



SPUR CORP.

PASSIONATE PEOPLE BUILDING GREAT BRANDS

**NOTICE AND PROXY OF ANNUAL
GENERAL MEETING AND SUMMARISED
AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2018

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

Contents

Letter to shareholders	1
Notice of annual general meeting	2
Annexure 1 – Summarised audited consolidated financial statements	8
Annexure 2 – Curricula vitae of directors up for re-election or whose appointments require ratification	44
Annexure 3 – Directors nominated for election as members of the audit committee	45
Annexure 4 – Non-executive directors' emoluments	46
Annexure 5 – Directors' and prescribed officers' interests in the shares of the company	47
Annexure 6 – Shareholder analysis	48
Annexure 7 – Share capital	50
Annexure 8 – Material change statement	51
Annexure 9 – Going concern	51
Annexure 10 – Company information	52
Spur Corporation Limited form of proxy	Included

Letter to shareholders

Dear Shareholder

NOTICE OF ANNUAL GENERAL MEETING AND PROXY

The document accompanying this letter is our detailed notice of annual general meeting for the Spur Corporation Ltd annual general meeting to be held at 11:00 on Thursday, 6 December 2018 at 14 Edison Way, Century Gate Business Park, Century City, Cape Town ("the AGM"). We have also included summarised audited consolidated financial statements with explanatory notes and commentary, and a proxy form. These documents comply with the requirements of the Companies Act (Act No. 71 of 2008, as amended) ("the Act") and the JSE Limited ("JSE") Listings Requirements.

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



Yours sincerely,

Nazrana Hawa
Company secretary

19 October 2018

Notice of annual general meeting

Spur Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number 1998/000828/06)

Share code: SUR ISIN: ZAE 000022653

("the company")

NOTICE IS HEREBY GIVEN that the next annual general meeting of the shareholders of the company will be held at 11:00 on Thursday, 6 December 2018 at 14 Edison Way, Century Gate Business Park, Century City, Cape Town, to conduct the undermentioned business and for the undermentioned ordinary and special resolutions to be proposed:

PRESENTATION OF AUDITED FINANCIAL STATEMENTS

The audited consolidated financial statements of the company, including the reports of the directors, audit committee, risk committee and the independent auditor, for the year ended 30 June 2018, will be presented to shareholders as required in terms of section 30(3)(d) of the Act. The directors' and independent auditor's reports are set out on pages 104 to 108 and 109 to 111 respectively of the integrated report, and the audit committee's and risk committee's reports are set out on pages 100 to 102 and 68 to 70 respectively thereof.



ORDINARY BUSINESS

To consider, and, if deemed fit, pass, the following ordinary resolutions (numbers 1 to 5), with or without modification (in order to be adopted, Ordinary Resolution Numbers 1 to 4 require the support of more than 50%, and Ordinary Resolution Number 5 requires the support of more than 75%, of the total number of votes exercisable by shareholders present or represented by proxy at the meeting):

1. Ordinary Resolution Number 1: The re-appointment of directors

"To re-elect the following directors who, in terms of the company's Memorandum of Incorporation, retire at the annual general meeting, but, being eligible, offer themselves for re-election:

- 1.1 Dean Hyde – independent non-executive director;
- 1.2 Keith Getz – non-executive director; and
- 1.3 Keith Madders – independent non-executive director."

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

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

2. Ordinary Resolution Number 2: Ratification of appointment of directors

"To ratify the appointment of the following directors, in terms of the company's Memorandum of Incorporation, who were appointed to the board of directors during the year:

- 2.1 Prabashinee Moodley – non-executive director; and
- 2.2 Phillip Matthee – executive director and chief financial officer."

Prabashinee Moodley was appointed to the board on 15 August 2018 to replace Tasneem Karriem, who resigned as director on 15 August 2018, as shareholder representative of Grand Parade Investments Ltd.

Phillip Matthee was appointed to the board on 1 April 2018 to replace Ronel van Dijk, who resigned as director and chief financial officer with effect from 31 March 2018.

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

The appointments numbered 2.1 to 2.2 constitute separate ordinary resolutions and will be considered by separate votes.

3. Ordinary Resolution Number 3: The re-appointment of the independent auditor and the designated auditor

“To re-appoint, as recommended by the company’s audit committee, the firm KPMG Inc. as independent auditors, and Ivan Engels as the individual designated auditor, of the company for the ensuing period terminating on the conclusion of the next annual general meeting of the company and to authorise the directors to determine the remuneration of the auditors for the past year.”

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

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

- 4.1 Dean Hyde (chairman) – independent non-executive director, subject to the passing of Ordinary Resolution Number 1.1;
- 4.2 Dineo Molefe – independent non-executive director; and
- 4.3 Mntungwa Morojele – independent non-executive director.”

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

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

5. Ordinary Resolution Number 5: Endorsement of remuneration report

“To endorse, by way of non-binding advisory votes:

- 5.1 The company’s remuneration policy detailed on pages 73 to 82 of the company’s integrated report for year ended 30 June 2018; and
- 5.2 The company’s remuneration implementation report detailed on pages 82 to 86 of the company’s integrated report for the year ended 30 June 2018.”

The ordinary resolutions numbered 5.1 and 5.2 constitute separate ordinary resolutions and will be considered by separate votes.

In accordance with Principle 14 of the King Report on Corporate Governance™ for South Africa, 2016 (“King IV™”), the company’s remuneration policy and remuneration implementation report are tabled for consideration by shareholders. These votes enable shareholders to express their views on the remuneration policies adopted by the company and on the implementation thereof.

Ordinary resolutions 5.1 and 5.2 are of an advisory nature only and failure to pass these resolutions will therefore not have any legal consequences relating to existing remuneration arrangements, however, the board of directors will take the outcome of the votes on these resolutions into consideration when considering amendments to the company’s remuneration policy. Should either of the resolutions, or both, be opposed by 25% or more of the total number of votes exercisable by shareholders present or represented by proxy at the meeting, the board will issue an invitation, included in the announcement to shareholders advising of the results of the annual general meeting, to be published on SENS on 6 December 2018, to those shareholders who voted against the applicable resolution to engage with the company at a meeting scheduled for this purpose.



SPECIAL BUSINESS

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

6. Special Resolution Number 1: The authority to repurchase shares

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

- (i) that the repurchase of shares be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- (ii) that this authority shall not extend beyond 15 months from the date of this resolution or the date of the next annual general meeting, whichever is the earlier date;
- (iii) that authorisation thereto is given by the company’s Memorandum of Incorporation;
- (iv) that an announcement be made giving such details as may be required in terms of the JSE Listings Requirements when the company (or a subsidiary or subsidiaries collectively) has cumulatively repurchased 3% of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter;
- (v) at any one time, the company (or any subsidiary) may only appoint one agent to effect any repurchase on behalf of the company or any subsidiary (as the case may be);
- (vi) the repurchase of shares by the company or its subsidiaries will not take place during a prohibited period as defined by the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation), and this programme has been submitted to the JSE in writing. The company must instruct an independent third party, which makes its investment decisions in relation to the company’s securities independently of, and uninfluenced by, the company, prior to commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- (vii) the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% of the company’s issued share capital at the time this authority is given, provided that a subsidiary of the company (or subsidiaries of the company collectively) shall not hold in excess of 10% of the number of shares issued by the company;
- (viii) the repurchase of shares may not be made at a price greater than 10% above the weighted average traded price of the market value of the shares as determined over the five business days immediately preceding the date on which the transaction was effected; and
- (ix) prior to entering the market to proceed with the repurchase, the board of the company shall have passed a resolution that it has authorised the repurchase, that the company and its subsidiaries have passed the solvency and liquidity tests as set out in section 4 of the Act and confirming that, since the tests were performed, there had been no material changes to the financial position of the group.”

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

Disclosures required in terms of the JSE Listings Requirements

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

Statement of directors

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

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

Directors' responsibility statement

The directors, whose names are given in Annexure 10 to this report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

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

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

- major shareholders of the company (refer Annexure 6 to this report); and
- share capital (refer Annexure 7 to this report).

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

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

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

The authority sought in this resolution does not authorise the company, and will not be utilised to enable the company, to provide financial assistance to directors or prescribed officers of the company, or any other company or corporation which is, or becomes, related or interrelated to the company solely by virtue of such director or prescribed officer having, or acquiring, an interest in such other company or corporation.

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

"To approve the board's recommendation in respect of remuneration of non-executive directors for services in their capacity as directors (including services rendered on any board committee), as contemplated in section 66(9) of the Act, with effect from 1 July 2018, until the expiry of a period of 24 months from the date of passing of this Special Resolution Number 3 (or until amended by special resolution of shareholders prior to the expiry of such period), which remuneration is, in the aggregate for each non-executive director, R425 000 (excluding VAT, where applicable), and in the case of a non-executive chairman, R650 000 (excluding VAT, where applicable), per annum as detailed in Annexure 4 to this report."

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

VOTING PROXIES

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

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

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

Forms of proxy may be presented at any time prior to or at the annual general meeting and also at the company's registered office, or the company's transfer secretaries. Should forms of proxy be presented at the company's transfer secretaries, these must be completed and received by Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Postal Address: PO Box 61051, Marshalltown, 2107) ("transfer secretaries") by 11:00 on Wednesday, 5 December 2018.

