SPUR CORPORATION INTEGRATED REPORT

Spur Corporation

2011

ABOUT THIS REPORT

The contents of this integrated report, other than the annual financial statements, have not been independently verified and accordingly no external assurance has been sought.

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THE GROUP AT A GLANCE

OUR MISSION

Bringing people together over great food to create outstanding memories.

OUR VISION

WE WILL BE PASSIONATE PEOPLE GROWING GREAT BRANDS.

To achieve this, we will be a sustainable business with great brands which makes a positive and lasting difference in the lives of our employees, franchisees, communities and the environment.

OUR MISSION STATEMENTS

- Our business exists to provide fun, memorable experiences over great food for the young and old.
- Our restaurants provide a warm, family friendly environment with a social atmosphere that allows customers of all ages to relax and enjoy our generous, value-for-money portions of great-tasting food, all served with a smile!
- We are committed to providing our customers with outstanding products (food) and excellent service in exciting, vibrant surroundings.
- We promise a consistently excellent experience no matter which outlet our customers visit.

OUR VALUES

BRAND FAMILY

Being a part of our family means showing your commitment to the Spur Corporation family and its brands. We are caring and respectful towards our colleagues, customers and business partners.

SPIRIT OF GENEROSITY

Selfless sharing of your knowledge and experiences while being of service to our brands, customers and colleagues.

DAILY EXCELLENCE

Consistent, excellent delivery and eagerness to learn in order to complete your job with unwavering attention to detail.

FIRED UP - PEOPLE WITH A TASTE FOR LIFE!

A passionate contribution to the development and growth of our brands—having an engaging, enthusiastic and energetic attitude in your area of expertise.

OUR PROMISE

Food is our passion and
welcoming you, our pleasure.
When you meet at your home away from
home you are treated as family.

Our greatest reward is presenting our
delicious meals to our families and friends.
Whether it's a Spur Burger, Panarottis Pizza
or John Dory's Catch of the Day, our food is
prepared to please and fulfil.

We never hold back on our generosity,
our laughter, or our welcome—
we go big on quantity, aroma
and especially on taste.

Nothing satisfies us more than pleasing you,
our customer.

This is our simple philosophy—
we the People of Spur.

PERFORMANCE HIGHLIGHTS

REVENUE
R403.4m
15.9%
Up

HEPS
97.70
cents
0.9%
Up

DIVIDEND PER SHARE
66 cents
10.0%
Up

PROFIT - LOCAL OPERATIONS (R'000)
144 807
7.8%
Up

RESTAURANT TURNOVER
R3.49bn
8.4%
Up

RETURN ON INVESTMENT (capital and dividends) PRE-TAX
18.9%

COLLEGE OF EXCELLENCE LAUNCHED

20 NEW STORES OPENED
35 STORES REFURBISHED AND RELOCATED

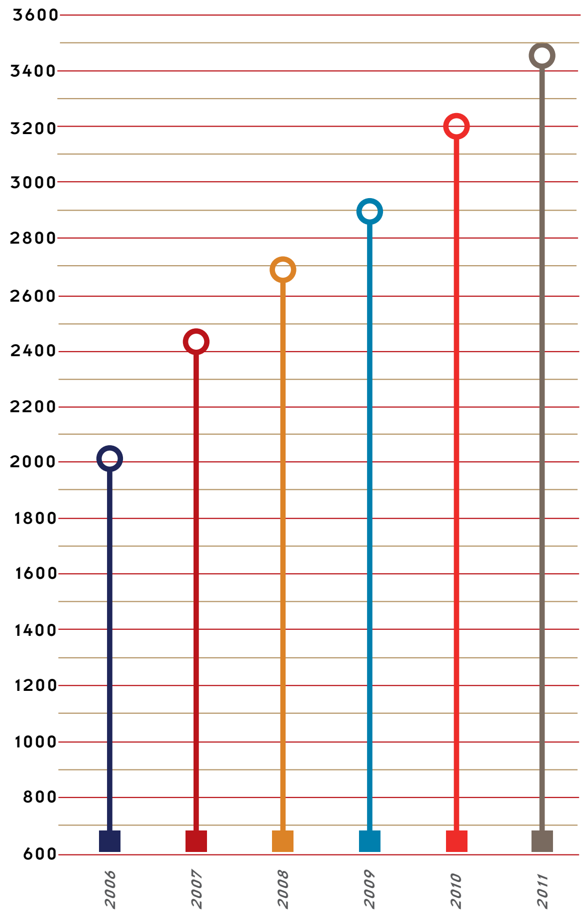
SPUR LAUNCHES "UNREAL BREAKFAST"

PANAROTTIS NEW LOOK LAUNCHED

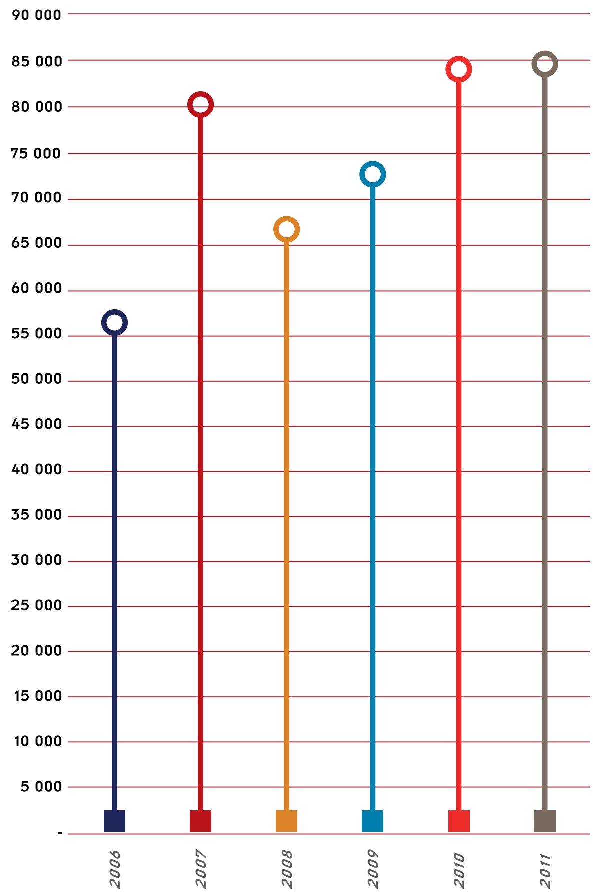
SPUR FAMILY CARD AND LOYALTY PROGRAMME LAUNCHED

STRATEGIC ACHIEVEMENTS

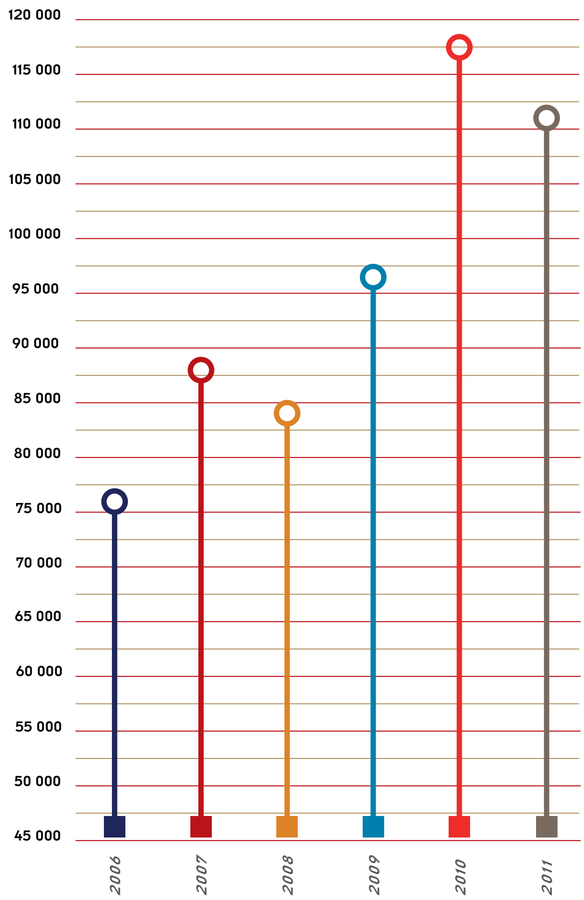
STORE TURNOVERS (R'm)



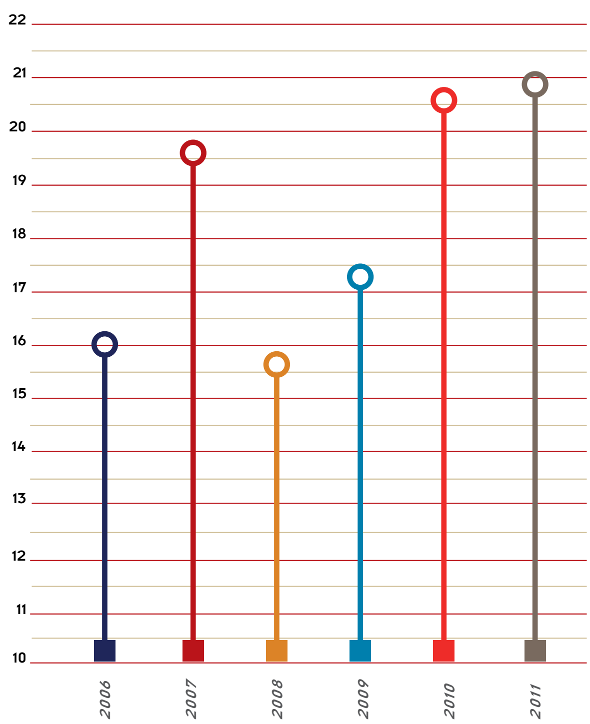
HEADLINE EARNINGS (R'000)



OPERATING PROFIT BEFORE FINANCE INCOME* (R'000)



RETURN ON EQUITY (%)



* Includes income/(loss) from equity-accounted investees.

5 YEAR REVIEW

	footnote	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Statement of comprehensive income						
Revenue		**403 396**	348 024	326 774	295 838	215 411
Operating profit before finance income	1	**111 969**	118 549	96 196	85 242	89 241
Adjusted operating profit	2	**130 030**	124 504	108 693	95 088	88 008
Net finance income		**4 861**	4 380	6 219	4 852	3 754
Profit before income tax		**116 830**	122 929	102 415	90 094	92 995
Headline earnings	3	**85 759**	85 067	74 476	67 395	80 685
Statement of financial position						
Property, plant and equipment		**70 387**	75 184	84 429	98 890	82 982
Cash and cash equivalents		**115 966**	84 628	83 887	66 865	45 134
Bank overdraft		**2 256**	3 596	2 853	2 262	916
Statement of cash flows						
Net cash flow from operating activities		**56 213**	12 580	35 673	34 343	48 442
Share statistics						
Weighted average number of shares (000's)	3	**87 777**	87 865	87 942	88 156	88 156
Earnings per share (cents)	3	**80.65**	88.27	71.94	67.23	92.80
Headline earnings per share (cents)	3	**97.70**	96.82	84.69	76.45	91.53
Cash flow earnings per share (cents)	4	**123.46**	102.31	102.02	105.51	94.68
Operating cash flow per share (cents)	5	**64.04**	14.32	40.56	38.96	54.95
Net asset value per share (cents)	6	**468.09**	458.99	494.30	495.83	457.87
Distribution per share (cents)	7	**66.00**	60.00	55.00	55.00	55.00
Distribution cover (times)	8	**1.5**	1.6	1.5	1.4	1.7

	footnote	2011	2010	2009	2008	2007
Stock exchange performance						
Number of shares in issue (000's)		**97 633**	97 633	97 633	97 633	97 633
Number of shares traded (000's)		**20 739**	20 930	28 271	24 712	22 417
Value of shares traded (R'000)		**283 628**	230 533	195 639	222 263	221 793
Percentage of issued shares traded (%)		**21.24**	21.44	28.96	25.31	22.96
Market price per share (cents)						
- close		**1385**	1220	840	620	1180
- high		**1550**	1325	995	1210	1250
- low		**1175**	850	560	620	820
Headline earnings yield (%)	9	**7.05**	7.94	10.08	12.33	7.76
Distribution yield (%)	10	**4.77**	4.92	6.55	8.87	4.66
Price earnings ratio		**14.18**	12.60	9.92	8.11	12.89
Market capitalisation (R'000)		**1 352 217**	1 191 123	820 117	605 325	1 152 069
Business performance						
Operating profit margin (%)	11	**32.23**	35.77	33.26	32.14	40.86
Return on equity (%)	12	**21.07**	20.91	17.58	15.89	19.95
Return on total assets (%)	13	**15.47**	15.89	13.98	12.47	16.24
Liquidity ratio	14	**2.47**	2.36	2.86	2.07	1.72

Footnotes

1 Includes share of profit/(loss) of equity-accounted investees (net of income tax).
2 Operating profit (see footnote 1) adjusted for headline earnings adjustments and foreign exchange gain/loss.
3 Refer to note 8 of the annual financial statements on page 99.
4 Operating profit before working capital changes plus net interest received/(paid) less tax paid divided by the weighted average number of shares in issue.
5 Net cash flow from operating activities divided by the weighted average number of shares in issue.
6 Net asset value divided by the number of shares in issue (net of treasury shares).
7 Interim and final distribution for the year to which it relates.
8 Headline earnings per share divided by distribution per share (see footnote 7).
9 Headline earnings per share divided by the closing share price.
10 Distribution per share divided by the closing share price.
11 Adjusted operating profit (see footnote 2) divided by revenue.
12 Profit for the year adjusted for headline earnings adjustments and foreign exchange gain/loss divided by equity.
13 Profit for the year adjusted for headline earnings adjustments and foreign exchange gain/loss divided by assets.
14 Current assets divided by current liabilities.

GROUP PROFILE

ABOUT US

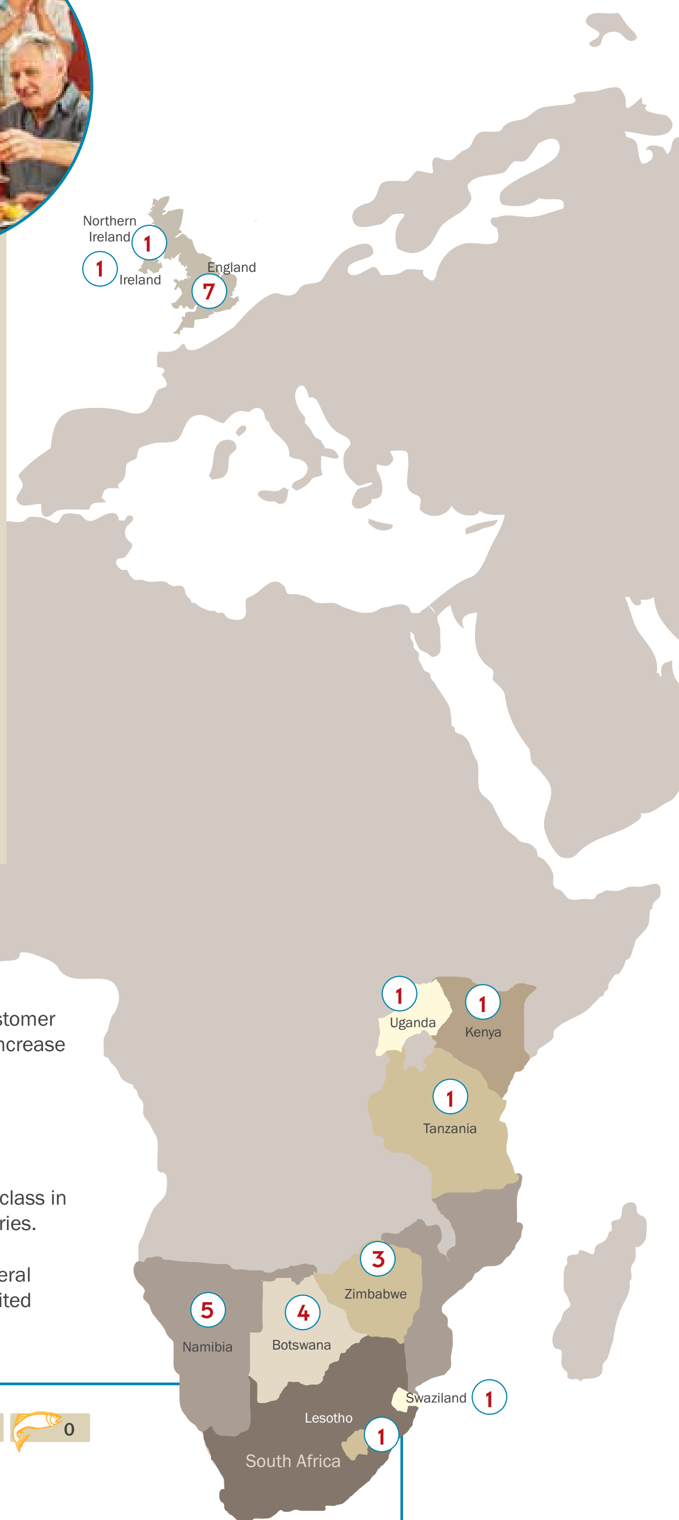
Spur Corporation is a multi-brand restaurant franchisor listed in the travel and leisure sector of the JSE Limited. Through its three restaurant brands - Spur Steak Ranches, Panarottis Pizza Pasta and John Dory's Fish & Grill - the group provides customers with a relaxed dining experience in a distinctly family-oriented environment, along with a compelling quality and value-for-money offering.

The first Spur outlet was opened in Newlands, Cape Town, in 1967. Over the past four decades Spur has grown into one of the most recognised brands in the country and today Spur is proudly known as 'the official restaurant of the South African family'.

In December 1990 a second restaurant brand, Panarottis Pizza Pasta, was started. Applying the same principles that made Spur Steak Ranches a household name, Panarottis soon capitalised on the growing popularity of pizza and pasta.

In November 2004, the group acquired a 60% shareholding in John Dory's Fish & Grill, a KwaZulu-Natal based franchise comprising seven outlets. Founded eight years earlier as a predominantly seafood restaurant, John Dory's has a distinctly Mediterranean culture and charisma. A further 5% interest was purchased in October 2006, with the group now owning 65% of the business.

The Spur group was first listed on the JSE in 1986. A major restructuring of the group was undertaken in 1999, which resulted in the formation and listing of Spur Corporation as we know it today.



TOTAL RESTAURANTS
364
280 SPUR STEAK RANCHES
57 PANAROTTIS PIZZA PASTA
27 JOHN DORY'S FISH & GRILL

Markets Served

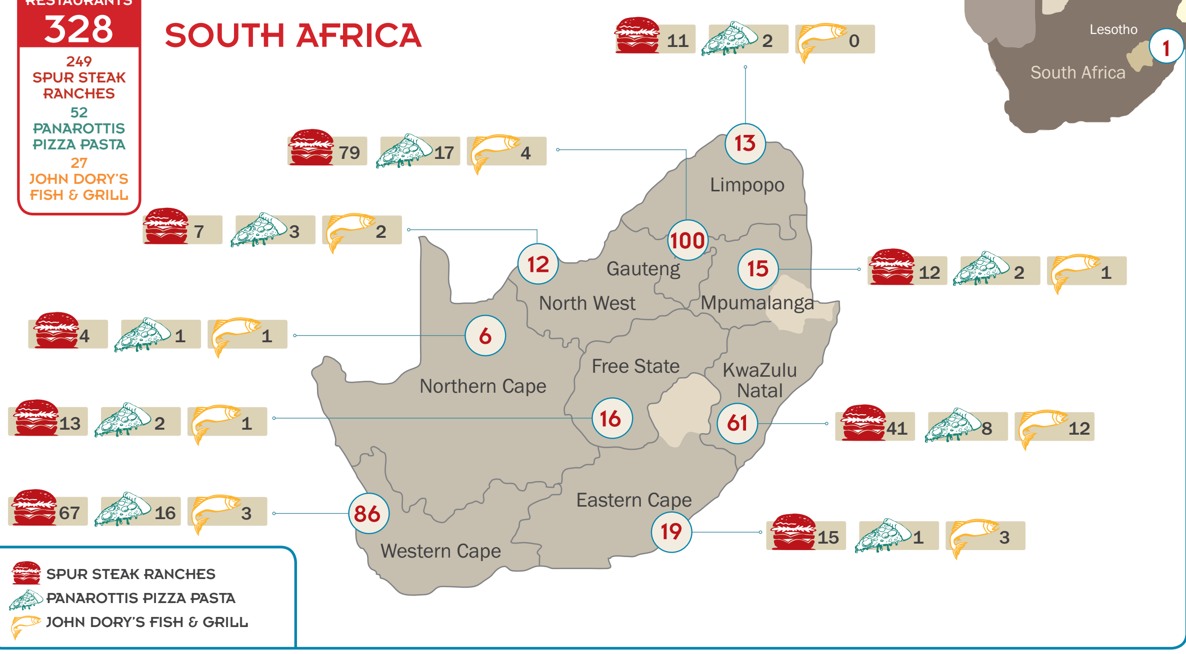
The group's primary market is the family sit-down restaurant market. South Africa remains the core market with an increasing focus on international markets. Whilst international markets have a similar customer profile to that of South Africa, specific strategies are implemented to increase local market appeal in the international territories in which we trade. Due to the family positioning of the group's brands, children are also considered a core market and all three brands cater for children in restaurant design, marketing communication and product.

All three brands are structured to add value to the burgeoning middle class in South Africa, although appeal crosses all income and cultural boundaries.

Spur Corporation has already expanded its franchising model into several African territories, Mauritius, the United Arab Emirates ("UAE"), the United Kingdom and Ireland ("UK") and Australia.

TOTAL SA RESTAURANTS
328
249 SPUR STEAK RANCHES
52 PANAROTTIS PIZZA PASTA
27 JOHN DORY'S FISH & GRILL

SOUTH AFRICA



TOTAL INTERNATIONAL RESTAURANTS
36
31 SPUR STEAK RANCHES
5 PANAROTTIS PIZZA PASTA

INTERNATIONAL

REGION	SPUR STEAK RANCHES	PANAROTTIS PIZZA PASTA	TOTAL
Africa, Mauritius and UAE	**19**	**1**	**20**
Botswana	4	-	4
Kenya	1	-	1
Lesotho	1	-	1
Namibia	4	1	5
Swaziland	1	-	1
Tanzania	1	-	1
Uganda	1	-	1
Zimbabwe	3	-	3
Dubai	1	-	1
Mauritius	2	-	2
Australia	**3**	**4**	**7**
United Kingdom and Ireland	**9**	**-**	**9**
England	7	-	7
Northern Ireland	1	-	1
Ireland	1	-	1

Business Model

The group is predominantly a franchisor with the necessary intellectual property, expertise, skills and support infrastructure to manage franchised restaurant operations. The group manages a host of support functions (detailed on pages 12 and 13) which are integral to the franchise business model.

The group's success in South Africa can largely be attributed to the franchising business model which has been consistently applied from the outset. The group does not own and manage its restaurants in South Africa: it allows independent, entrepreneurial franchisees to run their own restaurant businesses and in return receives a franchise fee based on the turnover of each restaurant.

The group operates only "franchised restaurants" in South Africa, the rest of Africa, Mauritius and the UAE. In Australia and the UK, the group operates franchised restaurants and "retail outlets" (restaurants in which the group has a majority equity interest). The terms "franchised" and "retail" are used throughout this document in this context.

Whilst the franchise business model results in the group distancing itself from the day-to-day operations of each franchised outlet, the group maintains a high level of supervision in overseeing operating and management standards at all restaurants. The group plays a more active role in the day-to-day management of retail outlets.

OUR FRANCHISE BUSINESS

OUR TEAM

number of employees

FRANCHISE MANAGEMENT

Experienced brand-specific operations teams provide ongoing support to franchisees in the management of their business, in upholding the high standards of the brands and their products and in ensuring that franchisees build and maintain successful businesses. The operations management teams visit every restaurant on at least a monthly basis to perform inspections and assess the operations of each restaurant against predetermined standards, covering everything from food safety to regulatory compliance.

DEVELOPMENT

5

The development team is responsible for managing the new franchisee process, from franchisee and site selection to store opening. The team is also responsible for store relocations and refurbishments.

SPUR OPERATIONS

38

249 Stores

PANAROTTIS OPERATIONS

10

52 Stores

JOHN DORY'S OPERATIONS

7

27 Stores

INTERNATIONAL

The group's international operations are managed from its head office in The Netherlands.

UK Franchise Operations

1

UK Restaurant Operations

152

Franchise management functions for the UK are performed by a dedicated regional manager in the UK.

African Franchise Operations

3

Franchise management functions (as for South Africa detailed above) for Africa are typically performed by South African employees who are seconded to the international head office.

TRAINING

8

The group's training department is responsible for training franchisees, operators and restaurant staff at all levels to ensure that the necessary skills are employed at each franchised restaurant to uphold the highest level of food safety, food quality, service and operating standards.

GROUP MARKETING

24

Group Marketing's aim is to be a customer focussed service department that collaborates with multiple business partners to create compelling communication that broadens the group's customer base to build profitable, iconic brands.

Group Marketing managed funds of R118.0 million (2010: R106.2 million) for the past financial year on franchisees' behalf.

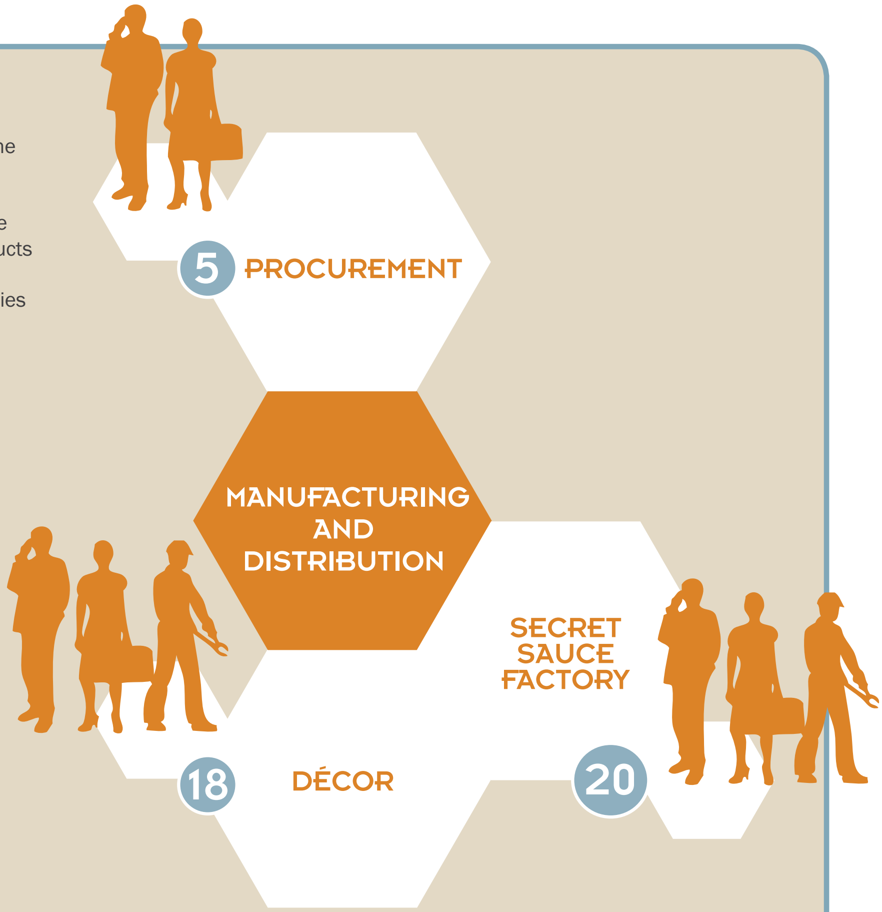
The group utilises independent advertising agencies to originate, in concert with Group Marketing management, its creative processes. In addition, the team manages Corporate Social Investment, sponsored events, loyalty initiatives and packaging.

During the 2006 financial year, the group outsourced the national distribution of restaurant supplies from its manufacturing facilities and third party suppliers to an independent distributor. This was done to ensure the security of supply and the consistent quality of all products in restaurants and to maintain the cold chain, while enhancing operating standards and improving efficiencies for the group and franchisees alike.

The group's procurement division is responsible for:

- managing the relationship between franchisees, suppliers and the outsourced distributor;
- negotiating the best price for the best quality materials with suppliers by exploiting the group's national purchasing footprint;
- performing quality and food safety audits on suppliers and the outsourced distributor; and
- sourcing and investigating new, sustainable products and suppliers.

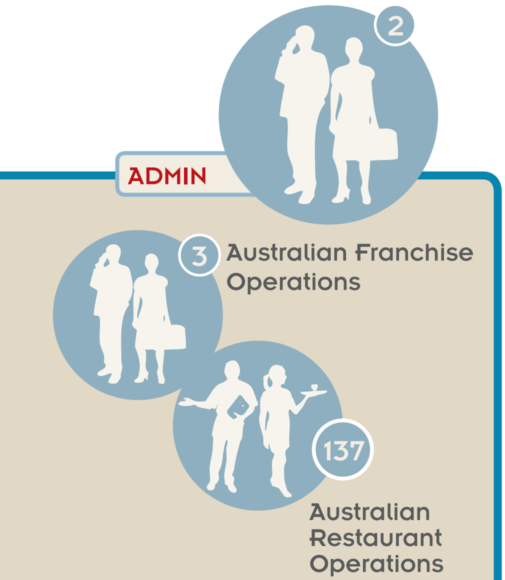
The group earns a margin of an average of 3% on the volumes sold through the distributor, the Cost of Integration ("COI"), for the services provided to franchisees which contributes towards the costs of providing the services outlined above.



