SPUR

CORPORATION LIMITED

(Registration number: 1998/000828/06)

SPUR CORP.

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

FOR THE YEAR ENDED 30 JUNE 2016

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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, 9 December 2016 at 14 Edison Way, Century Gate Business Park, Century City, Cape Town ("the AGM"). We have also included abridged consolidated annual 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

14 October 2016

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, 9 December 2016 at 14 Edison Way, Century Gate Business Park, Century City, Cape Town to conduct the under-mentioned business and for the undermentioned ordinary and special resolutions to be proposed:

PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS
The audited consolidated annual 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 2016, 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 70 respectively thereof.

ORDINARY BUSINESS
To consider, and, if deemed fit, pass, the following ordinary resolutions (numbers 1 to 4), 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 Keith Getz – non-executive director;

1.2 Dean Hyde – independent non-executive director; and

1.3 Keith Madders – 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 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."

3. **Ordinary Resolution Number 3: 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:

3.1 Dean Hyde (chairman) – independent non-executive director, subject to the passing of Ordinary Resolution Number 1.2 above;

3.2 Dineo Molefe – independent non-executive director;

3.3 Muzi Kuzwayo – independent non-executive director; and

3.4 Mntungwa Morojele – independent non-executive director."

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

The appointments numbered 3.1 to 3.4 constitute separate ordinary resolutions and will be considered by separate votes.

4. **Ordinary Resolution Number 4: 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 2), 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):

5. **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).

6. 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.

VOTING PROXIES

In terms of section 63(1) of the Companies 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 must be completed and received at the Company's transfer secretaries, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (Postal Address: PO Box 61051, Marshalltown, 2107) ("Transfer Secretaries") by no later than 11:00 on Thursday, 8 December 2016.

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 do so.

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.

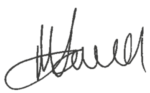
Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in his/her stead.

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, 14 October 2016
Record date to determine which shareholders are entitled to receive the notice of annual general meeting	Friday, 14 October 2016
Last day to trade in order to be eligible to attend and vote at the annual general meeting	Tuesday, 29 November 2016
Record date to determine which shareholders are entitled to attend and vote at the annual general meeting	Friday, 2 December 2016
Forms of proxy to be lodged by 11:00 on	Thursday, 8 December 2016
Annual general meeting of the Company to be held at 11:00 on	Friday, 9 December 2016
Results of the annual general meeting announced on SENS	Friday, 9 December 2016

By order of the board



Nazrana Hawa
COMPANY SECRETARY

Cape Town
14 October 2016

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	2016 R'000	2015 R'000
Continuing operations		
Revenue	**633 069**	612 402
Cost of sales	**(166 850)**	(166 177)
Gross profit	**466 219**	446 225
Other income[1]	**26 703**	44 915
Administration expenses[2]	**(157 584)**	(144 619)
Distribution expenses	**(4 730)**	(4 202)
Franchise operations expenses	**(72 471)**	(57 088)
Impairment losses[3]	**(18 969)**	(13 905)
Other non-trading losses[4]	**–**	(41 183)
Retail operating expenses	**(18 602)**	(41 066)
Operating profit before finance income	**220 566**	189 077
Net finance income	**35 602**	24 650
Interest income	**35 680**	24 681
Interest expense	**(78)**	(31)
Share of loss of equity-accounted investee (net of income tax) (refer note 7)	**(8 601)**	(1 633)
Profit before income tax	**247 567**	212 094
Income tax expense	**(76 540)**	(69 762)
Profit from continuing operations	**171 027**	142 332
Loss from discontinued operation (refer note 3)	**(31 727)**	(6 679)
Profit	**139 300**	135 653
Other comprehensive income[#]:	**8 460**	(3 287)
Foreign currency translation differences for foreign operations	**26 715**	(11 756)
Reclassification of foreign currency (gain)/loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations	**(7 038)**	2 215
Tax on reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	**(1 591)**	–
Foreign exchange (loss)/gain on net investments in foreign operations	**(12 835)**	8 338
Tax on foreign exchange loss/(gain) on net investments in foreign operations	**3 209**	(2 084)
Total comprehensive income	**147 760**	132 366

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

	2016 R'000	2015 R'000
Profit attributable to:		
Owners of the company	**135 619**	127 555
Non-controlling interests	**3 681**	8 098
Profit	**139 300**	135 653
Total comprehensive income attributable to:		
Owners of the company	**144 016**	124 634
Non-controlling interests	**3 744**	7 732
Total comprehensive income	**147 760**	132 366
Earnings per share (cents) (refer note 5)		
Basic earnings	**141.34**	137.69
Diluted earnings	**141.31**	137.69
Earnings per share (cents) – continuing operations (refer note 5)		
Basic earnings	**174.64**	150.82
Diluted earnings	**174.61**	150.82

[1] *The current year includes a fair value gain of R3.723 million on the RocoMamas contingent consideration liability (refer note 10). The prior year includes a fair value gain on the derivative financial instruments relating to the group's cash-settled long-term share-linked employee retention scheme of R14.794 million (refer note 12) and a profit of R5.120 million on the disposal of Australian subsidiaries (refer note 14).*

[2] *Includes depreciation of R6.445 million (2015: R6.820 million), a share-based payment credit of R2.361 million (2015: R19.735 million charge) relating to the group's cash-settled long-term share-linked employee retention scheme (refer note 11), a fair value loss on the derivative financial instruments relating to the group's cash-settled long-term share-linked employee retention scheme of R27.714 million (refer note 12), and foreign exchange losses of R3.768 million (2015: R2.108 million gain).*

[3] *Relates to the impairment of the Captain DoRegos trademarks and related intellectual property intangible assets (refer note 6).*

[4] *The prior year includes a fair value loss on the RocoMamas contingent consideration liability of R3.681 million (refer note 10), a loss on the disposal of an Australian subsidiary of R4.545 million (refer note 14) and a share-based payments expense of R32.957 million relating to the GPI broad-based black economic empowerment transaction (refer note 8.1).*

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

	2016 R'000	2015 R'000
ASSETS		
Non-current assets	**610 980**	632 409
Property, plant and equipment	**95 480**	86 481
Intangible assets and goodwill	**365 417**	384 610
Interest in equity-accounted investee (refer note 7)	**–**	–
Loans receivable	**143 739**	142 996
Deferred tax	**1 310**	4 446
Leasing rights	**5 034**	2 855
Derivative financial assets (refer note 12)	**–**	11 021
Current assets	**455 742**	473 875
Inventories	**12 148**	11 729
Tax receivable	**36 214**	17 164
Trade and other receivables	**96 587**	97 828
Loans receivable	**24 211**	25 143
Derivative financial asset (refer note 12)	**–**	17 160
Cash and cash equivalents	**286 582**	304 851
TOTAL ASSETS	**1 066 722**	1 106 284
EQUITY		
Total equity	**864 663**	854 095
Ordinary share capital	**1**	1
Share premium	**294 663**	294 663
Shares repurchased by subsidiaries (refer note 8.2)	**(97 963)**	(88 622)
Foreign currency translation reserve	**30 711**	22 314
Share-based payments reserve (refer note 9)	**827**	–
Retained earnings	**622 054**	618 675
Total equity attributable to owners of the company	**850 293**	847 031
Non-controlling interests	**14 370**	7 064
LIABILITIES		
Non-current liabilities	**81 537**	108 440
Contingent consideration liability (refer note 10)	**13 565**	31 409
Employee benefits (refer note 11)	**3 981**	8 826
Derivative financial liability (refer note 12)	**3 425**	–
Operating lease liability	**2 191**	1 200
Deferred tax	**58 375**	67 005
Current liabilities	**120 522**	143 749
Bank overdrafts	**1 155**	3 557
Tax payable	**2 397**	1 893
Trade and other payables	**68 437**	83 235
Loans payable	**25 746**	18 818
Contingent consideration liability (refer note 10)	**9 726**	15 974
Employee benefits (refer note 11)	**3 829**	19 790
Derivative financial liability (refer note 12)	**8 761**	–
Shareholders for dividend	**471**	482
TOTAL EQUITY AND LIABILITIES	**1 066 722**	1 106 284

