

SPUR CORPORATION LIMITED
(REGISTRATION NUMBER: 1998/000828/06)

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

ABOUT THESE FINANCIAL STATEMENTS

The consolidated and separate financial statements on pages 90 to 179 of this report have been audited in accordance with the requirements of section 30 of the Companies Act of South Africa (Act No. 71 of 2008, as amended) and have been prepared under the supervision of the group chief financial officer, Ronel van Dijk CA(SA).



CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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AUDIT COMMITTEE REPORT

COMPANIES ACT COMPLIANCE

The company has complied with section 94 of the Companies Act relating to audit committees. In addition, the board is of the opinion that the requirements of Regulation 42 of the Companies Act, which require at least one-third of the members of a company's audit committee to have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management, are complied with.

FUNCTIONING OF THE COMMITTEE

The committee operates within formal terms of reference approved by the board. The committee is satisfied that it has met its responsibilities as stipulated in the terms of reference. The committee is also satisfied that it has complied with its legal, regulatory and other responsibilities.

The committee discharges its responsibilities by meeting formally at least twice a year to review the group's interim and annual results before publication, and to receive and review internal audit reports, external audit reports and the written report from the board's risk committee. It also meets with management to review their progress on key issues relating to financial controls and risks, and deals with other matters falling within its terms of reference. Committee members review company trading statements on an *ad hoc* basis. The findings and recommendations of the committee are reported to the board at the following board meeting, which is typically held within a week of the committee meeting.

The committee meets informally on an *ad hoc* basis with internal audit, the external auditor and management to address key issues as the need arises, specifically to consider risk assessment and management, review the audit plans of the external and internal auditors and to review accounting, auditing, financial reporting, corporate governance, and compliance matters. The internal audit plan and internal audit conclusions are similarly reviewed and approved by the committee.

Management meets with the external auditor on a regular basis to identify audit risks which, if significant, are reported to the committee.

Management presents the chairman of the committee and the external auditor with summarised financial information relating to the performance of the group on a regular basis.

The committee discharges all audit committee responsibilities of all the subsidiaries within the group. The external and internal auditors have unrestricted access to the committee.

The committee is responsible for overseeing the internal audit function.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The audit committee has satisfied itself that the external auditor is independent of the company, as set out in section 94(8) of the Companies Act, which includes considering previous appointments of the auditor, the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee ensured that the appointment of the auditor complied with the Companies Act and any other legislation relating to the appointment of auditors. There is a formal procedure that governs the process whereby the auditor is considered for non-audit services. In general, the auditor is not engaged for non-audit services, unless, in the opinion of the committee, it is appropriate to do so and the extent of the service is not significant. The committee recognises that there may be circumstances where it would be to the group's advantage to engage the auditor for non-audit services that are significant and these will be considered on a case by case basis. One such case relates to the ongoing dispute with SARS regarding to the group's 2004 – 2009 share incentive scheme, as detailed in note 44.1 on page of 159 of the consolidated financial statements, in respect of which KPMG Services (Pty) Ltd was engaged to assist management in resolving the dispute. The committee concluded that it would be most efficient and cost effective for KPMG to assist, in light of the fact that KPMG had given significant input into the design of the scheme and had provided the original tax and accounting opinions to support the treatment of the scheme, prior to its implementation. The cost of services provided by KPMG in this regard amounted to R241 545 for the financial year under review. Minimal pre-approved other non-audit services were provided by the auditor for the year under review, the value of which comprised less than 10% of the total fees paid to the external auditors for all services.

The audit committee has satisfied itself that the audit firm and designated auditor are accredited on the JSE's list of auditors and their advisors.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The audit committee has reviewed the accounting policies and the consolidated and separate financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

The audit committee has established a formal process to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. During the year, the JSE reviewed the integrated annual report for the year ended 30 June 2016 as part of its proactive monitoring of annual financial statements for compliance with IFRS process. The JSE sought clarification on a number of issues and furthermore provided comments on certain items of disclosure in the financial statements. All concerns were addressed to the satisfaction of the JSE, and where improvements to disclosures were suggested, management has incorporated these into the financial statements for the year ended 30 June 2017. No other such matters were brought to the attention of the committee during the year under review.



INTERNAL FINANCIAL CONTROLS

In considering the integrity of the company's financial information and the effectiveness of internal financial controls, the committee relies on the work performed by internal audit, representations by management and the external auditor's management report. The committee acknowledges that it is not the external auditor's responsibility to identify control deficiencies, but considers the content of the report to be a key indicator of the effectiveness of the general financial control environment.

Based on these interactions, nothing has come to the committee's attention that would lead it to believe that an adequate and appropriate system of internal control is not in place. The committee has advised the board accordingly.

INTEGRATED REPORTING AND COMBINED ASSURANCE

King III recommends that the committee should recommend that the board engage an external service provider to provide assurance over material elements of the sustainability part of the integrated report. The board has considered this recommendation and determined that the cost of such an assurance exercise would exceed any benefits to stakeholders. The board will continue to review this decision.

The audit committee has considered the company's sustainability information as disclosed in the integrated report and has assessed its consistency with operational and other information known to audit committee members, and for consistency with the financial statements. Nothing has come to the audit committee's attention, which would lead it to conclude that the sustainability information is not reliable.

The committee has reviewed this integrated report and recommended it to the board for approval.

GOING CONCERN

The audit committee has considered the going concern status of the company and of the group and has made recommendations to the board in this regard. The board's statement on the going concern status of the company and of the group is supported by the audit committee.

GOVERNANCE OF RISK

The risks identified by the risk committee insofar as they relate to financial and integrated reporting or internal controls are highlighted to the audit committee in a formal report from the risk committee. The audit committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as they relate to financial reporting.

INTERNAL AUDIT

The board has outsourced the internal audit function to an independent, reputable service provider.

The audit committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the board of directors and these functions.

The audit committee considered and recommended the internal audit charter for approval by the board. The charter governs the authority and responsibilities of the various role players. The engagement partner of the outsourced service provider has been appointed as the chief audit executive in terms of the charter and reports directly to the audit committee.

The audit committee has approved a three-year risk-based audit programme in terms of which the outsourced service provider will address, *inter alia*, those risks and controls identified by the committee as being key to financial reporting, operational sustainability and stakeholder reporting. Deliverables will include written reports to the committee on the respective audit areas.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION

In accordance with the JSE Listings Requirements, the committee must consider and be satisfied, on an annual basis, of the appropriateness of the expertise and experience of the financial director. The committee has concluded that Ronel van Dijk, the group chief financial officer and financial director, possesses the appropriate expertise and experience to meet her responsibilities in that position. The committee has further assessed the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function and concluded that these are adequate.

CONCLUSIONS BY THE COMMITTEE

The committee is satisfied that to the date of this report:

- The external and internal auditors are independent
- Financial reporting risks have been identified and mitigated
- A satisfactory system of internal financial controls is in place
- Fraud risks relating to financial reporting have been considered and mitigated
- IT risks relating to financial reporting have been considered and mitigated

No material weaknesses in financial controls that resulted in material financial loss, fraud or errors were identified during the year under review.

Dean Hyde

Audit committee chairman

DIRECTORS' RESPONSIBILITY AND APPROVAL

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Spur Corporation Ltd, comprising the consolidated and separate statements of financial position at 30 June 2017, the consolidated and separate statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

Based on the results of reviews of the design, implementation and effectiveness of the internal financial controls conducted by the internal audit function during the 2017 financial year and considering information and explanations given by management and discussions with the external auditor on the results of the audit, assessed by the audit committee, nothing has come to the attention of the board that caused it to believe that the company's system of internal controls and risk management, to the extent this has any impact on this integrated report, is not effective, and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The board's opinion is supported by the audit committee.

The directors have made an assessment of the ability of the company and its material subsidiaries to continue as going concerns, and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

The board of directors furthermore acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its mind to the integrated report in its entirety and, in the opinion of the board, the integrated report addresses all material issues, and presents fairly the integrated performance of the group and its impacts. The integrated report has been prepared in line with best practice pursuant to the recommendations of King III.

APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate financial statements of Spur Corporation Ltd, as identified in the first paragraph, as well as the integrated report in its entirety, were approved by the board of directors on 27 September 2017 and are signed by



Allen Ambor
Executive chairman
(Authorised director)



Pierre van Tonder
Group chief executive officer
(Authorised director)

DECLARATION BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act (Act No. 71 of 2008, as amended), I certify that the company has lodged with the Commissioner all such returns and notices as required by the Companies Act and that all such returns and notices appear to be true, correct and up to date.

Nazrana Hawa
Secretary
27 September 2017

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR 18TH ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

NATURE OF THE BUSINESS

Spur Corporation Limited (company registration number: 1998/000828/06), which is domiciled and incorporated in the Republic of South Africa and listed on the JSE Ltd, the recognised securities exchange in South Africa, is an investment holding company. Through its subsidiaries, primarily Spur Group (Pty) Ltd, John Dory's Franchise (Pty) Ltd, RocoMamas Franchise Co (Pty) Ltd, Steak Ranches International BV, Spur Franchise Namibia (Pty) Ltd and Spur Corporation Australia Pty Ltd, the group carries on the business of franchisor in predominantly the family sit-down and quick service restaurant markets. Through subsidiaries, Spur Advertising (Pty) Ltd, Panarottis Advertising (Pty) Ltd, John Dory's Advertising (Pty) Ltd, The Ad Workshop (Pty) Ltd (trading as Captain DoRegos Advertising), RocoMamas Advertising (Pty) Ltd, The Hussar Grill Advertising (Pty) Ltd, Spur Advertising Namibia (Pty) Ltd, Spur Advertising Australia Pty Ltd, Panarottis Advertising Australia Pty Ltd and Steak Ranches International BV (operating separate divisions as marketing funds for African territories), the group provides marketing and promotional services to franchisees. A subsidiary of the company, Spur Group Properties (Pty) Ltd, owns certain properties which are owner-occupied from a group perspective. A subsidiary, Share Buy-back (Pty) Ltd, holds treasury shares as authorised by shareholders by way of special resolution on an annual basis. The company also has indirect interests in five local entities that operate four The Hussar Grills and one RocoMamas outlet in South Africa.

The group operates as franchisor for the Spur Steak Ranches (including Spur Grill & Go), Panarottis Pizza Pasta, John Dory's Fish Grill Sushi, Captain DoRegos, The Hussar Grill, RocoMamas and Casa Bella brands. It trades predominantly in South Africa, but has a growing presence in Australia, Mauritius and certain African countries including Namibia, Nigeria, Tanzania, Zambia, Kenya and Botswana.

FINANCIAL REVIEW



The group's statement of profit or loss and comprehensive income is presented on page 90 and reflects the group's financial results.

Spur Corporation's performance reflects the combined impact of deteriorating economic conditions and growing uncertainty on the retail trading environment in South Africa. Total franchised restaurant sales from continuing operations across the local and international operations increased by 4.2% to R7.2 billion, following the closure of the group's operations in the UK and Ireland in the previous financial year.

Sales in Spur Steak Ranches declined by 2.1% compared with the prior year, highlighting the financial difficulties of middle-income South African families. The social media fallout following a customer incident in a Spur outlet in Johannesburg affected restaurant turnovers in the last quarter of the financial year. However, in the current poor trading environment, the extent of the impact cannot be determined.

Pizza and Pasta, incorporating Panarottis and Casa Bella, grew sales by 13.3%, which includes the impact of an additional four Casa Bella outlets. John Dory's opened a net three new stores and increased sales by 14.3%. The Hussar Grill increased sales by 35.6%, benefiting from the opening of two new stores in the first half of the year. RocoMamas grew sales by 78.1% as eight new outlets were opened in South Africa. Captain DoRegos' sales were 17.6% lower and a further eight under-performing outlets were closed during the period.

International restaurant sales (excluding the UK) increased by 2.4% in rand terms and by 6.3% on a constant exchange rate basis. The group opened its first restaurants in New Zealand, Ethiopia, Oman and Saudi Arabia during the year.

Following the opening of a net 16 outlets during the year, the group's restaurant base increased to 591, of which 63 operate outside of South Africa.

Profit before income tax from continuing operations declined by 14.9% to R210.7 million. This includes: an impairment loss of R44.2 million relating to the group's investment in start-up rib manufacturing facility, Braviz; a further impairment loss of the Captain DoRegos trademarks and intellectual property of R6.8 million (2016: R19.0 million); a net charge of R3.0 million (2016: R26.2 million) related to the long-term share-linked employee retention and incentive schemes; foreign exchange gains and losses; and other one-off and exceptional items in the current and previous comparable periods. Comparable profit before income tax from continuing operations, excluding these exceptional and one-off items, decreased by 8.7%.

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

AUDIT AND RISK COMMITTEES



Pages 68 to 70 and 80 to 81 of this report set out the responsibilities of the risk and audit committees respectively and how these responsibilities have been discharged during the year.

SHARE CAPITAL

The number of authorised shares has remained at 201 000 000 ordinary shares of 0.001 cents each, for the year ended 30 June 2017.

On 3 October 2014, shareholders approved the donation of 500 000 (100 000 per annum) shares by Share Buy-back (Pty) Ltd (a wholly-owned subsidiary of the company) to The Spur Foundation Trust, a benevolent foundation that is a consolidated structured entity. The first donation of 100 000 shares was made in October 2014, the second in October 2015 and third in December 2016.

During the year, wholly-owned subsidiary, Share Buy-back (Pty) Ltd purchased 165 000 (2016: 285 500) shares at an average cost of R30.26 (2016: R32.72) per share, totalling R4.993 million (2016: R9.341 million), and wholly-owned subsidiary, Spur Group (Pty) Ltd, acquired 159 000 (2016: 155 000) shares from the Spur Management Share Trust to hold in escrow on behalf of

participants of the group's new long-term Forfeitable Share Plan, taking the total number of treasury shares held by the group to 6 136 901 (2016: 5 912 901). In addition, 6 374 698 (2016: 6 533 698) shares are held by The Spur Management Share Trust and, as noted above, 300 000 (2016: 200 000) shares are held by the Spur Foundation Trust. The Spur Management Share Trust and The Spur Foundation Trust are special purpose entities that are required to be consolidated by the group for financial reporting purposes only. Consequently, the net number of shares in issue at 30 June 2017 was 95 669 327 (2016: 95 834 327).

EMPLOYEE SHARE-LINKED INCENTIVE SCHEMES

Details of employee share-linked incentive schemes are detailed in notes 21.4 and 24 of the consolidated financial statements.

INTEREST IN SUBSIDIARY COMPANIES

Details of the share capital and the company's interests in the subsidiary companies are included in note 3 of the consolidated financial statements.

CASH DIVIDEND

A final cash dividend in respect of the 2016 financial year of 73.0 cents per share was paid to shareholders on 3 October 2016. An interim cash dividend in respect of the 2017 financial year of 71.0 cents per share was paid to shareholders on 3 April 2017.

The directors declared a final cash dividend in respect of the 2017 financial year of 61.0 cents per share, funded by income reserves, on 6 September 2017, to be paid on 2 October 2017 to those shareholders of the company who are recorded in the company's register on 29 September 2017. As this dividend was declared after the reporting date, it will only be accounted for in the 2018 financial year.

SPECIAL RESOLUTIONS

On 9 December 2016, at the company's annual general meeting, a special resolution was passed in terms of which the directors were granted the authority to contract the company, or one of its wholly-owned subsidiaries, to acquire shares in the company issued by it, should the company comply with the relevant statutes and authorities applicable thereto. At the same meeting, a special resolution was passed in terms of which the directors were granted the authority to cause the company to provide financial assistance to any entity which is related or interrelated to the company.

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

DIRECTORS AND SECRETARY

Details of the directors as at the date of this report, together with the name, business and postal address of the company secretary, are set out on pages 14, 15 and 180.

Mr Alan Keet, the board representative appointed by Grand Parade Investments Limited ("GPI") in accordance with the broad-based black economic empowerment transaction concluded in 2014, resigned from the board with effect from 1 April 2017, following his resignation from GPI. Ms Tasneem Karriem was appointed to replace Mr Keet, with effect from 12 April 2017. A resolution to approve this appointment will be tabled at the annual general meeting on 1 December 2017.

In terms of the company's Memorandum of Incorporation, Mr Muzi Kuzwayo, Mr Mntungwa Morojele and Ms Dineo Molefe, retire at the forthcoming annual general meeting. These directors, all being eligible, offer themselves for re-election. Service agreements with the directors of Spur Corporation at the date hereof do not impose any abnormal notice periods on the company or the directors in question.

The board has considered, and is satisfied, that Ms Nazrana Hawa has the necessary competence, qualifications and experience to adequately fulfil the role of company secretary.

DIRECTORS' INTERESTS

No contracts in which the directors or officers of the company or group had an interest and that significantly affected the affairs or business of the company or any of its subsidiaries, were entered into during the year.

Shares

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

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

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

In terms of the group's long-term Forfeitable Share Plan (as detailed in note 21.4 of the consolidated financial statements), certain shares have been acquired by a wholly-owned subsidiary to hold in escrow on behalf of the participants of the scheme. The participants are not permitted to trade in these shares, to exercise any voting rights attached to these shares, or entitled to any dividends accruing to these shares, for a period of three years following the grant date of the shares and accordingly have no beneficial rights of ownership during this period. The participants become entitled to the voting rights and dividends relating to the shares after a three-year period from the grant date has lapsed, provided that they remain employed by the group throughout this period. The shares held in escrow on behalf of directors are listed below:

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

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

SHAREHOLDERS' INTEREST IN SHARES

Major shareholders

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

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

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

** This holding relates to shares which may be utilised for the benefit of future equity-settled share incentive schemes (refer note 21.4 of the consolidated financial statements).

Public/non-public shareholders

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

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

Analysis of shareholding

An analysis of the spread of shareholding is presented below:

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

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

BORROWINGS

In terms of the Memorandum of Incorporation of the company and its main local operating entity, Spur Group (Pty) Ltd, the borrowing powers of the directors of these companies are unlimited. The group's overall level of formal loan indebtedness decreased from R25.7 million to R6.9 million during the year.

GOING CONCERN

The financial statements have been prepared on the going concern basis.

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



There are no pending or threatened legal or arbitration proceedings which have had or may have a material effect on the financial position of the company or group, save for those disclosed in note 44 on page 159 to the consolidated financial statements.

SUBSEQUENT EVENTS

Details of material events occurring subsequent to 30 June 2017 but prior to the date of issue of this report are detailed in note 43 to the consolidated financial statements. Save for these matters, there have been no material changes in the financial or trading position of the company or its subsidiaries after 30 June 2017 to the date of this report.



COMPANY INFORMATION

The company's registration number and registered address are presented on page 180. Shareholders and members of the public are advised that the register of the interests of directors, executives, senior management and other shareholders in the shares of the company is available upon request from the company secretary.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SPUR CORPORATION LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Spur Corporation Limited (the group and company) set out on pages 90 to 179 which comprise the consolidated and separate statements of financial position as at 30 June 2017, and the consolidated and separate statements of profit or loss and comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Spur Corporation Limited as at 30 June 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters for the consolidated financial statements are set out below, but we have determined that there are no key audit matters to communicate in respect of the separate financial statements.

Impairment Testing of Other Intangibles and Goodwill

Refer to note 14 as well as notes 45.1.8, 45.4 and 45.5 to the financial statements.

This key audit matter is applicable to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The group has goodwill of R71 million and other intangible assets, consisting of trademarks and intellectual property ("Other Intangibles") of R289 million.</p> <p>For purposes of impairment testing, goodwill is allocated to the following cash-generating units ("CGUs"): John Dory's Franchise operations; RocoMamas Franchise operations; The Hussar Grill Franchise operations; and The Hussar Grill Retail operations. Impairment of goodwill for all these CGUs, other than the Hussar Grill Retail operations, were considered as part of the impairment test of Other Intangibles.</p> <p>Other Intangibles are allocated to the following CGUs: Spur Franchise operations; Panarottis Franchise operations; John Dory's Franchise operations; Captain DoRegos Franchise operations; The Hussar Grill Franchise operations and the RocoMamas Franchise operations. The directors have determined the values-in-use of the CGUs to which Other Intangibles are allocated as well as the Hussar Grill Retail operations CGU in the impairment tests.</p> <p>Goodwill and Other Intangibles require significant judgement by the directors of the key assumptions, including growth rates and discount rates, used in determining the values-in-use as described in notes 14.1 and 14.2.</p> <p>Due to the magnitude of the aggregate carrying amounts of goodwill and Other Intangibles, and the significant judgment required by the directors in determining the values-in-use of the CGUs to which these assets are allocated, resulting in work effort by the audit team, impairment testing for goodwill and Other Intangibles was considered a key audit matter.</p>	<p><i>Our procedures included amongst others:</i></p> <ul style="list-style-type: none"> – We tested and challenged the cash flow forecasts prepared by the directors and used in the values-in-use calculations, and the process by which they were compiled, including comparing them to the latest board-approved plans and testing the underlying calculations. – We challenged: <ul style="list-style-type: none"> • the directors' key assumptions for long-term growth rates in the forecasts by comparing them to historical results and economic forecasts; and • the discount rate by assessing the cost of capital for the group and comparable organisations. – We also performed a sensitivity analysis of the key drivers of the cash flow forecasts. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill and/or Other Intangibles to be impaired, we considered the likelihood of such a movement in those key assumptions. – We assessed whether the disclosures in respect of these sensitivities and other required disclosures have been made in accordance with the relevant financial reporting framework.



Impairment of Loans Receivable to equity-accounted investee (“associate”)

Refer to notes 2.2, 10 and 15.1 to the financial statements.

This key audit matter is applicable to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>At each reporting date, the group evaluates whether there is any objective evidence that a financial asset is impaired.</p> <p>During the year, Braviz Fine Foods (Pty) Ltd, an associate, has been unable to settle all its repayments relating to loans advanced to it by the group. The breaches of the terms of these loan accounts, together with further considerations detailed below, are indicators of impairment at the reporting date.</p> <p>The performance of the associate has been negatively impacted by:</p> <ul style="list-style-type: none">– operational issues;– reduced demand following a decline in the local economy during the year;– increased competition; and– aggressive pricing. <p>Based on the above, the directors concluded that the prospects of recovering a material part of the receivables is remote, and the full receivables have consequently been impaired at the reporting date.</p> <p>The aggregate value of the loans to associate is a material balance and the determination of its recoverability required assumptions to be made by the directors, which resulted in significant audit attention from the audit team. Accordingly, the impairment of loans receivable to the associate was considered a key audit matter.</p>	<p><i>Our procedures included amongst others:</i></p> <ul style="list-style-type: none">– We held discussions with the associate’s local auditors, and inspected their working papers where necessary, to gain an understanding of the associate’s ability to meet budgeted cash flows for the foreseeable future and to meet its obligations as they fall due.– We assessed the appropriateness of any deferred tax assets recognised and property plant and equipment impairments, in accordance with the recognised financial reporting framework.– Based on the above procedures performed on impairment indicators and going concern at an associate level, we assessed the group’s directors’ conclusion that sufficient evidence exists to support the full impairment of the loans receivable from associate.– We assessed whether the disclosures in respect of the impairment of loans receivable have been made in accordance with the relevant financial reporting framework.

Other Information

The directors are responsible for the other information. The other information comprises all the information contained in the Integrated Annual Report, including the Audit Committee’s Report, the Declaration by Company Secretary and the Directors’ Report, as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group’s and the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Spur Corporation Limited for 18 years.