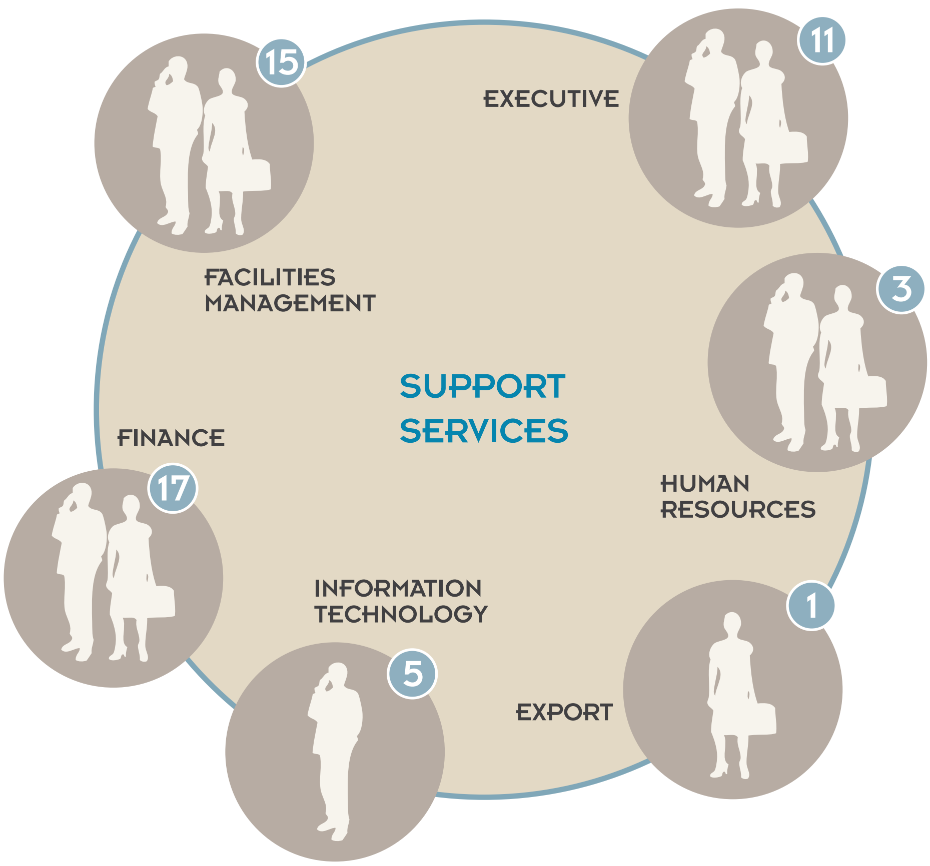
The group's décor manufacturing business manufactures most of the iconic décor items that are unique to the group's brands. These décor items are sold to franchisees for use in new restaurants and refurbishments.

The group's sauce factory manufactures most of the brands' unique sauces which are supplied to franchisees via the group's outsourced distributor. In November 2010, the group closed its Johannesburg based facility and consolidated its manufacturing capacity in the Cape Town based facility.

The manufacturing of some sauces has been outsourced to an external service provider under licence.

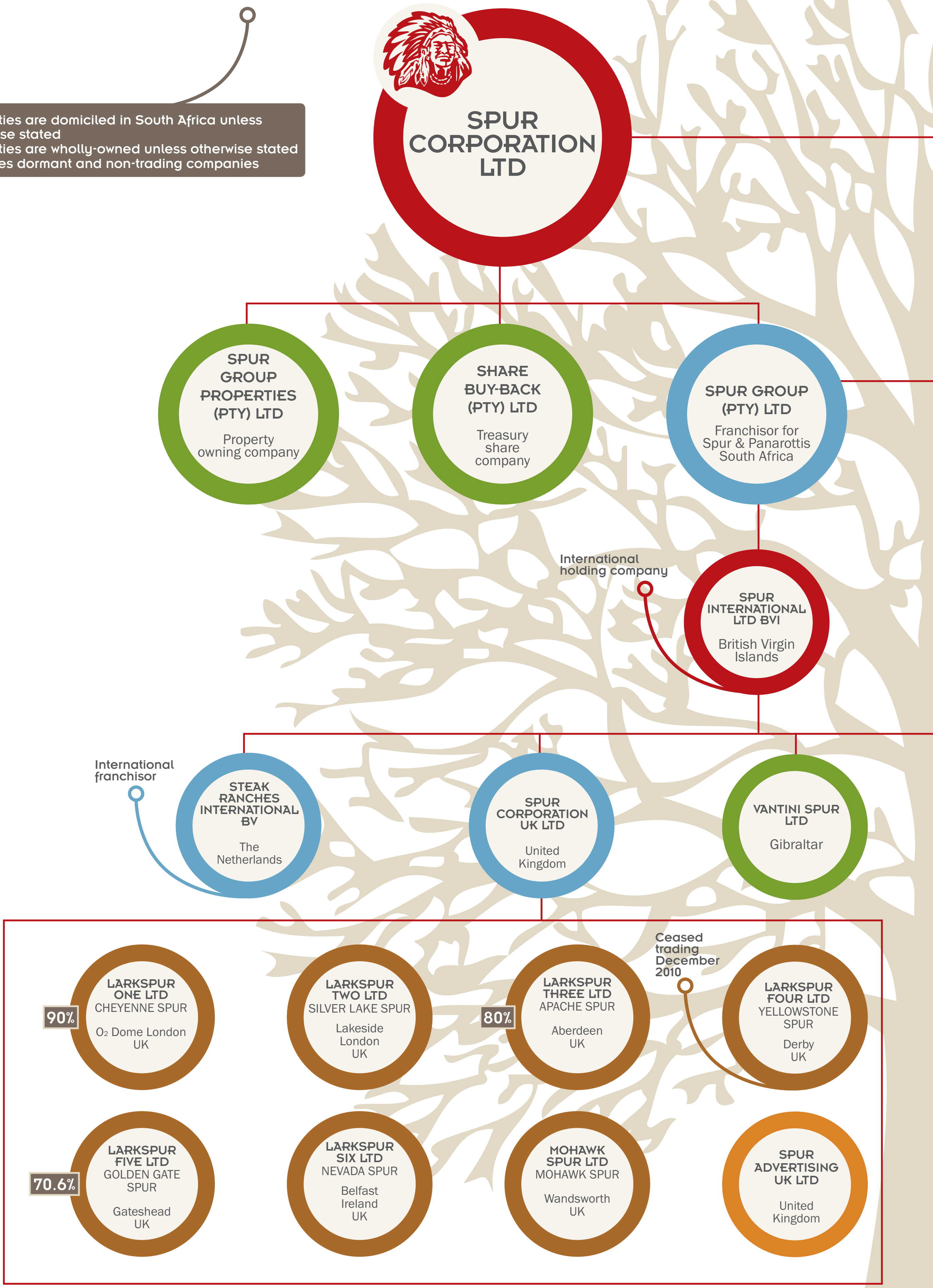


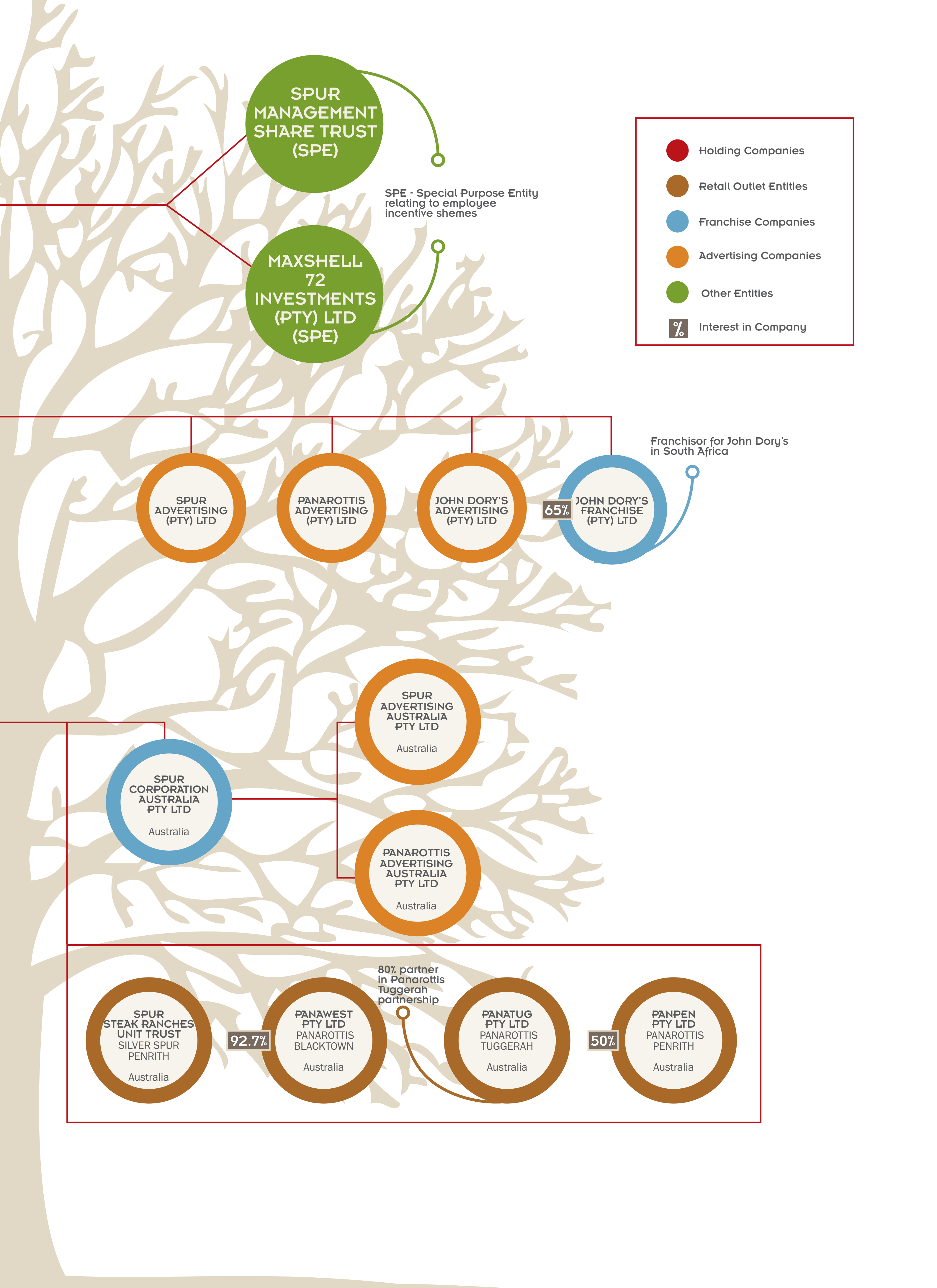
Franchise management functions for Australia are performed by dedicated operations management personnel in Australia.



SPUR AND ITS SUBSIDIARIES

- All entities are domiciled in South Africa unless otherwise stated
- All entities are wholly-owned unless otherwise stated
- Excludes dormant and non-trading companies




SPUR MANAGEMENT SHARE TRUST (SPE)
SPE - Special Purpose Entity relating to employee incentive shemes
MAXSHELL 72 INVESTMENTS (PTY) LTD (SPE)
Holding Companies
Retail Outlet Entities
Franchise Companies
Advertising Companies
Other Entities
% Interest in Company
SPUR ADVERTISING (PTY) LTD
PANAROTTIS ADVERTISING (PTY) LTD
JOHN DORY'S ADVERTISING (PTY) LTD
65%
JOHN DORY'S FRANCHISE (PTY) LTD
Franchisor for John Dory's in South Africa
SPUR ADVERTISING AUSTRALIA PTY LTD
Australia
SPUR CORPORATION AUSTRALIA PTY LTD
Australia
PANAROTTIS ADVERTISING AUSTRALIA PTY LTD
Australia
SPUR STEAK RANCHES UNIT TRUST
SILVER SPUR PENRITH
Australia
92.7%
PANAWEST PTY LTD
PANAROTTIS BLACKTOWN
Australia
80% partner in Panarottis Tuggerah partnership
PANATUG PTY LTD
PANAROTTIS TUGGERAH
Australia
50%
PANPEN PTY LTD
PANAROTTIS PENRITH
Australia

OUR LEADERSHIP: BOARD OF DIRECTORS

Executive

Allen Ambor (Age 70) ~ EXECUTIVE CHAIRMAN

44 Years' Service

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. He then started his own business and opened the first Spur Steak Ranch in Newlands, Cape Town, in 1967. Today, Allen is largely focussed on the group's marketing and advertising campaigns and is passionately involved in the interaction between Group Marketing and the relevant agencies, for both Spur and Panarottis. Allen acts as the creative custodian for all TV, radio and print advertisements, all of which he oversees.

His most senior level function is to assist in guiding (together with the board) the operational directors from the managing director down, on issues that have substantive bearing on the future direction and strategy of the company; both locally and internationally.

Pierre van Tonder (Age 52) ~ MANAGING DIRECTOR

29 Years' Service

Pierre joined the group in 1982 as a junior store manager. He was appointed as an area manager in Gauteng in 1985. In 1987 he was promoted to regional manager responsible for managing operations in the Gauteng, KwaZulu-Natal and Free State regions. In 1990 Pierre was appointed a director of P.S.S. Investments (Pty) Ltd, the subsidiary company controlling the former Gauteng, KwaZulu-Natal and Free State regions, and appointed a director of Spur Steak Ranches Limited and Spur Holdings in 1992. In 1996, Pierre was appointed managing director of the group.

Pierre is responsible for the group's overall strategy and operations. He is also the group's Chief Risk Officer and the chairman of the risk, operational exco, transformation, human resources productivity and treasury committees.

Kevin Robertson (Age 45) ~ EXECUTIVE DIRECTOR

24 Years' Service

Kevin joined Spur in 1987 as a waiter at Yellowstone Spur, Carletonville. He was appointed to the board and as managing director of Panarottis Pizza Pasta Franchise in 1999. From 2008, Kevin was responsible for the group's operations in the United Kingdom, but with the appointment of a regional operations head for the UK during the current year, Kevin's involvement in the UK has been limited to strategic development.

Kevin's primary focus is managing the Spur South Africa Inland operations. As an executive director with extensive operations experience, Kevin plays an active role in developing group strategy.

Mark Farrelly (Age 47) ~ DEPUTY MANAGING DIRECTOR

21 Years' Service

Mark has a BA degree from the University of Cape Town. He joined Spur head office in 1990 as an area manager and in 1993 he was transferred to Johannesburg. He was promoted to regional operations manager in 1995 and appointed to the board in 1999.

As the managing director of the Spur brand and an executive director on the board, Mark is responsible for implementing the growth strategy of the brand and developing group strategy.

Ronel van Dijk (Age 39) ~ FINANCIAL DIRECTOR

8 Years' Service

Ronel has a B.Rek (Hons) from the University of Stellenbosch. She qualified as a CA(SA) in December 1997 and thereafter spent a year working in the London office of Arthur Andersen & Co. She returned to Cape Town as audit manager with the firm. Ronel 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.

Ronel is ultimately responsible for the finance, company secretarial, administrative, legal and compliance functions of the group. She also currently fulfils a supervisory function for IT. Since the appointment of a chief financial officer in 2008, Ronel has been more involved in the international growth strategy of the group. As an executive director, Ronel is also instrumental in determining and implementing group strategy.

Phillip Joffe (Age 61) ~ EXECUTIVE DIRECTOR

35 Years' Service

Phillip studied a B.Com at the University of Cape Town and obtained his CA(SA) in 1973. Phillip joined the group in 1976 and has served as a member of the board since 1986, where he continues his position as an executive director.

Phillip currently fulfils an advisory and supervisory role within the finance department and, as an executive director, assists the board in strategic matters.

OUR LEADERSHIP: BOARD OF DIRECTORS

Non-Executive

Keith Madders MBE (Age 63) ~ NON-EXECUTIVE DIRECTOR

Keith was born in Zimbabwe, obtained a B.Com (Economics) degree from the University of Cape Town and trained as an investment analyst before launching himself into the music industry. In 1976 Keith relocated to London, where he lectured and established various businesses as well as a number of successful charitable organisations working to relieve poverty in southern Africa. He was awarded an MBE in the Queen's 2002 Honours List for services to the Zimbabwe Trust.

Keith chairs the group's audit and remuneration committees and is in addition a member of the nominations committee.

Keith Getz (Age 55) ~ NON-EXECUTIVE DIRECTOR

Keith has been a practising attorney (BProc LLM) since 1980 and is a senior partner of Bernadt Vukic Potash & Getz, a firm of attorneys whose areas of expertise include takeovers and mergers, private equity, stock exchange regulations, franchise and corporate law – both locally and internationally. Bernadt Vukic Potash & Getz is the group's principal legal counsel. Keith sits on the boards of Mr Price Group Ltd and various private companies. He was appointed to the board in 1991. In addition to being a member of the company's board, Keith is also a director of certain of the group's international subsidiaries.

Keith chairs the group's nominations committee and is a member of the remuneration committee.

Dean Hyde (Age 44) ~ NON-EXECUTIVE DIRECTOR

Dean started his career with the group as financial manager, a role that he fulfilled for five years, where after he fulfilled the role of financial director for five years. He resigned as financial director in 2004 and was subsequently appointed a non-executive director. Dean completed his B.Com (Legal) at the University of Witwatersrand in 1988. He also attended the York University (Canada) from 1989 to 1991 and successfully passed the Canadian Chartered Accountants' Board Examination. He completed his articles with Grant Thornton International in 1992. After leaving the Spur group in 2004, Dean was appointed CFO at Xanita Ltd and CFO at African Spirit (Pty) Ltd. He is currently CFO at Lombard Insurance Ltd, based in Johannesburg.

Dean sits on the group's audit, remuneration and nomination committees.

Muzi Kuzwayo (Age 43) ~ INDEPENDENT NON-EXECUTIVE DIRECTOR

Muzi has a B.Sc (Biochemistry and Microbiology) from Rhodes University and an Executive MBA from the University of Cape Town. Muzi is a visiting professor at the UCT Graduate School of Business. He is also a businessman and the former CEO of TBWA/Hunt/Lascaris. He was previously a director of King James Advertising and has worked for various advertising agencies.

Muzi was appointed to the board in 2008 and is a member of the group's audit and remuneration committees.

Mntungwa Morojele (Age 52) ~ INDEPENDENT NON-EXECUTIVE DIRECTOR; LEAD INDEPENDENT DIRECTOR

Mntungwa qualified as a CA(Lesotho) in 1993, after completing his articles at KPMG in Lesotho. He joined Gray Security Services Ltd as financial manager for its Inland division, before being promoted to group marketing manager in 1995 and appointed to Gray's board in 1997. After establishing and managing Briske Performance Solutions in 2000, he joined Tourvest's Retail Travel division in 2004 and was appointed managing director of Lesedi Travel, a Tourvest corporate travel management subsidiary. In 2009, Mntungwa established Motebong Tourism Investment Holdings (Pty) Ltd, a tourism investment company focussed on tourism in Lesotho. In addition to being a CA, Mntungwa has a Higher National Diploma in Business Studies (Farnborough College of Technology, UK), Bachelors degree in Business Administration (University of Charleston, USA), Masters degree in Accountancy (Georgetown University, USA), and MBA (University of Cape Town). Mntungwa sits on the board of the UCS Group Ltd, and is the chairman of its audit committee. Mntungwa was appointed to the board in June 2010 and was appointed as Lead Independent Director on 1 March 2011.

Mntungwa is a member of the group's audit, remuneration and nominations committees.

OUR LEADERSHIP: KEY MANAGEMENT

OUR TEAM OF DEDICATED AND PASSIONATE PEOPLE GROWING GREAT BRANDS.

Blaine Freer - DEVELOPMENT (AGE 46)

Blaine started his career as a waiter while at high school. He moved into management and became a partner in various Spur restaurants. He joined head office in 1998, after ten years as a Spur franchisee.

He is now responsible for the development of new restaurants and the relocation and revamping of existing outlets.

Cobus Jooste – NATIONAL TRAINING MANAGER (AGE 35)

Cobus started his career with the group as a waiter. He worked as a store manager at several outlets before taking on a training role for a large multiple-franchisee group. He holds a certificate in Human Resources from Damelin.

Cobus was recruited as the Gauteng regional training manager in 2005 and was promoted to national training manager in 2010.

Duncan Werner - PROCUREMENT AND DEVELOPMENT (AGE 51)

Duncan began his career in the packaging business; then in 1985 he joined Spur as a waiter and later moved to head office in 1988.

Duncan is now responsible for national procurement, Western Cape development and menu engineering. He also oversees the group's sauce and décor manufacturing facilities.

Tyrone Herdman-Grant - CHIEF OPERATING OFFICER - PANAROTTIS (AGE 40)

Tyrone started as a waiter at Illinois Spur in 1992 and moved up into management one year later.
Tyrone joined Spur head office as an operations manager in February 1998. He was promoted to regional manager in 2000, responsible for the operations of the Gauteng region (including North West Province, Free State, Mpumalanga and Limpopo). He has also assisted in opening Spur restaurants from Africa, to Perth and Ireland. Tyrone holds a diploma in business and financial management.

On 1 March 2011 he was promoted to the chief operating officer for Panarottis Pizza Pasta.

Peter Wright - HUMAN RESOURCES (AGE 60)

Peter started as a waiter at Golden Spur in 1975. Over the following five years, Peter gained further experience at the Cape Town manufacturing facility, Midnite Grill and Hard Rock Café. He left the group for ten years but rejoined in 1991 and worked on developing the Panarottis business.

Peter is currently head of Human Resources.

Phillip Matthee – CHIEF FINANCIAL OFFICER (AGE 33)

Phillip joined Spur in January 2007 as new business development manager. He qualified as a CA(SA) in December 2002 after completing his articles at a 'big four' audit firm. He worked for a further two years in the audit profession and then as group accountant for a large retail chain before joining Spur.

In September 2008 Phillip was appointed group chief financial officer.

Robin Charles – NATIONAL SUPPLY CHAIN MANAGER (AGE 37)

Robin has a national diploma in food technology from Cape Technikon. He gained extensive experience in food technology, product research and development, quality management, logistics and warehouse management before joining the group in 2008 as logistics and quality assurance manager.

He was promoted to national supply chain manager in 2010.

Sacha du Plessis - MARKETING MANAGER (AGE 33)

Sacha achieved an honours degree in business management from the University of Stellenbosch. He joined Spur in January 2007 as Group Marketing manager.

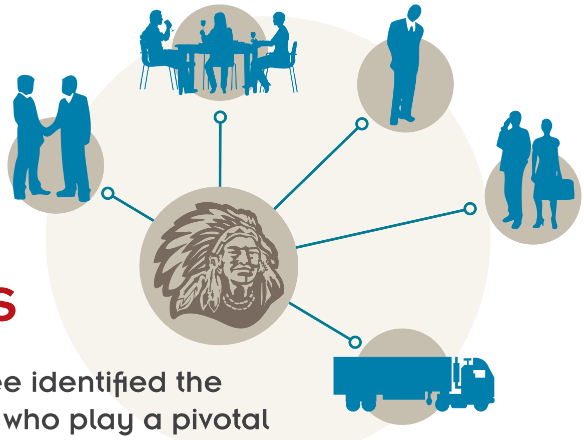
Sacha is responsible for building a strong brand portfolio based on market strategies that explore consumer insights to deliver profitable turnover growth in the Spur, Panarottis and John Dory's brands.

Stamatis Kapsimalis - MANAGING DIRECTOR JOHN DORY'S (AGE 44)

Stamatis 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.
Stamatis grew John Dory's Fish & Grill into a brand comprising seven outlets in KwaZulu-Natal, before selling 60% of the business to Spur Corporation.

As managing director of John Dory's, Stamatis's primary responsibility is to develop and implement the brand's growth strategy.

Stakeholder Relationships



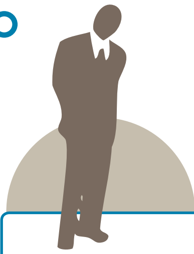
The sustainability committee identified the following key stakeholders who play a pivotal role in developing the group's sustainability strategy. These stakeholders were identified by engaging various employees within the group. The group currently engages with these stakeholders as follows:

Employees

Every highly skilled employee at our corporate offices is a crucial part of the tapestry of our business, and ultimately adds to the fire behind our brands. Annual employee roadshows are held in each of the company's four offices in South Africa where employees are advised by executives of the group's vision, mission, strategy, financial performance and any other matters. Given the limited geographical dispersion of the company's operations and the group's flat management structure, communication between all levels of employees is open. The group also has an intranet site available to all employees through which employees may access the group's policies, procedures, protocols, prescribed forms and other material pertinent to any employee.

HOW DO WE ENGAGE

Roadshows | Intranet | Company Values | Open door policy



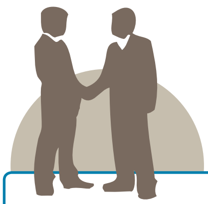
Shareholders

Shareholders are our valued partners who own shares in the company or who directly or indirectly manage investments comprising shares in the company on behalf of other individuals or other entities.

In addition to the annual report, interim results and Securities Exchange News Services ("SENS") announcements, the group communicates formally with any interested shareholders and market commentators in September each year at its Cape Town head office by way of an "analyst's presentation". Ad hoc meetings with analysts and shareholders are held with the managing director and financial director on request throughout the year. The company's website also has a dedicated Investor Relations section. The company willingly participates in discussions with market commentators. Shareholders are also engaged at the annual general meeting each year.

HOW DO WE ENGAGE

Website | Meetings | SENS | AGM | Analyst's Presentation

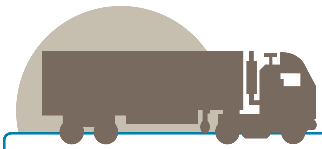


Franchisees

Franchisees are licensed stakeholders benefitting from Spur Corporation's intellectual property and expertise. They own (directly or indirectly through a legal entity) a Spur, Panarottis or John Dory's franchised outlet and employ personnel to run, operate and manage the restaurant. Operations management teams visit every restaurant on at least a monthly basis. The company conducts annual franchisee roadshows in the main regions in which the group operates in South Africa to inform franchisees of developments within the business, marketing plans, projects and to obtain feedback and concerns. A marketing review committee, which comprises certain key management personnel and certain senior franchisees, meets annually to review marketing fund fiscal processes and marketing strategy. A franchisee advisory committee, which comprises key management personnel and certain senior franchisees, meets annually to discuss general strategy at a brand level. An Extranet service is available to all franchisees and serves as a communication channel between the company and its franchisees.

HOW DO WE ENGAGE

Roadshows | Extranet | Advisory committees | Store visits



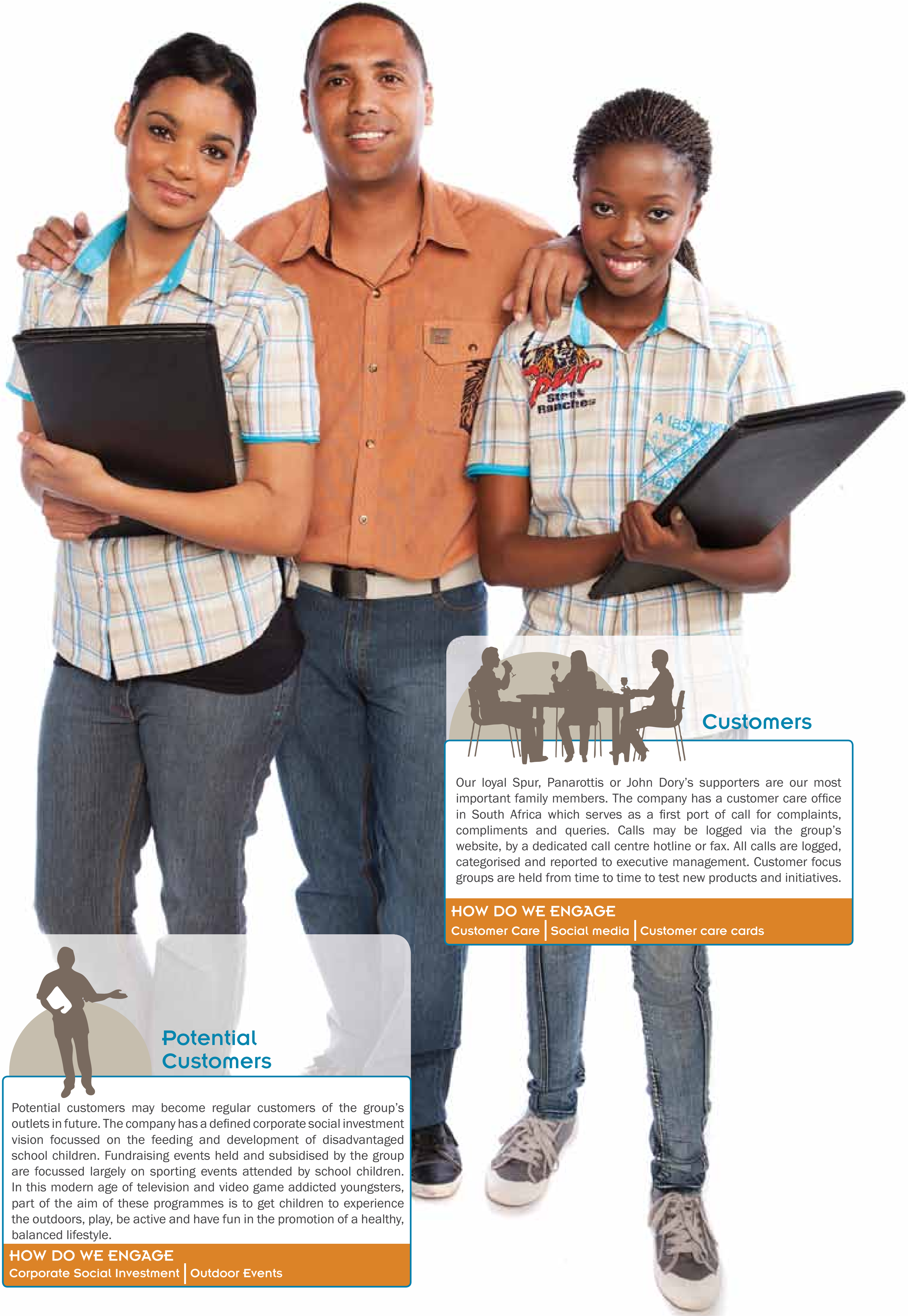
Suppliers

Suppliers deliver all products and services to sustain the ongoing operations and growth of our company.