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 2014	**(77 228)**	**600 905**	**(4 057)**	**519 620**
Total comprehensive income for the year	**–**	**124 634**	**7 732**	**132 366**
Profit	–	127 555	8 098	135 653
Other comprehensive income	–	(2 921)	(366)	(3 287)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	**283 270**	**(82 450)**	**–**	**200 820**
Issue of ordinary shares (refer note 8.1)	294 657	(991)	–	293 666
Equity-settled share-based payment (refer note 8.1)	–	32 957	–	32 957
Own shares acquired (refer note 8.2)	(11 387)	–	–	(11 387)
Dividends	–	(114 416)	–	(114 416)
Changes in ownership interests in subsidiaries	**–**	**(2 100)**	**3 389**	**1 289**
Acquisition of subsidiary with non-controlling interests (refer note 13.1)	–	–	3 135	3 135
Acquisition of non-controlling interest in subsidiary without a change in control (refer note 13.2)	–	(2 100)	108	(1 992)
Derecognition of non-controlling interest in subsidiary resulting in loss of control (refer note 14)	–	–	146	146
Total transactions with owners	**283 270**	**(84 550)**	**3 389**	**202 109**
Balance at 30 June 2015	**206 042**	**640 989**	**7 064**	**854 095**
Total comprehensive income for the year	**–**	**144 016**	**3 744**	**147 760**
Profit	–	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 related to equity-settled share-based payment (refer note 9)	–	(679)	–	(679)
Own shares acquired (refer note 8.2)	(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 15.2)	–	(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**

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	2016 R'000	2015 R'000
Cash flow from operating activities		
Operating profit before working capital changes[1]	**249 493**	222 786
Working capital changes	**(7 326)**	(12 883)
Cash generated from operations	**242 167**	209 903
Interest income received	**24 370**	16 890
Interest expense paid	**(116)**	(65)
Tax paid	**(100 256)**	(83 666)
Dividends paid	**(133 546)**	(114 345)
Net cash flow from operating activities	**32 619**	28 717
Cash flow from investing activities		
Acquisition of subsidiary (refer to note 13.1)	**–**	(1 382)
Additions of intangible assets	**(231)**	–
Additions of property, plant and equipment[2]	**(45 598)**	(30 785)
Cash inflow from share-based payment hedge (refer to note 12)	**12 653**	20 961
Disposals of subsidiaries (refer to note 14)	**–**	(653)
Investment in preference shares relating to GPI B-BBEE equity transaction (refer to note 8.1)	**–**	(72 613)
Loan advanced to Captain DoRegos Marketing Fund	**(430)**	(500)
Loans advanced to franchisees	**(11 351)**	(11 161)
Loan repaid by/(advanced to) associate company	**500**	(10 000)
Proceeds from disposal of property, plant and equipment[3]	**8 143**	79
Repayment of loans receivable	**18 377**	8 712
Net cash flow from investing activities	**(17 937)**	(97 342)
Cash flow from financing activities		
Acquisition of non-controlling interest without a change in control (refer to note 13.2)	**–**	(1 992)
Acquisition of treasury shares (refer to note 8.2)	**(9 341)**	(11 387)
Costs incurred on issue of ordinary shares (refer to note 8.1)	**–**	(991)
Loan repaid to non-controlling shareholders	**(485)**	(2 236)
Proceeds from the issue of ordinary shares (refer to note 8.1)	**–**	294 657
Settlement of contingent consideration (refer to note 10)	**(20 369)**	–
Net cash flow from financing activities	**(30 195)**	278 051
Net movement in cash and cash equivalents	**(15 513)**	209 426
Effect of foreign exchange fluctuations	**(354)**	441
Net cash and cash equivalents at beginning of year	**301 294**	91 427
Net cash and cash equivalents at end of year	**285 427**	301 294

Refer note 3 for cash flows attributable to discontinued operation.

1 *Includes a gross cash outflow of R18.445 million (2015: R24.045 million) in respect of the settlement of the share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (also refer note 11). Also 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 *Includes the building cost of the new Cape Town corporate offices of R26.9 million (2015: R13.3 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 15).*

3 *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 ANNUAL FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These abridged (summarised audited) consolidated financial statements for the year ended 30 June 2016 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 UK segment was not previously classified as held for sale. The results of the segment are reported separately to continuing operations.

During the year, the group:

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

During the prior year:

- The carrying value of property, plant and equipment of the Cheyenne Spur in the O_2 Arena was partially impaired by R1.054 million as at 30 June 2015, as a result of reduced prospects arising from the increased costs of occupancy, labour and raw material inputs.
- As a consequence of sustained trading losses incurred by the Mohawk Spur in Wandsworth (England), the group closed the outlet on 28 February 2015.
- Larkspur Five Ltd, a subsidiary in which the group owned a 70.6% equity interest and which previously operated the Golden Gate Spur in Gateshead (England), which closed in October 2013, was dissolved on 16 June 2015. The group had previously recognised a liability in respect of a shareholder's loan to the non-controlling shareholder which was extinguished as part of the dissolution of the company. On dissolution of the company, the liability, amounting to R5.173 million at 15 June 2015, was released to profit before income tax in the prior year.

3. DISCONTINUED OPERATION – UNITED KINGDOM continued

The results of the discontinued operation are illustrated below:

	2016 R'000	2015 R'000
Revenue	**104 302**	147 657
Cost of sales	**(32 512)**	(44 291)
Gross profit	**71 790**	103 366
Operating loss before finance income	**(28 871)**	(6 639)
Net finance income/(expense)	**24**	(34)
Loss before income tax	**(28 847)**	(6 673)
Income tax expense	**(2 880)**	(6)
Loss	**(31 727)**	(6 679)
Loss attributable to owners of the company	**(31 957)**	(12 163)
Non-controlling interests	**230**	5 484
Loss	**(31 727)**	(6 679)
The cash flows of the discontinued operation are listed below:		
Net cash flow from operating activities	**(11 022)**	(4 368)
Net cash flow from investing activities	**5 757**	(7 469)
Net cash flow from financing activities	**(484)**	(335)
Net movement in cash and cash equivalents for the year	**(5 749)**	(12 172)
Further details of the above-listed transactions are listed below:		
Impairment of property, plant and equipment	**–**	(1 054)
Loss on disposal of goodwill	**(444)**	–
Loss on disposal of property, plant and equipment	**(24 878)**	–
Profit on disposal of leases	**15 766**	–
Profit on disposal of property, plant and equipment	**5 459**	–
Reclassification of foreign currency gain/(loss) from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations	**7 038**	(1 920)
Release of financial liability	**–**	5 173
Included in loss before income tax	**2 941**	2 199
Income tax expense related to the above	**(2 258)**	–
Included in loss	**683**	2 199
Attributable to non-controlling interests	**(216)**	(5 450)
Attributable to owners of the company	**467**	(3 251)

Subsequent to the reporting date, on 27 July 2016, the group commenced voluntary liquidation proceedings in respect of certain of the entities. As at 30 June 2016, the following items are included in the consolidated statement of financial position:

	2016 R'000
Accounts receivable	**157**
Cash and cash equivalents	**3 786**
Non-controlling interests	**121**
Accounts payable	**7 962**
Loan payable	**1 152**

The accounts receivable listed above were recovered subsequent to the reporting date.

The loan payable relates to the non-controlling shareholder's loan in Larkspur Three Ltd and was partly settled subsequent to the reporting date from cash resources belonging to the entity in question.