KPMG Inc.
Registered Auditor



Per BR Heuvel
Chartered Accountant (SA)
Registered Auditor
Director
Date: 27 September 2017

8th Floor, MSC House, 1 Mediterranean Street, Cape Town, 8001

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE

	Note	2017 R'000	2016 R'000
Continuing operations			
Revenue	6	648 016	633 069
Cost of sales		(178 680)	(166 850)
Gross profit		469 336	466 219
Other income	7	24 788	26 703
Administration expenses		(148 366)	(157 584)
Distribution expenses		(4 663)	(4 730)
Franchise operations expenses		(85 309)	(72 471)
Impairment losses	8	(50 970)	(18 969)
Other non-trading losses	8	(777)	–
Retail operating expenses		(29 894)	(18 602)
Operating profit before finance income	8	174 145	220 566
Net finance income	9	36 522	35 602
Interest income	9	36 606	35 680
Interest expense	9	(84)	(78)
Share of profit/(loss) of equity-accounted investee (net of income tax)	10	24	(8 601)
Profit before income tax		210 691	247 567
Income tax expense	11	(76 676)	(76 540)
Profit from continuing operations		134 015	171 027
Discontinued operations			
Profit/(loss) from discontinued operation (net of income tax)	4	4 084	(31 727)
Profit		138 099	139 300
Other comprehensive income#:			
Foreign currency translation differences for foreign operations		(4 473)	26 715
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations		–	(7 038)
Tax on reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations		–	(1 591)
Foreign exchange gain/(loss) on net investments in foreign operations		11	(12 835)
Tax on foreign exchange loss on net investments in foreign operations		–	3 209
Total comprehensive income		133 637	147 760
Profit attributable to:			
Owners of the company		134 143	135 619
Non-controlling interests		3 956	3 681
Profit		138 099	139 300
Total comprehensive income attributable to:			
Owners of the company		129 681	144 016
Non-controlling interests		3 956	3 744
Total comprehensive income		133 637	147 760
# All items included in other comprehensive income are items that are, or may be, reclassified to profit or loss.			
Earnings per share (cents)			
Basic earnings	12	139.98	141.34
Diluted earnings	12	139.82	141.31
Earnings per share (cents) – continuing operations			
Basic earnings	12	135.60	174.64
Diluted earnings	12	135.44	174.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE

	Note	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
		579 085	610 980
Property, plant and equipment	13	100 319	95 480
Intangible assets and goodwill	14	362 101	365 417
Loans receivable	15	110 730	143 739
Deferred tax	16	1 450	1 310
Leasing rights	17	4 485	5 034
Current assets			
		412 084	455 742
Inventories	18	12 731	12 148
Tax receivable	33	41 479	36 214
Trade and other receivables	19	72 836	96 587
Loans receivable	15	19 085	24 211
Cash and cash equivalents	20	265 953	286 582
TOTAL ASSETS		991 169	1 066 722
EQUITY			
Total equity			
		837 176	864 663
Ordinary share capital	21.1	1	1
Share premium		294 663	294 663
Shares repurchased by subsidiaries	21.2	(102 956)	(97 963)
Foreign currency translation reserve	21.3	26 249	30 711
Share-based payments reserve	21.4	1 812	827
Retained earnings		605 388	622 054
Total equity attributable to owners of the company		825 157	850 293
Non-controlling interests	22	12 019	14 370
LIABILITIES			
Non-current liabilities			
		63 600	81 537
Contingent consideration liability	23	–	13 565
Employee benefits	24	–	3 981
Derivative financial liability	25	–	3 425
Operating lease liability	26	2 676	2 191
Deferred tax	16	60 924	58 375
Current liabilities			
		90 393	120 522
Bank overdrafts	20	4 491	1 155
Tax payable		880	2 397
Trade and other payables	27	60 313	68 437
Loans payable	28	6 912	25 746
Contingent consideration liability	23	5 797	9 726
Employee benefits	24	885	3 829
Derivative financial liability	25	10 572	8 761
Shareholders for dividend		543	471
TOTAL EQUITY AND LIABILITIES		991 169	1 066 722

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE

Note	Attributable to owners of the company			Attributable to owners of the company					Non-controlling interests R'000	Total equity R'000
	Number of shares (net of treasury shares) '000	Ordinary share capital R'000	Share premium R'000	Shares repurchased by subsidiaries R'000	Foreign currency translation reserve R'000	Share-based payments reserve R'000	Retained earnings R'000	Total R'000		
	96 120	1	294 663	(88 622)	22 314	-	618 675	847 031	7 064	854 095
	Balance at 1 July 2015									
	Total comprehensive income for the year									
	-	-	-	-	-	-	135 619	135 619	3 681	139 300
	Profit									
	-	-	-	-	8 397	-	-	8 397	63	8 460
	Other comprehensive income ("OCI")									
	-	-	-	-	26 715	-	-	26 715	-	26 715
4	-	-	-	-	(7 038)	-	-	(7 038)	-	(7 038)
	-	-	-	-	(1 591)	-	-	(1 591)	-	-
	-	-	-	-	(12 835)	-	-	(12 835)	-	(12 835)
	-	-	-	-	3 209	-	-	3 209	-	3 209
	-	-	-	-	(63)	-	-	(63)	63	-
	-	-	-	-	8 397	-	135 619	144 016	3 744	147 760
	Total comprehensive income									
	Transactions with owners recorded directly in equity									
	(286)	-	-	(9 341)	-	827	(132 136)	(140 650)	(2 042)	(142 692)
	Contributions by and distributions to owners									
21.4	-	-	-	-	-	827	36	863	-	863
21.4	-	-	-	-	-	-	(679)	(679)	-	(679)
21.2	(286)	-	-	(9 341)	-	-	-	(9 341)	-	(9 341)
29	-	-	-	-	-	-	(131 493)	(131 493)	(2 042)	(133 535)
	-	-	-	-	-	-	(104)	(104)	5 604	5 500
	Changes in ownership interests in subsidiaries									
36.1	-	-	-	-	-	-	(104)	(104)	5 604	5 500
	(286)	-	-	(9 341)	-	827	(132 240)	(140 754)	3 562	(137 192)
	Total transactions with owners									
	95 834	1	294 663	(97 963)	30 711	827	622 054	850 293	14 370	864 663
	Balance at 30 June 2016									
	Total comprehensive income for the year									
	-	-	-	-	-	-	134 143	134 143	3 956	138 099
	Profit									
	-	-	-	-	(4 462)	-	-	(4 462)	-	(4 462)
	Other comprehensive income									
	-	-	-	-	(4 473)	-	-	(4 473)	-	(4 473)
	-	-	-	-	11	-	-	11	-	11
	-	-	-	-	(4 462)	-	134 143	129 681	3 956	133 637
	Total comprehensive income									
	Transactions with owners recorded directly in equity									
	(165)	-	-	(4 993)	-	985	(138 678)	(142 686)	(3 880)	(146 566)
	Contributions by and distributions to owners									
21.4	-	-	-	-	-	985	183	1 168	-	1 168
21.4	-	-	-	-	-	-	(860)	(860)	-	(860)
21.2	(165)	-	-	(4 993)	-	-	-	(4 993)	-	(4 993)
29	-	-	-	-	-	-	(138 001)	(138 001)	(3 880)	(141 881)
	-	-	-	-	-	-	(12 131)	(12 131)	(2 427)	(14 558)
	Changes in ownership interests in subsidiaries									
35	-	-	-	-	-	-	(10 913)	(10 913)	(3 122)	(14 035)
36.1	-	-	-	-	-	-	(1 218)	(1 218)	695	(523)
	(165)	-	-	(4 993)	-	985	(150 809)	(154 817)	(6 307)	(161 124)
	Total transactions with owners									
	95 669	1	294 663	(102 956)	26 249	1 812	605 388	825 157	12 019	837 176
	Balance at 30 June 2017									

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE

	Note	2017 R'000	2016 R'000
Cash flow from operating activities			
Operating profit before working capital changes	30	236 229	249 493
Working capital changes	31	(1 515)	(7 326)
Cash generated from operations		234 714	242 167
Interest income received	32	25 201	24 370
Interest expense paid		(84)	(116)
Tax paid	33	(85 303)	(100 256)
Dividends paid	34	(141 809)	(133 546)
Net cash flow from operating activities		32 719	32 619
Cash flow from investing activities			
Additions of intangible assets	14	(3 760)	(231)
Additions of property, plant and equipment	13	(13 692)	(45 598)
Cash (outflow)/inflow from share-based payment hedge	25	(7 405)	12 653
Cash outflow as a result of disposal of UK subsidiaries	4	(1 358)	–
Loan advanced to Captain DoRegos Marketing Fund	15.2	–	(430)
Loans advanced to franchisees	15.3 & 15.4	(7 318)	(11 351)
Loan repaid by associate company	15.1	3 000	500
Proceeds from disposal of property, plant and equipment	13	347	8 143
Repayment of loans receivable	15	11 409	18 377
Net cash flow from investing activities		(18 777)	(17 937)
Cash flow from financing activities			
Acquisition of non-controlling interest without a change in control	35	(14 035)	–
Acquisition of treasury shares	21.2	(4 993)	(9 341)
Loan repaid to non-controlling shareholders	28	(380)	(485)
Settlement of contingent consideration	23	(18 271)	(20 369)
Net cash flow from financing activities		(37 679)	(30 195)
Net movement in cash and cash equivalents			
Effect of foreign exchange fluctuations		(228)	(354)
Net cash and cash equivalents at beginning of year		285 427	301 294
Net cash and cash equivalents at end of year	20	261 462	285 427

Refer note 4 for cash flows attributable to discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ABOUT THESE FINANCIAL STATEMENTS

1.1 Reporting entity

Spur Corporation Limited (“the company”) is a company domiciled in South Africa. The consolidated financial statements of the company as at and for the year ended 30 June 2017 comprise the company, its subsidiaries, consolidated structured entities and the group’s interests in equity-accounted investees, together referred to as “the group”.

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

1.2 Basis of accounting

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

Details of the group’s accounting policies are set out in note 45 and have been applied consistently, in all material respects, to all years presented in these consolidated and separate financial statements.

The financial statements were prepared under the supervision of the group chief financial officer, Ronel van Dijk CA(SA), and authorised for issue by the directors on 27 September 2017. The financial statements were published on 29 September 2017.

The financial statements are presented in South African rands, which is the company’s functional currency, rounded to the nearest thousand, unless otherwise stated. They are prepared on the going concern basis.

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value (refer note 25);
- Contingent consideration liability is measured at fair value (refer note 23); and
- Liabilities for cash-settled share-based payment arrangements are measured at fair value (refer note 24).

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated and separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements, assumptions and estimates made in applying the group’s accounting policies that potentially have a significant effect on the amounts recognised in the financial statements are as follows:

2.1 Judgements

Accounting for marketing funds (note 39)

The group administers a number of marketing funds which have been established by the group to meet the group’s obligations in terms of the franchise agreements concluded between various subsidiaries of the group and external franchisees. In terms of these franchise agreements, the franchisor (the group) is mandated to spend the marketing fund receipts on behalf of the respective bodies of franchisees on marketing-related costs for the benefit of those bodies of franchisees. The franchise agreements permit the franchisor to retain so much of the fund receipts necessary to defray the costs of administering the respective marketing funds. Each marketing fund is housed in a separate legal entity that is ring-fenced from the franchisor and other marketing funds. *IAS 18 – Revenue* requires that revenue be recognised in the instance where an entity is acting as principal; and that revenue should not be recognised in the instance where an entity is acting as agent and collects amounts on behalf of the principal. In terms of *IAS 18*, an entity is acting as agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. The board has exercised judgement in concluding that the group is not exposed to the significant risks and rewards associated with the marketing fund receipts and therefore acts as agent, save to the extent that marketing fund receipts are retained to defray the costs of administering the marketing funds in which case the group acts as principal. Consequently, to the extent that marketing fund receipts are retained to defray the costs of administering the marketing funds, these are recognised as income (refer note 7), and the balance of the marketing fund receipts are not recognised as income (refer notes 15.8 and 28).

2. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

2.1 Judgements continued

Control of subsidiaries (note 3)

The group has considered whether it controls certain entities, despite not owning a majority of shareholder rights, in accordance with the requirements of *IFRS 10 – Consolidated Financial Statements*. The board has determined that the group controls the entities below:

- The Spur Foundation Trust is a benevolent foundation established by the group on Mandela Day 2012. The purpose of the trust is to consolidate and implement the group's corporate social investment projects which have reputational benefits for the group. The reputational benefits are considered to be a key return to the group from its involvement with the trust. The trust deed defines who the beneficiaries of the trust are and these beneficiaries exclude any group entity. While there is no direct economic benefit to the group from the trust, in light of the fact that the trustees of the trust are appointed by the group and are currently all employees of the group, the group is able to control the key activities of the trust which affect the intangible returns for the group arising from the trust's activities.
- The Spur Management Share Trust was established in 2004. It initially served as a finance vehicle for the purchase of shares for the group's 2004 – 2009 management incentive scheme. Upon winding up of that scheme, the trust acquired shares in the company which continue to be used in the group's share incentive schemes. The trustees of the trust serve at the behest of the company. The company is the only capital beneficiary of the trust. The main objective of the trust is to maintain a motivated and content work force through monetary and share incentives in order to improve future profitability of the group. On this basis, the group has concluded that it is able to exercise control over the relevant activities of the trust in order to influence the intangible returns for the group arising from the trust's activities.

The group has considered whether it controls Braviz Fine Foods (Pty) Ltd, an entity in which the group holds a 30% equity interest, in accordance with the requirements of *IFRS 10*. The group has the right to appoint only two of the maximum of six directors to the board of the entity in terms of the shareholders agreement concluded between the shareholders, and the right to exercise 30% of the voting rights attaching to the ordinary shares in issue. The entity's board currently comprises five directors, two of which have been appointed by the group. In addition, the shareholders agreement requires the approval of shareholders representing at least 75% of the ordinary shares in issue to implement any decisions and/or transactions that would materially affect the entity. The group is not responsible for the running of the day-to-day activities of the entity, and has no legal rights to do so. While the group's management is involved in setting strategy and consults with the entity's management on strategic and operational matters, any decisions require the approval of a majority of the board and/or shareholders as indicated above. The group has therefore determined that it does not have the power over the relevant activities of the entity that affect the variable returns from its investment in the entity. Consequently, the group has concluded that it has significant influence, but not control, over the entity and accordingly, accounts for the entity as an associate.

Intangible assets (note 14)

The directors reassess at each reporting date the appropriateness of the indefinite useful life assumption with regard to certain of the group's intangible assets, with particular reference to trademarks and related intellectual property. In this regard, the board considers its strategy relating to the intangible assets in question and the company's ability to execute that strategy, whether there is any technical, technological, commercial or other type of obsolescence applicable to the assets, expected usage and lifecycle of the assets, future costs required to continue to obtain benefits from the assets and the period over which the group is legally able to control the assets. The directors confirm their assessment that the group's trademarks and related intellectual property have indefinite useful lives.

Cash flow treatment of settlement of contingent consideration (note 23)

The purchase consideration relating to the acquisition of the RocoMamas Franchise Co (Pty) Ltd in the 2015 financial year, is determined as five times the acquiree's profit before income tax of the third year following the date of acquisition. Interim payments are made on the first and second anniversaries of the acquisition date. As only a nominal amount of R2.000 million was paid in cash on the transaction date, the bulk of the total anticipated purchase consideration was deferred beyond one year of the transaction date. On this basis, management considers the settlement of the contingent consideration to comprise largely the settlement of a deferred payment liability and the cash flows arising therefrom have accordingly been reflected as financing activities.

Cash flow treatment of settlement of derivative financial instruments (note 25)

Forward purchase contracts were concluded with a counterparty in an attempt to economically hedge the cash flow consequences of the cash-settled share appreciation rights awarded as detailed in note 24. However, the group has elected not to apply hedge accounting. Given that hedge accounting is not applied, management considers the two transactions (i.e. the cash-settled share-based payment, and the forward purchase contracts) to be two independent and distinct transactions. In considering the forward purchase contract as a standalone transaction, management considered the cash flows to be akin to “cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities” as contemplated by paragraph 16(h) of IAS 7 – *Statement of Cash Flows*. Management contends that these contracts were intended to be held until they matured, given that the intention was to utilise the resulting cash flows to fund, in part, the cash flows arising from the cash-settled share appreciation rights and are therefore not held for dealing or trading purposes. Accordingly, the cash flows arising from the financial instruments in question have been treated as cash flows from investing activities.

2.2 Assumptions and estimates**Contingent consideration liability (note 23)**

In assessing the possible aggregate purchase consideration due in terms of the contingent consideration arrangement for the acquisition of RocoMamas Franchise Co (Pty) Ltd, the directors needed to estimate the subsidiary's profit to February 2018. The directors needed to extrapolate a store development plan and quantify the associated costs and revenues. A number of scenarios were considered and a probability applied to each scenario to determine the most likely outcome. These assumptions are reassessed at each reporting date until the liability is settled. The other variables in determining the carrying value of the liability at the reporting date as well as the sensitivities thereto are detailed in note 23 and 37.2 respectively.

Deferred tax (note 16)

Within the group, each entity assesses the recoverability of deferred tax assets and the recognition of deferred tax assets in respect of computed tax losses. The recognition is based on the entities' abilities to utilise these computed tax losses based on expected future taxable income. In note 11.3, the total unrecognised computed tax losses are disclosed. The rationale for recognising deferred tax assets in respect of tax losses is disclosed in note 16, where applicable.

Derivative financial instruments (note 25)

Certain assumptions are applied by an independent external valuations expert in determining the value of the derivative financial instruments used to hedge economically the group's exposure to cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme. These assumptions and the key inputs into the pricing model are disclosed in note 25.

Employee benefits (notes 21.4 and 24)

Certain assumptions are applied by an independent external valuations expert in determining the obligations in respect of the group's long-term share-linked employee retention schemes. The key inputs into the pricing models are disclosed in notes 21.4 and 24 for the respective schemes.

Fair values

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

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

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

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

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

2. ACCOUNTING ESTIMATES AND JUDGEMENTS continued

2.2 Assumptions and estimates continued

Fair values continued

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

- Financial instruments including contingent consideration liability (refer note 37)
- Employee benefits (refer notes 21.4 and 24)

Financial assets

Certain assumptions are made in respect of the recoverability of the group's financial assets. These assets mainly comprise loans receivable from an associate company and external parties, and trade receivables.

At each reporting date, the group evaluates whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that loans or receivables are impaired, the amount of the loss is determined without reference to future irrecoverable debts that have not been incurred. Refer note 19 for the amount of any impairment allowance recognised or reversed against trade receivables. Refer note 15 for details concerning the impairment of loans receivable.

Intangible assets (note 14)

In respect of intangible assets with finite useful lives, the remaining useful lives and residual values of these assets are reviewed and considered at each reporting date, taking into account the nature of the assets as indicated in note 14.

Impairment of non-financial assets (notes 13 and 14)

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually. Intangible assets which do not have indefinite useful lives and property, plant and equipment are considered for impairment when an indication of possible impairment exists.

Determining if non-financial assets are impaired requires an estimation of the values-in-use of the cash-generating units to which goodwill, intangible assets and property, plant and equipment have been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that is reflective of the cash-generating unit's risk profile in order to calculate the present value. The variables applied in determining the above have been disclosed in the relevant notes to the financial statements with specific reference to notes 13 and 14.

Property, plant and equipment (note 13)

Items of property, plant and equipment are depreciated over the assets' remaining useful lives, taking into consideration their estimated residual values. The remaining useful lives and residual values of these assets are reviewed and considered at each reporting date, taking into account the nature and condition of the assets.

3. GROUP ENTITIES

3.1 Group structure

Details of the share capital and the company's interests in the subsidiary companies are as follows:

	Country of incorporation and place of business	Issued capital R'000	Loans to subsidiaries R'000	Effective % interest in company
Trading				
Direct				
– Share Buy-back (Pty) Ltd	South Africa	0.1		100.0
– Spur Group (Pty) Ltd	South Africa	0.1	209 013	100.0
– Spur Group Properties (Pty) Ltd	South Africa	0.1		100.0
Indirect				
– Green Point Burger Joint (Pty) Ltd trading as RocoMamas Green Point	South Africa	0.1		90.0
– John Dory's Advertising (Pty) Ltd	South Africa	0.1		100.0
– John Dory's Franchise (Pty) Ltd	South Africa	0.1		100.0
– Nickilor (Pty) Ltd trading as The Hussar Grill Rondebosch	South Africa	0.1		100.0
– Opilor (Pty) Ltd trading as The Hussar Grill Mouille Point (and previously also RocoMamas Green Point)	South Africa	17 500.1		68.0
– Opiset (Pty) Ltd trading as The Hussar Grill Camps Bay	South Africa	0.1		100.0
– Panarottis Advertising (Pty) Ltd	South Africa	0.1		100.0
– RocoMamas Advertising (Pty) Ltd	South Africa	0.1		100.0
– RocoMamas Franchise Co (Pty) Ltd	South Africa	0.1		70.0
– Spur Advertising (Pty) Ltd	South Africa	0.1		100.0
– The Ad Workshop (Pty) Ltd trading as Captain DoRegos Advertising	South Africa	0.1		100.0
– The Hussar Grill Advertising (Pty) Ltd	South Africa	0.1		100.0
– The Morningside Grill (Pty) Ltd trading as The Hussar Grill Morningside	South Africa	0.1		100.0
– Spur International Ltd	British Virgin Islands	1.4		100.0
– Steak Ranches International BV	The Netherlands	156 493.6		100.0
– Spur Advertising Namibia (Pty) Ltd	Namibia	0.1		100.0
– Spur Franchise Namibia (Pty) Ltd	Namibia	0.1		100.0
– Panarottis Advertising Australia Pty Ltd	Australia	0.6		100.0
– Panatug Pty Ltd	Australia	0.6		100.0
– Spur Advertising Australia Pty Ltd	Australia	0.6		100.0
– Spur Corporation Australia Pty Ltd	Australia	16 129.1		100.0
– Spur Corporation UK Ltd	United Kingdom	3.5		100.0
Dormant[#]		1.4		100.0
			209 013	

[#] A schedule of these companies is available upon request.

3. GROUP ENTITIES continued

3.1 Group structure continued

The interest of the company in the aggregate after tax profits and losses of subsidiaries is as follows:

	2017 R'000	2016 R'000
Profits	138 328	237 908
Losses	(4 571)	(91 466)

In addition to those entities in which the group holds a majority shareholder interest, the group has concluded that it controls The Spur Management Share Trust and The Spur Foundation Trust (refer note 2.1). These entities are consequently consolidated.

Changes to the group structure are detailed in notes 4, 35 and 36.

Details of material non-controlling interests are included in note 22.

There are no significant restrictions on the ability of the group to realise assets or settle liabilities of any of its subsidiaries.

3.2 Consolidated structured entities

With regard consolidated structured entities, The Spur Management Share Trust and The Spur Foundation Trust:

- There are no contractual obligations on the company or any of its subsidiaries to provide financial support;
- Wholly-owned subsidiaries donated R0.280 million (2016: R0.280 million) and 100 000 (2016: 100 000) treasury shares to The Spur Foundation Trust during the year to assist in funding the trust's benevolent activities. Although not obliged to, the same subsidiaries intend continuing to provide assistance to the trust by donating similar amounts of cash and shares on an annual basis (where the latter is a shareholder-approved donation of 100 000 treasury shares per annum for each of the 2018 and 2019 financial years).

3.3 Unconsolidated structured entities

During the 2015 financial year, the group concluded a B-BBEE equity transaction with Grand Parade Investments Ltd ("GPI") as more fully explained in note 15.6. The group partly financed the indirect acquisition by GPI of 10% of the share capital of the company through a preference share investment in GPI Investments 1 (Pty) Ltd ("GPI Investments"), an indirectly wholly-owned subsidiary of GPI.

The investment in preference shares is recorded as a loan receivable as detailed in note 15.6. The group's maximum exposure relating to the entity is represented by the carrying value of the preference shares.

The entity is an investment holding vehicle whose key activities comprise the investment in Spur Corporation Ltd shares and the financing of this investment. The group has no influence over the investing or financing decisions of the entity and consequently, the group does not have any power over the relevant activities of the entity. Therefore, the group concluded that it does not control, and therefore should not consolidate, the entity.

The recoverability of the preference shares/loan receivable referred to above is dependent on the performance of GPI Investments (which is not consolidated by the group), which is in turn influenced by the prevailing share price of Spur Corporation Ltd. The group's exposure to loss is, however, limited to the situation where the share price of Spur Corporation Ltd drops to the extent that GPI Investments' assets, fairly valued, no longer exceed its liabilities which is not the case at the reporting date. When all reasonably possible losses are taken into account, the group is not exposed to any significant impairment risk, based on the share price at the reporting date.

A summarised statement of financial position for GPI Investments is listed below:

	As at 30 June 2017 R'000
Assets	
Investment in Spur Corporation Limited	286 542
Other assets	2 643
Total assets	289 185
Equity and liabilities	
Total equity	48 153
Liabilities	241 032
External debt – A preference shares: dividend at 95% of prime payable semi-annually on 31 October and 30 April, secured by Spur Corporation Ltd shares held by GPI Investments and guarantee from GPI; 10% redeemable by 30 October 2017, 10% redeemable by 30 October 2018, balance redeemable on 30 October 2019	76 223
External debt – B preference shares: dividend at 80% of prime, capital balance capped at R78m (including capitalised dividends), secured by guarantee from GPI; redeemable in full prior to 30 October 2019	72 945
Debt owing to the group (refer note 15.6)	91 831
Other liabilities	33
Total equity and liabilities	289 185

4. DISCONTINUED OPERATION – UNITED KINGDOM

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

During the prior year, the group:

- disposed of 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 O₂ 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 current year:

- the group commenced, on 27 July 2016, with voluntary liquidation proceedings of Larkspur Six Ltd, Larkspur Seven Ltd, Larkspur Eight Ltd, Larkspur Ten Ltd and Trinity Leasing Ltd, effectively disposing of all remaining liabilities and cash balances for no consideration. The board has obtained legal opinion that the likelihood of there being any recourse by creditors or the liquidator against the group to settle any creditors' claims arising from the liquidation, is remote. The liquidations of Larkspur Six Ltd, Larkspur Seven Limited and Trinity Leasing Ltd were finalised by 30 June 2017;
- the group disposed of its 100% interest in Larkspur One Ltd for R1, effective 1 July 2016; and
- Larkspur Two Ltd, Larkspur Three Ltd, Mohawk Spur Ltd and Spur Advertising UK Ltd were dissolved. In respect of Larkspur Three Ltd, the shareholder's loan with the 20% non-controlling shareholder of R0.772 million was effectively forgiven and released to profit before income tax.

4. DISCONTINUED OPERATION – UNITED KINGDOM continued

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

	2017 R'000	2016 R'000
The results of the discontinued operation are detailed below:		
Revenue	–	104 302
Cost of sales	–	(32 512)
Gross profit	–	71 790
Other income	6 207	28 263
Administration expenses	(2 111)	–
Other non-trading losses	(12)	(25 322)
Retail operating expenses	–	(103 602)
Operating profit/(loss) before finance income	4 084	(28 871)
Net finance income	–	24
Interest income	–	62
Interest expense	–	(38)
Profit/(loss) before income tax	4 084	(28 847)
Income tax expense	–	(2 880)
Profit/(loss)	4 084	(31 727)
Profit/(loss) attributable to:		
Owners of the company	4 205	(31 957)
Non-controlling interests	(121)	230
Profit/(loss)	4 084	(31 727)
Basic earnings per share (cents)	4.38	(33.30)
Diluted earnings per share (cents)	4.38	(33.30)
The cash flows of the discontinued operation are listed below:		
Net cash flow from operating activities	(3 135)	(11 022)
Net cash flow from investing activities	(1 525)	5 757
Net cash flow from financing activities	(380)	(484)
Net movement in cash and cash equivalents for the year	(5 040)	(5 749)

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

5. OPERATING SEGMENTS

Operating segments are identified based on financial information regularly reviewed by the Spur Corporation Ltd executive directors (identified as the Chief Operating Decision Maker (“CODM”) of the group for *IFRS 8 – Operating Segments* reporting purposes) for performance assessments and resource allocations. In accordance with IFRS 8, no segment assets or liabilities have been disclosed as such information is not regularly provided to the CODM.