1. Registered certificated shareholders and dematerialised shareholders with own name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting to the exclusion of their appointed proxy/(ies) should such member wish to so do.
2. Dematerialised shareholders, other than with own name registrations, must inform their CSDP or broker of their intention to attend the annual general meeting and obtain the necessary authorisation from their CSDP or broker to attend the annual general meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the annual general meeting in person but wish to be represented thereat. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

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

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

RELEVANT DATES

Date of posting of this notice of AGM and announcement of AGM on SENS	Friday, 19 October 2018
Record date to determine which shareholders are entitled to receive the notice of annual general meeting	Friday, 12 October 2018
Last day to trade in order to be eligible to attend and vote at the annual general meeting	Tuesday, 27 November 2018
Record date to determine which shareholders are entitled to attend and vote at the annual general meeting	Friday, 30 November 2018
Forms of proxy to be lodged at the company's transfer secretaries by 11:00 on	Wednesday, 5 December 2018
Forms of proxy to be received at the annual general meeting of the company by 11:00 on	Thursday, 6 December 2018
Annual general meeting of the company to be held at 11:00 on	Thursday, 6 December 2018
Results of the annual general meeting announced on SENS	Thursday, 6 December 2018

By order of the board



Nazrana Hawa
Secretary

Cape Town
19 October 2018

ANNEXURE 1 – Summarised audited consolidated financial statements

Summarised consolidated statement of profit or loss and comprehensive income

FOR THE YEAR ENDED 30 JUNE

	2018 R'000	2017 R'000
Continuing operations		
Revenue	667 192	648 016
Cost of sales	(193 998)	(178 680)
Gross profit	473 194	469 336
Other income	44 903	24 788
Administration expenses	(162 400)	(148 366)
Distribution expenses	(4 915)	(4 663)
Franchise operations expenses	(96 363)	(85 309)
Impairment losses	(6 753)	(50 970)
Other non-trading losses	(12 745)	(777)
Retail operating expenses	(33 029)	(29 894)
Operating profit before finance income	201 892	174 145
Net finance income	31 289	36 522
Interest income	31 322	36 606
Interest expense	(33)	(84)
Share of (loss)/profit of equity-accounted investee (net of income tax)	(1 813)	24
Profit before income tax	231 368	210 691
Income tax expense	(68 159)	(76 676)
Profit from continuing operations	163 209	134 015
Discontinued operation		
Profit from discontinued operation (net of income tax)	–	4 084
Profit	163 209	138 099
Other comprehensive income*:		
Foreign currency translation differences for foreign operations	3 957	(4 473)
Foreign exchange (loss)/gain on net investments in foreign operations	(184)	11
Total comprehensive income	166 982	133 637

	2018 R'000	2017 R'000
Profit attributable to:		
Owners of the company	158 519	134 143
Non-controlling interests	4 690	3 956
Profit	163 209	138 099
Total comprehensive income attributable to:		
Owners of the company	162 292	129 681
Non-controlling interests	4 690	3 956
Total comprehensive income	166 982	133 637
Earnings per share (cents)		
Basic earnings	165.85	139.98
Diluted earnings	165.54	139.82
Earnings per share (cents) – continuing operations		
Basic earnings	165.85	135.60
Diluted earnings	165.54	135.44

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

Summarised consolidated statement of financial position

AS AT 30 JUNE

	2018 R'000	2017 R'000
ASSETS		
Non-current assets	605 752	579 085
Property, plant and equipment	101 094	100 319
Intangible assets and goodwill	362 709	362 101
Interest in equity-accounted investee	3 461	–
Loans receivable	132 816	110 730
Deferred tax	1 736	1 450
Leasing rights	3 936	4 485
Current assets	424 734	412 084
Inventories	15 702	12 731
Tax receivable	36 197	41 479
Trade and other receivables	99 997	72 836
Loans receivable	12 943	19 085
Cash and cash equivalents	259 895	265 953
TOTAL ASSETS	1 030 486	991 169
EQUITY		
Total equity	877 961	837 176
Ordinary share capital	1	1
Share premium	294 663	294 663
Shares repurchased by subsidiaries	(107 202)	(102 956)
Foreign currency translation reserve	30 022	26 249
Share-based payments reserve	3 731	1 812
Retained earnings	645 827	605 388
Total equity attributable to owners of the company	867 042	825 157
Non-controlling interests	10 919	12 019
LIABILITIES		
Non-current liabilities	65 667	63 600
Operating lease liability	3 919	2 676
Deferred tax	61 748	60 924
Current liabilities	86 858	90 393
Bank overdrafts	–	4 491
Tax payable	1 067	880
Trade and other payables	74 438	60 313
Loans payable	10 722	6 912
Contingent consideration liability	–	5 797
Employee benefits	–	885
Derivative financial liability	–	10 572
Shareholders for dividend	631	543
TOTAL EQUITY AND LIABILITIES	1 030 486	991 169

Summarised condensed consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE

	Ordinary share capital and share premium (net of treasury shares) R'000	Retained earnings and other reserves R'000	Non- controlling interests R'000	Total R'000
Balance at 1 July 2016	196 701	653 592	14 370	864 663
Total comprehensive income for the year	–	129 681	3 956	133 637
Profit for the year	–	134 143	3 956	138 099
Other comprehensive income	–	(4 462)	–	(4 462)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	(4 993)	(137 693)	(3 880)	(146 566)
Equity-settled share-based payment (refer note 13)	–	1 168	–	1 168
Indirect costs arising on intra-group sale of shares related to equity-settled share-based payment (refer note 13)	–	(860)	–	(860)
Own shares acquired (refer note 12)	(4 993)	–	–	(4 993)
Dividends	–	(138 001)	(3 880)	(141 881)
Changes in ownership interests in subsidiaries	–	(12 131)	(2 427)	(14 558)
Acquisition of non-controlling interest in subsidiary without a change in control (refer note 17)	–	(12 131)	(2 427)	(14 558)
Total transactions with owners	(4 993)	(149 824)	(6 307)	(161 124)
Balance at 30 June 2017	191 708	633 449	12 019	837 176
Total comprehensive income for the year	–	162 292	4 690	166 982
Profit for the year	–	158 519	4 690	163 209
Other comprehensive income	–	3 773	–	3 773
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners	(4 246)	(116 161)	(5 790)	(126 197)
Equity-settled share-based payment (refer note 13)	–	2 387	–	2 387
Own shares acquired (refer note 12)	(4 246)	–	–	(4 246)
Dividends	–	(118 548)	(5 790)	(124 338)
Balance at 30 June 2018	187 462	679 580	10 919	877 961

Summarised condensed consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE

	2018 R'000	2017 R'000
Operating profit before working capital changes ¹	224 787	236 229
Working capital changes	(27 560)	(1 515)
Cash generated from operations	197 227	234 714
Interest income received	22 570	25 201
Interest expense paid	(33)	(84)
Tax paid	(60 646)	(85 303)
Dividends paid	(124 250)	(141 809)
Net cash flow from operating activities	34 868	32 719
Cash flow from investing activities		
Acquisition of investment in associate (refer note 10)	(5 274)	–
Additions of intangible assets	(1 924)	(3 760)
Additions of property, plant and equipment	(10 291)	(13 692)
Cash outflow from share-based payment hedge (refer note 16)	(13 740)	(7 405)
Cash outflow as a result of disposals of UK subsidiaries (refer note 3)	–	(1 358)
Loans advanced to franchisees (refer note 11)	(11 188)	(7 318)
Loan repaid by associate company	–	3 000
Proceeds from disposal of associate (refer note 10.1)	17 500	–
Proceeds from disposal of property, plant and equipment and intangible assets	302	347
Repayment of loans receivable (refer note 11)	11 160	11 409
Net cash flow from investing activities	(13 455)	(18 777)
Cash flow from financing activities		
Acquisition of non-controlling interest without a change in control (refer note 17)	–	(14 035)
Acquisition of treasury shares (refer note 12)	(4 246)	(4 993)
Loan repaid to non-controlling shareholders	–	(380)
Settlement of contingent consideration (refer note 14)	(18 542)	(18 271)
Net cash flow from financing activities	(22 788)	(37 679)
Net movement in cash and cash equivalents	(1 375)	(23 737)
Effect of foreign exchange fluctuations	(192)	(228)
Net cash and cash equivalents at beginning of year	261 462	285 427
Net cash and cash equivalents at end of year	259 895	261 462

Refer note 3 for cash flows attributable to discontinued operation.

¹ Includes a gross cash outflow of Rnil (2017: R3.130 million) in respect of the settlement of the cash-settled share appreciation rights granted in terms of the group's long-term share-linked employee retention scheme (also refer note 15).

Notes to the summarised consolidated financial statements

1. BASIS OF PREPARATION

These summarised audited consolidated financial statements for the year ended 30 June 2018 (“summarised financial statements”) have been extracted from the audited financial statements for the year then ended, but are not audited themselves. The directors take full responsibility for the preparation of the summarised financial statements and that the financial information has been correctly extracted from the underlying audited financial statements. These summarised financial statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports and the requirements of the South African Companies Act (Act No. 71 of 2008, as amended) as applicable to summarised financial statements.

