2003

Spur Corporation

ANNUAL REPORT

OUR PROMISE

PROUDLY SOUTH AFRICAN

Food is our passion.
Welcoming
you, our pleasure.

And our greatest
reward is presenting
delicious meals.
Whether it's a Spur burger,
Panarottis pizza or John
Dory's catch of the day.

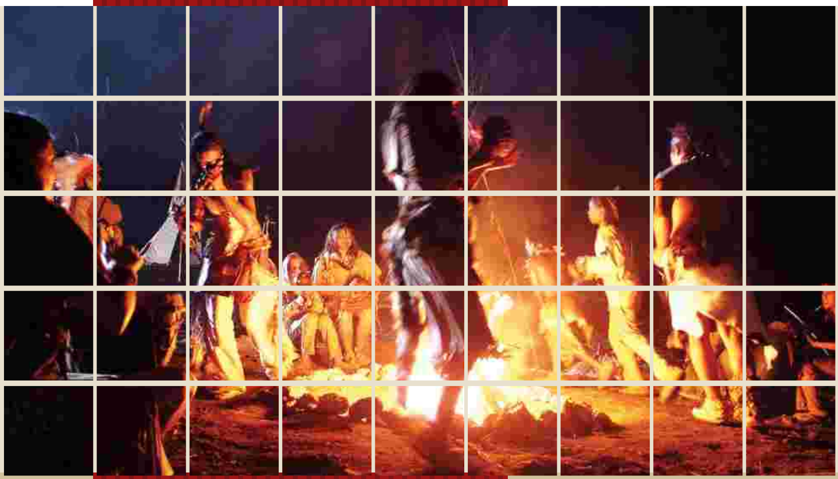
Our food is made
to please and fulfil.
Big on quantity,
big on aroma and
especially big on taste.

When you meet at
your home from home
you are treated as
family. We never hold
back on our portions,
our laughter, or
our welcome.

Nothing satisfies
us more than
pleasing you,
our customer.

This is our simple
philosophy.
We, the people
of Spur.

2006



Spur Corporation

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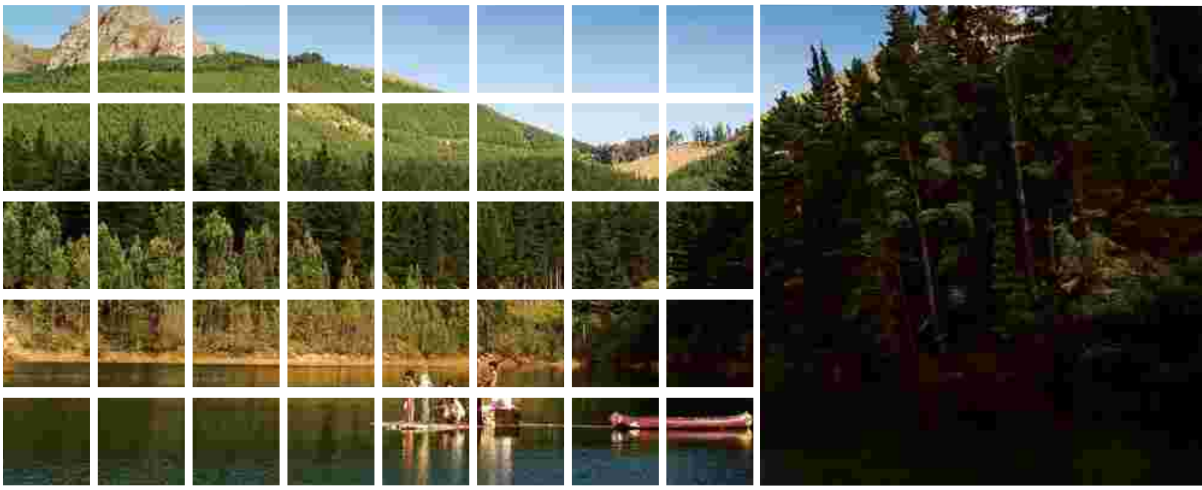
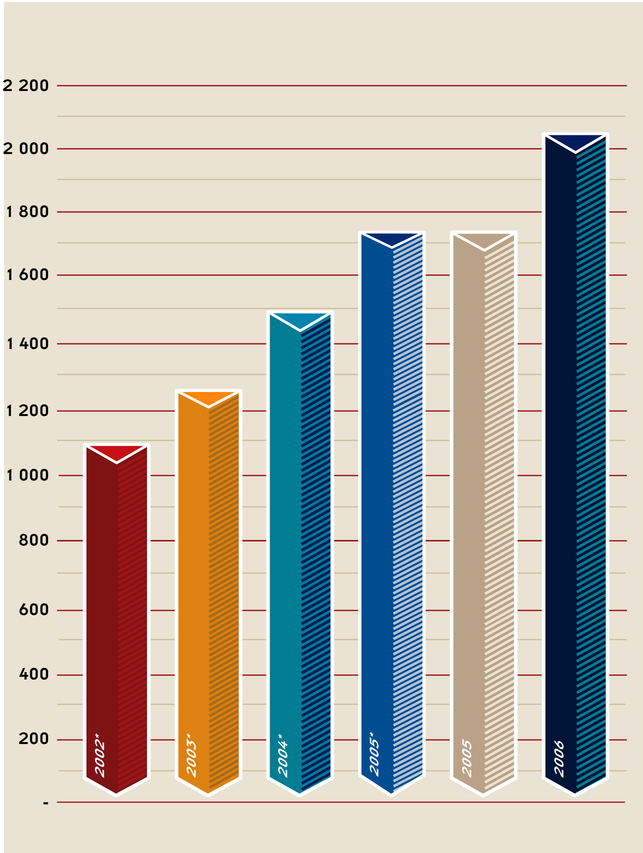


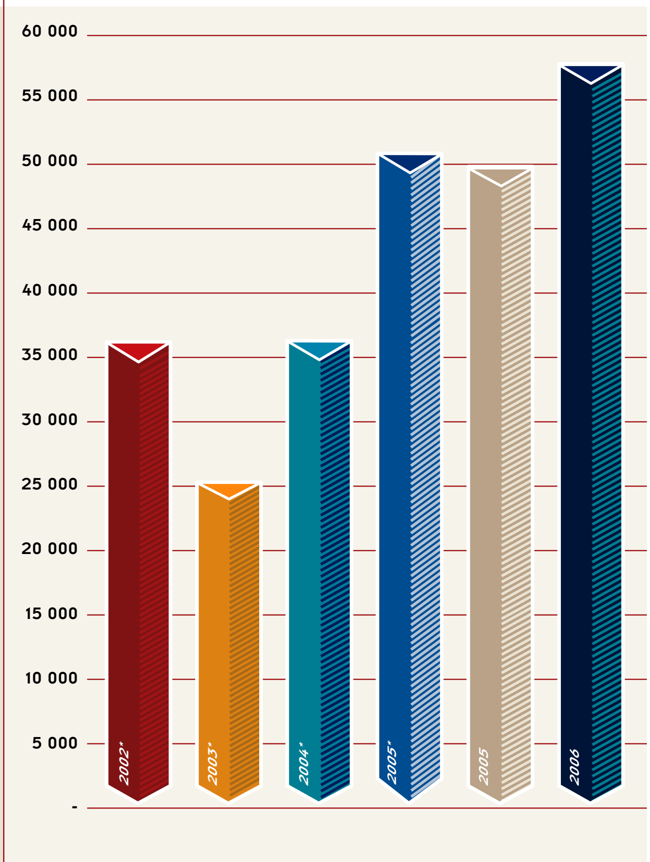
FINANCIAL HIGHLIGHTS

	2006	2005	% Change
Profit before taxation (R'000)	81 195	70 843	15
As a percentage of revenue	44%	35%	
Profit after taxation (R'000)	57 667	50 729	14
As a percentage of revenue	32%	25%	
Return on total assets	13.4%	12.1%	
Return on equity	16.2%	14.6%	
Cash and cash equivalents (R'000)	40 888	39 703	3
STATISTICS PER SHARE			
Headline earnings (cents)	65.76	55.32	19
Distributions (cents)	47.00	40.00	18
Distribution cover (times)	1.4	1.4	
Market price - 30 June (cents)	830	650	28
Price range (cents)			
- high	930	650	
- low	625	431	
Headline earnings yield (%)	7.2	8.5	
Distribution yield (%)	5.7	6.2	

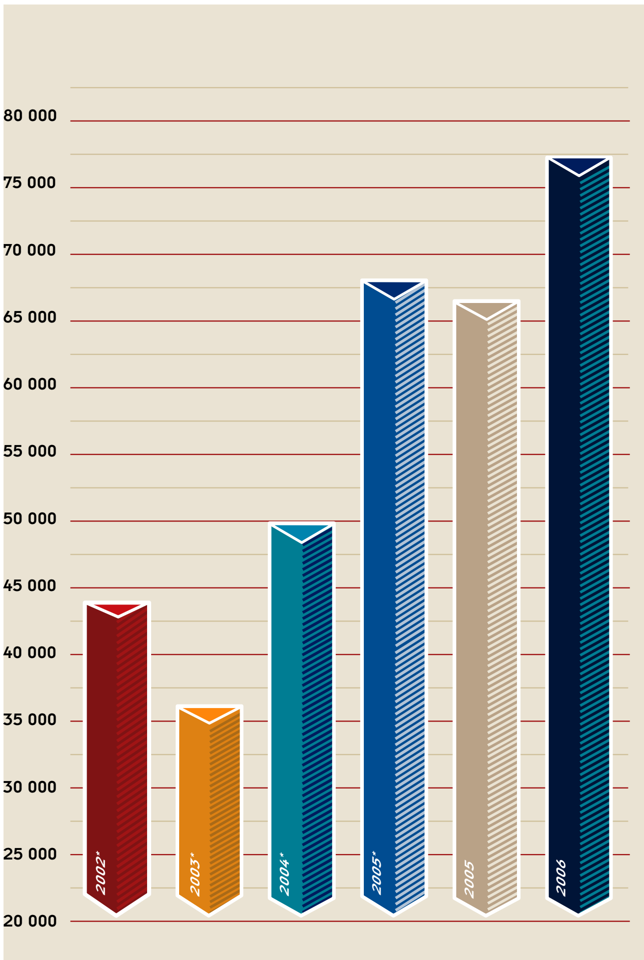
STORE TURNOVERS (R'm)



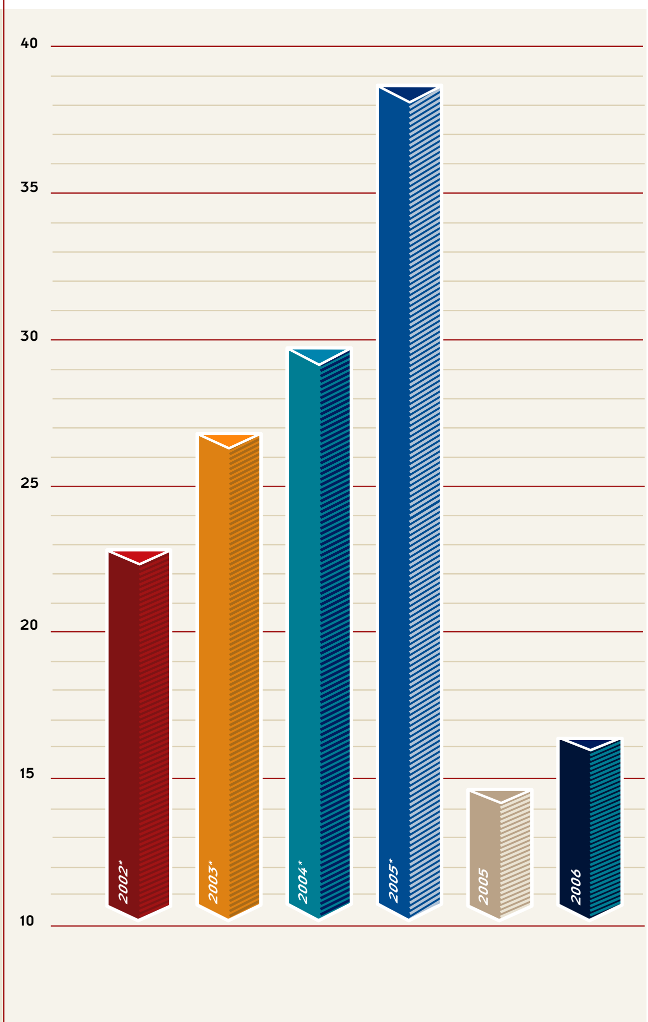
HEADLINE EARNINGS (R'000)



OPERATING PROFIT BEFORE FINANCE INCOME** (R'000)



RETURN ON EQUITY (%)



* Pre-IFRS adoption.

** Includes (loss)/income from associate companies.

CORPORATE

PROFILE

VISION AND MISSION

Our vision is to be the best family sit-down restaurant in the markets in which we trade. Our mission is to be dedicated at all times to our customers and staff – to provide a "taste for life" for our customers and to be a great place to work for our staff.

OVERVIEW

Spur Corporation is a multi-brand family restaurant franchisor listed in the Travel and Leisure sector of the JSE Limited. Its strong value offering is aimed primarily at the middle income market and at 30 June 2006 the group operated 215 Spur Steak Ranches, 57 Panarottis Pizza Pasta restaurants and 17 John Dory's Fish & Grill outlets in South Africa. Internationally the group has 32 Spur Steak Ranches and Panarottis Pizza Pasta restaurants in Africa, the United Kingdom and Australia.

BACKGROUND AND OPERATIONS

The group traces its roots back to 1967 when Spur founder and executive chairman Allen Ambor opened the Golden Spur in Newlands, Cape Town. Over the past 39 years Spur has grown into one of the most recognised brands in the country and today is commonly known as "the official restaurant of the South African family".

In December 1990 the group started a second restaurant brand, Panarottis Pizza Pasta. Applying the same principles that made Spur Steak Ranches a household name, Panarottis soon capitalised on the growing popularity of pizza and pasta. Within a decade Panarottis had a national presence of over 40 restaurants and began expanding into Africa and Australia.

The Spur Group was listed on the JSE in 1986, at which stage it operated 43 franchised Spur Steak Ranches outlets. A major restructuring was undertaken in 1999 which resulted in the formation and listing of the Spur Corporation as we know it today.

November 2004 saw Spur Corporation purchase a 60% shareholding in John Dory's Fish and Grill, a KwaZulu-Natal based franchise comprising seven outlets. Founded eight years earlier as a predominantly seafood restaurant with trademark nautical décor, John Dory's has a distinctly Mediterranean culture and charisma. Within 18 months of Spur Corporation acquiring the majority stake in the business, the restaurant base had grown to 17 and a presence was established in the Western Cape and Gauteng.

Spur has made significant progress in the implementation of the internationally accepted Hazard Analysis Critical Control Points (HACCP) system in our manufacturing facilities in Midrand, Gauteng, and Montague Gardens, Cape Town. The HACCP process eliminates potential danger points in food production and defines a strict monitoring and management system to ensure safe food products. The manufacturing facilities have recently been upgraded and modernised to handle increased production of Spur's trademark products, including its range of sauces.

In 2004 Spur Corporation took a strategic decision to outsource the national distribution of restaurant supplies from the group's central kitchens to an independent distributor in order to ensure the consistent quality of all products in restaurants and to maintain the cold chain, while enhancing profitability for the group and franchisees alike. The implementation of this outsourcing arrangement was completed in August 2005.

BUSINESS MODEL

The group's prosperity can largely be attributed to the unrivalled success of the franchising business model which was adopted from the outset. Spur Corporation does not own and manage its restaurants: it allows independent, entrepreneurial individuals – known as franchisees – to run their own restaurant businesses and in return receives a franchise fee based on the turnover of each restaurant. This model is consistently applied across all three brands both locally and internationally.

Spur Corporation supports franchisees in a number of areas before and after opening a new restaurant. This includes assistance in compiling a business plan and cash flow forecast, help in selecting a site and negotiating a lease as well as operational guidance with the opening of the store.

An experienced operations team provides ongoing support to the franchisees. This team is responsible for upholding the high quality of the brand and its products, as well as ensuring the franchisee builds and maintains a successful business. Support includes training and evaluation of staff, supply of products, information systems and marketing.

Regular store visits ensure that the high operational standards, external health and safety regulations and customers' demands for quality and service are met and, where possible, exceeded.

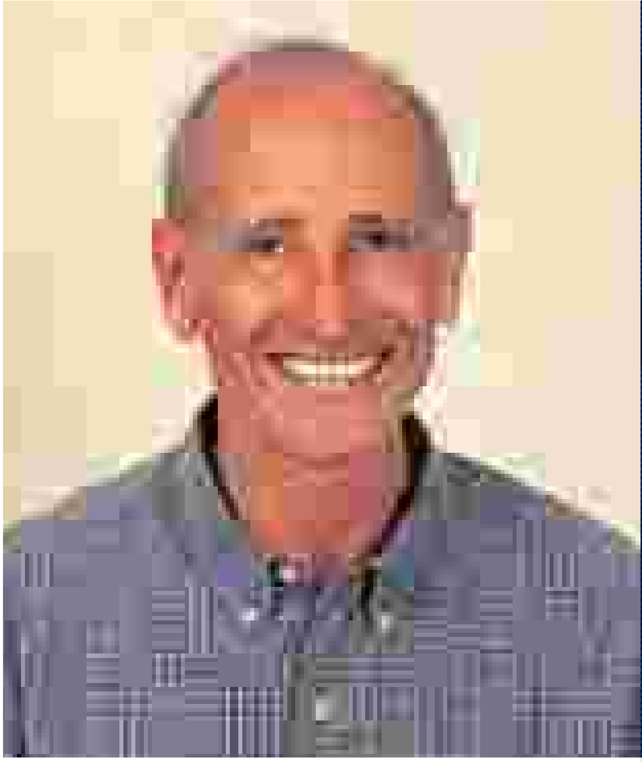
RESTAURANT LOCATIONS

The group has seen sustained growth in its restaurant base in recent years, opening its 200th restaurant in 1998 and passing the 300 mark in early 2006.

Given the extensive market penetration of Spur, the question is regularly posed as to whether this brand and its restaurant base have not reached saturation in the local market. The rapid growth in the number of outlets and the strong turnover of this brand provide a compelling response to this question.