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

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

The group’s South African business comprises:

- the franchise businesses of its eight trading brands, Spur Steak Ranches (traditional Spur Steak Ranches and Spur Grill & Go), Pizza and Pasta (Panarottis Pizza Pasta and Casa Bella), John Dory’s Fish Grill Sushi, Captain DoRegos, The Hussar Grill and RocoMamas,
- its South African retail division comprising four company-owned The Hussar Grill restaurants, operating in Camps Bay, Rondebosch and Mouille Point in the Western Cape and Morningside in Gauteng, as well as the RocoMamas outlet in Green Point in the Western Cape;
- its sauce manufacturing, warehousing and product distribution business; and
- smaller operating segments include the group’s training division, export business, décor manufacturing business, call centre and radio station which are each individually not material.

The CODM reviews the performance of each of the franchise brands, the retail business and other business units independently of each other to assess the risks and contribution of each business unit, and, where appropriate, the possibility and financial feasibility of expanding, ceasing or outsourcing operations.

The group’s International business comprises:

- its operations in the United Kingdom (incorporating Ireland for the purposes of the segmental analysis) which have been discontinued during the prior year (refer note 4);
- its franchise business in Australia and New Zealand;
- its franchise operations in other territories including Africa, Mauritius and the Middle East which have been aggregated – while Africa comprises the majority of the other international segments, the Mauritius and Middle East components are not individually material, operate on the same basis as the Africa region and are exposed to similar risks.

From a statutory reporting perspective, the CODM reviews the profit/loss before income tax of each segment. In managing risks, performance and resource allocations, the CODM considers earnings before interest, tax, depreciation and amortisation (“EBITDA”) as a more meaningful measure. Accordingly, the group has elected to disclose segmental EBITDA in addition to the minimum disclosure required by IFRS 8.

5. OPERATING SEGMENTS continued

	South Africa							South Africa					International					Total R'000	
	Manu- facturing and distri- bution R'000	Franchise Spur R'000	Franchise Pizza and Pasta R'000	Franchise John Dory's R'000	Franchise Captain DoRegos R'000	Franchise The Hussar Grill R'000	Franchise Roco- Mamas R'000	Retail R'000	Other segments R'000	Total segments R'000	Un- allocated R'000	Total South Africa R'000	United Kingdom (discon- tinued)* R'000	Aus- tralasia R'000	Other segments R'000	Total segments R'000	Un- allocated R'000		Total Inter- national R'000
2017																			
Total revenues	181 861	218 065	35 471	19 820	2 914	6 916	24 510	63 569	65 276	618 402	17 032	635 434	-	9 870	22 181	32 051	-	32 051	667 485
Less: Intersegment revenues	27	147	-	121	102	2 183	701	-	2 425	5 706	13 763	19 469	-	-	-	-	-	-	19 469
External revenues	181 834	217 918	35 471	19 699	2 812	4 733	23 809	63 569	62 851	612 696	3 269	615 965	-	9 870	22 181	32 051	-	32 051	648 016
Profit/(loss) before income tax and share of loss of equity-accounted investee	66 243	188 047	22 967	9 715	(8 040)	4 092	16 457	4 633	(3 188)	300 926	(93 794)	207 132	4 084	(111)	8 991	12 964	(5 345)	7 619	214 751
Exclude:																			
Interest income	-	-	-	-	-	-	-	-	-	-	35 872	35 872	-	714	-	714	20	734	36 606
Interest expense	-	-	-	-	-	-	-	-	-	-	(84)	(84)	-	-	-	-	-	-	(84)
Depreciation and amortisation	(1 124)	-	-	-	(6)	-	-	(1 849)	(149)	(3 128)	(7 344)	(10 472)	-	(63)	-	(63)	(3)	(66)	(10 538)
EBITDA*	67 367	188 047	22 967	9 715	(8 034)	4 092	16 457	6 482	(3 039)	304 054	(122 238)	181 816	4 084	(762)	8 991	12 313	(5 362)	6 951	188 767
Exclude other material disclosable items:																			
Fair value loss on contingent consideration liability	-	-	-	-	-	-	-	-	-	-	(777)	(777)	-	-	-	-	-	-	(777)
Foreign exchange loss	-	-	-	-	-	-	-	-	-	-	-	-	(342)	(83)	-	(425)	(716)	(1 141)	(1 141)
Impairment of loans receivable	-	-	-	-	-	-	-	-	-	-	(44 192)	(44 192)	-	-	-	-	-	-	(44 192)
Impairment of intangible assets	-	-	-	-	(6 778)	-	-	-	-	(6 778)	-	(6 778)	-	-	-	-	-	-	(6 778)
Profit/(loss) on disposal of property, plant and equipment	-	-	-	-	-	-	-	(5)	-	(5)	167	162	-	-	-	-	-	-	162
Profit/(loss) on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	5 423	-	-	5 423	-	5 423	5 423
Share-based payments expense (cash-settled) net of fair value adjustment in respect of hedge – long-term share-linked employee retention scheme	-	-	-	-	-	-	-	-	-	-	(1 996)	(1 996)	-	-	-	-	-	-	(1 996)
Share-based payments expense (equity-settled) – long-term employee share incentive schemes	-	-	-	-	-	-	-	-	-	-	(985)	(985)	-	-	-	-	-	-	(985)
EBITDA* before other material disclosable items	67 367	188 047	22 967	9 715	(1 256)	4 092	16 457	6 487	(3 039)	310 837	(74 455)	236 382	(997)	(679)	8 991	7 315	(4 646)	2 669	239 051
Capital expenditure	194	-	-	-	-	-	-	1 076	-	1 270	12 397	13 667	-	25	-	25	-	25	13 692
2016																			
Total revenues	180 797	229 953	32 501	18 528	4 534	5 712	17 641	48 139	62 516	600 321	15 794	616 115	104 302	10 948	22 172	137 422	-	137 422	753 537
Less: Intersegment revenues	47	-	-	-	-	2 105	226	-	611	2 989	13 177	16 166	-	-	-	-	-	-	16 166
External revenues	180 750	229 953	32 501	18 528	4 534	3 607	17 415	48 139	61 905	597 332	2 617	599 949	104 302	10 948	22 172	137 422	-	137 422	737 371
Profit/(loss) before income tax and share of loss of equity-accounted investee	68 486	206 052	22 064	9 558	(17 851)	2 789	12 210	927	1 198	305 433	(53 071)	252 362	(28 847)	3 177	10 955	(14 715)	(10 326)	(25 041)	227 321
Exclude:																			
Interest income	-	-	-	-	-	-	-	-	-	-	34 901	34 901	62	713	-	775	66	841	35 742
Interest expense	-	-	-	-	-	-	-	-	-	-	(78)	(78)	(38)	-	-	(38)	-	(38)	(116)
Depreciation and amortisation	(1 138)	-	-	-	(11)	-	-	(1 128)	(180)	(2 457)	(3 866)	(6 323)	(4 440)	(72)	(27)	(4 539)	(33)	(4 572)	(10 895)
EBITDA*	69 624	206 052	22 064	9 558	(17 840)	2 789	12 210	2 055	1 378	307 890	(84 028)	223 862	(24 431)	2 536	10 982	(10 913)	(10 359)	(21 272)	202 590
Exclude other material disclosable items:																			
Fair value gain on contingent consideration liability	-	-	-	-	-	-	-	-	-	-	3 723	3 723	-	-	-	-	-	-	3 723
Foreign exchange (loss)/gain	-	-	-	-	-	-	-	-	-	-	-	-	(196)	(12)	-	(208)	(3 756)	(3 964)	(3 964)
Impairment of intangible assets	-	-	-	-	(18 969)	-	-	-	-	(18 969)	-	(18 969)	-	-	-	-	-	-	(18 969)
Loss on disposal of goodwill	-	-	-	-	-	-	-	-	-	-	-	-	(444)	-	-	(444)	-	(444)	(444)
Loss on disposal of property, plant and equipment related to discontinued operation	-	-	-	-	-	-	-	-	-	-	-	-	(24 878)	-	-	(24 878)	-	(24 878)	(24 878)
Profit/(loss) on disposal of property, plant and equipment	-	-	-	-	-	-	-	(112)	-	(112)	64	(48)	5 459	-	-	5 459	-	5 459	5 411
Profit on sale of leases	-	-	-	-	-	-	-	-	-	-	-	-	15 766	-	-	15 766	-	15 766	15 766
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	7 038	-	-	7 038	-	7 038	7 038
Share-based payments expense (cash-settled) net of fair value adjustment in respect of hedge – long-term share-linked employee retention scheme	-	-	-	-	-	-	-	-	-	-	(25 353)	(25 353)	-	-	-	-	-	-	(25 353)
Share-based payments expense (equity-settled) – long-term employee share incentive schemes	-	-	-	-	-	-	-	-	-	-	(827)	(827)	-	-	-	-	-	-	(827)
EBITDA* before other material disclosable items	69 624	206 052	22 064	9 558	1 129	2 789	12 210	2 167	1 378	326 971	(61 635)	265 336	(27 176)	2 548	10 982	(13 646)	(6 603)	(20 249)	245 087
Capital expenditure	1 539	-	-	-	-	-	-	9 223	-	10 762	32 446	43 208	2 442	14	17	2 473	17	2 490	45 698

Notes (in addition to those items disclosed above):

South Africa – Captain DoRegos loss before income tax includes a bad debt of R0.986 million relating to loan previously advanced to the Captain DoRegos marketing fund which was forgiven during the year.

South Africa – Retail refer note 36.

South Africa – Unallocated loss before income tax includes net loss of R1.206 million (2016: R0.259 million) arising from The Spur Foundation Trust, a consolidated structured entity, all of which is attributable to non-controlling interests.

* EBITDA is earnings (profit/loss) before interest, tax, depreciation and amortisation.

* Refer note 4.

5. OPERATING SEGMENTS continued

	2017 R'000	2016 R'000
Reconciliation of segmental profit to profit before income tax		
Total segmental profit before income tax and share of loss of equity-accounted investee (net of income tax)	214 751	227 321
Share of profit/(loss) of equity-accounted investee (net of income tax)	24	(8 601)
Profit before income tax	214 775	218 720
(Profit)/loss before income tax from discontinued operation	(4 084)	28 847
Profit before income tax – continuing operations	210 691	247 567
Geographical allocation of non-current assets		
The group's non-current assets are allocated to the following geographic regions:		
South Africa	466 856	465 814
United Kingdom	–	–
Australasia	25	68
Other countries	24	49
Total non-current assets	466 905	465 931

For the purposes of the above analysis, non-current assets exclude deferred tax assets and financial instruments.

6. REVENUE

	Continuing operations		Discontinued operation*		Total	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Manufacturing and distribution sales and rebates	181 834	180 750	–	–	181 834	180 750
Franchise-related fee income	336 493	339 660	–	295	336 493	339 955
Rental income	1 030	930	–	–	1 030	930
Retail restaurants' sales	63 569	48 137	–	104 007	63 569	152 144
Other sundry sales	47 349	46 273	–	–	47 349	46 273
Other sundry services rendered	17 741	17 319	–	–	17 741	17 319
	648 016	633 069	–	104 302	648 016	737 371

* Refer note 4.

Other sundry sales includes largely export sales to franchisees trading in areas outside of South Africa and sales of décor and other items to local franchisees.

Other sundry services rendered includes largely TasteFM (internal radio station) subscriptions, training fees and architectural service fees received from local franchisees as well as call centre services provided to the group's marketing funds.

7. OTHER INCOME

	Continuing operations		Discontinued operation*		Total	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Fair value gain on contingent consideration liability (refer note 23)	-	3 723	-	-	-	3 723
Marketing fund administration fees	23 605	21 165	-	-	23 605	21 165
Profit on disposal of property, plant and equipment	167	64	-	5 459	167	5 523
Profit on disposals of subsidiaries	-	-	5 435	-	5 435	-
Profit on sale of leases	-	-	-	15 766	-	15 766
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	-	-	-	7 038	-	7 038
Release of financial liability	-	-	772	-	772	-
Spur Foundation donation income	889	1 498	-	-	889	1 498
Other	127	253	-	-	127	253
	24 788	26 703	6 207	28 263	30 995	54 966

* Refer note 4.

Marketing fund administration fees relate to administrative support services rendered by the group in respect of marketing funds (refer note 39).

Spur Foundation donation income relates to donations received by The Spur Foundation Trust, a consolidated structured entity, from parties external to the group. The income may be used exclusively for the benefit of the beneficiaries of the trust in accordance with the trust deed (which exclude any group entities). Related expenditure is included in Administration expenses in the statement of profit or loss and comprehensive income.

8. OPERATING PROFIT BEFORE FINANCE INCOME

The following items have been taken into account in determining operating profit before finance income (other than those items disclosed in other income (see note 7)):

	Continuing operations		Discontinued operation*		Total	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Auditor's remuneration#	1 451	1 561	–	–	1 451	1 561
– Audit services	1 209	1 437	–	–	1 209	1 437
– Other services	242	124	–	–	242	124
Amortisation – intangible assets (refer note 14)	1 886	10	–	–	1 886	10
Bad debts	1 341	681	–	498	1 341	1 179
Depreciation (refer note 13)	8 652	6 445	–	4 440	8 652	10 885
– Buildings	610	321	–	–	610	321
– Leasehold improvements	860	592	–	2 520	860	3 112
– Furniture and fittings	1 553	982	–	766	1 553	1 748
– Plant, equipment and vehicles	2 288	2 086	–	905	2 288	2 991
– Computer equipment	3 341	2 464	–	249	3 341	2 713
Employment costs	150 548	128 214	221	38 454	150 769	166 668
– Salaries and wages (excluding directors)	121 333	100 425	221	38 454	121 554	138 879
– Executive directors' and prescribed officer's emoluments (refer note 41)†	18 961	18 298	–	–	18 961	18 298
– Provident fund expense – defined contribution plan (refer note 38)	13 064	11 025	–	–	13 064	11 025
– Share-based payments credit – cash-settled – long-term share-linked employee retention scheme (refer note 24)	(3 795)	(2 361)	–	–	(3 795)	(2 361)
– Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 21.4)	985	827	–	–	985	827
Fair value loss on derivative financial instruments at fair value through profit or loss (refer note 25)	5 791	27 714	–	–	5 791	27 714
Foreign exchange loss	799	3 768	342	196	1 141	3 964
Impairment allowance – trade receivables	84	406	–	–	84	406
Impairment losses	50 970	18 969	–	–	50 970	18 969
– Impairment of intangible assets (refer note 14)	6 778	18 969	–	–	6 778	18 969
– Impairment of loan receivable (refer note 15.1)	44 192	–	–	–	44 192	–
Operating lease charges	12 623	7 985	–	26 127	12 623	34 112
– Lease charges paid in cash	11 589	6 549	–	22 887	11 589	29 436
– Amortisation of leasing rights (refer note 17)	549	366	–	3 326	549	3 692
– Straight-line lease charge/(credit) (refer note 26)	485	1 070	–	(86)	485	984
Other non-trading losses	777	–	12	25 322	789	25 322
– Fair value loss on contingent consideration liability (refer note 23)	777	–	–	–	777	–
– Loss on disposal of goodwill	–	–	–	444	–	444
– Loss on disposal of subsidiary	–	–	12	–	12	–
– Loss on disposal of property, plant and equipment related to discontinued operation	–	–	–	24 878	–	24 878

* Refer note 4.

Remuneration of the company's auditor for services to the company and its subsidiaries.

† Includes short-term performance bonuses, but excludes provident fund contributions and equity compensation benefits disclosed separately within employment costs.

9. NET FINANCE INCOME

	Continuing operations		Discontinued operation*		Total	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Finance income and expense recognised in profit before income tax						
Interest income on bank deposits	20 319	19 920	–	31	20 319	19 951
Interest income on financial assets measured at amortised cost	16 287	15 760	–	31	16 287	15 791
Interest income	36 606	35 680	–	62	36 606	35 742
Interest expense on financial liabilities measured at amortised cost	(84)	(78)	–	(38)	(84)	(116)
Interest expense	(84)	(78)	–	(38)	(84)	(116)
Net interest income recognised in profit before income tax	36 522	35 602	–	24	36 522	35 626

* Refer note 4.

10. INTEREST IN EQUITY-ACCOUNTED INVESTEE

	2017 R'000	2016 R'000
Net investment in equity-accounted investee for the purposes of recognising subsequent losses:		
Carrying value of equity-accounted investee	–	–
Loan to equity-accounted investee (refer note 15.1)	–	34 804
Gross loan (included in loans receivable in statement of financial position) considered part of the net investment in equity-accounted investee for the purposes of recognising subsequent losses in excess of the carrying value of the investment in associate	47 745	45 017
Cumulative share of loss of equity-accounted investee (net of income tax) previously recognised	(10 189)	(10 213)
Net receivable considered part of the net investment in equity-accounted investee	37 556	34 804
Impairment recognised in terms of IAS 39	(37 556)	–
Carrying value at 30 June	–	34 804
Gross bridging finance loan advanced to equity-accounted investee (refer note 15.1)	6 636	9 500
Impairment recognised in terms of IAS 39	(6 636)	–
Carrying value at 30 June	–	9 500
Allocation of share of profit/(loss) of equity-accounted investee (net of income tax):		
Allocated to loan to equity-accounted investee	24	(8 601)

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

The initial purchase consideration amounted to R0.4 million (comprising ordinary shares of R300 and initial transaction costs of R0.4 million). The group simultaneously advanced a loan in the amount of R36.250 million to the entity (refer note 15.1). To the extent that the group's share of cumulative trading losses has exceeded the carrying value of the equity-accounted investee, the losses have been recognised as a reduction in the loan receivable. The investee's losses incurred to date relate to depreciation charges, finance charges and, in particular in the current year, lower than expected sales volumes due to operational issues and the downturn in the local economy. The loan has been fully impaired in the current year (refer note 15.1).

Refer note 15.1 for details on restrictions on the ability of the associate to transfer cash to the group.

10. INTEREST IN EQUITY-ACCOUNTED INVESTEE continued

	2017 R'000	2016 R'000
The following is summarised financial information for Braviz Fine Foods (Pty) Ltd based on its financial statements prepared in accordance with IFRS:		
Non-current assets (100%)	91 961	137 309
Current assets (100%)	27 546	18 024
Non-current liabilities (100%)	(154 724)	(160 855)
Current liabilities (100%)	(38 741)	(30 539)
Net liabilities (100%)	(73 958)	(36 061)
Group's share of net liabilities (30%)	(22 187)	(10 819)
Goodwill implicit in carrying value of equity-accounted investee	606	606
Cumulative losses allocated to loan to equity-accounted investee	10 189	10 213
Cumulative losses not recognised by group	11 392	–
Carrying amount of interest in associate	–	–
Revenue (100%)	138 624	161 578
Loss from continuing operations (100%)	(37 897)	(28 670)
Other comprehensive income (100%)	–	–
Total comprehensive income (100%)	(37 897)	(28 670)
Attributable to the group	(11 368)	(8 601)
Recognised by the group	24	(8 601)
Not recognised by the group	11 392	–
Attributable to the investee's other shareholders	(26 529)	(20 069)
Included in the net liabilities above are the following loans owed to the group:		
Shareholder loan (refer note 15.1) – impaired by group	47 745	45 017
Short-term bridging finance (refer note 15.1) – impaired by group	6 636	9 500

11. INCOME TAX

		2017 R'000	2016 R'000
11.1 Income tax expense			
South African normal tax			
Current	– current year	70 466	79 762
	– prior year underprovision	230	83
Deferred	– current year	931	(8 461)
	– prior year underprovision	54	–
	– rate change	–	961
		71 681	72 345
South African dividend withholding tax			
		1 642	1 375
Namibian normal tax			
Current	– current year	1 122	1 263
Namibian withholding tax			
		242	–
Dutch normal tax			
Current	– current year	2 025	343
Deferred	– current year	–	24
		2 025	367
United Kingdom normal tax			
Current	– prior year overprovision	–	(27)
Deferred	– current year	–	5 867
	– prior year overprovision	–	(2 201)
		–	3 639
Australian normal tax			
Current	– current year	–	549
	– prior year overprovision	(28)	(44)
Deferred	– current year	(33)	(56)
	– prior year under/(over)provision	1	(18)
	– rate change	24	–
		(36)	431
Income tax expense		76 676	79 420
Total current normal tax		73 815	81 929
Total deferred normal tax (refer note 16)		977	(3 884)
Total withholding taxes		1 884	1 375
Income tax expense		76 676	79 420
relating to continuing operations		76 676	76 540
relating to discontinued operation*		–	2 880

* Refer note 4.

Also refer contingent liability note 44.1.

11. INCOME TAX continued

	2017 %	2016 %
11.2 Reconciliation of tax rate		
South African normal tax rate	28.0	28.0
Change in tax rate	–	0.4
Effect of tax in foreign jurisdictions	0.1	(1.0)
Effect of tax at capital gains rate	0.2	0.5
Income of foreign subsidiaries attributed to South Africa	–	0.1
Non-deductible UK depreciation and closure-related costs*	0.2	1.0
Non-deductible loss on disposal of UK property, plant and equipment*	–	3.3
Non-deductible loan impairments	5.8	–
Non-deductible other expenditure (capital items and items not in production of income)	1.2	1.0
Non-taxable dividend income	(1.1)	(0.9)
Non-deductible/(non-taxable) fair value loss/(gain) on contingent consideration liability	0.1	(0.4)
Non-taxable foreign exchange gains reclassified from other comprehensive income to profit, on abandonment of UK foreign operations*	–	(1.6)
Non-taxable other income	(0.2)	(0.1)
Non-taxable profit on sale of UK property, plant and equipment*	–	(0.5)
Non-taxable profit on disposal of UK subsidiaries*	(0.7)	–
Prior year under/(over)provision	0.1	(1.0)
Share of loss of equity-accounted investee	–	1.1
Tax losses on which deferred tax not provided	0.4	5.6
Tax losses utilised on which deferred tax not previously provided	(0.2)	–
Withholding tax	1.8	0.8
Effective tax rate	35.7	36.3

* Refer note 4.

The statutory rates of tax applicable to group entities in the Netherlands, Australia and Namibia are 25%, 27.5% (2016: 30%) and 32% respectively. The tax rate in the Netherlands operates on a sliding scale. During the prior year, with effect from 1 March 2016, the South African inclusion rate for capital gains subject to income tax for companies and trusts was amended from 66.67% to 80%, increasing the effective tax rate applicable to capital gains in South Africa from 18.67% to 22.4% for companies and from 27.33% to 32.8% for trusts.

11.3 Tax losses

	2017 R'000	2016 R'000
Estimated group tax losses available for set-off against future taxable income	29 979	31 539

A deferred tax asset has not been recognised in respect of tax losses amounting to R29.979 million (2016: R30.880 million). A deferred tax asset amounting to Rnil (2016: R0.184 million) has been recognised in respect of the balance of the tax losses. R3.255 million and R25.505 million of the tax losses for which no deferred tax assets were recognised are subject to restrictions on the periods for which the losses can be carried forward of five years and nine years respectively, while the balance has no such restriction (refer note 16).

11.4 Tax credited to other comprehensive income

	2017 R'000	2016 R'000
Deferred tax on foreign exchange loss on net investments in foreign operations – continuing operations	–	(3 209)
Deferred tax on reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations – discontinued operations*	–	1 591
Total tax credited to other comprehensive income	–	(1 618)

* Refer note 4.

	2017 R'000	2016 R'000
11.5 Tax charged directly to equity		
Current tax on intercompany transfer of treasury shares (refer note 21.4)	795	625
Current tax on intragroup sale of business (refer note 36.1)	523	–
Deferred tax on equity-settled share-based payment	(183)	(36)
Total tax charged directly to equity	1 135	589

The deferred tax credited to equity in respect of the equity-settled share-based payment is the amount of the deferred tax credit relating to the group's long-term share incentive schemes (refer note 21.4) that exceeds 28% of the share-based payment expense included in profit before income tax.