4. OPERATING SEGMENTS

	2016 R'000	2015 R'000
External revenue		
Manufacturing and distribution	**180 750**	173 924
Franchise – Spur	**229 953**	217 276
Franchise – Pizza and Pasta*	**32 501**	27 575
Franchise – John Dory's	**18 528**	16 220
Franchise – Captain DoRegos	**4 534**	6 077
Franchise – The Hussar Grill	**3 607**	2 417
Franchise – RocoMamas (refer note b)	**17 415**	2 175
Retail (refer note c)	**48 139**	30 760
Other South Africa (refer note d)	**61 905**	58 861
Total South African segments	**597 332**	535 285
Unallocated – South Africa	**2 617**	1 720
Total South Africa	**599 949**	537 005
United Kingdom (refer note 3) (discontinued)	**104 302**	147 657
Australia (refer note 14)	**10 948**	55 729
Other International (refer note f)	**22 172**	19 668
Total International	**137 422**	223 054
TOTAL EXTERNAL REVENUE	**737 371**	760 059
Profit/(loss) before income tax		
Manufacturing and distribution	**68 486**	67 083
Franchise – Spur	**206 052**	194 037
Franchise – Pizza and Pasta*	**22 064**	18 904
Franchise – John Dory's	**9 558**	9 119
Franchise – Captain DoRegos (refer note a)	**(17 851)**	(11 821)
Franchise – The Hussar Grill	**2 789**	1 298
Franchise – RocoMamas (refer note b)	**12 210**	1 386
Retail (refer note c)	**927**	4 645
Other South Africa (refer note d)	**1 198**	327
Total South African segments	**305 433**	284 978
Unallocated – South Africa (refer note e)	**(53 071)**	(81 818)
Total South Africa	**252 362**	203 160
United Kingdom (refer note 3) (discontinued)	**(28 847)**	(4 714)
Australia (refer note 14)	**3 177**	4 488
Other International (refer note f)	**10 955**	10 616
Total International segments	**(14 715)**	10 390
Unallocated – International (refer note g)	**(10 326)**	(6 496)
Total International	**(25 041)**	3 894
PROFIT BEFORE INCOME TAX AND SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTEE	**227 321**	207 054
Share of loss of equity-accounted investee (net of income tax) (refer note 7)	**(8 601)**	(1 633)
PROFIT BEFORE INCOME TAX	**218 720**	205 421

* *The "Pizza and Pasta" segment, which previously comprised only Panarottis Pizza Pasta, now includes Casa Bella, an upmarket Italian dining concept which the group rolled out during the year. Two Casa Bella restaurants have been trading since March 2016.*

4. OPERATING SEGMENTS continued

Notes

a) **Captain DoRegos** – Includes an impairment loss of R18.969 million (2015: R13.905 million) relating to intangible assets (also refer note 6).

b) **RocoMamas** – The RocoMamas franchise division was acquired with effect from 1 March 2015 (also refer note 13.1).

c) **Retail** – This segment comprises the group's interests in local restaurants which, at 30 June 2016, comprised four The Hussar Grill restaurants and one RocoMamas outlet. As at 30 June 2015, the group had an interest in three The Hussar Grill restaurants. 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 period and did not trade for the month of November 2015. Also refer to note 15 for further details.

d) **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.

e) **Unallocated – South Africa** – Includes net finance income of R34.823 million (2015: R24.352 million), which includes interest and preference dividends relating to the GPI equity transaction (also refer note 8.1). Includes a credit in respect of cash-settled share-based payments of R2.361 million (2015: charge of R19.735 million) and a fair value loss in respect of a related economic hedge of R27.714 million (2015: R14.794 million gain) (also refer notes 11 and 12). Includes an equity-settled share-based payment charge of R0.827 million (also refer note 9). Includes a fair value credit relating to the RocoMamas contingent consideration liability of R3.723 million (2015: fair value loss of R3.681 million) (also refer note 10). Includes a loss of R0.259 million (2015: R1.761 million profit) arising from The Spur Foundation Trust, a consolidated structured entity, all of which is attributable to non-controlling interests. The prior year includes a share-based payment charge of R32.957 million relating to the GPI equity transaction (also refer note 8.1), as well as related professional and advisory costs of R0.301 million. The prior year includes professional advisory costs of R0.481 million relating to defending the tax queries detailed in note 17.

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

g) **Unallocated** – **International** – Includes a foreign exchange loss of R3.756 million (2015: gain of R2.127 million). The prior year includes a loss of R1.920 million relating to the reclassification of foreign exchange differences arising on the translation of foreign operations previously recognised in other comprehensive income (FCTR), from other comprehensive income to profit, on abandonment/deregistration of UK foreign operations (also refer note 3) as well as a foreign exchange loss of R0.039 million (in addition to the gain referred to above) specifically related to UK operations. The prior year also includes professional advisory costs of R0.829 million relating to the group's international tax structure.

5. EARNINGS PER SHARE

	2016 cents	2015 cents
5.1 Statistics		
Basic earnings per share	**141.34**	137.69
Basic earnings per share – continuing operations	**174.64**	150.82
Diluted earnings per share	**141.31**	137.69
Diluted earnings per share – continuing operations	**174.61**	150.82
Headline earnings per share	**170.89**	152.76
Headline earnings per share – continuing operations	**190.01**	162.68
Diluted headline earnings per share	**170.86**	152.76
Diluted headline earnings per share – continuing operations	**189.98**	162.68

The earnings used for diluted earnings per share are the same as the earnings used for basic earnings per share.

5. EARNINGS PER SHARE continued

	2016 R'000	2015 R'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**	97 633
Shares repurchased at beginning of year	**(12 361)**	(12 000)
Shares repurchased during the year weighted for period not held by the group (refer note 8.2)	**(165)**	(219)
Shares issued during the year weighted for period in issue (refer note 8.1)	**–**	7 222
Weighted average number of ordinary shares in issue for the year	**95 955**	92 636
Dilutive potential ordinary shares weighted for period outstanding (refer note 9)	**17**	–
Dilutive weighted average number of shares in issue for the year	**95 972**	92 636

	2016 R'000	2015 R'000
5.3 Reconciliation of headline earnings		
Total group		
Profit attributable to owners of the company	**135 619**	127 555
Impairment of intangible assets	**14 720**	11 309
Impairment of property, plant and equipment	**–**	1 054
Loss on disposal of goodwill	**444**	–
Loss on disposal of property, plant and equipment	**26 304**	–
Loss on disposal of subsidiary	**–**	4 545
Profit on disposal of property, plant and equipment	**(4 481)**	(47)
Profit on disposals of subsidiaries	**–**	(5 120)
Reclassification of foreign currency (gain)/loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations	**(8 629)**	2 215
Headline earnings	**163 977**	141 511

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2016				
Impairment of intangible assets (refer note 6)	**18 969**	**(4 249)**	**–**	**14 720**
Loss on disposal of goodwill	**444**	**–**	**–**	**444**
Loss on disposal of property, plant and equipment	**24 990**	**2 796**	**(1 482)**	**26 304**
Profit on disposal of property, plant and equipment	**(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

5.3 Reconciliation of headline earnings (continued)

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2015				
Impairment of intangible assets (refer note 6)	13 905	(2 596)	–	11 309
Impairment of property, plant and equipment	1 054	–	–	1 054
Loss on disposal of subsidiary (refer note 14)	4 545	–	–	4 545
Profit on disposal of property, plant and equipment	(65)	18	–	(47)
Profit on disposals of subsidiaries (refer note 14)	(5 120)	–	–	(5 120)
Reclassification of foreign currency loss from other comprehensive income to profit, on disposal/abandonment/deregistration of foreign operations (refer notes 3 and 14)	2 215	–	–	2 215
	16 534	(2 578)	–	13 956