Along with the growth in the size of the market and potential customer base, new opportunities arise as the population demographics of the country shift. An outlying area, where a store may not have been viable in the past, could grow to support the opening of a Spur. The opening of shopping malls and entertainment destinations always create scope for new outlets, while strategic store relocations and refurbishments also provide an opportunity to increase customer volumes. Spur is constantly reinventing itself, innovating and adapting to changing customer needs and expectations.

	Spur Steak Ranches	Panarottis Pizza Pasta	John Dory's Fish & Grill	Total
South Africa				
Western Cape	48	12	4	64
Eastern Cape	21	8	1	30
KwaZulu-Natal	36	10	7	53
Gauteng	110	27	5	142
TOTAL SOUTH AFRICA	215	57	17	289
International				
Africa (including Mauritius)	14	4	-	18
Australia	4	4	-	8
United Kingdom	5	-	-	5
China	1	-	-	1
TOTAL INTERNATIONAL	24	8		32
TOTAL RESTAURANTS	**239**	**65**	**17**	**321**



CHAIRMAN'S REPORT

INTRODUCTION

It is now 20 years since the group was first listed on the JSE Limited. We were initially listed as Spur Steak Ranches and are now listed as Spur Corporation following our restructuring in 1999. It is not only our loyal customers who have experienced the benefits of our value proposition but also investors who have been well rewarded for their confidence in the group.

During the past year positive trading conditions continued to prevail in the domestic market and consumer spending was boosted by further tax relief to individuals announced in the annual Budget in February. Our value-for-money offering across our three brands has enabled the group to grow its market share of the increasingly competitive sit-down restaurant market.

Spur Corporation can be justifiably proud of several milestones achieved in the past 12 months. These include passing the R2 billion mark in restaurant turnover in a single year and expanding our restaurant base to reach 300 stores. These successes, together with other operational highlights, are detailed in the Managing Director's Report on pages 16 to 20.

FINANCIAL PERFORMANCE

Spur Corporation once again produced a strong financial performance.

The outsourcing of the national distribution of restaurant supplies from the group's central kitchens to an independent distributor was completed early in the financial year. In line with our expectations, this resulted in lower wholesale and distribution sales and contributed to group revenue declining by 8.9% to R182.7 million (2005: R200.6 million). The outsourcing of this function is already proving beneficial for the group and we are confident it will continue to have a positive effect on profitability and operating margins.

Operating profit grew by 17.2% to R77.4 million (2005: R66.1 million), benefiting from disciplined cost control and restaurant revenue growth. The group's operating margin increased from 32.9% to 42.4%.

Headline earnings grew by 15.4% to R58.0 million (2005: R50.2 million). Headline earnings per share rose by 18.9% to 65.76 cents (2005: 55.32 cents) while diluted headline earnings per share rose by 17.7% to 65.10 cents (2005: 55.32 cents).

Shareholders will receive a distribution of 47 cents per share for the year, up 17.5% on the previous year (2005: 40 cents per share).

INTERNATIONAL

While South Africa produces the lion's share of our turnover, our international business accounts for 10% of our restaurant base and remains a key component of our strategy. Our growth in international markets has been steady and restaurant expansion has been well controlled. We now intend to capitalise on the awareness that we have created and the knowledge we have acquired in these markets to accelerate our growth.

Our five restaurants in the United Kingdom are all trading well and we are exploring investment proposals to propel the growth of our store base in the medium-term. Similarly, as consumer acceptance of our brands increases in Australia, we are planning to expand our restaurant base to reach critical mass in the New South Wales region. We are formulating proposals to attract further investment into the business through joint ventures or strategic alliances.

BLACK ECONOMIC EMPOWERMENT

As outlined to shareholders in last year's annual report, black economic empowerment (BEE) is a strategic business imperative for Spur Corporation. Over the past year we have made sound progress in developing a strategy which we believe will lead to sustainable transformation at an equity, franchisee and employee level.

Accelerating the growth in the number of black franchisees is proving challenging as many of these entrepreneurs are unable to secure the required funding through traditional banking channels. In response to this challenge, Spur Corporation has facilitated funding of R30 million from the Industrial Development Corporation to finance black franchisees. This will enable the group to establish several more black-owned restaurants in our three brands and some of these franchisees could be selected from within the ranks of our current restaurant employees. This could also hasten the rate at which franchise opportunities become available in a variety of areas, thereby facilitating further growth avenues for the group.

We have also identified potential broad-based black shareholding groups who could acquire an equity stake in Spur Corporation and develop into strategic business partners. At the same time, we recognise that transformation starts from within the company and would like to extend equity ownership to our employees. The directors and management are committed to finalising a BEE transaction during the 2007 financial year.

BOARD OF DIRECTORS

We are pleased to welcome Ronel van Dijk, our chief financial officer and company secretary, to the board as financial director and look forward to the benefit of her financial acumen and expertise in the years ahead.

PROSPECTS

While the low interest rate environment has contributed to strong turnover growth in recent years, the interest rate increases in June and August, together with further anticipated hikes in the year ahead, are likely to result in a slowdown in discretionary consumer spending. We believe this creates an opportunity for the group to make further market share gains across the three franchise brands as consumers become more price sensitive and value-for-money conscious. The continued expansion of our restaurant footprint will bolster revenue and we anticipate sustained earnings growth through improved margins.

THANKS

Our managing director, Pierre van Tonder, and his management team have once again led the group with distinction and I extend my gratitude for a job well done. Thanks are also due to my fellow directors for sharing their energy and commitment.

We thank our shareholders for their support and we welcome those who invested in Spur Corporation for the first time this year. Finally, I would like to acknowledge the role played by our suppliers, franchisees, business associates, advisers and particularly our customers, whose continued patronage ensures our success.

Allen Ambor Executive Chairman

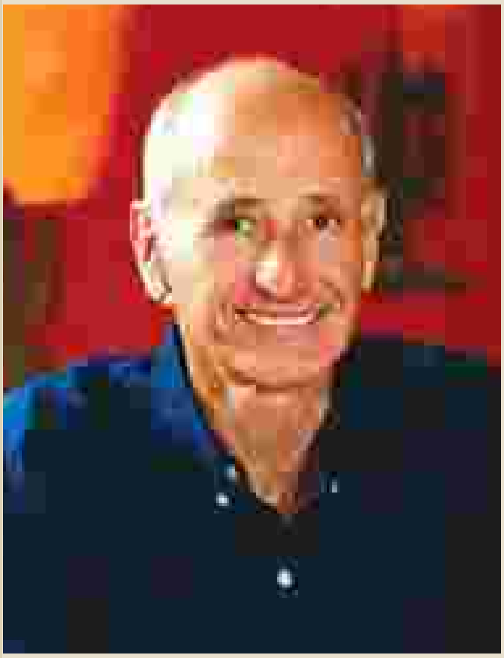
DIRECTORS

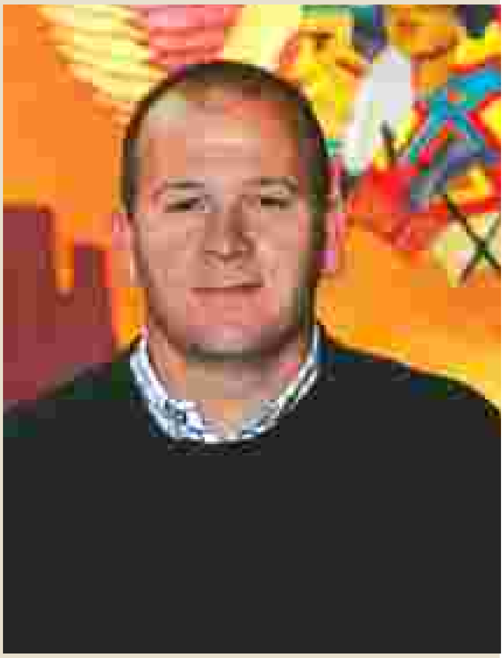
Allen Ambor (Age 65)
EXECUTIVE CHAIRMAN

After a short period overseas and working for two years, Allen decided to further his education and attained a BA degree at the University of Witwatersrand. Shortly thereafter he made the decision to start his own business. The doors of the first Spur Steak Ranch officially opened in Newlands, Cape Town, in 1967.

Pierre van Tonder (Age 47)
MANAGING DIRECTOR

Pierre joined the Spur group in 1982. His 24-year career with the group started when he was appointed as a manager of Seven Spur in Sea Point. Pierre was appointed as an Area Manager for Spur Steak Ranches in 1985. The next eleven years saw Pierre making fast progress up the management ladder. In 1996 he was appointed Managing Director of Spur Corporation.





SPUR CORP

Mark Farrelly (Age 42)
DEPUTY MANAGING DIRECTOR

Mark joined Spur Head Office in 1990 as an Area Manager. In 1993 he was transferred to Johannesburg. Mark was promoted to Regional Operations Manager in 1995 and appointed to the Board in 1999. He is also a director of the Franchise Association of South Africa.

Kevin Robertson (Age 40)
EXECUTIVE DIRECTOR

Kevin joined Spur in 1987 as a waiter at Yellowstone Spur, Carletonville. By 1991 he had become an Area Manager at the Spur regional office in Johannesburg. Two years later, he was promoted to Regional Manager, KwaZulu-Natal. Kevin is Managing Director of the Panarottis Pizza Pasta franchise, and was appointed to the Board in 1999.

Phillip Joffe (Age 56)
EXECUTIVE DIRECTOR

Phillip studied at the University of Cape Town and obtained his CA (SA) in 1973. Phillip joined the Spur group in 1976 and has served as a member of the Board since 1986, where he continues his position as an Executive Director.

Ronel van Dijk (Age 34)
FINANCIAL DIRECTOR

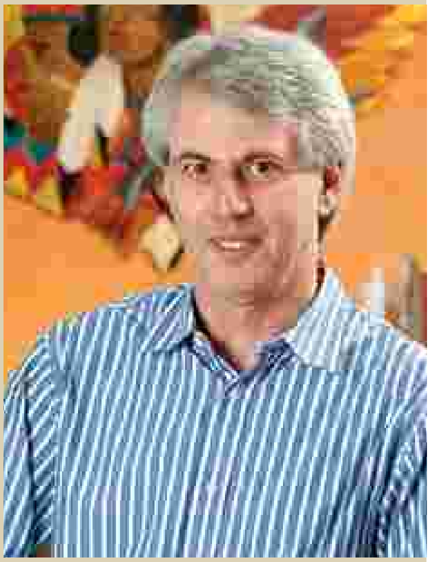
Ronel qualified as a CA (SA) in December 1997. She spent a year working in the London office of Arthur Andersen & Co., after which she returned to Cape Town as audit manager with the firm. She left the firm, then KPMG Inc., and joined Spur Head Office as Group Financial Manager in January 2003. In January 2005, Ronel was appointed as Chief Financial Officer and Company Secretary, and she was appointed to the Board in September 2006.

Keith Madders (Age 58)
NON-EXECUTIVE DIRECTOR British
(DEPUTY CHAIRMAN)

Keith was born in Zimbabwe, studied at the University of Cape Town and trained as an investment analyst before launching himself into the music industry. In 1976 Keith went to live in London, where he lectured and established various businesses as well as a number of successful charitable organisations working to relieve poverty in Southern Africa. Keith was awarded an MBE in the Queen's 2002 Honours List for services to the Zimbabwe Trust.

Keith Getz (Age 50)
NON-EXECUTIVE DIRECTOR

Keith is a partner at Bernadt Vukic Potash & Getz attorneys, practising principally in the fields of corporate and commercial law. He is also a director of a number of companies.

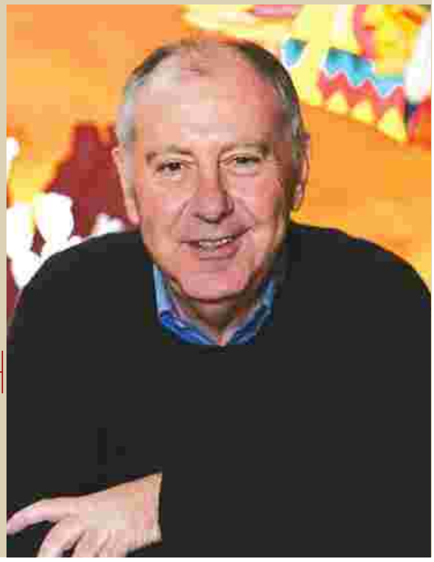


Dean Hyde (Age 39)
NON-EXECUTIVE DIRECTOR

Dean completed a BCom at the University of Witwatersrand in 1988. He then studied at York University, Toronto, obtaining a CA Canada in 1991. He completed his articles with Grant Thornton International in 1993. He joined the Spur group in 1994 as Financial Manager, and in 1999 he was appointed Financial Director. In late 2004 Dean resigned as Financial Director and was appointed as a non-executive director. He also provides consulting services to the group.

John Rabb (Age 63)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Having attained a BSc (agriculture) from Natal University, John spent three years in London with Marks & Spencer and then returned to South Africa to join the Wooltru Group where he has served for 36 years.



KEY MANAGEMENT

Amil Lahoud - **GROUP MARKETING (AGE 35)**
Amil joined Spur four years ago. He completed a National Diploma in Marketing, cum laude, in 1995. Amil's responsibilities include co-ordination of marketing planning, communication strategies and management of the group marketing department.

Britt Fuller - **NATIONAL TRAINING (AGE 39)**
Britt has almost 25 years of experience in the restaurant business, starting when she helped out in her mother's restaurant. Britt joined Spur almost 12 years ago and is currently responsible for national training.

Coleen Eva - **GAUTENG MANUFACTURING FACILITY (AGE 55)**
Coleen completed a one-year Diploma in bookkeeping and business economics at Modern Methods Business School in Johannesburg. She joined Spur in 1981 and is responsible for running the manufacturing facility in Gauteng.

Duncan Werner - **PROCUREMENT AND DEVELOPMENT (AGE 46)**
Duncan started out in the packaging business. He began his career at Spur as a waiter 23 years ago, and joined Head Office in 1988. Duncan is in charge of national procurement, Western Cape development and menu engineering. He also oversees the manufacturing facilities and Spur Décor.

Heather Needham - **WESTERN CAPE MANUFACTURING FACILITY (AGE 43)**
Heather joined Spur in 1984 as a manager at Navaho Spur, Brackenfell. In 1988 she joined Spur Head Office as the manager of Central Kitchens, Cape Town. Heather has a BCom degree from UNISA. She is responsible for the running of the manufacturing facility in Montague Gardens, Cape Town.

Ian McMahon - **GROUP INFORMATION TECHNOLOGY (AGE 38)**
Ian has spent almost two decades with Spur, starting as a teenaged waiter in the mid-1980s. He has moved progressively through the ranks to the position of Head of Group IT. Ian looks after the group's technology needs and runs the in-house radio station, Taste FM.

Ludwig Sistenich - **INTERNATIONAL DEVELOPMENT (AGE 44)**
Ludwig studied at the Capital College in Pretoria. In June 1988, at the age of 25, he joined Spur Head Office. Prior to that he was employed as a manager at the Arkansas Spur in Nelspruit. Ludwig is in charge of International Development.

Peter Wright - **HUMAN RESOURCES (AGE 55)**
Peter started as a waiter at Golden Spur in 1975. Over the next five years, Peter gained further experience at the Cape Town central kitchen, Midnite Grill and Hard Rock Café. Peter left the group for ten years but rejoined in 1991 and worked on developing Panarottis Pizza Pasta. Peter is head of Human Resources.

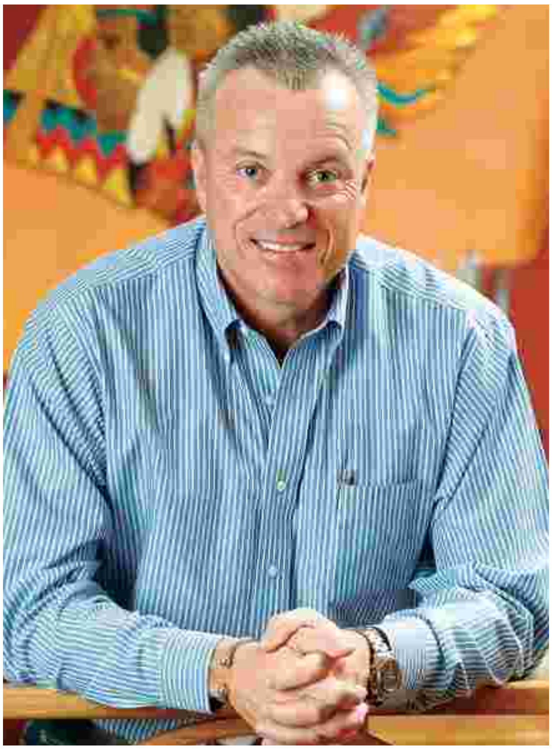
Raymond Suter - **REGIONAL OPERATIONS (AGE 41)**
Raymond studied at Cape Technikon for two years. In 1987 he joined Spur as a trainee manager and in 1993 he was promoted to Area Manager. Raymond was appointed as Regional Operations Manager in 2002.

Stamatis Kapsimalis ("Kapsi") - **MANAGING DIRECTOR JOHN DORY'S (AGE 39)**
Kapsi tried his hand at a number of ventures before finding his niche in the fish and grill business, when he founded John Dory's Fish & Grill. The first restaurant opened its doors in 1996 in Musgrave Road, Durban. Kapsi managed to grow John Dory's Fish & Grill into a successful brand, comprising seven outlets in KwaZulu-Natal, before selling 60% of the business to Spur Corporation.

Steve Ford - **NATIONAL PROCUREMENT (AGE 46)**
Steve opened his first Spur in 1990. He joined Spur Head Office in March 1994 as an Area Manager. Steve is in charge of quality control and new product development, and he also oversees national distribution.

MANAGING DIRECTOR'S

REPORT 2006



Pierre van Tonder
Managing Director

REVIEW OF OPERATIONS

Overview

Spur Corporation has continued to capitalise on buoyant trading conditions to further entrench its position in the family sit-down restaurant market in South Africa. Financial performance was boosted by improved second-half results, with the group experiencing a record number of restaurant openings and upgrades of existing outlets.