12. EARNINGS PER SHARE

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

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

	2017 '000	2016 '000
12.2 Reconciliation of shares in issue to weighted average and dilutive weighted average number of ordinary shares		
Shares in issue at beginning of year	108 481	108 481
Shares repurchased at beginning of year (refer note 21.2)	(12 647)	(12 361)
Shares repurchased during the year weighted for period held by the group (refer note 21.2)	(6)	(165)
Weighted average number of ordinary shares in issue for the year	95 828	95 955
Dilutive potential ordinary shares weighted for period outstanding (refer note 21.4)	110	17
Dilutive weighted average number of shares in issue for the year	95 938	95 972

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

12. EARNINGS PER SHARE continued

12.3 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
2017				
Impairment of intangible assets (refer note 14)	6 778	(1 518)	–	5 260
Loss on disposal of property, plant and equipment (refer note 13)	5	(1)	(1)	3
Loss on disposal of subsidiary (refer note 4)	12	–	–	12
Profit on disposal of property, plant and equipment (refer note 13)	(167)	47	–	(120)
Profit on disposal of subsidiaries (refer note 4)	(5 435)	–	–	(5 435)
	1 193	(1 472)	(1)	(280)
2016				
Impairment of intangible assets (refer note 14)	18 969	(4 249)	–	14 720
Loss on disposal of goodwill (refer note 4)	444	–	–	444
Loss on disposal of property, plant and equipment (refer note 13)	24 990	2 796	(1 482)	26 304
Profit on disposal of property, plant and equipment (refer note 13)	(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 4)	(7 038)	(1 591)	–	(8 629)
	31 842	(2 004)	(1 480)	28 358
			2017	2016
			R'000	R'000
Continuing operations				
Profit attributable to owners of the company			134 143	135 619
Exclude: (profit)/loss from discontinued operation (refer note 4)			(4 205)	31 957
Profit attributable to owners of the company – continuing operations			129 938	167 576
Impairment of intangible assets			5 260	14 720
Loss on disposal of property, plant and equipment			3	75
Profit on disposal of property, plant and equipment			(120)	(44)
Headline earnings – continuing operations			135 081	182 327
	Gross R'000	Income tax R'000	Non-controlling interests R'000	Attributable to owners of the company R'000
2017				
Impairment of intangible assets (refer note 14)	6 778	(1 518)	–	5 260
Loss on disposal of property, plant and equipment (refer note 13)	5	(1)	(1)	3
Profit on disposal of property, plant and equipment (refer note 13)	(167)	47	–	(120)
	6 616	(1 472)	(1)	5 143
2016				
Impairment of intangible assets (refer note 14)	18 969	(4 249)	–	14 720
Loss on disposal of property, plant and equipment (refer note 13)	112	(32)	(5)	75
Profit on disposal of property, plant and equipment (refer note 13)	(64)	18	2	(44)
	19 017	(4 263)	(3)	14 751

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Leasehold improve- ments R'000	Furniture and fittings R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Total R'000
2017						
COST						
Balance at 1 July 2016	75 202	31 137	12 974	22 980	16 573	158 866
Additions	2 709	1 546	2 536	1 685	5 216	13 692
Disposals	-	-	-	(618)	(816)	(1 434)
Effect of foreign exchange fluctuations	-	(19)	(9)	(1)	(85)	(114)
Balance at 30 June 2017	77 911	32 664	15 501	24 046	20 888	171 010
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2016	(2 721)	(26 272)	(6 563)	(16 002)	(11 828)	(63 386)
Disposals	-	-	-	497	752	1 249
Depreciation	(610)	(860)	(1 553)	(2 288)	(3 341)	(8 652)
Effect of foreign exchange fluctuations	-	17	9	1	71	98
Balance at 30 June 2017	(3 331)	(27 115)	(8 107)	(17 792)	(14 346)	(70 691)
CARRYING VALUE						
Balance at 1 July 2016	72 481	4 865	6 411	6 978	4 745	95 480
Additions	2 709	1 546	2 536	1 685	5 216	13 692
Disposals	-	-	-	(121)	(64)	(185)
Depreciation	(610)	(860)	(1 553)	(2 288)	(3 341)	(8 652)
Effect of foreign exchange fluctuations	-	(2)	-	-	(14)	(16)
Balance at 30 June 2017	74 580	5 549	7 394	6 254	6 542	100 319
2016						
COST						
Balance at 1 July 2015	48 308	83 369	16 517	33 275	15 620	197 089
Additions*	26 894	5 181	4 572	4 880	4 171	45 698
Disposals	-	(61 249)	(8 699)	(16 208)	(3 512)	(89 668)
Effect of foreign exchange fluctuations	-	3 836	584	1 033	294	5 747
Balance at 30 June 2016	75 202	31 137	12 974	22 980	16 573	158 866
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2015	(2 400)	(60 715)	(10 469)	(25 258)	(11 766)	(110 608)
Disposals	-	40 036	6 054	13 082	2 886	62 058
Depreciation	(321)	(3 112)	(1 748)	(2 991)	(2 713)	(10 885)
Effect of foreign exchange fluctuations	-	(2 481)	(400)	(835)	(235)	(3 951)
Balance at 30 June 2016	(2 721)	(26 272)	(6 563)	(16 002)	(11 828)	(63 386)
CARRYING VALUE						
Balance at 1 July 2015	45 908	22 654	6 048	8 017	3 854	86 481
Additions*	26 894	5 181	4 572	4 880	4 171	45 698
Disposals	-	(21 213)	(2 645)	(3 126)	(626)	(27 610)
Depreciation	(321)	(3 112)	(1 748)	(2 991)	(2 713)	(10 885)
Effect of foreign exchange fluctuations	-	1 355	184	198	59	1 796
Balance at 30 June 2016	72 481	4 865	6 411	6 978	4 745	95 480

* Refer also note 36.1 for non-cash additions.

14. INTANGIBLE ASSETS AND GOODWILL

	Trademarks and intellectual property R'000	Software licences R'000	Goodwill R'000	Total R'000
2017				
COST				
Balance at 1 July 2016	328 535	231	76 047	404 813
Additions	–	3 760	–	3 760
Deferred tax adjustment on trademarks and intellectual property (refer note 16)	–	–	1 588	1 588
Balance at 30 June 2017	328 535	3 991	77 635	410 161
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2016	(32 874)	(10)	(6 512)	(39 396)
Amortisation	–	(1 886)	–	(1 886)
Impairment (refer note 14.1)	(6 778)	–	–	(6 778)
Balance at 30 June 2017	(39 652)	(1 896)	(6 512)	(48 060)
CARRYING VALUE				
Balance at 1 July 2016	295 661	221	69 535	365 417
Additions	–	3 760	–	3 760
Amortisation	–	(1 886)	–	(1 886)
Deferred tax adjustment on trademarks and intellectual property (refer note 16)	–	–	1 588	1 588
Impairment (refer note 14.1)	(6 778)	–	–	(6 778)
Balance at 30 June 2017	288 883	2 095	71 123	362 101
2016				
COST				
Balance at 1 July 2015	328 535	–	76 492	405 027
Additions	–	231	–	231
Disposal as part of discontinued operation (refer note 4)	–	–	(444)	(444)
Effect of foreign exchange fluctuations	–	–	(1)	(1)
Balance at 30 June 2016	328 535	231	76 047	404 813
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2015	(13 905)	–	(6 512)	(20 417)
Amortisation	–	(10)	–	(10)
Impairment (refer note 14.1)	(18 969)	–	–	(18 969)
Effect of foreign exchange fluctuations	–	–	–	–
Balance at 30 June 2016	(32 874)	(10)	(6 512)	(39 396)
CARRYING VALUE				
Balance at 1 July 2015	314 630	–	69 980	384 610
Additions	–	231	–	231
Amortisation	–	(10)	–	(10)
Disposal as part of discontinued operation (refer note 4)	–	–	(444)	(444)
Impairment (refer note 14.1)	(18 969)	–	–	(18 969)
Effect of foreign exchange fluctuations	–	–	(1)	(1)
Balance at 30 June 2016	295 661	221	69 535	365 417

None of the above intangible assets are internally generated.

14.1 Trademarks and intellectual property

“Trademarks and intellectual property” consists of the Spur, Panarottis, John Dory’s, Captain DoRegos, The Hussar Grill and RocoMamas trademarks and related intellectual property. The directors evaluated the indefinite useful life assumption of the assets at the reporting date and concluded that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the group. In this regard, the board has considered its strategy relating to the intangible assets in question and the group’s ability to execute that strategy, the fact that there is no technical, technological, commercial or other type of obsolescence applicable to the assets, expected usage and lifecycle of the assets, future costs required to continue to obtain benefits from the assets and the period over which the group is legally able to control the assets.

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

	2017 R’000	2016 R’000
Spur Franchise operations	230 475	230 475
Panarottis Franchise operations	32 925	32 925
John Dory’s Franchise operations	8 465	8 465
Captain DoRegos Franchise operations	–	6 778
The Hussar Grill Franchise operations	9 904	9 904
RocoMamas Franchise operations	7 114	7 114
	288 883	295 661

In accordance with the group’s accounting policies, impairment tests on intangible assets with indefinite useful lives have been performed. In this regard, the directors determined the recoverable amounts of the cash-generating units to which the trademarks and intellectual property are allocated (as indicated above), based on their values-in-use. Given the nature of the franchise business, the directors consider that the fair values less costs to sell of the intangible assets are unlikely to differ significantly from their values-in-use. In determining the values-in-use, the directors applied the following key assumptions* which were based on historic performance:

- Cash inflows, comprising mainly franchise-related fee income determined as a percentage of franchised restaurant turnovers, for the 2018 financial year were conservatively estimated based on budgets derived from historic trends. Turnovers were conservatively estimated to grow by 6.5% for Spur, Panarottis, The Hussar Grill, John Dory’s and RocoMamas, and 5% for Captain DoRegos for the 2019 to 2022 financial years on existing business, in addition to the impact of expected new stores.
- Cash outflows for the 2018 financial year were estimated based on the most recent expense budgets prepared by management derived from historic trends and adjusted for the remainder of the forecast period as detailed below.
- Operating expenses were estimated to increase at 6.5% (the anticipated rate of inflation in South Africa) and employment-related costs at 7%, adjusted where necessary for organic growth in the case of variable and semi-variable costs.
- Growth in perpetuity of cash flows beyond the five-year forecast horizon was estimated at 3%.
- Pre-tax cash flows were discounted at a pre-tax rate of 19%, being the risk-free rate of 8.8% (the R186 South African Government bond rate) adjusted for risk factors.

Based on the calculations referred to above, the directors concluded that, with the exception of the Captain DoRegos trademarks and related intellectual property, the assets were not impaired as at the reporting date.

In respect of the Captain DoRegos trademarks and related intellectual property, the carrying value of the asset at the reporting date (prior to impairment) amounted to R6.778 million (2016: R25.747 million) while the estimated recoverable amount was Rnil (2016: R6.778 million), resulting in an impairment loss of R6.778 million (2016: R18.969 million). The Captain DoRegos brand is a value-oriented takeaway chain offering a combination of chicken, seafood and burgers to consumers operating through 41 (2016: 49) franchised outlets locally and three (2016: three) internationally. The business 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 lower-income target market.

* The assumptions applied in the current year were largely similar to those applied in the prior year, except that growth in restaurant turnovers for Spur, Panarottis and The Hussar Grill was reduced from 8% to 6.5%, growth in John Dory’s restaurants was reduced from 7% to 6.5%, and increases in employment costs were reduced from 10% to 7%.

14. INTANGIBLE ASSETS AND GOODWILL continued

14.1 Trademarks and intellectual property continued

Three of the key variables in determining the recoverable amount of the Captain DoRegos trademarks and related intellectual property above and the impact of a reasonably possible change in each variable on the recoverable amount are listed below:

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

14.2 Goodwill

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

	2017 R'000	2016 R'000
John Dory's Franchise operations	178	178
RocoMamas Franchise operations	43 102	42 439
The Hussar Grill Franchise operations	13 870	12 945
The Hussar Grill Retail operations	13 973	13 973
	71 123	69 535

The recoverable amounts of the cash-generating units were based on their values-in-use for all cash-generating units.

The directors have determined that the recoverable amounts of all the cash-generating units listed above exceed their carrying values and consequently concluded that none of the goodwill is impaired.

John Dory's Franchise, RocoMamas Franchise and The Hussar Grill Franchise operations

Impairment of goodwill was considered as part of the trademark and intellectual property impairment test referred to in note 14.1.

The Hussar Grill Retail operations

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

- Cash inflows, comprising mainly restaurant turnovers, for the 2018 financial year were conservatively estimated based on historic trends. Turnovers were estimated to grow by 6.5% per annum for the 2019 to 2022 financial years, slightly ahead of the South African targeted rate of inflation.
- Cash outflows for the 2018 financial year were estimated based on the most recent expense budgets prepared by management derived from historic trends and adjusted for the remainder of the forecast period as detailed below.
- Variable costs were estimated to increase in line with turnover.
- Fixed costs were estimated to increase at anticipated inflation of 6.5% throughout the forecast horizon.
- Semi-variable costs were adjusted in part for anticipated inflation and in part by the change in anticipated turnover.
- Rental costs were forecast in accordance with the respective lease agreements.
- Growth in perpetuity of cash flows beyond the five-year forecast horizon was estimated at 3%.
- Pre-tax cash flows were discounted at a pre-tax rate of 19%, being the risk-free rate of 8.8% (the R186 South African Government bond rate) adjusted for risk factors.

* The assumptions applied in the current year were largely similar to those applied in the prior year, except that growth in restaurant turnovers was reduced from 8% to 6.5%.

14.3 Sensitivity analysis

The recoverable amounts (as determined above) and the carrying amounts of the respective cash-generating units to which goodwill and indefinite useful life intangible assets are allocated are listed below:

	Carrying amount R'000	Recoverable amount R'000
Spur Franchise operations	230 475	1 040 653
Panarottis Franchise operations	32 925	148 665
John Dory's Franchise operations	8 643	91 880
The Hussar Grill Franchise operations	23 774	35 735
The Hussar Grill Retail Operations	26 600	72 627
RocoMamas Franchise operations	50 216	122 252

Given the extent to which the recoverable amounts of the Spur, Panarottis, John Dory's and RocoMamas Franchise operations' as well as The Hussar Grill Retail operations' cash-generating units exceed their carrying amounts, the directors note that there are no reasonably possible changes to the assumptions used in determining the respective recoverable amounts that would cause the recoverable amounts to reduce below their respective carrying amounts.

In respect of The Hussar Grill Franchise operations, management has identified that a reasonably possible change in two key assumptions, being the discount rate and growth in restaurant turnovers (as detailed in note 14.2 above), could cause the recoverable amount of the cash-generating unit to reduce to below its carrying amount. The following table shows the amount by which the key assumptions would need to change individually for the estimated recoverable amount of the cash-generating unit to reduce to its carrying amount:

	Increase/ (decrease) in assumption
The Hussar Grill Franchise operations	
Discount rate (%)	7.3
Growth in restaurant turnover (%)	(7.6)

15. LOANS RECEIVABLE

	2017 R'000	2016 R'000
Total gross loans receivable at end of year	184 196	178 163
Cumulative share of loss of equity-accounted investee (net of income tax) (refer note 10)	(10 189)	(10 213)
Impairment	(44 192)	–
Current portion included in current assets	19 085	(24 211)
Total non-current loans receivable	110 730	143 739

These loans comprise:

15.1 Braviz Fine Foods (Pty) Ltd

Gross loans receivable at end of year	54 381	54 517
Shareholder funding	47 745	45 017
Short-term bridging finance	6 636	9 500
Cumulative share of loss of equity-accounted investee (net of income tax) (refer note 10)	(10 189)	(10 213)
Impairment	(44 192)	–
Current portion included in current assets	–	(9 500)
Non-current portion	–	34 804

15. LOANS RECEIVABLE continued

15.1 Braviz Fine Foods (Pty) Ltd continued

The shareholder loan was granted on 18 March 2014 to the associate in question (refer note 10) as part of the initial funding of the entity. With effect from 1 January 2017, to the extent that the loan is disproportionate to the respective shareholders' shareholding in the entity, the loan is subject to interest at the prime overdraft rate of interest, while the remaining loan is interest free. Prior to this, the entire loan was subject to interest at the prime overdraft rate of interest. This loan is intended to be part of the investment in the associate and, as such, there are no repayment terms and the loan is unsecured. However, the associate is contractually precluded from declaring any dividend until such time as it has repaid all shareholder loans. In the event that the associate repays any shareholder loan, it is contractually bound to repay all shareholders' loans on a *pro rata* basis. No shareholder of the associate shall be permitted to demand repayment of the loan unless authorised by a special resolution of the shareholders of the associate. No such resolution has been passed. The loan has been subordinated in favour of the external financier of the borrower. The interest payments for May 2017 and June 2017 are outstanding.

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

The breach of the terms of the respective loan accounts referred to above served as an indication of impairment as at the reporting date. The performance of the associate has been negatively impacted by operational issues, reduced demand following a decline in the local economy during the year, increased competition and aggressive pricing. The shareholders are not prepared to provide further financial support to the company.

Subsequent to the reporting date, the board of directors of Braviz resolved to commence voluntary liquidation proceedings in the event that the shareholders are unable to conclude a deal to enhance the ability of the associate to settle its debts in the ordinary course of business. No such deal has been concluded, and the board considers it likely that the associate company will be liquidated. As at 30 June 2017, Braviz was in a net liability position of R73.958 million. The majority of the associate's assets are pledged as security for external borrowings and rank ahead of the group's receivables. On this basis, the board has concluded that the prospects of recovering a material part of the receivables is remote, and the full extent of the receivables has consequently been impaired.

15.2 Captain DoRegos Marketing Fund

Gross loan receivable at end of year
Current portion included in current assets
Non-current portion

	2017 R'000	2016 R'000
	–	1 027
	–	–
	–	1 027

This loan was advanced to the Captain DoRegos Marketing Fund to finance the installation of new signage at selected franchised outlets. The loan was previously unsecured and was subject to interest at 2% above the prime overdraft rate of interest. Repayments were linked to the turnover of the underlying franchised outlets. The loan was forgiven during the year.

15.3 Franchisees (foreign: Australian dollars)

Gross loans receivable at end of year
Current portion included in current assets
Non-current portion

	8 781	6 232
	(3 266)	(2 718)
	5 515	3 514

These loans amount to AU\$874 618 (2016: AU\$567 722) at the reporting date. Of the total, R0.378 million (2016: R0.957 million) is interest free, and the balance is subject to interest of between 2% above the Reserve Bank of Australia's cash rate and a fixed rate of 4.5%. The loans are repayable over various periods up to five years. The loans are all secured by at least a personal suretyship of the shareholders of the respective franchisees.

The loans include a receivable from related party, White Cloud Restaurant Ltd, in the amount of R1.729 million (2016: Rnil) as detailed in note 42.3.

	2017 R'000	2016 R'000
15.4 Franchisees (foreign: euros)		
Gross loans receivable at end of year	1 956	1 756
Current portion included in current assets	(1 630)	(1 756)
Non-current portion	326	–
<p>These loans amount to €131 079 (2016: €106 963) as at the reporting date. The loans bear interest at between the 6-month EURIBOR and 2% above the 12-month EURIBOR rate of interest, are repayable over a period of between 12 and 18 months, and are secured by personal suretyships of the shareholders of the respective franchisees.</p>		
15.5 Franchisees (local)		
Gross loans receivable at end of year	8 970	10 121
Current portion included in current assets	(2 033)	(2 759)
Non-current portion	6 937	7 362
<p>The loans are advanced to local franchisees. The loans bear interest at between the prime overdraft rate of interest and 2% above the prime overdraft rate of interest. Repayment terms are between one and five years. The loans are secured by way of, <i>inter alia</i>, personal suretyships from the owners of the respective franchises.</p>		
15.6 GPI Investments 1 (RF) (Pty) Ltd (previously GPI Spur (RF) (Pty) Ltd)		
Gross loan receivable at end of year	91 959	83 766
Current portion included in current assets	–	–
Non-current portion	91 959	83 766
<p>With effect from 30 October 2014, the company concluded various agreements to issue 10 848 093 new ordinary shares indirectly to Grand Parade Investments Ltd (“GPI”), a strategic black empowerment partner. In terms of the agreements, GPI is restricted from trading the shares in question without the express permission of the company for a period of five years from the effective date of the transaction and is furthermore required to maintain its broad-based black economic empowerment credentials for the same period. The shares were issued at a price of R27.16 per share, resulting in the aggregate proceeds from the issue of shares amounting to R294.657 million.</p> <p>This receivable comprises the group’s investment in cumulative compulsorily redeemable five-year preference shares in an unconsolidated structured entity (refer note 3.3) with a combined subscription value of R72.328 million at initial recognition (30 October 2014), as part of the group’s funding of the GPI broad-based black economic empowerment transaction (“B-BBEE transaction”). The preference shares accrue dividends at a rate of 90% of the prevailing prime overdraft rate of interest and are subordinated in favour of the external funding provider of the GPI B-BBEE transaction. The preference shares are secured by a cession of the reversionary interest in the Spur Corporation Ltd shares held indirectly by GPI which also serve as security for the external funding. The preference share investment is treated as a financial asset carried at amortised cost, but was initially recognised at fair value.</p>		
15.7 Hunga Busters Pty Ltd*		
Gross loan receivable at end of year	8 530	12 218
Current portion included in current assets	(2 537)	(2 726)
Non-current portion	5 993	9 492

This loan arose on the disposal of the shares in a former Australian subsidiary and the net assets of a former company-owned restaurant in Australia during the 2015 financial year. The loan is denominated in Australian dollars, with a carrying value of AU849 516 (2016: AU\$1 113 090) at the reporting date. The loan bears interest at 1.5% above the Reserve Bank of Australia’s cash rate of interest and is repayable in 60 equal monthly instalments which commenced in October 2015. The loan is secured by a pledge of the shares in the former subsidiary referred to above, owned by the borrower, as well as a pledge of the shares in the borrower from the shareholders of the borrower.

* Related party. Refer note 42.

15. LOANS RECEIVABLE continued

	2017 R'000	2016 R'000
15.8 Marketing funds		
Gross loans receivable at end of year	5 845	1 419
Current portion included in current assets	(5 845)	(1 419)
Non-current portion	-	-
<p>The loans owing by marketing funds represent the net liabilities and cumulative over-spend of certain of the marketing funds as at the reporting date. The amounts are recovered through controlled under-spending of marketing funds in subsequent years. Refer note 39 for more details.</p>		
15.9 Spur Marketing Fund		
Gross loan receivable at end of year	3 774	7 107
Current portion included in current assets	(3 774)	(3 333)
Non-current portion	-	3 774

This loan was advanced to the Spur Marketing Fund to finance the purchase of in-store monitors for the purpose of broadcasting the group's in-house television station, SpurTV, which was launched during the 2013 financial year. The loan is unsecured, bears interest at 2% above the prime overdraft interest rate and is repayable in 60 equal monthly instalments which commenced in July 2013.

16. DEFERRED TAX

	Balance at beginning of year R'000	Recognised in profit or loss R'000	Recognised in other comprehen- sive income R'000	Recognised directly in equity (retained earnings) R'000	Recognised in goodwill R'000	Balance at end of year R'000
2017						
Accruals	422	(45)	-	-	-	377
Derivative financial instruments	3 412	(452)	-	-	-	2 960
Income received in advance	653	(560)	-	-	-	93
Intangible assets	(67 559)	1 518	-	-	(1 588)	(67 629)
Leave pay accrual	1 484	119	(27)	-	-	1 576
Long-term employee benefits	2 330	(1 619)	-	183	-	894
Operating lease liability	458	190	-	-	-	648
Prepayments	(541)	42	-	-	-	(499)
Property, plant and equipment	(193)	4	-	-	-	(189)
Short-term employee incentives	2 285	10	-	-	-	2 295
Tax losses	184	(184)	-	-	-	-
South Africa	184	(184)	-	-	-	-
Total net deferred tax liability	(57 065)	(977)	(27)	183	(1 588)	(59 474)
Current year deferred tax credit		(953)				
Change in tax rate		(24)				
Effect of foreign exchange fluctuations			(27)			

	Balance at beginning of year R'000	Recognised in profit or loss R'000	Recognised in other comprehensive income R'000	Recognised directly in equity (retained earnings) R'000	Balance at end of year R'000
2016					
Accruals	2 641	(2 219)	–	–	422
Derivative financial instruments	(7 891)	11 303	–	–	3 412
Income received in advance	–	653	–	–	653
Intangible assets	(70 847)	3 288	–	–	(67 559)
Leasing rights	(179)	199	(20)	–	–
Leave pay accrual	804	636	44	–	1 484
Loans payable	(1 350)	1 594	(244)	–	–
Long-term employee benefits	8 012	(5 718)	–	36	2 330
Operating lease liability	236	222	–	–	458
Prepayments	(265)	(273)	(3)	–	(541)
Property, plant and equipment	3 474	(3 846)	179	–	(193)
Short-term employee incentives	2 794	(509)	–	–	2 285
Tax losses	12	(1 446)	1 618	–	184
South Africa	–	184	–	–	184
The Netherlands (at 25%)	–	(1 618)	1 618	–	–
United Kingdom (at 20%)	12	(12)	–	–	–
Total net deferred tax liability	(62 559)	3 884	1 574	36	(57 065)

Current year deferred tax charge	4 845
Change in tax rate	(961)
Deferred tax on foreign exchange loss on net investments in foreign operations	3 209
Deferred tax on reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations	(1 591)
Effect of foreign exchange fluctuations	(44)

	Deferred tax asset		Deferred tax liability	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
The deferred tax asset/(liability) comprises deductible/(taxable) temporary differences relating to:				
Accruals	65	54	312	368
Derivative financial instruments	–	–	2 960	3 412
Income received in advance	–	–	93	653
Intangible assets	–	–	(67 629)	(67 559)
Leave pay accrual	608	569	968	915
Long-term employee benefits	–	–	894	2 330
Operating lease liability	491	301	157	157
Prepayments	(111)	(71)	(388)	(470)
Property, plant and equipment	3	(4)	(192)	(189)
Short-term employee incentives	394	277	1 901	2 008
Tax losses	–	184	–	–
South Africa	–	184	–	–
	1 450	1 310	(60 924)	(58 375)

17. LEASING RIGHTS

	2017 R'000	2016 R'000
Balance at beginning of year	5 034	2 855
Additions (refer note 36.1)	–	5 400
Recognised in profit before income tax	(549)	(3 692)
Monthly amortisation	(549)	(967)
Accelerated amortisation	–	(2 725)
Effect of foreign exchange fluctuations	–	471
Balance at end of year	4 485	5 034

The leasing rights relate to:

- The purchase during the prior year by the group of the Theo's Mouille Point lease as detailed in note 36.1. The lease is being amortised on a straight-line basis over the remaining lease term of 118 months from December 2015, included in profit or loss as part of the rent expense of the outlet.
- The premises previously occupied by Larkspur Seven Ltd and Larkspur Eight Ltd, former wholly-owned subsidiaries of the group in the UK that previously operated the Two Rivers Spur in Staines (England) and Rapid River Spur in Dublin (Ireland) respectively. As the outlets in question ceased trading during the prior year, the carrying values were written off to nil during the prior year by accelerating the amortisation of the assets.

18. INVENTORIES

	2017 R'000	2016 R'000
Raw materials	1 556	2 140
Packaging	260	340
Finished goods	10 915	9 668
	12 731	12 148

Finished goods comprise manufactured décor and sauces for sale to franchisees, food items for resale in retail outlets and goods purchased for resale to foreign franchisees by the group's export division.

19. TRADE AND OTHER RECEIVABLES

	2017 R'000	2016 R'000
Trade receivables	64 625	88 726
Impairment allowance	(935)	(851)
Net trade receivables	63 690	87 875
Prepayments	3 995	4 551
Deposits	2 843	2 091
Staff loans	181	370
VAT and other indirect taxes receivable	967	1 372
Other	1 160	328
	72 836	96 587

Trade receivables include receivables from related parties of R3.912 million (2016: R5.392 million) that arise in the ordinary course of business in respect of the transactions recorded in note 42.3. No individual receivable is significant and the terms of the receivables are the same as those for receivables with parties who are not related.