	2016 R'000	2015 R'000
Continuing operations		
Profit attributable to owners of the company	**135 619**	127 555
Exclude: loss from discontinued operation (refer note 3)	**31 957**	12 163
Profit attributable to owners of the company – continuing operations	**167 576**	139 718
Impairment of intangible assets	**14 720**	11 309
Loss on disposal of property, plant and equipment	**75**	–
Loss on disposal of subsidiary	**–**	4 545
Profit on disposal of property, plant and equipment	**(44)**	(47)
Profit on disposals of subsidiaries	**–**	(5 120)
Reclassification of foreign currency loss from other comprehensive income to profit, on disposal of foreign operations	**–**	295
Headline earnings – continuing operations	**182 327**	150 700

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2016				
Impairment of intangible assets (refer note 6)	**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**

5. EARNINGS PER SHARE continued

5.3 Reconciliation of headline earnings (continued)

	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2015				
Impairment of intangible assets (refer note 6)	13 905	(2 596)	–	11 309
Loss on disposal of subsidiary (refer note 14)	4 545	–	–	4 545
Profit on disposal of property, plant and equipment	(65)	18	–	(47)
Profit on disposals of subsidiaries (refer note 14)	(5 120)	–	–	(5 120)
Reclassification of foreign currency loss from other comprehensive income to profit, on disposal of foreign operations (refer note 14)	295	–	–	295
	13 560	(2 578)	–	10 982

6. IMPAIRMENT OF CAPTAIN DOREGOS INTANGIBLE ASSETS

The Captain DoRegos brand is a value-oriented takeaway chain offering a combination of chicken, seafood and burgers to consumers, operating through 49 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 comprised predominantly the value of the intangible assets, which amounted to R25.747 million at the reporting date, following an impairment loss in the prior year of R13.905 million (R11.309 million after tax).

In determining the value-in-use of the cash-generating unit, the directors applied the following key assumptions:

- cash inflows, comprising franchise fees, were estimated based on conservative budgets for the 2017 financial year and increases of 5.0% per annum for the 2018 to 2021 forecast horizon, based on historic experience, adjusting for a net two new stores in each year;
- cash outflows for the 2017 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 10.0% per annum;
- growth of cash flows in perpetuity beyond the forecast horizon was estimated at 3.0%; and
- 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) was estimated at R6.778 million, resulting in a further impairment of R18.969 million (attributable to the intangible assets) being included in profit before income tax. A corresponding deferred tax credit of R4.249 million has been recognised in profit, resulting in a net loss included in profit attributable to ordinary shareholders of R14.720 million.

6. IMPAIRMENT OF CAPTAIN DOREGOS INTANGIBLE ASSETS 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/(decrease) in recoverable amount and decrease/(increase) in profit before income tax R'000
Change in variable:	
Revenue growth	
– Increased by 2%	**1 109**
– Decreased by 2%	**(1 068)**
Discount rate	
– Increased by 2%	**(760)**
– Decreased by 2%	**978**
Growth in perpetuity	
– Increased by 2%	**549**
– Decreased by 2%	**(427)**

Management has implemented the necessary cost control measures to maintain and improve the division's operating margin. In addition, management is confident that its marketing strategy and focus on operating standards should result in its projections being achieved.

7. INTEREST IN EQUITY-ACCOUNTED INVESTEE

	2016 R'000	2015 R'000
Balance at beginning of year	–	21
Share of loss of equity-accounted investee (net of income tax)	–	(21)
Balance at end of year	–	–
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**	39 161
Gross loan	**45 017**	40 773
Cumulative share of loss of equity-accounted investee (net of income tax)	**(10 213)**	(1 612)
Total net investment in equity-accounted investee	**34 804**	39 161
Allocation of share of loss of equity-accounted investee (net of income tax):		
Allocated to interest in equity-accounted investee	–	(21)
Allocated to loan to equity-accounted investee	**(8 601)**	(1 612)
Share of loss of equity-accounted investee (net of income tax)	**(8 601)**	(1 633)

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 loss incurred for the year relates primarily to interest on shareholder loans and other funding, as well as depreciation charges.

8. SHARE CAPITAL

8.1. Broad-based black economic empowerment deal with GPI

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

The shares were issued at a price of R27.16 per share, resulting in the aggregate proceeds from the issue of shares amounting to R294.657 million. This equated to an effective discount of R32.957 million which was recognised, in the prior year, as a share-based payment expense in accordance with *IFRS2 – Share-based Payments* and included in profit before income tax for that year, with a corresponding credit to equity (retained earnings).

The group partially funded GPI's share acquisition through a subscription of cumulative compulsorily redeemable five-year preference shares in an unconsolidated structured entity with a combined subscription value of R72.328 million. The preference shares accrue dividends at a rate of 90% of the prevailing prime overdraft rate of interest and are subordinated in favour of the external funding provider.

The transaction resulted in a net cash inflow of R222.328 million for the group during the prior year. Of the total transaction costs of R1.577 million: R0.285 million related directly to the subscription of the preference shares referred to above and is included in the carrying value of the preference shares; R0.991 million related directly to the issue of the company's ordinary shares and was charged directly against equity (retained earnings); and the balance of R0.301 million was included in profit before income tax for the prior year.

8.2. Shares repurchased by subsidiaries

During the year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 285 500 (2015: 361 273) Spur Corporation Ltd shares at an average cost of R32.72 (2015: R31.52) per share, totalling R9.341 million (2015: 11.387 million). In addition, as referred to above, a further 100 000 shares were transferred to The Spur Foundation Trust. At the reporting date, the group owned 5 912 901 (2015: 5 572 401) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, at a total cost of R95.228 million (2015: R79.977 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 and those held by The Spur Foundation Trust, a consolidated structured entity. At the reporting date, the entities in question held 12 646 599 (2015: 12 361 099) of the company's shares in aggregate.

9. SHARE-BASED PAYMENTS RESERVE

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

	2016 R'000	2015 R'000
Cumulative share-based payments expense		
Balance at beginning of year	–	–
Share-based payments expense for the year	827	–
– FSP – tranche 1	246	–
– SAR – tranche 1	581	–
Balance at end of year	**827**	**–**

	2016	
	FSP shares	SAR rights
Number of shares/rights in issue		
Balance at beginning of year	–	–
Granted during the year	155 000	1 971 663
Balance at end of year	**155 000**	**1 971 663**

The terms of each tranche are as follows:

FSP – tranche 1

Date of grant	1 April 2016
Number of shares awarded	155 000
Initial vesting date	1 April 2019
Date from which shares may be traded	31 March 2021
Service condition	3 years from grant date
Performance conditions	None
Grant-date fair value per share (R)	19.57
Proportion of shares expected to vest as assessed at reporting date (based on number of employees expected to meet service condition)	97.42%

The forfeitable shares awarded are registered in the names of the individual participants, but held in escrow 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.

9. SHARE-BASED PAYMENTS RESERVE continued

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 R0.054 million and R0.625 million respectively, both of which have been charged directly against equity (retained earnings).

SAR – tranche 1

Date of grant	1 April 2016
Number of rights awarded	1 971 663
Strike price per right (R)	29.40
Initial vesting date	1 April 2019
Date from which shares may be traded	31 March 2021
Service conditions	3 years from grant date
Performance conditions	Return on equity and growth in comparable headline earnings per share
Grant-date fair value per right (R)	6.40
Proportion of rights expected to vest as assessed at reporting date (based on number of employees expected to meet service condition)	98.11%
Proportion of rights expected to vest based on meeting of non-market performance conditions	55.40%

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 order for between 0% and 100% of the rights to vest.

The FSP forfeitable shares granted resulted in 16 582 dilutive potential ordinary shares for the year (refer note 5.2). As the performance conditions of the SAR Scheme share appreciation rights, as assessed at the reporting date, had not been met to result in any vesting of the rights, no adjustment has been made to the diluted weighted average number of shares in issue in respect of these contingently issuable shares.