Restaurant turnover, which reflects in the royalty income received from franchisees, increased by 17.7% and passed the R2 billion mark for the first time. The turnover of existing restaurants, excluding new outlets opened during the year, was 10.7% higher than the previous year. This is the benchmark which we use to measure market share growth.

The group has grown its base to 321 outlets across its three brands locally and internationally following the addition of 34 restaurants during the financial year. These comprise 15 Spur Steak Ranches, nine Panarottis Pizza Pasta and ten John Dory's Fish & Grill outlets. Sixteen restaurants were revamped and this has resulted in strong revenue growth in all these businesses. A summary of restaurant locations is presented on page 8.

SPUR STEAK RANCHES

Spur Steak Ranches South Africa has again enjoyed a successful year. Efficiencies were well maintained throughout the year, which is reflected in operational expenditure being below budget. In this regard, I wish to congratulate management for their financial discipline.

The excellent growth was facilitated by the major revamps undertaken in 15 of our restaurants, as well as the relocation of eight outlets to improved quality trading environments. In every single case, this resulted in a substantial increase in turnover. In addition, our operations and development teams grew our restaurant base by 13 outlets.

In addition to providing excellent exposure for our brand, the marketing department has once again assisted in keeping abreast of customer trends and opinion by conducting a series of excellent research projects. This has enabled us to provide the best entertainment facilities for children throughout South Africa and we will continue this challenge in future.

We are confident that our growth patterns are sustainable, as we already have 16 new Spur outlets scheduled for the year ahead. Furthermore, at this early stage of the new year, we have 24 full refurbishments planned. The skills of our management team are continually being refined to ensure that they increase their capability, not only in terms of dealing with their day-to-day Spur obligations, but also to improve their abilities as tutors and coaches within their areas of responsibility. I am therefore confident that we will again achieve our goals in South Africa in the year ahead.

PANAROTTIS PIZZA PASTA

Panarottis' value proposition to customers is still being well maintained, and the overall operational standards remain high. We continually strive to improve our value offering to ensure that we further entrench our brand as "Big on Pizza, Big on Family".

During the year nine additional restaurants were established, eight of which are in South Africa and one in Australia. There are now 57 Panarottis Pizza Pasta restaurants in South Africa and eight international outlets.

A number of Panarottis upgrades were completed this year with the focus on outlets located in high-profile shopping centres. These upgrades have been well received and this contributed to the business achieving a 14% turnover growth in existing outlets, and a 21.3% overall turnover growth. This is an excellent achievement as menu price inflation for the year under review was only 3.9%. We have already finalised plans for four new outlets in the year ahead, with a further three to relocate to more suitable locations.

JOHN DORY'S

In its first full year as part of the Spur Corporation, John Dory's increased its number of outlets from seven to 17. The process of aligning the policies and procedures of John Dory's with those of Spur Corporation has been completed and the operational standards in-store are now at the required level.

A new menu was introduced and this was extremely well received by customers. Further refinement of the menu is being undertaken and a relaunch is scheduled within the next few months. This process will enhance consumer perception of the brand, as well as facilitate smoother operation of the outlets. We will also focus on ensuring a consistent supply of products, which in many cases have to be sourced up-front in order to avoid large cost variances.

We are currently planning to open five outlets in the new financial year, with the focus on increasing our profile in retail shopping centres. In addition, national promotions will continue to be rolled out aggressively in order to improve foot traffic through our restaurants.

INTERNATIONAL

Our international division comprises 24 Spur Steak Ranches and eight Panarottis Pizza Pasta outlets, situated in the United Kingdom, Australia, China, Africa and Mauritius.

The majority of our international restaurants are situated in Africa, where we continue to seek locations that are well positioned near hotels or similar entertainment centres. Three new restaurants are scheduled to open in Windhoek, Swakopmund and Gaborone in the year ahead. We are also negotiating for the establishment of restaurants in Uganda, Zambia, Angola and a further outlet in Nairobi in Kenya.

Our existing outlets in Wandsworth, Staines, and Basingstoke in the United Kingdom and Limerick and Dublin in Ireland are all trading well. From a market point of view, the Spur brand has been well accepted in the United Kingdom and we will continue to create a platform for future opportunities.

The past year has seen a marked improvement in the acceptance of our Spur and Panarottis brands in Australia. The openings of Spur and Panarottis restaurants in Campbelltown have been very successful and we have also secured a new site in Erina Fair, Sydney, which is scheduled to open in November 2006.

During the past year we opened two outlets in China, where trading has proven to be extremely challenging and we have had to close our restaurant in Shanghai. We continue to trade in Fuqing and will proceed with caution regarding any future developments in this region.

We continue to seek strategic alliances with sound partners in order to expand our brands internationally.

PROCUREMENT

The past year has seen the completion of the national roll-out of the outsourcing of our distribution to Vector Logistics. This process will ensure the consistency of all products in our outlets and the maintenance of the “cold chain” from manufacturer to delivery at the franchise outlet. All perishable products are now delivered in multi-temperature vehicles, which ensures that our customers receive the highest possible quality of product.

Over the next 12 months we will focus on the development of new products and the refining and improving of existing products. Our procurement division has been substantially strengthened by the employment of additional resource to handle the supply chain management aspect of our business. This will ensure that audits at manufacturing facilities are correctly executed, and will further enhance the quality delivery of products. Audits will also be conducted at distribution depots and at the point of delivery to our franchisees.

It is our group policy to deal with suppliers who are Hazard Analysis Critical Control Points (HACCP) compliant or who can demonstrate a stuctured plan of becoming compliant within a reasonable period of time. The majority now conform, with the balance being in the process of accreditation. It is expected that our manufacturing facilities in Midrand, Gauteng and Montague Gardens, Western Cape, will also be fully HACCP compliant in the year ahead.

All food products supplied to Spur Corporation are clearly specified and branded in order to ensure that exacting quality standards are maintained from the manufacturer, through the cold chain delivery process, and ultimately to our customers.

MARKETING

The group continues to focus its attention on National Value Added Campaigns, supported by television and radio advertising. Regional promotions will address acquisition, expansion, migration and retention of customers, while adding value.

There have been more than 100 head office administered events in 2006, spread equitably across all trading regions. Grassroots marketing, corporate social investment and market development have been strategically converged, which has amplified market impact. Core projects undertaken included Spur Adventure, Spur Soccer Masidlale, Spur Junior Cycling, Spur Rugby Development and Spur Golf. All proceeds have been donated to creditable charities that support the feeding and development of disadvantaged children. These projects are detailed in the Corporate Social Vision on page 24.

Television has been the primary medium for Spur, strongly supported by print, cinema, billboards and online media. The 'Take Me There' brand creative campaign was used throughout the year. A new Spur brand campaign is in development and will be introduced during the year ahead.

Cinema has continued to be the principal medium for Panarottis to communicate its brand message, in tandem with the weekday value-added promotions. Cinema advertising was complemented by banner advertising in cinema foyers.

INFORMATION TECHNOLOGY

The past year has seen great innovation with regard to store point of sale systems, with the roll-out of the latest version of Pilot software. We are benefiting from the national collation of data, and are able to accurately pinpoint and predict sales trends, which are then used to implement marketing opportunities.

Our annual investment in information technology places us in a position to be able to benefit from advanced reporting and systems integration, and facilitates improved efficiency in operations.

We upgraded our systems integration with new software packages and streamlined our reporting using the Intranet system, thereby speeding up turnaround time for management reports. The upgrade of our franchisee extranet system is also underway, and already comparative regional information is available to all franchisees, which is crucial to identifying weak areas in the business.

Communications

During the year, we launched Taste FM, our in-house radio station. Utilising encrypted satellite signals and decoders, we are able to broadcast to over 300 outlets and 10 000 employees. The focus of this project was threefold, namely:

- to communicate to all our employees in a daily three-hour live show;
- to raise the morale, build team spirit and empower employees via focused live radio initiatives; and
- to standardise the music experience for our customers during mealtime hours.

This project has been extremely well received and has already achieved its objectives. The provision of up-to-date, relevant information at ground level provides a new standard of information distribution. It is immediate, easily accessible and inter-active. Information can flow in both directions rather than only from head office.

The need for information at ground level suggests that service levels, productivity and in-store ambiance will benefit tremendously from immediate, effortless access to information. In standardising the music experience, this very important step controls the environment in the restaurants, increases ambiance and ensures that the music experience in-store is positive.

CUSTOMER CARE

It is encouraging to note that call volumes have doubled since the inception of the Spur Customer Care Centre in October 2004. Calls received cover all aspects of our business, including complaints, compliments, queries for the Spur Kids Birthday Club, regional or national promotions, menu items and the location of outlets.

The constructive feedback received from our Spur customers has assisted operations to not only monitor and improve store performance, but also highlight pertinent training issues.

There are eight Spur trained Service Centre Agents working on a rotational basis and, on average, 95% of our calls are answered within 20 seconds. The Spur Kids Birthday Club has grown by 10.7% in the past 12 months, with over 700 000 active members now enjoying being part of the Spur Family.

As we expected, the Spur Service Centre has become a hub of activity with the steady increase in the development of Spur brand around the country, the growth of John Dory's and the recent inclusion of Panarottis. The aim at the Spur Customer Care Centre is to always provide customer satisfaction, whether you are a Spur customer or Spur franchisee, proving that "service is our pleasure" and ensuring that we all remain "people with a taste for life!"

THANKS

Mark Farrelly (Spur Steak Ranches), Kevin Robertson (Panarottis Pizza Pasta) and Stamatis Kapsimalis (John Dory's) and their teams are to be congratulated for their contributions to another great year for Spur Corporation. I would also like to thank our franchisees and their staff who perform an outstanding job as ambassadors for our brands. We look forward to your continued support in the year ahead.

Pierre van Tonder MANAGING DIRECTOR

CORPORATE GOVERNANCE REPORT

OVERVIEW

Spur Corporation is committed to complying with the highest standards of corporate governance in order to safeguard the interests of the company and all its stakeholders. The directors recognise that good governance assists shareholders in assessing the quality of the group and its management and supports investors in their decision-making processes.

The group endorses the Code of Corporate Practices and Conduct contained in the King Committee Report on Corporate Governance (King II) and embraces the principles of integrity, transparency and accountability.

The directors believe that Spur Corporation complies with the principles and spirit of King II and the provisions of the Listings Requirements of the JSE Limited. Governance structures and processes are, however, regularly reviewed to take account of changes within the group and best practices in the corporate governance arena.

BOARD OF DIRECTORS

Board composition

The board comprises four non-executive directors and six executive directors. Non-executive director John Rabb is classified as independent in terms of the King II definition. The other three non-executive directors are not considered as independent as they provide professional services to the group. Keith Madders renders strategic consulting services on an ad hoc basis, Dean Hyde provides professional services on a contractual basis, which cover the group's international operations and black economic empowerment, while Keith Getz is a partner of the group's principal legal counsel.

Ronel van Dijk, the chief financial officer and company secretary, was appointed as an executive director with effect from 1 September 2006.

Background information on the directors and senior management appears on pages 13 to 15 of this report.

The board has delegated authority to the chief executive, executive directors and senior management for the implementation of strategy and the ongoing management of the business. The chairman, Allen Ambor, and the chief executive, Pierre van Tonder, have clearly defined and separate roles. This division of responsibilities ensures a balance of authority and power, with no one individual having unrestricted decision-making powers.

The group has adopted a decentralised approach to managing and controlling the business and implementation is monitored through a structured reporting approach. The directors are apprised of progress through both regular reporting at board meetings and ongoing communications.

The non-executive directors provide a diversity of experience, insight and independent judgement. Directors retire by rotation at least once every three years and are eligible for re-election by shareholders at the annual general meeting. The executive directors do not have service contracts and are subject to the same service conditions as all employees. Non-executive director Dean Hyde has a service contract with the group which expires in December 2006.

The board is responsible for determining the direction of the company through the development of strategic plans, key policies and the approval of financial objectives and targets. The directors are accountable for monitoring operational performance and management, ensuring effective risk management and internal controls, legislative and regulatory compliance and approval of annual financial statements.

The group has no controlling shareholder and there is no shareholder representation on the board.

Board meetings

Formal board meetings are held twice a year and additional meetings can be convened at short notice to discuss urgent business. Board papers and other relevant documentation are circulated to directors well in advance of meetings, allowing them sufficient time to consider the issues on the agenda and to enable them to make informed decisions at board meetings. Directors have unrestricted access to all company information and may meet with management independently of the executive directors. All directors have unrestricted access to the advice and services of the company secretary. They are entitled to seek independent professional advice at the company's expense after consultation with the chairman of the board and the chief executive. No directors exercised this right during the year.

Company secretary

The responsibilities of the company secretary include providing assistance to the chairman in co-ordinating and administering the functioning of the board, the induction of new non-executive directors and ensuring statutory compliance. The appointment and removal of the company secretary is a matter for the board and not executive management.

Board committees

The directors have delegated specific responsibilities to four sub-committees to assist the board in the discharge of its duties. Each committee has a clearly defined mandate and the directors confirm that the committees have functioned in accordance with these written terms of reference during the year.

Audit committee

The audit committee comprises non-executive directors Keith Madders (chairman), Dean Hyde and John Rabb and meets twice a year. Members of executive management, together with external audit partners and staff, attend the meetings by invitation.
The external auditors have unrestricted access to the chairman and members of the committee. The board requires the audit committee to:

- assess the effectiveness of internal controls;
- ensure regulatory and legislative compliance;
- review and approve major accounting and financial reporting issues;
- review and approve the audit service and any non-audit services provided by the external auditors;
- review and approve internal and external audit plans, reports and fees;
- consider internal and external audit findings; and
- ensure that management imposes no limitation on the scope of the audits.

The directors are satisfied that an adequate system of internal control was in place for the year under review and until the time of the approval of the annual report.

Remuneration committee

The remuneration committee consists of the four non-executive directors, namely Keith Madders (chairman), Keith Getz, Dean Hyde and John Rabb and meets once a year. The chief executive attends meetings at the invitation of the committee but is not entitled to vote and does not participate in discussions regarding his own remuneration.

The primary functions of the committee are to:

- establish a formal and transparent procedure for developing a policy on executive remuneration;
- determine remuneration for executive directors and senior management;
- propose fees for non-executive directors;
- assess and review remuneration policies, employee share incentive schemes, performance bonuses and service contracts; and
- determine the award of shares to executives and staff.

Details of the directors' remuneration are disclosed in note 23 on page 57 of the annual report.

Risk management committee

The risk management committee comprises the four non-executive directors - Keith Madders (chairman), Keith Getz, Dean Hyde and John Rabb - and four executive directors, namely Pierre van Tonder, Mark Farrelly, Phillip Joffe and Ronel van Dijk.
A formal meeting takes place once a year, while informal meetings are held on a regular basis during the year. The internal audit function is represented at the formal risk committee meetings.

The committee is tasked with developing and formalising the risk management process, including to:

- identify major risk areas;
- review the risk management process;
- assess the risk appetite of the group;
- assess business sustainability under normal as well as adverse conditions;
- consider the reliability of the accounting records;
- review compliance with applicable laws, regulations and supervisory requirements; and
- review the basis and adequacy of insurance cover.

The risk management committee, together with the internal audit function, provides assurance to the board of directors that information presented to them is accurate, complete and reliable. The internal audit function reports directly to the audit committee.

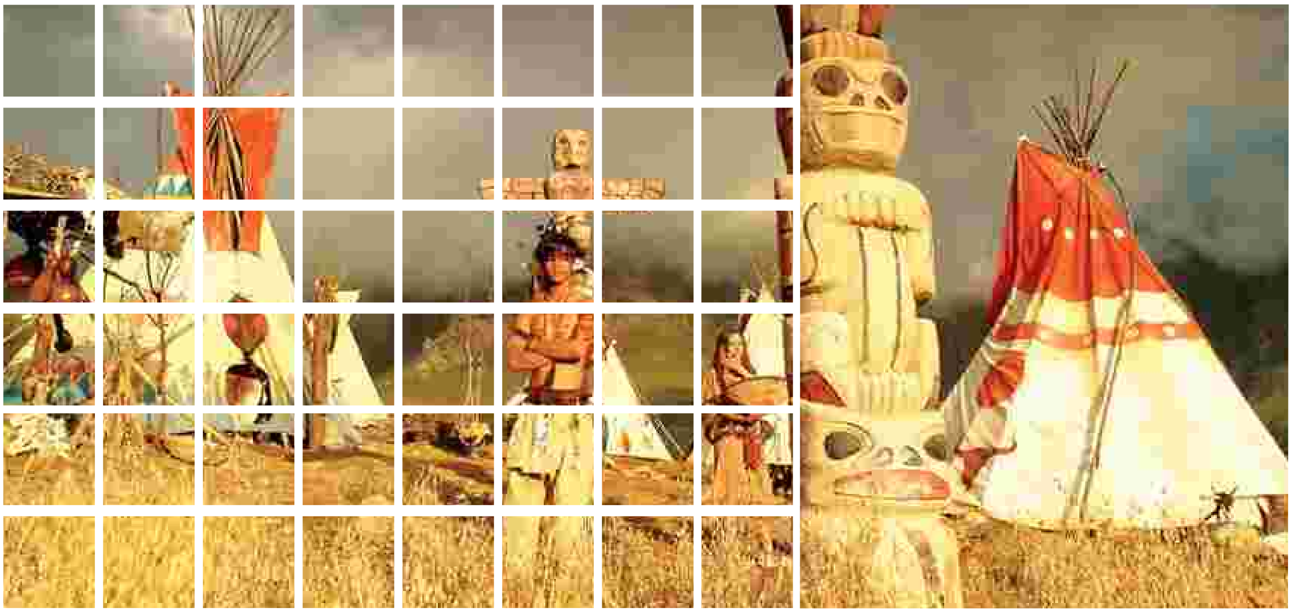
The board is satisfied that an adequate process for identifying, evaluating and managing significant risk was in place for the year under review and until the time of the approval of the annual report.

Nominations committee

The committee consists of all four non-executive directors and meets once a year.

The role of the committee is to:

- identify and nominate qualified candidates to the board;
- ensure that the board has an appropriate balance of skills, experience and diversity;
- advise on the composition of the board, ensuring a balance between executive and non-executive directors; and
- ensure effective succession planning for senior management.