The impairment allowance is determined based on information regarding the financial position of each trade receivable as at the reporting date.

20. CASH AND CASH EQUIVALENTS

	2017 R'000	2016 R'000
Current, call and short-term deposit accounts	265 953	286 582
Bank overdrafts	(4 491)	(1 155)
	261 462	285 427

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

21. CAPITAL AND RESERVES

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

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

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

The company does not have any unlisted shares.

21.2 Shares repurchased by subsidiaries

During the year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 165 000 (2016: 285 500) Spur Corporation Ltd shares at an average cost of R30.26 (2016: R32.72) per share, totalling R4.993 million (2016: R9.341 million). A further 100 000 shares were transferred from Share Buy-back (Pty) Ltd to The Spur Foundation Trust, in accordance with a previously approved shareholders resolution to donate 500 000 of the company's shares (100 000 per annum over a period of five years). In addition, a wholly-owned subsidiary of the company, Spur Group (Pty) Ltd, acquired 159 000 (2016: 155 000) shares to be held in escrow on behalf of participants of the Spur Group Forfeitable Share Plan (refer note 21.4), at a cost of R5.403 million (2016: R4.498 million) from The Spur Management Share Trust. At the reporting date, the group owned 6 136 901 (2016: 5 912 901) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, at a total cost of R104.995 million (2016: R95.228 million).

The balance per the statement of financial position comprises the cost of the Spur Corporation Ltd shares that have been repurchased by subsidiaries, Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, those held by The Spur Management Share Trust, a consolidated structured entity, for the purposes of the group's share incentive schemes (refer note 21.4) and those held by The Spur Foundation Trust, a consolidated structured entity. At the reporting date, the entities in question held 12 811 599 (2016: 12 646 599) of the company's shares in aggregate.

21.3 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as foreign exchange gains/losses relating to loans that are considered part of the net investments in foreign operations.

21. CAPITAL AND RESERVES continued

21.4 Share-based payments reserve

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

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

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

The terms of each tranche are as follows:

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

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

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

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

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

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

Fair value measurement

The grant-date fair values of the FSP shares and SAR Scheme rights were determined at the grant date by an independent external professional financial instruments specialist using the Black-Scholes European Call Option pricing model, based on the following assumptions:

	Tranche 1	Tranche 2
Risk-free rate (based on R186 South African Government bond)	8.59%	7.85%
Expected dividend yield (based on historic dividend yield over historic period equivalent to vesting period)	3.88%	4.30%
Expected volatility (based on historic volatility over historic period equivalent to vesting period)	34.50%	23.57%
Liquidity discount due to trade restriction (5 years in the case of FSP)	19.60%	19.59%
Liquidity discount due to trade restriction (2 years in the case of SAR)	7.00%	6.99%

Dilution

The FSP forfeitable shares granted resulted in 110 351 (2016: 16 582) dilutive potential ordinary shares for the year (refer note 12.2). As the performance conditions of the SAR Scheme rights, as assessed at the reporting date, had not been met to result in any vesting of the rights, no adjustment has been made to the dilutive weighted average number of shares in issue in respect of these contingently issuable shares.

22. NON-CONTROLLING INTERESTS

The following subsidiaries have material non-controlling interests (“NCI”):

Name	Principal place of business/ Country of incorporation	Operating segment	Ownership interests held by NCI	
			2017	2016
RocoMamas Franchise Co (Pty) Ltd	South Africa	RocoMamas – Franchise	30%	49%*
The Spur Foundation Trust	South Africa	Unallocated South Africa	100%	100%
Opilor (Pty) Ltd	South Africa	Retail South Africa	32%	32%

* Refer note 35.

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

	RocoMamas Franchise Co (Pty) Ltd R'000	Opilor (Pty) Ltd R'000	Other individually immaterial subsidiaries R'000	Total R'000
2017				
Revenue	23 809	27 282		
Profit	11 449	2 909		
Other comprehensive income	–	–		
Total comprehensive income	11 449	2 909		
Profit/(loss) attributable to NCI	5 080	204	(1 328)	3 956
Total comprehensive income attributable to NCI	5 080	204	(1 328)	3 956
Current assets	12 990	1 141		
Non-current assets	1 969	11 729		
Current liabilities	(1 507)	(780)		
Net assets	13 452	12 090		
Carrying amount of NCI	5 771	3 869	2 379	12 019
Cash flows from operating activities	6 495	(3 986)		
Cash flows from investing activities	(1 866)	5 007		
Cash flows from financing activities	164	(1 382)		
Net increase/(decrease) in cash and cash equivalents	4 793	(361)		
Dividends paid to NCI during the year	1 960	1 920		

	RocoMamas Franchise Co (Pty) Ltd R'000	The Spur Foundation Trust R'000	Opilor (Pty) Ltd R'000	Other individually immaterial subsidiaries R'000	Total R'000
2016					
Revenue	17 415	–	16 841		
Profit/(loss)	8 180	8	(1 320)		
Other comprehensive income	–	–	–		
Total comprehensive income	8 180	8	(1 320)		
Profit/(loss) attributable to NCI	4 008	8	(566)	231	3 681
Total comprehensive income attributable to NCI	4 008	8	(566)	294	3 744
Current assets	7 497	3 967	1 431		
Non-current assets	5 880	–	15 940		
Current liabilities	(1 590)	(352)	(1 927)		
Non-current liabilities	–	–	(263)		
Net assets	11 787	3 615	15 181		
Carrying amount of NCI	5 776	3 615	4 858	121	14 370
Cash flows from operating activities	3 868	383	(375)		
Cash flows from investing activities	(5)	–	(6 007)		
Cash flows from financing activities	41	–	6 118		
Net increase/(decrease) in cash and cash equivalents	3 904	383	(264)		
Dividends paid to NCI during the year	1 862	–	180		

23. CONTINGENT CONSIDERATION LIABILITY

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

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

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

23. CONTINGENT CONSIDERATION LIABILITY continued

Fair value measurement

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

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

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

The liability is designated as a level 3 financial instrument in terms of the fair value hierarchy (refer note 2.2) as inputs into the valuation model are not based on observable market data.

Refer note 37.2 for more information concerning fair value sensitivity.

24. EMPLOYEE BENEFITS

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

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

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

In accordance with the rules of the scheme, the liquidity risk arising from obligations in respect of the rights in issue is to be hedged economically (refer note 25). Refer to the remuneration committee report on page 71 of this report for more details regarding the scheme.

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 share appreciation rights are as follows:

	Tranche 4	Tranche 5
Grant date	13 December 2013	15 December 2014
Number of rights granted	1 500 000	1 500 000
Strike price per right	R30.38	R30.91
Exercise date	15 December 2016	14 December 2017
Exercise price	50-day VWAP at 15 December 2016	50-day VWAP at 14 December 2017

The rights 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 25. The gain will be settled in cash on the exercise date. Should there be no gain at the exercise date, the rights are cancelled without any recourse.

Fair value measurement

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

	2017	2016
Share appreciation rights – tranche 4		
Expected dividend yield		4.43%
Expected volatility		34.13%
Interest rate (nominal annual compounded quarterly)		7.74%
Spot price on valuation date		R30.90
Total vesting period		3 years
Forfeiture rate		0%
Share appreciation rights – tranche 5		
Expected dividend yield	5.12%	4.43%
Expected volatility	22.90%	34.13%
Interest rate (nominal annual compounded quarterly)	7.82%	7.54%
Spot price on valuation date	R28.10	R30.90
Total vesting period	3 years	3 years
Forfeiture rate	0%	0%

25. DERIVATIVE FINANCIAL LIABILITIES

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

The contracts were concluded to hedge the upside price risk of the Spur Corporation Ltd share that the group is exposed to in respect of the cash-settled share appreciation rights detailed in note 24. The forward purchase contracts for the fourth and fifth tranches of the share appreciation rights were concluded on 13 December 2013 and 15 December 2014 respectively.

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

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.

The terms of each of the contracts are as follows:

Forward purchase contract	Tranche 4	Tranche 5
Contract trade date	13 December 2013	15 December 2014
Number of shares	1 500 000	1 500 000
Forward price per share	R37.57	R35.94
Settlement date	15 December 2016	14 December 2017
Settlement price	50-day VWAP at 15 December 2016	50-day VWAP at 14 December 2017

The forward purchase contracts 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.

Fair value measurement

The fair values of the forward purchase contracts have been determined by an independent external professional financial instruments specialist using a Black-Scholes (risk-neutral) pricing model, on the following assumptions:

	2017	2016
Forward purchase contract – tranche 4 of share appreciation rights		
Expected volatility		34.13%
Interest rate (nominal annual compounded quarterly)		7.74%
Credit spread (basis points)		200
Dividend		Refer below
Forward purchase contract – tranche 5 of share appreciation rights		
Expected volatility	22.90%	34.13%
Interest rate (nominal annual compounded quarterly)	7.82%	7.54%
Credit spread (basis points)	250	250
Dividend	Refer below	Refer below

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

	Tranche 4	Tranche 5
October 2016 (cents per share)	65.00	65.00
March 2017 (cents per share)	–	74.00
October 2017 (cents per share)	–	83.00

Any differences between the projected dividend above and the actual dividend paid is to be settled in cash between the parties.

As the accounting treatment of the derivative financial instruments and underlying obligation associated with the cash-settled share appreciation rights differ and the group does not apply hedge accounting, there is an accounting mismatch between the cost of the share appreciation rights and the fair value gain/loss on the derivative financial instruments recognised in profit or loss. The share-based payments expense arising from the share appreciation rights is charged to profit or loss over the respective vesting periods of the rights while the changes in the fair values of the related derivative financial instruments are recognised in profit or loss as they arise.

In the event that the settlement price exceeds the forward price listed above for each underlying tranche of share appreciation rights on the respective vesting dates, the derivative contracts are effective economic hedges and the share-based payments expense net of the associated forward contract reimbursement will have the following net impact on profit before income tax over the vesting period of the respective rights:

	Tranche 5
Vesting date	14 December 2017
Remaining vesting period (years)	0.5
Forward price	R35.94
Strike price (refer note 24)	R30.91
Number of share appreciation rights in issue	1 500 000
Total charge to profit before income tax over vesting period (R'000)	7 545
Cumulative net charge recognised in profit before income tax to 30 June 2017 (R'000)	11 457
Employee benefits (R'000) (refer note 24)	885
Derivative financial instruments (R'000)	10 572
Net credit still to be recognised in profit before income tax over remaining vesting period, assuming share price exceeds strike price on vesting date (R'000)	(3 912)

26. OPERATING LEASE LIABILITY

	2017 R'000	2016 R'000
Balance at beginning of year	2 191	1 200
Recognised in profit before income tax	485	984
Effect of foreign exchange fluctuations	-	7
Balance at end of year	2 676	2 191

Certain rental agreements concluded by the group during the current and previous years allow for an initial rent-free period, tenant installation allowances paid by the landlord, and fixed-rate rental escalations over the lease terms. The total rental costs in terms of these leases are expensed on a straight-line basis over the terms of the respective leases including the rent-free periods in each case. A liability is recognised to the extent that the rental expense recognised in profit or loss exceeds actual rental paid. On expiration of the rent-free period, the liability is reversed over the remaining lease period as a credit against future rental expenses. A liability is also recognised in respect of the tenant installation allowance upon receipt. The liability is subsequently recognised as a credit against rental expense in profit or loss over the initial lease period.

27. TRADE AND OTHER PAYABLES

	2017 R'000	2016 R'000
Trade payables	24 709	31 675
Accruals	10 748	7 271
Income received in advance	934	3 264
Employee benefits	14 048	13 910
Short-term profit share incentive scheme	3 735	4 699
Leave pay and other short-term employee benefits	10 313	9 211
VAT and other indirect taxes payable	5 970	7 872
Unredeemed gift vouchers	3 112	3 823
Other sundry payables	792	622
	60 313	68 437

Income received in advance relates largely to initial franchise fee receipts held in trust pending the conclusion of a franchise agreement and upfront payments in respect of export sales orders.

27.1 Short-term profit share incentive scheme

	2017 R'000	2016 R'000
Balance at beginning of year	4 699	9 979
Payment in respect of prior year incentive	(6 567)	(8 127)
Recognised in profit before income tax	5 603	2 847
Balance at end of year	3 735	4 699

The accrual for the short-term profit share incentive scheme is calculated with reference to the expected dividends received on a notional 6 688 698 Spur Corporation shares, representing the number of shares held by The Spur Management Share Trust when the scheme was introduced and approved by shareholders on 10 December 2010, and is determined in accordance with the rules of the short-term profit share incentive scheme.

28. LOANS PAYABLE

	2017 R'000	2016 R'000
Loan owing to non-controlling interest	–	1 152
Marketing funds	6 912	24 594
	6 912	25 746

Part of the loan owing to non-controlling interest was settled during the year, while the balance was released to income upon liquidation of the subsidiary in question.

The loans owing to the marketing funds represent the net assets and cumulative under-spend of the marketing funds as at the reporting date. The cumulative under-spend amounts are carried forward to the next financial year and are utilised for future marketing spend. Refer note 39 for more details.

29. DIVIDENDS

	2017 R'000	2016 R'000
Final 2015 – dividend of 70.0 cents per share	–	75 936
Interim 2016 – dividend of 67.0 cents per share	–	72 683
Final 2016 – dividend of 73.0 cents per share	79 191	–
Interim 2017 – dividend of 71.0 cents per share	77 022	–
Total dividends to equity holders	156 213	148 619
Dividends external to the group are reconciled as follows:		
Gross dividends declared by the company	156 213	148 619
Dividends received on the company's shares held by the group	(18 212)	(17 126)
Total dividends declared by the company external to the group	138 001	131 493
Dividends declared by subsidiaries to non-controlling shareholders	3 880	2 042
Total dividends external to the group	141 881	133 535

The directors have approved a final dividend of 61 cents per share in respect of the 2017 financial year, funded by income reserves, to be paid in cash on 2 October 2017. The dividend is subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962, as amended) ("dividend withholding tax") of 20%. The net dividend is therefore 48.8 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the financial year was 132 (2016: 140) cents per share equating to R143.195 million (2016: R151.873 million).

30. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	2017 R'000	2016 R'000
Profit before income tax	214 775	218 720
<i>Adjusted for:</i>		
Amortisation – intangible assets (refer note 14)	1 886	10
Amortisation – leasing rights (refer note 17)	549	3 692
Bad debts	1 341	1 179
Depreciation (refer note 13)	8 652	10 885
Expenses charged directly to equity (retained income) (refer note 21.4)	(65)	(54)
Fair value loss on derivative financial instruments at fair value through profit or loss (refer note 25)	5 791	27 714
Fair value loss/(gain) on contingent consideration liability (refer note 23)	777	(3 723)
Foreign exchange loss (excluding losses/gains on intercompany accounts)	980	1 095
Foreign currency translations not disclosed elsewhere in the statement of cash flows	(1 273)	6 298
Impairment of intangible assets (refer note 14)	6 778	18 969
Impairment of loan receivable (refer note 15.1)	44 192	–
Interest expense	84	116
Interest income	(36 606)	(35 742)
Loss on disposal of goodwill (refer note 4)	–	444
Loss on disposal of subsidiary (refer note 4)	12	–
Movement in operating lease liability (refer note 26)	485	984
Movement in bonus and leave pay provisions	120	(2 551)
Movement in trade receivable impairment allowance (refer note 19)	84	406
(Profit)/loss on disposal of property, plant and equipment	(162)	19 467
Profit on disposal of subsidiaries (refer note 4)	(5 435)	–
Reclassification of foreign currency gain from other comprehensive income to profit, on abandonment of foreign operations (refer note 4)	–	(7 038)
Release of financial liability (refer note 4)	(772)	–
Share-based payments cash settlement – long-term share-linked employee retention scheme (refer note 24)	(3 130)	(18 445)
Share-based payments credit – cash-settled – long-term share-linked employee retention scheme (refer note 24)	(3 795)	(2 361)
Share-based payments expense – equity-settled – long-term employee share incentive schemes (refer note 21.4)	985	827
Share of (profit)/loss of equity-accounted investee (net of income tax) (refer note 10)	(24)	8 601
	236 229	249 493

31. WORKING CAPITAL CHANGES

	2017 R'000	2016 R'000
Increase in inventories	(583)	(419)
Decrease/(increase) in trade and other receivables	22 983	(636)
Decrease in trade and other payables	(1 887)	(12 456)
Increase in short-term loans receivable	(4 475)	(953)
(Decrease)/increase in short-term loans payable	(17 553)	7 138
	(1 515)	(7 326)

32. INTEREST INCOME RECEIVED

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

	2017 R'000	2016 R'000
Interest accrued but not received at beginning of year	20 101	8 729
Interest income	36 606	35 742
Interest accrued but not received at end of year	(31 506)	(20 101)
	25 201	24 370

33. TAX PAID

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

	2017 R'000	2016 R'000
Net amount receivable at beginning of year	33 817	15 271
Current tax charged to profit or loss (refer note 11.1)	(75 699)	(83 304)
Current tax charged to equity (retained earnings) (refer note 11.5)	(1 318)	(625)
Effect of foreign exchange fluctuations	(1 504)	2 219
Net amount receivable at end of year	(40 599)	(33 817)
	(85 303)	(100 256)
The gross tax receivable at the reporting date comprises:		
Withholding tax credits	13 399	14 946
Prepayment of income tax relating to tax queries	22 034	22 845
Controlled foreign companies query	–	811
2004-2009 Share incentive scheme query (refer note 44.1)	22 034	22 034
Provisional tax payments in respect of current year exceeding actual estimated tax payable for the year	6 046	–
Tax payable by entities to which above prepayments relate	–	(1 577)
Total gross tax receivable at end of year	41 479	36 214

The withholding tax credits accrue to wholly-owned subsidiary, Steak Ranches International BV ("SRIBV"), the group's franchisor for restaurants outside of South Africa, and relate largely to taxes withheld in African jurisdictions. The withholding tax credits may be utilised by SRIBV to reduce current tax payable in The Netherlands on franchise-related taxable income.

34. DIVIDENDS PAID

Dividends paid are reconciled to the amount disclosed as follows:

	2017 R'000	2016 R'000
Amount payable at beginning of year	(471)	(482)
Total dividends external to the group (refer note 29)	(141 881)	(133 535)
Amount payable at end of year	543	471
	(141 809)	(133 546)

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

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

The changes in the group's ownership interest in RocoMamas is summarised below:

	2017
	R'000
Group's ownership interest at 1 July 2016	6 012
Share of comprehensive income prior to acquisition of further interest	4 409
Dividend paid	(2 040)
Group's ownership interest at 31 March 2017	8 381
Acquisition of further interest	3 122
Share of comprehensive income subsequent to acquisition of further interest	1 963
Group's ownership interest at 30 June 2017	13 466

36. CHANGES IN LOCAL RETAIL OPERATIONS

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

During the prior year, with effect from 15 November 2015, Opilor (Pty) Ltd, a subsidiary of the group (previously wholly owned), acquired the lease and property, plant and equipment of an existing restaurant site in Mouille Point, Cape Town for R5.400 million and R0.100 million respectively. The subsidiary in question issued shares in that entity of the equivalent value to the seller in settlement of the purchase price of the transaction, such that the group's ownership interest in the entity reduced from 100% to 68%. The difference in the value of net assets attributed to non-controlling interests and the value of the shares issued to the non-controlling shareholder amounted to R0.104 million, which was charged directly to equity (retained earnings). The carrying value of the lease acquired is being amortised on a straight-line basis over the remaining lease term (of 118 months as at the transaction date) (refer note 17).

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

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

36.2 The Hussar Grill Morningside – prior year

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

37. FINANCIAL INSTRUMENTS

37.1 Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy (refer note 2.2). It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	Carrying amount (R'000)				Fair value (R'000)			
		Held for trading	Loans and receivables	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 2	Level 3	Total
2017									
Financial assets not measured at fair value									
Loans receivable	15	-	129 815	-	-	129 815			
Financial assets included in trade and other receivables*	19	-	67 874	-	-	67 874			
Cash and cash equivalents	20	-	265 953	-	-	265 953			
		-	463 642	-	-	463 642			
Financial liabilities measured at fair value									
Contingent consideration liability	23	-	-	5 797	-	5 797	-	5 797	5 797
Derivative financial liability	25	-	-	10 572	-	10 572	10 572	-	10 572
		-	-	16 369	-	16 369			
Financial liabilities not measured at fair value									
Loans payable	28	-	-	-	6 912	6 912			
Bank overdrafts	20	-	-	-	4 491	4 491			
Financial liabilities included in trade and other payables [#]	27	-	-	-	39 361	39 361			
Shareholders for dividend		-	-	-	543	543			
		-	-	-	51 307	51 307			

* Includes trade receivables, staff loans, deposits and other financial assets as defined in terms of IAS 32 – Financial Instruments: Disclosure and Presentation.

[#] Includes trade payables, accruals, unredeemed gift voucher liability and other financial liabilities as defined in terms of IAS 32 – Financial Instruments: Disclosure and Presentation.

37. FINANCIAL INSTRUMENTS continued

37.1 Accounting classification and fair values continued

	Note	Carrying amount (R'000)				Fair value (R'000)			
		Held for trading	Loans and receivables	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 2	Level 3	Total
2016									
Financial assets not measured at fair value									
Loans receivable	15	–	167 950	–	–	167 950			
Financial assets included in trade and other receivables*	19	–	90 664	–	–	90 664			
Cash and cash equivalents	20	–	286 582	–	–	286 582			
		–	545 196	–	–	545 196			
Financial liabilities measured at fair value									
Contingent consideration liability	23	–	–	23 291	–	23 291	–	23 291	23 291
Derivative financial liability	25	–	–	12 186	–	12 186	12 186	–	12 186
		–	–	35 477	–	35 477			
Financial liabilities not measured at fair value									
Loans payable	28	–	–	–	25 746	25 746			
Bank overdrafts	20	–	–	–	1 155	1 155			
Financial liabilities included in trade and other payables#	27	–	–	–	43 391	43 391			
Shareholders for dividend		–	–	–	471	471			
		–	–	–	70 763	70 763			

* Includes trade receivables, staff loans, deposits and other financial assets as defined in terms of IAS 32 – Financial Instruments: Disclosure and Presentation.

Includes trade payables, accruals, unredeemed gift voucher liability and other financial liabilities as defined in terms of IAS 32 – Financial Instruments: Disclosure and Presentation.

The group has not disclosed the fair values of loans receivable, financial assets included in trade and other receivables, cash and cash equivalents, loans payable, bank overdrafts, financial liabilities included in trade and other payables and shareholders for dividend as their carrying amounts are a reasonable approximation of their fair values.

In the case of loans receivable and loans payable, the directors consider the terms of the loans (including in particular, the interest rates applicable) to be commensurate with similar financial instruments between unrelated market participants and the carrying values are therefore assumed to approximate their fair values.

In the case of financial assets included in trade and other receivables, cash and cash equivalents, bank overdrafts, financial liabilities included in trade and other payables and shareholders for dividend, the durations of the financial instruments are short and it is therefore assumed that the carrying values approximate their fair values.

37.2 Measurement of fair values

Financial instruments measured at fair value – level 2: derivative financial liabilities

The valuation technique as well as the key assumptions into the valuation model for the derivative financial liabilities are detailed in note 25.

Financial instruments measured at fair value – level 3: contingent consideration liability relating to the acquisition of RocoMamas

The liability for the contingent consideration referred to in note 23 was initially recognised at fair value and is subsequently recognised at fair value at each reporting date. The liability is a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on observable market data.

The fair value is determined based on the expected aggregate purchase consideration payments, discounted to present value using a risk-adjusted discount rate of 21.6% (2016: 26.40%), being the weighted average cost of capital specific to the acquired entity. The reduction in the discount rate relative to the prior year is attributable to reduced forecasting risk as the group now has sufficient historic information to be able to forecast the business's future profits more accurately. The expected purchase consideration payments were determined by considering various possible scenarios, and the probability of each scenario.

The significant unobservable inputs are the forecast profit before income tax and the risk-adjusted discount rate.

The fair value adjustment included in profit before income tax for the year is a charge of R0.777 million (2016: R3.723 million credit), and relates largely to the adjustment for the time value of money from the initial acquisition date to the reporting date (including the impact of the reduced discount rate), as well as changes to the forecast profit before income tax as referred to in note 23.

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:

Change in variable	Increase/(decrease) in fair value of liability and decrease/(increase) in profit before income tax	
	2017 R'000	2016 R'000
Forecast profit before income tax		
– Increased by 5%	2 081	2 127
– Decreased by 5%	(2 081)	(2 127)
Risk-adjusted discount rate		
– Increased by 2%	(58)	(392)
– Decreased by 2%	60	408

37.3 Financial risk management

The group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing these risks, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The group's objective is to manage effectively each of the above risks associated with its financial instruments, in order to limit the group's exposure as far as possible to any financial loss associated with these risks.

The board of directors has overall responsibility for the establishment and overseeing of the group's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The audit committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group to the extent that these have an impact on this integrated report.

37. FINANCIAL INSTRUMENTS continued

37.3 Financial risk management continued

37.3.1 Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the group's receivables from customers, franchisees, operating partners and associated entities, and financial institutions with which the group holds monetary deposits.

Exposure to credit risk

The aggregate of the carrying amounts of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2017 R'000	2016 R'000
Cash and cash equivalents (refer note 20)	265 953	286 582
Financial assets included in trade and other receivables (refer note 19)	67 874	90 664
Loans receivable (refer note 15)	129 815	167 950
	463 642	545 196

Cash and cash equivalents

The group's cash is placed with major South African and international financial institutions (in the respective jurisdictions in which the group trades) of high credit standing. A treasury committee comprising the group CEO, group CFO and other senior members of management reviews cash flow projections, manages liquidity and monitors cash investments on at least a monthly basis. This committee reports to the risk committee from time to time. The group's policy is to place cash balances with multiple financial institutions to mitigate against the risk of loss to the group in the event that any one financial institution was to fail. Consequently, the board considers the residual credit risk relating to cash balances to be managed to an acceptable level.