The audited financial statements from which the summarised financial statements are extracted have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

2. AUDIT REPORT

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

3. DISCONTINUED OPERATION – UNITED KINGDOM

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

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

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

The results of the discontinued operation are illustrated below:

	2017 R'000
Other income	6 207
Administration expenses	(2 111)
Other non-trading losses	(12)
Profit before and after income tax	4 084
Profit/(loss) attributable to:	
Owners of the company	4 205
Non-controlling interests	(121)
Profit	4 084
Basic earnings per share (cents)	4.38
Diluted earnings per share (cents)	4.38

2017
R'000**The cash flows of the discontinued operation are listed below:**

Net cash flow from operating activities	(3 135)
Net cash flow from investing activities	(1 525)
Net cash flow from financing activities	(380)
Net movement in cash and cash equivalents for the year	(5 040)

Further particulars of the above-listed transactions are detailed below:

Loss on disposal of subsidiary	(12)
Profit on disposal of subsidiaries	5 435
Release of financial liability	772
Included in profit before and after income tax	6 195
Attributable to non-controlling interests	(154)
Attributable to owners of the company	6 041

4. OPERATING SEGMENTS

	2018	2017
	R'000	R'000
External revenue		
Manufacturing and distribution	186 224	181 834
Franchise – Spur	211 018	217 918
Franchise – Pizza and Pasta	36 388	35 471
Franchise – John Dory's	20 096	19 699
Franchise – Captain DoRegos	1 924	2 812
Franchise – The Hussar Grill	6 324	4 733
Franchise – RocoMamas	32 817	23 809
Retail (refer note b)	69 534	63 569
Other South Africa (refer note c)	67 852	62 851
Total South African segments	632 177	612 696
Unallocated – South Africa	2 552	3 269
Total South Africa	634 729	615 965
United Kingdom (refer note 3) (discontinued)	–	–
Australasia	6 547	9 870
Other International (refer note f)	25 916	22 181
Total International	32 463	32 051
TOTAL EXTERNAL REVENUE	667 192	648 016
Profit/(loss) before income tax		
Manufacturing and distribution	61 050	66 243
Franchise – Spur	176 481	188 047
Franchise – Pizza and Pasta	22 189	22 967
Franchise – John Dory's	9 491	9 715
Franchise – Captain DoRegos (refer note a)	4 002	(8 040)
Franchise – The Hussar Grill	4 871	4 092
Franchise – RocoMamas	22 988	16 457
Retail (refer note b)	6 785	4 633
Other South Africa (refer note c)	(4 953)	(3 188)
Total South African segments	302 904	300 926
Unallocated – South Africa (refer note d)	(65 352)	(93 794)
Total South Africa	237 552	207 132
United Kingdom (refer note 3) (discontinued)	–	4 084
Australasia (refer note e)	(10 993)	(111)
Other International (refer note f)	13 114	8 991
Total International segments	2 121	12 964
Unallocated – International (refer note g)	(6 492)	(5 345)
Total International	(4 371)	7 619
PROFIT BEFORE INCOME TAX AND SHARE OF (LOSS)/ PROFIT OF EQUITY-ACCOUNTED INVESTEE	233 181	214 751
Share of (loss)/profit of equity-accounted investee (net of income tax) (refer note 10)	(1 813)	24
PROFIT BEFORE INCOME TAX	231 368	214 775

Notes

- a) **Captain DoRegos** – Includes a profit on sale of the trademark of R4.750 million. In the prior year this trademark was impaired and an impairment loss of R6.778 million was included. The prior year includes a bad debt of R0.986 million in respect of a loan advanced to the Captain DoRegos Marketing Fund which was forgiven during that year.
- b) **Retail** – This segment comprises the group's interests in local restaurants consisting of four The Hussar Grill restaurants and one RocoMamas outlet.
- c) **Other South Africa** – Other local segments include the group's training division, export business, décor manufacturing business, call centre and radio station which are each individually not material.
- d) **Unallocated – South Africa** – Includes:

	Note	2018 R'000	2017 R'000
Net finance income ¹		30 537	35 788
Profit on disposal of Braviz funding instruments	10.1	17 500	–
Impairment loss on Braviz funding instruments	10.1	–	(44 192)
Cash-settled share-based payment credit	15	885	3 795
Fair value loss on related economic hedge	16	(3 168)	(5 791)
Equity-settled share-based payment charge	13	(1 919)	(985)
RocoMamas contingent consideration fair value loss	14	(12 745)	(777)
Loss incurred by Spur Foundation Trust, all of which is attributable to non-controlling interests		(907)	(1 206)

¹ Includes interest income on loans receivable from Braviz of Rnil (2017: R4.283 million). No interest was recognised following the impairment of the loan as at 30 June 2017 (refer note 11.1).

- e) **Australasia** – Includes an impairment loss of R6.753 million (2017: Rnil) relating to loans granted to Australian franchisees, relocation expenses of R0.477 million incurred on behalf of a franchisee, and R2.253 million relating to travel, legal, marketing and pre-opening costs for the establishment of the RocoMamas Australia business and first RocoMamas restaurant in Australia (refer note 10.2).
- f) **Other International** – Other international segments comprise the group's franchise operations in Africa (outside of South Africa), Mauritius, the Middle East, India, Pakistan and Cyprus.
- g) **Unallocated – International** – Includes a foreign exchange loss of R0.357 million (2017: R0.716 million).

5. OTHER INCOME

	Continuing operations	
	2018 R'000	2017 R'000
Marketing fund administration fees	21 513	23 605
Profit on disposal of property, plant and equipment	156	167
Profit on sale of equity-account investee (refer note 10.1)	17 500	–
Profit on disposal of intangible asset (refer note 7)	4 750	–
Spur Foundation donation income	872	889
Other	112	127
	44 903	24 788

Marketing fund administration fees relate to administrative support services rendered by the group in respect of marketing funds.

6. OPERATING PROFIT BEFORE FINANCE INCOME

	Continuing operations	
	2018 R'000	2017 R'000
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 5)):		
Amortisation – intangible assets	1 281	1 886
Depreciation	9 406	8 652
Fair value loss on derivative financial instruments at fair value through profit or loss (refer note 16)	3 168	5 791
Foreign exchange loss	401	799
Impairment losses	6 753	50 970
– Impairment of intangible assets (refer note 7)	–	6 778
– Impairment of loan receivable (refer note 11)	6 753	44 192
Other non-trading losses	12 745	777
– Fair value loss on contingent consideration liability (refer note 14)	12 745	777

7. IMPAIRMENT AND SUBSEQUENT DISPOSAL OF CAPTAIN DOREGOS

Following an impairment test conducted at 30 June 2017 on the Captain DoRegos cash-generating unit, the directors determined that the recoverable amount of the cash-generating unit (comprising predominantly the trademark and related intellectual property intangible assets with indefinite useful lives) was estimated to be negligible. The full carrying amount of the assets attributable to the cash-generating unit at 30 June 2017 were therefore impaired, resulting in a loss of R6.778 million (attributable to the intangible assets) being included in profit before income tax for the prior year. A corresponding deferred tax credit of R1.518 million was recognised in profit, resulting in a net loss included in profit attributable to ordinary shareholders of R5.260 million for the prior year.

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

During the current year, the group concluded an agreement to dispose of the Captain DoRegos business, comprising largely the trademarks and related intellectual property previously impaired as referred to above, with effect from 1 March 2018, for a consideration of R4.750 million. Of the total consideration, R0.500 million was paid on the effective date, R0.250 million was paid on 1 May 2018 and the balance of R4.000 million is payable in equal monthly instalments over 48 months with effect from 1 June 2018. As at the reporting date, the carrying amount of the receivable, included in loans receivable in the consolidated statement of financial position, was R4.042 million. The receivable is secured by a personal guarantee from the purchaser and a trust which holds immovable property. The transaction resulted in a profit on disposal of R4.750 million included in profit before income tax. No income tax is applicable to the sale.

8. TAX RATE RECONCILIATION

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

	2018 %	2017 %
South African normal tax rate	28.0	28.0
(Non-taxable profit on disposal of Braviz loans)/ Non-deductible impairment of Braviz loans (refer note 10.1)	(3.5)	5.8
Non-taxable profit on disposal of Captain DoRegos (refer note 7)	(0.6)	–
Non-taxable profit on disposal of UK subsidiaries (refer note 3)	–	(0.7)
Non-taxable dividend income	(1.0)	(1.1)
Non-deductible fair value adjustment on RocoMamas contingent consideration liability (refer note 14)	1.5	0.1
Non-deductible loss from associate	0.2	–
Non-deductible other expenditure (capital items and items not in the production of income)	3.0	1.2
Non-deductible UK depreciation and closure-related costs	–	0.2
Prior year under provision	–	0.1
Tax losses on which deferred tax not provided	0.6	0.4
Tax losses utilised on which deferred tax not previously provided	(0.5)	(0.2)
Withholding taxes not recoverable	1.6	1.8
Other	0.2	0.1
Effective rate of tax – group	29.5	35.7
Effective rate of tax – continuing operations	29.5	36.4

9. EARNINGS PER SHARE

	2018 cents	2017 cents
9.1 Statistics		
Basic earnings per share	165.85	139.98
Basic earnings per share – continuing operations	165.85	135.60
Diluted earnings per share	165.54	139.82
Diluted earnings per share – continuing operations	165.54	135.44
Headline earnings per share	160.76	139.69
Headline earnings per share – continuing operations	160.76	140.96
Diluted headline earnings per share	160.46	139.53
Diluted headline earnings per share – continuing operations	160.46	140.80