All key restaurant suppliers are consulted on a regular basis as part of an ongoing review process managed by the group's procurement department. Suppliers of raw materials to the group's manufacturing facilities and export division are consulted frequently. Suppliers of goods to the outsourced distributor are consulted on at least an annual basis. Other suppliers are typically only engaged in the event that specific issues arise.

HOW DO WE ENGAGE

Supplier Audits | Assessments | Meetings



Customers

Our loyal Spur, Panarottis or John Dory's supporters are our most important family members. The company has a customer care office in South Africa which serves as a first port of call for complaints, compliments and queries. Calls may be logged via the group's website, by a dedicated call centre hotline or fax. All calls are logged, categorised and reported to executive management. Customer focus groups are held from time to time to test new products and initiatives.

HOW DO WE ENGAGE

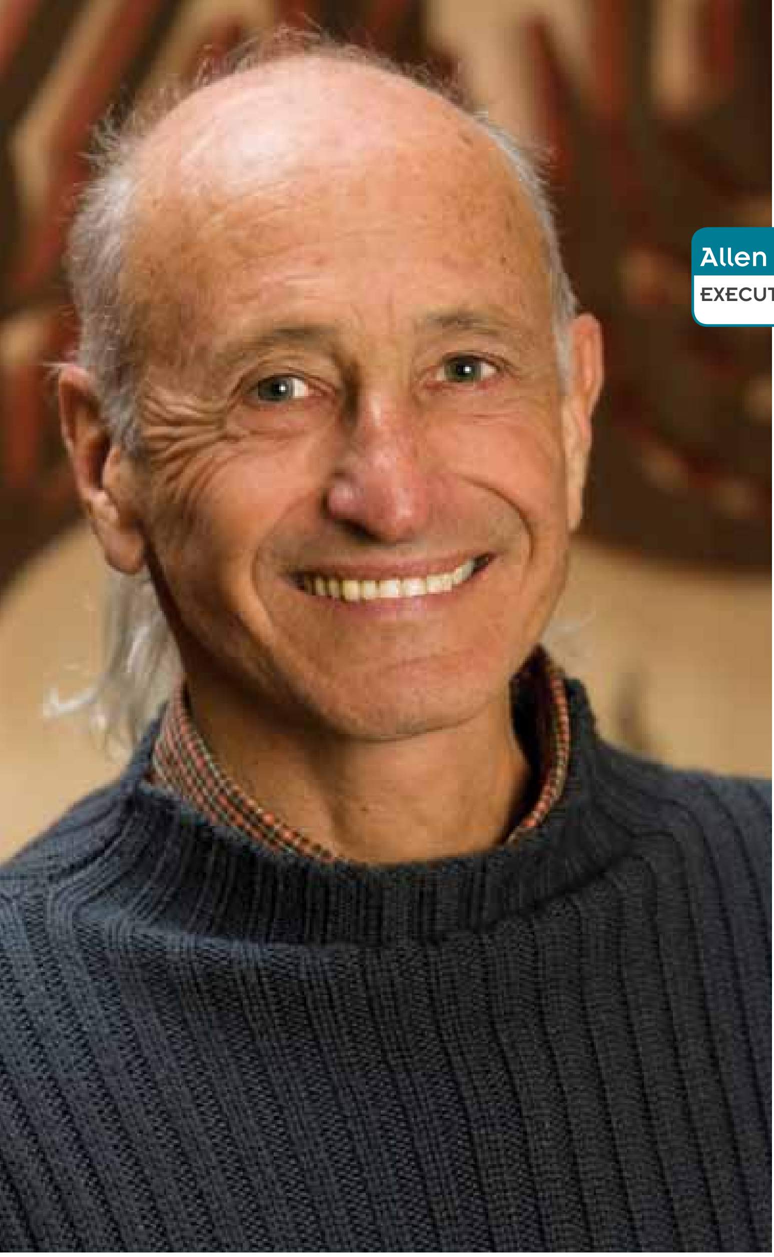
Customer Care | Social media | Customer care cards

Potential Customers

Potential customers may become regular customers of the group's outlets in future. The company has a defined corporate social investment vision focussed on the feeding and development of disadvantaged school children. Fundraising events held and subsidised by the group are focussed largely on sporting events attended by school children. In this modern age of television and video game addicted youngsters, part of the aim of these programmes is to get children to experience the outdoors, play, be active and have fun in the promotion of a healthy, balanced lifestyle.

HOW DO WE ENGAGE

Corporate Social Investment | Outdoor Events



Chairman's Report

Allen Ambor
EXECUTIVE CHAIRMAN

INTRODUCTION

After the past three challenging years positive features have started to emerge in the local trading environment, although a sustained recovery in the domestic economy is being hampered by the fragile state of the global economy and, more recently, Rand weakness raising inflationary concerns.

The past year has seen a low and stable interest rate environment with lending rates at their lowest levels since 1973, although household debt to disposable income in the country remains high at around 76%. Many consumers have benefited from the higher real wage increases which have been granted during the past year, but unemployment remains a challenge in the country with the jobless rate at over 25%.

Consumer spending started to show signs of recovery on the back of improving sentiment in the second half of the financial year. However, the burden of rising fuel, electricity and food prices will impact disposable income levels and ensure that consumers remain cautious in their discretionary spending.

It is pleasing to report to shareholders that our business has again proved to be resilient in these conditions, with the strength of our brands, the loyalty of our customers and our value-for-money offering, backed up by good marketing, forming the foundation of our business.

Early in the financial year we launched the Spur Family Card loyalty programme to reward our faithful customers. This was based on the success over many years of the Spur Secret Tribe loyalty programme which is aimed at our younger patrons.

The response from customers to the Family Card has been most encouraging. By year end cardholders accounted for 12% of sales in Spur and spent an average of 17% more than non-cardholding customers. The loyalty programme has also resulted in a 15% increase in repeat customer visits.

FINANCIAL PERFORMANCE

Revenue generated in South Africa increased by **12.3%** to R287.1 million. This includes the franchise fee income from our three brands Spur, Panarottis and John Dory's, as well as the revenue from manufacturing and distribution. International revenue, comprising franchise fee income and restaurant turnover, increased by **25.8%** to R116.3 million and accounted for 28.8% of the group's total revenue. This was boosted by the opening of two new international outlets during the year and the consolidation for financial reporting purposes of three additional outlets.

However, retail trading conditions remained difficult in foreign markets, particularly the United Kingdom and Ireland. The uncertain economic environment has resulted in the impairment of the assets of the group-owned restaurants in Wandsworth and Gateshead in England which impacted profit by R18.5 million. This contributed to the group's profit before income tax declining by 5.0% to R116.8 million.

Headline earnings increased by 0.8% to R85.8 million while diluted headline earnings per share grew by 2.9% to 97.4 cents.

The directors declared a final dividend of 33.0 cents per share, bringing the total dividend for the year to 66.0 cents, an increase of 10% over the previous year.

The group's trading performance is covered in detail in the Managing Director's Report which follows on page 24.

INTERNATIONAL OPERATIONS

Our business has been built on our successful franchising model and this remains the core philosophy and focus. While we operate our 328 restaurants in South Africa and 20 in Africa exclusively under franchise agreements, shareholders will be familiar with the group's strategy of investing in restaurants to increase our brand presence in the UK and in Australia. The group's international operations comprise 31 Spur and five Panarottis outlets, including six group-owned restaurants in the UK and three in Australia.

Our expansion plans and performance in these international markets have been severely impacted by economic conditions in recent years. The UK is experiencing its slowest recovery from recession in many decades, threatened further by European Union financial instability. Restaurant visits have declined to a third of what they were in 2008 as cash-strapped and debt-burdened consumers face low wage increases, rising inflation and increased value-added tax. Regrettably, tough trading conditions have resulted in the closure of our franchised outlets in Newry and Limerick in Ireland.

A full-time executive was appointed in January 2011 to head the group's operations in the UK and we believe that he will contribute to improving our performance despite difficult trading conditions.

The past year has also been a very tough trading period in Australia. Consumer confidence has been impacted by rising utility and fuel costs, as well as a series of natural disasters in the region. However, it is pleasing to report that our Australian business has started to turn around following last year's consolidation and reported improved profitability for the period.

The restaurants in Africa have generally traded well and growth prospects remain positive, although the group continues to encounter challenges regarding its entry into specific northern markets, with planned openings being postponed owing to delays in the completion of certain retail developments.

We remain committed to our international growth strategy, which will focus principally on Africa.

GOVERNANCE DEVELOPMENTS IN 2011

Following the publication of the 2009 King Code of Corporate Practice ("King III"), the group has reviewed governance practices to align with the new code, and has elected to explain the significant areas of non-compliance. Further information is contained in the Corporate Governance Report on pages 48 to 63.

Enhancements to the governance framework include the following:

- As the chairman is not classified as independent in terms of the King III code, the board appointed Mntungwa Morojele as lead independent director with effect from March 2011.
- The nominations committee is reviewing the structure, composition and terms of reference of the board committees to ensure alignment with the requirements of King III.
- In response to the increasing complex legislative, regulatory and governance requirements the group has appointed a dedicated legal and compliance officer.
- The remuneration of the three most highly paid employees who are not directors of the company has also been disclosed for the first time this year, as required by King III. The group's remuneration policy (refer page 60) will be tabled at the annual general meeting ("AGM") in December 2011 for a non-binding advisory vote to allow shareholders to express their views on our remuneration policies and practices.
- The group has published an integrated annual report for the first time which is aimed at demonstrating how sustainable business practices can create and sustain value for our stakeholders.
- On the legislative front, the Consumer Protection Act ("CPA") came into effect on 1 April 2011 and the group has made significant progress in updating intellectual property and implementing the necessary changes in business processes to comply with the CPA. We welcome legislation which protects the rights of consumers and creates a culture of consumer protection and responsibility.

The new Companies Act came into effect shortly before the end of the reporting period and we are currently addressing changes that will need to be implemented.

TRANSFORMATION

The group committed to achieving level 7 compliance with the Department of Trade and Industry's codes of good practice for broad-based black economic empowerment by the 2011 financial year end. Unfortunately the group has been unable to achieve this goal. The newly constituted transformation committee, together with management, has assessed several opportunities to introduce black equity ownership into the group. However, none of these have met our criteria of being truly broad-based, aligned with the group's strategic vision and being sustainable in the long term. Management has focussed on employment equity, introduced a mentorship programme to develop internal talent, and established the Spur College of Excellence to address the shortage of managerial skills in our industry.

PROSPECTS

As stated above, consumers are under pressure owing to rising costs. Although our franchisees are facing inflationary pressures from higher wages, property rates and utility costs, market commentators are anticipating increased retail spend over the next six months. Management will focus on stringent compliance with operating standards and continuous repositioning of our menus to manage the profitability of franchisees.

Fifteen new franchised restaurants are planned for South Africa in the 2012 financial year, while the ongoing refurbishment and relocation programme should also generate increased revenue. New franchised international restaurants are expected to be opened in Malawi (Lilongwe), Zambia (Lusaka), Namibia (Ongwediva), Botswana (Gaborone - two restaurants), Nigeria (Lagos) and Mauritius (Bagatelle and Cascavelle). Addressing the performance of the group-owned restaurants in the UK is a priority for management.

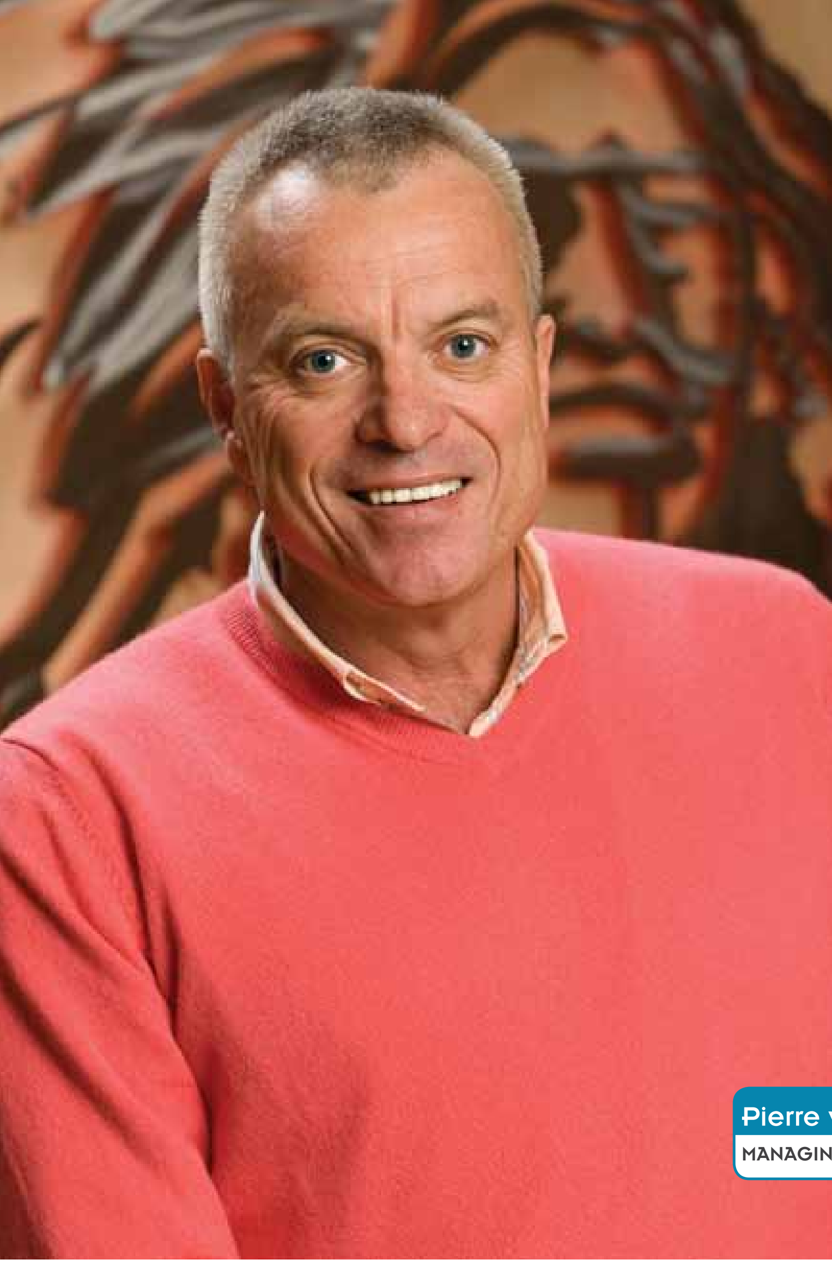
While organic growth remains the group's preferred strategy for sustainable growth, management continues to evaluate potential acquisitions in the restaurant sector to take advantage of opportunities that may arise in the current economic environment.

APPRECIATION

I wish to thank our executive management team under the leadership of Pierre van Tonder and all our employees for their continued commitment, energy and passion across all brands.

A big thank you to our franchisees, suppliers, business partners and advisers for their continued support. I also extend my appreciation to our shareholders and the broader investment community for their active following of the group. Our customers have continued to make us their first choice eating out experience and we thank them for supporting us in increasing numbers over the past year.

Allen Ambor EXECUTIVE CHAIRMAN



Managing Director's Report

Pierre van Tonder
MANAGING DIRECTOR

OVERVIEW

Spur Corporation delivered a solid trading performance in an environment of improving consumer sentiment in South Africa. Locally, growth has been driven by value-added promotional campaigns and value-driven advertising focussing on contemporary and humourous elements of broader South African society.

Profit before income tax from local operations increased by 7.8% on a revenue growth of 12.3%, despite the inclusion of one-off costs related to the relocation of our Johannesburg manufacturing facility and administration office and the impact of the group's new incentive schemes relative to the prior year.

Internationally, the group progressed well in Africa, Australia and Mauritius despite certain operational challenges trading in these territories. The difficult trading conditions in the United Kingdom and Ireland unfortunately resulted in an impairment of assets of two group-owned outlets amounting to R18.5 million, resulting in an increase in the loss before tax of the group's international operations from R11.3 million to R28.0 million, whilst revenue increased by 25.8%.

SPUR STEAK RANCHES

The national retail market and food sector experienced another year of difficult trading conditions. Although South Africa is out of recession, our primary market, the South African family, continues to feel the financial strain of a subdued economy and escalating expenses.

The Spur brand again showed its resilience, with restaurant turnover increasing by **9.9% to R2.7 billion,** as higher customer traffic saw the brand gain market share. **Restaurant turnover from existing business increased at 7.9%.** We were fortunate to be in a position where only one menu price increase was necessary during the year, being 6% in April 2011 (compared to two in the previous financial year). Franchise income in Spur increased by 10.1% to R137.0 million.

The excellent financial performance of the division can be attributed to stringent enforcement of standards, innovative marketing and continuous repositioning of our menu.

- Spur's entry into the breakfast market through the "Spur Unreal Breakfast" promotion has been very successful. Breakfast sales now account for 6% of restaurant sales compared to 0.3% historically. Most of this increase is incremental turnover.
- The launch of the Spur Family Card loyalty programme has increased both customer spend per head and the frequency of visits. At year end, we had 190 836 active members.
- The past year saw a substantial growth in digital communication marketing. We have catered to this trend through increased investment in our websites, social media and mobile websites.
- Spur's brand equity remains strong with the brand performing well in the annual Sunday Times "Generation Next" research findings.
- Spur opened ten restaurants locally, completed 24 major revamps and relocated eight outlets from redundant to improved trading sites.
- Relocations and revamps have resulted in turnover increases of on average between 12% and 15% in the respective outlets.

For the 2012 financial year at least nine new restaurants are planned for South Africa, while the ongoing refurbishment and relocation programme should also generate increased revenue. Further menu initiatives are being investigated in an effort to grow revenue.

Direct marketing will be a focal point in the 2012 financial year. Gift card and Secret Tribe offer great platforms for growth, making use of the information technology successfully proven with the Family Card.

PANAROTTIS PIZZA PASTA

Panarottis' restaurant turnover in South Africa grew by 4.5% to R233.2 million for the year under review. Two menu price increases totalling 6.7% were implemented in December 2010 and May 2011. Franchise income increased by 7.2% to R11.5 million.

A new chief operating officer, Tyrone Herdman-Grant, was appointed during the year. Tyrone has been a senior regional operations manager with Spur for many years and we are confident in his ability to raise the profile of the Panarottis brand and grow the business into the future.

Exciting new décor aspects have been implemented in a number of outlets that give Panarottis a fresh modern look and feel. The new design concept has gained favour with customers and landlords alike and we intend rolling out these design changes in the year ahead.

Our weekday specials, "Chow more Tuesdays", "All you can eat Thursdays" and "Kids eat free on Sundays", have been successful in maintaining foot traffic and we will continue with these, or similar offerings, into the future.

Our investment in the 5FM "Cheese of the Day" radio campaign has been well received. This will be further leveraged in the 2012 financial year, as will our investment in regional radio schedules, in order to promote our weekday specials and generic pizza and pasta offerings. Following from interactions with customers and franchisees, we are focussing on the "authentic Italian" quality of our offering.

Whilst we opened seven new restaurants during the year, we also closed five restaurants. The biggest challenge for the brand is to secure A-grade sites and source suitable franchisees. We have secured four locations across the country for the new financial year and are optimistic that our growth targets for the year ahead will be achieved.

JOHN DORY'S FISH & GRILL

John Dory's Fish & Grill responded well to the tough trading environment in the highly competitive fish market. **Restaurant turnover for the year increased by 9.8% to R193.9 million**, with restaurant turnover from existing business growing at 4.5%. Menu prices during the year increased by 6%. Franchise income increased by 10.6% to R9.8 million.

Supplier-partnered promotions have again added great value and we will continue these initiatives in the year ahead. Our "John's Club" loyalty programme has proven to be successful in increasing customer frequency and is also a cost effective way to communicate with our customers. Membership has increased significantly and now stands at almost 38 000.

Three new restaurants were opened during the year under review and one was relocated.

SPUR INTERNATIONAL

Our international division now comprises 31 Spur Steak Ranches and five Panarottis Pizza Pasta outlets across Africa, Australia, the United Kingdom and Ireland, Mauritius and the Middle East.

A new group-owned Spur restaurant was opened in Gateshead, England and a new franchised Spur restaurant opened in Ezulwini, Swaziland in the first half of the year. The Spur in Belfast (Northern Ireland), was converted from a franchised to a group-owned outlet and the group also purchased the remaining 50% shareholding of the Spur in Penrith (Australia). The Panarottis outlet in Mingara (Australia), in which the group had a minority interest, was relocated to a better trading site in Tuggerah and the group now has a majority interest in the outlet.

The trading conditions and performance of our international operations is covered in the Chairman's Report on pages 22 and 23.

MANUFACTURING AND DISTRIBUTION

Manufacturing and distribution revenue increased by 16.0% to R109.0 million.

The consolidation of our two central kitchen facilities into our Cape Town premises was successfully completed in November 2010. The benefits of improved efficiencies are expected to be realised only in the new financial year. This facility operates within very high operating standards and we will continue to invest in upgrading the facility in order to maintain these standards.

We continue to conduct research and development in respect of our sauces to understand current market taste profiles and in response, rejuvenate our existing product range and develop new products.

Improved communication between the operations teams, franchisees and the group's outsourced distributor has increased franchisee "buy-in" to the model, reducing supply, quality, health and safety, and financial risks to the group and franchisees. Volumes of goods supplied through the group's distribution channel has increased approximately 20% on the prior year.

The group continues to expand the basket of merchandise which is centrally procured, in order to enhance quality standards and secure better pricing, thereby increasing franchisee profitability.

STAFF RETENTION

Skills are a scarce resource in South Africa and our industry is no different. We have developed much of our talent internally, with most senior managers and executives having progressed over many years within the group. Our business is one based on intellectual property, much of which resides within the people who manage the business on a daily basis. In an effort to retain key talent, during the year we implemented a short-term profit share incentive scheme for management and executives as well as a long-term retention share appreciation rights scheme for executives (which replaces the 2004 management share incentive scheme wound up in December 2009).

The profit share scheme is based on the dividend declared by the company, personal performance, and growth in group and divisional profits relative to inflation. The share appreciation rights scheme is a three year rolling cash-settled phantom option scheme. The liquidity risk associated with these rights has been hedged. The details of these schemes as well as the costs related thereto are detailed in the remuneration committee report and financial statements included in this report.

learn more about our brands at:
www.spur.co.za
www.panarottis.com
www.johndorys.co.za

INFORMATION TECHNOLOGY

In the past financial year, we invested more than R5 million in information technology to deliver on-time trusted information that enables improved decision making, and technology solutions that create a competitive advantage for the group. We continue to invest in improving our store management, franchise agreement and operations reporting systems, in order to assist with the managing of operational standards.

A rollout of a new version of our point-of-sale system is planned for the new financial year. The benefits of the new version include greater business intelligence, improved security and greater efficiency in-store.

ENVIRONMENTAL

During the year, we successfully migrated from plastic and polystyrene to paper-based packaging procured from sustainable forestation.

Our Eco-Warriors website was launched and we have introduced environmental and conservation tips in the in-store kid's Totem Magazine.

We completed a base-line audit at our corporate offices which has given us guidance in developing our environmental policy which we plan to roll out in 2012. We plan to entrench the relevant principles in our corporate offices before rolling out any policies to franchisees.

TRAINING

A few years ago we identified the lack of skill in our industry as a serious concern relating to the future sustainability of our franchised businesses. In response, we developed the Spur College of Excellence training curriculum. The pilot group of four trainees successfully completed the curriculum during the year and have found employment within the franchise network.

The curriculum is a six month intensive practical and theoretical course aimed at fast tracking the development of junior management.

We are encouraged by the initial results and look forward to developing the programme further.

INTEGRATED SUSTAINABILITY

The recent focus on King III and its recommendations relating to sustainability (with reference to the GRI Framework) has caused the board to interrogate from a fresh perspective the group's strategies, analyse the risks facing the longer term future success of the group and assess the group's various responses to these risks.

In this context, the group has started on a journey to sustainability – from an environmental, social and economic perspective (the so called "triple bottom line"). The triple bottom line idea proposes that an organisation's licence to operate comes not just from satisfying shareholders through improved profits but by improving its environmental and social performance and contributing to national, regional and local economies.

We recognise that the three sustainability spheres of the triple bottom line are entirely interdependent and all of equal importance. The group has in the past focussed on economic sustainability, along a more traditional business model, with social sustainability receiving ancillary focus. Consequently a key focus of the group needs to be environmental sustainability to secure both the future of our business and the future of our planet. The group has commenced a number of programmes in this regard which are detailed later in this report.

The opportunity exists to become a better company by looking at every facet of our business – from the products we offer to the energy we use – through the lens of sustainability, and in so doing, ensure the longevity of the group, sustained returns to shareholders and greater success in meeting all stakeholder expectations.

Becoming a sustainable business is no longer a "nice to have" but a business imperative. In order to ensure the longer term sustainability of the group, the group will focus on making operations environmentally and socially sustainable, selling our products responsibly and ensuring good practice and sustainable standards in our supply chain.

THANKS

I wish to thank my colleagues on the board for their guidance and assistance as well as all our employees for their hard work and commitment throughout the year. I also wish to thank our franchisees, customers and suppliers for their continued loyalty and support.

Pierre van Tonder **MANAGING DIRECTOR**

Strategy, Risks and Related Key Performance Indicators

INTRODUCTION

As a franchisor, the company's financial performance is inextricably linked to the financial well-being of its franchisees. As franchise-related fee income comprises the large majority of the group's income stream, of primary concern for the board and management is the financial sustainability, performance and viability of franchisees. As a consequence, many of the group's strategies are focussed on franchisee financial performance. Franchisee profitability is in turn dependent on customer satisfaction – in terms of value and quality of product and service – and consequently this is also of primary strategic significance.

KPI	2008	2009	2010	2011	Target 2012
Operating profit before finance income	R85.2m	R96.2m	R118.5m	R112.0m	R152.0m
Growth in adjusted operating profit (as defined on page 9)	8.0%	14.3%	14.5%	4.4%	15.0%
Operating profit margin (as defined on page 9)	32.1%	33.3%	35.8%	32.2%	
Return on equity (as defined on page 9)	15.9%	17.6%	20.9%	21.1%	
Return on investment (dividends per share + change in share price for the year expressed as a percentage of share price at the beginning of the year)	(42.8%)	44.4%	52.4%	18.9%	

In order to improve operating margins, the group is constantly reviewing its structures to identify opportunities to improve efficiencies. In this regard, during the year, the company sold its Johannesburg building for R16.75 million (at a profit of R1.2 million), relocated its Gauteng administrative operations to rented premises in Johannesburg and consolidated its Gauteng manufacturing plant with the existing plant in Cape Town. Whilst this project cost approximately R3.8 million in the year of which R1.1 million was charged to profit or loss and R2.7 million was capitalised to property, plant and equipment, savings in overheads are anticipated to be realised in future years. In addition, the group acquired a new building in Cape Town at a cost of R10.0 million to house its décor manufacturing facility (which was previously operating from rented premises) and to provide additional storage and warehousing capacity to reduce reliance on external service providers and reduce costs in this regard. Modifications to the facility cost R1.0 million for the period of which R0.9 million was capitalised to property, plant and equipment and R0.1 million was charged to profit or loss.

In addition to those items listed above, current year operating profit before finance income includes:

- an impairment loss of R18.5 million (2010: R8.0 million) relating to the assets and goodwill of the retail Spur outlets in Gateshead and Wandsworth (in the United Kingdom) as more fully detailed in note 5.1 on page 95;
- a charge of R3.2 million (2010: R1.7 million) relating to long-term share-based incentive schemes as more fully described in notes 20 and 21 on page 112 and note 26 on page 115;
- incremental costs of R3.5 million relating to the short-term incentive scheme tabled at and approved by shareholders at the annual general meeting of 10 December 2010. The incremental cost arose out of the need to accrue for the incentive payments due in December 2011 (in addition to the cost of the incentive payments made in December 2010) as required by International Financial Reporting Standards (refer details in note 26.2 on page 116);
- foreign exchange losses of R0.8 million (2010: foreign exchange gains of R1.6 million) principally arising from the weakening of the Euro against the Pound Sterling;
- start-up losses of R6.3 million in respect of retail outlets opened during the year in the United Kingdom and Australia. Losses are typically expected in the first year of operation as a result of set-up costs that do not qualify for capitalisation as property, plant and equipment in terms of International Financial Reporting Standards and as public acceptance initiatives usually take several months to gain traction; and
- trading losses in respect of the retail outlet in Derby in the United Kingdom of R1.3 million (2010: R2.8 million) that was closed in December 2010.

Comparable operating profit is listed below

R'000	2011	2010	% Change
Operating profit before finance income	111 969	118 549	(5.6%)
Relocation of Johannesburg sauce manufacturing facility, admin offices and décor manufacturing facility	1 133	-	
Capital profit on sale of Johannesburg building	(1 205)	-	
Impairment losses (property, plant and equipment and goodwill)	18 482	7 994	
Employee benefits	6 666	1 682	
Foreign exchange	794	(1 555)	
New restaurant start-up losses in UK and Australia	6 269	-	
Trading losses of Yellowstone Spur (Derby, UK)	1 261	2 756	
Bad debt write off	-	1 075	
Payroll tax refund (Australia)	-	(713)	
Comparable operating profit before finance income	**145 369**	**129 788**	**12.0%**

Note that the comparable profit reported is not a measure of sustainable or maintainable profit and is presented only to provide users of this report with an understanding of key items included in profit.

The group is not opposed to acquisitive growth and has a strong balance sheet to fund an acquisition. Any acquisition would need to be on terms that would create overall shareholder wealth and return on equity as opposed to merely an increase in profits.

LOCAL RESTAURANT REVENUE GROWTH

RISK

In order for a franchise business to be sustainable in the long term it has to grow the number of viable stores it trades as well as maintain or increase market share.

The group has always sought to identify ideal locations for local restaurant expansion and has been successful in occupying most of these ideal locations. Whilst the growth in the "middle market" has sustained economic growth in recent years, the same level of growth cannot be sustained indefinitely. The proliferation of large shopping centres has also slowed in recent times. The group is exposed to the risk that it will be unable to sustain its rate of growth due to the lack of available suitable sites and a market that may reach its cap in the medium to long term.