10. CONTINGENT CONSIDERATION LIABILITY

	2016 R'000	2015 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	**47 383**	–
Arising from acquisition (refer note 13.1)	**–**	43 702
Fair value adjustment recognised in profit before income tax	**(3 723)**	3 681
Settled in cash	**(20 369)**	–
Balance at end of year	**23 291**	47 383
Current portion included in current liabilities	**9 726**	15 974
Non-current portion included in non-current liabilities	**13 565**	31 409

The purchase consideration for RocoMamas (refer note 13.1), 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 R70.764 million at the acquisition date, and R52.800 million (2015: R70.764 million) at the reporting date. The reduction in the estimated consideration arose principally from a downward revision of the number of stores to be rolled out over the initial three-year period, and a moderation of the expected growth in turnover of existing businesses, which similarly impacted on the fair value of the contingent consideration.

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 26.40% (2015: 25.27%), being the weighted average cost of capital of the subsidiary.

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

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

The liability is designated as a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on observable market data.

Refer note 16.2 for more information concerning fair value sensitivity.

11. EMPLOYEE BENEFITS

	2016 R'000	2015 R'000
Obligation in respect of cash-settled long-term share-linked employee retention scheme share appreciation rights:		
– tranche 3	**–**	19 790
– tranche 4	**3 829**	6 231
– tranche 5	**3 981**	2 595
Total liability at reporting date	**7 810**	28 616
Current portion included in current liabilities	**3 829**	19 790
Non-current portion included in non-current liabilities	**3 981**	8 826
The movement in the liability during the year was as follows:		
Balance at beginning of year	**28 616**	32 926
Share-based payments (credit)/expense recognised in profit before income tax	**(2 361)**	19 735
Settled in cash paid to participants	**(18 445)**	(24 045)
Balance at end of year	**7 810**	28 616

The board approved the third, fourth and fifth tranches of cash-settled share appreciation rights to executives and senior managers of the company on 9 October 2012, 13 December 2013 and 15 December 2014 respectively. The salient features of these rights are listed below.

During the 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. During the prior year, on 15 December 2014, the second tranche of 1.5 million share appreciation rights, with a grant date strike price of R14.80 per share, vested and was settled in cash, at an exercise price of R30.91 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.

The terms of each tranche of rights are as follows:

Share appreciation rights – tranche 3

Grant date	9 October 2012
Number of rights granted	1 500 000
Strike price per right	R21.29
Exercise date	15 December 2015
Exercise price	50-day VWAP at 15 December 2015

Share appreciation rights – tranche 4

Grant date	13 December 2013
Number of rights granted	1 500 000
Strike price per right	R30.38
Exercise date	15 December 2016
Exercise price	50-day VWAP at 15 December 2016

11. EMPLOYEE BENEFITS continued

Share appreciation rights – tranche 5

Grant date	15 December 2014
Number of rights granted	1 500 000
Strike price per right	R30.91
Exercise date	14 December 2017
Exercise price	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 the gain be negative at the exercise date, the rights are cancelled without any recourse.

12. DERIVATIVE FINANCIAL (LIABILITIES)/ASSETS

	2016 R'000	2015 R'000
Forward purchase contracts in respect of:		
– tranche 3 of share appreciation rights	**–**	17 160
– tranche 4 of share appreciation rights	**(8 761)**	2 568
– tranche 5 of share appreciation rights	**(3 425)**	8 453
Total (liability)/asset at the reporting date	**(12 186)**	28 181
Current portion included in current assets	**–**	17 160
Current portion included in current liabilities	**(8 761)**	–
Non-current portion included in non-current assets	**–**	11 021
Non-current portion included in non-current liabilities	**(3 425)**	–
The movement in the (liability)/asset during the year was as follows:		
Balance at beginning of year	**28 181**	34 348
Fair value (loss)/gain recognised in profit before income tax	**(27 714)**	14 794
Settled in cash from counterparty	**(11 858)**	(19 725)
Refund of difference in guaranteed dividend from counterparty settled in cash	**(795)**	(1 236)
Balance at end of year	**(12 186)**	28 181

The contracts were concluded to hedge the upside price risk of the Spur Corporation Ltd share price that the group is exposed to in respect of the share appreciation rights detailed in note 11. The forward purchase contracts for the third, fourth and fifth tranches of the share appreciation rights were concluded on 9 October 2012, 13 December 2013 and 15 December 2014 respectively.

The third (2015: second) tranche of share appreciation rights vested on 15 December 2015 (2015: 15 December 2014) and was settled in cash during the year. The related forward purchase contract matured on the same date, resulting in a payment to the group from the counterparty as indicated above.

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

12. DERIVATIVE FINANCIAL (LIABILITIES)/ASSETS continued

The terms of each of the contracts are as follows:

Forward purchase contract – tranche 3 of share appreciation rights

Contract trade date	9 October 2012
Number of shares	1 500 000
Forward price per share	R25.64
Settlement date	15 December 2015
Settlement price	50-day VWAP at 15 December 2015

Forward purchase contract – tranche 4 of share appreciation rights

Contract trade date	13 December 2013
Number of shares	1 500 000
Forward price per share	R37.57
Settlement date	15 December 2016
Settlement price	50-day VWAP at 15 December 2016

Forward purchase contract – tranche 5 of share appreciation rights

Contract trade date	15 December 2014
Number of shares	1 500 000
Forward price per share	R35.94
Settlement date	14 December 2017
Settlement price	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. ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

13.1 Acquisition of RocoMamas (business combination) – Prior year

During the prior year and with effect from 1 March 2015, a wholly-owned subsidiary of the group, Spur Group (Pty) Ltd, acquired a 51% interest in RocoMamas Franchise Co (Pty) Ltd ("RocoMamas"), an entity owning the trademarks and related intellectual property of the RocoMamas brand. RocoMamas offers affordable, gourmet, hand-made "Smashburgers", ribs and wings in the casual dining market within a nostalgic American rock ambience, giving the group exposure to a market that its existing brands did not cater for directly. The company had five franchised outlets, based in Gauteng, at the date of acquisition.

The purchase consideration 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.

	2015 R'000
Fair value of net assets acquired at acquisition date	6 398
Attributable to non-controlling interests	(3 135)
Group's share of net assets acquired	3 263
Goodwill arising on acquisition	42 439
Total purchase consideration	45 702
In cash	2 000
Contingent consideration (refer note 10)	43 702
Consideration settled in cash	(2 000)
Cash and cash equivalents acquired	618
Net cash flow on acquisition of subsidiary	(1 382)

Transaction costs, comprising legal and due diligence costs, amounting to R0.233 million are included in Administration expenses in the statement of comprehensive income for the prior year.

13.2 Acquisition of non-controlling interest in Panarottis Penrith without a change in control – prior year

During the prior year and with effect from 1 August 2014, the group acquired the remaining 50% interest in Panpen Pty Ltd ("Panpen"), an Australian company in which the group had an existing 50% interest and which operates the Panarottis outlet in Penrith (Australia). Despite not owning a majority interest in Panpen prior to this transaction, the group effectively controlled Panpen and the entity was consequently consolidated.

The purchase consideration of AU$200 000 (the equivalent of R1.992 million as at the effective date) was settled in cash on the effective date. As part of the transaction, Panpen was required to settle the outstanding shareholder's loan with the non-controlling shareholder in the amount of AU$158 342 (the equivalent of R1.576 million as at the effective date) which amount was settled in cash on the effective date. The net liabilities of Panpen at 1 August 2014 included in the consolidated financial statements of the group amount to R0.217 million, of which R0.108 million was attributable to non-controlling interests. The purchase consideration was charged directly to equity (retained earnings) and the non-controlling interest's share in the net liabilities of the subsidiary was similarly reallocated within equity to retained earnings.

The entity was subsequently disposed of (refer note 14).