9. EARNINGS PER SHARE continued

	2018 '000	2017 '000
9.2 Reconciliation of weighted average number of shares in issue		
Gross shares in issue at the beginning of the year	108 481	108 481
Shares repurchased at the beginning of the year (refer note 12)	(12 812)	(12 647)
Shares repurchased during the year weighted for period held by the group (refer note 12)	(89)	(6)
Weighted average number of shares in issue for the period	95 580	95 828
Dilutive potential ordinary shares weighted for period outstanding (refer note 13)	181	110
Diluted weighted average number of shares in issue for the year	95 761	95 938
	2018 R'000	2017 R'000
9.3 Reconciliation of headline earnings		
Total group		
Profit attributable to owners of the company	158 519	134 143
Headline earnings adjustments:		
Impairment of intangible assets	–	6 778
Loss on disposal of property, plant and equipment	–	5
Loss on disposal of subsidiary	–	12
Profit on disposal of intangible assets	(4 750)	–
Profit on disposal of property, plant and equipment	(156)	(167)
Profit on disposal of subsidiaries	–	(5 435)
Income tax impact of above adjustments	44	(1 472)
Amount of above adjustments attributable to non-controlling interests	(1)	(1)
Headline earnings	153 656	133 863
Continuing operations		
Profit attributable to owners of the company	158 519	134 143
Exclude: Profit from discontinued operation (refer note 3)	–	(4 205)
Profit attributable to owners of the company – continuing operations	158 519	129 938
Headline earnings adjustments:		
Impairment of intangible assets	–	6 778
Loss on disposal of property, plant and equipment	–	5
Profit on disposal of intangible assets	(4 750)	–
Profit on disposal of property, plant and equipment	(156)	(167)
Income tax impact of above adjustments	44	(1 472)
Amount of above adjustments attributable to non-controlling interests	(1)	(1)
Headline earnings – continuing operations	153 656	135 081

10. INTEREST IN EQUITY-ACCOUNTED INVESTEEES

	2018 R'000	2017 R'000
Balance at beginning of year	–	–
Investment in investee	5 274	–
Share of loss of equity-accounted investee (net of income tax)	(1 813)	–
Balance at end of year	3 461	–
Net investment in equity-accounted investee for the purposes of recognising subsequent losses:		
Carrying value of equity-accounted investee	3 461	–
Loan to equity-accounted investee (refer note 11.1)	–	–
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
Cumulative share of loss of equity-accounted investee (net of income tax) previously recognised	–	(10 189)
Net receivable considered part of the net investment in equity-accounted investee	–	37 556
Impairment recognised in terms of IAS 39	–	(37 556)
Carrying value at 30 June	3 461	–
Gross bridging finance loan advanced to equity-accounted investee (refer note 11.1)	–	6 636
Impairment recognised in terms of IAS 39	–	(6 636)
Carrying value at 30 June	–	–
Allocation of share of (loss)/profit of equity-accounted investee (net of income tax):		
Allocated to investment in equity-accounted investee	(1 813)	–
Allocated to loan to equity-accounted investee	–	24
	(1 813)	24

10. INTEREST IN EQUITY-ACCOUNTED INVESTEEES continued

10.1 Braviz Fine Foods

In the prior year, the interest in equity-accounted investee comprised a 30% equity interest in associate, Braviz Fine Foods (Pty) Ltd ("Braviz"), 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 group simultaneously advanced a loan in the amount of R36.250 million to the entity (refer note 11.1). To the extent that the group's share of cumulative trading losses had exceeded the carrying value of the equity-accounted investee, the losses were recognised as a reduction in the loan receivable. The loan was fully impaired in the prior year (refer note 11.1).

With effect from 6 November 2017, the group disposed of its equity interest and loan claims with Braviz to the existing Braviz shareholders for the sum of R17.500 million. This was received in cash in March 2018. A profit of R17.500 million on the disposal of the loan claims has been recognised in profit before income tax. The transaction resulted in a tax credit of R3.257 million which is included in the income tax expense.

The following is summarised financial information for Braviz Fine Foods (Pty) Ltd based on its financial statements prepared in accordance with IFRS:

	2017 R'000
Non-current assets (100%)	91 961
Current assets (100%)	27 546
Non-current liabilities (100%)	(154 724)
Current liabilities (100%)	(38 741)
Net liabilities (100%)	(73 958)
Group's share of net liabilities (30%)	(22 187)
Goodwill implicit in carrying value of equity-accounted investee	606
Cumulative losses allocated to loan to equity-accounted investee	12 026
Cumulative losses not recognised by group	9 555
Carrying amount of interest in associate	-
Revenue (100%)	138 624
Loss from continuing operations (100%)	(37 897)
Other comprehensive income (100%)	-
Total comprehensive income (100%)	(37 897)
Attributable to the group	(11 368)
Recognised by the group	24
Not recognised by the group	(9 555)
Attributable to the investee's other shareholders	(26 529)
Included in the net liabilities above are the following loans owed to the group:	
Shareholder loan (refer note 11.1) – impaired by group	47 745
Short-term bridging finance (refer note 11.1) – impaired by group	6 636

10.2 RocoMamas Australia

With effect from 1 July 2017, the group acquired 45% of the issued share capital in RocoMamas Restaurants Australia Pty Ltd ("RRA"), a newly incorporated company incorporated and domiciled in Australia for AU\$517 500 (the equivalent of R5.274 million). During the year, RRA established two wholly-owned subsidiaries, RocoMamas Franchise Company Australia Pty Ltd ("RFCA"), and RocoMamas Chapel Pty Ltd ("RMC"), both companies also incorporated and domiciled in Australia. The purpose of the investment in RRA was to establish a partnership with entrepreneurs having industry expertise in Australia to launch the RocoMamas brand in that country. To this end, subsidiaries in the group granted RFCA a master franchise agreement, in terms of which RFCA was granted rights to exploit the RocoMamas trademarks and related intellectual property in Australasia. RRA furthermore provided finance to RMC to build the first RocoMamas restaurant in Australia, trading in Melbourne, which commenced trading in June 2018.

The following is summarised financial information for RocoMamas Australia based on its financial statements prepared in accordance with IFRS:

	2018 R'000
Non-current assets (100%)	6 187
Current assets (100%)	10 066
Current liabilities (100%)	(8 562)
Net assets (100%)	7 691
	-
Group's share of net assets (45%)	3 461
Carrying amount of interest in associate	3 461
Revenue (100%)	590
Loss from continuing operations (100%)	(4 028)
Other comprehensive income (100%)	-
Total comprehensive income (100%)	(4 028)
Attributable to the group	(1 813)
Attributable to the investee's other shareholders	(2 215)

11. LOANS RECEIVABLE

	2018 R'000	2017 R'000
Total gross loans receivable at end of year	152 512	184 196
Cumulative share of loss of equity-accounted investee (net of income tax) (refer note 10.1)	–	(10 189)
Impairment	(6 753)	(44 192)
Current portion included in current assets	(12 943)	(19 085)
Total non-current loans receivable	132 816	110 730

These loans comprise:

11.1 Braviz Fine Foods (Pty) Ltd

Gross loans receivable at end of year	–	54 381
Shareholder funding	–	47 745
Short-term bridging finance	–	6 636
Cumulative share of loss of equity-accounted investee (net of income tax) (refer note 10.1)	–	(10 189)
Impairment	–	(44 192)
Non-current portion	–	–

Following various breaches of the terms of the loan agreements by the associate, and taking cognisance of the associate's financial performance, which had been impacted by reduced demand following a decline in the local economy, increased competition and aggressive pricing, the board considered the full extent of the receivables, amounting to R44.192 million at 30 June 2017, to be impaired. An impairment loss of this amount was consequently recognised in profit before income tax in the prior year. The loans were disposed of in the current financial year (refer note 10.1).

11.2 Franchisees (foreign)

	2018 R'000	2017 R'000
Gross loans receivable at end of year	25 655	19 267
Current portion included in current assets	(8 940)	(7 433)
Impairment	(6 753)	–
Non-current portion	9 962	11 834

These loans are denominated in Australian dollars and euros, subject to varying interest rates, are repayable over various periods of up to five years and secured by at least personal suretyships of the shareholders of the respective franchisees.

Of the impairment loss, R2.916 million relates to a franchisee in liquidation, and R3.837 million relates to a restaurant that continues to trade but is in financial distress.

11.3 GPI Investments 1 (RF) (Pty) Ltd

	2018 R'000	2017 R'000
Gross loan receivable at end of year	100 695	91 959
Current portion included in current assets	–	–
Non-current portion	100 695	91 959

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. This receivable comprises the group’s investment in cumulative compulsorily redeemable five-year preference shares in an unconsolidated structured entity 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 empowerment 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 empowerment 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.

11.4 Marketing funds

	2018 R'000	2017 R'000
Gross loans receivable at end of year	14 771	5 845
Current portion included in current assets	(438)	(5 845)
Non-current portion	14 333	–

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.

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

11. LOANS RECEIVABLE continued

11.4 Marketing funds continued

During the year, the board approved a loan facility to be made available to the marketing fund in the amount of R35,000 million. This was necessary in order to ensure the liquidity and solvency of the wholly-owned subsidiary that manages the marketing fund. The facility bears interest at the prime rate of interest and is repayable in 48 equal monthly instalments commencing July 2019. As at the reporting date, the carrying amount of the loan was R25,725 million. While the loan is eliminated on consolidation, repayment of the intercompany loan and the interest thereon will be funded by future marketing contributions from franchisees. As a result, at the reporting date, there is a net marketing fund receivable, comprising the net liabilities and cumulative over-spend of the marketing fund, of R14,332 million (2017: R5,362 million). Given that the intercompany loan is only repayable from 1 July 2019, it is not anticipated that the marketing fund receivable will reduce before then, and the loan is accordingly classified as a non-current loan receivable (2017: current receivable) in the consolidated statement of financial position.

11.5 Other local loans

	2018 R'000	2017 R'000
Gross loans receivable at end of year	11 391	12 744
Current portion included in current assets	(3 565)	(5 807)
Non-current portion	7 826	6 937

These loans are subject to varying interest rates linked to prime, are repayable over various periods of up to five years and secured by at least personal suretyships of the borrowers.