Financial assets included in trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each franchisee and customer. There are no significant concentrations of credit risk.

In the main, trade and other receivables comprise franchisees that have been transacting with the group for several years, and significant losses have occurred infrequently. In monitoring customer credit risk, customers are grouped together according to their geographic location, ageing profile and existence of previous financial difficulties. There is furthermore one significant wholesale customer. The risk of counterparties defaulting is controlled by the application of credit approvals, limits and monitoring procedures. In the event that a risk of default is identified for a particular franchisee, management actively engages with the franchisee to identify opportunities to assist the franchisee in an effort to limit the potential loss to the group. Such measures include, but are not limited to, assisting with landlord negotiations, granting extended credit terms and assisting in negotiating with financial institutions to restructure debt.

The group does not require collateral in respect of trade and other receivables although all signatories to a franchise agreement sign a personal suretyship in favour of the group.

The group establishes an allowance for impairment that represents its estimate of incurred losses at the reporting date in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2017 R'000	2016 R'000
Domestic	61 671	84 849
Eurozone countries	1 897	1 848
United Kingdom	–	20
Australasia	1 057	2 009
	64 625	88 726

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

	Carrying amount	
	2017 R'000	2016 R'000
Wholesale customers	17 027	18 965
Franchisees (franchise businesses)	47 598	69 761
	64 625	88 726

There are no material amounts that are considered to be past due. Where individual customers are not in compliance with the group's standard credit terms but formal repayment plans have been agreed, these amounts are not considered past due provided that the repayment terms are being substantially complied with.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017 R'000	2016 R'000
Balance at beginning of year	851	445
Additional impairment losses recognised	1 425	1 585
Irrecoverable debts written off	(1 341)	(1 179)
Balance at end of year	935	851

The allowance in respect of trade receivables is used to record impairment losses unless the group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off directly against the financial asset.

Loans receivable

The group limits its exposure to credit risk by advancing loans only to counterparties with good credit ratings. Given the good credit ratings, the board does not expect any counterparty to fail to meet its obligations.

The board acknowledges that loans advanced to international franchisees to assist their funding in respect of start-up operations have a higher credit risk associated with them due to the uncertainty of the financial success of the operations in question. The board accepts this risk as the provision of funding is a key enabler for the group's strategy of expansion in certain offshore territories. The risk is managed by obtaining security for the funding and close supervision of the franchised operations.

The loans to local franchisees are advanced only to those franchisees which have an established track record of generating cash sufficient to service the loan. The risk of default on these loans is consequently considered low.

The credit risk in respect of the loan advanced to the Spur marketing fund is considered low as the group manages the liquidity of the related marketing fund.

The group's policy is to obtain collateral in respect of material loans advanced. The extent of collateral held by the group in relation to loans receivable is detailed in note 15.

Guarantees

The group's policy is to provide financial guarantees only to subsidiaries domiciled in South Africa. At 30 June 2017 no material guarantees were outstanding from a group perspective (30 June 2016: Rnil).

37. FINANCIAL INSTRUMENTS continued

37.3 Financial risk management continued

37.3.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group's franchise divisions are largely cash generating. Typically, the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least six months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The treasury committee regularly reviews group cash flow forecasts to ensure that liquidity is maintained. Cash investments are generally short term in nature.

In terms of the Memorandum of Incorporation of the group's main local operating subsidiary, Spur Group (Pty) Ltd, that company has no limitations to its borrowing powers.

The group has no formal credit facilities in place with its bankers. This decision was taken following the implementation of legislation in South Africa which requires banks to comply with more stringent capital adequacy requirements and which has resulted in South African banks introducing a commitment fee in respect of unutilised credit facilities. Given that the group has a favourable relationship and credit rating with its principal bankers and a strong statement of financial position, the board is of the view that credit could be secured to manage any short-term liquidity risk, if the need arose.

The following are the contractual maturities of financial liabilities, including interest payments:

	Contractual cash flows			
	Carrying amount R'000	Total R'000	1 – 12 months R'000	1 – 2 years R'000
30 June 2017				
Non-derivative financial liabilities				
Contingent consideration liability (refer note 23)	5 797	6 575	6 575	–
Unsecured loans payable (refer note 28)	6 912	6 912	6 912	–
Financial liabilities included in trade and other payables (refer note 27)	39 361	39 361	39 361	–
Bank overdrafts (refer note 20)	4 491	4 491	4 491	–
Shareholders for dividend	543	543	543	–
Derivative financial liabilities				
Derivative financial liabilities (refer note 25)	10 572	10 572	10 572	–
30 June 2016				
Non-derivative financial liabilities				
Contingent consideration liability (refer note 23)	23 291	30 431	14 283	16 148
Unsecured loans payable (refer note 28)	25 746	25 746	25 746	–
Financial liabilities included in trade and other payables (refer note 27)	43 391	43 391	43 391	–
Bank overdrafts (refer note 20)	1 155	1 155	1 155	–
Shareholders for dividend	471	471	471	–
Derivative financial liabilities				
Derivative financial liabilities (refer note 25)	12 186	12 186	8 761	3 425

Where there are no formal repayment terms, the contractual cash flows are assumed to take place within 12 months and no interest is included.

The contractual cash flows relating to the contingent consideration liability are estimates determined based on management's projections of RocoMamas' future profit before income tax (refer notes 23 and 37.2).

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

Cash-settled share appreciation rights and related hedge derivative

In addition to the financial instruments listed above, the group is exposed to liquidity risk in respect of share appreciation rights issued in terms of its cash-settled long-term share-linked employee retention scheme (refer note 24). To mitigate against this risk, the group has entered into forward purchase contracts as detailed in note 25. The hedging impact of the forward purchase contracts is effective in the event that the share price increases above the forward price of the contract. In any event, the group is exposed to the cost of the contract, being the difference between the strike price of the rights in issue and the forward price of the related contract. At the reporting date, this amounted to R7.545 million (2016: R18.330 million). Should the share price on the vesting date be below the strike price of the rights, the group is required to pay the contract counterparty the difference between the strike price of the rights and the share price at the date of vesting. In the event that the share price reduces to one cent, the maximum additional exposure to the group is R46.365 million (2016: R91.935 million).

The forward purchase contracts also provide for guaranteed dividend streams (detailed in note 25) on the company's shares. In the event that the dividends declared are less than those guaranteed, the group is required to pay the deficit to the contract counterparty.

The group does not apply cash flow hedge accounting.

37.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the group's income or the carrying values of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Price risk

The group is exposed to equity securities price risk due to derivative financial instruments held by the group (refer note 25) related to the share price of the company. These derivatives were concluded to hedge economically the liquidity risk arising from cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (refer note 37.3.2). Gains and losses on the derivatives are recognised immediately in profit or loss, while the share appreciation rights liability is charged to profit or loss over the vesting periods of the rights. In the event that the share price appreciates over the vesting periods of the rights, on realisation of the derivatives and the rights, there will be an effective economic hedge. As detailed above, in the event that the share price drops below the strike price of the rights, the group is exposed to further liquidity risk.

Sensitivity analysis

The impact on profit before income tax and equity of a 10% increase or decrease in the company's share price as it impacts on the share appreciation rights liability and related forward purchase derivative financial instruments is detailed below:

	Increase/(decrease) in profit before income tax		Increase/(decrease) in equity	
	10% increase R'000	10% decrease R'000	10% increase R'000	10% decrease R'000
30 June 2017				
Share appreciation rights	(1 492)	682	(1 074)	491
Derivate forward purchase contracts	4 167	(4 173)	3 000	(3 005)
Net increase/(decrease)	2 675	(3 491)	1 926	(2 514)
30 June 2016				
Share appreciation rights	(4 115)	3 213	(2 963)	2 313
Derivate forward purchase contracts	9 103	(9 103)	6 554	(6 554)
Net increase/(decrease)	4 988	(5 890)	3 591	(4 241)

37. FINANCIAL INSTRUMENTS continued

37.3 Financial risk management continued

37.3.3 Market risk continued

Currency risk

International operations

The group's international operations are structured such that items of revenue, expenses, monetary assets and monetary liabilities attributed to group entities are all denominated in the respective group companies' functional currencies to the extent possible, with the exception of the group's international franchise company, Steak Ranches International BV. That company is exposed to currency risk as revenue and related receivables are denominated in currencies other than that company's functional currency which is the euro. That company is, furthermore, exposed to currency risk in respect of loan receivables denominated in currencies other than the euro. The most significant of these other currencies are the Australian dollar.

Trade and loan receivables and payables are not hedged as the group's international operations trade in jurisdictions that are considered to have relatively stable currencies.

Exchange gains/losses relating to loans that are considered to be part of the net investment in a foreign operation are included in other comprehensive income.

Local operations

The group's local operations are exposed to currency risk only to the extent that it imports raw materials and certain merchandise for resale from time to time. The number and value of these transactions are not considered significant. The group uses forward exchange contracts to hedge its exposure to currency risk in respect of imports. The group does not use forward exchange contracts or other derivative contracts for speculative purposes.

Exposure to currency risk

The group's exposure to foreign currency risk (insofar as it relates to financial instruments) was as follows as at 30 June:

	AU\$'000	€'000
2017		
Assets		
Cash and cash equivalents	489	195
Trade and other receivables	416	18
Loans receivable	1 771	132
Total assets	2 676	345
Liabilities		
Loans payable	–	(105)
Trade and other payables	(26)	(20)
Total liabilities	(26)	(125)
Total net exposure	2 650	220
2016		
Assets		
Cash and cash equivalents	543	343
Trade and other receivables	265	217
Loans receivable	1 697	410
Total assets	2 505	970
Liabilities		
Loans payable	(51)	(1 060)
Trade and other payables	(22)	(79)
Total liabilities	(73)	(1 139)
Total net exposure	2 432	(169)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
AU\$1 = R	10.2685	10.5705	10.0408	10.9769
€1 = R	14.8515	16.1008	14.9222	16.4116

Sensitivity analysis

A 10% strengthening of the rand against the following currencies at 30 June would impact profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Increase in profit before income tax R'000	Decrease in equity R'000
30 June 2017		
€	72	(930)
AU\$	8	(2 291)
30 June 2016		
€	376	(1 025)
AU\$	1	(2 674)

A 10% weakening of the rand against the above currencies at 30 June would have had the equal but opposite effect to the amounts shown above on the basis that all other variables remain constant.

Interest rate risk

The group adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis as far as possible. No derivative instruments are used to hedge interest rate risk.

Interest rate risk profile

All material interest-bearing financial instruments are at variable rates.

Cash flow sensitivity analysis for variable rate instruments

An increase of 50 basis points in interest rates at the reporting date would impact profit before income tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Increase/ (decrease) in profit before income tax R'000	Increase/ (decrease) in equity R'000
30 June 2017		
Variable-rate assets	2 186	1 574
Variable-rate liabilities	(14)	(10)
Net increase	2 172	1 564
30 June 2016		
Variable-rate assets	2 156	1 552
Variable-rate liabilities	(19)	(14)
Net increase	2 137	1 538

A decrease of 50 basis points in interest rates at the reporting date would have had the equal but opposite effect to the amounts shown above on the basis that all other variables remain constant.

37. FINANCIAL INSTRUMENTS continued

37.4 Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the demographic spread of shareholders, the level of distributions to ordinary shareholders, as well as the return on capital. Capital consists of total shareholders' equity, excluding non-controlling interests.

From time to time the group purchases its own shares on the market; the timing of these purchases depends on market prices. The board is considering various options regarding the existing treasury shares as there is currently no specific intention or purpose for these shares other than improving returns on shareholder equity and enhancing earnings per share. The group does not have a defined share buy-back plan. However, depending on the availability of cash, prevailing market prices and committed capital expenditure, shares may be repurchased.

The value of the group is attributed largely to its trademarks and related intellectual property. These intangible assets are accounted for in the group's statement of financial position at historic cost. The group's statement of financial position does therefore not provide a true reflection of the value of the group. In addition, the group's equity, as reported in the statement of financial position, is influenced significantly by changes in foreign exchange rates. The group also has no formalised external debt. Consequently, management does not formally report and track capital management financial ratios.

There were no changes in the group's approach to capital management during the year.

38. RETIREMENT BENEFITS

The group has its own defined contribution provident fund in South Africa with 295 members at 30 June 2017 (2016: 293 members). The Spur Group (Pty) Ltd Provident Fund is administered by Liberty Group Ltd. Refer note 8 for contributions made to the fund.

39. MARKETING FUNDS

In accordance with the group's franchise agreements, the group receives marketing contributions from franchisees which are held and accounted for separately in marketing funds. These contributions are utilised for the procurement of marketing and advertising services for the benefit of franchisees. During the year, the marketing funds received R224.3 million (2016: R230.4 million) in marketing contributions. Marketing contributions received are not included in the group's revenue as these are for the exclusive benefit of franchisees (refer note 2.1). To the extent that marketing funds spend less/(more) than the marketing contributions received, a loan payable/(receivable) to/(from) franchisees is recognised in the group statement of financial position (refer notes 15.8 and 28). These loans also comprise the net asset values of the respective marketing funds to the extent that the assets and liabilities of the funds are recognised in the consolidated statement of financial position.

40. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	R'000	R'000
Next year	8 001	5 932
Year two through to year five	29 385	17 628
More than five years	5 175	7 217
	42 561	30 777

Lease payments in foreign currencies have been translated into rands at the rates prevailing at the reporting date.

Leases are for periods ranging from five to 10 years, subject to renewal options for further five-year periods. Certain of these leases have fixed annual escalations for the period of the lease that were market-related at the time of concluding the lease. Other leases are subject to an inflation-linked increase; in which case, for the purposes of this note, the current rental cost has been projected for the remaining lease term.

Certain leases provide that the rent to be paid is the greater of the basic rental and a certain percentage of turnover – in these cases, only the basic rental is included in the commitments disclosed. The percentage of turnover was market related at the time of concluding the lease.

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

The following emoluments were paid by the company and subsidiary companies:

	Guaranteed remuneration				Variable remuneration		Total remuneration included in profit or loss R'000	Cash-settled share appreciation rights payout ³ R'000	
	Cash remuneration R'000	Travel allowance R'000	Provident fund R'000	Medical aid R'000	Subtotal R'000	Equity compensation benefits ¹ R'000			Performance bonus ² R'000
2017									
Executive directors and prescribed officer									
<i>For services, as employees, to subsidiary companies</i>									
<i>Current directors</i>									
Allen Ambor	3 553	–	700	103	4 356	(154)	414	4 616	234
Pierre van Tonder	4 815	–	588	162	5 565	(848)	529	5 246	748
Mark Farrelly	3 038	–	449	91	3 578	(630)	511	3 459	514
Ronel van Dijk	2 798	–	364	–	3 162	(504)	300	2 958	421
Total executive directors	14 204	–	2 101	356	16 661	(2 136)	1 754	16 279	1 917
<i>Prescribed officer</i>									
Kevin Robertson	1 959	226	294	123	2 602	(458)	339	2 483	421
Non-executive directors									
<i>For services, as directors, to the company</i>									
<i>Current directors</i>									
Dean Hyde	400	–	–	–	400	–	–	400	–
Dineo Molefe	400	–	–	–	400	–	–	400	–
Keith Getz ⁴	400	–	–	–	400	–	–	400	–
Keith Madders	400	–	–	–	400	–	–	400	–
Mntungwa Morojele ⁴	400	–	–	–	400	–	–	400	–
Muzi Kuzwayo	400	–	–	–	400	–	–	400	–
	2 400	–	–	–	2 400	–	–	2 400	–
<i>For services, as directors, to subsidiary companies</i>									
<i>Current directors</i>									
Keith Getz ⁵	176	–	–	–	176	–	–	176	–
Keith Madders ⁶	142	–	–	–	142	–	–	142	–
	318	–	–	–	318	–	–	318	–
Total non-executive directors	2 718	–	–	–	2 718	–	–	2 718	–
Total remuneration	18 881	226	2 395	479	21 981	(2 594)	2 093	21 480	2 338
Senior managers⁷									
Senior manager 1	2 099	–	199	–	2 298	–	–	2 298	–
Senior manager 2	1 625	–	244	92	1 961	(106)	261	2 116	106
Senior manager 3	1 705	–	256	–	1 961	(106)	261	2 116	106

* Refer to page 152 for footnotes.



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

	Guaranteed remuneration					Variable remuneration		Total remuneration included in profit or loss R'000	Cash-settled share appreciation rights payout ³ R'000
	Cash remuneration R'000	Travel allowance R'000	Provident fund R'000	Medical aid R'000	Subtotal R'000	Equity compensation benefits ¹ R'000	Performance bonus ² R'000		
2016									
Executive directors and prescribed officer									
<i>For services, as employees, to subsidiary companies</i>									
<i>Current directors</i>									
Allen Ambor	3 251	45	640	96	4 032	(229)	599	4 402	1 348
Pierre van Tonder	4 413	45	540	146	5 144	(400)	765	5 509	4 314
Mark Farrelly	2 774	45	410	84	3 313	(239)	492	3 566	2 966
Ronel van Dijk	2 594	–	334	–	2 928	(189)	435	3 174	2 427
Total executive directors	13 032	135	1 924	326	15 417	(1 057)	2 291	16 651	11 055
<i>Prescribed officer</i>									
Kevin Robertson	1 816	226	272	112	2 426	(222)	360	2 564	2 427
Non-executive directors									
<i>For services, as directors, to the company</i>									
<i>Current directors</i>									
Dean Hyde	400	–	–	–	400	–	–	400	–
Dineo Molefe	400	–	–	–	400	–	–	400	–
Keith Getz	400	–	–	–	400	–	–	400	–
Keith Madders	400	–	–	–	400	–	–	400	–
Mtungwa Morojele	400	–	–	–	400	–	–	400	–
Muzi Kuzwayo	400	–	–	–	400	–	–	400	–
	2 400	–	–	–	2 400	–	–	2 400	–
For services, as directors, to subsidiary companies									
<i>Current directors</i>									
Keith Getz ⁵	193	–	–	–	193	–	–	193	–
Keith Madders ⁶	121	–	–	–	121	–	–	121	–
	314	–	–	–	314	–	–	314	–
Total non-executive directors	2 714	–	–	–	2 714	–	–	2 714	–
Total remuneration	17 562	361	2 196	438	20 557	(1 279)	2 651	21 929	13 482
Senior managers⁷									
Senior manager 1	1 477	–	221	84	1 782	(44)	281	2 019	613
Senior manager 2	1 550	–	232	–	1 782	(44)	281	2 019	613
Senior manager 3	1 217	148	243	58	1 666	(54)	263	1 875	613

* Refer to page 152 for footnotes.



The board considers there to be no prescribed officers (as defined in section 1 of the Companies Act) with the exception of Kevin Robertson.

No directors or prescribed officers were paid for services to associates.

The following number of cash-settled share appreciation rights have been allocated to directors, prescribed officers and senior managers in terms of the long-term share-linked employee retention scheme and were outstanding as at the reporting date (refer note 24):

	Rights – tranche 4		Rights – tranche 5	
	2017 '000	2016 '000	2017 '000	2016 '000
Executive directors and prescribed officer				
Allen Ambor	–	110	50	50
Pierre van Tonder	–	352	362	362
Mark Farrelly	–	242	265	265
Ronel van Dijk	–	198	218	218
Kevin Robertson (prescribed officer)	–	198	200	200
	–	1 100	1 095	1 095
Senior managers⁷				
Senior manager 1	–	50	–	55
Senior manager 2	–	50	55	55
Senior manager 3	–	50	55	50
	–	150	110	160
Total awards allocated	–	1 250	1 205	1 255

The following number of share-linked awards have been allocated to directors, prescribed officers and senior managers in terms of the equity-settled Forfeitable Share Plan (“FSP”) and Share Appreciation Rights (“SAR”) Scheme and were outstanding as at the reporting date (refer note 21.4):

	FSP shares		SAR rights	
	2017 '000	2016 '000	2017 '000	2016 '000
Executive directors and prescribed officer				
Pierre van Tonder – tranche 1	15	15	409	409
Pierre van Tonder – tranche 2	15	–	534	–
Mark Farrelly – tranche 1	10	10	353	353
Mark Farrelly – tranche 2	10	–	461	–
Ronel van Dijk – tranche 1	10	10	298	298
Ronel van Dijk – tranche 2	10	–	388	–
Kevin Robertson (prescribed officer) – tranche 1	10	10	242	242
Kevin Robertson (prescribed officer) – tranche 2	10	–	315	–
	90	45	3 000	1 302
Senior managers⁷				
Senior manager 1 – tranche 1	–	5	–	74
Senior manager 1 – tranche 2	–	–	–	–
Senior manager 2 – tranche 1	5	5	74	74
Senior manager 2 – tranche 2	5	–	97	–
Senior manager 3 – tranche 1	5	5	74	56
Senior manager 3 – tranche 2	5	–	97	–
	20	15	342	204
Total awards allocated	110	60	3 342	1 506

* Refer to page 152 for footnotes.



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

Footnotes

- ¹ The equity compensation benefit is the pro rata share-based payments expense (in terms of IFRS 2 – Share-based Payments) attributable to each of the directors or employees. Refer notes 21.4 and 24.
- ² Includes payments during the financial year (relating to performance criteria in respect of the prior year), but excludes accrual for payments due in the subsequent financial year (relating to performance criteria in respect of the current year) due to the fact that the actual payment is not determinable at the date of this report. Refer note 27.1.
- ³ Actual payout on vesting of cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (refer note 24). The cost of these rights (calculated in accordance with IFRS 2) has been expensed to profit or loss over the vesting period of the rights and has similarly been included in the emoluments disclosed for directors in each year of the vesting period. The actual payment is therefore not reflected as additional remuneration in the current year, but is disclosed for information purposes.
- ⁴ On 10 February 2017, the South African Revenue Services ("SARS") issued binding general rulings BGR40 and BGR41 to respectively clarify SARS' position on the PAYE and VAT applicable to non-executive directors' fees. Accordingly, with effect from 1 June 2017, fees charged by non-executive directors, where such non-executive directors are VAT vendors, are required to be subject to VAT. While the company is not able to claim VAT input credits on these taxable supplies, as the VAT paid is not for the benefit of the directors in question, the amounts disclosed above are stated exclusive of VAT at 14%, where applicable.
- ⁵ In addition to the standard non-executive director's fee of R400 000 (2016: R400 000) approved by shareholders, Keith Getz's fees include payments to a related party of R0.176 million (2016: R0.193 million) for Mr Getz's attendance at three (2016: three) meetings each of the board of directors of Steak Ranches International BV and Spur International Ltd BVI, all of which he chaired.
- ⁶ In addition to the standard non-executive director's fee of R400 000 (2016: R400 000) approved by shareholders, Keith Madders' fees include payments for attendance at three (2016: three) meetings of the Steak Ranches International BV board.
- ⁷ Senior managers are the top three earning employees, who are not directors or prescribed officers of the company, in the respective financial years. The composition of these senior managers varies from year to year, although comparatives are not adjusted in this regard.

42. RELATED PARTY DISCLOSURES

42.1 Transactions between group entities

During the year, in the ordinary course of business, certain companies within the group entered into transactions which have been eliminated on consolidation. Note 15.1 provides detail on the loans to associate. Also refer to note 12 of the separate financial statements on page 176 for guarantees given to subsidiary companies.

Interest income for the year on the loans to associate detailed in note 15.1 amounted to R4.284 million (2016: R5.617 million).

42.2 Identity of related parties

A number of the group's directors, previous directors, prescribed officers and key management personnel (or parties related to them) hold positions in other entities, where they may have significant influence over the financial or operating policies of those entities. To the extent that the group has any relationship or dealings with those entities, they are listed as follows:

Director/former director/prescribed officer	Related party	Cross reference to note 42.3	Relationship with related party
Alan Keet ²	Nomivax (Pty) Ltd (trading as The Hussar Grill Grandwest) ¹	26	12% Shareholder
Keith Getz	Bernadt Vukic Potash & Getz		Partner
Keith Madders and son	White Cloud Restaurant Ltd (trading as White Cloud Spur (New Zealand)) ^{1,3}	36	10% Shareholder
Kevin Robertson (Spouse)	Brentwood Restaurant (Pty) Ltd (trading as Lone Spur) ¹	8	25% Shareholder
	Clearpan (Pty) Ltd (trading as Panarottis Clear Water Mall) ¹		20% Shareholder
	Limorox (Pty) Ltd (trading as Albuquerque Spur) ¹	18	25% Shareholder
Mark Farrelly	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur) ¹	4	25% Shareholder
	Apache Dawn (Pty) Ltd (trading as The Hussar Grill Somerset West) ¹	6	20% Shareholder
	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg) ¹	9	10% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (trading as RocoMamas I'Langa) ¹	15	21% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (trading as RocoMamas Stone Ridge Mall) ¹	16	21% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur) ¹	32	22% Shareholder
	White Cloud Restaurant Ltd (trading as White Cloud Spur (New Zealand)) ¹	36	80% Shareholder
	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur) ¹	4	10% Shareholder
Mark Farrelly (Brother)	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur) ¹	4	10% Shareholder
Mark Farrelly (Spouse)	Blue Desk Recruitment		Sole proprietor
Pierre van Tonder	Barleda 293 CC (trading as Cancun Spur) ¹	7	6.5% Member
	Meltrade 286 CC (trading as Casa Bella Grandwest) ¹	20	25% Member
	Meltrade 286 CC (trading as Silver Dollar Spur) ¹	21	25% Member
	Nomivax (Pty) Ltd (trading as The Hussar Grill Grandwest) ¹	26	18.75% Shareholder
Ronel van Dijk	Abaya Investments CC (trading as John Dory's The Grove, Windhoek (Namibia)) ^{1,3}	1	25% Member
	Barleda 293 CC (trading as Cancun Spur) ¹	7	25% Member
	Kea Investments CC (trading as RocoMamas The Grove, Windhoek (Namibia)) ¹	17	25% Member

Refer to page 159 for footnotes.