14. DISPOSALS OF AUSTRALIAN SUBSIDIARIES – PRIOR YEAR

During the prior year, the group:

- disposed of its 100% interest in Panpen for R8.188 million (AU$880 000) on 31 March 2015 on loan account, to be settled in 60 equal monthly instalments, which commenced on 1 October 2015, with the receivable being subject to interest at the Reserve Bank of Australia's cash rate plus 1.5%;
- disposed of its 92.67% interest in Panawest Pty Ltd, the Australian subsidiary operating the Panarottis outlet in Blacktown, on 15 November 2014 for AU$1. As part of the transaction, the former subsidiary is continuing to repay the previous shareholder's loan with the group of AU$400 000 (the equivalent of R3.911 million on the date of the transaction), in equal instalments over 35 months to October 2017; and
- disposed of the business of the Silver Spur in Penrith as a going concern for R2.977 million (AU$320 000) on 31 March 2015 on loan account, to be settled in 60 equal monthly instalments, which commenced on 1 October 2015, with the receivable being subject to interest at the Reserve Bank of Australia's cash rate plus 1.5%.

Following these disposals, the group operates exclusively as a franchisor in Australia.

Details of the above disposals are as follows:

	2015			
	Panarottis Penrith (100%) R'000	Panarottis Blacktown (92.67%) R'000	Silver Spur R'000	Total R'000
Date of disposal	31 March 2015	15 November 2014	31 March 2015	
Proceeds on disposal	8 188	–	2 977	11 165
Carrying value of net (assets)/liabilities disposed of	(4 919)	1 997	(7 522)	(10 444)
Attributable to non-controlling interests	–	(146)	–	(146)
Profit/(loss) on disposal	3 269	1 851	(4 545)	575
Foreign exchange gain/(loss) reclassified from other comprehensive income to profit, on disposal of foreign operations	179	(345)	(129)	(295)
Total profit/(loss) on disposal	3 448	1 506	(4 674)	280
Net cash outflow on disposal	(155)	(206)	(292)	(653)
The contribution to consolidated revenue and profit of the entities disposed of prior to their disposal are detailed below:				
Revenue	17 875	5 493	25 951	49 319
Profit/(loss) before and after income tax (excluding profit/(loss) on disposal above)	1 052	(67)	894	1 879
Attributable to:				
Owners of the company	957	(330)	894	1 521
Non-controlling interests	95	263	–	358

15. CHANGES IN LOCAL RETAIL OPERATIONS

15.1 The Hussar Grill Morningside

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

15.2 The Hussar Grill/RocoMamas Green Point

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. The company 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 incurred a loss before income tax of R1.881 million for the year (including initial trading and start-up losses), and acquired property, plant and equipment of R3.531 million.

16. FAIR VALUE FINANCIAL INSTRUMENTS

16.1 Forward purchase derivative financial assets/liabilities

The forward purchase derivative financial assets/(liabilities) (disclosed as derivative financial assets/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 designated as level 2 financial instruments in terms of the fair value hierarchy specified in *IFRS13 – Fair Value Measurement*, as the inputs into the valuation model are derived from observable inputs for the assets/liabilities in question, but are not quoted prices in active markets for identical assets/liabilities. The 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 15 December 2016 (forward price: R37.57) 1.5 million for settlement on 14 December 2017 (forward price: R35.94)
Spot price	R30.90
Expected volatility	34.13%
Interest rate (nominal annual compounded quarterly)	7.54% – 7.74%
Credit spread	2.0% – 2.5%

16. FAIR VALUE FINANCIAL INSTRUMENTS continued

16.1 Forward purchase derivative financial assets/liabilities (continued)

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 increase or decrease respectively the aggregate fair value of the contracts by R9.103 million, resulting in an increase or decrease in profit before income tax respectively of the same amount.

16.2 Contingent 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 designated as a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on observable market data. The fair value is determined based on the expected aggregate purchase consideration payments, discounted to present value using a risk-adjusted discount rate of 26.4% (2015: 25.3%), 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. 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 credit of R3.723 million (2015: R3.681 million charge), and relates largely to the adjustment for the time value of money from the initial acquisition date to the reporting date, an increase in the discount rate (due to a rise in interest rates over the year), a downward revision of the number of stores to be rolled out over the initial three-year period, and a moderation of the expected growth in turnover of existing businesses. The estimated fair value of the contingent consideration liability at the reporting date would change if the forecast profit before income tax or the risk-adjusted discount rate were to change as follows:

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

16.3 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.

17. LITIGATION AND CONTINGENT LIABILITIES

17.1 Income tax in respect of Controlled Foreign Companies

As previously reported, the South African Revenue Service ("SARS") had previously issued assessments to wholly-owned subsidiary, Spur Group (Pty) Ltd, for additional income from controlled foreign companies of the group for the 2009, 2010 and 2011 years of assessment. The assessments amounted in aggregate to R1.993 million (comprising R1.561 million in tax and R0.432 million in interest) which were settled in cash in the 2014 financial year. Following alternate dispute resolution ("ADR") proceedings initiated with SARS in November 2014, on 8 October 2015, SARS informed the company that it concurred that the 2009 assessment had prescribed, but that the ADR had been unsuccessful for the 2010 and 2011 years of assessment. A reduced assessment and refund for the 2009 year of assessment of R1.349 million was received on 16 January 2016. The balance paid to date is accounted for as a prepayment of income tax. Subsequent to the reporting date, on 10 August 2016, the board has been notified by SARS that SARS has accepted a final settlement in the amount of R400 000 for the 2010 and 2011 years of assessment. The relevant settlement agreements are expected to be formally concluded in due course.

17.2 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 2010, 2011 and 2012 years of assessment totalling R6.589 million (comprising R5.098 million in additional income tax and R1.491 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. The assessments were settled in cash on 30 January 2015. On 28 July 2015, SARS issued additional assessments regarding the same matter for the 2005 to 2009 years of assessment amounting to R15.445 million (comprising R8.898 million in additional income tax and R6.547 million in interest), which were settled in cash on 30 September 2015. The matter was referred to ADR proceedings which were held on 17 March 2016. The ADR process resulted in no agreement being reached with SARS, and the company has indicated to SARS that it intends to refer the matter to court. The board awaits SARS' statement of grounds of assessment and opposing the appeal to take the matter further. 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.

17.3 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.

18. SUBSEQUENT EVENTS

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

18.1 Cash dividend

The board of directors of the company, on 7 September 2016, declared a final gross cash dividend for the year ended 30 June 2016 of R79.191 million, which equates to 73.0 cents per share for each of the 108 480 926 shares in issue, subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962, as amended) ("dividend withholding tax") of 15%.

The dividend has been declared from income reserves. The net dividend is 62.05 cents per share for shareholders liable to pay dividend withholding tax.

The dividend was paid on 3 October 2016.

19. CAPITAL COMMITMENTS

19.1 Head office building

On 5 September 2014, the group acquired land adjacent to the group's existing corporate head office in Century City, Cape Town with a view to increase office space necessitated by the organic and acquisitive growth of the group in the recent past. In terms of the sale agreement, the group was obliged to enter into a development agreement to erect an office building spanning at least 1 255 m^2. Construction of the building commenced during the prior year. The total value of the construction contract is R39.000 million. As at the reporting date, R31.972 million of the contract had been settled. Construction of the building was completed in September 2016.

20. 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	+12.9%
Comparable headline earnings per share (continuing operations)	+3.5%
Comparable profit before income tax (continuing operations)	+9.8%
Full-year dividend per share	+6.1% to 140 cents per share

TRADING PERFORMANCE

Spur Corporation delivered a robust trading performance in the competitive family sit-down restaurant market in the year to June 2016 as total restaurant sales across its local and international operations increased by 12.9% to R6.97 billion.

South Africa

Restaurant sales in South Africa grew by 13.0% against the backdrop of severe pressure on consumer disposable income as economic conditions deteriorated in the second half of the financial year.

Management has focused on sustaining franchisee profitability in the face of margin pressure from high food inflation, mainly driven by the widespread drought and the deterioration of the rand against major currencies, and aggressive discounting by restaurants and quick-service dining chains to attract cash-strapped consumers.

