATIONS

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

During the prior year, with effect from 15 November 2015, Opilor (Pty) Ltd, a subsidiary of the group (previously wholly owned), acquired the lease and property, plant and equipment of an existing restaurant site in Mouille Point, Cape Town for R5.400 million and R0.100 million respectively. The subsidiary in question issued shares in that entity of the equivalent value to the seller in settlement of the purchase price of the transaction, such that the group's ownership interest in the entity reduced from 100% to 68%. The difference in the value of net assets attributed to non-controlling interests and the value of the shares issued to the non-controlling shareholder amounted to R0.104 million, which was charged directly to equity (retained earnings). The carrying value of the lease acquired is being amortised on a straight-line basis over the remaining lease term (of 118 months as at the transaction date).

Prior to the transaction above, Opilor (Pty) Ltd owned The Hussar Grill in Green Point, Cape Town. Following the transaction, The Hussar Grill in Green Point was relocated to the newly acquired site in Mouille Point and consequently did not trade for the month of November 2015. During the prior year, the entity incurred costs and losses of R0.607 million (before tax) relating to the relocation and acquired property, plant and equipment of R2.551 million. The entity in question then established a new RocoMamas outlet at the Green Point site, which commenced trading in December 2015. The outlet earned a profit before income tax of R0.151 million for the year (2016: a loss of R1.881 million (including initial trading and start-up losses)), and acquired property, plant and equipment of R3.531 million during the prior year.

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

14.2 The Hussar Grill Morningside – prior year

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

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

15.1 Forward purchase derivative financial liabilities

The forward purchase derivative financial liabilities (disclosed as derivative financial liabilities on the face of the statement of financial position) 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 are measured at fair value at each reporting date (refer note 12). The financial instruments in question are 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 liabilities in question, but are not quoted prices in active markets for identical liabilities. 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 with the following key inputs:

Number of shares	1.5 million for settlement on 14 December 2017 (forward price: R35.94)
Spot price	R28.10
Expected volatility	22.90%
Interest rate (nominal annual compounded quarterly)	7.82%
Credit spread	2.50%

The values of the forward purchase contracts are particularly sensitive to the prevailing spot price of the company's shares. A 10% increase or decrease in the share price will result in an increase of R4.167 million or decrease of R4.173 million respectively in the aggregate fair value of the contracts, resulting in an increase or decrease in profit before income tax respectively of the same amount.

15.2 Contingents consideration liability

The liability for the contingent consideration referred to in note 10 (as disclosed on the face of the statement of financial position) was initially recognised at fair value and is subsequently recognised at fair value at each reporting date. The liability is a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on observable market data. The fair value is determined based on the expected aggregate purchase consideration payments, discounted to present value using a risk-adjusted discount rate of 21.6% (2016: 26.4%), 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 year is a charge of R0.777 million (2016: R3.723 million credit), and relates largely to the adjustment for the time value of money (including the impact of the reduced discount rate), as well as changes to the forecast profit before income tax as referred to in note 10. The estimated fair value of the contingent consideration liability at the reporting date would change if the forecast profit before income tax or the risk-adjusted discount rate were to change as follows:

	Increase/(decrease) in fair value of liabilities and decrease/(increase) in profit before income tax	
	2017 R'000	**2016 R'000**
Change in variable:		
Projected profit before income tax		
– Increased by 5%	**2 081**	2 127
– Decreased by 5%	**(2 081)**	(2 127)
Discount rate		
– Increased by 2%	**(58)**	(392)
– Decreased by 2%	**60**	408

15.3 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.

16. LITIGATION AND CONTINGENT LIABILITIES

16.1 Income Tax in respect of 2004 – 2009 share incentive scheme

As previously reported, SARS had previously issued additional assessments to wholly-owned subsidiary, Spur Group (Pty) Ltd, in respect of the 2005 to 2012 years of assessment totalling R22.034 million (comprising R13.996 million in additional income tax and R8.038 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. Of the total amount, R15.445 million was settled in cash in September 2015, with the balance of R6.589 million settled in the 2015 financial year. The matter was referred to ADR proceedings, which were held in the prior year, but no agreement could be reached with SARS. The matter has been referred to the income tax court, but no court date has yet been set down for the matter to be heard. The board, in consultation with its tax advisors, remains confident that it will be able to prove that SARS has erred in disallowing the deduction and consequently, no liability has been raised in respect of the assessments issued to date. The payments made to date are accounted for as prepayments of income tax.