Changes in consumers' taste profiles, the acceptability of the group's current product offerings and the ability of the franchisee network to deliver on customer wants and needs are risks that have a profound impact on patronage. It is critical that the group's strategies address these issues to maintain and/or grow market share.

STRATEGY

In order for the group to ensure continued real revenue growth, it is imperative that all new store opportunities are identified and that these translate into an increase in the number of viable outlets operated. In the group's pursuit of expansion, it is important that growth is not achieved at the expense of quality. For this reason, the group ensures that appropriate sites and suitably competent franchisees are selected through rigid site selection and new franchisee application processes. The group will continue applying these rigid standards for the foreseeable future.

Specific actions include:

- Constant assessment of new potential sites (from whatever source);
- Development staff developing and maintaining relationships with property developers, landlords and potential franchisees to ensure that sites are identified as early as possible and franchise opportunities secured;
- Managing outlet set-up costs. In this regard, in assessing and updating the intellectual property concerning restaurant layouts and blue prints, there is continuous focus on cost and quality of raw materials, efficient space utilisation and practical functionality;
- Working with large financial institutions to facilitate the provision of financing to prospective franchisees; and
- Assessment of alternate store models (see Sustainable Local Franchise Model on page 33).

Our 6 key strategies to grow foot traffic

In order to ensure real turnover growth, the group's strategy is to maintain and grow foot traffic and spend per head in excess of menu price inflation. Specific actions include:

1. Continued focus on business intelligence and market research to identify changes in consumer trends and respond to these
2. Continued and enhanced focus on the Spur Family Card and other loyalty programmes
3. Continued focus on Value-Added Campaigns (promotions) for kids and adults and brand retail campaigns (similar to Spur's Monday night burger and breakfast campaigns)
4. Continued focus on revamps and relocations of outlets to better trading sites
5. Focus marketing on digital media
6. Focus on growth in take-away/delivery and off-peak trading times

KPI	2008	2009	2010	2011	Target 2012
New local stores					
- Spur	11	10	9	10	9
- Panarottis	1	1	3	7	4
- John Dory's	2	1	5	3	4
Closed local stores					
- Spur	1	6	4	6	
- Panarottis	3	2	3	5	
- John Dory's	1	-	1	2	
Total local stores					
- Spur	236	240	245	249	254
- Panarottis	51	50	50	52	55
- John Dory's	21	22	26	27	31
Relocated*/revamped local stores					
- Spur	15	16	24	32	32
- Panarottis	15	6	5	2	8
- John Dory's	7	-	3	1	6
Total store turnover					
- Spur	R2 068.2m	R2 245.4m	R2 459.0m	R2 702.7m	R2 946.1m
% growth in store turnover	8.6%	8.6%	9.5%	9.9%	9.0%
% growth in existing store turnover	6.3%	6.8%	7.8%	7.9%	7.7%
- Panarottis	R198.3m	R207.0m	R223.2m	R233.2m	R258.4m
% growth in store turnover	1.2%	4.4%	7.8%	4.5%	10.8%
% growth in existing store turnover	0.1%	3.1%	4.8%	0.3%	8.2%
- John Dory's	R121.0m	R143.1m	R176.6m	R193.9m	R226.0m
% growth in store turnover	23.4%	18.2%	23.4%	9.8%	16.4%
% growth in existing store turnover	20.2%	16.1%	7.8%	4.5%	8.0%
Percentage "Share of voice"**					
- Spur	11%	10%	12%	12%	14%
- Panarottis	15%	8%	6%	14%	15%
- John Dory's	11%	12%	23%	23%	40%
Family Card loyalty spend	N/A	N/A	N/A	R163.3m	R400.0m
Family Card membership	N/A	N/A	N/A	190 836	490 000
Kids Tribe membership	915 221	935 588	1 053 899	1 066 827	1 098 831
John's Club loyalty spend	N/A	N/A	R8.0m	R23.9m	R45.0m
John's Club membership	N/A	N/A	13 790	37 630	70 000

* A relocation of a restaurant to a new site in the same general geographical area and where the franchisee remains the same is not considered a closure. Relocations are necessary as circumstances in areas change over time.

** There is currently no measure of market share for the industry in which the group operates. However, data concerning how much the industry spends on marketing is available and this is considered as a proxy for market share. "Share of voice" is the proportion of "above the line" marketing spend relative to an internally determined competitive set.

Beyond the 2012 financial year and up to (and including) 2015, the group is targeting:

- At least ten new Spur outlets, four new Panarottis outlets and four new John Dory's outlets per annum;
- Family card membership at 30 June 2015 of 1.5 million; and
- Kids Tribe membership at 30 June 2015 of 1.25 million.

SUSTAINABLE LOCAL FRANCHISE MODEL

Linked to restaurant expansion is the financial feasibility of the franchise model. In order to attract and retain franchisees, thereby ensuring restaurant growth and continued franchise revenue growth, franchisee return on investment is of paramount importance.

RISK

Recent uncontrollable events have led to increased financial pressures on all entities operating in the South African market including:

- Unpredictable inflation (food and other);
- Increases in property rates and taxes being well in excess of inflation;
- Increases in the cost of electricity being well in excess of inflation;
- Current and anticipated increases in fuel costs;
- The implementation of minimum wage rates and sectoral determinations where wages increase ahead of inflation; and
- Higher rentals as property owners themselves struggle to counter the impact of the above.

These factors have put pressure on franchisee operating margins and will continue to do so unless a strategy is implemented to address each of these issues. Whilst certain of these pressures, most notably labour and occupancy costs, are new in South Africa, they have been prevalent in first world markets for some time. The group's exposure to, in particular, the UK and Australian markets has prepared it to address some of these issues.

STRATEGY

It is undesirable to recover the full extent of increased input costs from our customers. Whilst it is unavoidable that consumers will ultimately subsidise some level of the increased costs, in order for the group to maintain its competitive advantage and value proposition and at the same time ensure the financial security of the group's franchisees, it is the group's strategy to minimise menu price increases to the extent possible. In order to compensate for this, other aspects of the franchise model must be reviewed on an on-going basis.

Specific actions include:

- Cost conscious considerations in developing store design intellectual property (to keep set-up costs as low as possible without sacrificing on quality);
- Reviewing and revising the franchise financial models on at least an annual basis to ensure that franchisee cash flow profit margins are maintained;
- Managing gross margins to compensate for the changing commercial and economic landscape in South Africa (for example, increases in utilities, labour costs and occupancy costs) anticipated over the medium term;
- Expansion of the outsourced distribution model to improve constantly the management of food cost (in addition to quality, price, standards and sustainable practices);
- Continuous re-engineering of menus to ensure optimum sales mix from a food cost perspective. In addition, as the extent of product offering determines the kitchen space and staff needed, menu engineering is also considered in the context of reducing labour and occupancy costs;
- Continued investment in developing training material and training employees and management to ensure efficient human resource planning and utilisation;
- Implementation of lessons learnt from the labour models in the UK and Australia in the local franchise network;
- Continued assistance to franchisees in negotiating with landlords to manage rental escalations and related costs to the extent possible; and
- Continued investigation into managing electricity, gas and water usage. Related to this is continued development of store operations intellectual property for results of these investigations and training of franchisee staff and management in this regard.

COMMENTARY

During 2010 the group introduced a "Spur Village" model which is essentially a smaller-format Spur outlet with a reduced menu. With effect from 1 April 2011, the Spur menu is the same throughout all Spur outlets and the "Spur Village" moniker is no longer used. There is still a differentiation between a regular sized outlet and the smaller outlet. Whilst the smaller format Spur outlet typically generates less turnover than a standard format outlet, the lower set-up costs and more efficient operations can result in a good return on investment for franchisees. The model creates several new opportunities to broaden the group's footprint in particular in smaller rural areas.

During the year, the group opened its first Spur Express outlet in South Africa. The site in question is an adjunct to an existing standard Spur outlet. Initial research indicated that the Spur Express moniker was confusing to patrons and the use thereof has consequently been discontinued in South Africa. Instead the Spur Express outlet has been structured as a dedicated take-away desk which essentially forms part of the main outlet and this format will be utilised going forward. The board believes that the risk to diluting the Spur brand if the Spur take-away model is rolled out *en masse* in South Africa is high and consequently, at this time, there is no intention to roll out this model in South Africa. New Spur take-away outlets will only be opened under very specific circumstances in South Africa. The board believes that there is an opportunity to roll the Spur Express model out internationally and the group is currently conducting investigations in this regard. The board is of the opinion that the risk referred to above is not as high in relation to an international Spur Express roll out, given the brand's limited presence in the international territories in which we trade.

During the year, the group also opened its first Panarottis Express outlet in South Africa. The board believes that there may be an opportunity to roll this model out further in South Africa, but any such roll out will be dependent on the results of a detailed review of the performance of the existing Panarottis Express outlets in due course. A new Panarottis store look was launched during the year and it is intended that this be rolled out as revamps are scheduled. The new design includes kids' facilities. A pizza slice bar concept (incorporated into a standard Panarottis outlet) has also been launched and the success of this concept will be monitored closely.

The group's sustainable franchise model strategy is to increase the number of smaller format stores and to increase the proportion of stores achieving model cash flow margins.

KPI	2010	2011	Target 2012
Number of smaller format Spur outlets	3	4	6
Number of Panarottis Express outlets	-	4	N/A
Proportion of outlets achieving model cash flow margins			
- Spur	Not available	85%	90%
- Panarottis	Not available	39%*	45%
- John Dory's	Not available	70%	80%

* Whilst 39% of outlets are exceeding the standard cash flow model, 85% of outlets are achieving turnovers in excess of break-even. Under the leadership of the recently appointed new Panarottis chief operating officer, and with some of the new ideas recently implemented, the board is confident that an improvement in the financial returns for Panarottis' franchisees is achievable.

By 30 June 2015, the group is targeting:

- 95% of Spur and John Dory's outlets and 90% of Panarottis outlets achieving the franchise model standard cash flow margin.

INTERNATIONAL EXPANSION

RISK

Whilst the board is of the opinion that there are still opportunities to grow the group's brands locally, it acknowledges that the rate of growth of the past decade cannot be sustained indefinitely. For this reason, the board remains committed to growing the group's brands internationally. The board is aware that the expansion of the retail business in the United Kingdom and Australia comes at a significant financial risk and the execution of the international expansion strategy is consequently under continuous scrutiny.

STRATEGY

The group's strategy is to increase the contribution of the international business to revenue and profits. Whilst this strategy is expected to contribute favourably to profit growth in the future, it also diversifies the geopolitical risk of the group.

Specific actions include:

- Continue rolling out franchised outlets in the rest of Africa – both in the countries in which we already trade as well as new territories;
- Continue rolling out franchised outlets in Australia. The board has resolved not to invest any further capital in Australia until it becomes evident that the Australian business is self-funding;
- Review, assess and refine the franchise model in the UK to improve the return on investment for the group and prospective franchisees. Whilst the group has focussed on high profile shopping centre sites in the past, sites outside of shopping centres are being investigated as lower occupancy costs for such outlets should result in improved returns. Greater focus will be placed on entrenching our core proposition (steak and grill) within the markets in which we operate.

COMMENTARY

After a period of consolidation in Australia, the group's performance in that territory is improving.

The group's franchised restaurants in Africa have generally traded well and growth prospects remain positive. Growth has been lower than expected as a result of operational challenges to doing business in Africa and delays in certain retail developments. The retail trading conditions in the United Kingdom remain particularly difficult with a decline in market sentiment towards the end of the financial year as a result of government cost cutting measures, relatively high inflation, an increase in the United Kingdom VAT rate and the threat of further recession. These factors were considered in concluding on the decision to impair the assets and goodwill of the Spur restaurants in Wandsworth and Gateshead in the United Kingdom. Management are optimistic that the businesses in question are viable businesses and will continue to trade these restaurants for at least the short term.

During the financial year, the group appointed a full time dedicated regional head of operations for the United Kingdom, who is permanently based in the UK. This regional head has been tasked with managing the group's high operational standards, dealing with operational inefficiencies and enhancing the franchise model.

A consumer research project was conducted in March 2011 in the United Kingdom, to understand the United Kingdom consumer's perception of the Spur brand and gain greater insights into the market's expectations. The findings of this research have highlighted to management a number of key areas of potential improvement from branding, décor and corporate identity to menu design and product offering. A twelve month programme has been executed to implement many of the enhancements identified by the research.

Group Marketing has dedicated specific resources to focus on the marketing plans of the international businesses and this should facilitate a co-ordinated marketing focus in these territories. Specific marketing focus includes weekday promotions, specific localised public relations strategies, the design and roll-out of kids club and other loyalty programmes, electronic media and target market communication.

The board recognises that the high initial start-up costs and the reluctance of landlords in the United Kingdom to conclude leases with private individuals are barriers to rolling out the franchise model in the United Kingdom. Given the high cost of investment in this territory, the board has resolved to suspend further investment in retail outlets until all operational issues of all existing outlets are resolved and model enhancements to improve returns are finalised and implemented. The board will continue to review the expansion strategy in the United Kingdom.

Specific opportunities are being investigated in Perth (Australia), Botswana, Mauritius, Malawi, Namibia, Nigeria, Tanzania and Zambia.

The group is also open to considering other ventures in other territories although nothing specific is currently being investigated.

The group's strategy is to increase the contribution of the international business to revenue and profits.

KPI	2008	2009	2010	2011	Target 2012
Percentage of international revenue to total group revenue	29.6%	29.6%	26.6%	28.9%	30.0%
Percentage of international profits to total group profit*	(9.6%)	(8.9%)	(7.3%)	(23.9%)**	1.5%
Number of international outlets	35	35	38	36	39

* Profit before tax
** The percentage of international profits to total group profit is impacted by impairments of property, plant and goodwill of R18.5 million as more fully detailed in note 5.1 on page 95.

SUSTAINABLE SUPPLY OF RAW MATERIALS

RISK

The group is reliant on certain key suppliers to meet the demands of its franchisee network. The combined group is a significant consumer of beef, chicken, pork, seafood, potatoes and cheese. Food security for the planet is a risk that is increasing as the world's population increases and shifting weather patterns increasingly have a negative impact on food production. Food scarcity increases the cost of food which will also have a negative impact on the viability of the franchise model. The sustainability of the group's business model is dependent on the sustainable supply of food items.

STRATEGY

Our strategy to ensure food security in the long term is to collaborate with suppliers to ensure that they have appropriate sustainability practices in place. In the short term, our strategy is to minimise the impact of volatile food prices on franchisee profitability as well as ensure that sufficient supply of core products is secured to meet the needs of our franchise network.

The group's procurement department is specifically focussed on:

- Applying a rigid criteria (including sustainability practices) in the selection of preferred suppliers;
- Reviewing key suppliers' sustainability plans and processes on an annual basis to assess whether the supplier is sufficiently committed to the group's sustainability ideologies;
- Collaborating with SASSI to ensure that seafood products are only acquired from SASSI certified suppliers, and
- To the extent possible, securing alternative suppliers (local and foreign) for each key product to limit reliance on one supplier. For core products, multiple suppliers are isolated from each other so as to limit the impact of a regional threat on national supply.

The group's sustainable procurement strategy is to engage suppliers actively to ensure that they have sustainable business practices in place.

KPI	2010	2011	Target 2012
Percentage of suppliers managed by the group that have adequate and appropriate sustainability plans in place.	10%	20%	50%
Percentage of seafood suppliers managed by the group that complies with SASSI guidelines and Marine Stewardship Council standards.	60%	80%	90%

By 30 June 2015, the group is targeting:

- 95% of suppliers managed by the group will have adequate and appropriate sustainability plans in place; and
- 95% of seafood suppliers managed by the group will comply with SASSI guidelines and Marine Stewardship Council standards.

PRODUCT RESPONSIBILITY

RISK

One of the reasons for the group's success is the trust associated with the group's brands. Customers have come to expect a certain level of quality (in product, service and ambience). Not living up to these expectations could do severe harm to customer goodwill and negatively impact on patronage.

STRATEGY

An important component of the group's strategy is to provide franchisees with the support, guidance, training, communication and other tools necessary for them to ensure that the food they serve to their customers complies with the most stringent food safety standards and that customers and employees are protected, to the extent possible, from personal injury and loss.

Specific actions include:

- Monitoring HACCP (Hazard Analysis and Critical Control Points) compliance by the group's own manufacturing facilities, suppliers and the group's outsourced distributor;
- Meat suppliers to the group's franchisees must be approved by the group and comply with a Supplier Agreement which outlines the group's product specifications and food safety standards;
- Operations management check quality, specification and portion sizes of certain products in store as part of monthly inspections including, but not limited to, meat and oil; and
- Training courses have been developed to provide franchisees with the necessary support for them to ensure that due care and skill is applied in dealing with minors and customers in respect of safety.

COMMENTARY

All new suppliers managed by the group's outsourced distributor are subjected to a Capability Assessment process which includes a review of the extent of their HACCP compliance. Each major supplier is subject to a bi-annual performance audit to assess performance relative to their Capability Assessment. Current suppliers who are not HACCP and/or ISO14001 compliant will be engaged and encouraged to become compliant.

All products on our menus, with the exception of one, are MSG free.

The group intends measuring and making publically available the full nutritional information of all menu items in order for customers to make informed choices. The nutritional analysis for Spur is due to be completed by October 2011. Plans to do the analysis for Panarottis and John Dory's are pending.

Whilst the group invests considerable time, money and effort in educating franchisees regarding their legal obligations in respect of health and safety, the onus remains on franchisees to ensure that they are fully compliant with the applicable legislation, franchise agreement and group operating standards.

The group's strategy is to ensure that suppliers are HACCP/ISO 14001 compliant.

KPI	2010	2011	Target 2012
Percentage of suppliers managed by the group who are HACCP/ISO 14001 compliant	59%	65%	85%

OTHER SUSTAINABILITY ISSUES

COMMUNITY SUPPORT

Spur Corporation is a proudly South African business that has impacted the lives of many South Africans over the past 44 years. Spur Corporation, through providing quality products at exceptional value and creating a unique family oriented dining experience, has enabled customers to create great family experiences and memories. It has also provided employment through its franchise network to thousands of individuals within South Africa contributing to their family and community well-being as well as the overall South African economy.

Spur Corporation continues to create wealth across the South African economy through generating direct employment and career opportunities to an estimated 19 920 people at its corporate offices and franchised outlets, as well as through working closely with its suppliers, further supporting South African businesses. Whilst the group's contribution to the South African GDP cannot be reliably estimated, it is considered to be significant.

Communities

The group has a strong social awareness philosophy and a commitment to improving the quality of life of disadvantaged South Africans.

As a caring corporate citizen, the group assists in the upliftment of communities, primarily through sport. In this age of television, internet, video-games and generally increasing levels of obesity (especially in children), the promotion of sport and outdoor activities encourages families to get active and experience living outside of the home environment.

Corporate social investment ("CSI") is an integral component of the group's transformation and empowerment strategy. Through an active programme of community-focussed events, disadvantaged children throughout South Africa are given the opportunity to experience the Spur "taste for life".

Funds generated from these events are directed to the feeding and development of disadvantaged school children across the country. The group has partnered with Joint Aid Management, a non-profit organisation that provides meals to more than 500 000 children throughout Africa daily, to manage and distribute the Spur CSI funds.

Masidlale teaches life skills and encourages self-confidence among disadvantaged children between the ages of 8 and 12. 1 600 children benefitted from the programme in 2011.

More than 140 sport and recreational events took place in 2011,

with the focus on the following sponsorships:

Spur Soccer Masidlale (meaning "let's play") is a national series of one-day learning clinics using soccer as a vehicle to integrate children from all walks of life. Now in its sixth year, Masidlale teaches life skills and encourages self-confidence among disadvantaged children between the ages of 8 and 12. Coaches are trained to conduct monthly follow-up sessions with schools attending the Masidlale programme. The Spur Masidlale "seven a side" soccer league, a ten week mini tournament for 200 learners, held in Gauteng was implemented successfully

Spur has continued to support the development of the National Schools Mountain Biking League, which will incorporate 24 new events in the year ahead, focussing on children aged 12 to 18. Mountain biking is currently one of the fastest growing sports in the country and many cyclists are turning to mountain biking for recreation, and this aligns with the overall Spur Adventure theme

Spur Adventure Sprint Series provides an adrenaline-fuelled day for the whole family and participants engage in biking, kloofing, hiking and other outdoor adventure activities. 12 family events are held in all major centres

Spur is committed to rugby development and the transformation of the sport at school and university level. Spur Steak Ranches has partnered with First National Bank ("FNB") and Steinhoff to present the Varsity Cup and Varsity Shield rugby tournaments. Spur also sponsors several disadvantaged rugby playing schools nationally as well as a Junior Rugby Development day in the Western Cape

The Spur annual charity golf tour, comprising four regional events, raised R87 412 for the development of underprivileged potential junior players and the feeding of underprivileged children within school feeding schemes

In addition to the above events, Spur is committed to assisting The Teddy Bear Clinic and Reach for a Dream:

The Teddy Bear Clinic is a non-profit organisation that provides assistance, support and protection to children who have been abused and/or sexually molested. Spur is assisting The Teddy Bear Clinic with resources such as design and printing of booklets, annual report, etc. as well as providing sponsorships in the form of meals for staff and kids Christmas and Easter parties

Reach for a Dream is a non-profit organisation that fulfils the dreams of children between the ages of 3 and 18 who have been diagnosed as having a life-threatening illness. Spur has assisted the organisation by making the dreams come true for dreamers who wish to visit Spur for a meal and some fun and Spur will continue to assist with these requests in the year ahead

FOODBANK SOUTH AFRICA

During the year, the group established a relationship with FoodBank. An estimated 11 million people are considered to be "food insecure" in South Africa and one in five children under the age of nine suffers from stunted growth due to malnutrition. FoodBank aims to get rid of hunger, and in so doing address a key cause of socio-economic challenges in South Africa. FoodBank currently reaches approximately 200 000 beneficiaries, delivering 1.5 million meals a week. In addition to a direct contribution of R10 000 to FoodBank, from April 2011, the group established a voluntary employee salary deduction scheme to give employees the opportunity to contribute to FoodBank. Every R1 donated can provide 1.7 meals.

Spur continues to respond to numerous requests for donations from various schools, orphanages, churches and charities by donating meal vouchers and providing cash donations.

The group's strategy is to feed and provide life-skills training to underprivileged children

KPI	2008	2009	2010	2011	Target 2012
Number of learners through Masidlale program	4 800	4 800	1 600	1 600	1 600
Contribution to JAM or similar organisation	R353 995	R157 826	R213 615	R87 412	R195 000
Contribution to FoodBank (corporate and employees)	Rnil	Rnil	R10 000	R23 400	R30 000

Skills Development

South Africa is seeing a noticeable decline in numeracy and literacy skills in school leavers who are the group's (both at franchisee and corporate level) future employees and management. This impacts on the availability of suitably qualified restaurant staff and management who are needed to operate restaurants effectively and efficiently and implement the group's strategy.

An in-house training unit ensures that franchisees and their staff, together with head office employees, acquire the skills to perform in line with the group's high standards. A wide range of training courses are offered to franchisees at the training centres in Cape Town and Johannesburg. During the past year 4 269 delegates attended internal and external training workshops.

Classroom training is supplemented with practical training at a number of accredited training restaurants in Gauteng, KwaZulu-Natal and the Western Cape for new franchisees and management. This training ensures that management is capable of operating all areas of a franchise business. During the year 139 people were trained in these facilities.

The group has developed the Spur College of Excellence. Based in Johannesburg, the objective of the College is to train individuals, who have shown a passion for the business, in all areas of operating and managing a Spur outlet through an intensive six month course. The course includes lecture-style teaching and practical on-the-job training and workshops. In so doing, the group hopes to enhance the level of middle management and above within its franchised outlets which should in turn improve service and quality levels. The initial test group of four students has successfully completed the curriculum and the results are encouraging. All four have secured employment within the franchise network. A new intake of eight students has been enrolled for the new curriculum cycle which started on 5 September 2011. The intention is to increase the intake of new students in the years ahead. The training team is in the processing of obtaining THETA accreditation for the curriculum.

The group's strategy is to train and develop restaurant staff to ensure the group's highest operating standards are maintained.

KPI	2008	2009	2010	2011	Target 2012
Number of people trained	5 377*	5 841*	7 624*	4 269	4 950
Number of successful graduates of Spur College of Excellence	N/A	N/A	N/A	4	10

* Note: the basis of the calculation in 2008 to 2010 was based on number of training days attended by participants. From 2011, the calculation is based on the number of people trained (regardless of the length of a particular course).

By 30 June 2015, the group is targeting:

- Training 6 000 people per annum through the group's training facilities; and
- 25 people per annum graduating from the Spur College of Excellence.

Broad-Based Black Economic Empowerment ("BBBEE")

As a corporate citizen operating in the South African economy, the board and management acknowledge the need to transform and make a meaningful contribution to empowerment in the country.

To this end, the group has established a transformation committee that is developing a transformation strategy with the board.

Regarding the BBBEE generic scorecard as published by the Department of Trade and Industry, at this time:

- Black ownership opportunities are continuously investigated and assessed. The board and management will however only consider such an opportunity where the benefits to all stakeholders are clearly demonstrable and the beneficiaries of any such transaction are truly broad-based. Management is considering a black employee ownership trust at this time.
- The board has appointed Muzi Kuzwayo and Mntungwa Morojele, who both have considerable expertise in their respective fields, to the board. The lack of availability of relevant skills in the senior top and other top management bands is a concern for the group. The group's nominations committee continues to investigate ways in which to structure the company's board efficiently.
- The board is committed to employment equity. Progress has been made in the junior management band, but lack of availability of relevant skills in middle and senior management is a concern. Coupled with relatively low staff turnover at these levels, it remains a challenge for the group to make meaningful progress towards the targets required.
- The board intends for the Spur College of Excellence to make a meaningful contribution to skills development as described above.
- The group already scores reasonably well on preferential procurement, and the vendor selection process that the group has in place should ensure continued improvement in this regard.
- The group already scores well on enterprise development, as the group provides support in a number of ways to black franchisees in an effort to develop and grow the group's body of black franchisees.
- The group scores well on socio-economic development (see Community Support on page 37).

Whilst we committed in our 2010 annual report to a level 7 BBBEE contributor by 30 June 2011, we were unable to achieve this target for the following reasons:

- The transformation committee and board have investigated a number of opportunities regarding black ownership, but have been unable to identify an opportunity that would be truly broad-based, aligned with the group's overall strategy and sustainable in the long term. The transformation committee's efforts in this regard are ongoing.
- Whilst management has increased focus on recruiting procedures to address employment transformation, a general lack of skills in the industry has made this more difficult than originally anticipated. A mentorship program has been developed and is due to be implemented in the new financial year with a view to developing the skills required in-house. The Spur College of Excellence may contribute in a meaningful way to skills development.

- A general lack of availability of skills at a senior and top management level has made it difficult to transform the board and top management. The nominations committee continues to assess options to restructure the board.
- The transformation committee is also assessing a number of options in relation to enterprise development.

We remain committed to improving the group's BBBEE scorecard over time.

HEAD OFFICE EMPLOYEES

Spur Corporation subscribes to the view that, second only to its trademarks, people are its most valued and important asset. 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. Spur is committed to creating a fair and safe environment for its employees, supported by meaningful contribution to employee upliftment and empowerment.

There is a continued focus on training, upliftment and financial support (where circumstances dictate). Financial support includes paying for employee studies (where these are business related) or providing loans for educational, housing and other requirements.

The group's strategy is a continued focus on training, upliftment and financial support

KPI	2008	2009	2010	2011	Target 2012
Head office staff rotation	22%	11%	12%	20%	10%
Staff loans (education and housing)	R27 681	R209 072	R229 690	R163 355	R250 000
Staff training costs (external costs; excludes internal time)	R347 227	R262 001	R259 489	R274 163	R202 909

Refer Remuneration Committee Report on page 60 for further information concerning employee remuneration.

Employment Equity

All human resources policies aim to eliminate discrimination in the workplace and the group is committed to removing barriers to enable previously disadvantaged employees to reach their true potential. These 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.

The employee composition at 30 June 2011 in South Africa was as follows:

	2011					2010				
Occupational level	Male	Female	TOTAL	Black	White	Male	Female	TOTAL	Black	White
Top management	5	1	6	-	6	5	1	6	-	6
Senior management	22	2	24	2	22	19	2	21	1	20
Professionally qualified and experienced specialists and mid-management	8	9	17	6	11	11	8	19	6	13
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	36	42	78	23	55	35	45	80	23	57
Semi-skilled and discretionary decision-making	23	32	55	40	15	18	29	47	36	11
Unskilled and defined decision-making	3	3	6	6	-	7	4	11	11	-
Total permanent	**97**	**89**	**186**	**77**	**109**	**95**	**89**	**184**	**77**	**107**
Non-permanent	-	4	4	4	-	1	-	1	1	-
Total	**97**	**93**	**190**	**81**	**109**	**96**	**89**	**185**	**78**	**107**

Our 4 key EE strategies to align with set targets

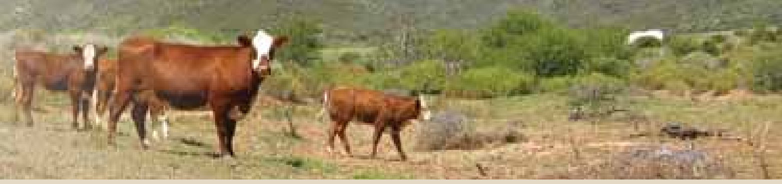
The group recognises that its employee demographics are not in line with national population demographics. The primary reason for this is the lack of suitable skills in the industry in which we trade.