Board attendance

The attendance at board and board sub-committee meetings was as follows:

	Board	Audit	Remuneration	Risk	Nominations
Number of meetings	**2**	**2**	**1**	**1**	**1**
Allen Ambor	2				
Pierre van Tonder	2	2		1	
Mark Farrelly	2				
Keith Getz	2	2	1	1	1
Dean Hyde	2	2	1		1
Phillip Joffe	2	2		1	
Keith Madders	2	2	1		1
John Rabb		1		1	
Kevin Robertson	2				

If directors are unable to attend board meetings they are required to provide feedback on the documentation circulated prior to the meeting and this comment is then incorporated into the meeting. This ensures that the group still receives the benefit of the absent member's knowledge, despite him not being able to attend.

OPERATIONAL COMMITTEES

Human resources productivity committee

The role of this committee is to develop and implement a competitive human resources strategy that will ensure that the company is able to attract, retain and develop the best possible talent to support superior business performance. The committee monitors and reports to the board of directors on progress and compliance with the group's employment equity plans. The committee meets at least once a year and consists of five executive directors and the head of human resources.

New business development committee

This committee provides a forum for debate and discussion on new business opportunities and formulates recommendations to the board. The committee consists of all executive directors and the heads of international development, procurement, information technology, and non-executive directors Keith Madders, Keith Getz and Dean Hyde.

Code of ethics

Spur Corporation has adopted a code of ethics which requires employees to maintain the highest moral and ethical standards in their relationships with stakeholders. The principles contained in the code are integrity; honesty and good faith; impartiality; transparency and openness; and accountability and responsibility.

The board is satisfied that no material breaches of ethical behaviour occurred during the year and confirms that the group continues to comply with the highest standards of business practices.

HUMAN RESOURCES

Spur Corporation subscribes to the philosophy that second only to our trademark, our people are our most valued and important asset. This is supported by the group's mission which includes a focus on making Spur Corporation "a great place to work" for employees.

The group aims to attract, develop and retain highly energised individuals and an increasing focus is being placed on creating a more strategic human capital management environment.

The human resources department implements policies and procedures which not only comply with legislation but also encourage individual flair, innovation and creativity - all essential ingredients in the Spur Corporation context.

These policies also seek to eliminate discrimination in the workplace and the group is committed to removing barriers that will enable previously disadvantaged employees to reach their true potential.

Our policies comply with the requirements of all staff-related legislation, including the Basic Conditions of Employment, the Labour Relations, Employment Equity, and Skills Development Acts.

EMPLOYMENT EQUITY

The group continues to make progress towards achieving demographic representation in its workforce and at year end 40% of employees were non-white. All human resources policies are aligned with the Employment Equity Act and programmes are in place to ensure equal opportunities for all employees. Employment equity policies and targets have been developed in consultation with the group's human resources productivity committee and are tailored to respond appropriately to the group's business and markets. Recruitment policies favour previously disadvantaged individuals.

MALE

Occupational levels	African	Indian	Coloured	White	Total
Top management				5	5
Senior management				18	18
Professionally qualified and experienced specialists and middle-management			3	3	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	8	1	3	28	40
Semi-skilled and discretionary decision making	5		2		7
Unskilled and defined decision making	9				9
Total permanent	**22**	**1**	**8**	**54**	**85**
Non-permanent			2		2
Total	**22**	**1**	**10**	**54**	**87**

FEMALE

Occupational levels	African	Indian	Coloured	White	Total
Top management				1	1
Senior management			1	4	5
Professionally qualified and experienced specialists and middle-management	1			12	13
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1		7	30	38
Semi-skilled and discretionary decision making	4	1	9	7	21
Unskilled and defined decision making	10		1		11
Total permanent	**16**	**1**	**18**	**54**	**89**
Non-permanent	3				3
Total	**19**	**1**	**18**	**54**	**92**

TRAINING

In order to deliver quality products and service to customers, training is critical to the group's success. An in-house training unit ensures that franchisees and their staff, together with head office employees, develop the required skills to perform in line with the group's exacting standards. A wide range of training courses are offered to franchisees at the training centres in Cape Town, Johannesburg and Pietermaritzburg. During the past year 1 450 delegates attended internal and external training workshops.

Several new workshops were added to the training portfolio this year, including topics such as developing and retaining the work force, management business procedures, waitron incentive schemes, leadership skills and key performance area training.

Training videos continue to be an effective method of in-house training for franchisees and during the year a further four videos were produced. These covered store management procedures, positive selling and marketing techniques to increase the average customer spend per head, regulatory fire and safety requirements as well as background on the revamped, healthier salad offering in stores.

Specific restaurants in Gauteng, KwaZulu-Natal and the Eastern Cape have been equipped to provide basic operations training for new franchisees and management. The training ensures that management are capable of operating all areas of a franchise business. During the year 253 people were trained in these facilities. Owing to the rapid growth in new stores over the past year, training facilities have been under pressure and additional training stores are being established in Gauteng and the Western Cape to handle the increased demand.

SKILLS DEVELOPMENT

Financial assistance is provided to employees to develop skills by attending external courses and to undertake part-time studies at universities and other tertiary institutions. Several employees are currently registered for degrees, diplomas and courses through a number of independent institutions. Employees are also encouraged to attend external seminars and training courses to further enhance the skills required for the execution of their daily duties.

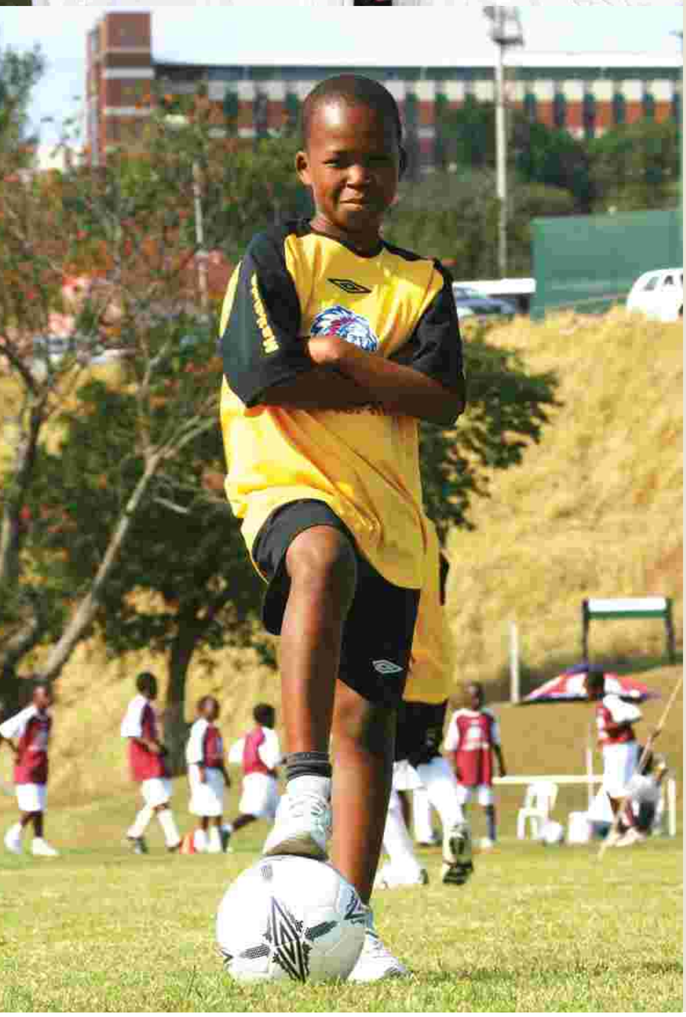
HIV / Aids management

The group is committed to addressing HIV/Aids in a supportive and non-discriminatory manner. An Aids awareness campaign has been conducted for the past four years and includes in-store educational workshops, the distribution of videos and access to free condoms. These initiatives are aimed at educating franchisees and their staff and to equip them with the relevant knowledge to avoid contracting the disease.

SHARE INCENTIVE SCHEME

A share incentive scheme was introduced in December 2004 to allow management to participate in the growth of Spur Corporation and to assist the group in retaining directors and management of the highest calibre. A maximum of 10% of the company's issued share capital has been made available for the scheme. Two-thirds of the shares will vest in December 2009 and the balance in December 2010. Further details on the scheme are contained in note 21 on page 56.

All employees, excluding directors, currently participate in an incentive bonus scheme which is based on group and individual performance.



CORPORATE SOCIAL INVESTMENT

As part of the commitment to transformation and empowerment, Spur Corporation has an active programme of community-focused events aimed at raising funds for disadvantaged children, while at the same time creating awareness of the group as a good corporate citizen.

All funds generated from these events are channelled through credible charities that support the feeding and development of disadvantaged children throughout the country.

The corporate social investment, market development and grassroots marketing functions within Spur have been combined to create more impact and focus, and generate increased benefits for underprivileged children. More than 100 events were undertaken in 2006 and this is anticipated to increase to well over 150 in the 2007 financial year.

The major areas of focus are:

- Spur Soccer Masidlale (meaning “let’s play”) is a national series of one-day interactive events for children from all walks of life. Soccer is used as a mechanism to engage learners aged 8 to 12 and to teach them life skills and encourage self-confidence in a fun environment. Launched in 2005, Masidlale now hosts 400 children from 10 schools in 10 regions. The programme also focuses on the development of coaches.

- Spur has adopted a focus on children’s cycling and sponsors four junior events which are aligned to the country’s major mass participation cycling races. Cycling is one of the fastest growing children’s sports and these events promote a balanced lifestyle.

- Spur Adventure provides an adrenaline-fuelled day for the whole family and participants engage in biking, kloofing, hiking and other outdoor adventure activities. Family events were held in Cape Town, Durban, Port Elizabeth and Johannesburg during 2006 and owing to the popularity of the programme it will be extended to several other centres in the new year.

- Spur Rugby is aimed at developing the game at schools level to assist in the overall transformation of the sport. Spur Steak Ranches also partners with First National Bank to present Classic Clashes, which creates awareness of rugby through televised coverage of schoolboy rugby at about 50 schools throughout the country. Development programmes have been initiated in some of these schools, while Spur will be adopting a disadvantaged school in each region to support and promote the sport.

- The Spur annual charity golf tour aims to raise funds to develop potential junior players within school feeding schemes. Franchisees, suppliers and business partners compete at four regional events, with the final being held in Sun City at the time of the prestigious Nedbank Golf Challenge.

GROUP
CASH VALUE ADDED
STATEMENT
for the year ended 30 June

	2006 R'000	%	2005 R'000	%
Cash derived from revenue	169 639		195 316	
Paid to suppliers for materials and services	(51 946)		(100 398)	
Cash value added	117 693		94 918	
Interest received	4 584		4 823	
Total wealth created	122 277		99 741	
Distributed as follows:				
Employees	33 428	27.3	33 842	33.9
Providers of capital				
- Interest paid	577		-	
- Distributions to shareholders	36 867		32 685	
- Shares repurchased	-		31 375	
	37 444	30.7	64 060	64.2
Monetary exchanges with government				
- Taxation on profit	22 794		13 892	
- PAYE	8 948		10 086	
- VAT	18 095		12 314	
- RSC levies	199		278	
	50 036	40.9	36 570	36.7
Retained/(utilised) to develop future growth	1 369	1.1	(34 731)	(34.8)
Total wealth distributed	122 277	100.0	99 741	100.0

Cash value added is a measurement of the wealth that the group has created in its operations, by adding value to the cost of its raw materials and services purchased. The statement above shows how that wealth was created, and also how it was shared between employees and the providers of funds to the group. The statement takes into account the amounts retained and reinvested in the group for the replacement of assets and the development of future operations.

5 YEAR REVIEW

	Footnote	2006 IFRS R'000	2005 IFRS restated R'000	2005 pre-IFRS R'000	2004 pre-IFRS R'000	2003 pre-IFRS R'000	2002 pre-IFRS R'000
Income statement							
Revenue		182 692	200 632	200 632	181 044	156 139	138 024
Operating profit	1	77 188	66 020	68 531	50 201	36 455	44 375
Net finance income		4 007	4 823	4 823	4 778	4 688	2 707
Profit before taxation		81 195	70 843	73 354	54 979	41 143	47 082
Headline earnings	2	57 971	50 223	51 084	37 223	27 400	36 811
Balance sheet							
Property, plant and equipment		37 612	27 100	26 231	9 086	6 769	7 253
Cash and cash equivalents		45 689	41 637	41 637	76 672	53 417	33 680
Bank overdraft		4 801	1 934	1 934	2 622	3 073	9 148
Cash flow statement							
Net cash flows from operations		18 035	20 496	17 284	26 919	29 025	25 167
Share statistics							
Weighted average number of shares (000's)	2	88 156	90 783	90 783	93 729	94 643	93 822
Earnings per share (cents)	2	65.78	55.79	57.19	39.67	29.23	39.23
Headline earnings per share (cents)	2	65.76	55.32	56.27	39.72	28.95	39.23
Cash flow earnings per share (cents)	3	71.90	63.39	64.32	52.59	51.00	38.52
Operating cash flow per share (cents)	4	20.46	22.57	19.04	28.72	30.67	26.82
Net asset value per share (cents)	5	411.36	381.81	141.60	148.30	136.47	130.55
Distribution per share (cents)	6	47.00	40.00	40.00	30.00	23.50	20.50
Distribution cover (times)	6	1.4	1.4	1.4	1.3	1.2	1.9

	Footnote	2006 IFRS R'000	2005 IFRS restated R'000	2005 pre-IFRS R'000	2004 pre-IFRS R'000	2003 pre-IFRS R'000	2002 pre-IFRS R'000
Stock exchange performance							
Number of shares in issue (000's)		97 633	97 633	97 633	97 633	97 633	97 633
Number of shares traded (000's)		21 155	31 476	31 476	34 611	19 690	38 915
Value of shares traded (R'000)		172 545	170 121	170 121	155 018	63 000	110 000
Percentage of issued shares traded (%)		21.67	32.24	32.24	35.45	20.17	39.86
Market price per share (cents)							
- close		830	650	650	500	330	270
- high		930	650	650	515	340	320
- low		625	431	431	330	265	214
Headline earnings per share yield (%)	7	7.92	8.51	8.66	7.94	8.77	14.53
Distribution yield (%)	8	5.66	6.15	6.15	6.00	7.12	7.59
Price earnings ratio		12.62	11.76	11.55	12.59	11.40	6.88
Market capitalisation (R'000)		810 354	634 615	634 615	488 165	322 189	263 609
Business performance							
Operating profit margin (%)	9	42.99	32.16	32.47	29.92	29.35	27.33
Return on equity (%)	10	16.21	14.60	38.94	29.68	27.27	23.00
Return on assets (%)	11	13.37	12.05	29.69	24.08	23.13	18.55
Liquidity ratio	12	2.44	2.37	2.22	3.28	3.27	2.17

Footnotes:

1 Includes loss/income from associate companies.

2 Refer to note 9 of the annual financial statements on page 51.

3 Operating profit before working capital changes plus net finance income less taxation paid divided by the weighted average number of shares in issue.

4 Net cash flows from operations divided by the weighted average number of shares in issue.

5 Net asset value divided by the number of shares in issue.

6 Interim and final distribution for the year to which it relates.

7 Headline earnings per share divided by the closing share price.

8 Distribution per share divided by the closing share price.

9 Operating profit before headline earnings adjustments and foreign exchange gain/loss divided by revenue.

10 Profit for the year before headline earnings adjustments and foreign exchange gain/loss divided by capital and reserves.

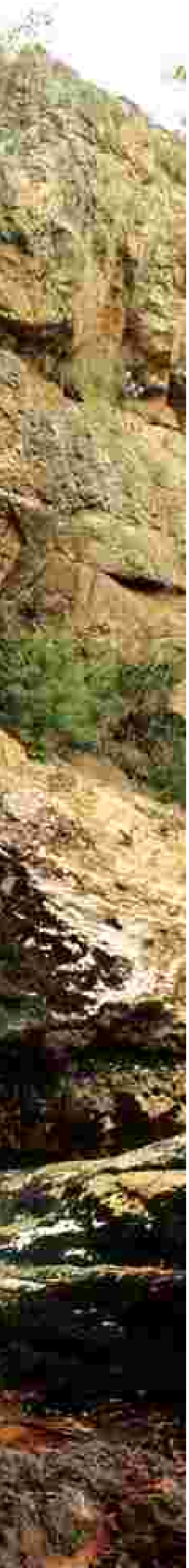
11 Profit for the year before headline earnings adjustments and foreign exchange gain/loss divided by total assets.

12 Current assets divided by current liabilities.

2006

FINANCIAL

STATEMENTS



CONTENTS

DIRECTORS' APPROVAL

The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this annual report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal control and reviews its operation primarily through the Audit Committee and various other risk-monitoring committees. The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system, operating within strict deadlines and an appropriate control framework.

The annual financial statements of the group and the company are prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board (IASB) and the requirements of the South African Companies Act.

The company has elected to adopt IFRS for the year ended 30 June 2006. The financial statements for the year ended 30 June 2006 will be the group's first financial statements prepared in compliance with IFRS and hence IFRS 1 - First time adoption of IFRS has been applied in preparing these financial statements. The group has adopted all applicable IFRSs issued or revised up to 30 June 2006. The explanation of how the transition to IFRS has affected the reported financial position and performance of the group is provided in note 36 to the financial statements. The directors believe that the group and the company will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the group's and the company's annual financial statements.

The external auditors are responsible for reporting on the financial statements.

The annual financial statements and group annual financial statements of Spur Corporation Limited, set out on pages 34 to 72, were approved by the Board of Directors on 9 October 2006 and are signed on its behalf by:

Allen Ambor Executive Chairman

Pierre van Tonder Managing Director

Declaration by Company Secretary

In my capacity as Company Secretary, I hereby confirm, in terms of section 268 G(d), of the Companies Act, 1973, that for the year ended 30 June 2006, Spur Corporation Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

Ronel Van Dijk
Secretary
9 October 2006

INDEPENDENT AUDITORS' REPORT

To the members of SPUR CORPORATION LIMITED

We have audited the annual financial statements and group annual financial of Spur Corporation Limited set out on pages 34 to 72 for the year ended 30 June 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group at 30 June 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

KPMG Inc

KPMG Inc.
Registered Auditor

Per P Farrand
Chartered Accountant (SA)
Registered Auditor
Director
9 October 2006

KPMG Cape Town
1 Mediterranean Street, Foreshore, Cape Town

DIRECTORS' REPORT

The directors present their seventh annual report, which forms part of the audited financial statements of the company and of the group for the year ended 30 June 2006.