16. LITIGATION AND CONTINGENT LIABILITIES (continued)

16.2 Legal dispute with former Zambian franchisee

As reported in the prior year, in 2012 Steak Ranches Ltd ("SRL") instituted action against a wholly-owned subsidiary of the group, Steak Ranches International BV ("SRIBV"), a company incorporated and domiciled in The Netherlands, for allegedly repudiating a franchise agreement previously concluded between the parties. SRL is an unrelated entity incorporated and domiciled in Zambia. SRIBV previously concluded a franchise agreement with SRL for a franchised outlet in Zambia, but cancelled that agreement after SRL breached the terms of the agreement, as alleged by the board of SRIBV.

SRL is claiming for special damages in the amount of US$648 152, pecuniary damages in the amount of US$4 236 041 and an unquantified amount of general damages arising out of the alleged repudiation, together with interest and costs.

SRIBV is defending the action, denying the repudiation of the franchise agreement. SRIBV avers that it validly cancelled the agreement as SRL breached the terms thereof. The board of SRIBV is confident that it will be able to defend the claim successfully. A court date to consider the merits of the case has yet to be determined.

The matter is subject to Zambian law and will be heard in a Zambian court.

17. SUBSEQUENT EVENTS

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

On 6 September 2017, the board declared a final dividend of 61.0 cents per ordinary share in respect of the 2017 financial year, payable on 2 October 2017.

18. PREPARATION OF FINANCIAL STATEMENTS

These abridged consolidated financial statements have been prepared under the supervision of the Chief Financial Officer, Ronel van Dijk CA(SA).

COMMENTARY ON RESULTS

Restaurant sales (continuing operations)	+4.2%
Comparable headline earnings per share (continuing operations)	-8.3%
Comparable profit before income tax (continuing operations)	-8.7%
Full-year dividend per share	-5.7% to 132 cents per share

Trading performance

Spur Corporation's performance for the year to June 2017 reflects the combined impact of deteriorating economic conditions and growing uncertainty on the retail trading environment in South Africa.

The group will continue to pursue its proven strategy of driving growth through innovative marketing, rewarding customer loyalty and expanding the restaurant base while offering a high quality, affordable family dining experience.

Total franchised restaurant sales from continuing operations across the local and international operations increased by 4.2% to R7.2 billion, following the closure of the group's operations in the UK and Ireland in the previous financial year.

South Africa

Franchised restaurant sales in South Africa grew by 4.4% as discretionary spending came under increasing pressure. The slowdown in consumer spending and confidence has resulted in declining restaurant and shopping mall foot traffic, with several competitors launching aggressive discounting campaigns to attract cash-strapped customers. In the current environment the group has committed to supporting franchisee profitability to ensure the sustainability of the restaurant brands.

Sales in Spur Steak Ranches declined by 2.1% compared with the prior year, highlighting the financial difficulties of middle income South African families. Spur management took a strategic decision to move its promotional strategy away from special promotional deals to protect franchisee margins. As anticipated this had a negative short-term impact on turnover but has resulted in healthier franchisee margins.

The social media fallout following a customer incident in a Spur outlet in Johannesburg affected restaurant turnovers in the last quarter of the financial year. However, in the current poor trading environment the extent of the impact cannot be determined.

Spur's brand appeal and loyal base of 1.8 million Spur Family Card members has been key to maintaining sales through this period. Spur again won the Sunday Times Generation Next award for the Coolest Place to Eat Out and is now the leading digital brand in the food retail industry, with over 1 million Facebook followers.

Pizza and Pasta, incorporating Panarottis and Casa Bella, grew sales by 13.3% despite competition in the pizza market intensifying. Growth was supported by the Panarottis Rewards loyalty programme and the revamping of stores. The premium Italian dining chain Casa Bella, the youngest brand in the group, continues to gain popularity and increased its footprint to six with the opening of four new restaurants.

John Dory's opened a net three new stores and increased sales by 14.3%, underpinned by the new store design and refocused menu offering.

The Hussar Grill is rated as one of the premier grill rooms in South Africa and increased sales by 35.6%, benefiting from the opening of two new stores in the first half of the year.