1. Use the Spur College of Excellence as a means to upskill internal and external resources with a view potentially to promoting or employing on a full-time basis, as the case may be, excellent candidates

2. Implement our operations management mentorship programme to develop the skills required of operations managers in-house and in so doing, improve the prospects of promotion for previously disadvantaged employees

3. Initiate and plan an employment equity programme to meet future personnel dynamics

4. Develop new policies, enhance existing policies and ensure compliance with said policies to align with employment equity legislation



Environmental

The group is committed to sustainable environmental practice and has therefore established a sustainability committee to guide the business in the development and implementation of an environmental policy and strategy.

A working policy framework has been created. This will continue to be reviewed and enhanced as the group gains greater insights into the various challenges and opportunities of our business.

Commitments

We are committed to generating a long-term viewpoint on targeted profitability that is sustainable and in line with the responsible management of social and environmental concerns effecting our business and its operations.

Management is committed to working with employees and franchisees through a process of investigation, collaboration, education and policy implementation to achieve the group's environmental sustainability goals and targets.

The first phase of the group's sustainability process included conducting baseline audits at all its administrative offices and manufacturing facilities in South Africa. The results assisted in establishing immediate focus areas. It further informed the establishment of gatekeepers, key performance indicators and benchmarking which will allow thorough measurement and tracking in the long term.

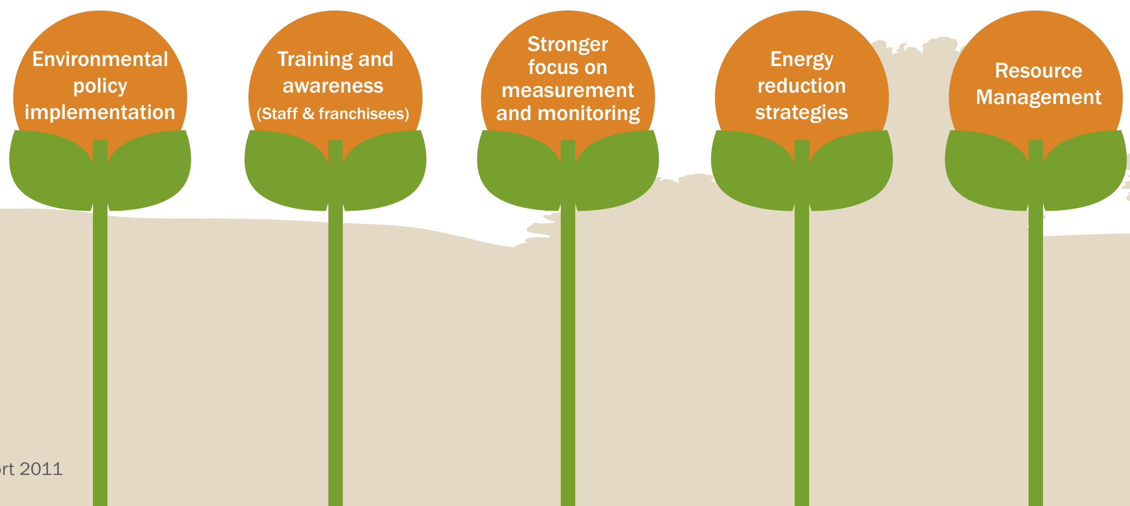
The second phase (January 2012 and beyond) will focus on developing a comprehensive environmental policy that will be implemented throughout all spheres of business, with particular focus on restaurant outlets.

2011 - Phased out plastic carrier bags for both Spur and Panarottis

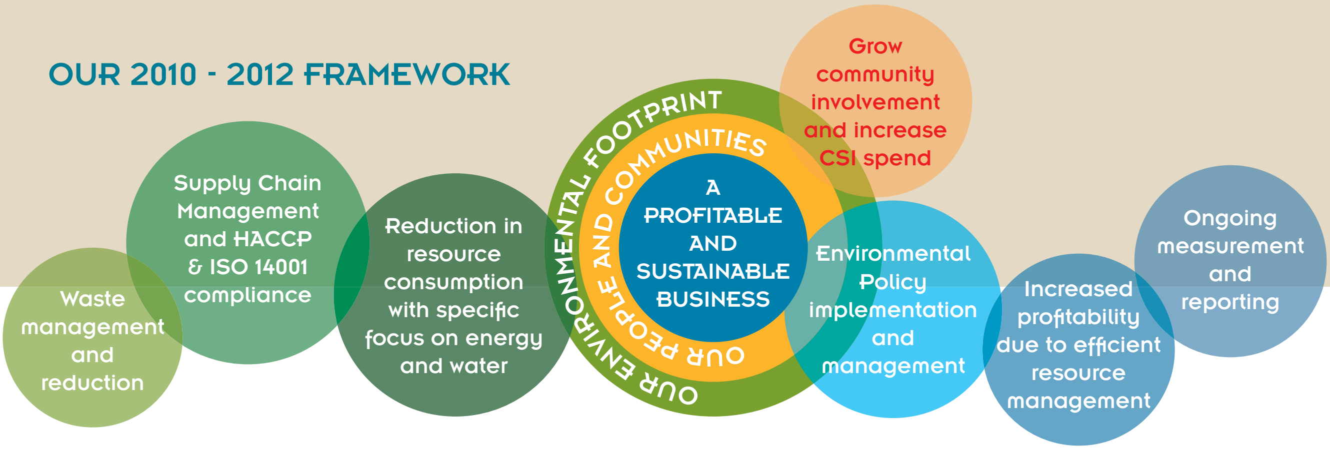
KPI - FRANCHISOR	2010	2011	Target 2012	Target for the next 5 years
CARBON FOOTPRINT				
% Waste reduction*	35%	55%	64%	85%
% Energy usage reduction**	Not available	1%	5%	20%
% Water usage reduction***	Not available	Not available	10%	20%
% Travel reduction	Not available	Not available	10%	20%
PROCUREMENT				
% Takeaway packaging that is recyclable	Not available	15%	25%	35%
% Reduction in use of plastic bags, and other polymers	Not available	35%	40%	45%
% Marketing elements that are recyclable or reusable	Not available	45%	50%	55%

* Cumulative percentage reduction compared to baseline audit benchmark at July 2009.
** Cumulative percentage reduction compared to baseline audit benchmark at July 2010.
*** Cumulative percentage reduction compared to baseline audit benchmark at July 2011.

Our key environmental strategies for 2012



OUR 2010 - 2012 FRAMEWORK



SUPPLY CHAIN

What's been done?

The group has always held best practice at heart in establishing relationships with suppliers. We have increased our efforts to establish the sustainability goals of all our suppliers as well as focus on procurement from suppliers who are including sustainable environmental practice into their businesses. Our supply chain targets are focussed on restaurant products, packaging and marketing materials.

Future focus areas

- We are committed to sourcing locally produced and manufactured products where possible and only seek out imported products when the right quality is not available locally.
- We have already established a comprehensive checklist to ensure that our suppliers have an environmental policy in place. Through ongoing engagement and collaboration with our suppliers, we will use our influence, where possible, to ensure change for the betterment of communities and the environment.
- We will seek accreditation from the South African Bureau of Standards for our bio-fuel (old oil collection) converters, in order to supply fuel for use in our transport system.
- We will seek accreditation and compliance with environmental bodies such as SASSI and FCS (Forest Stewardship Council).

TRANSPORT

Future focus areas

- Implement a company travel policy.
- Introduce eco-driving programmes to reduce CO_2 emissions.
- Optimise routes and kilometres travelled through collecting GPS information and tracking fuel consumption.
- In terms of our extensive distribution network we will work towards a reduction in carbon emissions through efficient management of resources, planning of schedules and clearly outlining delivery dates and deadlines.
- Consideration of eco-footprinting of outsourced logistics service providers.

PACKAGING

What's been done?

We have successfully migrated from plastic-intensive takeaway packaging to paper-based packaging, made from paper derived from sustainable forestation. We have reduced the ink coverage and number of colours used on all our packaging elements across our Spur and Panarottis brands to ensure a substantial reduction in environmental impact during manufacturing and production.

We further used this opportunity to include an environmental message to educate our consumers to reduce, recycle and consider their own consumer actions. We continue to engage with our packaging and printing suppliers to develop and explore sustainable alternatives.

Future focus areas

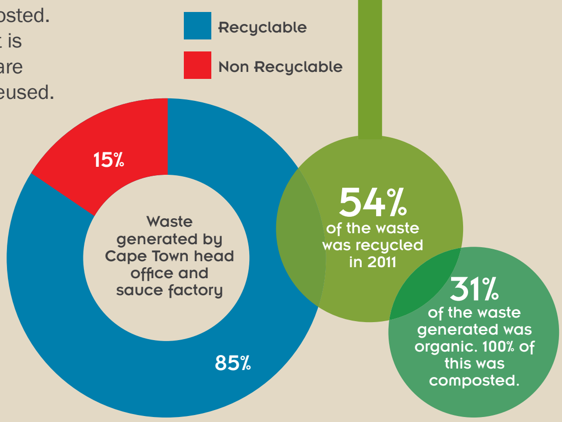
- We will monitor our packaging suppliers to ensure that they comply with the sustainability standards outlined in our procurement policy.
- We will reduce (where possible) the amount of packaging and marketing material used and resort to alternative methods of communication (digital and mobile communication).

WASTE MANAGEMENT (REDUCE, REUSE & RECYCLE)

What's been done?

We have established waste management programmes for our corporate offices around the country, where we encourage staff to minimise waste and to recycle. To date, we have reached the following recycling targets:

- More than 80% of waste generated at the group's Cape Town head office is recycled or composted.
- More than 60% of waste generated at the group's Cape Town sauce factory is recycled or composted.
- Electronic waste (including old computers and batteries) are taken to an e-waste centre where it is disassembled and disposed of in a controlled environment. Any computers that can be reused are given to community and charity projects. Wherever possible, printer cartridges are refilled and reused.
- Hazardous waste such as batteries and CFLs (compact fluorescent lights) are disposed of responsibly through available waste streams.
- Waste created in our facilities is separated on site, according to type, including paper, plastic, tins, glass and organic waste. Recyclable items are taken to a local recycling depot or collected by specified waste users.
- All organic waste is placed in a separate compost heap, which is collected for community projects by an appointed supplier.



Future focus areas

- Ongoing staff engagement and training is required to maintain and better targets.

WATER AND ENERGY EFFICIENCIES

What's been done?

Energy costs have increased significantly over the past three years and this trend is expected to continue into the foreseeable future. This highlights the need for heightened awareness amongst staff and ongoing monitoring of energy efficiency measures.

We are working on a campaign that focuses on reducing and saving. Based on the findings of our energy audit, a number of retrofits have been done to address the areas of immediate concern.

Future focus areas

- Our energy efficiency strategy includes installing a comprehensive sub-metering system reporting an accurate usage of electricity broken down to different functional or operational areas.
- Ongoing staff engagement to ensure full migration towards sustainable energy efficiencies.
- Employee workshops, coupled with digital and print communications, support awareness, training and staff participation.
- Collection of condensate from air conditioning units to be used to supplement the potable water used for irrigation of landscaping around corporate offices.
- Waterless urinals to be considered as a water saving measure.
- Fixtures and fittings to be adjusted to optimal use (e.g. Flushmaster units).

Waste management at Spur head office in Cape Town.

EVENTING

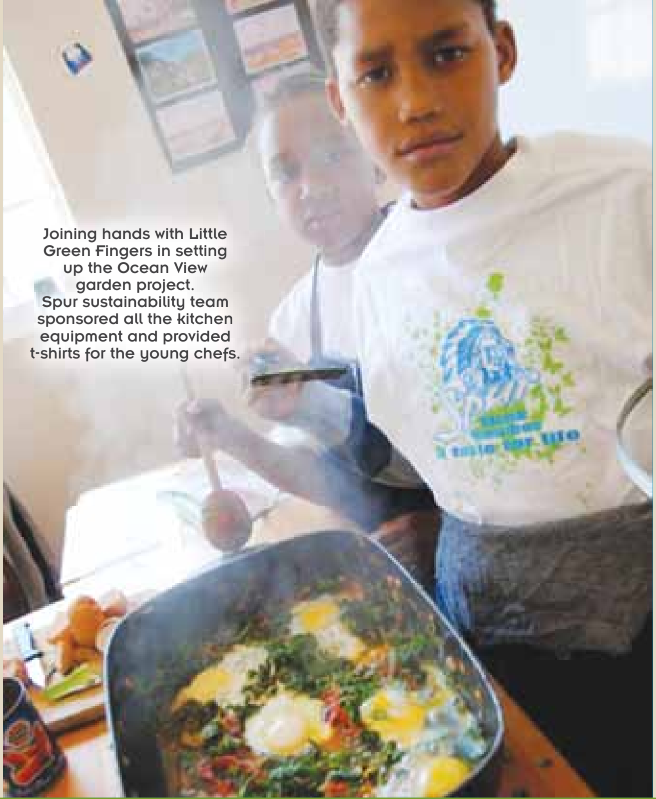
Future focus areas

We will be introducing a full event greening manual and training programme to our market development and operations management teams. This will ensure that we leave a legacy that reflects our environmental policy. We are committed to promoting equality, participation and education in the communities in which we operate.

Our policy and manual will be based on the following principles:

- **Environmental protection:** Ensuring a low ecological footprint of our events through the responsible management of resources, such as water and energy.
- **Social development:** Utilising the communities as much as possible in the region of the event.
- **Economic value:** Ensuring we leave a legacy and economic benefit for the host region where applicable.

All events will be measured in terms of environmental impact and carbon emissions.



Joining hands with Little Green Fingers in setting up the Ocean View garden project. Spur sustainability team sponsored all the kitchen equipment and provided t-shirts for the young chefs.

Spur Corporation lays down the roots for Blossom Primary School's greening programme.

Spur Corporation, together with Little Green Fingers, feeds the kids of Ocean View knowledge on how to grow their own garden.

FRANCHISEE OPERATIONS

The sustainability team is developing restaurant guidelines to address critical areas such as energy reduction, water and waste management.

Focus areas:

- Replacing light bulbs with energy efficient light bulbs.
- Installing solar geysers (where possible).
- Ensuring water-efficient retrofitting and installations.
- Develop recycling and simple, effective waste management systems.
- Installing energy-saving devices.
- Awareness and training.
- Measurement and reporting.

Visit www.spur.co.za /EcoWarriors/ for more info on the 3Rs

Governance Reports

Note: The items within a border are explanations regarding departures from King III.

Introduction

The company's operational style is based on the fundamentals instilled by its founder in the first Spur outlet in 1967, which have been refined and improved over more than 40 years and entrenched by many of the directors and senior executives who started their careers many years ago working in individual outlets. The operational style is predicated on people, entrepreneurial flare, customer focus, operational excellence, empowerment and learning, and prudent and considered decision making. The group's success to date can largely be attributed to this operational style.

It has been recognised that as a maturing listed company with multiple stakeholders, there is a justifiable need for formal corporate governance imperatives and structures. It is further recognised that the group's operational style may, at times, be in conflict with certain of these imperatives. The board and management are committed to guarding against corporate bureaucracy stifling the fundamentals that have been critical to the success of the group. As such, the directors strive to achieve an equilibrium where corporate governance imperatives and the group's fundamental operational ethos are balanced. The directors believe that in this manner, the interests of all stakeholders are protected.

In this context, the directors have carefully considered "The revised Code and Report on Governance Principles for South Africa" ("King III"), released on 1 September 2009. As a responsible corporate citizen, the company recognises the importance of the objectives of King III.

Whilst the board has chosen not to comply with all the recommendations of King III, the directors are confident that the fundamental objectives of King III can be (and are being) achieved within Spur Corporation Limited.

Departures from King III, where applicable, are highlighted (as indicated below) in the remainder of this report.

Material departures from King III include:

- *The board does not comprise a majority of non-executive directors, the majority of non-executive directors are not independent as defined by King III and the chairman is not an independent non-executive director. Refer pages 48 and 49.*
- *Directors, committee chairmen, committees and the board are not subject to evaluations as prescribed by King III. Refer page 50.*
- *The risk committee is an executive committee. Refer page 51.*
- *The nominations committee is not chaired by an independent non-executive director and the majority of the non-executive directors on the committee are not independent. Refer page 54.*
- *The audit committee is not chaired by an independent non-executive director and the majority of the non-executive directors on the committee are not independent. Refer page 58.*
- *The remuneration committee is not chaired by an independent non-executive director and the majority of the non-executive directors on the committee are not independent. Refer page 60.*
- *The company has not adopted King III's recommendations relating to Internal Audit. Refer page 60.*
- *The company has not adopted King III's recommendations relating to IT governance. Refer page 56.*

Board of Directors

The board exercises leadership, enterprise, integrity and judgement in directing the business of the company so that it may thrive.

Board Composition

Biographical information on the directors is detailed on pages 16 to 18. None of the directors has any actual or potential political connections or exposure.

The company has a unitary board structure comprising of two independent non-executive directors, three non-executive directors who, in the opinion of the board, act independently and six executive directors.

King III recommends that a board be comprised of a majority of non-executive directors, the majority of which are to be independent. The significant operational experience and expertise of the executive directors is considered one of the critical success factors of the group. Each executive director plays a key role in the functioning of the group and has highly sought after insight of the industry in which the group trades. On this basis, the board is of the opinion that the collective knowledge, expertise and experience of the executive directors, comprising the majority of the board, is in the best interests of all stakeholders.

The skills base of the executive directors is complemented by the non-executive directors who provide skills and expertise in non-operational aspects of the group. Whilst three of the five non-executive directors are not independent as defined by King III, the board is of the opinion that the non-independent non-executive directors are sufficiently objective and have the necessary integrity to act independently where required by the Companies Act 71 of 2008. The three non-executive directors who are not independent are all highly competent and experienced, have a thorough understanding of the group's operations and strategy and the risks associated with these. The board is consequently of the opinion that the value gained from these directors exceeds the perceived potential risk of them not being independent.

Keith Madders is not considered independent as he renders strategic consulting services on a contractual basis (via an intermediate company) to the group. Keith has a long standing relationship with the group and is familiar with its operations, strategies and risks. In addition, his acute business acumen and expertise in corporate affairs makes him a valued member of the board. The nature of the consulting services provided by Keith is not dissimilar to those that could be expected from an independent non-executive director and, for this reason, the board is satisfied that he acts independently.

Dean Hyde is not considered independent as he provides professional services on an ad hoc basis to the group and is furthermore a franchisee of the group. Dean too has a long standing relationship with the group and his knowledge of the business, financial and tax matters and input as a franchisee is key in determining group strategy. The nature of the professional services provided by Dean is not dissimilar to those that could be expected from an independent non-executive director. The board is of the opinion that the extent of Dean's franchise interests does not call into question his ability to act independently.

Keith Getz is not considered independent as he is a partner of the group's principal legal counsel, Bernadt Vukic Potash & Getz attorneys. Keith is widely regarded as an expert in legal and regulatory matters. The extent of the group's business with Bernadt Vukic Potash & Getz is not considered material to that entity and given that Keith is a practising attorney bound by professional ethics, the board is of the opinion that Keith's objectivity and integrity are beyond reproach.

Following the termination of the 2004 share incentive scheme in December 2009, no non-executive directors are, or will be, participants of any incentive scheme of the group.

The board is chaired by Allen Ambor, an executive director. King III recommends that the chairman of the board be an independent non-executive director. As executive chairman, Allen's executive involvement is limited to marketing creative input and strategy. As the founder of the group and designated brand custodian of the Spur and Panarottis brands, Allen has a holistic understanding of the group's brands. His creativity, entrepreneurial flair and insight into the customer psyche are considered invaluable to the group. The board believes that it is important for a franchisor group to have a chairman that has experience in the franchise industry and Allen fulfils this requirement. On this basis, the board has concluded that it is not inappropriate for Allen, as an executive director, to chair the board.

During the year, the company appointed Mntungwa Morojele as Lead Independent Director ("LID"). The duties of the LID are *inter alia*:

- To provide leadership and advice to the board when the chairman has a conflict;
- To chair board meetings dealing with the succession of the chairman and the chairman's performance appraisal; and
- Annually assess the independence of independent non-executive directors.

The board is in the process of implementing a formalised Lead Independent Director charter.

Pierre van Tonder is the group's managing director and is responsible and accountable to the board for all group operations. The chairman and the managing director have clearly defined and separate roles.

The board has delegated authority to the managing director, executive directors and senior management for the implementation of the strategy and the ongoing management of the business.

The board, through its nominations committee, is seeking to address the shortcomings of the group's board structure relative to the recommendations of King III. In this regard, the board has requested the nominations committee to consider the matter further in the new financial year. However, further appointments to the board will only be made if an appropriate candidate with relevant expertise and experience can be sourced who will, in the opinion of the board, add significant value to the group and its stakeholders. Similarly, a board restructure will only be concluded in the event that it can be demonstrated that this will be in the best interests of all stakeholders.

The board is satisfied that there is an appropriate balance of power and authority, with no one individual or block of individuals being able to dominate the board's decision making. A formal Limits of Authority Policy is in place which grants specific levels of management (including individual directors and groups of directors) specific authority to commit the group to financial obligations of set limits. This policy prohibits a veto by any one director. Other policies grant specific directors and senior managers with certain specific decision making powers.

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

Board Role and Functioning

In terms of the board charter, the directors of Spur Corporation are responsible for the following:

- Developing and adopting strategic plans that align with stakeholder interests and expectations;
- Approval of financial objectives and targets;
- Monitoring operational performance and management;
- Ensuring effective risk management and internal controls;
- Sustainability;
- IT governance;
- Ensuring effective management of reputational risk;
- Legislative and regulatory compliance;
- Monitor solvency and liquidity and consider remedial responses in the event of indicators of financial distress;
- Setting governance policy and practices; and
- Ensuring the integrity of the integrated report and approving the integrated report (including the annual financial statements).

Each director has:

- a duty to exercise the degree of care, skill and diligence that would be exercised by a reasonably diligent individual who has the general knowledge, skill and experience that may reasonably be expected of an individual carrying out the same functions as are carried out by a director in relation to the company; and the general knowledge, skill and experience of that director; and
- a fiduciary duty to act in good faith and in a manner that the director reasonably believes to be in the best interests of the company.

The directors exercise objective judgement on the affairs of the company independently from management, but with sufficient management information to enable a proper and objective assessment to be made. To be able to fulfil their legal duties, directors have unrestricted access to all the company's information, records, documents, property, management and employees subject to approval by the managing director and/or the chairman of the board. Non-executive directors have direct access to management 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/or the managing director.

The board meets formally twice a year to attend to governance matters and other relevant business. Two further formal extended board meetings are scheduled shortly before these meetings to discuss operations, strategy, risk and other key issues. Additional meetings are convened at short notice, as necessary, to discuss urgent business. The directors also participate together with management in various other ad hoc strategy and planning sessions.

The attendance at board meetings for the period 1 July 2010 to 30 June 2011 was as follows:

Director	5-7 September 2010	15 September 2010	21-23 February 2011	1 March 2011
Allen Ambor	P	A	P	P
Pierre van Tonder	P	P	P	P
Mark Farrelly	P	P	P	P
Ronel van Dijk	P	P	P	P
Kevin Robertson	P	A	P	P
Phillip Joffe	P	P	P	P
Keith Madders	P	P	P	P
Keith Getz	P	P	P	P
Dean Hyde	P	P	P	P
Muzi Kuzwayo	P	A	P	P
Mntungwa Morojele	P	P	P	P

P - Present; A - Absent

Board decisions taken are evidenced by resolutions. Resolutions adopted at formal board meetings may be adopted if approved by a majority of directors present at a meeting declared quorate by the chairman. Resolutions may also be adopted outside of formal board meetings by way of round-robin approvals of a majority of directors (although all such resolutions are distributed to all directors). Such resolutions are submitted at the board meeting immediately following the adoption of the resolution for ratification. The chairman has a casting vote in the event of a stalemate.

King III recommends that evaluations should be conducted of all committee chairmen and individual directors, led by the chairman of the board through the nominations committee or by an independent service provider. In this regard, the chairman of the board does not perform a formal evaluation of the directors' performance. The managing director assesses the performance of each of the executive directors through a formal performance evaluation on at least an annual basis, the results of which are distributed to the remuneration and nominations committees. The performance of the managing director is assessed by the chairman of the board and the deputy chairman of the board on an annual basis. The results of this assessment are communicated to the remuneration and nominations committees. The chairman discusses the performance of other directors informally with the members of the remuneration and nominations committees. The board is satisfied that this approach is effective in addressing performance related issues.

King III recommends that the board should appoint an independent non-executive director (or the LID), to lead the process of the evaluation of the chairman's performance if an independent service provider is not used. In this regard, an evaluation of the chairman is performed by the managing director, deputy chairman (who is not an independent non-executive director), and independent non-executive director Muzi Kuzwayo. On the basis that the chairman is the founder of the business, his unique skill set is considered to be irreplaceable. The board is of the view that an evaluation of the chairman's performance in the manner described above is appropriate in the circumstances.

A formal evaluation of the functioning of the board and its subcommittees as recommended by King III is not conducted on an annual basis. Concerns regarding the functioning of the board and its subcommittees are discussed informally at each board meeting. The board is of the opinion that this process is adequate to address performance related issues in respect of the functioning of the board and its subcommittees. Notwithstanding the reasons for not complying with King III regarding evaluations above, the board recognises that there is value in adopting King III's recommendations in this regard. The board has accordingly requested the nominations committee to propose recommendations regarding implementing a pragmatic and practical evaluation process for the board, its subcommittees and directors.

In May 2011 the group appointed an in-house legal and compliance officer to assist in legal matters, the implementation of new legislation and general compliance. The company secretary, assisted by the in-house legal and compliance officer and the group's external legal counsel, is responsible for advising the board on legal and regulatory developments relevant to the group and directors including corporate governance regulations, legislation, significant tax law amendments and accounting standards.

Company Secretary

The company secretary assists the chairman in coordinating 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.

The company secretary is Ronel van Dijk, who is also the financial director. King III recommends that the company secretary should not ideally be a director of the company. The board is of the opinion that there is no employee of the company who is more qualified than Ronel van Dijk to fulfil the role of company secretary and that, given the size and nature of the company, the role of company secretary is not a full-time role. The board does not consider the appointment of a dedicated company secretary to be warranted. It is envisaged that, over time, the in-house legal and compliance officer will fulfil the role of company secretary.

Board Committees

The directors have delegated specific responsibilities to five sub-committees to assist the board in the discharge of its duties:

- Audit committee (refer Audit Committee Report on pages 58 to 60);
- Risk committee;
- Remuneration committee (refer Remuneration Committee Report on pages 60 to 63);
- Transformation committee; and
- Nominations committee.

Each committee has a clearly defined mandate and terms of reference which are reviewed regularly and the directors confirm that the committees have functioned in accordance with these written terms of reference during the year.

RISK COMMITTEE AND MANAGEMENT

Role of Committee

- Identify major risk areas affecting the sustainability of the group's operations;
- Assess and review the risk management process and related activities;
- Assess the risk appetite of the group;
- Assess business sustainability under normal as well as adverse conditions;
- Assess the reliability of the accounting records in the context of significant risk areas; and
- Assess and review compliance with applicable laws, regulations and supervisory requirements.

Composition

Four executive directors:

- Pierre van Tonder (chairman)
- Mark Farrelly
- Ronel van Dijk
- Kevin Robertson

Three members of key management

- Phillip Matthee (appointed during the year)
- Louw Liebenberg (resigned during the year)
- Tyrone Herdman-Grant (appointed during the year)
- Sacha du Plessis (appointed during the year)

Invitees: The chairman of the board and representatives from finance, IT and procurement.

King III recommends that a risk committee comprises both executive and non-executive directors. During the year, the board restructured the committee such that with effect from 1 July 2010, the committee comprises executive directors and functional department heads and is chaired by the managing director, Pierre van Tonder, who is also the chief risk officer. No non-executive directors are represented on the committee. With effect from 1 July 2010, the board has no longer delegated its risk management responsibilities to this committee but instead retains these responsibilities.

Functioning of the Committee

Meetings: Two meetings were held during the year under review. Meetings are scheduled semi-annually.

The attendance at committee meetings for the period 1 July 2010 to 30 June 2011 was as indicated:

Director	3 September 2010	18 February 2011
Pierre van Tonder	P	P
Mark Farrelly	P	P
Ronel van Dijk	P	P
Kevin Robertson	A	A

P - Present; A - Absent

The board recognises the importance of an effective risk management process and acknowledges that it is responsible and accountable for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks. The board is cautious to avoid reducing the process of risk management to a rigid bureaucratic annual or semi-annual process which has limited value and is rarely effective. The board considers risk management to be a perennial task that is integrated into all facets and functions of the company. Risks are identified, assessed and managed as part of the day-to-day operations of the group at various levels of management. The various levels of management have been empowered in terms of formal policies and protocols to deal with risks in an efficient manner. It is in this context that the board has restructured the committee as referred to above.

As the board no longer delegates its risk management responsibilities to any committee, the reconstituted risk committee referred to above does not operate within specific terms of reference, as recommended by King III. The committee however reports semi-annually to the full board regarding risks identified and management's responses to the risks in order for the board to assess the effectiveness of the risk management process.

Each member of the reconstituted committee, effectively representing management, is responsible for identifying, evaluating and managing risk on a daily basis in their respective functional areas and reporting the results of this process to their peers at a semi-annual committee meeting. The body is responsible for identifying, evaluating and prioritising strategic and operational risks and implementing appropriate controls or such other responses necessary to mitigate, to the extent reasonably possible, the risks. Risks are allocated "risk owners" who are responsible for implementing the necessary response strategies. Compliance with these strategies is reviewed at each meeting.

The full board reviews the findings and recommendations of the committee in order to assess the appropriateness and effectiveness of the group's risk management process. To the extent that a response to a risk can be audited, the board may mandate the audit committee to ensure that internal audit (or an external service provider) verifies recorded progress.

The group does not have a formally documented risk management policy and plan as recommended by King III. Given the limited number of functional department heads, the flat management structure and the frequent interaction between these functional department heads and the executive directors (including the semi-annual committee meetings), the board is satisfied that the contents of such a policy as well as the expectations of the board are understood by the individuals directly involved in risk management.

Material Losses

During the year under review, the group incurred a material impairment loss in respect of two retail outlets trading in the United Kingdom as detailed in note 5.1 on page 95 of this report.