NATURE OF THE BUSINESS

Spur Corporation Limited is a holding company. Through its subsidiaries, primarily Spur Group (Pty) Ltd and Spur International Ltd, the group carries on the business of franchisor in the family sit-down restaurant market. Through subsidiaries, Spur Advertising (Pty) Ltd, Panarottis Advertising (Pty) Ltd and John Dory's Advertising (Pty) Ltd, the group provides marketing and promotional services to franchisees.

FINANCIAL REVIEW

Group revenue declined by 8.9% to R182.7 million (2005: R200.6 million) as a result of the outsourcing of the national distribution of restaurant supplies from the group's central kitchens to an independent distributor. The outsourcing of this function is already proving beneficial to the group and will have a positive effect on profitability and operating margins in the long term. Apart from significantly reducing the inventory related risks, credit related risks, cost of debt collection and creditor account reconciliations, the outsourcing has the potential to contribute to the maintenance of the highest possible standards in hygiene and quality foods.

Operating profit grew by 17.2% to R77.4 million (2005: R66.1 million), benefiting from disciplined cost control and restaurant revenue growth.

Headline earnings increased by 15.4% to R58.0 million (2005: R50.2 million). Headline earnings per share rose by 18.9% to 65.76 cents (2005: 55.32 cents) while diluted headline earnings per share increased by 17.7% to 65.10 cents (2005: 55.32 cents).

SHARE CAPITAL

The number of authorised shares has remained at 201 000 000 ordinary shares of 0.001 cents each, for the year ended 30 June 2006.

The number of issued shares, net of treasury shares has remained at 88 155 507 ordinary shares for the year ended 30 June 2006.

INTEREST IN SUBSIDIARY COMPANIES

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

	Country of Incorporation	Issued capital R'000	Loans to subsidiary companies R'000	Interest %
Trading				
- Spur International Ltd*	British Virgin Islands	0.1	-	100
- Spur Group (Pty) Ltd	South Africa	0.1	119 818	100
- Spur Advertising (Pty) Ltd*	South Africa	0.1	-	100
- Panarottis Advertising (Pty) Ltd*	South Africa	0.1	-	100
- Share Buy-Back (Pty) Ltd	South Africa	0.1	-	100
- Spur Group Properties (Pty) Ltd	South Africa	0.1	3 265	100
- John Dory's Franchise (Pty) Ltd*	South Africa	0.1	-	60
- John Dory's Advertising (Pty) Ltd*	South Africa	0.1	-	100
- Vantini Spur Ltd*	Gibraltar	0.1	-	100
- Spur Steak Ranches International BV*	The Netherlands	0.1	-	100
- Spur Steak Ranches Unit Trust*	Australia	0.1	-	100
Dormant		0.8	-	100

* Indirect

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

	2006 R'000	2005 R'000
Profits	59 972	50 615
Losses	(2 370)	(250)

The group also consolidates Maxshell 72 Investments (Pty) Ltd and The Spur Management Share Trust, in which it does not hold shares, as per the JSE Listing Regulations.

DISTRIBUTIONS

A final distribution, in respect of the 2005 financial year, of 20.0 cents per share, by way of a reduction of share premium, was paid to shareholders on 10 October 2005.

An interim distribution of 22.0 cents per share, by way of a reduction of share premium, was paid to shareholders on 27 March 2006.

The directors have approved a final distribution of 25.0 cents per share, by way of a reduction of share premium, to be paid in cash on 9 October 2006.

SPECIAL RESOLUTION

On 2 December 2005, at the company's annual general meeting, a special resolution was passed in terms of which:
- the directors were granted the authority to contract the company, or one of its wholly-owned subsidiaries, to acquire shares in the company issued by it, should the company comply with the relevant statutes and authorities applicable thereto.

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

MATERIAL CHANGES

Save as disclosed herein, no material changes in the financial or trading position of the company or its subsidiaries have taken place to the date of this report.

DIRECTORS AND SECRETARY

On 1 September 2006, Ronel van Dijk, formerly the Chief Financial Officer of Spur Corporation, was appointed as Financial Director. Details of the directors as at the date of this report, together with the name, business and postal address of the company secretary, are set out on pages 13, 14 and 76. The secretary, Ronel van Dijk, has certified that the company has lodged with the Registrar of Companies all such returns as required by a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

In terms of the company's Articles of Association, Dean Hyde, Mark Farrelly, Kevin Robertson and Keith Getz retire at the forthcoming annual general meeting. These gentlemen, all being eligible, offer themselves for re-election. Service agreements with the directors of Spur Corporation at the date hereof do not impose any abnormal notice periods on the company.

Shareholders will be asked to confirm these re-appointments at the forthcoming annual general meeting.

DIRECTORS' INTERESTS

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

Shares
Details of directors' beneficial direct and indirect interests in the ordinary shares are as follows:

	2006 No. of shares	%*	2005 No. of shares	%*
Allen Ambor	3 901 294		3 901 294	
Pierre van Tonder	1 540 790		2 040 790	
Mark Farrelly	1 192 666		1 363 031	
Kevin Robertson	749 156		1 090 680	
Phillip Joffe	300 000		375 000	
Keith Madders	1 112 022		1 112 022	
Dean Hyde	475 256		640 801	
Keith Getz	2 491		2 491	
John Rabb	60 000		60 000	
Total	9 333 675	10.6	10 586 109	12.0

During the period from year end (30 June 2006) to the date of this annual report, the following directors reduced their interest in Spur Corporation shares:

	No. of shares sold
Mark Farrelly	60 365
Dean Hyde	90 545

Shares allocated to non-executive directors in terms of the management incentive scheme (refer note 21):

	2006 No. of shares	2005 No. of shares
Dean Hyde	300 000	300 000
Keith Getz	234 111	234 111
Keith Madders	280 934	280 934

*These percentages are based on shares in issue less shares repurchased by subsidiary companies.

SHAREHOLDERS' INTEREST IN SHARES

Major shareholders

The following are shareholders holding 3% or more of the Company's issued share capital at 30 June 2006:

	No. of shares	%*
Allan Gray	17 837 053	18.5
Old Mutual Group	12 843 079	13.3
Maxshell 72 Investments (Pty) Ltd**	8 274 043	8.6
Nedbank Group	5 763 615	6.0
Investec	4 704 198	4.9
Spur Investment Services	3 305 862	3.4
Momentum Life Assurers	3 455 660	3.6
Allen Ambor	3 092 172	3.2
Public Investment Corporation	2 940 942	3.0

*These percentages are based on shares in issue less shares repurchased by subsidiary companies but include shares held by Maxshell 72 Investments (Pty) Ltd.
** This holding relates to shares held in terms of the Spur Management Share Incentive Scheme, details of which are disclosed in note 21 of this Annual Report.

Analysis of shareholding

An analysis of the spread of shareholding is presented below:

Shareholder spread	No. of shareholders	%	No. of shares	%
1 – 10 000 shares	1 298	77.6	3 428 347	3.5
10 001 – 25 000 shares	153	9.1	2 450 805	2.5
25 001 – 50 000 shares	73	4.4	2 718 564	2.8
50 001 – 100 000 shares	49	2.9	3 681 959	3.8
100 001 – 500 000 shares	68	4.1	15 657 662	16.0
500 001 – 1 000 000 shares	11	0.7	8 022 434	8.2
1 000 001 shares and over	20	1.2	61 673 062	63.2
	1 672	**100.0**	**97 632 833**	**100.0**

Distribution of shareholders	No. of shareholders	%	No. of shares	%
Individuals	1 261	75.4	11 445 282	11.7
Investment companies	7	0.4	461 285	0.5
Insurance companies	10	0.6	10 612 308	10.9
Mutual funds	66	4.0	41 273 814	42.3
Pension funds	56	3.3	13 115 907	13.4
Banks and nominees	174	10.4	4 665 478	4.8
Other corporate bodies	98	5.9	16 058 759	16.4
	1 672	**100.0**	**97 632 833**	**100.0**

POST BALANCE SHEET EVENT

No material fact or circumstances have occurred between the accounting date and the date of this report.

COMPANY INFORMATION

The company's registration number and registered address are presented on page 76. Shareholders and members of the public are advised that the register of the interest of directors, executives, senior management and other shareholders in the shares of the company is available upon request from the Company Secretary.

PIERRE VAN TONDER
Managing Director

GROUP INCOME STATEMENT for the year ended 30 June

	Note	2006 R'000	2005 R'000
Revenue	3	182 692	200 632
Cost of sales		(36 103)	(75 846)
Gross profit		146 589	124 786
Other operating income	4	7 510	6 876
Distribution expenses		(3 403)	(3 575)
Administration expenses		(46 914)	(38 485)
Other operating expenses		(26 341)	(23 502)
Operating profit before finance income	5	77 441	66 100
Net finance income		4 007	4 823
Finance income	6	4 584	5 076
Finance expense	6	(577)	(253)
Share of loss of associate companies	7	(253)	(80)
Profit before taxation		81 195	70 843
Taxation	8	(23 528)	(20 114)
Profit for the year		57 667	50 729
Attributable to:		57 667	50 729
Equity holders of parent		57 989	50 645
Minority (deficit)/interest		(322)	84
Per share (cents)			
Basic earnings	9	65.78	55.79
Diluted basic earnings	9	65.12	55.79

GROUP

BALANCE SHEET

at 30 June

	Note	2006 R'000	2005 R'000
ASSETS			
Non-current assets		**346 849**	**330 636**
Property, plant and equipment	10	37 612	27 100
Intangible assets	11	271 865	271 865
Interest in associate companies	7	11 258	6 678
Loans receivable	12	14 791	11 940
Deferred taxation	13	11 323	13 053
Current assets		**92 707**	**77 328**
Inventory	14	2 232	5 024
Trade and other receivables	15	40 311	26 660
Loans receivable	12	1 631	1 420
Cash and cash equivalents	34	45 689	41 637
Taxation		2 844	2 587
TOTAL ASSETS		**439 556**	**407 964**
EQUITY AND LIABILITIES			
Equity		**362 640**	**336 591**
Ordinary share capital	16	1	1
Share premium (net of treasury shares)		82 239	119 265
Foreign currency translation reserve		5 450	1 546
Share-based payments reserve	21	16 313	14 809
Retained earnings	17	258 875	200 886
Total equity attributable to equity holders of the parent		362 878	336 507
Minority shareholder (deficit)/interest		(238)	84
Non-current liabilities			
Deferred taxation	13	37 939	32 570
Current liabilities		**38 977**	**38 803**
Trade and other payables	18	18 220	19 565
Loans payable	19	9 023	5 036
Shareholders for distribution		372	213
Taxation		6 561	12 055
Bank overdraft	34	4 801	1 934
TOTAL EQUITY AND LIABILITIES		**439 556**	**407 964**

Statement of Changes in GROUP EQUITY

for the year ended 30 June

	Note	Number of shares (net of treasury shares) 000	Share Capital R'000	Share Premium R'000	Shares repurchased by subsidiary R'000	FCTR R'000	Share-based payments reserve R'000	(Accumulated loss)/ retained earnings R'000	Minority interest/ (deficit) R'000	Total R'000
Balance at 1 July 2004 - as previously stated		93 466	1	192 929	(9 635)	-	-	(44 688)	-	138 607
IFRS adjustments	36							196 614		196 614
Restated balance at 1 July 2004		93 466	1	192 929	(9 635)	-	-	151 926		335 221
Profit for the year - as previously stated								51 922		51 922
IFRS adjustments	36 & 21					1 546	752	(1 277)		1 021
Attributable earnings - restated								50 645		
Other adjustment										
Deferred taxation	21 & 36						14 057			14 057
Minority interests									84	84
Taxation charged to equity								(1 685)		(1 685)
Distributions	20			(35 148)	2 494					(32 654)
Shares repurchased		(5 310)			(31 375)					(31 375)
Restated balance at 30 June 2005		**88 156**	**1**	**157 781**	**(38 516)**	**1 546**	**14 809**	**200 886**	**84**	**336 591**
Attributable earnings for the year								**57 989**		**57 989**
Distributions	20			**(41 006)**	**3 980**					**(37 026)**
Share-based payments	21						**1 504**			**1 504**
Foreign currency translation						**3 904**				**3 904**
Minority deficit									**(322)**	**(322)**
Balance at 30 June 2006		**88 156**	**1**	**116 775**	**(34 536)**	**5 450**	**16 313**	**258 875**	**(238)**	**362 640**

GROUP CASH FLOW STATEMENT

for the year ended 30 June

	Note	2006 R'000	2005 R'000
Cash generated from operations			
Operating profit before working capital changes	29	82 175	67 547
Working capital changes	30	(8 486)	(5 297)
Cash generated from operations		73 689	62 250
Interest received		4 584	5 076
Interest paid		(577)	(253)
Taxation paid	31	(22 794)	(13 892)
Distributions paid	32	(36 867)	(32 685)
		18 035	20 496
Cash flow from investing activities		(16 666)	(23 852)
Additions to property, plant and equipment		(13 928)	(21 768)
Proceeds from disposal of property, plant and equipment		45	3 062
Acquisition of associate company		(274)	(742)
(Increase)/decrease in interest in associate companies and loans receivable		(2 509)	96
Acquisition of subsidiary	33	-	(4 500)
Cash flow from financing activities		-	(31 375)
Shares repurchased		-	(31 375)
Net movement in cash and cash equivalents		1 369	(34 731)
Adjustment for foreign exchange fluctuations		(184)	384
Net cash and cash equivalents at beginning of the year		39 703	74 050
Net cash and cash equivalents at end of the year	34	40 888	39 703

Notes to the

FINANCIAL

STATEMENTS

1. ACCOUNTING POLICIES

Spur Corporation Limited is domiciled in South Africa. The consolidated financial statements of the Company for the year ended 30 June 2006 comprise the company and its subsidiaries and the group's interest in associates (together referred to as the "group").

The financial statements were authorised for issue by the directors on 9 October 2006.

The financial statements are presented in South African Rands, rounded to the nearest thousand, unless otherwise stated. They are prepared on the going concern and historical cost basis, unless otherwise stated.

1.1 STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB). These are the Group's first consolidated financial statements under IFRS and IFRS 1 has been applied. An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the group is provided in note 36.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses (refer note 35). The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 July 2004 for the purposes of the transition to IFRS.

The accounting policies have been applied consistently by all group entities.

1.2 BASIS OF CONSOLIDATION

1.2.1 Investment in subsidiaries

The group financial statements include the financial statements of the company and the entities that it controls. Control is achieved where the company has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements are included in the consolidated financial statements of the group, from the dates that control commences until the date that control ceases.

As the company controls the Spur Management Incentive Share Trust ("share trust") and Maxshell 72 Investments (Pty) Limited, these entities have been consolidated into the group financial statements.

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

1.2.2 Investment in associates
Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its investment in an associate, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate.

1.2.3 Transactions eliminated on consolidation
Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.2.4 Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to rands at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to rands at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity called a foreign currency translation reserve ("FCTR").

1.2.5 Net investment in foreign operations
Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to a translation reserve. They are released into the income statement upon disposal.

The group has elected for the cumulative translation differences of all foreign operations to be set to zero at the date of transition to IFRS.

1.3 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to rand at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to rands at foreign exchange rates ruling at the dates the fair value was determined.

1.4 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses.

Certain items of property, plant and equipment that had been revalued to fair value on 1 July 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

Subsequent costs
The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that the economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

• buildings	50 years
• plant, equipment and vehicles	5 years
• fixtures and fittings	6.67 years
• computer equipment	3 years
• computer software	2 years

The residual values, if not insignificant, are reassessed annually.

1.5 INTANGIBLE ASSETS

Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, and associates. In respect of business acquisitions that have occurred since 1 July 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

In respect of acquisitions prior to 1 July 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classifications and accounting treatment of business combinations that occurred prior to 1 July 2004 has not been recognised in preparing the group's opening IFRS balance sheet at 1 July 2004.

Intangible assets with an indefinite useful life and intangible assets not yet brought into use are systematically tested for impairment at each balance sheet date.

Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.
Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets
Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

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

1.6 IMPAIRMENT

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

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

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

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

Goodwill and indefinite-lived intangible assets were tested for impairment at 1 July 2004, the date of transition to IFRS, even though no indication of impairment existed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

The recoverable amount of the group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.7 INVENTORY

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

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

1.8 LEASES

1.8.1 Finance leases
Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Finance leases are recognised as assets and liabilities at amounts equal, at the inception of the lease, to the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease when it is practicable to determine; otherwise the group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the cost of the asset. Lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charge is allocated to the periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to a depreciation expense for the asset as well as finance expenses for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

1.8.2 Operating leases
Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

1.9 CASH AND CASH EQUIVALENTS

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

1.10 TAXATION

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

1.11 SHARE CAPITAL

1.11.1 Repurchase of share capital
When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

1.11.2 Dividends
Dividends and capital distributions are recognised as a liability in the period in which they are declared. Capital distributions on treasury shares are eliminated against share premium.

1.12 FINANCIAL INSTRUMENTS

1.12.1 Measurement
Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below:

Investments
Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other financial instruments held by the group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such a debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognised/derecognised by the group on the date it commits to purchase/sell the investments. Securities held-to-maturity are recognised/derecognised on the day they are transferred to/by the group.

Trade and other receivables (including loans)
Trade and other receivables (including loans) originated by the group are stated at their amortised cost less impairment losses as appropriate.

Cash and cash equivalents
Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities
Financial liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis. Financial liabilities designated as at fair value through profit or loss are carried at fair value.

Derivative instruments
The group uses derivative financial instruments to hedge its exposure to foreign exchange from operational financing. In accordance with its treasury policy the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

1.12.2 Gains and losses on subsequent measurement
Gains and losses arising from a change in the fair value of financial instruments, that are not part of a hedging relationship, are included in income in the period in which the change arises. Gains and losses on available-for-sale financial assets are recognised directly in equity.