12. SHARES REPURCHASED BY SUBSIDIARIES

During the year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 160 000 (2017: 165 000) Spur Corporation Ltd shares at an average cost of R26.54 (2017: R30.26) per share, totalling R4,246 million (2017: R4,993 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 nil (2017: 159 000) shares to be held in escrow on behalf of participants of the Spur Group Forfeitable Share Plan (refer note 13), at a cost of Rnil (2017: R5,403 million) from The Spur Management Share Trust. At the reporting date, the group owned 6 196 901 (2017: 6 136 901) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, at a total cost of R107,586 million (2017: R104,995 million).

The balance per the statement of financial position comprises the cost of the Spur Corporation Ltd shares that have been repurchased by subsidiaries, Share Buy-back (Pty) Ltd and Spur Group (Pty) Ltd, those held by The Spur Management Share Trust, a consolidated structured entity, for the purposes of the group's share incentive schemes and those held by The Spur Foundation Trust, a consolidated structured entity. At the reporting date, the entities in question held 12 971 599 (2017: 12 811 599) of the company's shares in aggregate.

13. 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.

	2018	2017
	R'000	R'000
Cumulative share-based payments expense		
Balance at beginning of year	1 812	827
Share-based payments expense for the year	1 919	985
– FSP – tranche 1	722	985
– SAR – tranche 1	–	(581)
– FSP – tranche 2	1 048	295
– SAR – tranche 2	149	286
Balance at end of year	3 731	1 812
Comprising		
– FSP – tranche 1	1 953	1 231
– FSP – tranche 2	1 343	295
– SAR – tranche 2	435	286

Number of shares/rights in issue	2018		2017	
	FSP shares	SAR rights	FSP shares	SAR rights
Balance at beginning of year	314 000	4 590 889	155 000	1 971 663
Granted during the year	–	–	159 000	2 619 226
Forfeited during the year	(40 000)	(722 844)	–	–
Balance at end of year	274 000	3 868 045	314 000	4 590 889
Comprising				
– tranche 1	133 000	1 636 852	155 000	1 971 663
– tranche 2	141 000	2 231 193	159 000	2 619 226

The terms of each tranche are as follows:

FSP	Tranche 1	Tranche 2
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)	85.8% (2017: 97.4%)	88.7% (2017: 100%)

13. SHARE-BASED PAYMENTS RESERVE continued

The forfeitable shares awarded are 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 prior 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 in the prior year amounted to R0.065 million and R0.795 million respectively, both of which have been charged directly against equity (retained earnings) in the prior year.

SAR	Tranche 1	Tranche 2
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)	83.0% (2017: 98.1%)	85.2% (2017: 100%)
Proportion of rights expected to vest based on meeting of non-market performance conditions	0% (2017: 0%)	25.4%

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

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

Dilution

The FSP forfeitable shares granted resulted in 180 950 (2017: 110 351) dilutive potential ordinary shares for the year (refer note 9.2). 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.

14. CONTINGENT CONSIDERATION LIABILITY

	2018 R'000	2017 R'000
The movement in the liability during the year was as follows:		
Balance at beginning of year	5 797	23 291
Fair value adjustment recognised in profit before income tax	12 745	777
Settled in cash	(18 542)	(18 271)
Balance at end of year	–	5 797

The purchase consideration for 51% of RocoMamas Franchise Co (Pty) Ltd (“RocoMamas”), acquired on 1 March 2015, was determined as five times RocoMamas’ profit before income tax of the third year following the date of acquisition, which ended on 28 February 2018. Following an initial payment of R2.000 million on the effective date, annual payments were due on the first, second and third anniversaries of the acquisition date, calculated as five times the profit before income tax of the year immediately preceding the anniversary date, less any aggregate payments already made. Payments of R20.369 million and R18.271 million were made on the first and second anniversaries of the acquisition date respectively and the final payment of R18.542 million was paid in March 2018.

The total purchase consideration actually paid over the three-year period was R59.182 million, compared to that estimated as at 30 June 2017 of R47.215 million. The increase in the actual consideration relative to that estimated at 30 June 2017 arose principally from restaurant turnovers and related franchise income exceeding budget: the impact of a subdued economy and political instability on restaurant turnovers was less than what had been anticipated as at 30 June 2017. Furthermore, a greater number of new restaurants were opened in the period to February 2018 than was previously anticipated.

15. EMPLOYEE BENEFITS

	2018 R'000	2017 R'000
Obligation in respect of cash-settled long-term share-linked employee retention scheme share appreciation rights:		
– tranche 5	–	885
Total liability at reporting date	–	885
The movement in the liability during the year was as follows:		
Balance at beginning of year	885	7 810
Share-based payments credit recognised in profit before income tax	(885)	(3 795)
Settled in cash paid to participants	–	(3 130)
Balance at end of year	–	885

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.

15. EMPLOYEE BENEFITS continued

During the year, on 14 December 2017, the fifth (and final) tranche of 1.5 million share appreciation rights, with a grant date strike price of R30.91 per share, vested. As the exercise price of the rights on vesting was R27.00 per share, which was below the grant date strike price, the rights were effectively cancelled, and no payments were made to participants. During the prior 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. As at 30 June 2018, no cash-settled share appreciation rights are in issue.

In accordance with the rules of the scheme, the liquidity risk arising from obligations in respect of the rights in issue was to be hedged economically (refer note 16).

The fair values of the rights were 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 were 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	R 30.38	R 30.91
Exercise date	15 December 2016	14 December 2017
Exercise price	50-day VWAP at 15 December 2016	50-day VWAP at 14 December 2017

16. DERIVATIVE FINANCIAL LIABILITY

	2018 R'000	2017 R'000
Forward purchase contracts in respect of:		
– tranche 5 of share appreciation rights	–	(10 572)
Total liability at the reporting date	–	(10 572)
The movement in the liability during the year was as follows:		
Balance at beginning of year	(10 572)	(12 186)
Fair value loss recognised in profit before income tax	(3 168)	(5 791)
Settled in cash to counterparty		
	13 410	7 600
Payment/(refund) of difference in guaranteed dividend to/ (from) counterparty settled in cash	330	(195)
Balance at end of year	–	(10 572)

The contracts were concluded to hedge the upside price risk of the Spur Corporation Ltd share that the group was exposed to in respect of the cash-settled share appreciation rights detailed in note 15. 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 fifth (and final) (2017: fourth) tranche of share appreciation rights vested on 14 December 2017 (2017: 15 December 2016). The related forward purchase contracts matured on the same dates as the rights vested, resulting in payments by the group to the counterparty as indicated in the table on previous page.

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

The terms of each of the contracts were 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 were settled in cash on the respective settlement dates. The amounts settled were 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.

17. PRIOR YEAR ACQUISITIONS OF NON-CONTROLLING INTEREST IN ROCOMAMAS FRANCHISE CO (PTY) LTD WITHOUT A CHANGE IN CONTROL

In the prior year, 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. In the prior year, the purchase consideration was debited directly to retained earnings and the reduction in the non-controlling interest's share in the net assets of the subsidiary was similarly reallocated within equity to retained earnings.

18. DIRECTORS EMOLUMENTS

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

2018	Guaranteed remuneration R'000	Termination payout and leave pay R'000
Executive directors and prescribed officer		
<i>For services, as employees, to subsidiary companies</i>		
<i>Current directors</i>		
Allen Ambor	4 356	–
Pierre van Tonder	5 732	–
Mark Farrelly	3 686	–
Ronel van Dijk ⁴	2 443	3 280
Phillip Matthee ⁵	750	–
Total executive directors	16 967	3 280
<i>Prescribed officer</i>		
Kevin Robertson	2 674	–
Non-executive directors		
<i>For services, as directors, to the company</i>		
<i>Current directors</i>		
Dean Hyde	425	–
Dineo Molefe	425	–
Keith Getz	425	–
Keith Madders	425	–
Mtungwa Morojele	425	–
Muzi Kuzwayo	425	–
	2 550	–
<i>For services, as directors, to subsidiary companies</i>		
<i>Current directors</i>		
Keith Getz ⁶	184	–
Keith Madders ⁷	144	–
	328	–
Total non-executive directors	2 878	–
Total remuneration	22 519	3 280

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 13 and 15.

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.

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 15). 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.

Equity compensation benefits ¹ R'000	Performance bonus ² R'000	Total remuneration included in profit or loss R'000	Cash-settled share appreciation rights payout ³ R'000
(30)	–	4 326	–
15	219	5 966	–
3	176	3 865	–
(129)	124	5 718	–
10	–	760	–
(131)	519	20 635	–
32	117	2 823	–
–	–	425	–
–	–	425	–
–	–	425	–
–	–	425	–
–	–	425	–
–	–	425	–
–	–	2 550	–
–	–	184	–
–	–	144	–
–	–	328	–
–	–	2 878	–
(99)	636	26 336	–

⁴ Resigned with effect from 31 March 2018.

⁵ Appointed with effect from 1 April 2018.

⁶ In addition to the standard non-executive director's fee of R425 000 (2017: R400 000) approved by shareholders, Keith Getz's fees include payments to a related party of R0.184 million (2017: R0.176 million) for Mr Getz's attendance at three (2017: three) meetings each of the board of directors of wholly-owned subsidiaries, Steak Ranches International BV and Spur International Ltd BVI, all of which he chaired.

⁷ In addition to the standard non-executive director's fee of R425 000 (2017: R400 000) approved by shareholders, Keith Madders' fees include payments for attendance at three (2017: three) meetings of the wholly-owned subsidiary, Steak Ranches International BV, board.