The recognition of these impairment losses was considered prudent in the context of a perilous economic environment in the UK and the impact of this on future restaurant turnover expectations. Despite the losses recognised, the board and management are of the view that the restaurants in question yet may prove to be sustainable businesses and, given time, with the appropriate operational, marketing and strategic support (which have already been pledged), there is an opportunity to realise a reasonable return on investment.

Risk Appetite and Tolerance

The board considers itself to be risk averse. General authority limits have been determined for various functional department heads, individual directors and groups of directors. It is the general policy of the board that any action taken that is not considered to have a negligible degree of risk that may potentially expose the group to material adverse financial or other consequences will only be taken after consultation with other board members.

The board is satisfied that no member of management within the organisation has exceeded his or her authority or acted contrary to the board's stated risk appetite and in so doing, has exposed the group to unnecessary risk during the period under review and up to the date of this report.

Assurance

King III recommends that the internal audit function should provide independent assurance in relation to risk management and the risk management process to the board. Given the limited nature of the group's internal audit function, the board has concluded that it will assess the adequacy of management's risk management process based on representations and reports presented by management. In the event that the board wishes any aspect of management's risk management process to be independently assessed it may request internal audit to perform specific procedures or outsource this function to an external expert. The audit committee is nevertheless in the process of assessing the feasibility of outsourcing the assurance function of risk management.

The board relies on the integrity of management when evaluating the quality of procedures and deliverables relevant to risk management. The board comprises sufficient expertise, experience and understanding of the business to be able to make an assessment regarding the effectiveness of risk management processes. Internal audit may provide feedback on certain response strategies.

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

Insurance

Insurance is reviewed on an annual basis by senior management, including the financial director and managing director. Ad hoc changes to insurance cover are made during the period between the annual reviews in the event of significant changes in circumstances, or acquisitions or disposals of significant assets. The group's insurance brokers have a long standing relationship with the group and have a thorough understanding of its business and insurance requirements. The insurance brokers make certain recommendations which are considered by senior management. The full board reviews the insurance cover, the insurance broker's recommendations and management's recommendations with management at the board meeting following the annual review.

Current and Imminent Risks

The group faces and deals with risks on a daily basis. As discussed above, management are empowered to respond to these risks within certain authority limits. Risks impacting the longer term sustainability of the group are dealt with by implementing medium to long-term strategies under the supervision of the board. The key risks impacting on the sustainability of the group's operations are discussed under the Strategy, Risks and Related Key Performance Indicators section on page 29 of this report.

Additional significant risks that the group is exposed to include:

Risk	Mitigation
Consumer Protection Act ("CPA") The promulgation of the Consumer Protection Act in 2010 and the finalisation of the Regulations relating to the CPA with effect from 1 April 2011 has substantially increased the burden of compliance of franchisors. Additional compliance procedures could lead to increased costs and reduced efficiencies within the group. Key to the franchise relationship is the franchise agreement which meticulously sets out the rights and obligations of the franchisor and the franchisee. In the event that the franchise agreement is not in compliance with the CPA or if compliance procedures are not complied with in their entirety, the rights of the group could be negatively impacted. In addition, the increased protection afforded to franchisees and customers increases the risk of litigation which could impact the group financially as well as increase reputational risk.	A working group comprising managing director Pierre van Tonder, financial director Ronel van Dijk, executive director Mark Farrelly, non-executive director Keith Getz and senior operations and finance employees continues to engage with peers, fellow franchisors, the Franchise Association of South Africa and franchisees to identify changes in business practices required by the CPA. In response to the CPA: • An updated franchise agreement has been drafted and applied prospectively from 1 April 2011; • An updated disclosure document has been drafted and applied prospectively from 1 April 2011; • Voucher and coupon terms have been updated to comply with the CPA; • Competition rules have been updated to comply with the CPA; • Insurance cover has been amended in light of the increased risk of litigation; • Nutritional analysis has been conducted on all Spur menu items; and • Menus continue to be reviewed to ensure that there are no misrepresentations and customers are aware of the contents of their meals.

Risk	Mitigation
Store Regulatory Compliance The regulatory framework within which franchised outlets operate in South Africa has become increasingly more onerous over time. There are a host of national laws and regulations as well as municipal regulations and by-laws that need to be complied with. In the event that a significant number of outlets are found to be non-compliant with any regulations, a significant number of closures or reduced profitability of franchised outlets (due to fines) may impact negatively on the profit of the group.	A working group comprising a number of senior employees within the group has been tasked with identifying all areas of compliance to assess the impact on restaurant operations. The working group will furthermore provide guidance to operations management to ensure that franchisees are aware of the requirements and appropriate procedures are in place to address these. Whilst it is in the interests of the group to ensure that franchisees comply with all related regulations, the onus of compliance vests with each of the respective franchisees.
Tax Risk The group is tax resident in multiple jurisdictions including South Africa, Australia, the United Kingdom and the Netherlands. The tax regimes in each of these territories are complicated. In addition the treatment of cross-border transactions (relating to transfer pricing) is particularly complex and high risk in that there are subjective elements which are difficult to substantiate.	To mitigate the risk to the extent possible, the group has outsourced its tax compliance and advisory functions in all foreign jurisdictions to independent, reputable experts. Local finance employees also attend regular tax law training and consult with locally-based international tax advisers to review the group's structure and transactions from time to time. A transfer pricing policy document is in place for the group and this is reviewed by external professionals every three years.
Broad-based Black Economic Empowerment ("BBBEE") The group's commitment to BBBEE, although not legislated at this time, impacts on market and customer perceptions and in so doing impacts on the group's reputational risk. Non-BBBEE accreditation could impact the group's ability to transact with suppliers and result in difficulty in sourcing new locations in future resulting in lost business opportunities.	The transformation committee is reviewing the group's score in respect of each element of the scorecard per the Department of Trade and Industry's Codes of Good Practice for BBBEE and is assessing opportunities to improve the score.
BBBEE Franchisee Compliance The ability of franchisees to secure new leases and other operating licences (eg. liquor licences) could be impacted by their BBBEE status. In the event that franchisees fail to meet BBBEE requirements, there is an increased risk of business failures which could impact negatively on the group's financial performance.	Management is continuing its efforts with the National Empowerment Fund and other institutions in an attempt to secure financial assistance for new black franchisees. In addition, management is working with franchisees on a continuous basis to assist and guide franchisees as necessary in this regard.
Succession Planning and Staff Retention The business of the group is based largely on intellectual property. Whilst much of the intellectual property is documented, a wealth of experience and knowledge vests in the executive directors and senior management. In the event of key directors or senior managers leaving the employ of the group, the group's strategy and/or performance could be jeopordised.	A succession plan is updated semi-annually by the human resources productivity committee and reviewed by the board from time to time. Where gaps have been identified, the board is considering possible candidates. The group's remuneration policy is aimed at retaining key staff. The group's human resources department is committed to maintaining a friendly, healthy, respectful and rewarding working environment. The board accepts that this risk cannot be mitigated to a meaningful degree.
Competition Well established brands could enter the sit-down restaurant markets that the group operates in, resulting in erosion of the group's market share and a negative impact on the group's financial performance.	Actual and potential competitors are monitored on an ongoing basis to the extent possible. The board acknowledges that this risk cannot be mitigated to any meaningful degree and a response strategy would be dependent on the nature of the competitor at the time that such a competitor enters the market.
Security Security in restaurants is of paramount importance to our customers. Unfortunate incidents at the group's restaurants can have a detrimental impact on patronage which can impact the group financially.	Management has already engaged the services of security consultants to identify best practices to be implemented in our restaurants. Management will work with franchisees to encourage implementing the necessary measures.

TRANSFORMATION COMMITTEE

Role of Committee

- Review the adequacy of the group's compliance with BBBEE legislation in South Africa;
- Review management's monitoring of employment equity throughout the group;
- Review the promotion of managerial control by black people;
- Ensuring that the BBBEE plan is dynamic and sufficiently flexible to react to any unforeseen changes or events that may occur in the business itself or the environment within which it operates;
- Review the promotion of human resource development via employment equity and skills development initiatives;
- Review indirect empowerment, which includes the level of procurement sourced from graded, broad-based black empowerment enterprises, enterprise development through the provision of financial and/or operational assistance to such enterprises, as well as corporate social responsibility initiatives;
- Review any relevant legislation and make recommendations to the board in respect thereof if appropriate;
- Review the findings of any examination by verification agencies;
- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist;
- Review policies on sensitive issues or practices such as discrimination in the workplace; and
- Review and propose the group's transformation initiatives in line with the Codes of Good Practice of BBBEE, Industry and other charters.

Composition

Three executive directors:

- Pierre van Tonder (chairman)
- Mark Farrelly
- Ronel van Dijk

One non-executive director:

- Mntungwa Morojele

Invitees: The chairman of the board, other executive directors, the chief financial officer, head of training, the group marketing manager and human resources representative

Functioning of the Committee

Meetings: Two meetings were held during the year under review, but quarterly meetings are scheduled.

The attendance at committee meetings for the period 1 July 2010 to 30 June 2011 was as indicated:

Director	28 January 2011	18 April 2011
Pierre van Tonder	P	P
Mark Farrelly	A	A
Ronel van Dijk	P	P
Mntungwa Morojele	P	P

P - Present; A - Absent

This committee was constituted in September 2010. The committee is tasked with making recommendations to the board on ways of expediting transformation within the group and improving the group's BBBEE scorecard. The committee strives to meet quarterly to review reports prepared by management regarding plans and progress made relating to action plans agreed at previous meetings.

NOMINATIONS COMMITTEE

Role of Committee

- Identify and recommend to the board qualified candidates for executive and non-executive directors;
- Assess 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;
- Provide plans for succession particularly for the chairman, managing director and executive directors; and
- Make recommendations in respect of directors retiring by rotation, or by contract, to be put forward for re-election.

Composition

Four non-executive directors:

- Keith Getz (chairman)
- Keith Madders
- Dean Hyde
- Mntungwa Morojele* (appointed during the year)

* Independent non-executive director

King III recommends that the committee comprises a majority of non-executive directors, the majority of whom should be independent. The committee should be chaired by an independent non-executive director. The committee comprises one independent non-executive director and three non-executive directors who act independently, one of whom is the chairman of the committee. Whilst the committee could be structured to comply with the recommendation of King III, the board notes that the experience and knowledge of the business of Dean Hyde, Keith Getz and Keith Madders add significant value to the functioning of the committee. Furthermore, the board is satisfied that the non-executive directors who currently serve on the committee act with sufficient integrity, objectivity and independence such that the interests of stakeholders are not prejudiced.

Functioning of the Committee

Functioning of the Committee	Director	15 September 2010
Meetings: Once during the year under review. One meeting is scheduled annually. The attendance at the committee meeting for the period 1 July 2010 to 30 June 2011 was as indicated:	Keith Getz	P
	Keith Madders	P
	Dean Hyde	P
	Mntungwa Morojele	P

P - Present; A - Absent

The board has adopted a policy detailing the process and procedures, which are formal and transparent, for the appointment of directors to the board.

Whilst the appointment of directors is a matter for the board as a whole, recommendations in this regard are made to the board by the nominations committee who consider past performance, contribution and the objectivity of business judgement calls of each affected director. All appointments are subject to shareholder approval.

King III recommends that the appointment of a non-executive director should be formalised in an agreement between the company and the director. The agreement should include a director's code of conduct to be complied with and the contribution that is expected from the specific individual. The agreement should also set out the remuneration for holding office as director and the terms of directors' and officers' liability insurance to be provided. In this regard, the company does not have any formal agreements in place with non-executive directors. Non-executive directors are advised of their responsibilities, expectations, remuneration and the group's directors' and officers' liability insurance as part of the induction process. The board is of the view that any performance-related issues are, or will be, addressed as part of the board's evaluation process. In this manner, the board is of the opinion that King III's recommendations in this regard are complied with.

Directors Retiring

In terms of the company's Memorandum of Incorporation, no less than one third of the directors retire annually by rotation each year at the annual general meeting. At the forthcoming annual general meeting, Mark Farrelly, Kevin Robertson, Keith Getz and Keith Madders will retire. The nominations committee has recommended the directors in question for re-election to the board. The re-election will be tabled at the annual general meeting for shareholder approval.

King III recommends that one-third of non-executive directors should retire by rotation yearly. Whilst the board has not yet formally adopted this recommendation, in the current year, one-third of the non-executive directors retire at the December 2011 annual general meeting.

OPERATIONAL COMMITTEES

The board is also assisted in the discharge of its duties by certain operational committees. Although not formal subcommittees of the board, as they comprise largely senior members of management who are not directors, these committees provide valuable insight into the day-to-day operations of the group and assist in the identification of risks and the formulation of strategy.

Operational Exco Committee

This committee meets twice a year to commit to plans to implement the board's strategy, identify and assess risks within the group, identify new business opportunities and review performance against key metrics. This committee comprises executive directors, Pierre van Tonder (chairman), Ronel van Dijk, Mark Farrelly and Kevin Robertson, and includes heads of all functional areas within the group. The committee is chaired by the managing director, Pierre van Tonder. Significant matters are raised at board meetings or meetings of board subcommittees.

Sustainability Committee

The purpose of the committee is to establish "green policies" as well as a sustainability strategy for the group and to assist the board in measuring compliance with the policies and strategies.

The committee comprises executive directors Pierre van Tonder, Mark Farrelly and Ronel van Dijk, chief financial officer Phillip Matthee, head of group marketing Sacha du Plessis, Panarottis chief operating officer Tyrone Herdman-Grant and a number of other functional heads and managers within the group. The committee is chaired by Joe Stead (executive projects manager). Additional subcommittees have been established in each region and in certain specific functional areas.

The committee aims to meet quarterly. With specific reference to "green policies", the committee is focussing currently on:

- ensuring that all packaging, materials, products and suppliers are subject to reasonable evaluations and criteria to ensure that they are "green" and adhere to the group's policy in this regard;
- circulating and discussing any learnings and developments with head office staff, franchisees and consumers; and
- providing advice and information regarding environmental matters and referring those in need of professional assistance to the relevant agencies.

Human Resources Productivity Committee

This committee's role 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 relating to the group's human resources strategy. The committee meets at least once a year and consists of five executive directors, senior functional department heads, the head of human resources and the human resources manager. The committee is chaired by the managing director, Pierre van Tonder.

Treasury Committee

This committee comprises executive directors, Pierre van Tonder, Ronel van Dijk and Phillip Joffe, chief financial officer Phillip Matthee and financial manager Vivy Novos. The committee reviews cash flow projections and monitors short-term investments to manage liquidity within the group, diversify the group's short-term investments amongst various financial institutions and maximise the return on short-term investments within the board's treasury mandate. The committee also manages the group's share buy-back programme and other share-related transactions in accordance with the board's mandate.

IT Steering Committee

The committee comprises executive directors Pierre van Tonder and Ronel van Dijk, the chief financial officer Phillip Matthee, the head of Business Intelligence, the head of IT Development (chairman) and the head of IT Infrastructure. The committee meets at least quarterly to confirm key decisions concerning IT infrastructure, consider risks related to IT infrastructure and respond to them and prioritise IT development projects.

IT Management Committee

The committee comprises executive director Ronel van Dijk (chairman), chief financial officer Phillip Matthee, the head of Business Intelligence, the head of IT Development, the head of IT Infrastructure and the head of Point-of-Sale. The committee meets at least quarterly to ensure that the IT strategy is being implemented, guide day-to-day IT operations, monitor service levels with IT partners, address IT system, hardware and software needs, consider security concerns and responses thereto and other general IT matters.

IT Governance

The group's IT infrastructure is relatively uncomplicated. Whilst IT is a key component of everyday operations, it is not considered a fundamental component of the group's business. The company would be able to operate in the short to medium term in the event of a catastrophic IT failure.

King III recommends that a company should have an IT governance framework which is appropriate and applicable to the company to enable IT to deliver value to the business and mitigate IT risk. Given that IT is not considered a critical component of the group's core business, the board has not adopted King III's recommendations in this regard.

Notwithstanding the fact that IT is not a critical component of the group's core operations, it is an important business intelligence tool and a means of managing efficient operations. As such, the board considers it appropriate that IT governance is managed by executive management.

To the extent that IT impacts the group in a way that may result in a risk, or an increase in the priority of a risk, IT related issues are reported to the board as part of the risk management process.

King III recommends that an IT internal control framework is adopted and implemented and that the board receives independent assurance on the effectiveness thereof. King III further recommends that formal processes should be implemented to manage information including information security, information management and information privacy. Given the relatively uncomplicated nature of the IT infrastructure, in considering the costs and benefits attributable to these processes, the board accepts that formal processes would be unnecessarily rigid and costly. In the event that substantial changes take place within the IT environment, the board may contract the external auditor or some other independent party to do an independent IT review. The previous independent IT review was conducted in 2007 and management implemented the recommendations noted.

An IT acceptable usage policy is in place which governs how employees may use IT infrastructure and deal with electronic information.

Stringent access controls are in place and data access is limited to those individuals who require such information. Controls over the Systems Development Life Cycle process are also in effect. The IT steering and management committees meet regularly to consider business needs and priorities as well as infrastructure risks and concerns.

Management has outsourced most IT development to a third party. This relationship is managed in terms of a service level agreement. The IT steering committee manages the performance of the outsourced IT developer against the service level agreement and project benchmarks.

General management of the IT function is the responsibility of the IT management committee. King III recommends that a chief information officer should be appointed. Given the size and nature of the group's IT infrastructure, a dedicated senior IT management resource is considered unwarranted and not feasible from a cost benefit perspective. The board is of the opinion that the IT management committee sufficiently serves the purposes of a chief information officer.

Given the limited complexity of the group's IT infrastructure, the board does not consider the risk of integrity of financial information produced from IT systems to be high.

The board relies on internal audit and the skills, expertise and integrity of finance employees to provide complete, timely, relevant, accurate and accessible information. The board also places reliance on the findings of the external auditor regarding systems. To date, the board has no reason to believe that information provided is not complete, timely, relevant or accurate.

Compliance with Laws, Rules, Codes and Standards

King III recommends that compliance should be proactively and systematically managed and that compliance should be a regular agenda item of board meetings. It recommends further that the compliance function should be adequately resourced to discharge its responsibilities.

Until recently, the group did not have a dedicated compliance resource. The implementation of the Consumer Protection Act 68 of 2008 and the Companies Act 71 of 2008 together with changes in JSE Listings Requirements and other laws and regulations have necessitated the need for a dedicated resource to improve control in these matters.

The group recruited an in-house legal and compliance officer in May 2011 to address this issue. Over time, this resource will assume further company secretarial and overall compliance functions.

The board relies on the financial director, who has the responsibility for monitoring compliance within the organisation, to highlight and bring to their attention any significant matters relating to non-compliance with mandatory laws and rules or to report the potential consequences or risks associated with new legislation. In this regard, the financial director is assisted by the various functional heads, the newly appointed in-house legal officer and the expertise of Bernadt Vukic Potash & Getz, the group's legal counsel of whom Keith Getz, a non-executive director, is a partner. Where appropriate, Keith Getz will advise the board and management of significant new legislation and the potential areas that may be applicable to the group and which could potentially require further investigation by management.

Management currently has project teams in place dedicated to dealing with the impact of the Consumer Protection Act 68 of 2008 and the Companies Act 71 of 2008.

No material (or immaterial but often repeated) regulatory penalties, sanctions or fines for contraventions or non-compliance with statutory obligations were imposed on the group or any of its directors during the year under review.

Stakeholder Relationships

Details of stakeholder engagements are listed on pages 20 and 21.

Whilst the group does not have a formal structured stakeholder engagement process in place, as recommended by King III, operationally, the group deals with most of its key stakeholders on a regular basis. Where significant issues or concerns are raised by stakeholders these are brought to the attention of the managing director who will consider if the matter is to be addressed at a board level.

King III recommends that the chairmen of each board committee should be present at the annual general meeting. In instances where this is not practicable, as certain of the chairmen are not ordinarily resident in South Africa and the cost of travelling outweighs the benefits of having such chairmen available, a member of the committee will be available to field questions.

During the year, in addition to the scheduled engagements referred to above, management engaged selected shareholders to discuss the long-term incentive scheme and the amendments to the trust deed and scheme rules of the 2004 incentive scheme to give effect to the short-term profit share scheme, both referred to in the Remuneration Committee Report on page 60. The outcome of these engagements was largely positive with the 75% shareholder approval required for the amendments to the trust deed and scheme rules obtained at the annual general meeting on 10 December 2010. The contents of the Remuneration Policy will be tabled at the December 2011 annual general meeting for non-binding shareholder approval.

As a principle, the group insists on the use of alternate dispute resolution processes (most commonly, arbitration), in all contracts with stakeholders to the extent possible.

Share Dealings

Directors and employees are restricted from trading in the shares of the company during two formalised closed periods ahead of the interim and annual results. The group's insider trading policy requires directors to obtain formal clearance from the chairman prior to dealing in the company's shares. All share dealings are disclosed to the company secretary and this information is released on SENS within 48 hours of any trade being completed.

Ethics

The board subscribes to the philosophy of responsible leadership incorporating the ethical values of responsibility, accountability, fairness and transparency. The directors are of the opinion that the company is, in fact and appearance, a responsible corporate citizen, but recognise that enhancing governance practices is a perpetual process.

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

In addition, the company has a strict Conflict of Interest policy governing gifts and kick-backs and prohibiting bribes. The policy restricts employee relationships with suppliers, governs the use of company resources for non-company purposes and limits the extent of other business interests undertaken by employees. Employees, including executive directors, may not have any interest whatsoever, directly or indirectly, in a competing restaurant business, franchise or chain that is considered (at the discretion of the board) to operate in a similar market to the group.

All employees, including directors, who have any influence over purchasing decisions of the group or its franchisee body, are required to sign an annual declaration enforcing the above policy.

King III recommends that the board should ensure that the company's ethics risks and opportunities are assessed and that an ethics risk profile is compiled. King III recommends further that the board should ensure that the company's ethics performance is assessed, monitored, reported and disclosed. Given the size of the company, the board is of the opinion that the executive directors are involved in the daily operations of the business to an extent that would permit them to make a reasonable assessment of ethics risks and possible transgressions. Consequently, the recommendations of King III in this regard have not been adopted.

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.

In terms of the Companies Act 71 of 2008 and the Regulations applicable thereto, the group is required to establish a social and ethics committee by 30 April 2012. The board is in the process of constituting such a committee.

Sustainability

The group has utilised the Global Reporting Initiative G3 guidelines as a guide for preparing this integrated report. However, not all aspects of these guidelines have been complied with, as it is not considered practicable at this time. In particular the prescribed minimum KPI's in terms of the guidelines are not considered by the board to be suitably relevant to the group and its operations.

Accordingly alternative internally developed KPI's have been utilised as the directors believe that these will be more relevant to stakeholders.

King III recommends that a formal process of assurance with regards sustainability reporting should be established. On the basis that the group's sustainability reporting is in the early stages of development, the board is of the opinion that the cost of such an assurance engagement would far exceed the benefit to stakeholders at this time. The board is furthermore of the opinion that there is sufficient integrity within the group's reporting process to allow reliance to be placed on sustainability disclosures.

AUDIT COMMITTEE REPORT

Role of Committee

- Assess and report on the effectiveness of key internal controls (including financial controls);
- Assess and report on regulatory and legislative compliance;
- Review policies and procedures for detecting fraud;
- Review and approve major accounting and financial reporting issues;
- Evaluate significant judgements and reporting decisions made by management affecting the integrated report;
- Receive and deal with complaints relating to accounting practices and the content or auditing of the group's financial statements;
- Act as a liaison between the external auditor and the board;
- Review and approve the audit service and any non-audit services provided by the external auditor;
- Assess independence of the external auditor and approve the annual nomination for the appointment of the external auditor at the annual general meeting;
- Assess performance and approve remuneration of the external auditor;
- Review and approve internal and external audit plans and reports;
- Consider internal and external audit findings and confirm that corrective remedial action has been taken;
- Ensure that management imposes no limitation on the scope of audits;
- Review and approve the integrated report, interim results, provisional results announcements, trading statements, circulars and the release of price sensitive information;
- Assist in resolving disputes between management and the external auditor;
- Assist in responding to any monitoring or enforcement actions; and
- Assist the board in approving the disclosure of sustainability issues.

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

Composition

Four non-executive directors:

- Keith Madders* (chairman) (11 years' service on the committee)
- Dean Hyde* (6 years' service on the committee)
- Muzi Kuzwayo** (2 years' service on the committee)
- Mntungwa Morojele** (1 year's service on the committee)

* Acts independently as required in terms of the Companies Act 71 of 2008

** Independent non-executive director.

Qualifications of members are listed on page 18.

Invitees: Directors, executive management, external audit partners and staff.

The committee comprises two independent non-executive directors and two non-executive directors who act independently, one of whom is the chairman of the committee. King III requires that the committee comprises of at least three independent non-executive directors. The independence requirements of King III and that of the Companies Act 71 of 2008 are inconsistent. Thus whilst two of the non-executive directors on the committee are not independent in terms of King III they meet the requirements of section 94(4) of the Companies Act. The board notes that the experience and knowledge of the business of Dean Hyde and Keith Madders add significant value to the functioning of the committee. Furthermore, the board is satisfied that the non-executive directors who currently serve on the committee act with sufficient integrity, objectivity and independence such that the interests of stakeholders are not prejudiced. The appointment of the members of the audit committee will be approved by shareholders at the annual general meeting in December 2011.

King III recommends that the committee collectively has an understanding of International Financial Reporting Standards ("IFRS"), the guidelines of the Global Reporting Initiative and any other relevant financial or sustainability reporting standards, regulations or guidelines. King III permits the composition of the committee to be considered in the context of the company's size and circumstances. King III also recommends that the members of the committee keep up to date with developments in areas relevant to the committee. The board considers King III's requirements to be particularly onerous in light of the size of the company and nature of the industry in which it operates. Whilst the committee has a collective understanding of accounting, regulatory and sustainability matters, this understanding is not at the level of dedicated professionals in each of these disciplines. Consequently, the committee relies on the expertise of the external auditor, finance personnel (including the financial director and chief financial officer) and where applicable the skills of Keith Getz to identify possible issues. In particularly complex matters or where there is, for example, a dispute between management and the external auditor, independent experts will be consulted by the committee. Whilst the board believes that the committee functions adequately, its nominations committee is considering possible candidates to enhance the expertise of the committee. The costs relative to the benefits of this appointment will be carefully reviewed prior to any appointment being tabled for approval by shareholders.

Functioning of the Committee

Meetings: Two during the year under review. Meetings are scheduled semi-annually.

The attendance at committee meetings for the period 1 July 2010 to 30 June 2011 was as indicated:

Director	8 September 2010	23 February 2011
Keith Madders	P	P
Dean Hyde	P	P
Muzi Kuzwayo	P	P
Mntungwa Morojele	P	P

P - Present; A - Absent

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

The committee discharges its responsibilities by meeting formally at least twice a year to review the group's interim and annual results and trading statements before publication, to receive and review internal audit reports and reports from the external auditor and to meet with management to review their progress on key issues relating to financial controls and risks. The findings and recommendations of the committee are reported to the board at the following board meeting, which is typically held within a week of the committee meeting.

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

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

Summarised financial information relating to the performance of the group is presented to the chairman of the committee and the external auditor by management on a regular basis.

The committee discharges all audit committee responsibilities of all subsidiaries within the group.

The external and internal auditors have unrestricted access to the committee.

The committee is responsible for overseeing the internal audit function. Refer to the Internal Audit section on page 60 of this report for more detail.

Both the audit committee and the board are satisfied that there is adequate segregation between the external and internal audit functions and that the independence of the external auditors is not in any way impaired or compromised. The company has a policy in place which governs the extent to which the designated external auditor may be engaged to provide non-audit services. No significant non-audit work was performed by the external auditor during the year.

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

King III recommends that the chairman of the committee be present at the annual general meeting to answer questions on the integrated report, the committee's activities and matters within the scope of the committee's responsibilities. The chairman of the committee is not ordinarily resident in South Africa and consequently does not attend the annual general meeting. Given the limited attendance by shareholders at the annual general meeting, the board is of the opinion that the cost of making the chairman of the committee available at the annual general meeting is not warranted. The chairman of the committee has agreed to make himself available via telephone in the event that any shareholder wishes to address him at the annual general meeting. In addition, a member of the committee will be available at the annual general meeting to field questions.

The committee has no specific mandate to monitor risk management although risks identified by the risk committee are highlighted to the committee to the extent that they have implications for the integrated report. The committee retains the responsibility for overseeing financial risk management and controls.

The committee is satisfied that in respect of the financial year reported and to the date of issue of this report:

- Financial reporting risks have been identified and mitigated;
- A satisfactory system of internal financial controls is in place;
- Fraud risks relating to financial reporting have been considered and mitigated; and
- IT risks relating to financial reporting have been considered and mitigated.

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

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

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

King III recommends that the committee should recommend to the board to engage an external service provider to provide assurance over material elements of the sustainability part of the integrated report. The board has considered this recommendation and determined that the cost of such an assurance exercise would far exceed any benefits to stakeholders. As the group progresses its journey towards more enhanced sustainability reporting, the board will review this decision.

King III recommends that, due to the volume and complexity of information conveyed in the integrated report, the company should prepare a summarised integrated report in addition to the complete integrated report, which may be of benefit to stakeholders. The board has considered this recommendation and determined that the cost of such an exercise would exceed the benefits to stakeholders at this time. The group currently makes available its preliminary financial results, with commentary, to all shareholders prior to the issue of the full integrated report.

King III notes that legal opinion indicates that the audit committee takes primary responsibility for and has the ultimate decision-making ability regarding its statutory duties. If differences of opinion should arise between the board and the audit committee where the audit committee's statutory functions are concerned, the audit committee's decision will prevail. The audit committee serves as a committee of the board for duties assigned to it by the board that are in addition to its statutory duties. The board retains the ultimate decision making ability on such matters.

Internal Audit

King III recommends that the board ensures that there is an effective risk based independent internal audit function to assist the board in discharging its governance responsibilities and as a minimum to perform certain functions.