42. RELATED PARTY DISCLOSURES continued

42.2 Identity of related parties continued

Key management ⁵	Entity	Cross reference to note 42.3	Relationship with entity
Blaine Freer	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur) ¹	4	25% Shareholder
	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg) ¹	9	25% Shareholder
	Evening Star Trading 384 (Pty) Ltd (trading as Maverick Spur) ¹		25% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (trading as RocoMamas l'Langa) ¹	15	21% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (trading as RocoMamas Stone Ridge Mall) ¹	16	21% Shareholder
	Pizza Mall of the North (Pty) Ltd (trading as Panarottis Mall of the North) ¹	28	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur) ¹	32	22% Shareholder
	Vegix (Pty) Ltd (trading as Panarottis Waterfall Mall) ¹	35	10% Shareholder
Brian Altriche	Celapart (Pty) Ltd (trading as Golden Falcon Spur) ¹	10	70% (2016: 50%) Shareholder
	Double Ring Trading 299 (Pty) Ltd (trading as Falcon Arrow Spur) ¹	11	100% Shareholder
	Little Haiwatha Trading CC (trading as RocoMamas Rivonia) ¹	19	60% Member
	Twin Cities Trading 42 (Pty) Ltd (trading as Falcon Peak Spur) ¹	34	100% Shareholder
	Pizzade Trading CC (trading as RocoMamas Randburg) ¹	29	70% Member
Brian Altriche (Brother-in-law)	Almescan (Pty) Ltd (trading as RocoMamas Glen Acres) ¹	3	50% Shareholder
	Celapart (Pty) Ltd (trading as Golden Falcon Spur) ^{1, 13}	10	0% (2016: 50%) Shareholder
	Little Haiwatha Trading CC (trading as RocoMamas Rivonia) ¹	19	20% Member
	Naxafin CC (trading as RocoMamas Fourways) ¹	23	50% Member
Brian Altriche (Sister)	Naxafin CC (trading as RocoMamas Fourways) ¹	23	50% Member
Derick Koekemoer	Abaya Investments CC (trading as John Dory's The Grove, Windhoek (Namibia)) ^{1, 3}	1	25% Member
	Barleda 293 CC (trading as Cancun Spur) ¹	7	25% Member
	Kea Investments CC (trading as RocoMamas The Grove, Windhoek (Namibia)) ¹	17	25% Member
	Little Thunder (Pty) Ltd (trading as Tampico Spur) ¹		20% Shareholder
	Servigyn 25 CC (trading as Thunder Bay Spur) ¹	31	27.5% (2016: 31%) Member
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur) ¹	32	15% Shareholder
Ten Cents Investments 16 CC (trading as Sarasota Spur) ¹		50% Member	
Duncan Werner	Rujac (Pty) Ltd (trading as Manitoba Spur) ¹	30	25% Shareholder
Duncan Werner (Spouse)	Design Form		Sole proprietor
José Vilar	Hunga Busters Pty Ltd (trading as Silver Spur (Australia)) ¹	13	50% Shareholder
	Panpen Pty Ltd (trading as Panarottis Penrith (Australia)) ¹	27	50% Shareholder
Justin Fortune	Alicente 144 CC (trading as Golden Bay Spur) ¹	2	25% Member
	Ambicor 195 CC (trading as Cincinnati Spur) ¹	5	25% Member
	Apache Dawn (Pty) Ltd (trading as The Hussar Grill Somerset West) ¹	6	20% Shareholder

Refer to page 159 for footnotes.



Key management ⁵	Entity	Cross reference to note 42.3	Relationship with entity
Leonard Coetzee	Founad Trading 89 CC (trading as Grand Canyon Spur) ¹	12	11% Member
	JJ Links CC (trading as John Dory's Wilsons Wharf) ¹	14	11% Member
	Monnani (Pty) Ltd (trading as John Dory's Watercrest Mall) ¹	22	15% Shareholder
	Nitafin (Pty) Ltd (trading as John Dory's Secunda) ¹	24	10% Shareholder
	Nitaprox (Pty) Ltd (trading as Eldorado Spur) ¹	25	15% Shareholder
	Torinosun (Pty) Ltd (trading as Navaho Springs Spur) ¹	33	15% Shareholder
	Waterstone Trading 51 (Pty) Ltd (trading as Atlanta Spur) ¹		11% Shareholder
Sacha du Plessis	Barleda 293 CC (trading as Cancun Spur) ¹	7	6.5% Member
	Meltrade 286 CC (trading as Casa Bella Grandwest) ¹	20	25% Member
	Meltrade 286 CC (trading as Silver Dollar Spur) ¹	21	25% Member
	Nomivax (Pty) Ltd (trading as The Hussar Grill Grandwest) ¹	26	18.75% Shareholder
Tyrone Herdman-Grant	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur) ¹	4	10% Shareholder
	Calma Investments (Pty) Ltd (trading as John Dory's Middelburg) ¹	9	20% Shareholder
	K2015180451 (South Africa) (Pty) Ltd (trading as RocoMamas l'Langa) ¹	15	21% Shareholder
	K2015290644 (South Africa) (Pty) Ltd (trading as RocoMamas Stone Ridge Mall) ¹	16	21% Shareholder
	Pizza Mall of the North (Pty) Ltd (trading as Panarottis Mall of the North) ¹	28	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur) ¹	32	16.5% Shareholder
	Vegix (Pty) Ltd (trading as Panarottis Waterfall Mall) ¹	35	10% Shareholder
Wynand Viviers	Ordibyte (Pty) Ltd (trading as Captain DoRego's Botshabelo) ^{1,4}		25% Shareholder

Refer to page 159 for footnotes.



42.3 Transaction with related parties

Refer note 19 for details on trade receivables from related parties. No individual trade receivable is material. The trade receivables with related party franchisees are subject to the same credit terms as for independent franchisees.

None of the trade receivables are overdue. The trade receivables are secured by personal suretyships issued by the signatories to the franchise agreements, as with all other franchise agreements.

42. RELATED PARTY DISCLOSURES continued

42.3 Transaction with related parties continued

Transactions with related parties that are restaurants are detailed in the table below:

In terms of the group's Conflict of Interest Policy, the director, previous director, prescribed officer or member of key management personnel in question is excluded from participating in any decision relating to any transaction with any restaurant in which he/she has an interest. Any concession⁶ granted to a restaurant in which a director or prescribed officer has an interest must be approved by a disinterested quorum of the board.

	Temporary concession ⁶		Training fees ⁷		Marketing assistance ⁸		Sales incentives ⁹		Other transactions
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000	
1 Abaya Investments CC (John Dory's The Grove, Windhoek (Namibia))	166	-	-	-	-	-	-	-	
2 Alicente 144 CC (Golden Bay Spur)	55	-	-	-	-	-	-	-	
3 Almescan (Pty) Ltd (RocoMamas Glen Acres)	-	-	-	-	14	-	-	-	
4 Amarillo Steak Ranch (Pty) Ltd (Amarillo Spur)	-	-	5	2	9	12	4	-	
5 Ambicor 195 CC (Cincinnati Spur)	217	71	-	-	-	-	-	-	
6 Apache Dawn (Pty) Ltd (The Hussar Grill Somerset West)	92	-	-	16	2	-	5	1	
7 Barleda 293 CC (Cancun Spur)	126	-	-	-	-	-	-	-	
8 Brentwood Restaurant (Pty) Ltd (Lone Spur)	119	-	-	-	-	-	-	-	
9 Calma Investments (Pty) Ltd (John Dory's Middelburg)	327	282	21	116	-	-	-	4	
10 Celapart (Pty) Ltd (Golden Falcon Spur)	310	-	-	-	-	-	-	-	
11 Double Ring Trading 299 (Pty) Ltd (Falcon Arrow Spur)	-	-	-	57	-	-	-	-	
12 Founad Trading 89 CC (Grand Canyon Spur)	-	-	-	-	-	-	-	-	a
13 Hunga Busters Pty Ltd (trading as Silver Spur, Penrith (Australia))	197	-	-	-	-	-	-	-	b
14 JJ Links CC (John Dory's Wilsons Wharf)	-	-	-	-	-	-	-	2	
15 K2015180451 (South Africa) (Pty) Ltd (RocoMamas l'Langa)	286	-	-	-	-	13	-	-	c
16 K2015290644 (South Africa) (Pty) Ltd (RocoMamas Stone Ridge Mall)	-	-	-	-	-	-	-	-	
17 Kea Investments CC (RocoMamas The Grove, Windhoek (Namibia))	231	-	-	-	-	-	-	-	
18 Limorox (Pty) Ltd (Albuquerque Spur)	98	-	-	-	-	-	-	-	
19 Little Haiwatha Trading CC (RocoMamas Rivonia)	-	-	-	115	-	-	-	-	
20 Meltrade 286 CC (Casa Bella Grandwest)	125	-	49	-	-	-	-	-	d
21 Meltrade 286 CC (Silver Dollar Spur)	30	-	7	-	-	20	-	-	e
22 Monnani (Pty) Ltd (John Dory's Watercrest Mall)	223	-	-	-	5	22	-	-	
23 Naxafin CC (RocoMamas Fourways)	-	-	9	-	-	-	1	-	
24 Nitafin (Pty) Ltd (John Dory's Secunda)	434	294	-	-	10	11	-	-	
25 Nitaprox (Pty) Ltd (Eldorado Spur)	294	316	-	5	-	-	-	-	
26 Nomivax (Pty) Ltd (The Hussar Grill Grandwest)	125	-	9	-	-	-	-	-	f
27 Panpen Pty Ltd (Panarottis Penrith (Australia))	133	-	-	-	-	-	-	-	
28 Pizza Mall of the North (Pty) Ltd (Panarottis Mall of the North)	-	-	29	10	-	9	-	-	
29 Pizzade Trading CC (RocoMamas Randburg)	-	-	47	39	-	-	-	-	g
30 Rujac (Pty) Ltd (Manitoba Spur)	373	-	-	-	34	-	-	-	h
31 Servigyn 25 CC (Thunder Bay Spur)	42	154	-	-	-	-	-	-	
32 Stone Eagle Steak Ranch (Pty) Ltd (7 Eagles Spur)	-	-	-	5	-	-	4	2	i
33 Torinosun (Pty) Ltd (Navaho Springs Spur)	304	-	-	-	-	-	-	-	
34 Twin Cities Trading 42 (Pty) Ltd (Falcon Peak Spur)	-	-	-	-	-	-	-	-	j
35 Vegix (Pty) Ltd (Panarottis Waterfall Mall)	138	52	-	-	-	-	-	-	k
36 White Cloud Restaurant Ltd (White Cloud Spur (New Zealand))	419	-	-	-	-	-	-	-	l
Total	4 864	1 169	176	365	74	87	14	9	

- a) Grand Canyon Spur: The group paid the franchisee an amount of R267 054 (2016: R252 167) in respect of outdoor events catering¹⁰.
- b) Hunga Busters Pty Ltd: Refer note 15.7 for details and outstanding balance of a loan advanced to this entity.
- c) RocoMamas l'Langa Mall: The group paid R20 490 (2016: Rnil) to this entity for billboard rental.
- d) Casa Bella Grandwest: During the year, the group assisted this outlet with the cost of replacement equipment to the value of R88 785, and paid this outlet R1 203 for meals provided for a corporate meeting. During the prior year, the group assisted this outlet with design concept development and set-up costs in the amount of R266 236, which was similar to the assistance provided to another pilot outlet opened in the prior year (which is not a related party).
- e) Silver Dollar Spur: During the prior year, the group paid this outlet R2 952 for catering services provided¹¹ and assisted this outlet with the purchase of new specification crockery (for the purposes of testing) in the amount of R19 120.
- f) The Hussar Grill Grandwest: During the prior year, the group paid this outlet R18 973 for meals served to members of the World President Organisation (WPO).
- g) RocoMamas Randburg: During the prior year, this outlet provided operational consulting services to the group in the amount of R39 500.

- h) Manitoba Spur: During the prior year, the group assisted this outlet with the purchase of new specification crockery (for the purposes of testing) in the amount of R10 280.
- i) 7 Eagles Spur: The group assisted this outlet with the purchase of new specification crockery (for the purposes of testing) in the amount of R7 000 (2016: R28 860), and purchased inventory to the value of R3 500 (2016: Rnil) from the restaurant.
- j) Falcon Peak Spur: During the prior year, the group paid this outlet R4 362 for catering services provided¹¹.
- k) Panarottis Waterfall Mall: The group subsidised this outlet's rental cost in the amount of R103 724 (2016: R278 086).
- l) White Cloud Spur (New Zealand): The group granted this entity a loan in the amount of R2 168 060 (AU\$200 000) to partially fund the fit-out of the restaurant. The loan bears interest at 4.25% and is repayable in 24 equal monthly instalments. The carrying value of the loan at the reporting date was R1 728 750 (2016: Rnil) (refer note 15.3). During the prior year, the group granted this entity extended credit terms of six months from date of store-opening to settle the initial franchise fee of NZ\$33 000 (the equivalent of R317 490 at the prior year reporting date); the store opened in November 2016, and the amount was subsequently settled. The group also funded the cost of new specification bench seating for the outlet in the prior year in the amount of R140 000.

Refer to page 159 for footnotes.



42. RELATED PARTY DISCLOSURES continued

42.3 Transaction with related parties continued

Transactions with related parties that are not restaurants are detailed below:

Bernadt Vukic Potash & Getz (Keith Getz)

Bernadt Vukic Potash & Getz serves as the group's principal legal counsel and has provided legal services (other than services included with directors' emoluments per note 41) on various matters in the ordinary course of business to the value of R1 698 332 (2016: R1 858 630).

Blue Desk recruitment (Mark Farrelly spouse)

Blue Desk recruitment provided staff recruitment services to the group in the amount of R111 130 (2016: R125 904).

Design Form (Duncan Werner's spouse)

Karen Werner, trading as Design Form, provided architectural, design and project management services to the group in the amount of R619 856 (2016: R830 105). The services are provided largely to franchisees (with their consent) and any costs so incurred by the group are recovered, for the most part, from franchisees. In addition, during the prior year, Design Form provided the group with project management services relating to the building of the group's new corporate offices in Century City.

42.4 Key management⁵

The key management personnel compensation is as follows:

	2017 R'000	2016 R'000
Short-term employee benefits	23 346	23 652
Other long-term benefits	2 781	2 488
Equity compensation benefits (refer notes 21.4 and 24)	(680)	(400)
Total remuneration included in profit before income tax	25 447	25 740
In addition to the above, payments made in terms of the group's long-term share-linked employee retention scheme ¹²	850	4 902
Key management comprises 17 (2016: 17) employees.		
In addition to the above, emoluments to directors and prescribed officers amounted to (refer note 41)	21 480	21 929

Footnotes

- ¹ These entities are franchisees. Franchise fees and advertising fees of between 3% and 5% and between 2% and 4% of restaurant turnover (depending on the brand) respectively are collected by the group in terms of the standard franchise agreements, unless otherwise indicated under the related party transactions described above.
- ² Alan Keet resigned as a director with effect from 1 April 2017.
- ³ These interests were acquired during the current year.
- ⁴ The interest is held indirectly through a trust. The member of key management in question is a trustee of the trust.
- ⁵ Key management are listed on page 15 and exclude directors and prescribed officers (directors' and prescribed officer's emoluments are detailed in note 41).
- ⁶ Temporary concession: The concession is a percentage of franchise and/or advertising fee income that would ordinarily be collected by the group in terms of the standard franchise agreements. Franchise and marketing fee concessions are granted to franchisees in the ordinary course of business to provide relief from some temporary external influence (outside of the franchisee's control) which has a negative impact on the franchisee's profitability and may threaten the sustainability of the outlet. Examples of such circumstances include increased competitive activity in the proximity of the restaurant, construction or other interference impeding foot traffic and excessive rentals (provided that these are in the process of being renegotiated). The concession is subject to strict authorisation protocols and is conditional upon the franchisee complying with all of the group's operational requirements. The concession may be withdrawn at the group's discretion at any time. Any franchisee (including one which is not a related party) is eligible for a concession should the circumstances so dictate and each case is considered on its own merits after careful scrutiny of franchisee financial records and other supporting documentation.
- ⁷ Training fees: Fees to outlets which serve as training facilities are determined based on the number of delegates trained and the number of days each delegate is trained. The fee charged is the same fee charged by other training stores (which are not related parties).
- ⁸ Marketing assistance: Marketing assistance is provided to franchisees as the need arises. Typically, this is to compensate a franchisee for piloting a new concept or to assist a franchisee in minimising the negative impact of competing brands in the outlet's proximity. The basis for determining the assistance is the same as for any other franchisee (which is not a related party).
- ⁹ Sales incentives: Sales incentives are paid to franchisees based on sales of a particular item which is subject to promotion. The incentives are usually financed by the suppliers whose products are the subject of the promotion. The terms applicable to the incentive payments are the same as for any other franchisee (which is not a related party).
- ¹⁰ Outdoor events catering: The group has outsourced its outdoor events catering trailers to certain franchisees. The franchisees in question are paid a vending fee for each event depending on the duration of the event and the distance travelled. The terms applied are the same as those applied to any other franchisee (which is not a related party) who manages an outdoor catering trailer.
- ¹¹ Catering services: The group sponsors meals for sporting and charity events on an ad hoc basis and engages the services of franchisees to prepare these meals.
- ¹² Actual pay-out on vesting of cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (refer note 24). The cost of these rights (calculated in accordance with IFRS 2) has been expensed to profit or loss over the vesting period of the rights and has similarly been included in the key management personnel compensation in each year of the vesting period. The actual payment is therefore not reflected as additional compensation in the current year, but is disclosed for information purposes.
- ¹³ These interest were disposed of during the year.



43. SUBSEQUENT EVENTS

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

43.1 Dividends

On 6 September 2017, the board declared a final dividend of 61.0 cents per ordinary share in respect of the 2017 financial year, payable on 2 October 2017 as referred to in note 29 and in the directors' report on page 84 of this report.



44. CONTINGENT LIABILITIES

44.1 Income Tax in respect of 2004-2009 share incentive scheme

As previously reported, SARS had previously issued additional assessments to wholly-owned subsidiary, Spur Group (Pty) Ltd, in respect of the 2005 to 2012 years of assessment totalling R22.034 million (comprising R13.996 million in additional income tax and R8.038 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. Of the total amount, R15.445 million was settled in cash in September 2015, with the balance of R6.589 million settled in the 2015 financial year. The matter was referred to ADR proceedings, which were held in the prior year, but no agreement could be reached with SARS. The matter has been referred to the income tax court, but no court date has yet been set down for the matter to be heard. The board, in consultation with its tax advisors, remains confident that it will be able to prove that SARS has erred in disallowing the deduction and consequently, no liability has been raised in respect of the assessments issued to date. The payments made to date are accounted for as prepayments of income tax (refer note 33).

44. CONTINGENT LIABILITIES continued

44.2 Legal dispute with former Zambian franchisee

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

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

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

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

45. SIGNIFICANT ACCOUNTING POLICIES

45.1 Basis of consolidation

45.1.1 Investment in subsidiaries

The consolidated financial statements include the financial statements of the company and the entities that it controls. The group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity. The financial statements of subsidiaries are included in the consolidated financial statements of the group from the date that control commences until the date that control ceases.

The company carries its investments in subsidiaries at cost less impairment losses in its separate financial statements.

45.1.2 Investment in associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost, which includes transaction costs. The consolidated financial statements include the group's share of the profit or loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the group from the date that significant influence commences until the date that significant influence ceases.

Loans advanced to an associate which are considered part of the permanent equity of the investee are treated as part of the cost of the investment in the associate for the purposes of recognising the group's share of losses of the associate, subsequent to initial recognition. Where such a loan is impaired in any financial year, an impairment loss is recognised in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement* prior to recognising the group's share of the associate's profit or loss for that year. When the group's share of losses exceeds its investment in an associate (including any loan receivable considered part of the permanent equity of the associate), the carrying amount of the investment (including any loan receivable considered part of the permanent equity of the associate) is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee.

45.1.3 Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

45.1.4 Functional and presentation currency

All items in the financial statements of the group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (“the functional currency”). The group's consolidated financial statements are presented in rands, which is the company's functional currency and the group's presentation currency.

45.1.5 Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to rands at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to rands at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in equity in the foreign currency translation reserve (“FCTR”).

45.1.6 Net investment in foreign operations

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, the exchange differences arising from such monetary item are considered to be part of the net investment in foreign operations and are recognised in other comprehensive income and presented in equity in the FCTR. When the investment in foreign operation is disposed of (including deregistration or abandonment of a foreign operation), the relevant amount in the FCTR is reallocated from other comprehensive income to profit or loss.

45.1.7 Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis, although the group has applied the latter in all cases to date. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' shares of subsequent changes in equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

45.1.8 Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are recognised as an expense in profit or loss.

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement* in profit or loss.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the fair value of the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

45.1.9 Transactions with non-controlling interests

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

45.1.10 Loss of control

When the group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

45.2 Foreign currency transactions

Transactions denominated in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the respective functional currencies using the exchange rate at the date of the transaction. Foreign exchange differences arising on retranslation are recognised in profit or loss.

45. SIGNIFICANT ACCOUNTING POLICIES continued

45.3 Property, plant and equipment

45.3.1 Recognition and measurement

Items of property, plant and equipment, including owner-occupied buildings, are stated at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

45.3.2 Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing a part of such an item when the cost is incurred if it is probable that the economic benefits embodied within the item will flow to the group and the cost of the item can be measured reliably. In such cases, the carrying amount of the replaced part is derecognised. All other costs are recognised in profit or loss in the period they are incurred.

45.3.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date that they are ready for use. Leasehold improvements are depreciated over the shorter of the lease term or estimated useful life of the assets. Land is not depreciated.

Typically, the estimated useful lives for the current and prior periods are as follows:

– buildings	50 years
– plant, equipment and vehicles	3 – 5 years
– furniture and fittings	5 – 6.67 years
– computer equipment	3 years
– leasehold improvements	lesser of lease term and 10 years

Depreciation methods, useful lives and residual values are reassessed annually.

45.3.4 Disposal

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised in profit or loss.

45.4 Intangible assets (other than goodwill)

45.4.1 Trademarks and software licences

Intangible assets are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. Intangible assets which have finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each asset from the date they are ready for use. Intangible assets which have indefinite useful lives are not amortised but are tested for impairment annually. No value is attached to internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks and brand names is recognised in profit or loss as incurred.

Typically, the estimated useful lives for the current and prior periods are as follows:

– software licences	5 years (where there is no limit to the use of the licence) or, if the licence is valid for a specific period less than 5 years, such shorter period
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Amortisation methods, useful lives and residual values are reassessed annually.

45.4.2 Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

45.4.3 Derecognition

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss when the asset is derecognised.

45.5 Impairment

45.5.1 Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows relating to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the price that would be received, at the measurement date, from the sale of an asset or cash-generating unit in an orderly transaction between market participants less the costs of disposal. For an asset or cash-generating unit that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment reversals are recognised in profit or loss.

45.5.2 Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The recoverable amount of the group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Where the carrying value of an asset exceeds its recoverable amount, the difference is recognised as an impairment loss in profit or loss.

45.6 Inventories

Inventories are measured at the lower of cost, determined on the first-in-first-out basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. The cost of inventory includes costs incurred in acquiring the inventory and costs incurred in bringing the inventory to its current location and condition.

Cost of manufactured goods includes direct material costs, direct labour costs and an appropriate share of overheads based on normal operating capacity.

45.7 Operating leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Lease payments under an operating lease are recognised as an expense included in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

45.7.1 Leasing rights

Lease premium payments made in order to acquire a lease are initially recognised as a prepayment at cost and subsequently charged to profit or loss on a straight-line basis over the lease term.

45.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

45. SIGNIFICANT ACCOUNTING POLICIES continued

45.9 Tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities in a transaction that is not part of a business combination that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that the group is able to control the timing of the reversal of the temporary differences and they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Where the company withholds tax on behalf of its shareholders on dividends declared, such amounts are not recognised as part of the company's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of income tax expense unless it is reimbursable, in which case it is recognised as an asset.

45.10 Share capital

45.10.1 Ordinary share capital

Ordinary share capital represents the par value of ordinary shares issued. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of taxes.

45.10.2 Share premium

Share premium represents the excess consideration received by the company over the par value of ordinary shares issued, and is classified as equity.

45.10.3 Repurchase of share capital

When shares of the company are acquired by the group, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity and the number of shares is deducted from the weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity.

45.10.4 Dividends

Dividends are recognised as a liability in the period in which they are declared and approved by shareholders.

45.11 Financial instruments

45.11.1 Recognition

The group initially recognises loans and receivables and debt securities issued on the date when they originated. All other financial assets and financial liabilities are initially recognised on the trade date.

45.11.2 Measurement

Non-derivative financial instruments are initially measured at fair value, plus directly attributable transaction costs, except for financial instruments that are classified as being carried at fair value through profit or loss. Subsequent to initial recognition these instruments are classified according to their nature.

Financial instruments are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Subsequent measurement of each financial instrument is explained in more detail below.

Trade and other receivables (including loans)

Trade and other receivables (including loans) are stated at amortised cost less impairment losses as appropriate.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost, based on the relevant exchange rates at the reporting date.

Financial liabilities (other than derivative instruments)

Subsequent to initial recognition, financial liabilities (other than derivative instruments) are stated at amortised cost using the effective interest method.

Derivative instruments

Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on remeasurement of derivative instruments is recognised in profit or loss in the period that the change arises.

Cash flow hedge accounting is not applied.

45.11.3 Derecognition**Financial assets**

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the group transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

45.12 Revenue

Revenue comprises franchise-related fees, rental income, proceeds from the sale of supplies and promotional items and related services, including administration fee income (which is included in other income on the face of the statement of profit or loss and comprehensive income as it is not core to the group's operations). All revenue is stated exclusive of value added tax or other sales taxes and net of transactions with group companies and measured at the fair value of the consideration received or receivable.