18. DIRECTORS EMOLUMENTS continued

	Guaranteed remuneration R'000	Termination payout and leave pay R'000
2017		
Executive directors and prescribed officer		
For services, as employees, to subsidiary companies		
<i>Current directors</i>		
Allen Ambor	4 356	–
Pierre van Tonder	5 565	–
Mark Farrelly	3 578	–
Ronel van Dijk	3 162	–
Total executive directors	16 661	–
<i>Prescribed officer</i>		
Kevin Robertson	2 602	–
Non-executive directors		
For services, as directors, to the company		
<i>Current directors</i>		
Dean Hyde	400	–
Dineo Molefe	400	–
Keith Getz	400	–
Keith Madders	400	–
Mntungwa Morojele	400	–
Muzi Kuzwayo	400	–
	2 400	–
For services, as directors, to subsidiary companies		
<i>Current directors</i>		
Keith Getz ⁶	176	–
Keith Madders ⁷	142	–
	318	–
Total non-executive directors	2 718	–
Total remuneration	21 981	–

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 13 and 15.

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.

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 15). 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.

Equity compensation benefits ¹ R'000	Performance bonus ² R'000	Total remuneration included in profit or loss R'000	Cash-settled share appreciation rights payout ³ R'000
(154)	414	4 616	234
(848)	529	5 246	748
(630)	511	3 459	514
(504)	300	2 958	421
(2 136)	1 754	16 279	1 917
(458)	339	2 483	421
–	–	400	–
–	–	400	–
–	–	400	–
–	–	400	–
–	–	400	–
–	–	400	–
–	–	2 400	–
–	–	176	–
–	–	142	–
–	–	318	–
–	–	2 718	–
(2 594)	2 093	21 480	2 338

⁴ Resigned with effect from 31 March 2018.

⁵ Appointed with effect from 1 April 2018.

⁶ In addition to the standard non-executive director's fee of R425 000 (2017: R400 000) approved by shareholders, Keith Getz's fees include payments to a related party of R0.184 million (2017: R0.176 million) for Mr Getz's attendance at three (2017: three) meetings each of the board of directors of wholly-owned subsidiaries, Steak Ranches International BV and Spur International Ltd BVI, all of which he chaired.

⁷ In addition to the standard non-executive director's fee of R425 000 (2017: R400 000) approved by shareholders, Keith Madders' fees include payments for attendance at three (2017: three) meetings of the wholly-owned subsidiary, Steak Ranches International BV, board.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

19.1 Forward purchase derivative financial liabilities

The forward purchase derivative contracts used to economically hedge the impact of the cash-settled share appreciation rights, as detailed in note 16, were settled during the year. Consequently, no liability exists at the current year reporting date.

19.2 Contingent consideration liability

The liability for the contingent consideration relating to the purchase of RocoMamas, as detailed in note 14 was settled during the year. Consequently, no liability exists at the current year reporting date.

19.3 Other financial instruments

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

20. LITIGATION AND CONTINGENT LIABILITIES

20.1 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 ("Spur Group"), in respect of the 2005 to 2012 years of assessment totalling R22.034 million (comprising R13.996 million in additional income tax and R8.038 million in interest). The additional assessments were issued following the disallowance of a deduction claimed in respect of the 2004 share incentive scheme. The total of the additional assessments was paid in previous financial years. Following failed alternative dispute resolution proceedings, the matter was heard in the income tax court in February 2018. The tax court found in favour of Spur Group, but SARS has appealed the ruling. A trial date to hear the appeal has yet to be set. The board, in consultation with its tax advisors, remains confident that the probability of SARS' appeal being successful is low. Consequently, no liability has been raised in respect of the assessments issued to date and the payments made to date are accounted for as prepayments of income tax.

20.2 Legal dispute with former Zambian franchisee

As reported previously, 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.

20.3 Legal dispute with former franchisee – Tzaneen, South Africa

In January 2018, wholly-owned subsidiary, Spur Group, instituted legal action against Magnacorp 544 CC (“Magnacorp”), for outstanding franchise and marketing fees in the amount of R0.078 million. Magnacorp had previously operated a Spur Steak Ranch franchise restaurant in Tzaneen, South Africa, but Spur Group cancelled the franchise agreement after Magnacorp breached the terms of the agreement. Magnacorp has defended the action and alleges that Spur Group repudiated the franchise agreement, in that the cancellation thereof was unlawful. Magnacorp has lodged a counterclaim in the amount of R19.488 million, primarily for loss of profits arising out of the alleged repudiation. Spur Group denies the repudiation of the franchise agreement and maintains that the cancellation was valid. The board is confident that it will be able to defeat Magnacorp’s counterclaim and noted an exception to Magnacorp’s counterclaim in that, among other things, in terms of the franchise agreement, the franchisor is not liable to the franchisee for any consequential loss, loss of profits or any other form of indirect loss or damages howsoever arising or caused. A court date to hear the matter has yet to be determined. The board, in consultation with its legal advisors, is confident that it will be able to successfully defend this claim and, consequently, no liability has been raised.

21. SUBSEQUENT EVENTS

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

21.1 Dividend

Subsequent to the reporting date, a dividend of 60 cents per ordinary share in issue, amounting to R65.089 million, was declared by the board on 5 September 2018 and was paid on 1 October 2018.

21.2 Purchase of 51% stake in Nikos Coalgrill Greek

Subsequent to the reporting date, on 1 August 2018, the group acquired 51% of the business of Nikos Coalgrill Greek (“Nikos”). Nikos operated six franchised restaurants as at the effective date. The brand offers affordable, quality, artisanal Greek food in a contemporary environment, giving the group exposure to a product offering not previously catered for.

21. SUBSEQUENT EVENTS continued

21.2 Purchase of 51% stake in Nikos Coalgrill Greek continued

The fair value of net assets acquired at effective date:	R'000
Intangible assets	5 436
Deferred tax	(1 522)
Fair value of net assets acquired	3 914
Attributable to non-controlling interest	(1 918)
Group's share of net assets acquired	1 996
Goodwill	22 822
Total purchase consideration	24 818
In cash	5 000
Contingent consideration	19 818
Net cash flow on acquisition of subsidiary	(5 000)

All of the quantitative analysis included in this note is based on preliminary information and is subject to change pending finalisation of the acquisition date accounting.

Intangible assets comprise the Nikos trademarks and related intellectual property. The fair value was determined by an independent valuations expert utilising a discounted cash flow model based on the relief from royalty method. In this regard:

- the directors projected anticipated franchise restaurant sales for a forecast horizon of five years applying a reasonable roll-out plan, and basing revenue on historic averages increasing at 8.0% per annum;
- franchise restaurant sales beyond the forecast horizon were projected to grow at 5.6%, in line with the local inflation target of the South African Reserve Bank;
- a “royalty rate” of 5.5% was applied to the projected franchise restaurant sales, where the royalty rate was considered reasonable as the range of royalty rates identified by an industry benchmarking exercise yielded a range of between 0.3% and 7.0%; and
- the resulting “royalty” cash flow, adjusted for income tax of 28%, was discounted at an adjusted weighted average cost of capital of 26.1%.

Deferred tax was measured by applying the South African tax rate applicable to taxable income to the taxable temporary difference on initial recognition of the intangible assets.

The purchase consideration is determined as five times Nikos' profit before interest, tax, depreciation and amortisation (“EBITDA”) of the third year following the date of acquisition. Following an initial payment of R5.000 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 EBITDA of the year immediately preceding the anniversary date, less the aggregate payments already made.

The total purchase consideration over the three-year period was estimated at R37.022 million as at the effective date, the present value of which is R24.818 million. The maximum purchase consideration is theoretically unlimited, although in determining the third year's EBITDA, the revenue of the business will be limited to that attributable to the first 40 restaurants in operation (if applicable). A financial liability, measured at fair value, of R19.818 million at the acquisition date will be recognised in respect of the gross contingent consideration of R37.022 million less the initial payment of R5.000 million.

In terms of IFRS 13, the contingent consideration liability is designated as a level 3 financial instrument in terms of the fair value hierarchy as inputs into the valuation model are not based on observable market data. The fair value is determined based on the expected aggregate purchase consideration payments, discounted to the present value using a risk-adjusted discount rate of 23.68%, being the weighted average cost of capital specific to the acquired business. In the event that the forecast EBITDA increases by 5% or decreases by 5%, the gross contingent consideration will increase to R35.171 million or decrease to R30.171 million respectively. Had the discount rate increased by 2% or decreased by 2% on the acquisition date, the fair value of the contingent consideration liability would have decreased to R19.133 million or increased to R20.542 million respectively.

The goodwill is attributable to the growth prospects of the brand (by expanding the chain nationally) that the group is anticipated to realise using its existing franchising expertise, infrastructure and extensive network of franchisees. The goodwill is not deductible for tax purposes.

Transaction costs, comprising legal and due diligence costs, are estimated to amount to R0.301 million and will be included in profit. The costs will not be deductible for tax purposes.

As the acquired business has only been formally trading since July 2017, had the group acquired the business at 1 July 2017, the impact on the group's revenue and profit would not have been material.

22. PREPARATION OF FINANCIAL STATEMENTS

These summarised financial statements have been prepared under the supervision of the chief financial officer, Phillip Matthee CA(SA).

23. COMMENTARY ON RESULTS

Restaurant sales	+0.6%
Comparable profit before income tax	-8.0%
Comparable headline earnings per share	-9.5%
Full-year dividend per share	-6.8% to 123 cents per share

Trading performance

Spur Corporation produced a resilient performance for the year to June 2018 as the group encountered challenging economic conditions in its major trading markets.

Total franchised restaurant sales across the local and international operations increased by 0.6% to R7.2 billion, and by 1.3% to R7.1 billion excluding the results of the Captain DoRegos chain, which was sold with effect from 1 March 2018.