In considering the size and nature of the group, the recommendations of King III relating to Internal Audit have not been adopted by the board. As a franchise operation, the group's core processes are relatively simple. The finance function, ordinarily considered a high risk area, comprises a relatively small number of people performing largely basic standard accounting processes. The company operates on a centralised basis with a flat management structure. In this context, the company operates with an elementary internal audit function comprising of one employee. No formal internal audit charter is in place. The internal auditor has been involved in the finance function of the group for a number of years. The ambit of his function is limited to financial risks and controls. Financial business processes are audited on a cyclical basis and findings and recommendations documented in formal written reports to the audit committee. Given the size and nature of the group, the directors believe that the internal audit function provides assurance regarding the financial information used for decision making and internal financial controls and welcome the further enhancements contemplated by the audit committee.

The internal auditor's scope of work excludes non-financial processes, compliance and risk management processes.

At this time, the audit committee is assessing options for outsourcing certain of the internal audit functions as recommended by King III to an external service provider.

Management and the board make use of external service providers, including its legal counsel and JSE sponsor, to provide input and guidance relating to governance matters. Effective May 2011, the group has appointed an in-house legal and compliance officer whose responsibilities include general compliance.

Risk management matters are managed by the board and the chief risk officer. Where specific actions are required by the board, these may be delegated to management, the internal auditor or outsourced.

Keith Madders
AUDIT COMMITTEE CHAIRMAN

REMUNERATION COMMITTEE REPORT

This report sets out the roles, composition and functioning of the remuneration committee as well as the group's remuneration policy and the implementation thereof. This report and the recommendations of the remuneration committee have been approved by the board and will be tabled to shareholders for a non-binding advisory vote at the forthcoming annual general meeting.

Details of the directors' and officers' remuneration, together with the remuneration of the three most highly-paid employees who are not directors, are disclosed in note 35 on page 120 of this report.

Role of Committee

- Establish a formal and transparent procedure for developing, reviewing and amending a policy on executive remuneration;
- Determine, agree and develop remuneration policies for all levels of employees, with specific focus on executive directors taking into account recommendations by the chairman of the board and managing director;
- Determine specific remuneration packages for executive directors, including but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, share incentives, pensions and other benefits;
- Consider criteria adopted by the chairman of the board and managing director to measure the performance of executive directors in discharging their functions and responsibilities;
- Approve the award of shares/options to executives and employees; and
- Regularly review incentive schemes to ensure continued contribution to shareholder value.

Composition

Five non-executive directors:

- Keith Madders (chairman)
- Keith Getz
- Dean Hyde
- Muzi Kuzwayo*
- Mntungwa Morojele* (appointed during the year)

* Independent non-executive director

King III recommends that the committee comprises a majority of non-executive directors, the majority of whom should be independent. The committee should be chaired by an independent non-executive director. The committee comprises two independent non-executive directors and three non-executive directors who act independently, one of whom is the chairman of the committee. Whilst the committee could be structured to comply with the recommendations of King III, the board notes that the experience and knowledge of the business of Dean Hyde, Keith Getz and Keith Madders adds significant value to the functioning of the committee. Furthermore, the board is satisfied that the non-executive directors who currently serve on the committee act with sufficient integrity, objectivity and independence such that the interests of stakeholders are not prejudiced.

The remuneration committee is responsible for reviewing and recommending the remuneration of executive and senior management to the board. The remuneration committee bases its recommendations upon the achievement of personal key performance indicators, the results achieved by executive directors, board and individual evaluations (where applicable), and group financial performance measures.

Non-executive directors' fees are determined by the board as a whole, as the board comprises a majority of executive directors.

The remuneration committee also reviews and approves all profit share or share-linked incentive allocations and the terms thereof. In the event that the board is called upon to approve a recommendation for an amendment to any incentive scheme or the rules to any such scheme, any executive director that is conflicted either directly or indirectly shall not vote.

Functioning of the Committee

Meetings: Two formal meetings during the year under review. Formal meetings are scheduled semi-annually.

The attendance at committee meetings for the period 1 July 2010 to 30 June 2011 was as indicated:

Director	18 September 2010	1 March 2011
Keith Madders	P	P
Keith Getz	P	P
Dean Hyde	P	P
Muzi Kuzwayo	P	P
Mntungwa Morojele	P	P

P - Present; A - Absent

In addition to the scheduled formal meetings above, ad hoc meetings were held on 31 January 2011 and 15 February 2011, organised at short notice, attended by Messrs Madders, Hyde and Kuzwayo and Messrs Madders and Morojele respectively. Immediately following these meetings, the chairman apprised the members of the committee who were unable to attend the meetings of the nature of the discussions, conclusions made and further action points discussed at the meetings with a view to eliciting any further comments, approvals or objections from said members. In the event of any contentious issue arising from these ad hoc meetings and/or subsequent discussions with non-attending members, the chairman deferred said issue to a subsequent scheduled meeting.

Remuneration Policy

Remuneration Philosophy

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

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

Remuneration levels are influenced by a scarcity of skills and work performance. Given that performance-related incentives form a material part of remuneration packages, ongoing performance feedback is vital. Employees participate in annual performance and career development evaluations.

Remuneration Structures

Remuneration consists of three elements:

Basic cost to company package

The basic cost to company package consists of a basic salary, medical aid contribution, provident fund contribution and, in certain instances where employees regularly and routinely are required to travel for business purposes, a travel allowance. These packages are linked to individual performance, expertise and knowledge required in the position and competitive benchmarking undertaken from time to time.

Basic cost to company is fixed for a period of 12 months and is subject to an annual review each year with effect from 1 July each year. Increases are entirely discretionary and are granted after a formal performance evaluation has been conducted on each individual. Increases are based on inflation, individual key performance indicators, benchmarking exercises, core skills, changes in responsibilities and financial performance measures, and are proposed by various line managers and reviewed and approved by the managing director and chairman of the board. Executive directors and senior management increases are proposed by the chairman of the board and the managing director on the same basis as for all other employees, but are subject to the prior review and recommendation of the remuneration committee and final approval of the board.

Ad hoc adjustments between formal review dates may be proposed where circumstances so dictate for example, to retain certain rare, specific or core skills or to compensate for promotions or changes in scope of functions. Such adjustments are approved in accordance with the group's limits of authority but would as a matter of course include as a minimum the approval of the financial director and in the case of higher paid individuals the additional approval of the managing director and chairman of the board. Adjustments to executive and senior managers' basic cost to company packages are subject to the same process as for the annual review described above.

Travel allowances are reviewed on a three-year cycle and are fixed for the period between review dates. Travel allowances are determined based on the cost of financing, insuring and maintaining a certain level of vehicle depending on the seniority of the individual involved. The latest travel allowance review was effective 1 July 2011.

All employees are required to be covered by medical aid, the cost of which is to be borne by the employee.

All local employees are required to be a member of the group's provident fund, which is administered externally to the group. Employees must contribute a minimum of 15% of their cost to company (net of travel allowance, and provident fund contribution) to the fund but may voluntarily increase this to 20%. The contribution includes group life cover as well as income protection cover in the event of incapacity. The fund comprises commercially available investment funds managed independently by reputable financial service providers. A committee comprising managing director Pierre van Tonder, financial director Ronel van Dijk and executive director Phillip Joffe consults with an independent broker on at least an annual basis to review the performance of the fund and consider the choice of investments.

Profit share scheme / Thirteenth cheque

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

Thirteenth cheque scheme

The thirteenth cheque scheme operates by way of an annual thirteenth cheque being paid to the participating individuals in the event that the group achieves the requisite financial performance parameters set by the board. This is a discretionary scheme as the board may decide not to declare thirteenth cheque payments should the group's performance not be satisfactory. Depending on the extent to which financial performance parameters are met, a full or partial thirteenth cheque may be declared.

In the event of a thirteenth cheque being declared, each individual's participation is limited to a maximum of one month's cost to company (excluding travel allowance), or a proportionately lesser amount if a partial thirteenth cheque is declared, but may be reduced depending on individual performance during the year under review.

Thirteenth cheque bonuses are proposed by line managers and reviewed and approved by the managing director and chairman of the board.

Profit share scheme

The profit share scheme is based on the dividends received by the Spur Management Share Trust on the 6 688 698 Spur shares held by the Trust pursuant to the shareholders' resolution of 10 December 2010, which is allocated to participating individuals based on growth in group profit and their division's contribution to group profit both relative to inflation, salary level and personal key performance indicators. The quantum of the bonus pool, being the dividend on the Spur shares, is linked directly to group performance, as the dividend is a direct result of same. Refer note 26.2 on page 116 for further information.

Profit share bonus payments are determined by the managing director and chairman of the board in accordance with the rules of the scheme approved by, and amended from time to time by, the remuneration committee. The managing director has the right to make certain adjustments to individual payments within certain limits under certain circumstances. Payments to executive and senior management are reviewed and approved by the remuneration committee in advance.

Share–linked incentive scheme

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

The number of rights to be allocated may be reduced depending on the financial performance of the group relative to inflation. The granting of rights may be suspended where the performance of the group so dictates. These rights vest and are compulsorily exercisable three years after date of issue. The strike price is determined as the 50-day volume-weighted average price of the Spur share on the grant date. The gain on the right, calculated as the difference between the 50-day volume-weighted average price of the Spur share on the vesting date and the strike price, is settled to the participant in cash. The group’s upside exposure to the share price and its impact on the liability arising from these share appreciation rights shall at all times be hedged. The allocation of rights to specific individuals is based on growth in group profit and their division’s contribution to group profit both relative to inflation, expertise and knowledge, sphere of responsibilities, seniority and personal key performance indicators.

The number and terms of rights granted each year are determined in accordance with the rules of the scheme which are reviewed by the remuneration committee from time to time. In the event that the remuneration committee deems it appropriate for the rules to be amended following such a review, such amendments are recommended by the remuneration committee to the board for approval. The allocation of rights is proposed each year by the managing director and chairman of the board in accordance with the rules of the scheme and is reviewed and approved by the remuneration committee in advance.

The maximum number of rights that any participant may benefit from at any point in time is 1 500 000.

The group has entered into a hedge to mitigate the liquidity risk relating to upside movement in the share price as detailed in note 21 on page 112 of this report.

The charge to profit or loss of the value of the rights for the year under review is R0.555 million and the charge to profit or loss in respect of the hedge for the year under review is R2.627 million (refer notes 20 and 21 on page 112 of this report). As there are no potential dilutive ordinary shares in respect of the scheme, other than the impact on profit or loss there is no dilutionary impact on existing shareholders. Whilst the hedge mitigates the group’s liquidity risk in respect of the scheme, the group is exposed to downside price risk on the Spur share as described in note 40.2 on page 126.

In respect of the 2004 incentive scheme, there are still 660 911 share options in issue, details of which are disclosed in note 26.1 on page 115 of this report.

King III recommends that vesting of share incentive awards should be conditional on achieving performance conditions and should be on a sliding scale. The group has not adopted this recommendation on the basis that the rights are relatively short term and granted annually. Whilst vesting is not conditional on performance conditions, the granting of rights is conditional upon both company performance and personal performance. In this way, the board is satisfied that the interests of participants of the scheme and stakeholders are adequately aligned.

Executive Service Contracts

All the executive directors, with the exception of Allen Ambor, have standard employment contracts in place. Allen Ambor has no employment contract in place. Executive directors Pierre van Tonder, Mark Farrelly and Kevin Robertson have three month notice periods; Ronel van Dijk has a one month notice period and Phillip Joffe has a two month notice period. With the exception of Phillip Joffe and Allen Ambor, the executive directors are restrained by agreement from any involvement in businesses associated with brands competing with the group’s brands during the tenancy of their employment and for a period of two years following their termination (for whatever reason) of employment. Whilst Phillip Joffe and Allen Ambor do not have specific restraints of trade in place, the company’s policies prohibit employee associations with brands competing with the group’s brands whilst an employee of the company.

No contracts provide for termination settlements, other than those required in terms of law.

Non-executive Directors’ Fees

The board as a whole considers fees to non-executive directors for membership of the board and board committees. The board is of the opinion that such fees are market related and commensurate with the time and effort required by the directors in question to undertake their duties. Such remuneration is not linked to the performance of the group or its share performance.

The base fee for non-executive directors increased from R150 000 in 2010 to R250 000 in 2011 as a result of the fact that the number of formal board meetings per year increased from two in 2010 to four in 2011. The two additional meetings are extended board meetings that typically span two to three days. Prior to 2011, non-executive directors were invited to attend these meetings as optional attendees and were paid a consulting fee for their attendance.

Keith Getz is a director of a number of subsidiaries of the group. A related entity is paid a fee for the services of Mr Getz in chairing the meetings of Steak Ranches International BV and Spur International Ltd BVI. Ordinarily, three meetings of both boards are scheduled annually.

Keith Madders is a director of Steak Ranches International BV. A related entity is paid a fee for the services of Mr Madders in attending meetings of that company’s board.

Non-executive directors' fees for current year and proposed for next year	Proposed 2012	2011
Member of board Member of audit committee Chairman of audit committee Member of remuneration committee Chairman of remuneration committee Member of nominations committee Chairman of nominations committee Member of transformation committee	**R350 000 in total for each non-executive director**	R250 000 in total for each non-executive director
Member of Steak Ranches International BV board (per meeting) (Keith Getz and Keith Madders)	**€2 500**	€2 500
Member of Spur International Ltd BVI board (per meeting) (Keith Getz)	**€1 500**	€1 500

The increase proposed for 2012 is considered in the context of the increased level of participation contemplated in King III and the greater level of risk assumed by directors in terms of the Companies Act 2008.

King III recommends that non-executive director fees should comprise a base fee which may vary according to factors including the level of expertise of each director, as well as an attendance fee per meeting. Given the size and nature of the group, as well as the informal involvement of all non-executive directors in key decisions (in light of the fact that the non-executive directors do not comprise a majority of the board), the board is of the opinion that an equitable flat rate is applicable for all non-executive directors.

With the exception of Keith Madders, none of the non-executive directors has a specific service contract or notice period. The group has entered into a contract with a related company for Keith Madders' services. The contract provides for a three month notice period and services being rendered at an agreed hourly rate of £167.85 (for the 2011 financial year), escalating by the rate of inflation on the anniversary date of the agreement.

Following the termination of the 2004 Management incentive scheme in December 2009, no non-executive directors participate in any incentive scheme.

Details of fees paid to directors and to related parties for the services of directors and other consulting fees are included in notes 35 and 39 on pages 120 and 122 of this report respectively.

A special resolution will be tabled at the December 2011 annual general meeting for shareholders to approve the remuneration above.

Keith Madders
REMUNERATION COMMITTEE CHAIRMAN

GROUP FINANCIAL STATEMENTS

ABOUT THESE FINANCIAL STATEMENTS

The financial statements on pages 70 to 141 of this report have been audited in accordance with the requirements of the Companies Act (Act No. 71 of 2008) and have been prepared under the supervision of the group financial director, Ronel van Dijk CA(SA).

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DIRECTORS' APPROVAL

The directors are responsible for the preparation and fair presentation of the annual financial statements and group annual financial statements of Spur Corporation Limited, comprising the statements of financial position at 30 June 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and the interpretations adopted by the International Accounting Standards Board, and the requirements of the Companies Act of South Africa.

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

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 this integrated report.

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

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

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

The annual financial statements and group annual financial statements of Spur Corporation Limited, as identified in the first paragraph, as well as the integrated report in its entirety, were approved by the board of directors on 7 October 2011 and are signed on its behalf by

Allen Ambor **EXECUTIVE CHAIRMAN**

Pierre van Tonder **MANAGING DIRECTOR**

Declaration by Company Secretary

In terms of Section 88(2) (e) of the Companies Act 2008, as amended, I certify that the Company has lodged with the Commissioner all such returns and notices as required by the Companies Act and that all such returns and notices appear to be true, correct and up to date.

Ronel van Dijk **SECRETARY**

7 October 2011

INDEPENDENT AUDITOR'S REPORT

To the members of
SPUR CORPORATION LIMITED

Report on the Financial Statements

We have audited the annual financial statements and group annual financial statements of Spur Corporation Limited, which comprise the statements of financial position as at 30 June 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 70 to 141.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

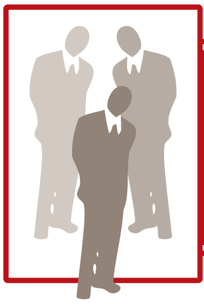
Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Spur Corporation Limited at 30 June 2011, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per I Engels
Chartered Accountant (SA), Registered Auditor
Cape Town, 7 October 2011

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



DIRECTORS' REPORT

The directors present their twelfth annual report, which forms part of the audited financial statements of the company and of the group for the year ended 30 June 2011.

NATURE OF THE BUSINESS

Spur Corporation Limited, which is domiciled and incorporated in the Republic of South Africa and listed on the JSE Limited, the recognised securities exchange in South Africa, is an investment holding company. Through its subsidiaries, primarily Spur Group (Pty) Ltd, John Dory's Franchise (Pty) Ltd, Steak Ranches International BV, Spur Corporation UK Ltd and Spur Corporation Australia Pty 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, John Dory's Advertising (Pty) Ltd, Spur Advertising UK Ltd, Spur Advertising Australia Pty Ltd and Panarottis Advertising Australia Pty Ltd, the group provides marketing and promotional services to franchisees. A subsidiary of the company, Spur Group Properties (Pty) Ltd owns certain properties which are owner-occupied from a group perspective. A subsidiary, Share Buy-back (Pty) Ltd, holds treasury shares as authorised by shareholders by way of special resolution on an annual basis. The company also has indirect interests in various companies in the United Kingdom and Australia which own and operate retail Spur and Panarottis restaurants in those territories.

FINANCIAL REVIEW

Spur Corporation reported a solid trading performance in an environment of improving consumer sentiment in South Africa and increased revenue by 15.9% to R403.4 million for the year.

The Spur Steak Ranches brand increased restaurant turnover by 9.9% as higher customer traffic saw the brand gain market share. Growth has been driven by value-added promotional campaigns and price-driven advertising focussing on contemporary and humourous elements of broader South African society. Spur's successful entry into the breakfast market through the Spur Unreal Breakfast promotion has also created an additional revenue stream. Panarottis Pizza Pasta grew restaurant turnover by 4.5% as the repositioning of the brand is gaining traction with customers. John Dory's Fish & Grill responded well to the tough trading environment in the highly competitive fish market and increased restaurant revenue by 9.8%.

Franchise fee income in Spur increased by 10.1% to R137.0 million, Panarottis by 7.2% to R11.5 million and John Dory's by 10.6% to R9.8 million. International revenue, comprising franchise fee income and restaurant turnover, grew by 25.8% to R116.3 million, lifted by the opening of two new outlets (including one group-owned outlet) and the consolidation of three additional outlets.

Retail trading conditions remain difficult in the foreign markets in which the group operates, particularly in the United Kingdom and Ireland. Owing to the uncertain economic environment the board has taken a prudent decision to impair the assets of the group-owned restaurants in Gateshead (which was opened in August 2010) and Wandsworth in England. The impact of the impairments on the group's profit is R18.5 million. These restaurants are currently trading in a cash-flow neutral position and management believes both outlets remain viable. Operational and marketing plans have been implemented to improve performance, and turnover in both outlets has been encouraging for the past three months. The appointment of a full-time resource to head the group's operations in the United Kingdom is anticipated to assist in improving ongoing performance. The tough trading conditions have also resulted in the closure of the franchised restaurants in Newry and Limerick in Ireland during the year.

The Australian business has started to turn around following last year's consolidation and reported improved profitability for the year. The restaurants in Africa have generally traded well and growth prospects remain positive, although the group continues to encounter challenges in specific markets and some planned restaurant openings were postponed owing to delays in the completion of retail developments.

Manufacturing and distribution revenue increased by 16.0% to R109.0 million. The group's manufacturing operations were consolidated into one facility in Cape Town during the first half of the year and the benefits of improved efficiencies are expected to be realised in the new financial year. The group continues to expand the basket of merchandise which is centrally procured to enhance quality standards and secure better pricing to benefit franchisee profitability. The building housing the Johannesburg manufacturing facility was sold for R16.8 million while a building for décor production and warehousing in Cape Town, was purchased for R10.0 million.

The group's profit before income tax declined by 5.0% to R116.8 million, reflecting the impact of the impairments of the two United Kingdom restaurants. Headline earnings increased by 0.8% to R85.8 million, with diluted headline earnings per share growing by 2.9% to 97.4 cents.

AUDIT AND RISK COMMITTEES

Pages 58 and 51 of the Corporate Governance section of this report set out the responsibilities of the audit and risk committees respectively and how these responsibilities have been discharged during the year.

SHARE CAPITAL

The number of authorised shares has remained at 201 000 000 ordinary shares of 0.001 cents each, for the year ended 30 June 2011.

During the year, a wholly-owned subsidiary of the group, Share Buy-back (Pty) Ltd purchased 652 000 shares at an average cost of R13.85 per share, totalling R9.031 million taking the total number of treasury shares held by the group to 3 730 628 (2010: 3 078 628). In addition, 6 688 698 (2010: 6 688 698) shares are held by The Spur Management Share Trust (as detailed on page 110 of this report). The Spur Management Share Trust is a special purpose entity that is required to be consolidated by the group for financial reporting purposes only. Consequently, the net number of shares in issue at 30 June 2011 was 87 213 507 (2010: 87 865 507).

INTEREST IN SUBSIDIARY COMPANIES

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

	Country of incorporation	Issued capital R'000	Loan to subsidiary R'000	% interest in company
Trading				
- Spur International Ltd*	British Virgin Islands	1.4		100
- Spur Group (Pty) Ltd	South Africa	0.1		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		65
- John Dory's Advertising (Pty) Ltd*	South Africa	0.1		100
- Vantini Spur Ltd*	Gibraltar	0.1		100
- Steak Ranches International BV*	The Netherlands	173.3		100
- Spur Corporation Australia Pty Ltd*	Australia	0.6		100
- Spur Advertising Australia Pty Ltd*	Australia	0.6		100
- Panarottis Advertising Australia Pty Ltd*	Australia	0.6		100
- Spurcentral Pty Ltd*	Australia	0.6		100
- Panhold Pty Ltd*	Australia	5.0		100
- Panawest Pty Ltd*	Australia	631.0		93
- Caspur Pty Ltd*	Australia	772.0		100
- Spur Steak Ranches Unit Trust*	Australia	0.1		100
- Panatug Pty Ltd*	Australia	0.6		100
- Spur Corporation UK Ltd*	United Kingdom	3.0		100
- Larkspur One Ltd*	United Kingdom	1.4		90
- Larkspur Two Ltd*	United Kingdom	1.4		100
- Larkspur Three Ltd*	United Kingdom	1.3		80
- Larkspur Four Ltd*	United Kingdom	1.5		100
- Larkspur Five Ltd*	United Kingdom	1.1		71
- Larkspur Six Ltd*	United Kingdom	0.1		100
- Mohawk Spur Ltd*	United Kingdom	15.1		100
- Spur Advertising UK Ltd*	United Kingdom	1.3		100
Dormant		1.4		100
			3 265	

* Indirect

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

	2011 R'000	2010 R'000
Profits	**109 416**	98 561
Losses	**(39 072)**	(18 909)

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 Requirements and International Financial Reporting Standards.

CASH DIVIDEND

A final cash dividend in respect of the 2010 financial year of 28.0 cents per share, was paid to shareholders on 11 October 2010. An interim cash dividend in respect of the 2011 financial year of 33.0 cents per share was paid to shareholders on 28 March 2011.

The directors declared a final cash dividend of 33.0 cents per share on 8 September 2011, to be paid on 10 October 2011 to those shareholders of the company who are recorded in the company's register on 7 October 2011. As this dividend was declared after the reporting date, it will only be accounted for in the 2012 financial year. The declaration of this dividend will result in a Secondary Tax on Companies charge of R3.2 million, which will be accounted for in the 2012 financial year.

SPECIAL RESOLUTION

On 10 December 2010, 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

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 16 to 18 and 146. 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 appear to be true, correct and up to date.

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

DIRECTORS' INTERESTS

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

Shares

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

	2011			2010		
	Direct beneficial	Indirect beneficial	Held by associates	Direct beneficial	Indirect beneficial	Held by associates
Allen Ambor	**3 086 685**	**464 609**	**-**	3 086 685	464 609	-
Ronel van Dijk	**73 244**	**-**	**-**	73 244	-	-
Keith Madders	**-**	**1 112 022**	**-**	-	1 112 022	-
Dean Hyde	**-**	**-**	**-**	15 800	-	-
Keith Getz	**2 491**	**-**	**820**	2 491	-	820
Total	**3 162 420**	**1 576 631**	**820**	3 178 220	1 576 631	820
% Interest*	**3.4**	**1.7**	**0.0**	3.4%	1.7%	0.0%

* These percentages are based on shares in issue less shares repurchased by a subsidiary company (other than shares held by consolidated special purpose entities for the purposes of incentive schemes - see note 26 for more details) i.e. Share Buy-back (Pty) Ltd.

There have been no changes in directors' interests in share capital from 30 June 2011 to the date of posting of this annual report.

SHAREHOLDERS' INTEREST IN SHARES

Major shareholders

The following are shareholders (excluding directors) holding 3% or more of the company's issued share capital at 30 June 2011:

	No. of shares	%*
Allan Gray	16 406 751	17.5
Sanlam	10 378 731	11.1
Spur Management Share Trust **	6 688 698	7.1
Investec	5 786 181	6.2
Eskom Pension & Provident Fund	4 258 235	4.5
Coronation Fund Managers	3 748 489	4.0
Old Mutual	3 629 244	3.9
Nedbank Group	3 276 684	3.5

* These percentages are based on shares in issue less shares repurchased by a subsidiary company (other than shares held by consolidated special purpose entities for the purposes of incentive schemes - see note 26 for more details) i.e. Share Buy-back (Pty) Ltd.

** This holding relates to shares utilised in the group's short-term profit share incentive scheme, details of which are disclosed in note 26.2.

Public/non-public shareholders

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

	No. of shareholders	No. of shares	%
Non-public shareholders			
Directors and associates	7	4 739 871	4.9
Spur Management Share Trust	1	6 688 698	6.9
Subsidiary holding treasury shares	1	3 730 628	3.8
Major shareholder - Allan Gray	1	16 406 751	16.8
Public shareholders	1 875	66 066 885	67.6
Total	1 885	97 632 833	100.0

Analysis of shareholding

An analysis of the spread of shareholding is presented below:

	No. of shareholders	%	No. of shares	%
Shareholder spread				
1 - 10 000 shares	1 475	78.2	3 494 865	3.6
10 001 - 25 000 shares	187	9.9	3 021 767	3.1
25 001 - 50 000 shares	69	3.7	2 598 149	2.7
50 001 - 100 000 shares	52	2.8	4 059 708	4.2
100 001 - 500 000 shares	71	3.8	16 224 469	16.6
500 001 - 1 000 000 shares	10	0.5	7 375 738	7.6
1 000 001 shares and over	21	1.1	60 858 137	62.2
	1 885	100.0	97 632 833	100.0

	No. of shareholders	%	No. of shares	%
Distribution of shareholders				
Banks and nominees	228	12.0	5 906 485	6.0
Endowment funds	20	1.1	1 009 136	1.0
Individuals	1 338	70.9	11 258 918	11.5
Insurance companies	30	1.6	6 337 109	6.5
Investment companies	6	0.3	1 628 300	1.7
Medical funds	11	0.6	465 462	0.5
Mutual funds	92	4.9	46 877 018	48.0
Own holdings	1	0.1	3 730 628	3.8
Pension and retirement funds	90	4.8	12 044 380	12.3
Spur Management Share Trust	1	0.1	6 688 698	6.9
Other corporate bodies	68	3.6	1 686 699	1.8
	1 885	100.0	97 632 833	100.0

BORROWINGS

In terms of the Memorandum of Incorporation of the company and its main local operating entity, Spur Group (Pty) Ltd, the borrowing powers of the directors of these companies are unlimited. The group's overall level of formal loan indebtedness reduced from R23.2 million to R21.2 million during the year.

GOING CONCERN

These annual financial statements have been prepared on the going concern basis.

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

There are no pending or threatened legal or arbitration proceedings which have had or may have a material effect on the financial position of the company or group.

SUBSEQUENT EVENTS

Details of events occurring subsequent to the reporting date but prior to the date of issue of this report are detailed in note 41 to the group financial statements on page 131 of this report.

COMPANY INFORMATION

The company's registration number and registered address are presented on page 146. Shareholders and members of the public are advised that the register of the interests of directors, executives, senior management and other shareholders in the shares of the company is available upon request from the company secretary.