Panarottis Pizza Pasta continued its strong growth trend and lifted sales by 18.0% despite the increasing competition from international pizza brands entering South Africa.

Spur Steak Ranches grew sales by 6.2%, supported by its loyal customer base of over 1.9 million Spur Family Card members who account for 41.9% of Spur's restaurant sales.

The Hussar Grill grew sales by 51.8% and John Dory's by 17.7%.

The RocoMamas offering of "Smashburgers", ribs and wings strengthened the group's appeal among urban millennial customers as 33 outlets were opened locally, bringing the restaurant base to 42.

Thirteen non-performing Captain DoRegos outlets were closed and sales declined by 3.3%, reflecting the tough trading conditions in the lower-income market.

Capitalising on the growing demand for authentic Italian cuisine, as well as the group's knowledge of the pizza and pasta market, an upmarket Italian restaurant brand, Casa Bella, was launched and two outlets were opened during the year.

A total of 74 new restaurants were opened in South Africa across the Spur (15), Panarottis (7), John Dory's (8), Captain DoRegos (5), The Hussar Grill (4), RocoMamas (33) and Casa Bella (2) brands.

Franchisees invested over R330 million in the 2016 financial year in opening, relocating and revamping restaurants.

International

International restaurant sales increased by 12.1% in rand terms and by 2.8% calculated at a constant exchange rate.

Following the decision to cease operations in the United Kingdom and Ireland, the group's remaining eight restaurants were closed during the year. This resulted in a 29.0% decrease in store turnover in the UK (or 40.1% on a constant exchange rate basis).

In line with the group's strategy to focus the international business primarily on Africa and Australia, eight restaurants were opened across the Africa and Mauritius region, and two in Australia.

Additional franchised Spur Steak Ranches were opened in Nigeria, Zambia and two in Kenya, a further Panarottis in Mauritius, the first Captain DoRegos in Botswana, the first international outlet for The Hussar Grill in Zambia and the first international outlet for RocoMamas in Namibia. New Spur and Panarottis restaurants were opened in Perth, Australia.

Restaurant footprint as at 30 June 2016

Franchise brand	South Africa	International	Total
Spur Steak Ranches	286	40	326
Panarottis Pizza Pasta	81	12	93
John Dory's Fish Grill Sushi	45	1	46
Captain DoRegos	49	3	52
The Hussar Grill	12	1	13
RocoMamas	42	1	43
Casa Bella	2	–	2
Total	**517**	**58**	**575**

FINANCIAL PERFORMANCE

Revenue from the South African operations, which accounted for 81.4% of group revenue, increased by 11.7% to R600.0 million. International revenue declined by 38.4% to R137.4 million due to the closure of the eight company-owned restaurants in the UK during the year and one during the previous financial year, as well as the disposal of the remaining three retail outlets in Australia in the previous financial year. Group revenue for the period was 3.0% lower at R737.4 million.

Revenue from continuing operations increased 3.4% to R633.1 million, impacted by a reduction in revenue of R49.3 million following the disposal of the group's interests in retail outlets in Australia in the prior year.

Franchise revenue in Spur increased by 5.8%, Panarottis 17.9%, John Dory's 14.2% and The Hussar Grill by 49.2%. Captain DoRegos revenue declined by 25.4%. The RocoMamas chain generated revenue of R17.4 million in its first full year in the group since being acquired in March 2015.

Local retail revenue, representing the group's interests in South African restaurants, increased by 56.5%, boosted by the opening of the company-owned The Hussar Grill in Morningside (Johannesburg) and RocoMamas in Green Point (Cape Town) during the year.

The manufacturing and distribution division grew revenue by 3.9% while profitability was impacted by the weakening exchange rate on foreign currency priced imports used in the sauce manufacturing facility, as well as higher transport costs. The full extent of higher imported food prices has not been passed on to franchisees to ensure the brands remain competitive in the current tight consumer environment.

The reported growth in the group's earnings was inflated due to the accounting in the prior year for the broad-based black economic empowerment transaction with Grand Parade Investments Ltd. The transaction resulted in the issue of 10.848 million new ordinary shares and a share-based payment expense of R33.0 million for the year to June 2015.

Profit before income tax increased by 6.5% to R218.7 million. This includes the impact of the GPI transaction, the impact of the international restaurant closures, a net charge of R25.4 million (2015: R4.9 million) related to the long-term share-linked employee retention scheme, foreign exchange gains and losses and other one-off and exceptional items in the current and previous comparable periods.

Profit before income tax from continuing operations (excluding the UK business in its entirety) increased by 16.7% to R247.6 million. The UK incurred a loss before income tax of R31.7 million (2015: R6.7 million) for the year, which included losses arising from the closure of the retail outlets in that region.

Comparable profit before income tax from continuing operations, excluding exceptional and one-off items (including those listed above), increased by 9.8%.

Headline earnings increased by 15.9% to R164.0 million with headline earnings per share (HEPS) growing by 11.9% to 170.9 cents. Headline earnings from continuing operations increased by 21.0% to R182.3 million with HEPS from continuing operations growing by 16.8% to 190.0 cents per share.

Comparable HEPS from continuing operations, excluding those items above and the impact of the GPI transaction, increased by 3.5%.

The total dividend was increased by 6.1% to 140.0 cents per share.

PROSPECTS
Amidst lower economic growth and negative consumer sentiment, consumers in the group's middle-income market will remain under pressure in the months ahead. In this environment, the group will continue to attract cost-conscious customers through aggressive marketing campaigns, targeted television advertising and providing an excellent quality, value-driven product offering to its customers.

The group plans to open at least 28 restaurants across all brands in South Africa in the year ahead.

Nine new franchised outlets will be opened internationally, including additional restaurants in Nigeria and Zimbabwe, and the first Spur outlets in New Zealand and Ethiopia. RocoMamas will be opening outlets in Saudi Arabia, Oman, Kenya and Mauritius.

The closure of the UK operations is expected to contribute to increased profitability in the international operations.

ANNEXURE 2: CURRICULA VITAE OF DIRECTORS UP FOR RE-ELECTION

Keith Getz (Age 60)

Non-executive director
25 years of service

B.Proc; LLM – University of Cape Town

Keith is a practicing attorney and a senior partner of Bernadt Vukic Potash & Getz, the group's principal legal counsel. He was appointed to the board in 1991. Keith is a director of various international subsidiaries of the group, and chairs the social, ethics and environmental sustainability committee. He sits on the boards of Mr Price Group Ltd and various private companies.

Dean Hyde (Age 49)

Independent non-executive director
22 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 is currently the chief financial officer of Lombard Insurance Ltd. Dean chairs the audit committee.

Keith Madders MBE (Age 68)

Non-executive director
21 years of service

B.Com (Economics) – University of Cape Town

Keith trained as an investment analyst before joining the music industry. He lectured and established various businesses and charitable organisations in the UK, where he was awarded an MBE in the Queen's 2002 Honours List for services to the Zimbabwe Trust.

ANNEXURE 3: DIRECTORS NOMINATED FOR ELECTION AS MEMBERS OF THE AUDIT COMMITTEE

Dean Hyde as chairman (existing member) – independent non-executive director – 22 years of service

Refer Annexure 2.

Mntungwa Morojele (existing member) – independent non-executive director – 6 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 (Pty) Ltd. He has served on the boards of Gray Security Services Ltd and the UCS Group Ltd. 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.

Muzi Kuzwayo (existing member) – independent non-executive director – 8 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 (existing member) – independent non-executive director – 3 years of service

B.Compt (Hons) – Unisa; Masters in International Accounting – University of Johannesburg; CA(SA); Advanced Management Program – Wharton Business School, University of Pennsylvania

Dineo held various audit and finance positions at the Industrial Development Corporation, Eskom Holdings Ltd, Sizwe Ntsaluba VSP, Thebe Investment Corporation and Vodacom. She is currently chief financial officer of T Systems South Africa and a non-executive director on the board of Clientèle Ltd. She was appointed to the board in September 2013 and is a member of the audit committee.