Excluding Captain DoRegos, franchised restaurant sales in South Africa grew by 1.5%. After declining by 6.0% and 0.1% in the first and second quarters of the financial year, local restaurant sales increased by 1.4% in the third quarter and grew by a strong 12.2% in the fourth quarter. Political concerns and policy uncertainty have resulted in weak economic growth, a volatile exchange rate, rising unemployment, increased pressure on consumers' disposable income and low levels of consumer confidence.

The stronger restaurant sales growth in the second half can be attributed to the increased focus across the group on product quality, service and innovation, rather than any improvement in consumer spending. Discretionary spend is under growing pressure which is contributing to a continuing decline in restaurant and shopping centre foot traffic.

23. COMMENTARY ON RESULTS continued

Trading performance continued

The flagship Spur Steak Ranches brand, which accounts for almost two thirds of group restaurant sales, continued its recovery in the second half of the financial year following the damaging social media incident in March 2017. Restaurant sales declined by 9.1% in the first half and 3.2% in the third quarter, but increased by 14.8% in the fourth quarter, resulting in a 2.8% decrease for the full year.

The decision to end aggressive discounting strategies in Spur from March 2017 has had the expected impact of tempering restaurant sales growth. However, the positive impact on franchisee margins has improved franchisees' profitability and resulted in a more sustainable franchise business. This has been augmented by a heightened focus on product quality and enhanced range of "home-made" products manufactured in Spur restaurants, which has been well received by customers.

Spur's brand appeal and loyal base of 1.4 million active Spur Family Card members has been key to maintaining sales momentum. Spur once again won the Sunday Times Generation Next survey award for the Coolest Place to Eat Out and continues to be the largest digital brand in the retail food sector.

Following the success of the shift in the promotional strategy away from discounting to enhance franchisee profitability in Spur, a similar strategy was implemented in Panarottis in the second half of the year. This had a negative impact on restaurant turnovers, as expected, but is anticipated to enhance franchisee profitability. Nevertheless, Pizza and Pasta, incorporating Panarottis and Casa Bella, grew restaurant sales by 4.2% for the year. The domestic pizza market is highly competitive with several major chains following aggressive discounting strategies. Wood-fired pizza ovens have been introduced in selected outlets to enhance product quality and save on electricity consumption and will be rolled out to another 25 restaurants in the new year.

RocoMamas continues to be one of the fastest growing restaurant brands in the local fast casual dining sector. Restaurant sales increased by 31.5% as 15 restaurants were opened in South Africa, expanding the brand's national presence to 65. The brand's quality and innovation continue to attract strong support from the urban millennial market.

John Dory's restaurant sales grew by 0.6% with the performance impacted by the temporary closure of two major outlets for shopping mall redevelopment.

The Hussar Grill grew restaurant sales by 24.4%, assisted by the opening of three new restaurants. While the chain's upper income customer base continues to be more resilient than the middle income market, there are signs of increasing pressure on these customers due to the state of the economy.

Franchisee profitability is critical to the sustainability of the business model. While changes in the discounting strategies for Spur and Panarottis were implemented during the year, management continues to work closely with franchisees to further enhance profitability by managing electricity and water consumption more efficiently, reviewing labour models, renegotiating rentals and, in certain cases, reducing the size of restaurants. The menu offering in certain brands, including Panarottis and John Dory's, has also been rationalised to promote efficiencies within restaurants and further support franchisee profitability.

International restaurant sales (excluding Captain DoRegos) increased by 2.7% on a constant exchange rate basis and declined by 0.7% in Rand terms. At a constant exchange rate, restaurant sales in Mauritius (11 (2017: 10) outlets) increased by 18.7%, Africa (38 (2017: 36) outlets) increased by 7.4%, and the Middle East increased by 146.4% (two outlets which opened during the prior year) while sales in Australasia (11 (2017: 12) outlets) were 16.9% lower due in part to the closure of two Panarottis outlets during the year.

The Mauritius operation continues to trade well and Africa generally performed in line with expectations, although trading in Kenya and Tanzania was impacted by political issues, Zambia by the outbreak of cholera in the region and Namibia impacted by tough trading conditions similar to those experienced in South Africa. The trading environment in Australia, which is a resource-based economy, has been particularly challenging, compounded by high labour costs, which has put pressure on the franchise model in the country.

Restaurant expansion

The group continued its measured expansion programme despite the demanding trading conditions and opened 44 new outlets across all brands, excluding Captain DoRegos, in South Africa. In addition to the 43 Captain DoRegos outlets which were sold, 18 restaurants were closed, bringing the local restaurant base to 513. A further ten outlets were revamped and four relocated to better trading locations.

Eleven international outlets were opened, including the first RocoMamas in Australia in June 2018. Other restaurants were opened in Nigeria (Spur and Panarottis), Mauritius (two Panarottis and Spur Grill & Go), Kenya (RocoMamas), Namibia (Panarottis and John Dory's), Swaziland (Spur) and Zimbabwe (RocoMamas). Nine international restaurants were closed during the period, in addition to three Captain DoRegos outlets disposed of.

Franchisees invested over R219.6 million in new and revamped restaurants during the year.

Restaurant footprint at 30 June 2018

Franchise brand	South Africa	International	Total
Spur Steak Ranches	284	37	321
Panarottis Pizza Pasta	84	12	96
RocoMamas	65	7	72
John Dory's Fish Grill Sushi	49	3	52
The Hussar Grill	17	1	18
Casa Bella	8	–	8
Spur Grill & Go	6	2	8
Total	513	62	575

Financial performance

Revenue from continuing operations increased by 3.0% to R667.2 million. Revenue was impacted by fee concessions being granted to assist several franchisees in the aftermath of the Spur social media incident but the level of financial assistance has steadily reduced during the year.

Franchise revenue in Spur declined by 3.2% and increased in Pizza and Pasta by 2.6%, John Dory's 2.0%, The Hussar Grill by 33.6% and RocoMamas by 37.8%.

Local retail revenue, representing the group's interests in four The Hussar Grill restaurants and one RocoMamas outlet, increased by 9.4%.

The manufacturing and distribution division grew revenue by 2.4%, negatively impacted by the lower restaurant foot traffic and reduced volumes as an increasing proportion of products are now being made in the restaurants.

Margins came under pressure across all divisions in South Africa, with the exception of RocoMamas, as operational costs (mainly employment costs) increased ahead of revenue growth. Margins in the manufacturing facility declined slightly due to higher input costs which were not passed on to franchisees. The overall margin of the manufacturing and distribution division was further impacted by lower volumes through the group's outsourced distribution system.

23. COMMENTARY ON RESULTS continued

Financial performance continued

Profitability in Australia was negatively impacted by lower revenue, impairments on loan receivables to franchisees, costs related to establishing the RocoMamas business in Australia and the opening of the first RocoMamas outlet in the country. The international business benefited from initial licence fees received in Cyprus and India in advance of opening in these countries. Mauritius and the Middle East performed well although operating profit in Africa was static owing to the high cost of servicing these operations and weaker local currencies impacted revenue growth.

Profit before income tax from continuing operations increased by 9.8% to R231.4 million. This includes a profit on the disposal of the Braviz rib manufacturing facility of R17.5 million (2017: impairment loss of R44.2 million), a profit on the disposal of the Captain DoRegos business of R4.8 million (2017: impairment loss of R6.8 million), a net charge of R4.2 million (2017: R3.0 million) related to the long-term share-linked employee retention and incentive schemes, a fair value loss of R12.7 million (2017: R0.8 million) relating to the RocoMamas contingent consideration liability, Australian franchisee loan impairment losses of R7.2 million, costs and losses associated with the establishment of RocoMamas in Australia of R4.1 million, and other one-off and exceptional items in the current and previous comparable periods.

Comparable profit before income tax from continuing operations, excluding exceptional and one-off items (including those listed above), decreased by 8.0%.

Headline earnings increased by 14.8% to R153.7 million and headline earnings from continuing operations grew by 13.8% to R153.7 million. Headline earnings on a comparable basis decreased by 9.7%.

Diluted headline earnings per share from continuing operations increased by 14.0% to 160.5 cents.

A final dividend of 60 cents per share (2017: 61 cents) has been declared, bringing the total dividend to 123 cents per share (2017: 132 cents).

Prospects

In an environment of increasing financial pressure on the group's middle income customer base, with little relief expected in the short to medium-term, the group's focus will remain on product quality, value, customer experience and innovation to retain and grow the customer base and ensure that the franchise model is sustainable.

The group plans to increase market share by capitalising on the growing delivery opportunity through services including Uber Eats and Mr Delivery as well as "call and collect". These services are becoming increasingly popular across all brands.

Management recognises the increasing role of digital technology in customers' social and purchasing behaviour and will, as a result, be launching new e-commerce apps in the year ahead which will cater for payment facilities linked to loyalty, earning and redeeming of loyalty benefits, e-gifting, links to delivery services and product promotions.

The restaurant footprint in South Africa will be expanded with the opening of at least 29 restaurants across Spur Steak Ranches (five), Panarottis (four), John Dory's (six), RocoMamas (eight), The Hussar Grill (three), Casa Bella (two) and Spur Grill & Go (one).

The group aims to open at least 14 international restaurants in the year ahead. The expansion will focus mainly on Africa where new outlets will be opened in Zambia (eight), Namibia (two) and Botswana. The group's first restaurant will be opened in India (RocoMamas) with a further two outlets planned for Saudi Arabia (RocoMamas and The Hussar Grill). The group is also in advanced negotiations to expand into Cyprus (RocoMamas) and Pakistan (Spur) where potential sites are currently being assessed.