The effective portion of gains and losses from remeasuring the hedging instruments relating to a cash flow hedge to fair value are initially recognised directly in equity. The ineffective portion is recognised in profit or loss. If the group expects that a portion of a loss recognised directly in equity will not be recovered in one or more future periods it classifies into profit or loss the amount that will not be recovered. If the hedged firm commitment or forecast transaction results in the recognition of an asset or a liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss in the period when the commitment or forecast transaction affects profit or loss.

Where the hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the income statement immediately.

1.12.3 Offset
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.13 REVENUE

Revenue compromises franchise-related fees and proceeds from the sale of supplies and promotional items. All revenue is stated exclusive of value added taxation and net of transaction with group companies.

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

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

1.14 ADMINISTRATION FEES

Administration fees are invoiced on a monthly basis and recognised as services are rendered.

1.15 INVESTMENT INCOME

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group. Dividends are recognised when the right to receive payment is established.

1.16 EMPLOYEE BENEFITS

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

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

1.16.2 Long-term employee benefits
The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows resulting from employees' services provide to the balance sheet date.

In determining the liability for employee benefits, consideration is given to future increases in wage and salary rates, and the group's experience with staff turnover.

Liabilities for employee benefits which are not expected to be settled within 12 months are discounted using the market yields, at the balance sheet date, on high-quality bonds with terms which most closely match the terms of maturity of the related liabilities.

1.16.3 Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

1.16.4 Share-based payment transactions
The share incentive programme allows group employees to acquire shares of the company. The fair value of shares/options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares. The fair value of the options granted is measured using a binomial option model, taking into account the terms and conditions upon which the shares were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

1.17 PROVISIONS

A provision is recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

1.18 SEGMENT REPORTING

The group is a franchisor, wholesaler and distributor of branded goods. On a primary segment basis, the group is organised into two major operating divisions:

- Wholesale and distribution; and
- Franchise

On a secondary segment basis, the geographical location of the group's operations has been identified. The basis of segment reporting is representative of the internal structure used for management reporting.

Segment profit includes revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the group's balance sheet.

2. GROUP SEGMENT REPORT

BUSINESS SEGMENT DATA

	2006 R'000	%	2005 R'000	%
REVENUE				
Wholesale and distribution	73 852	40.4	110 165	54.9
Franchise - Spur	86 548	47.4	73 494	36.6
Franchise - Other	19 435	10.6	14 278	7.1
Corporate services	2 857	1.6	2 695	1.4
Group revenue	**182 692**	**100.0**	**200 632**	**100.0**
OPERATING PROFIT				
Wholesale and distribution	26 303	34.0	20 996	31.8
Franchise - Spur	72 326	93.4	61 470	93.0
Franchise - Other	6 507	8.4	6 304	9.5
Corporate services	(27 695)	(35.8)	(22 670)	(34.3)
Group profit before taxation	**77 441**	**100.0**	**66 100**	**100.0**
TOTAL ASSETS				
Wholesale and distribution	29 629	6.8	22 706	5.6
Franchise	346 521	78.8	331 998	81.3
Other	63 406	14.4	53 260	13.1
Group assets	**439 556**	**100.0**	**407 964**	**100.0**
TOTAL LIABILITIES				
Wholesale and distribution	1 589	2.1	4 408	6.2
Franchise	57 286	74.4	49 611	69.5
Other	18 041	23.5	17 354	24.3
Group liabilities	**76 916**	**100.0**	**71 373**	**100.0**
CAPITAL EXPENDITURE				
Wholesale and distribution	10 684	76.7	18 318	84.1
Franchise	3 224	23.1	3 246	14.9
Other	20	0.2	239	1.0
Group capital expenditure	**13 928**	**100.0**	**21 803**	**100.0**

GEOGRAPHICAL SEGMENT DATA

	South Africa R'000	Other African Countries R'000	International R'000	Total R'000
2006				
Group revenue	176 012	2 844	3 836	182 692
Group assets	407 075	850	31 631	439 556
Group capital expenditure	13 928	-	-	13 928
2005				
Group revenue	195 306	2 550	2 776	200 632
Group assets	381 474	1 430	25 060	407 964
Group capital expenditure	21 798	-	5	21 803

3. REVENUE

	2006 R'000	2005 R'000
Wholesale and distribution	73 852	110 165
Franchise	108 840	90 467
	182 692	200 632

The prior year amounts have been restated between the two categories due to a change in classification. The amounts previously disclosed for Wholesale and distribution, and Franchise income categories amounted to R107 449 000 and R93 183 000, respectively.

4. OTHER OPERATING INCOME

	2006 R'000	2005 R'000
Advertising administration fees	7 510	6 876

5. OPERATING PROFIT BEFORE FINANCE INCOME

The following items have been taken into account in determining operating profit before financing income:

	2006 R'000	2005 R'000
Administration fees	37	142
Auditors' remuneration	498	864
- Audit fees	493	580
- Other fees	5	284
Consulting fees	4 182	2 147
Depreciation	3 386	2 142
- Buildings	158	116
- Furniture and fittings	391	389
- Plant, equipment and vehicles	1 487	883
- Computer equipment	1 350	754
Directors' emoluments (refer note 23)	8 184	7 697
Foreign exchange loss/(gain)	1 119	(980)
Reversal of impairment loss (refer note 7.2)	(1 779)	-
Operating lease charges	1 766	2 226
Pension expenses - defined contribution plan	3 899	3 431
Profit on disposal of property, plant and equipment	(18)	(593)
Research costs	174	228
Reversal of impairment of taxation receivable	-	(1 267)
Share-based payment expense (refer note 21)	2 118	1 059

6. NET FINANCE INCOME

	2006 R'000	2005 R'000
Finance income	4 584	5 076
Finance expense	(577)	(253)
	4 007	4 823

7. INTEREST IN ASSOCIATE COMPANIES

	2006 R'000	2005 R'000
7.1 Carrying amount at beginning of year	1 161	458
Forex movement	32	49
Equity accounted loss of associate companies	(253)	(80)
Acquisition of associate	274	742
Sale of investment	-	(8)
Carrying amount at end of year	1 214	1 161
Consisting of:		
Unlisted shares at cost	1 104	798
Group's share of post acquisition reserves	110	363
	1 214	1 161
Loans to associate companies	10 044	5 517
	11 258	6 678

Loans to associate companies are unsecured, interest free and no fixed dates for repayment have been determined.

7.2 Analysis of interest in associate companies

	Effective holdings %	Cost of shares R'000	Loans in foreign currency '000	Foreign currency	Loans in Rands R'000	Share in post acquisition reserves R'000	Total R'000
Bathspur Holdings Pty Ltd (Australia)*	40.0	0.5	-	AUS$	-	-	0.5
Bathspur Pty Ltd (Australia)*	13.3	-	150	AUS$	795	-	795
Panhold Pty Ltd (Australia)*	40.0	2	166	AUS$	885	-	887
Pan Pen Pty Ltd (Australia)*	13.3	-	-		-	494	494
Spur Steak Ranches Unit Trust (Australia)*	50.0	6	890	AUS$	4 720	104	4 830
Kelseys Northwharf (Pty) Ltd	20.0	-	-		-	104	104
Pangara Holdings Pty Ltd (Australia)*	70.0	0.5	151	AUS$	805	-	805.5
Pangara Pty Ltd (Australia)*	23.3	-	-		-	-	-
Mohawk Spur Limited*	30.0	821	175	GBP	2 307	(318)	2 810
Caspur Pty Ltd (Australia)	40.0	274	145	EURO	1 324	(274)	1 324
Impairment provision		-	-	-	(792)	-	(792)
		1 104			10 044	110	11 258

* Indirect

All associate companies operate as restaurants. All the above loans are denominated in the foreign currencies indicated above.
These loans are all uncovered and are converted into South African Rands at the ruling exchange rates as at 30 June 2006, as follows:
- AUS $1: R 5.3080
- GBP £1: R13.2046
- EURO 1: R9.1575

The financial information used in determining the share of post acquisition reserves in associates was sourced from unaudited management accounts at 30 June 2006 of the respective associates. The majority of the associates are not audited because no statutory requirement exists for audits to be performed in the event that the turnover is below a specified threshold.

Summarised financial position of associates - 100%

	Assets R'000	Liabilities R'000	Equity R'000	Revenue R'000
2006	25 980	23 825	2 155	50 235
2005	23 743	19 922	3 821	43 373

Reversal of impairment provision

	2006 R'000
Reversal of impairment provision – loan receivables	2 615
Impairment of trade receivables (note 15)	(836)
	1 779

With the exception of Bathspur Pty Ltd and Panarottis Parramatta (included in trade receivables - refer note 15), both in Australia, the past year has seen a marked improvement in the acceptance of our Spur and Panarottis brands in Australia, as well as in the United Kingdom. Management therefore deemed it appropriate to reverse the impairment provision previously recognised against the loans due from associate entities. Amounts due from Bathspur Pty Ltd and Panarottis Parramatta have been fully provided against.

8. TAXATION

			2006 R'000	2005 R'000
8.1	**Normal taxation**			
	Current	- current year	17 043	13 810
		- prior year	-	972
	Deferred	- current year	6 485	5 185
		- prior year	-	147
			23 528	20 114
8.2	**Reconciliation of rate of taxation**		**%**	**%**
	South African normal tax rate		29.0	29.0
	- Withholding tax		0.7	-
	- Taxation losses utilised		-	(0.1)
	- Permanent differences		(0.4)	(0.5)
	- Other		(0.3)	-
	Effective rate		29.0	28.4

	2006 R'000	2005 R'000
Estimated group taxation losses available for set-off against future taxable income	3 808	2 849

Of the taxation losses available, R278 000 (2005: Rnil) has been recognised as a deferred taxation asset (also refer note 13).

Secondary taxation on companies (STC) of R28.763 million (2005: R22.321 million) would be payable in the event that the group and the company decided to declare all of its distributable reserves as a dividend.

9. EARNINGS AND HEADLINE EARNINGS PER SHARE

9.1 Earnings per share
The calculation of earnings per share is based on earnings attributable to equity holders of the parent of R57.989 million (2005: R50.645 million) and a weighted average number of 88 155 507 (2005: 90 783 272) ordinary shares in issue.

Reconciliation of the weighted average number of ordinary shares:	2006 000's	2005 000's
Shares in issue at beginning of year	97 633	97 633
Shares repurchased at beginning of year	(9 477)	(4 167)
Buy-back of shares (weighted average for the year)	-	(2 683)
	88 156	90 783

Reconciliation of diluted number of shares:	2006 000's	2005 000's
Weighted average number of shares	88 156	90 783
Dilutive effect of share scheme	892	-
	89 048	90 783

9.2 Headline earnings per share
The calculation of headline earnings per share is based on a weighted average number of 88 155 507 (2005: 90 783 272) ordinary shares in issue during the year. Headline earnings are calculated as follows:

Reconciliation between earnings:	2006 R'000	2005 R'000
Earnings attributable to equity holders of the parent	57 989	50 645
Profit on disposal of property, plant and equipment	(18)	(422)
Headline earnings	57 971	50 223

Statistics		
- Earnings per share (cents)	65.78	55.79
- Diluted earnings per share (cents)	65.12	55.79
- Headline earnings per share (cents)	65.76	55.32
- Diluted headline earnings per share (cents)	65.10	55.32

10. PROPERTY, PLANT AND EQUIPMENT

2006	Land and buildings R'000	Furniture and fittings R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Total R'000
COST					
Balance at 1 July 2005	18 044	2 894	8 240	6 646	35 824
Additions	10 337	539	1 426	1 626	13 928
Disposals	-	(95)	(62)	(36)	(193)
Forex differences	-	-	-	2	2
Balance at 30 June 2006	28 381	3 338	9 604	8 238	49 561
ACCUMULATED DEPRECIATION					
Balance at 1 July 2005	(98)	(1 754)	(2 725)	(4 147)	(8 724)
Disposals	-	88	62	16	166
Depreciation	(158)	(391)	(1 487)	(1 350)	(3 386)
Forex differences	-	-	-	(5)	(5)
Balance at 30 June 2006	(256)	(2 057)	(4 150)	(5 486)	(11 949)
NET BOOK VALUE					
Balance at 1 July 2005	17 946	1 140	5 515	2 499	27 100
Additions	10 337	539	1 426	1 626	13 928
Disposals	-	(7)	-	(20)	(27)
Depreciation	(158)	(391)	(1 487)	(1 350)	(3 386)
Forex differences	-	-	-	(3)	(3)
Balance at 30 June 2006	28 125	1 281	5 454	2 752	37 612

2005	Land and buildings R'000	Furniture and fittings R'000	Plant, equipment and vehicles R'000	Computer equipment R'000	Total R'000
COST					
Balance at 1 July 2004	6 232	2 710	3 350	4 295	16 587
Additions	14 027	402	4 964	2 410	21 803
Disposals	(2 215)	(218)	(74)	(51)	(2 558)
Forex differences	-	-	-	(8)	(8)
Balance at 30 June 2005	18 044	2 894	8 240	6 646	35 824
ACCUMULATED DEPRECIATION					
Balance at 1 July 2004	-	(1 387)	(1 891)	(3 398)	(6 676)
Disposals	18	22	49	-	89
Depreciation	(116)	(389)	(883)	(754)	(2 142)
Forex differences	-	-	-	5	5
Balance at 30 June 2005	(98)	(1 754)	(2 725)	(4 147)	(8 724)
NET BOOK VALUE					
Balance at 1 July 2004	6 232	1 323	1 459	897	9 911
Additions	14 027	402	4 964	2 410	21 803
Disposals	(2 197)	(196)	(25)	(51)	(2 469)
Depreciation	(116)	(389)	(883)	(754)	(2 142)
Forex differences	-	-	-	(3)	(3)
Balance at 30 June 2005	17 946	1 140	5 515	2 499	27 100

11. INTANGIBLE ASSETS

	2006 R'000	2005 R'000
Balance at 1 July	271 865	263 400
Acquisitions through business combinations	-	8 465
Balance at 30 June	271 865	271 865

The above trademarks consist of the Spur, Panarottis and the John Dory's trademarks. The directors evaluated the indefinite life assessment of the intangibles at year end and believe that there is no foreseeable limit to the period over which the intangibles are expected to generate cash inflows for the group, which supports the indefinite useful life assessment of these intangibles.

Management considered the expected cash inflows to be generated by the intangible assets and after applying a discount rate of 15%, management concluded that no impairment of the intangible assets is required. In addition, various sensitivity analyses were run by changing the key variables in the calculation and the recoverable amounts exceeded the carrying amount in all instances. The expected cash inflows were determined after taking into account a total number of 26 new restaurants to be opened in the 2007 financial year (16 Spur Steak Ranches, 5 Panarottis Pizza Pasta and 5 John Dory's Fish & Grill outlets), with a conservative 6% growth rate in franchise fee income thereafter.

12. LOANS RECEIVABLE

	2006 R'000	2005 R'000
12.1 Trinity Leisure (United Kingdom)		
Amount outstanding at year-end	11 597	12 073
Balance of initial loss recognised at inception of loan	(884)	(1 219)
	10 713	10 854
Current portion included in current assets	(1 151)	(940)
	9 562	9 914

The loan is denominated in Pound Sterling and converted into South African Rands using an exchange rate of £1:R13.2046. At year-end the uncovered amount outstanding, before the initial loss at inception, amounted to £878 000.

The loan is secured by shares in the borrower's business and is interest free up to 30 June 2008, whereafter it becomes interest bearing at a rate equal to the UK base rate plus 2 percentage points. The loan is repayable in monthly instalments of at least £10 000, payable on the last day of each month until the loan is repaid in full. The first repayment was received on 30 June 2004 with the last payment expected on 30 September 2013.

	2006 R'000	2005 R'000
12.2 Golden Spur Limited (Nairobi)	347	464

The loan is unsecured, interest-free and no repayment date has been determined. The loan is denominated in foreign currency which at year end amounted to US$ 47 554 (2005: US$ 69 418).

	2006 R'000	2005 R'000
12.3 Panawest Pty Ltd (Blacktown, Australia)	4 480	-

The loan is unsecured, denominated in foreign currency, interest-free and no repayment date has been determined. The uncovered amount outstanding at year end amounted to EURO 489 523 (2005: EURO nil).

	2006 R'000	2005 R'000
12.4 Panarottis Advertising Marketing Fund	882	2 042
Current portion included in current assets	(480)	(480)
	402	1 562

The loan is unsecured, interest-free and is repayable in monthly instalments of R40 000.

	2006 R'000	2005 R'000
	14 791	11 940

13. DEFERRED TAXATION

	2006 R'000	2005 R'000
Balance at 1 July	19 517	27 918
Charged to income statement	6 485	5 332
Transferred to share-based payment reserve net of initial deferred tax asset recognised on share scheme (refer note 21)	614	(13 733)
Balance at 30 June	26 616	19 517
The deferred taxation asset comprises:		
Share-based payment	11 045	13 053
Computed taxation loss	278	-
	11 323	13 053
The deferred taxation liability comprises:		
Trademark	37 980	32 555
Property, plant and equipment	214	252
Leave pay	(385)	(375)
Other	130	138
	37 939	32 570

The deferred taxation asset recognised on the share-based payment represents the taxation benefit that the group receives on the share-based payment arrangement. Included in the deferred taxation asset is an amount of R0.3m relating to a computed taxation loss of a subsidiary company, John Dory's Franchise (Pty) Ltd, which incurred a loss for the year.

The directors have considered the future viability of the subsidiary receiving the share-based payment taxation benefit and the subsidiary that made a loss during the current financial year and on the basis that both entities projected to produce sufficient taxable income in the foreseeable future, the deferred taxation asset is considered fully recoverable.

14. INVENTORY

	2006 R'000	2005 R'000
Raw materials	615	547
Merchandising and packaging	199	1 813
Promotional and advertising	704	1 993
Finished goods	714	671
	2 232	5 024

15. TRADE AND OTHER RECEIVABLES

	2006 R'000	2005 R'000
Trade debtors	34 148	25 385
Impairment provision	(1 022)	(277)
Net trade debtors	33 126	25 108
Prepayments	4 984	199
Staff loans	214	34
Other	1 987	1 319
	40 311	26 660

See note 7.2 for details of impairment provision included in trade debtors.