RocoMamas continues to be one of the fastest growing restaurant brands in the fast casual dining sector in the country, also opening its 50th outlet during the year. The brand grew sales by 78.1% as eight new outlets were opened in South Africa.

The group has increased its shareholding in the RocoMamas franchise company to 70% following the acquisition of a further 19% stake for R14 million in April 2017.

Captain DoRegos sales were 17.6% lower and a further eight under-performing outlets were closed during the period.

Despite the adverse trading environment the group continued its measured expansion programme and opened a net 11 new outlets in South Africa, bringing the restaurant base in the country to 528. A further 31 outlets were revamped and 8 relocated to better trading locations.

Franchisees invested over R145 million in new and revamped restaurants during the year.

International

International restaurant sales (excluding the UK) increased by 2.4% in rand terms and by 6.3% on a constant exchange rate basis.

The international restaurant base was expanded to 63 following the opening of 11 new outlets. These include the group's first restaurants in New Zealand (Spur), Ethiopia (Spur), Oman (RocoMamas) and Saudi Arabia (RocoMamas). The first RocoMamas and Spur Grill & Go outlets were opened in Mauritius.

Restaurant footprint at 30 June 2017

Franchise brand	South Africa	International	Total
Spur Steak Ranches	289	41	330
Panarottis Pizza Pasta	80	12	92
John Dory's Fish Grill Sushi	48	2	50
Captain DoRegos	41	3	44
The Hussar Grill	14	1	15
RocoMamas	50	4	54
Casa Bella	6	–	6
Total	**528**	**63**	**591**

Financial performance

The group ceased trading in the UK 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 increased by 2.4% to R648.0 million. Franchise revenue in Spur declined by 5.2% and increased in Pizza and Pasta by 9.1%, John Dory's by 6.3%, The Hussar Grill by 31.2% and RocoMamas by 36.7%. Captain DoRegos revenue declined by 38.0%.

Local retail revenue, representing the group's interests in four The Hussar Grill restaurants and one RocoMamas outlet, increased by 32.1%.

The manufacturing and distribution division grew revenue by 0.6%, negatively impacted by the lower restaurant foot traffic. Margins continued to be under pressure from higher input costs as a result of the drought conditions, which contributed to food inflation reaching low double digit levels, and higher costs of US dollar-linked commodities. The full impact of escalating costs has not been passed on to franchisees to ensure the brands remain competitive in the current tight consumer environment.

Profit before income tax from continuing operations declined by 14.9% to R210.7 million. This includes an impairment loss of R44.2 million relating to the group's investment in start-up rib manufacturing facility Braviz, a further impairment loss of the Captain DoRegos trademarks and intellectual property of R6.8 million (2016: R19.0 million), a net charge of R3.0 million (2016: R26.2 million) related to the long-term share-linked employee retention and incentive schemes, a fair value loss of R0.8 million (2016: gain of R3.7 million) relating to the RocoMamas contingent consideration liability arising from the acquisition of RocoMamas in March 2015, foreign exchange gains and losses, and other one-off and exceptional items in the current and previous comparable periods.

Comparable profit before income tax from continuing operations, excluding exceptional and one-off items (including those listed above), declined by 8.7%.

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

Diluted headline earnings per share from continuing operations was 25.9% lower at 140.8 cents.

The total dividend has been reduced by 5.7% to 132 cents per share for the year (2016: 140 cents per share).

Prospects

Growth plans for the new financial year include the opening of a net 20 restaurants in South Africa across Spur Steak Ranches (4), Panarottis (1), John Dory's (1), RocoMamas (7), Captain DoRegos (2), The Hussar Grill (3) and Casa Bella (2). An upgraded and modernised store design will be applied to all new Spur and Panarottis outlets.

In the current economic environment management aims to open smaller format stores, with the lower investment being more attractive to franchisees, while also seeking opportunities to open Spur Grill & Go outlets in smaller towns.

The group aims to open at least nine international restaurants, with the focus mainly on Africa where new outlets will be opened in Nigeria (two), Namibia, Kenya, Zimbabwe and Swaziland. A further two outlets will be opening in Saudi Arabia and one in Mauritius.

The international expansion strategy will be aimed at growing the store footprint in the regions where the group currently trades to build brand equity and create economies of scale. The group will take a cautious approach to entering new regions.