Franchise fees are recognised on the accrual basis as services are rendered, or the rights used, in accordance with the substance of the related franchise agreements.

Revenue from the sale of supplies and promotional items is recognised when the significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably and receipt of the future economic benefits is probable.

Revenue from the rendering of services is recognised as the services are rendered if the costs relating to the rendering of the services can be reliably measured and the receipt of the future economic benefits is probable.

Rental income is recognised as revenue on a straight-line basis over the term of the lease.

Dividend income is recognised when the right to receive payment is established.

45.12.1 Administration fee income

Administration fees are a recovery of corporate costs by the group from the marketing funds that it administers on behalf of franchisees. The fees are included in other income in the statement of profit or loss and comprehensive income, are stated exclusive of value added tax or other sales taxes and are recognised as services are rendered.

45.13 Finance income and expense**45.13.1 Finance income**

Finance income comprises interest income. Interest income is recognised on a time apportionment basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

45. SIGNIFICANT ACCOUNTING POLICIES continued

45.13 Finance income and expense continued

45.13.2 Finance expense

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

45.14 Employee benefits

45.14.1 Short-term employee benefits

The costs of all short-term employee benefits are recognised in profit or loss during the period in which the employee renders the related service.

The accruals for employee entitlements to salaries and leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

45.14.2 Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised in profit or loss in the period during which related services are rendered by employees.

45.14.3 Share-based payment transactions

With regard cash-settled transactions, the fair value of share appreciation rights granted is recognised as an employee expense included in profit or loss with a corresponding liability over the vesting period of the rights. The fair value of the rights granted is measured at each reporting date with any change in fair value being recorded in profit or loss as an employee expense. The amount recognised as an expense included in profit or loss (and the related liability) is adjusted to reflect the actual number of rights that vest or are expected to vest.

With regard equity-settled transactions, the grant-date fair value of share appreciation rights or shares awarded is recognised as an employee expense in profit or loss with a corresponding increase in equity over the vesting period of the rights or shares. The amount recognised as an expense is adjusted to reflect the number of rights or shares for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

45.15 Non-current assets held for sale and discontinued operations

Disposal groups (assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use) are classified as discontinued operations where they represent a major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. The profit or loss from discontinued operations is disclosed separately from that relating to continuing operations.

45.16 Earnings per share

The group presents basic and diluted earnings per share ("EPS") and basic and diluted headline earnings per share ("HEPS") for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the dilutive effects of all potential ordinary shares granted to employees.

Headline earnings is calculated in accordance with *Circular 2/2015: Headline Earnings* issued by the South African Institute of Chartered Accountants at the request of the JSE. The JSE Listings Requirements require the calculation of headline earnings for all entities listed on the JSE in South Africa. Basic HEPS is calculated by dividing headline earnings by the weighted average number of ordinary shares outstanding during the period. Diluted HEPS is determined by dividing headline earnings by the weighted average number of ordinary shares outstanding during the period adjusted for the dilutive effects of all potential ordinary shares granted to employees.

46. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations applicable to the group are not yet effective for the year ended 30 June 2017, and have not been applied in preparing these consolidated financial statements. Those standards and interpretations which are (or may be) applicable to the group in the future are presented below. Those standards and interpretations which have no bearing on the group's existing accounting policies, have no impact on the group's assets and liabilities as at the reporting date or their subsequent measurement and no impact on the accounting treatment of transactions that the group is likely to be party to, are not listed below. All standards and interpretations will be adopted at their effective date.

IAS 7 – Statement of cash flows

Amendments to this standard provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments become mandatory for the group's 2018 financial statements and may result in a change in presentation of the financial statements.

IAS 12 – Income taxes

Amendments to this standard provide further guidance on the recognition of deferred tax assets relating to unrealised losses, specifically:

- the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
- methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised; and
- where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

The amendments become mandatory for the group's 2018 financial statements and are not expected to have a material impact on the financial statements.

IFRS 2 – Share-based payments

Amendments to this standard include:

- Guidance for the measurement of cash-settled share-based payments;
- Clarification of the treatment of share-based payments settled net of tax withholdings; and
- Accounting for a modification of a share-based payment arrangement from cash-settled to equity-settled.

The amendments become mandatory for the group's 2019 financial statements and are not expected to have a material impact on the financial statements.

IFRS 9 – Financial instruments

IFRS 9, published in July 2014, includes guidance on the classification and measurement of financial instruments, including a new expected credit loss model for recalculating impairment on financial assets, and the new general hedge accounting requirements. This standard becomes mandatory for the group's 2019 financial statements.

The group has completed a preliminary assessment of the extent to which the standard may impact on the group's existing financial instruments. As at 30 June 2017, it is considered likely that the only potential material impact on the group's financial statements relates to the expected loss impairment model. This model requires anticipated future losses to be taken into consideration when measuring financial instruments at initial recognition and subsequent reporting dates. The group currently adopts the incurred loss model for determining impairment of financial instruments. The expected loss model requires considerable judgement as to how changes in economic factors may affect future losses arising from financial instruments. This may give rise to more variable and higher impairment losses. Given that the group's historic bad debts relating to trade receivables and loans with local franchisees have been immaterial, the implementation of IFRS 9 is not expected to materially affect these items, but this will depend on the assessment of forward looking economic analysis at the time of implementation. The impact of implementing the expected loss model for other financial instruments can only be assessed once the financial instruments are known. Further analysis will need to be conducted at the time that the standard is implemented. The group plans to adopt IFRS 9 in its financial statements for the year ending 30 June 2019. While it is understood that the adoption of IFRS 9 will generally be applied retrospectively, there are certain exemptions permitted by the standard. The group has yet to determine how it will transition to IFRS 9.

46. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE continued

IFRS 15 – Revenue from contracts with customers

IFRS 15 introduces a new five-step model for determining the timing and amount of revenue to be recognised from contracts with customers. The core principle of the new model is that an entity should recognise revenue to depict the transfer of promised goods or services to customers and that the amount of revenue should reflect the consideration to which it expects to be entitled in exchange for those goods and services. This standard becomes mandatory for the group's 2019 financial statements, and replaces *IAS 18 – Revenue*.

The group has completed an initial assessment of the potential impact of the adoption of the standard on its consolidated financial statements, in terms of which, with the exception of initial franchise fees, no material changes to the method of recognising revenue are anticipated. Initial franchise fees are charged by the group upon signature of the franchise agreements concluded with independent franchisees, and are non-refundable. The franchise agreements oblige the franchisor to undertake activities for the duration of the franchise agreement to support the franchisee's brand that significantly affect the intellectual property to which the franchisee has rights, without resulting in a transfer of specific goods or services. Accordingly, it has been determined that the group's performance obligation in this regard is satisfied over time and that the revenue should be recognised on a straight-line basis over the terms of the respective franchise agreements. The group currently recognises revenue in respect of the initial franchise fees in full upon signature of the franchise agreements. While the impact of the implementation of IFRS 15 on profit in any one year is not expected to be material, the cumulative impact of deferring the revenue over the period of the franchise agreements is likely to be material. The group plans to adopt this standard in its financial statements for the year ending 30 June 2019, retrospectively, and is in the process of quantifying the impact.

IFRS 16 – Leases

IFRS 16, published in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases for lessees and lessors, and replaces the previous leases standard, *IAS 17 – Leases*, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors. This standard becomes mandatory for the group's 2020 financial statements.

The group has completed an initial assessment of the potential impact of the adoption of the standard on its consolidated financial statements. The group has determined that it will recognise right-of-use assets and lease liabilities in respect of premises occupied for its Johannesburg regional office as well as the 64 vehicles (as at 30 June 2017) currently leased for use by operations managers. The group currently recognises the rental expense of the Johannesburg regional office and leased vehicles on a straight-line basis over the lease term. Upon the adoption of IFRS 16, the group's operating lease charge in profit or loss will be replaced by a depreciation charge in respect of the corresponding right-of-use assets, as well as an interest charge relating to the respective lease liabilities, which may in aggregate be different to the current operating lease charge. The group plans to adopt this standard in its financial statements for the year ending 30 June 2020, retrospectively, and is in the process of quantifying the impact.

SEPARATE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	Note	2017 R'000	2016 R'000
Dividend income		150 667	153 772
Distribution received from trust	7	3 500	–
Interest income		4 177	91
Operating expenses		(2 646)	(2 288)
Profit before income tax	1	155 698	151 575
Income tax expense	2	(1 169)	(25)
Profit		154 529	151 550
Total comprehensive income		154 529	151 550

SEPARATE STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	Note	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Interest in subsidiary companies	3	220 227	302 201
Dividends receivable	4	–	3 137
Total non-current assets		220 227	305 338
Current assets			
Prepaid expenses		35	–
Tax receivable		10	–
Cash and cash equivalents		85 419	1 004
Total current assets		85 464	1 004
TOTAL ASSETS		305 691	306 342
EQUITY			
Ordinary share capital	5	1	1
Share premium		294 663	294 663
Retained earnings		10 398	7 539
Total equity		305 062	302 203
LIABILITIES			
Current liabilities			
Accrued expenses		86	37
Shareholders for dividend		543	471
Tax payable		–	631
Loan from subsidiary company	6	–	3 000
Total current liabilities		629	4 139
TOTAL EQUITY AND LIABILITIES		305 691	306 342

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR 30 JUNE

	Ordinary share capital R'000	Share premium R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2015	1	294 663	790	295 454
Total comprehensive income for the year				
Profit	–	–	151 550	151 550
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners	–	–	(144 801)	(144 801)
Vesting of income by trust (refer note 7)	–	–	4 443	4 443
Income tax on vesting of income by trust (refer note 7)	–	–	(625)	(625)
Dividends (refer note 10)	–	–	(148 619)	(148 619)
Balance at 30 June 2016	1	294 663	7 539	302 203
Total comprehensive income for the year				
Profit	–	–	154 529	154 529
Transactions with owners recorded directly in equity				
Contributions by and distributions to owners	–	–	(151 670)	(151 670)
Vesting of income by trust (refer note 7)	–	–	5 338	5 338
Income tax on vesting of income by trust (refer note 7)	–	–	(795)	(795)
Dividends (refer note 10)	–	–	(156 213)	(156 213)
Balance at 30 June 2017	1	294 663	10 398	305 062

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

	Note	2017 R'000	2016 R'000
Cash flow from operating activities			
Operating loss before working capital changes	8	(2 646)	(2 288)
Working capital changes		14	(16)
Cash utilised by operations			
Interest received		4 177	91
Tax paid	9	(2 605)	(19)
Dividends received	4	153 804	161 072
Distribution received from trust	7	3 500	–
Dividends paid	10	(156 141)	(148 630)
Income vested by trust	7	5 338	4 443
Net cash flow from operating activities			
		5 441	14 653
Cash flow from investing activities			
Decrease/(increase) in loans to subsidiary companies		81 974	(9 829)
Net cash flow from investing activities			
		81 974	(9 829)
Cash flow from financing activities			
Decrease in loans from subsidiary companies		(3 000)	(5 000)
Net cash flow from financing activities			
		(3 000)	(5 000)
Net movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		1 004	1 180
Cash and cash equivalents at end of year			
		85 419	1 004

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. PROFIT BEFORE INCOME TAX

	2017 R'000	2016 R'000
The following items have been taken into account in determining profit before income tax:		
Consulting fees	402	395
Directors emoluments (refer note 11)	165	–
JSE listing fees and other related costs	502	653

2. INCOME TAX

	2017 R'000	2016 R'000
2.1 Income tax expense		
South African normal current tax - current year	1 169	25
	2017 %	2016 %
2.2 Reconciliation of rate of tax		
South African normal tax rate	28.0	28.0
Non-taxable distributions income	(27.7)	(28.4)
Non-deductible operating expenditure (capital items and items not in production of income)	0.5	0.4
Effective tax rate	0.8	–
2.3 Tax charged directly to equity		
Current tax on income vested by trust (refer note 7)	795	625

3. INTEREST IN SUBSIDIARY COMPANIES

	2017 R'000	2016 R'000
Shares at cost less impairment losses	1	1
Equity-settled share-based payments on behalf of subsidiary	11 213	11 213
Loans to subsidiary companies	209 013	290 987
	220 227	302 201

In terms of the group's accounting policies, equity-settled share-based payments, determined in accordance with *IFRS 2 – Share-based Payments*, by a subsidiary of the company in previous financial years are treated as a further investment in the subsidiary in question.

The loan to subsidiary company is unsecured, interest-free and has no fixed date of repayment. While there is no intention to call up the loan, it is repayable on demand. Given the potential short-term nature of the receivable, its fair value has been determined to approximate its carrying value.

Details of the share capital and the company's interests in the subsidiary companies are as follows:

	Country of incorporation/ place of business	Issued capital R'000	Loan to subsidiary R'000	% interest in company
Trading				
Direct				
– Share Buy-back (Pty) Ltd	South Africa	0.1		100.0
– Spur Group (Pty) Ltd	South Africa	0.1	209 013	100.0
– Spur Group Properties (Pty) Ltd	South Africa	0.1	–	100.0
Indirect				
– Green Point Burger Joint (Pty) Ltd trading as RocoMamas Green Point	South Africa	0.1		90.0
– John Dory's Advertising (Pty) Ltd	South Africa	0.1		100.0
– John Dory's Franchise (Pty) Ltd	South Africa	0.1		100.0
– Nickilor (Pty) Ltd trading as The Hussar Grill Rondebosch	South Africa	0.1		100.0
– Opilor (Pty) Ltd trading as The Hussar Grill Mouille Point	South Africa	17 500.1		68.0
– Opiset (Pty) Ltd trading as The Hussar Grill Camps Bay	South Africa	0.1		100.0
– Panarottis Advertising (Pty) Ltd	South Africa	0.1		100.0
– RocoMamas Advertising (Pty) Ltd	South Africa	0.1		100.0
– RocoMamas Franchise Co (Pty) Ltd	South Africa	0.1		70.0
– Spur Advertising (Pty) Ltd	South Africa	0.1		100.0
– The Ad Workshop (Pty) Ltd trading as Captain DoRegos Advertising	South Africa	0.1		100.0
– The Hussar Grill Advertising Company (Pty) Ltd	South Africa	0.1		100.0
– The Morningside Grill (Pty) Ltd trading as The Hussar Grill Morningside	South Africa	0.1		100.0
– Spur International Ltd	British Virgin Islands	1.4		100.0
– Steak Ranches International BV	The Netherlands	156 493.6		100.0
– Spur Advertising Namibia (Pty) Ltd	Namibia	0.1		100.0
– Spur Franchise Namibia (Pty) Ltd	Namibia	0.1		100.0
– Panarottis Advertising Australia Pty Ltd	Australia	0.6		100.0
– Panatug Pty Ltd	Australia	0.6		100.0
– Spur Advertising Australia Pty Ltd	Australia	0.6		100.0
– Spur Corporation Australia Pty Ltd	Australia	16 129.1		100.0
– Spur Corporation UK Ltd	United Kingdom	3.5		100.0
Dormant#		1.4		100.0
			209 013	

A schedule of these companies is available upon request.

Investments in subsidiaries are carried at cost less impairment losses in accordance with the company's accounting policy in this regard.

The interest of the company in the aggregate after tax profits and losses of subsidiaries is as follows:

	2017 R'000	2016 R'000
Profits	138 328	237 908
Losses	(4 571)	(91 466)

4. DIVIDENDS RECEIVABLE

The dividends receivable related to dividends received by the Spur Management Share Trust in the financial year ended 30 June 2010 that were vested with the company by the trustees in that year. The amount was unsecured, interest-free and there were no fixed terms of payment. The final amount owing was settled during the year.

Dividends received are reconciled to the amount disclosed in profit or loss as follows:

	2017 R'000	2016 R'000
Amount receivable at beginning of year	3 137	10 437
Dividend income recognised in profit or loss before income tax	150 667	153 772
Amount receivable at end of year	–	(3 137)
Dividends received	153 804	161 072

5. ORDINARY SHARE CAPITAL

	2017 R'000	2016 R'000
Authorised		
201 000 000 ordinary shares of 0.001 cents each	2	2
Issued and fully paid		
108 480 926 ordinary shares of 0.001 cents each	1	1

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

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

The company does not have any unlisted shares.

6. LOAN FROM SUBSIDIARY COMPANY

	2017 R'000	2016 R'000
Share Buy-back (Pty) Ltd	–	3 000

This loan was unsecured and incurred no interest. The loan was repayable on demand and was settled during the year.

7. SPUR MANAGEMENT SHARE TRUST

During the year, the Spur Management Share Trust ("the Trust") vested income of R5.338 million (2016: R4.443 million) with the company, as a beneficiary of the Trust. The income arose from the sale of the company's shares and is accordingly not recognised as income, but rather credited directly against equity (retained earnings). The income is subject to income tax of R0.795 million (2016: R0.625 million), which has similarly been charged directly to equity (retained earnings).

In addition, the Trust made a discretionary distribution of R3.500 million to the company, which is included in profit or loss before income tax.

8. OPERATING LOSS BEFORE WORKING CAPITAL CHANGES

	2017 R'000	2016 R'000
Profit before income tax	155 698	151 575
<i>Adjusted for:</i>		
Dividend income	(150 667)	(153 772)
Distribution received from trust	(3 500)	–
Interest income	(4 177)	(91)
	(2 646)	(2 288)

9. TAX PAID

	2017 R'000	2016 R'000
Tax paid is reconciled to the amount disclosed in profit or loss as follows:		
Amount receivable at beginning of year	(631)	–
Current tax charged to profit or loss	(1 169)	(25)
Current tax charged directly to equity	(795)	(625)
Amount (receivable)/payable at end of year	(10)	631
Tax paid	(2 605)	(19)

10. DIVIDENDS

	2017 R'000	2016 R'000
Dividends declared are as follows:		
Final 2015 – dividend of 70.0 cents per share	–	75 936
Interim 2016 – dividend of 67.0 cents per share	–	72 683
Final 2016 – dividend of 73.0 cents per share	79 191	–
Interim 2017 – dividend of 71.0 cents per share	77 022	–
Total dividends to equity holders	156 213	148 619

The directors have approved a final dividend of 61.0 cents per share in respect of the 2017 financial year, funded by income reserves, to be paid in cash on 2 October 2017. The dividend is subject to the applicable tax levied in terms of the Income Tax Act (Act No. 58 of 1962, as amended) (“dividend withholding tax”) of 20%. The net dividend is therefore 48.8 cents per share for shareholders liable to pay dividend withholding tax.

The total gross dividend declared relating to the financial year was 132 (2016: 140) cents per share equating to R143.195 million (2016: R151.873 million).

Dividends paid are reconciled to the amount disclosed above as follows:

Amount payable at beginning of year	(471)	(482)
Dividends declared	(156 213)	(148 619)
Amount payable at end of year	543	471
Dividends paid	(156 141)	(148 630)

11. DIRECTORS' EMOLUMENTS

	2017 R'000	2016 R'000
The following emoluments were paid by the company:		
For services as directors to the company		
Dean Hyde	33	–
Dineo Molefe	33	–
Keith Getz*	33	–
Mtungwa Morojele*	33	–
Muzi Kuzwayo	33	–
	165	–

All other emoluments were paid by subsidiaries of the company. Refer note 41 of the consolidated financial statements on page 149 of this report for further details.

* On 10 February 2017, the South African Revenue Services ("SARS") issued binding general rulings BGR40 and BGR41 to respectively clarify SARS' position on the PAYE and VAT applicable to non-executive directors' fees. Accordingly, with effect from 1 June 2017, fees charged by non-executive directors, where such non-executive directors are VAT vendors, are required to be subject to VAT. As the company is not able to claim VAT input credits on these taxable supplies, the amounts disclosed above are stated exclusive of VAT at 14%, where applicable.



12. GUARANTEES

The company has provided unlimited guarantees to financial institutions in respect of debts of certain local subsidiary companies.

13. RELATED PARTY DISCLOSURES

Identity of related parties

Refer note 3 for a detailed list of subsidiaries.

Related party transactions

An amount of R38 218 (2016: R8 000) was paid to wholly-owned subsidiary, Spur Advertising (Pty) Ltd, for printing and publishing expenses relating to circulars, interim results and the annual integrated report of the group. This includes a reimbursement of expenses paid to unrelated third party suppliers as well as an hourly rate for desktop publishing services which is the same rate charged by that company to franchisees (who are unrelated parties) for the same services.

Refer notes 3 and 6 for the details of loans to and from subsidiary companies respectively.

Dividend/distribution income was received from the following related parties:

	2017 R'000	2016 R'000
Spur Group (Pty) Ltd	150 667	153 772
Spur Management Share Trust	3 500	–

Details of directors' emoluments are included in note 11.

14. FINANCIAL INSTRUMENTS

14.1 Accounting classification and fair values

The following table shows the carrying amounts of financial assets and liabilities. No financial instruments are required to be subsequently recognised at fair value at the reporting date. Fair value information for financial assets and liabilities not measured at fair value is not disclosed if the carrying amount is a reasonable approximation of fair value.

	Note	Carrying amount (R'000)		
		Loans and receivables	Other financial liabilities	Total
2017				
Financial assets not measured at fair value				
Loan to subsidiary company	3	209 013	–	209 013
Cash and cash equivalents		85 419	–	85 419
		294 432	–	294 432
Financial liabilities not measured at fair value				
Accrued expenses		–	86	86
Shareholders for dividend		–	543	543
		–	629	629
2016				
Financial assets not measured at fair value				
Loans to subsidiary companies	3	290 987	–	290 987
Dividends receivable	4	3 137	–	3 137
Cash and cash equivalents		1 004	–	1 004
		295 128	–	295 128
Financial liabilities not measured at fair value				
Accrued expenses		–	37	37
Shareholders for dividend		–	471	471
Loan from subsidiary company	6	–	3 000	3 000
		–	3 508	3 508

The company has not disclosed the fair values of the above financial instruments as their carrying amounts are a reasonable approximation of their fair values. Refer notes 3, 4 and 6 for a further explanation in this regard for loans to subsidiary companies, dividends receivable and loans from subsidiary companies respectively. Due to the short-term nature of cash and cash equivalents, accrued expenses, and shareholders for dividend, their fair values have been determined to approximate their carrying values.

14.2 Financial risk management

The company is exposed to credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing these risks, and the company's management of capital.

The company's objective is to manage effectively each of the above risks associated with its financial instruments, in order to limit the company's exposure as far as possible to any financial loss associated with these risks.

The board of directors has overall responsibility for the establishment and overseeing of the company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The audit committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company to the extent that these have an impact on these financial statements.

14. FINANCIAL INSTRUMENTS continued

14.2 Financial risk management continued

14.2.1 Credit risk

Credit risk is the risk of financial loss to the company if a counterparty to a financial asset fails to meet its contractual obligations, and arises principally from receivables with subsidiaries, the dividends receivable from the Spur Management Share Trust and financial institutions with which the company holds monetary deposits.

The aggregate carrying amounts of financial assets represents the maximum credit risk exposure and are detailed below:

	2017 R'000	2016 R'000
Loans to subsidiary companies (refer note 3)	209 013	290 987
Dividends receivable (refer note 4)	–	3 137
Cash and cash equivalents	85 419	1 004
	294 432	295 128

The company's subsidiaries are largely cash generative and in a sound financial position. The directors are of the view that the risk of default is therefore negligible. The directors are able to use their influence, as representatives of the sole shareholder of the subsidiaries, to manage the recoverability of the loans.

The company's cash is placed only with major South African financial institutions of high credit standing. The group's treasury committee monitors liquid investments on a regular basis.

As detailed in note 12, the company has provided unlimited guarantees to financial institutions in respect of debts of certain local subsidiaries. The directors regularly review this exposure. As at the reporting date, and for the duration of the year, the directors consider the risk of being called upon to act in terms of the guarantee as negligible.

14.2.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company's primary source of income is the dividends received from subsidiary companies. The group's subsidiaries are largely cash generative and in a sound financial position. The directors are able to use their influence, as representatives of the sole shareholder of the subsidiaries, to manage the dividend policies of the subsidiaries. In addition, other group subsidiaries have provided unlimited guarantees to the company's bankers in respect of any debts incurred by the company to those bankers.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Contractual cash flows		
	Carrying amount R'000	Total R'000	1 – 12 months R'000
2017			
Non-derivative financial liabilities			
Accrued expenses	86	86	86
Shareholders for dividend	543	543	543
2016			
Non-derivative financial liabilities			
Accrued expenses	37	37	37
Shareholders for dividend	471	471	471
Loan from subsidiary company	3 000	3 000	3 000

Where there are no formal repayment terms, the contractual cash flows are assumed to take place within 12 months and no interest is included.

14.2.3 Market risk

The company is not exposed to currency risk as it only transacts in local currency.

The company is not exposed to any price risk.

Interest rate risk

The company's only interest-bearing financial instruments are its cash and cash equivalents. All other financial instruments are non-interest bearing.

In the event that interest rates had increased by 50 basis points for the duration of the year, the table below gives the impact on profit or loss before income tax and equity:

	2017 R'000	2016 R'000
Increase in profit or loss before income tax	216	5
Increase in equity	156	4

A decrease of 50 basis points in the interest rate would have had an equal, but opposite, impact on profit or loss before income tax and equity to that described above.

14.3 Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the demographic spread of shareholders, the level of distributions to ordinary shareholders, as well as the return on capital. Capital consists of total shareholders' equity.

There were no changes in the company's approach to capital management during the year.

15. ACCOUNTING POLICIES

The separate financial statements were prepared using the accounting policies disclosed in note 45 of the consolidated annual financial statements (on page 160 of this report) to the extent relevant.



16. SUBSEQUENT EVENTS

No significant transactions occurred subsequent to the reporting date but prior to the date of issue of this report, with the exception of the dividend declared on 6 September 2017 to be paid on 2 October 2017, as detailed in note 10.