16. ORDINARY SHARE CAPITAL

	Number of shares 2006 '000	Number of shares 2005 '000	2006 R'000	2005 R'000
Authorised				
Ordinary shares of 0.001 cents each	201 000	201 000	2	2
Issued				
Ordinary shares of 0.001 cents each	97 633	97 633	1	1
Shares repurchased by subsidiary companies	(9 477)	(9 477)	-	-
	88 156	88 156	1	1

17. RETAINED EARNINGS

	2006 R'000	2005 R'000
Retained earnings/(accumulated loss)		
- Holding company	(322)	(387)
- Subsidiary companies	259 087	200 910
- Associate companies	110	363
	258 875	200 886

18. TRADE AND OTHER PAYABLES

	2006 R'000	2005 R'000
Trade payables	10 281	13 085
Accruals	5 048	3 195
Provision for leave pay	1 327	1 293
Other	1 564	1 992
	18 220	19 565

19. LOANS PAYABLE

	2006 R'000	2005 R'000
Loans to minority shareholders	3 309	4 040
Marketing funds	5 714	996
	9 023	5 036

The loans to minority shareholders bear interest at 8.5% per annum and have no repayment terms.

The loans owing to the marketing funds represent the underspend of the marketing funds as at 30 June. These amounts are carried forward to the next financial year and are utilised for future marketing campaigns (also refer note 24).

20. DISTRIBUTIONS

	2006 R'000	2005 R'000
Final 2005 - 20.0 cents (2004: 16.0 cents) per share	19 527	15 621
Interim 2006 - 22.0 cents (2005: 20.0 cents) per share	21 479	19 527
	41 006	35 148

21. SHARE INCENTIVE SCHEME

Spur Management Incentive Scheme (MIS)

In December 2004 an equity settled management share incentive scheme (MIS) was introduced. This share scheme is the only type of share-based payment arrangement in existence. In terms of a General Meeting on 15 December 2004, shareholders approved the utilisation of a maximum of 10% (9 763 283) of the ordinary shares for the purposes of the MIS. The aggregate number of shares utilised for the purposes of the MIS is 9 750 000, representing less than 10% of the aggregate of the company's issued ordinary shares at December 2004. In terms of the scheme, two thirds of the shares will vest with management on 18 December 2009, while the remaining one third will vest on 18 December 2010. Should participants cease to be employed (through dismissal or resignation) before vesting date, all participation rights are forfeited.

Fair Value

The group now accounts for share-based payments in accordance with IFRS 2 Share-based payments, which requires the fair value of share options granted to employees to be valued at the grant date and expensed through the income statement over the vesting period of the option. The fair value of the options has been estimated on the grant date using a Binomial option pricing model. The fair value was independently determined and valued at R1.15 per share and this gave rise to an IFRS 2 charge being recognised in the income statement. Comparative figures have been restated for IFRS 2 - as shown below.

Financial year of grant	Options/shares granted	No. of options /shares granted	Expected life of options/shares	Grant price	Share price at grant date	Expected volatility[a] %	Expected dividend yield[b] %	Risk-free rate[c] %
2004	SUR	9 089	5	R5.85	R5.85	30.0	5.8	8.17

a. The expected volatility is determined based on the rolling historical volatility over the expected option term that prevailed at the grant date.
b. The expected dividend yield is the best estimate of the forward looking dividend yield over the expected life of the option. This has been estimated by reference to the historical average dividend yield during the period preceding the grant, equal to the vesting period of the grant.
c. The risk-free rate is the yield on zero-coupon South African Government bonds of a term consistent with the estimated option term.

	2006 000's	2005 000's
Shares available for allocation to employees	9 750	9 750
Shares allocated to management		
Shares		
Balance at the beginning of the year	8 935	-
Allocated to participants	-	8 935
Balance at the end of the year	8 935	8 935
Shares allocated to non-executive directors		
Shares		
Balance at the beginning of the year	815	-
Granted to participants	-	815
Balance at the end of the year	815	815
Total shares allocated and options granted	9 750	9 750

	2006 R'000	2005 R'000
Fair value per share at grant date (rands)	1.15	1.15
Number of shares	9 750	9 750
Total share-based payment expense to be recognised over the vesting period	11 213	11 213
Vesting as follows:		
one third over 6 years	623	311
two thirds over 5 years	1 495	748
Amount charged to income statement	2 118	1 059

Share-based payment reserve

	2006 R'000	2005 R'000
The movement in the share-based payments reserve is as follows:		
Balance at 1 July	14 809	-
Deferred taxation asset arising on the introduction of the share scheme	-	14 057
IFRS 2 charge net of related taxes	1 504	752
Balance at 30 June	16 313	14 809

22. CAPITAL COMMITMENTS

The following capital commitments have been authorised and contracted for:	2006 R'000	2005 R'000
Purchase of land and development of new regional office in Century City, Cape Town	8 163	-
	8 163	-
The following capital commitments have been authorised, but not contracted for:		
Purchase of land and development of new regional office in Century City, Cape Town	-	16 500
Purchase of Regional Office in Durban	-	4 400
	-	20 900
Total capital commitments	**8 163**	**20 900**

The company will utilise its cash resources to finance the proposed capital expenditure.

23. DIRECTORS' EMOLUMENTS

The following emoluments were paid by a subsidiary company:

2006	Fees R'000	Cash remuneration R'000	Equity compensation benefits R'000	Travel allowance R'000	Provident fund R'000	Medical aid R'000	Performance bonus R'000	Total cost to company R'000
Executive								
Allen Ambor	-	1 290	76	189	194	40	127	1 916
Pierre van Tonder	-	1 526	270	189	191	46	170	2 392
Mark Farrelly	-	920	203	142	138	45	92	1 540
Kevin Robertson	-	721	163	142	108	45	65	1 244
Phillip Joffe	-	338	65	48	77	45	42	615
Total	**-**	**4 795**	**777**	**710**	**708**	**221**	**496**	**7 707**
Non-executive								
John Rabb	50	-	-	-	-	-	-	50
Keith Getz	100	-	51	-	-	-	-	151
Keith Madders	50	-	61	-	-	-	-	111
Dean Hyde	100	-	65	-	-	-	-	165
Total	**300**	**-**	**177**	**-**	**-**	**-**	**-**	**477**
Total remuneration	**300**	**4 795**	**954**	**710**	**708**	**221**	**496**	**8 184**

2005	Fees R'000	Cash remuneration R'000	Equity compensation benefits R'000	Travel allowance R'000	Provident fund R'000	Medical aid R'000	Performance bonus R'000	Total cost to company R'000
Executive								
Allen Ambor	-	1 149	38	159	172	39	113	1 670
Pierre van Tonder	-	1 395	135	159	170	45	112	2 016
Mark Farrelly	-	819	102	122	123	44	82	1 292
Dean Hyde	-	531*	33	59	53	10	69	755
Kevin Robertson	-	640	81	122	96	44	65	1 048
Phillip Joffe	-	349	33	-	70	44	39	535
Total	**-**	**4 883**	**422**	**621**	**684**	**226**	**480**	**7 316**
Non-executive								
John Rabb	100	-	-	-	-	-	-	100
Keith Getz	100	-	25	-	-	-	-	125
Keith Madders	100	-	31	-	-	-	-	131
Dean Hyde (non-executive from 1 January 2005)	25	-	-	-	-	-	-	25
Total	**325**	**-**	**56**	**-**	**-**	**-**	**-**	**381**
Total remuneration	**325**	**4 883**	**478**	**621**	**684**	**226**	**480**	**7 697**

* Includes leave pay paid on resignation of R93 631

The following number of shares have been allocated to directors in terms of the management incentive scheme (refer note 21):

Shares	000's
Executive	
Allen Ambor	350
Pierre van Tonder	1 241
Mark Farrelly	936
Kevin Robertson	749
Phillip Joffe	300
Shares allocated	3 576
Non-executive	
Keith Getz	234
Keith Madders	281
Dean Hyde	300
Shares allocated	815
Total shares allocated	4 391

24. MARKETING FUNDS

In terms of signed franchise agreements, the group receives marketing contributions from franchisees, which are kept and accounted for in marketing funds. These funds are utilised for the procurement of marketing and advertising services for the benefit of the franchisees. During the year, the marketing funds received R62.8 million (2005: R56.1 million) in advertising contributions.

25. OPERATING LEASES

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

	2006 R'000	2005 R'000
Next year	1 249	1 286
Year two through to year five	513	1 752
	1 762	3 038

26. RELATED PARTY DISCLOSURES

Transactions between group subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into arm's length transactions. These intra-group transactions have been eliminated on consolidation. Also refer note 8 (page 72) for guarantees given to subsidiary companies and certain associates.

Directors

A number of the company's directors hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. Accordingly, the following are considered to be such entities:

Director	Entity	Position held in entity
Allen Ambor	The Ambor Family Trust	Trustee
	Yankee Products (Pty) Ltd	Shareholder
Pierre van Tonder	Sea Point Steakhouse (Pty) Ltd*	Shareholder
	Malibu Steakhouse (Pty) Ltd*	Shareholder
	Satinka Steak House (Pty) Ltd*	Shareholder
Dean Hyde	Sea Point Steakhouse (Pty) Ltd*	Shareholder
	Utah Steakhouse (Pty) Ltd*	Shareholder
	Satinka Steak House (Pty) Ltd*	Shareholder
	Jude Way Trading CC	Member
Mark Farrelly	Lexmar Entertainment CC	Member
	Evening Star 384 (Pty) Ltd*	Shareholder
Kevin Robertson (Spouse)	Clearpan (Pty) Ltd*	Shareholder
Keith Getz	Bernadt Vukic Potash & Getz	Partner
Phillip Joffe	Claremont Steak Ranch (Pty) Ltd*	Shareholder
	Strand Steak Ranch (Pty) Ltd*	Shareholder
Keith Madders	Kamplans Limited	Shareholder

Transactions between the group and these entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

These transactions include:

i) Bernadt Vukic Potash & Getz serve as the group's principal legal counsel and have provided legal services on various matters in the ordinary course of business to the value of R771 583 in 2006 (2005: R1 209 716).

ii) A subsidiary company within the group has entered into property lease transactions with entities controlled by Allen Ambor. These transactions have been conducted on a market-related, arm's length basis. Rental paid to these entities totalled R1 304 002 in 2006 (2005: R1 170 861).

iii) Jude Way Trading CC has provided consulting services to the group amounting to R218 269 in 2006 (2005: R264 895).

iv) Kamplans Limited has provided consulting services to the group amounting to R1 800 000 in 2006 (2005: R500 000).

v) Lexmar Entertainment CC has provided conference facilities for the group amounting to R111 615 (2005: Rnil).

vi) A company within the group has entered into franchise agreements with entities in which Pierre van Tonder, Dean Hyde, Phillip Joffe, Mark Farrelly, Kevin Robertson and certain members of key management have interests.

Key Management
The key management personnel compensations are as follows:

	2006 R'000	2005 R'000
Short-term employee benefits	7 844	7 484
Other long-term benefits	963	884
Equity compensation benefits	597	339
	9 404	8 707

Five members of key management hold shares in the following entities which are franchisees of the group:

Commshelf 34 CC *
Fish Tavern CC *
Silver Creek Restaurant CC *
Spur Maputo LDA *
Malibu Steakhouse (Pty) Ltd *
Sea Point Steakhouse (Pty) Ltd *
Satinka Steak House (Pty) Ltd *
Utah Steak House (Pty) Ltd *
Kelseys Northwharf (Pty) Ltd *
Smokey Mountain Trading 11 (Pty) Ltd *

Transactions between the group and all the above entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

* These entities are franchisees.

27. FINANCIAL INSTRUMENTS

27.1 Liquidity risk

The group has sufficient cash resources and credit facilities available to it to ensure that its liquidity requirements are met.

27.2 Credit risk

Credit risk arises from the possibility that franchisees may not be able to settle obligations to the group within the normal terms of trade. A further credit risk arises in respect of loans receivable. To manage this risk, the group periodically assesses the financial viability of the franchisees and loan debtors. The risk of counterparties defaulting is controlled by the application of credit approvals, limits and monitoring procedures. The maximum exposure to credit risk is represented by the carrying values of financial assets on the balance sheet. At the balance sheet date there were no significant concentrations of credit risk other than loans disclosed in notes 7 & 12. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

27.3 Currency risk

The group incurs currency risk as a result of franchise fees received, purchases, sales and loans in foreign currencies. The currencies in which the group primarily deals are Pounds Sterling, Euros, US Dollars and Australian Dollars. To manage currency risk, the group periodically assesses exposure to foreign currencies and hedges transactions and/or balances where appropriate. Refer notes 7 & 12 for currency exposure relating to loans receivable. The group does not use forward exchange contracts or other derivative contracts for speculative purposes.

27.4 Interest rate risk

The group generally adopts a policy of ensuring that its exposure to changes in the interest rates is on a floating rate basis, no derivative instruments are used.

27.5 Fair value of financial instruments

At the balance sheet date the carrying values of the group's financial instruments on the balance sheet approximate their fair value.

30 June 2006	Floating interest rate %	0 - 1 year R'000	1 - 3 years R'000	> 3 years R'000	Total R'000
Assets					
Cash and bank	6.5	45 689	-	-	45 689
Trade and other receivables*		39 493	-	-	39 493
Taxation receivable*		2 844	-	-	2 844
Long-term loans receivable*		-	4 796	20 039	24 835
Current loans receivable*		2 449	-	-	2 449
Total financial assets		**90 475**	**4 796**	**20 039**	**115 310**
Liabilities					
Bank overdraft	prime	4 801	-	-	4 801
Trade and other payables*		18 220	-	-	18 220
Shareholders for distribution*		372	-	-	372
Taxation payable*		6 561	-	-	6 561
Loans payable	8.5	3 309	-	-	3 309
Marketing funds*		5 714	-	-	5 714
Total financial liabilities		**38 977**	**-**	**-**	**38 977**

* Non-interest bearing

The following foreign currency amounts are included in the balance sheet in respect of financial instruments at 30 June 2006:

	GBP '000	USD '000	AUD '000	EURO '000	NAD '000	MZM '000
Assets						
Cash and bank	-	48	12	179	290	-
Trade and other receivables	36	-	136	209	111	109
Long-term loans receivable	878	48	-	490	-	-
Liabilities						
Trade and other payables	3	8	-	2	-	-

All the foreign currency amounts disclosed above were uncovered at year end.

28. RETIREMENT BENEFITS

Spur has its own defined contribution Provident Fund, with 167 members at 30 June 2006 (2005: 167 members). The Spur Group (Pty) Ltd Provident Fund is administered by Liberty Group Limited. Refer note 5 for contributions made to the fund.

29. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	2006 R'000	2005 R'000
Profit before taxation	81 195	70 843
Adjusted for:		
Depreciation	3 386	2 142
Share of loss of associate companies	253	80
Foreign exchange loss/(gain)	1 119	(980)
Share-based payments included in salaries and wages	2 118	1 059
Movement in provisions	(1 871)	(181)
Profit on sale of property, plant and equipment	(18)	(593)
Finance income	(4 584)	(5 076)
Finance costs	577	253
	82 175	67 547

30. WORKING CAPITAL CHANGES

	2006 R'000	2005 R'000
Decrease/(increase) in inventory	2 792	(811)
Increase in trade and other receivables	(13 870)	(5 313)
(Decrease)/increase in trade and other payables	(1 411)	5 353
Decrease in loans receivable	16	-
Increase/(decrease) in loans payable	3 987	(4 526)
	(8 486)	(5 297)

31. TAXATION PAID

	2006 R'000	2005 R'000
Taxation paid is reconciled to the amount disclosed in the income statement as follows:		
Amount payable at beginning of year	(9 468)	(6 903)
Current taxation charged to the income statement	(17 043)	(14 782)
Current taxation charged directly to equity	-	(1 675)
Amount payable at end of year	3 717	9 468
	(22 794)	(13 892)

32. DISTRIBUTIONS PAID

	2006 R'000	2005 R'000
Distributions paid are reconciled to the amount disclosed as follows:		
Amount unpaid at beginning of year	(213)	(244)
Capital distributions paid to external parties	(37 026)	(32 654)
Amount unpaid at end of year	372	213
	(36 867)	(32 685)

The prior year cash flow effect relating to the distributions paid and share purchases have been restated to reflect third party distributions only, in the distributions paid line, with the internal distributions netted off the cash flow from the purchase of treasury shares.

33. ACQUISITION OF SUBSIDIARY

During 2005 the group acquired 60% of John Dory's Fish and Grill, a KwaZulu-Natal based franchise. The purchase was effective from 1 November 2005. The purchase consideration was R5.5 million.

The fair values of the assets and liabilities acquired were as follows:

	2006 R'000	2005 R'000
Property, plant and equipment	-	35
Intangibles	-	8 465
Total assets acquired	-	8 500
Deferred payment	-	(1 000)
Minority shareholders' loans	-	(3 000)
Purchase consideration	-	4 500
Cash acquired on acquisition	-	-
Net cash flow on acquisition	-	(4 500)

34. CASH AND CASH EQUIVALENTS

	2006 R'000	2005 R'000
Cash and cash equivalents	45 689	41 637
Bank overdraft	(4 801)	(1 934)
	40 888	39 703

35. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

Deferred taxation
In the group, each entity determines the recoverability of deferred taxation assets and the recognition of computed taxation losses. The recognition is based on the entities' ability to utilise these computed taxation losses based on expected future taxable income. In note 8 the total unrecognised computed tax losses are disclosed.

Financial assets
Certain assumptions are made in respect of the recoverability of the group's financial assets. These assets mainly cover loans receivable from associate companies and third parties and trade receivables.

At each balance sheet date the group evaluates whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is determined, excluding future credit losses that have not been incurred. Refer notes 7 & 15 for the amount of impairment provision reversed and recognised against loan receivables and trade receivables.

Revenue
The group has certain franchisees operating in hyperinflationary economies in Africa. Although royalty income has been collected from the franchisees and deposited into bank accounts, the related revenue has not been recognised in the income statement due to the inability to repatriate the funds. The cumulative unrecognised royalty income amounted to R3.262 million (2005: R2.336 million).

As stated in note 1, these are the group's first consolidated financial statements prepared in accordance with IFRS. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in the preparation of an opening IFRS balance sheet at 1 July 2004 (the group's date of transition).