The directors do not expect trading conditions to improve in the next 12 to 18 months. Consumer spending will continue to be constrained while manufacturing margins will remain under pressure from high raw material input costs. The group will continue to invest in franchisee profitability which is critical to the long-term success of the business. Tight operational disciplines and innovative marketing will therefore be critical to the growth of the group's eight home grown brands.

ANNEXURE 2 – Curriculum vitae of directors up for re-election

Muzi Kuzwayo (49)
Independent non-executive director
9 years of service
B.Sc. (Biochemistry and Microbiology) – Rhodes University; Executive MBA – University of Cape Town

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

Dineo Molefe (40)
Independent non-executive director
4 years of service
CA(SA); B.Compt (Hons) – Unisa; Master's in International Accounting – University of Johannesburg; Advanced Management Program – Wharton Business School, University of Pennsylvania

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

Mntungwa Morojele (58)
Independent non-executive director; lead independent director
7 years of service
CA (Lesotho); Higher National Diploma in Business Studies – Farnborough College of Technology, UK; Bachelor's of Business Administration – University of Charleston, USA; M.Acc – Georgetown University, USA; MBA – University of Cape Town

Mntungwa has established and managed various companies, including Briske Performance Solutions and Motebong Tourism Investment Holdings, iKapa Events and Facilities, and 3RE South Africa. He has served on the boards of Gray Security Services and the UCS Group, and currently serves on the boards of Capital Eye Investments and VeriFone Africa. He was appointed to the Spur Corporation board in 2010 and appointed as lead independent director on 1 March 2011. He is also a member of the group's audit, remuneration and transformation committees and is chairman of the nominations committee.

Tasneem Karriem (36)
Non-executive director
1st year of service
CA(SA)

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

ANNEXURE 3 – Directors nominated for election as members of the audit committee

Dean Hyde as chairman (existing member)
Independent non-executive director
23 years of service
B.Com (Legal) – University of Witwatersrand; Canadian Chartered Accountants' Board Examination

Dean joined Spur Corporation as financial manager and was the financial director for five years. He resigned in 2004 and was subsequently appointed as a non-executive director. Dean subsequently served as chief financial officer of Lombard Insurance until July 2015 and is currently a director of Skein Capital, a UK-based specialist asset manager. Dean chairs the audit committee.

Mntungwa Morojele (existing member)
Independent non-executive director
Refer Annexure 2.

Dineo Molefe (existing member)
Independent non-executive director
Refer Annexure 2.

REMUNERATION PHILOSOPHY

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

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

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

REMUNERATION STRUCTURES

Remuneration consists of three elements:

1. Basic cost to company package

The basic cost to company package consists of a basic salary, medical aid contribution, provident fund contribution and, in certain instances where employees regularly and routinely are required to travel for business purposes, a travel allowance or company car. Increases are discretionary and granted after a formal performance evaluation has been conducted with each individual. Increases other than for executive directors are based on inflation, individual key performance indicators, benchmarking exercises, core skills, changes in responsibilities and financial performance measures. Executive directors' increases are typically not performance related, due to the mix of guaranteed and variable remuneration, but instead are largely inflation-related.

2. Profit share scheme/thirteenth cheque

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

Thirteenth cheque scheme

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

Profit share scheme

The bonus pool for the profit share scheme is calculated with reference to the dividends received on a notional 6 688 698 Spur Corporation shares, representing the number of shares held by the Spur Management Share Trust when the scheme was introduced and approved by shareholders on 10 December 2010. The bonus pool is allocated to participating individuals based on the group's financial profit and their division's financial performance, salary level and personal key performance indicators. Financial performance is gauged relative to budget, which allows participants to track their likely incentive based on performance during the year and motivates management more effectively to achieve the group's financial objectives. The size of the bonus pool is directly linked to group performance as it is calculated with reference to the dividends on the Spur Corporation shares.