ANNEXURE 4: SUMMARY OF REMUNERATION POLICY

REMUNERATION PHILOSOPHY

The group aims to remunerate all employees in such a way so as not only to attract and retain talented individuals, but also to motivate all employees to contribute continuously to the success of the group. In order to achieve this, the group targets remuneration at the upper quartile of benchmarked remuneration levels for each individual's area of expertise and responsibility and total remuneration packages are structured in such a way so as to ensure that the interests of employees and shareholders are aligned.

In addition, the group 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. Given that performance-related incentives form a material part of remuneration packages, ongoing performance feedback is vital. Employees participate in annual performance and career development evaluations.

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. These packages are linked to individual performance, expertise and knowledge required in the position and competitive benchmarking undertaken from time to time.

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. For bonuses paid in the 2016 financial year based on the 2015 financial performance, financial performance was measured by considering growth in profit relative to the prior year and inflation. For bonuses to be paid in the 2017 financial year based on the 2016 financial performance, financial performance will be measured against budget. This decision was taken to make it easier for participants to track their likely incentive based on performance during the year and, in so doing, motivate management more effectively to achieve the group's financial objectives. The quantum of the bonus pool, calculated with reference to the dividends on the Spur Corporation shares, is linked directly to group performance, as the dividend is a direct result thereof.

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.

REMUNERATION STRUCTURES (continued)

3. Share-linked schemes (continued)

The executive directors and certain members of top management participate in a share-linked retention scheme in the form of a cash-settled share appreciation rights scheme. The scheme is a three-year rolling scheme, in terms of which a “baseline” of 1 500 000 share-linked rights become available for allocation each year. The rights are granted each year in the period following the publishing of year-end results up to 31 December of that same year.

The number of rights to be allocated may be reduced depending on the financial performance of the group relative to inflation, but may not be increased above 1 500 000 per tranche. The maximum number of rights that any participant may benefit from at any point in time is 1 500 000.

A total of 3 000 000 rights are currently in issue. The third tranche of 1 500 000 share appreciation rights (granted in December 2011) vested and was settled in cash in December 2015.

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 R2.361 million (2015: charge of R19.735 million) and a loss included in profit before income tax in respect of the hedge of R27.714 million (2015: gain of R14.794 million) (refer to notes 11 and 12 to the abridged financial statements on pages 24 and 25, 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	Granting of share appreciation rights with benefits dependent on the increase in the value of the rights awarded
	Equity-settled	Equity-settled
Period	Ownership, voting rights and dividends will vest with the beneficiaries after three years, but participants will be restricted from trading in the shares for a further two years	Ownership, voting rights and dividends will vest with the beneficiaries after three years, but participants will be restricted from trading in the shares for a further two years
	Performance conditions will be applied at grant date only	Performance conditions will be applied at the vesting date
Available to	Executives	Executives
	Senior managers	Senior managers
	Junior 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

REMUNERATION STRUCTURES (continued)

3. Share-linked schemes (continued)

On 1 April 2016, 155 000 forfeitable shares and 1 971 663 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.

The scheme resulted in a share-based payment expense included in profit before income tax of R0.827 million for the year and the inclusion of a weighted average number of 16 582 dilutive potential ordinary shares in the calculation of diluted weighted average number of shares (refer note 9 of abridged financial statements on page 21).

King III recommends that vesting of share incentive awards should be conditional to 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 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.

ANNEXURE 5: NON-EXECUTIVE DIRECTORS' EMOLUMENTS

Non-executive directors' fees for current year and next year	**2017**	**2016**
Member of board	R400 000 in total for each non-executive director	**R400 000 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

	2016			2015		
	Direct beneficial	Indirect beneficial	Held by associates	Direct beneficial	Indirect beneficial	Held by associates
Allen Ambor	**3 094 685**	**464 609**	**–**	3 086 685	464 609	–
Ronel van Dijk	**73 244**	**–**	**–**	73 244	–	–
Keith Madders	**779 372**	**332 650**	**–**	779 372	332 650	–
Keith Getz	**2 491**	**–**	**820**	2 491	–	820
Total	**3 949 792**	**797 259**	**820**	3 941 792	797 259	820
% interest*	**3.9**	**0.8**	**0.0**	3.8	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 of the abridged financial statements on page 21), 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:

	2016	2015
Pierre van Tonder	**15 000**	–
Mark Farrelly	**10 000**	–
Ronel van Dijk	**10 000**	–

There have been no changes in directors' interests in share capital from 30 June 2016 to the date of issue of this report.

ANNEXURE 7: SHAREHOLDER ANALYSIS

SHAREHOLDERS' INTEREST IN SHARES

Major shareholders

The following are shareholders (excluding directors) holding 3% or more of the company's issued share capital at 30 June 2016:

	Number of shares	%*
Allan Gray	11 671 274	11.4
Coronation Fund Managers	11 562 458	11.3
Grand Parade Investments	10 848 093	10.6
Fidelity	8 959 199	8.7
Investec	8 556 193	8.3
The Spur Management Share Trust**	6 533 698	6.4
State Street Bank & Trust Co	5 221 523	5.1

* *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 of the abridged financial statements on page 21).*

Public/non-public shareholders

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

	Number of shareholders	Number of shares	%
Non-public shareholders			
Directors and associates	7	4 747 871	4.4
Subsidiaries holding treasury shares	2	5 912 901	5.5
The Spur Management Share Trust	1	6 533 698	6.0
The Spur Foundation Trust	1	200 000	0.2
Major shareholders	3	34 081 825	31.4
Public shareholders	2 896	57 004 631	52.5
Total	2 910	108 480 926	100.0

ANALYSIS OF SHAREHOLDING

An analysis of the spread of shareholding is presented below:

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 10 000 shares	2 494	85.7	4 442 272	4.1
10 001 – 25 000 shares	177	6.1	2 890 291	2.7
25 001 – 50 000 shares	89	3.1	3 200 670	3.0
50 001 – 100 000 shares	54	1.8	3 857 861	3.6
100 001 – 500 000 shares	65	2.2	13 451 778	12.4
500 001 – 1 000 000 shares	9	0.3	6 766 892	6.2
1 000 001 shares and over	22	0.8	73 871 162	68.0
	2 910	100.0	108 480 926	100.0

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks and nominees	44	1.5	9 583 514	8.8
Empowerment	1	0.0	10 848 093	10.0
Endowment funds	23	0.8	813 462	0.7
Individuals	2 151	73.9	11 514 499	10.6
Insurance companies	27	0.9	1 891 295	1.7
Investment companies	8	0.3	3 776 713	3.5
Medical funds	11	0.4	969 234	0.9
Mutual funds	93	3.2	43 219 584	39.9
Own holdings	2	0.1	5 912 901	5.5
Pension and retirement funds	116	4.0	8 807 306	8.1
The Spur Foundation Trust	1	0.0	200 000	0.2
The Spur Management Share Trust	1	0.0	6 533 698	6.0
Other corporate bodies	432	14.9	4 410 627	4.1
	2 910	100.0	108 480 926	100.0

ANNEXURE 8: SHARE CAPITAL

	Number of shares 2016 '000	Number of shares 2015 '000	2016 R'000	2015 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**	97 633	**1**	1
Issued for cash during the year	**–**	10 848	**–**	–
Cumulative shares repurchased by subsidiaries	**(5 913)**	(5 572)	**–**	–
Cumulative shares held by The Spur Management Share Trust (consolidated structured entity)	**(6 534)**	(6 689)	**–**	–
Cumulative shares held by The Spur Foundation Trust (consolidated structured entity)	**(200)**	(100)	**–**	–
	95 834	96 120	**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 2016 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
Alan Keet – representative of 10% shareholder, Grand Parade Investments Ltd
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

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 division of Sasfin Bank Limited)

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Tel: 011 370 5000
Fax: 011 688 7721
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