In preparing its opening IFRS balance sheet, the group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (SA GAAP). An explanation of how the transition from SA GAAP to IFRS has affected the group's financial position and performance is set out in the following tables and notes that accompany the tables.

			Adjustments			
	Note	SA GAAP R'000	IFRS 1 deemed cost adjustment R'000	IFRS impact of controlled foreign operations R'000	IFRS 1 Reinstatement of trademark R'000	IFRS R'000
Detailed balance sheet impact for the year ended 30 June 2004						
Assets						
Property, plant and equipment	a	9 086	825	-	-	9 911
Intangible assets	b	-	-	-	263 400	263 400
Interest in associate companies	c	4 120	-	(9)	-	4 111
Deferred taxation	b & d	39 683	(247)	-	(67 354)	(27 918)
Equity and liabilities						
(Accumulated loss)/retained earnings		(44 688)	578	(9)	196 045	151 926

			Adjustments					
	Note	SA GAAP R'000	IFRS 1 deemed cost adjustment R'000	IFRS impact of controlled foreign operations R'000	IFRS 1 Reinstatement of trademark R'000	IFRS 2 Share-based payment R'000	Other adjustments and reclassifications R'000	IFRS R'000
Detailed balance sheet impact for the year ended 30 June 2005								
Assets								
Property, plant and equipment	a	26 235	865	-	-	-	-	27 100
Intangible assets	b	8 465	-	-	263 400	-	-	271 865
Interest in associate companies	c	6 629	-	49	-	-	-	6 678
Deferred taxation		33 115	(252)	-	(33 677)	-	13 867	13 053
- IFRS effects	d		(252)	-	(33 677)	-	(190)	
- Other adjustments	e		-	-	-	-	14 057	
Equity and liabilities								
Retained earnings		5 559	613	(1 493)	196 045	(752)	914	200 886
Share-based payment reserve	e	-	-	-	-	752	14 057	14 809
Foreign currency translation reserve	c	-	-	1 546	-	-	-	1 546
Minority shareholder interest	f	4 124	-	-	-	-	(4 040)	84
Deferred taxation		-	-	-	33 677	-	(1 104)	32 573
- IFRS effects	d		-	-	33 677	-	(190)	
- Other adjustments	g		-	-	-	-	(914)	
Loans payable	f	996	-	-	-	-	4 040	5 036

	Note	SA GAAP R'000	Adjustments IFRS 1 deemed cost adjustment R'000	IFRS impact of controlled foreign operations R'000	IFRS 2 Share-based payment charge R'000	Deferred tax effects R'000	IFRS R'000
Detailed income statement impact for the year ended 30 June 2005							
Depreciation - buildings	a	545	(429)	-	-	-	116
Foreign exchange gain	c	(2 473)	-	1 493	-	-	(980)
Profit on disposal of property, plant and equipment	a	(982)	389	-	-	-	(593)
Share-based payment expense	e	-	-	-	1 059	-	1 059
Taxation	g	21 348	-	-	(307)	(927)	20 114

a) Property, plant and equipment

In terms of IFRS 1 the group has elected to measure certain items of property, plant and equipment at the date of transition to IFRS at its fair value and use that fair value as its deemed cost at that date. This exemption was applied to land and buildings owned at transition date while residual values of 50% were assigned to all buildings.

b) Intangible assets

Spur Corporation previously recognised an intangible asset as part of a business combination in the 2000 financial year. This intangible asset was written off against reserves in the same year. IFRS 1 Appendix B2(b) requires a first time adopter to recognise all assets and liabilities at the date of transition to IFRS that were acquired or assumed in a past business combination. The trademarks previously written off amounted to R263.4 million and were reinstated as part of the transition date balance sheet on 30 June 2004 with a corresponding credit to the retained income at the transition date.

The trademarks were classified as indefinite trademarks and are not amortised. A corresponding deferred taxation liability was recognised on the difference between the accounting carrying amount and the trademark's tax base amounting to R67.4 million at 30 June 2004 (refer note d).

c) Controlled foreign operations

Under SA GAAP foreign exchange translation differences of integrated foreign operations were recognised in the income statement. IAS 21 requires the translation of foreign subsidiary companies with a different functional currency (i.e. other than Rand) than its parent to translate all their assets and liabilities at year end spot rates. Foreign exchange differences arising on translation are recognised directly in a separate component of equity (foreign currency translation reserve or "FCTR"). The group also elected the exemption available in IFRS 1 to set its FCTR to zero at the transition date.

d) Deferred taxation

Deferred taxation has been adjusted to account for the effect of the IFRS adjustments set out in notes a & b.

e) Share-based payments

IFRS 2, Share-based payments, requires the fair value of equity settled share based payments to be determined at the grant date and that an expense be charged to the income statement over the vesting period of the scheme. The share incentive scheme was introduced in December 2004 and the shares were independently valued at R1.15 per share. The charge to the income statement for the year ended 30 June 2005 amounted to R1.059 million with the corresponding credit to the share-based payment reserve which forms part of equity. The above arrangement has no impact on the transition date balance sheet at 30 June 2004, as the scheme was only introduced in December 2004. A corresponding tax saving of R0.3 million was recognised to give effect to the tax benefit accruing to the group on the share-based payment arrangement.

A deferred taxation asset is now recognised on the share-based payment arrangement, representing the taxation benefit that accrues to the group at the inception of the scheme of R14.1 million.

f) Minority interests

Profits and losses attributable to minority shareholders are now treated as a separate component of equity, while loans from minority shareholders have been classified as current payables as these loans have no repayment terms.

g) Taxation

An adjustment to the taxation charge in the income statement amounting to R0.3 million arose as described in note e above. A further adjustment arose due to the change in the tax rate, this amounted to R0.9 million.

37. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE YEARS

International Financial Reporting Standards (IFRS) 7

The disclosures provided in respect of financial instruments in the financial statements for the year ending 30 June 2008, as well as comparative information, will be compliant with IFRS 7. IFRS 7 requires additional disclosure compared to that required in terms of existing IFRSs in respect of, amongst others, capital objectives and policies.

The adoption of IFRS 7 will not have any impact on the accounting policies adopted for financial instruments.

COMPANY

INCOME STATEMENT

for the year ended 30 June

	Note	2006 R'000	2005 R'000
Finance income		95	92
Operating expenses		(3)	(13)
Profit before taxation		92	79
Taxation	1	(27)	(23)
Profit for the year		65	56

BALANCE SHEET

as at 30 June

	Note	2006 R'000	2005 R'000
ASSETS			
Non-current assets			
Interest in subsidiary companies	2	123 084	164 088
		123 084	164 088
Current assets			
Taxation		82	98
Cash and cash equivalents		1 665	1 425
		1 747	1 523
Total assets		**124 831**	**165 611**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	3	1	1
Share premium		116 775	157 781
Accumulated loss		(322)	(387)
		116 454	**157 395**
Non-current liability			
Loan payable	4	8 000	8 000
Current liabilities			
Shareholders for distribution		372	213
Trade and other payables		5	3
		377	216
Total equity and liabilities		**124 831**	**165 611**

STATEMENT OF CHANGES IN COMPANY EQUITY

for the year ended 30 June

	Share capital R'000	Share premium R'000	Accumulated loss R'000	Total R'000
Balance at 1 July 2004	1	192 929	(443)	192 487
Profit for the year			56	56
Distributions		(35 148)		(35 148)
Balance at 30 June 2005	1	157 781	(387)	157 395
Profit for the year			65	65
Distributions		(41 006)		(41 006)
Balance at 30 June 2006	1	116 775	(322)	116 454

COMPANY
CASHFLOW
STATEMENT for the year ended **30 June**

	Note	2006 R'000	2005 R'000
Cash utilised for operations			
Operating expenses		(3)	(13)
Working capital changes	5	2	3
Interest received		95	92
Taxation paid	6	(11)	(26)
Distributions paid	7	(40 847)	(35 179)
		(40 764)	(35 123)
Cash flow from investing activities			
Decrease in amounts due by subsidiary companies		41 004	27 595
		41 004	27 595
Cash flow from financing activities			
Increase in loan from subsidiary company		-	8 000
		-	8 000
Net movement in cash and cash equivalents		240	472
Cash and cash equivalents at beginning of year		1 425	953
Cash and cash equivalents at end of year		**1 665**	**1 425**

Notes to the Company

FINANCIAL STATEMENTS

1. TAXATION

	2006 R'000	2005 R'000
Current taxation	27	23
Effective rate and South African normal taxation rate	29%	29%

2. INTEREST IN SUBSIDIARY COMPANIES

	2006 R'000	2005 R'000
Shares at cost less provisions and amounts written off	1	1
Loans to subsidiary companies	123 083	164 087
	123 084	164 088

Loans due from subsidiary companies are unsecured, interest free and no fixed dates of repayment have been determined. Refer to directors' report for details of subsidiary companies and loans.

3. SHARE CAPITAL

	2006 R'000	2005 R'000
Authorised		
201 000 000 ordinary shares of 0.001 cents each	2	2
Issued		
97 632 833 ordinary shares of 0.001 cents each	1	1

4. LOAN PAYABLE

	2006 R'000	2005 R'000
Loan from subsidiary company	8 000	8 000
	8 000	8 000

This loan from a subsidiary company is unsecured and bears no interest. The company has the unconditional right to defer settlement of the loan for at least 12 months after the balance sheet date.

5. WORKING CAPITAL CHANGES

	2006 R'000	2005 R'000
Increase in trade and other payables	2	3
	2	3

6. TAXATION PAID

	2006 R'000	2005 R'000
Taxation paid is reconciled to the amount disclosed in the income statement as follows:		
Amount receivable at beginning of year	98	95
Amount charged to income statement	(27)	(23)
Amount receivable at end of year	(82)	(98)
	(11)	(26)

7. DISTRIBUTIONS PAID

	2006 R'000	2005 R'000
Distributions paid are reconciled to the amount disclosed as follows:		
Amount payable at beginning of year	(213)	(244)
Reduction in share premium	(41 006)	(35 148)
Amount payable at end of year	372	213
	(40 847)	(35 179)

8. GUARANTEES

The company has provided guarantees to the value of R12.0 million (2005: R12.0 million) to financial institutions on behalf of certain subsidiary and associate companies.

9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in note 1 of the accounting policies, these are the company's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

The adoption of IFRS had no impact on the amounts previously reported with its previous basis of accounting, South African Generally Accepted Accounting Practice (SA GAAP) and as a result no restatement was required.

10. ACCOUNTING ESTIMATES AND JUDGEMENTS

No accounting estimates of judgements have been made that have a significant impact on the presentation of the company's financial results.

Notice of ANNUAL GENERAL Meeting

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

"NOTICE IS HEREBY GIVEN that the next annual general meeting of the shareholders of the company will be held at 11:00 on Friday 8 December 2006 at 2 Edison Way, Century Gate Business Park, Century City, Cape Town to conduct the following business:

1. Ordinary Resolution Number 1: The adoption of the Annual Financial Statements
"To receive and adopt the Annual Financial Statements for the financial year ended 30 June 2006, including the Directors' Report and the Report of the Auditors therein."

2. Ordinary Resolution Number 2: The re-appointment of Directors
"To re-elect the following directors who, in terms of the company's articles of association retire at the annual general meeting, but, being eligible, offer themselves for re-election: Dean Hyde, Mark Farrelly, Kevin Robertson and Keith Getz . Such re-elections are to be voted on individually unless a resolution is agreed to by the meeting (without any vote against it) that a single resolution be used."

3. Ordinary Resolution Number 3: The re-appointment of the auditors
"To reappoint the firm KPMG Inc. as auditors 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 fix the auditors' remuneration for the past year."

4. Ordinary Resolution Number 4: General authority to make payments to shareholders
"Resolved that the directors, subject to Section 90 of the Companies Act (Act 61 of 1973), as amended, and the Listings Requirements of the JSE Limited ("JSE") and to any other restrictions set out in the mandate, be and are hereby authorised to make payments to shareholders, subject to the following limitations:

4.1 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; and

4.2 that any general repayment(s) may not exceed 20% of the company's issued share capital, including reserves, but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year."

The purpose of this general authority is to enable the company's directors to return certain excess cash resources to shareholders on a pro rata basis.

5. Special Resolution: The authority to repurchase shares
"Resolved that the company (or one of its wholly owned subsidiaries) may, subject to the Companies Act (Act 61 of 1973), as amended, and the Listings Requirements of the JSE, acquire shares issued by itself or shares in its holding company, as and when deemed appropriate, subject to the following limitations:

5.1 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;

5.2 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;

5.3 that an announcement be made giving such details as may be required in terms of the Listing Requirements of the JSE when the company 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;

5.4 at any one time, the company may only appoint one agent to effect any repurchase;

5.5 the repurchase of shares will not take place during a prohibited period and will not affect compliance with the shareholders spread requirements as laid down by the JSE;

5.6 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 only; and

5.7 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."

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 Listings Requirements of the JSE, 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 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 LISTINGS REQUIREMENTS OF THE JSE

In terms of the Listings Requirements of the JSE, the following disclosures are required with reference to the repurchase of the company's shares and the general authority to make payments to shareholders and as set out in Ordinary Resolution Number 4 and the Special Resolution above:

Working capital statement
The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and the maximum general payments to shareholders, for a period of 12 months after the date of this notice of annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- 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 the accounting policies used in the latest annual financial statements;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes;
- the working capital resources of the company and the group will be adequate for ordinary business purposes; and
- the company will provide its sponsor and the JSE with all documentation as required in Schedule 25 of the Listings Requirements of the JSE, and will not commence any repurchase programme or capital payment until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

Litigation statement
Other than disclosed or accounted for in this Annual Report, the directors of the company, whose names are given on pages 13 and 14 of this Annual Report, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had, in the 12 months preceding the date of this notice of annual general meeting, a material effect on the group's financial position.

Directors' responsibility statement
The directors, whose names are given on pages 13 and 14 of this Annual Report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution and the ordinary resolution to authorise payments to shareholders 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 and the ordinary resolution to authorise payments to shareholders contain all information required.

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

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

Directors and management *(Refer to pages 13 to 15)*
Major shareholders of the company *(Refer to page 36)*

Directors' interests in the company's shares *(Refer to page 36)*
Share capital *(Refer to pages 34 and 55)*

VOTING AND PROXIES

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

A form of proxy is attached for completion by registered certificated shareholders and dematerialised shareholders with own name registration who are unable to attend the annual general meeting in person. Forms of proxy must be completed and received at the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (Postal Address: PO Box 61051, Marshalltown, 2107) by no later than 11:00 on Thursday 7 December, 2006. 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. 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.

By order of the board
Ronel van Dijk

Secretary
Cape Town
9 October 2006

2006 CORPORATE INFORMATION

DISTRIBUTIONS

Interim distribution	22 cents per share
Record date	24 March 2006
Payment date	27 March 2006
Final distribution	25 cents per share
Record date	6 October 2006
Payment date	9 October 2006
Reports 2006	Interim for six months ended 31 December 2005 published March 2006
	Preliminary announcement for year ended June 2006 published September 2006
	Annual for year ended 30 June 2006 published November 2006

ADMINISTRATION

Registered office	1 Waterford Mews Century City Boulevard Century City 7441
Registration number	1998/000828/06
Postal address	P O Box 13034, Woodstock 7915
Telephone	27-21-4668200
Fax	27-21-4614555
E-mail	ronelvandijk@spur.co.za
Internet	http://www.spur.co.za
Transfer secretaries	Computershare Investor Services 2004 (Pty) Ltd 70 Marshall Street Johannesburg 2001
	PO Box 1053 Johannesburg 2000 Telephone: 27-11-3705000
Auditors	KPMG Inc.
Attorneys	Bernadt Vukic Potash & Getz
Secretary and registered address	Ronel van Dijk 1 Waterford Mews Century City Boulevard Century City 7441

Spur Corporation Limited

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

FORM OF PROXY
To be completed by certificated shareholders and dematerialised shareholders with own name registration only. For use in respect of the annual general meeting to be held at 11:00 on 8 December 2006 at 2 Edison Way, Century Gate Business Park, Century City, Cape Town.

Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the annual general meeting or the shareholders concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

Forms of proxy must be completed and delivered/posted to the Company's transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (Postal Address: PO Box 61051, Marshalltown, 2107) to be received by no later than 11:00 on Thursday 7 December 2006

I/We ______________________________

of ______________________________

being a member of the Company and holding ______________ ordinary shares, appoint ______________

1. ______________________________ or failing him ______________

2. ______________________________ or failing him ______________
the chairman of the annual general meeting as my/our proxy to attend and speak and, on a poll, vote for me/us on my/our behalf at the annual general meeting of the Company held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against such resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions (see note 3):

	For	**Against**	**Abstain**
Special resolution - the authority to repurchase shares			
Ordinary resolution number 1 - the adoption of Annual Financial Statements			
Ordinary resolution number 2 - the re-appointment of Directors			
2.1 Dean Hyde			
2.2 Mark Farrelly			
2.3 Kevin Robertson			
2.4 Keith Getz			
Ordinary resolution number 3 - the reappointment of the auditors			
Ordinary resolution number 4 - general authority to make payments to shareholders			

(Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable).

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote in his stead. A proxy so appointed need not be a member of the Company.

SIGNED THIS ______________________________ DAY OF ______________ 2006.

SIGNATURE ______________________________

CAPACITY AND AUTHORISATION (see note 6)

Please read the notes on the reverse side of this form of proxy.

Notes

1. Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the annual general meeting or the shareholders concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

2. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration smust be signed, not initialled.

3. A shareholder may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

4. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or his proxy.

5. Where there are joint holders of shares and if more than one of such joint holders is present or represented, then the person whose name appears first in the register in respect of such shares or his proxy, as the case may be, shall alone be entitled to vote in respect thereof.

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form, unless previously recorded by the transfer secretaries of the Company or waived by the chairman of the annual general meeting.

7. The completion and lodging of this form of proxy will not preclude the signatory from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such signatory wish to do so.

8. The chairman of the annual general meeting may reject or, provided that he is satisfied as to the manner in which a member wishes to vote, accept any form of proxy which is completed other than in accordance with these instructions.

9. Proxies will only be valid for the purpose of the annual general meeting if received by the Company's transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (Postal Address: P O Box 61051, Marshalltown, 2107) by no later than 11:00 on Thursday, 7 December 2006.