3. Share-linked schemes

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

The executive directors and certain members of senior management participate in a cash-settled share appreciation rights employee retention scheme. These rights vest and are compulsorily exercisable three years after the date of issue. The strike price is determined as the 50-day volume-weighted average price of the Spur Corporation share on the grant date. A total of 1 500 000 rights are currently in issue. The fourth tranche of 1 500 000 share appreciation rights (granted in December 2013) vested and was settled in cash in December 2016. The group has entered into a hedge to mitigate the liquidity risk relating to upside movement in the share price. The scheme resulted in a credit to profit before income tax relating to the fair value of the rights for the year under review of R3.795 million (2016: R2.361 million) and a loss included in profit before income tax in respect of the hedge of R5.791 million (2016: R27.714 million) (refer notes 11 and 12 respectively). As there are no potential dilutive ordinary shares in respect of the scheme, other than the impact on profit disclosed above, there is no dilutionary impact on existing shareholders.

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

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

On 1 April 2016, the first tranches of 155 000 forfeitable shares and 1 971 633 equity-settled share appreciation rights were issued to directors and managers of the group. The share appreciation rights were issued at a strike price of R29.40 per share. The performance criteria for the first tranche of rights awarded require a return on equity of 15% for the duration of the vesting period and allow for between 0% and 100% of the rights to vest in the event that comparable HEPS grows at between CPI and CPI+4% respectively. Based on the financial performance to date, none of the first tranche of share appreciation rights granted are expected to vest.

On 3 April 2017, the second tranches of 159 000 forfeitable shares and 2 619 226 equity-settled share appreciation rights were issued. The share appreciation rights were issued at a strike price of R33.15 per share. The performance criteria for the second tranche of rights awarded require a return on equity of 15% for the duration of the vesting period and allow for between 0% and 100% of the rights to vest in the event that comparable HEPS grows at between 0% and CPI+4% respectively. Based on the financial performance to date, it is anticipated that only a portion of the second tranche of share appreciation rights granted will vest.

The scheme resulted in a share-based payment expense included in profit before income tax of R0.985 million (2016: R0.827 million) for the year, and the inclusion of a weighted average number of 110 351 (2016: 16 582) dilutive potential ordinary shares in the calculation of diluted weighted average number of shares.

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

EXECUTIVE SERVICE CONTRACTS

All the executive directors have standard employment contracts in place and are restrained by agreement from any involvement in businesses associated with brands competing with the group's brands during the tenancy of their employment and for a period of two years following their termination (for whatever reason) of employment. No contracts provide for termination settlements, other than those required in terms of law.

NON-EXECUTIVE DIRECTORS' FEES

The board as a whole considers fees to non-executive directors for membership of the board and board committees. The board is of the opinion that such fees are market related and commensurate with the time and effort required by the directors in question to undertake their duties. Such remuneration is not linked to the performance of the group or its share performance. The board has proposed an inflation-related increase in non-executive directors' fees of 6.25% from R400 000 (which was applicable for the 2015 and 2016 financial years) to R425 000 (excluding VAT, where applicable).

ANNEXURE 5 – Non-executive directors' emoluments

Non-executive directors' fees for current year and next year	Proposed 2018	2017
Member of board	R425 000 (excluding VAT, where applicable) in total for each non-executive director	**R400 000 (excluding VAT, where applicable) in total for each non-executive director**
Lead independent director		
Member of audit committee		
Chairman of audit committee		
Member of remuneration committee		
Chairman of remuneration committee		
Member of social, ethics and environmental sustainability committee		
Chairman of social, ethics and environmental sustainability committee		
Member of nominations committee		
Chairman of nominations committee		
Member of risk committee		
Member of transformation committee		

ANNEXURE 6 – Directors' and prescribed officers' interests in the shares of the company

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

	2017			2016		
	Direct beneficial	Indirect beneficial	Held by associates	Direct beneficial	Indirect beneficial	Held by associates
Allen Ambor	**–**	**464 609**	**–**	3 094 685	464 609	–
Ronel van Dijk	**73 244**	**–**	**–**	73 244	–	–
Keith Madders	**–**	**–**	**–**	779 372	332 650	–
Keith Getz	**2 491**	**–**	**820**	2 491	–	820
Total	**75 735**	**464 609**	**820**	3 949 792	797 259	820
% interest*	**0.1**	**0.5**	**0.0**	3.9	0.8	0.0

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

In terms of the group's long-term Forfeitable Share Plan (as detailed in note 9), certain shares have been acquired by a wholly-owned subsidiary to hold in escrow on behalf of the participants of the scheme. The participants are not permitted to trade in these shares, to exercise any voting rights attached to these shares, or entitled to any dividends accruing to these shares, for a period of three years following the grant date of the shares and accordingly have no beneficial rights of ownership during this period. The participants become entitled to the voting rights and dividends relating to the shares after a three-year period from the grant date has lapsed, provided that they remain employed by the group throughout this period. The shares held in escrow on behalf of directors are listed below:

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

There have been no changes in directors' interests in share capital from 30 June 2017 to the date of issue of this report.