Based on the performance of the operations in Australia and the related impairments, the group is re-evaluating the business model in that country with the aim of implementing technology solutions to reduce labour costs while actively engaging with landlords and franchisees to reduce restaurant sizes to ensure the sustainability of the business.

After the financial year-end the group expanded its restaurant portfolio with the acquisition of a 51% shareholding in Nikos Coalgrill Greek, effective from 1 August 2018. Spur Corporation has an option to acquire an additional 19% shareholding after three years. Nikos currently operates six franchised restaurants and four new outlets are confirmed to open in the year ahead. Management believes the brand has the potential to expand to around 50 restaurants nationally in the medium term.

ANNEXURE 2 – Curriculum vitae of directors up for re-election or whose appointments require ratification

Dean Hyde (51) (re-election)

Independent non-executive director

24 years of service

BCom (Legal) – University of Witwatersrand; Canadian Chartered Accountants' Board Examination

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

Keith Getz (62) (re-election)

Non-executive director

27 years of service

BProc; LLM – University of Cape Town

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

Keith Madders MBE (70) (re-election)

Independent non-executive director

23 years of service

BCom (Economics) – University of Cape Town

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

Prabashnee Moodley (47) (ratification of appointment)

Non-executive director

Appointed 15 August 2018

BSocSci and Master of Town and Regional Planning – University of KwaZulu-Natal; MBA – Lake Forest Graduate School of Business (Illinois)

Prabashnee is the chief executive officer of Grand Parade Investments ("GPI") and nominated shareholder representative of GPI on the board, pursuant to the broad-based black economic empowerment transaction concluded with GPI in October 2014.

Prabashnee is a qualified urban planner and developed her career in the field of global growth strategy for the quick service restaurant industry. She has extensive experience in the field of new market entry, existing market growth, and strategic franchise partnerships within the food services industry.

Prabashnee was nominated to the board, to replace Tasneem Karriem, who resigned from the board on 15 August 2018.

Phillip Mathee (41) (ratification of appointment)

Executive director and chief financial officer

11 years of service; appointed to the board on 1 April 2018

BCom (Accounting) and Postgraduate diploma in Accounting – University of Cape Town; CA(SA)

Phillip qualified as a chartered accountant in 2002 after completing his articles at big-four audit firm, where he gained exposure to the retail, manufacturing and services industries. He worked as group accountant for a large listed retailer for two years before he joined Spur Corporation in 2007 as new business development manager. In 2008 he was appointed as group finance executive and joined the board as chief financial officer on 1 April, following the resignation of Ronel van Dijk as chief financial officer on 31 March 2018.

Phillip is responsible for the finance, administrative, legal and compliance functions of the group. He also fulfils a supervisory function for information technology.

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

Dean Hyde as chairman (existing member)

Independent non-executive director

Refer Annexure 2.

Mtungwa Morojele (58) (existing member)

Independent non-executive director

8 years of service

CA (Lesotho); Higher National Diploma in Business Studies – Farnborough College of Technology, UK; Bachelor's of Business Administration – University of Charleston, USA; MAcc – Georgetown University, USA; MBA – University of Cape Town

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

Dineo Molefe (41) (existing member)

Independent non-executive director

5 years of service

CA(SA); BCompt (Hons) – Unisa; Master's in International Accounting – University of Johannesburg; Advanced Management Program – Wharton Business School, University of Pennsylvania

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

ANNEXURE 4 - Non-executive directors' emoluments

Non-executive directors' fees for current year and next year	Proposed 2019	2018
Chairman of the board	R650 000	-
Member of board	R425 000 (excluding VAT, where applicable) in total per annum for each non-executive director	R425 000 (excluding VAT, where applicable) in total per annum for each non-executive director
Lead independent director		
Member of audit committee		
Chairman of audit committee		
Member of remuneration committee		
Chairman of remuneration committee		
Member of social, ethics and environmental sustainability committee		
Chairman of social, ethics and environmental sustainability committee		
Member of nominations committee		
Chairman of nominations committee		
Member of risk committee		
Member of transformation committee		

ANNEXURE 5 – Directors' and prescribed officers' interests in the shares of the company

Shares

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

	2018			2017		
	Direct beneficial	Indirect beneficial	Held by associates	Direct beneficial	Indirect beneficial	Held by associates
Allen Ambor	–	464 609	–	–	464 609	–
Ronel van Dijk [^]	–	–	–	73 244	–	–
Keith Getz	2 491	–	820	2 491	–	820
Total	2 491	464 609	820	75 735	464 609	820
% interest*	0.0	0.5	0.0	0.1	0.5	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.

[^] Resigned with effect from 31 March 2018.

In terms of the group's long-term Forfeitable Share Plan (as detailed in note 13 of the summarised 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:

	2018	2017
Pierre van Tonder	30 000	30 000
Mark Farrelly	20 000	20 000
Ronel van Dijk [^]	–	20 000
Phillip Matthee [#]	10 000	–

[^] Resigned with effect from 31 March 2018.

[#] Appointed with effect from 1 April 2018.

There have been no changes in directors' interests in share capital from 30 June 2018 to the date of issue of the integrated report.

ANNEXURE 6 – Shareholder analysis

Major shareholders

The following are shareholders (excluding directors) holding 3% or more of the company's issued share capital at 30 June 2018:

	Number of shares	%*
Grand Parade Investments Ltd	19 295 824	18.9
Allan Gray	11 704 235	11.4
Coronation Fund Managers	10 477 465	10.2
Fidelity	8 866 068	8.7
The Spur Management Share Trust**	6 374 698	6.2
Investec	5 534 540	5.4
Government Employees Pension Fund	4 091 895	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 13 of the summarised financial statements).

Public/non-public shareholders

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

	Number of shareholders	Number of shares	%
Non-public shareholders			
Directors and associates	2	467 920	0.4
Subsidiaries holding treasury shares	2	6 196 901	5.7
The Spur Management Share Trust	1	6 374 698	5.9
The Spur Foundation Trust	1	400 000	0.4
Major shareholders (holding more than 10%)	3	41 477 524	38.2
Public shareholders	2 370	53 563 883	49.4
Total	2 379	108 480 926	100.0

Analysis of shareholding

An analysis of the spread of shareholding is presented below:

<i>Shareholder spread</i>	Number of shareholders	%	Number of shares	%
1 – 10 000 shares	1 951	82.0	3 208 868	3.0
10 001 – 25 000 shares	174	7.3	2 835 866	2.6
25 001 – 50 000 shares	83	3.5	2 993 733	2.8
50 001 – 100 000 shares	59	2.5	4 174 546	3.8
100 001 – 500 000 shares	82	3.4	17 501 983	16.1
500 001 – 1 000 000 shares	14	0.6	9 630 143	8.9
1 000 001 shares and over	16	0.7	68 135 787	62.8
Total	2 379	100.0	108 480 926	100.0

<i>Distribution of shareholders</i>	Number of shareholders	%	Number of shares	%
Banks and nominees	31	1.3	4 559 535	4.2
Empowerment funds	2	0.1	19 295 824	17.7
Endowment funds	28	1.2	729 302	0.7
Individuals	1 701	71.6	4 965 708	4.6
Insurance companies	32	1.3	2 499 377	2.3
Investment companies	1	0.0	66 500	0.1
Medical funds	9	0.4	641 567	0.6
Mutual funds	139	5.8	46 228 327	42.6
Own holdings	2	0.1	6 136 901	5.7
Pension and retirement funds	166	7.0	12 754 808	11.8
The Spur Foundation Trust	1	0.0	400 000	0.4
The Spur Management Share Trust	1	0.0	6 374 698	5.9
Other corporate bodies	266	11.2	3 828 379	3.4
Total	2 379	100.0	108 480 926	100.0

ANNEXURE 7 - Share capital

	Number of shares		2018 R'000	2017 R'000
	2018 '000	2017 '000		
Ordinary share capital				
Authorised				
Ordinary shares of 0.001 cents each	201 000	201 000	2	2
Issued and fully paid				
In issue at beginning of year	108 481	108 481	1	1
Cumulative shares repurchased by subsidiaries	(6 197)	(6 137)	–	–
Cumulative shares held by The Spur Management Share Trust (consolidated structured entity)	(6 375)	(6 375)	–	–
Cumulative shares held by The Spur Foundation Trust (consolidated structured entity)	(400)	(300)	–	–
	95 509	95 669	1	1

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

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

The company does not have any unlisted shares.

ANNEXURE 8 - Material change statement

The directors report that there have been no material changes to the affairs, financial or trading position of the company and group since 30 June 2018 to the date of posting of this report, other than disclosed in this report.

ANNEXURE 9 - Going concern

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

ANNEXURE 10 – Company information

NON-EXECUTIVE DIRECTORS

Dean Hyde – independent non-executive director

Dineo Molefe – independent non-executive director

Keith Getz – Non-executive director

Keith Madders MBE (British) – independent non-executive director

Mntungwa Morojele – independent non-executive director and lead independent director

Muzi Kuzwayo – independent non-executive director

Prabashinee Moodley (appointed 15 August 2018) – representative of B-BBEE shareholder, Grand Parade Investments Ltd

Tasneem Karriem (resigned 15 August 2018) – representative of B-BBEE shareholder, Grand Parade Investments Ltd

EXECUTIVE DIRECTORS

Allen Ambor – Executive chairman

Pierre van Tonder – Group chief executive officer

Mark Farrelly – Group chief operating officer

Phillip Matthee (appointed 1 April 2018) – Group chief financial officer

Ronel van Dijk (resigned 31 March 2018) – Group chief financial officer

SPONSOR

Sasfin Capital (a member of the Sasfin Group)

TRANSFER SECRETARIES

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Nazrana Hawa

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