ANNEXURE 7 – Shareholder analysis

MAJOR SHAREHOLDERS

The following are shareholders (excluding directors) holding 3% or more of the company's issued share capital at 30 June 2017:

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

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

** *This holding relates to shares which may be utilised for the benefit of future equity-settled share incentive schemes (refer note 9).*

PUBLIC/NON-PUBLIC SHAREHOLDERS

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

	No. of shareholders	No. of shares	%
Non-public shareholders			
Directors and associates	4	541 164	0.5
Subsidiaries holding treasury shares	2	6 136 901	5.7
The Spur Management Share Trust	1	6 374 698	5.9
The Spur Foundation Trust	1	300 000	0.3
Major shareholders	3	41 778 507	38.5
Public shareholders	2 653	53 349 656	49.1
Total	2 664	108 480 926	100.0

ANALYSIS OF SHAREHOLDING

An analysis of the spread of shareholding is presented below:

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

Distribution of shareholders	No. of shareholders	%	No. of shares	%
Banks and nominees	28	1.1	9 706 999	8.9
Empowerment funds	2	0.1	18 965 824	17.5
Endowment funds	25	0.9	731 827	0.7
Individuals	1 992	74.8	6 264 844	5.8
Insurance companies	34	1.3	2 302 433	2.1
Investment companies	2	0.1	96 411	0.1
Medical funds	11	0.4	752 228	0.7
Mutual funds	101	3.8	42 346 002	39.0
Own holdings	2	0.1	6 136 901	5.7
Pension and retirement funds	126	4.7	10 252 970	9.5
The Spur Foundation Trust	1	0.0	300 000	0.3
The Spur Management Share Trust	1	0.0	6 374 698	5.9
Other corporate bodies	339	12.7	4 249 789	3.8
	2 664	100.0	108 480 926	100.0

ANNEXURE 8 – Share capital

	Number of shares 2017 '000	Number of shares 2016 '000	2017 R'000	2016 R'000
Ordinary share capital				
Authorised				
Ordinary shares of 0.001 cents each	**201 000**	201 000	**2**	2
Issued and fully paid				
In issue at beginning of year	**108 481**	108 481	**1**	1
Cumulative shares repurchased by subsidiaries	**(6 137)**	(5 913)	**–**	–
Cumulative shares held by The Spur Management Share Trust (consolidated structured entity)	**(6 375)**	(6 534)	**–**	–
Cumulative shares held by The Spur Foundation Trust (consolidated structured entity)	**(300)**	(200)	**–**	–
	95 669	95 834	**1**	1

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

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

The company does not have any unlisted shares.

ANNEXURE 9 – Material change statement

The directors report that there have been no material changes to the affairs, financial or trading position of the company and group since 30 June 2017 to the date of posting of this report, other than disclosed in this report.

ANNEXURE 10 – Going concern

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

ANNEXURE 11 – Company information

Non-executive directors
Dean Hyde – independent non-executive director
Dineo Molefe – independent non-executive director
Keith Getz
Keith Madders MBE (British)
Mntungwa Morojele – independent non-executive director and lead independent director
Muzi Kuzwayo – independent non-executive director
Tasneem Karriem – representative of B-BBEE shareholder, Grand Parade Investments Ltd

Executive directors
Allen Ambor – Executive Chairman
Pierre van Tonder – Group Chief Executive Officer
Mark Farrelly – Group Chief Operating Officer
Ronel van Dijk – Group Chief Financial Officer

Sponsor
Sasfin Capital (a member of the Sasfin Group)

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107
Tel: 011 370 5000
Fax: 011 688 7721
www.computershare.com

Company secretary
Nazrana Hawa

SPUR CORPORATION HEAD OFFICE AND REGISTERED ADDRESS
14 Edison Way, Century Gate Business Park, Century City, Cape Town, 7441

Registration number
1998/000828/06

NOTES

www.spurcorporation.com