Pierre van Tonder **MANAGING DIRECTOR**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R'000	2010 R'000
Revenue	3	**403 396**	348 024
Cost of sales		**(90 670)**	(72 400)
Gross profit		**312 726**	275 624
Other operating income	4	**11 434**	10 327
Administration expenses		**(72 263)**	(62 524)
Core operations expenses		**(35 382)**	(32 673)
Distribution expenses		**(5 602)**	(4 390)
Loss on impaired outlets	5	**(18 482)**	(7 994)
Retail operating expenses		**(80 462)**	(59 821)
Operating profit before finance income	5	**111 969**	118 549
Net finance income	6	**4 861**	4 380
Interest income	6	**5 783**	5 893
Interest expense	6	**(922)**	(1 513)
Profit before income tax		**116 830**	122 929
Income tax expense	7	**(48 742)**	(44 562)
Profit for the year		**68 088**	78 367
Other comprehensive income/(losses):		**860**	(14 093)
Foreign currency translation differences for foreign operations		**2 406**	(21 719)
Foreign exchange (loss)/gain on net investments in foreign subsidiaries		**(2 075)**	10 236
Tax on foreign exchange (loss)/gain on net investments in foreign subsidiaries		**529**	(2 610)
Total comprehensive income for the year		**68 948**	64 274
Profit attributable to:			
Owners of the company		**70 789**	77 557
Non-controlling interest		**(2 701)**	810
Profit for the year		**68 088**	78 367
Total comprehensive income attributable to:			
Owners of the company		**71 648**	63 540
Non-controlling interest		**(2 700)**	734
Total comprehensive income for the year		**68 948**	64 274
Earnings per share (cents)			
Basic earnings	8	**80.65**	88.27
Diluted earnings	8	**80.37**	86.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	Note	2011 R'000	2010 R'000
ASSETS			
NON-CURRENT ASSETS		**371 486**	382 609
Property, plant and equipment	9	**70 387**	75 184
Intangible assets and goodwill	10	**281 477**	279 609
Interest in equity-accounted investees	11	**2 590**	9 317
Loans receivable	12	**3 267**	5 216
Deferred tax	13	**11 967**	11 128
Leasing rights	14	**1 798**	2 155
CURRENT ASSETS		**184 477**	148 116
Inventories	15	**5 621**	6 389
Tax receivable		**4 410**	3 600
Trade and other receivables	16	**56 567**	51 348
Loans receivable	12	**1 913**	2 151
Cash and cash equivalents	17	**115 966**	84 628
TOTAL ASSETS		**555 963**	530 725
EQUITY AND LIABILITIES			
TOTAL EQUITY		**408 236**	403 295
Ordinary share capital	18	**1**	1
Share premium		**6**	6
Shares repurchased by subsidiaries	18	**(38 941)**	(29 910)
Foreign currency translation reserve	18	**(4 270)**	(5 129)
Retained earnings		**450 507**	434 015
Total equity attributable to equity holders of the parent		**407 303**	398 983
Non-controlling interest		**933**	4 312
LIABILITIES			
NON-CURRENT LIABILITIES		**73 090**	64 569
Long-term loans payable	19	**2 923**	7 181
Employee benefits	20	**555**	-
Other financial liability	21	**2 627**	-
Operating lease liability	22	**6 531**	3 328
Deferred tax	13	**60 454**	54 060
CURRENT LIABILITIES		**74 637**	62 861
Bank overdrafts	17	**2 256**	3 596
Tax payable		**6 622**	4 832
Trade and other payables	23	**46 874**	37 934
Loans payable	24	**18 273**	16 035
Shareholders for dividend		**612**	464
TOTAL EQUITY AND LIABILITIES		**555 963**	530 725

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Number of shares (net of treasury shares) 000's	Ordinary share capital R'000	Share premium R'000
Balance at 1 July 2009		**87 866**	**1**	**6**
Total comprehensive income for the year				
Profit		**-**	**-**	**-**
Other comprehensive losses		**-**	**-**	**-**
Foreign currency translation differences for foreign operations		-	-	-
Foreign exchange gain on net investments in foreign subsidiaries		-	-	-
Tax on foreign exchange gain on net investments in foreign subsidiaries		-	-	-
Foreign exchange effect on non-controlling interest		-	-	-
Total comprehensive income for the year		**-**	**-**	**-**
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners		**-**	**-**	**-**
Distributions to equity holders	25	-	-	-
Distributions to participants of incentive scheme net of tax	26.1	-	-	-
Share-based payment transactions net of tax	26.1	-	-	-
Transfer of share-based payments reserve to retained earnings	26.1	-	-	-
Total transactions with owners		**-**	**-**	**-**
Balance at 1 July 2010		**87 866**	**1**	**6**
Total comprehensive income for the year				
Profit		**-**	**-**	**-**
Other comprehensive income		**-**	**-**	**-**
Foreign currency translation differences for foreign operations		-	-	-
Foreign exchange loss on net investments in foreign subsidiaries		-	-	-
Tax on foreign exchange gain on net investments in foreign subsidiaries		-	-	-
Foreign exchange effect on non-controlling interest		-	-	-
Total comprehensive income for the year		**-**	**-**	**-**
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners		**(652)**	**-**	**-**
Distributions to equity holders	25	-	-	-
Distributions to participants of incentive scheme including tax	26.1	-	-	-
Own shares acquired	18.2	(652)	-	-
Changes in ownership interests in subsidiaries that do not result in a loss of control		**-**	**-**	**-**
Acquisition of non-controlling interest in subsidiary	32.2	-	-	-
Total transactions with owners		**(652)**	**-**	**-**
Balance at 30 June 2011		**87 214**	**1**	**6**

FOR THE YEAR ENDED 30 JUNE 2011

Shares repurchased by subsidiaries R'000	Foreign currency translation reserve R'000	Share-based payments reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
(25 349)	**8 888**	**20 554**	**425 919**	**430 019**	**4 301**	**434 320**
-	**-**	**-**	**77 557**	**77 557**	**810**	**78 367**
-	**(14 017)**	**-**	**-**	**(14 017)**	**(76)**	**(14 093)**
-	(21 719)	-	-	(21 719)	-	(21 719)
-	10 236	-	-	10 236	-	10 236
-	(2 610)	-	-	(2 610)	-	(2 610)
-	76	-	-	76	(76)	-
-	**(14 017)**	**-**	**77 557**	**63 540**	**734**	**64 274**
(4 561)	**-**	**(20 554)**	**(69 461)**	**(94 576)**	**(723)**	**(95 299)**
-	-	-	(52 719)	(52 719)	(723)	(53 442)
(4 561)	-	-	(38 507)	(43 068)	-	(43 068)
-	-	1 211	-	1 211	-	1 211
-	-	(21 765)	21 765	-	-	-
(4 561)	**-**	**(20 554)**	**(69 461)**	**(94 576)**	**(723)**	**(95 299)**
(29 910)	**(5 129)**	**-**	**434 015**	**398 983**	**4 312**	**403 295**
-	**-**	**-**	**70 789**	**70 789**	**(2 701)**	**68 088**
-	**859**	**-**	**-**	**859**	**1**	**860**
-	2 406	-	-	2 406	-	2 406
-	(2 075)	-	-	(2 075)	-	(2 075)
-	529	-	-	529	-	529
-	(1)	-	-	(1)	1	-
-	**859**	**-**	**70 789**	**71 648**	**(2 700)**	**68 948**
(9 031)	**-**	**-**	**(54 297)**	**(63 328)**	**(700)**	**(64 028)**
-	-	-	(53 598)	(53 598)	(700)	(54 298)
-	-	-	(699)	(699)	-	(699)
(9 031)	-	-	-	(9 031)	-	(9 031)
-	**-**	**-**	**-**	**-**	**21**	**21**
-	-	-	-	-	21	21
(9 031)	**-**	**-**	**(54 297)**	**(63 328)**	**(679)**	**(64 007)**
(38 941)	**(4 270)**	**-**	**450 507**	**407 303**	**933**	**408 236**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R'000	2010 R'000
Cash flow from operating activities			
Operating profit before working capital changes	27	**144 655**	134 474
Working capital changes	28	**2 631**	3 394
Cash generated from operations		**147 286**	137 868
Interest income received	29	**5 783**	6 461
Interest expense paid		**(922)**	(1 513)
Tax paid	30	**(41 149)**	(49 528)
Distributions paid	31	**(54 785)**	(80 708)
Net cash flow from operating activities		**56 213**	12 580
Cash flow from investing activities			
Additions of property, plant and equipment		**(31 089)**	(12 919)
Proceeds from disposal of property, plant and equipment		**16 703**	547
Acquisition of treasury shares		**(9 031)**	(3 888)
Transaction costs relating to management incentive scheme	26.1	**-**	(421)
Acquisition of subsidiaries and additional interest in equity-accounted investees	32	**(253)**	(495)
Loan advanced to operating partner		**(738)**	-
Loans advanced to equity-accounted investees		**(222)**	(2 430)
Decrease in loans receivable		**1 063**	6 032
Net cash flow from investing activities		**(23 567)**	(13 574)
Cash flow from financing activities			
Decrease in interest-bearing loans payable		**(4 761)**	(4 112)
Loan received		**-**	492
Loans received from non-controlling shareholders		**3 561**	2 325
Loans repaid to non-controlling shareholders		**(428)**	-
Landlord contributions received		**1 676**	2 066
Net cash flow from financing activities		**48**	771
Net movement in cash and cash equivalents		**32 694**	(223)
Effect of foreign exchange fluctuations		**(16)**	221
Net cash and cash equivalents at beginning of year		**81 032**	81 034
Net cash and cash equivalents at end of year	17	**113 710**	81 032

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 2011 comprise the company, its subsidiaries, controlled special purpose entities and the group's interests in equity-accounted investees, together referred to as "the group".

The financial statements were authorised for issue by the directors on 7 October 2011.

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 bases, 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"), AC 500 series issued by SAICA and the South African Companies Act (Act no. 71 of 2008), as amended.

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 42). 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, in all material respects, to all years presented in these consolidated financial statements.

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 of subsidiaries are included in the consolidated financial statements of the group from the date that control commences until the date that control ceases.

As the group controls the Spur Management Incentive Share Trust ("share trust") and Maxshell 72 Investments (Proprietary) Limited, these special purpose entities have been consolidated into the group financial statements. The group does not have any direct or indirect shareholdings in these entities. A special purpose entity ("SPE") is consolidated if, based on an evaluation of the substance of its relationship with the group and the SPE's risks and rewards, the group concludes that it controls the SPE.

SPEs controlled by the group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management which result in the group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to risks incidental to the SPEs' activities, or retaining the majority of the residual or ownership risks related to the SPEs or their assets.

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

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. Significant influence is presumed to exist when the group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the group's share of the total recognised gains and losses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the group from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee.

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 equity-accounted investees 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 acquisition, are translated to Rands at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Rands at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in equity in the foreign currency translation reserve ("FCTR").

1.2.5 Net investment in foreign operations

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

1.2.6 Non-controlling interests

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

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

1.2.7 Business combinations and goodwill

Business combinations after 1 July 2009

Business combinations occurring on or after 1 July 2009 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are recognised as an expense in profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39: Financial Instruments: Recognition and Measurement either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity otherwise, subsequent changes to the fair value of the consideration are recognised in profit or loss.

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

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

Business combinations prior to 30 June 2009
In comparison to the above mentioned requirements, the following differences apply:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets; and

Contingent consideration was recognised if, and only if, the group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

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

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

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39: Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

1.3 FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the respective functional currencies using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the respective functional currencies at the foreign exchange rate ruling at the date the fair value was determined. Foreign exchange differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation which are recognised in other comprehensive income and presented in equity in the FCTR.

1.4 PROPERTY, PLANT AND EQUIPMENT

1.4.1 Recognition and measurement
Items of property, plant and equipment, including owner-occupied buildings, are stated at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs (refer note 1.15.2). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

The current estimated useful lives are as follows:

• buildings	50 years
• plant, equipment and vehicles	3 - 5 years
• furniture and fittings	5 - 6.67 years
• computer equipment	3 years
• computer software	2 years
• leasehold improvements	lesser of lease term and 10 years

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

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

1.5 INTANGIBLE ASSETS (OTHER THAN GOODWILL)

1.5.1 Trademarks and franchise rights
Intangible assets are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. Intangible assets which have finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets which have indefinite useful lives are not amortised but are tested for impairment annually. No value is attached to internally developed and maintained trademarks or brand names. Expenditure incurred to maintain trademarks and brand names is recognised in profit or loss as incurred.

The current estimated useful lives are as follows:

• franchise rights	25 years

1.5.2 Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss 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, costs can be measured reliably, future economic benefits are probable and the group has sufficient resources to complete development in order to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses.

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

1.6 IMPAIRMENT

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

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

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows relating to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The net selling price is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction. 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 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. Impairment reversals are recognised in profit or loss.

1.6.2 Financial assets

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

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

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

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed and any increase in fair value is recognised in other comprehensive income. 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 is reversed, with the amount of the reversal recognised in profit or loss.

1.7 INVENTORIES

Inventories are 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 cost of inventory includes costs incurred in acquiring the inventory and costs incurred in bringing the inventory to its current location and condition.

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

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 and is recorded in profit or loss.

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 included in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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 statement of cash flows.

1.10 TAX

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

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

Deferred tax is recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affects 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 reporting date.

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

Additional income taxes that arise from distribution of dividends are recognised as a tax charge in profit or loss at the same time as the liability to pay the related dividends is recognised.

1.11 SHARE CAPITAL

1.11.1 Ordinary share capital

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

1.11.2 Share premium

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

1.11.3 Repurchase of share capital

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

1.11.4 Dividends

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

1.12 FINANCIAL INSTRUMENTS

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

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

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

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

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

Financial liabilities
Subsequent to initial recognition financial liabilities are stated at amortised cost using the effective interest method.

Derivative instruments
The group uses derivative financial instruments to hedge economically its exposure to foreign exchange fluctuations from operational financing and to hedge its exposure to the company's share price relating to long-term share-linked incentive schemes. In accordance with its treasury policy the group does not hold or issue derivative financial instruments for trading purposes. Subsequent to initial recognition, derivatives are measured at fair value.

The gain or loss on remeasurement of derivative instruments is recognised in profit or loss in the period that the change arises.

The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price. The fair value of option contracts is valued using the Black Scholes option pricing model.

Cash flow hedge accounting is not applied.

1.12.2 Derecognition

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

1.12.3 Offset
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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 comprises franchise-related fees and proceeds from the sale of supplies and promotional items. All revenue is stated exclusive of value added tax or other sales taxes and net of transactions with group companies.

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

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

1.14 ADMINISTRATION FEES

Administration fees are stated exclusive of value added tax or other sales taxes and are recognised as services are rendered.

1.15 FINANCE INCOME AND EXPENSE

1.15.1 Finance income
Finance income comprises interest income, dividend income and fair value gains on financial instruments at fair value through profit or loss. Interest income 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. Dividend income is recognised when the right to receive payment is established.

1.15.2 Finance expense
Finance expense comprises interest payable on borrowings calculated using the effective interest method and fair value losses on financial instruments at fair value through profit or loss.

The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

1.16 EMPLOYEE BENEFITS

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

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

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 provided to the reporting 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 reporting 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 in profit or loss as incurred.

1.16.4 Share-based payment transactions
With regards equity-settled transactions, the fair value of options granted is recognised as an employee expense included in profit or loss with a corresponding increase in equity. The fair value is measured at grant date and expensed in profit or loss 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 pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense included in profit or loss (with a corresponding increase in equity) is adjusted to reflect the actual number of options that vest or are expected to vest.

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

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 reporting 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. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with the contract.

1.18 SEGMENT REPORTING

Operating segments are identified based on financial information regularly reviewed by the Spur Corporation Limited Board (identified as the Chief Operating Decision Maker ("CODM") of the group for IFRS 8 reporting purposes) for performance assessments and resource allocations. An amendment to IFRS 8, which became effective for the current financial year and which was early adopted in the prior year, does not require segment assets to be disclosed if such information is not regularly provided to the CODM. Accordingly, segment assets have not been disclosed.

The group identified six reportable segments, as listed below, with no individual customer accounting for more than 10% of turnover.
- South Africa Manufacturing and distribution
- South Africa Franchise – Spur
- South Africa Franchise – Panarottis
- South Africa Franchise – John Dory's
- United Kingdom
- Australia

The group's South African business comprises largely the franchise businesses of its three trading brands, Spur Steak Ranches, Panarottis Pizza Pasta and John Dory's Fish & Grill, and its sauce manufacturing and product distribution business. Smaller operating segments include the group's training division, export business, décor manufacturing business and radio station which are each individually not material. The CODM reviews the performance of each of the franchise brands and other business units independently of each other to assess the risks and contribution of each, including the relevant return on investment and where appropriate the possibility and financial feasibility of expanding, ceasing or outsourcing operations.

The group's International business comprises largely its operations in the United Kingdom and Australia. Smaller international operating segments include franchise operations in Africa, the United Arab Emirates and Mauritius. Whilst the businesses in the UK and Australia comprise both a franchise and retail outlet (group-owned restaurant) component, in assessing the performance of these two divisions, the CODM acknowledges that the franchise and retail outlet businesses are intricately linked. In assessing the return on investment in these territories, it is not practicable to allocate contributions between the franchise and retail outlet businesses.

From a statutory reporting perspective, the CODM reviews the profit/loss before tax of each segment. In managing risks, performance and resource allocations, the CODM considers earnings before interest, tax, depreciation and amortisation ("EBITDA") as a more meaningful measure, particularly in light of the group's expansion strategy in international territories and its intention to establish a footprint in those territories, which is anticipated to carry significant depreciation and funding costs. Accordingly, the group has elected to disclose segmental EBITDA in addition to the minimum disclosure required by IFRS 8, as the board and management are of the view that this provides meaningful information to stakeholders.

1.19 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies. Thereafter assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Disposal groups are classified as discontinued operations where they represent a major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

1.20 GUARANTEES

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

These financial guarantees are classified as insurance contracts as defined in IFRS 4: Insurance contracts. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the reporting date. Where the effect of discounting is material, the liability is 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.

The group performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liability is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the group discounts all expected contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

1.21 EARNINGS PER SHARE

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

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

Headline earnings is calculated in accordance with Circular 03/09: Headline Earnings issued by the South African Institute of Chartered Accountants at the request of the JSE. The JSE Listings Requirements require the calculation of headline earnings for all entities listed on the JSE in South Africa. Basic HEPS is calculated by dividing headline earnings by the weighted average number of ordinary shares outstanding during the period. Diluted HEPS is determined by dividing headline earnings by the weighted average number of ordinary shares outstanding during the period adjusted for the dilutive effects of all share options granted to employees.

2. OPERATING SEGMENTS

R'000	SOUTH AFRICA							
	Manufacturing & distribution	Franchise Spur	Franchise Panarottis	Franchise John Dory's	Other segments	Total segments	Un-allocated	Total South Africa
2011								
Total revenues	**109 043**	**137 004**	**11 526**	**9 782**	**24 152**	**291 507**	**39**	**291 546**
Inter-segment revenues	-	-	-	-	4 442	4 442	-	4 442
External revenues	**109 043**	**137 004**	**11 526**	**9 782**	**19 710**	**287 065**	**39**	**287 104**
Profit/(loss) before income tax	**49 633**	**118 712**	**6 837**	**4 543**	**(896)**	**178 829**	**(34 022)**	**144 807**
Exclude:								
Interest income	-	-	-	-	-	-	5 518	5 518
Interest expense	-	-	-	-	-	-	(657)	(657)
Depreciation and amortisation	(443)	-	-	-	(105)	(548)	(2 068)	(2 616)
EBITDA*	**50 076**	**118 712**	**6 837**	**4 543**	**(791)**	**179 377**	**(36 815)**	**142 562**
Other material disclosable items:								
Impairment of goodwill	-	-	-	-	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-	-	-	-	-
Profit on disposal of property, plant and equipment	-	-	-	-	-	-	1 215	1 215
Foreign exchange loss	-	-	-	-	-	-	(88)	(88)
EBITDA* before other material disclosable items	**50 076**	**118 712**	**6 837**	**4 543**	**(791)**	**179 377**	**(37 942)**	**141 435**
Capital expenditure	3 317	-	-	-	-	3 317	12 301	15 618
2010								
Total revenues	**94 008**	**124 411**	**10 751**	**8 847**	**21 724**	**259 741**	**-**	**259 741**
Inter-segment revenues	-	-	-	-	4 170	4 170	-	4 170
External revenues	**94 008**	**124 411**	**10 751**	**8 847**	**17 554**	**255 571**	**-**	**255 571**
Profit/(loss) before income tax	**44 714**	**107 339**	**6 560**	**4 567**	**(691)**	**162 489**	**(28 220)**	**134 269**
Exclude:								
Interest income	-	-	-	-	-	-	5 507	5 507
Interest expense	-	-	-	-	-	-	(1 168)	(1 168)
Depreciation and amortisation	(815)	-	-	-	(95)	(910)	(1 994)	(2 904)
EBITDA*	**45 529**	**107 339**	**6 560**	**4 567**	**(596)**	**163 399**	**(30 565)**	**132 834**
Other material disclosable items:								
Impairment of financial instrument	-	-	-	-	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-	-	-	-	-
Profit on disposal of property, plant and equipment	-	-	-	-	-	-	12	12
Foreign exchange gain/(loss)	-	-	-	-	-	-	-	-
EBITDA* before other material disclosable items	**45 529**	**107 339**	**6 560**	**4 567**	**(596)**	**163 399**	**(30 577)**	**132 822**
Capital expenditure	249	-	-	-	-	249	936	1 185

* EBITDA is earnings (profit/loss) before interest, tax, depreciation and amortisation (but including other non-cash items, including the movement in operating lease liabilities, impairments and foreign exchange differences).

INTERNATIONAL						
United Kingdom	Australia	Other segments	Total segments	Unallocated	Total international	TOTAL GROUP
65 936	**43 464**	**6 892**	**116 292**	**-**	**116 292**	**407 838**
-	-	-	-	-	-	4 442
65 936	**43 464**	**6 892**	**116 292**	**-**	**116 292**	**403 396**
(27 688)	**(1 279)**	**5 226**	**(23 741)**	**(4 236)**	**(27 977)**	**116 830**
75	89	-	164	101	265	5 783
(171)	(94)	-	(265)	-	(265)	(922)
(5 914)	(2 123)	-	(8 037)	-	(8 037)	(10 653)
(21 678)	**849**	**5 226**	**(15 603)**	**(4 337)**	**(19 940)**	**122 622**
(4 948)	-	-	(4 948)	-	(4 948)	(4 948)
(13 534)	-	-	(13 534)	-	(13 534)	(13 534)
-	-	-	-	-	-	1 215
(60)	(38)	-	(98)	(608)	(706)	(794)
(3 136)	**887**	**5 226**	**2 977**	**(3 729)**	**(752)**	**140 683**
12 531	3 873	-	16 404	-	16 404	32 022
56 080	**30 013**	**6 360**	**92 453**	**-**	**92 453**	**352 194**
-	-	-	-	-	-	4 170
56 080	**30 013**	**6 360**	**92 453**	**-**	**92 453**	**348 024**
(12 396)	**(1 807)**	**5 287**	**(8 916)**	**(2 424)**	**(11 340)**	**122 929**
132	121	-	253	133	386	5 893
(286)	(59)	-	(345)	-	(345)	(1 513)
(5 981)	(1 320)	-	(7 301)	-	(7 301)	(10 205)
(6 261)	**(549)**	**5 287**	**(1 523)**	**(2 557)**	**(4 080)**	**128 754**
(1 075)	-	-	(1 075)	-	(1 075)	(1 075)
(7 994)	-	-	(7 994)	-	(7 994)	(7 994)
-	475	-	475	-	475	487
(230)	(8)	-	(238)	1 793	1 555	1 555
3 038	**(1 016)**	**5 287**	**7 309**	**(4 350)**	**2 959**	**135 781**
11 651	53	-	11 704	30	11 734	12 919

3. REVENUE

	2011 R'000	2010 R'000
Manufacturing and distribution sales and rebates	**109 043**	94 008
Franchise related fee income	**168 661**	156 106
Retail restaurants' turnover	**105 943**	80 356
Other sundry sales	**12 414**	12 227
Other sundry services rendered	**7 296**	5 327
Rental income	**39**	-
	403 396	348 024

Other sundry sales includes largely sales of décor and export items to franchisees.

Other sundry services rendered includes TasteFM (internal radio station) subscriptions, training fees and architectural service fees from franchisees.

4. OTHER OPERATING INCOME

	2011 R'000	2010 R'000
Advertising administration fees	**11 434**	10 327

Advertising administration fees relate to services rendered by the group in respect of marketing funds (refer note 37).

5. OPERATING PROFIT BEFORE FINANCE INCOME

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

	2011 R'000	2010 R'000
Administration fees	**87**	90
Amortisation - intangible assets (refer note 10)	**116**	125
Auditors' remuneration	**1 321**	1 092
- Audit fees	**1 059**	1 070
- Other fees	**262**	22
Bad debts	**560**	68
Depreciation (refer note 9)	**10 537**	10 080
- Buildings	**350**	337
- Leasehold improvements	**5 016**	4 110
- Furniture and fittings	**1 232**	1 034
- Plant, equipment and vehicles	**2 945**	3 497
- Computer equipment	**994**	1 102
Foreign exchange loss/(gain)	**794**	(1 555)
Impairment allowance - trade receivables	**(401)**	468
Impairment of financial instrument (refer note 12.3)	**-**	1 075
Loss on impaired outlets (refer note 5.1)	**18 482**	7 994
- Impairment of property, plant and equipment (refer note 9)	**13 534**	7 994
- Impairment of goodwill (refer note 10)	**4 948**	-
Profit on disposal of property, plant and equipment (refer note 9)	**(1 215)**	(487)
Net change in fair value of financial liability at fair value through profit or loss (refer note 21)	**2 627**	-
Operating lease charges	**14 311**	10 011
- Lease charges	**13 186**	9 439
- Straight-line lease charge (refer note 22)	**869**	296
- Amortisation of leasing rights (refer note 14)	**256**	276
Provident fund expense - defined contribution plan	**5 983**	5 614
Share-based payments expense - equity settled (refer note 26.1)	**-**	1 682
Share-based payments expense - cash settled (refer note 20)	**555**	-
Staff costs (excluding directors' emoluments and items disclosed separately above)	**86 884**	69 951

Directors' emoluments are detailed in note 35.

5.1 Loss on impaired outlets

Mohawk Spur (United Kingdom) and Golden Gate Spur (United Kingdom)

Mohawk Spur, a restaurant operated by a wholly-owned subsidiary of the group, Mohawk Spur Limited, commenced trading in Wandsworth, England in October 2004. The group originally owned a 30% interest in the entity, but acquired the remaining 70% in March 2008. Persistent accounting losses incurred by the outlet and relatively low cash flow profits generated by the outlet in relation to the carrying value of the cash-generating unit indicated a potential impairment of the assets and goodwill attributable to the outlet at the reporting date. The trading losses are attributed to lower than expected turnovers which in turn can be attributed to the suppressed economy in the United Kingdom.

Golden Gate Spur, a restaurant operated by a subsidiary of the group, Larkspur Five Limited (in which the group owns a 70.6% interest), commenced trading in Gateshead, England in August 2010. Despite the high profile of the shopping centre in which the restaurant trades, turnover levels were significantly lower than expected resulting in an accounting and cash flow loss for the 2011 financial year that were well in excess of budget. Whilst a loss is ordinarily expected in the first year of operation, in the context of external economic concerns in the United Kingdom, the losses were considered to be an indicator of impairment.

In assessing the recoverable amounts of the restaurants as cash-generating units, the directors have estimated the values-in-use of the cash-generating units. Given the nature of the restaurant industry and the limited presence of the group's trading brands in the United Kingdom, the directors assert that the cash-generating units' fair values less costs to sell are likely to be negligible. Given the uncertainty regarding a United Kingdom economic recovery and a number of negative economic indicators potentially impacting on future turnover growth (including declining consumer confidence, an increase in the UK VAT rate, reduced government spending, relatively high inflation and the threat of further recession), a number of conservative scenarios were considered in contemplation of the extent of the impairments. The cash-generating units comprise predominantly property, plant and equipment, net working capital and goodwill in the case of Mohawk Spur and property, plant and equipment and net working capital in the case of Golden Gate Spur.

In determining the values-in-use of the cash-generating units, the directors applied the following key assumptions, which, as a consequence of the uncertainty regarding the future success of the outlets, are based on historic performance:

- Cash flows over the period from 2012 to 2016 were anticipated based on the most recent budgets prepared by management, with the exception of restaurant turnover which is a key driver of profitability;
- In respect of Mohawk Spur, restaurant turnover for the 2012 financial year was conservatively estimated based on historic turnover growth trends. Turnovers were estimated to grow at 0% per annum for the 2012 and 2013 financial years and at 2% thereafter (on the assumption that a UK economic recovery would take at least two years);
- In respect of Golden Gate Spur, restaurant turnover for the 2012 financial year was conservatively estimated based on historic turnover growth trends for similar outlets. Turnovers were estimated to grow at 2% per annum for the forecast period. Whilst an economic recovery is expected to take at least two years, growth in the 2012 and 2013 financial years is considered reasonable given the low turnover base;
- Variable costs were estimated to increase in line with turnover;
- Fixed costs were estimated to increase at anticipated inflation of 4% in 2013, 3% in 2014 and 2% thereafter (being the Bank of England targeted rate of inflation in the United Kingdom);
- Semi-variable costs were adjusted in part for anticipated inflation and in part by the change in anticipated turnover;
- Rental costs were forecast in accordance with the respective lease agreements;
- Growth in perpetuity of cash flows beyond the five year forecast horizon was estimated at 2%;
- Cash flows were discounted at a rate of 12%, being the risk-free rate of 0.5% (the Bank of England base rate) adjusted for risk factors; and
- The present values of the cash flows were translated to the reporting currency at the exchange rate prevailing at the reporting date.

Based on the value-in-use calculation for Mohawk Spur, the cash-generating unit's recoverable amount was determined to be significantly less than its carrying value. Consequently, the full carrying value of goodwill of R4.948 million was impaired and the full carrying value of property, plant and equipment was impaired amounting to £500 511, the equivalent of R5.489 million.

Based on the value-in-use calculation for Golden Gate Spur, the cash-generating unit's recoverable amount was determined to be significantly less than its carrying value. Consequently, the full carrying value of property, plant and equipment was impaired amounting £733 716, the equivalent of R8.045 million.

Both outlets continue to trade.

Yellowstone Spur (United Kingdom)

Yellowstone Spur, a restaurant operated by a wholly-owned subsidiary of the group, Larkspur Four Limited, commenced trading in Derby, England in April 2009. Persistent accounting and cash flow losses incurred by the restaurant indicated a potential impairment of the assets at the prior year reporting date. The impairment test conducted at the prior year reporting date indicated that an impairment was required and consequently property, plant and equipment was impaired to the extent of £693 085, the equivalent of R7.994 million.

The trading losses were attributed to lower than expected turnovers, in part due to the suppressed economy in the United Kingdom, and in part due to poor night time trade as a result of early centre closing hours. Despite management's best efforts, the level of turnover required for the outlet to be viable could not be achieved within the time frame prescribed by the board and the group's international board took the decision to cease trading the outlet in December 2010 to prevent incurring further cash flow losses. The landlord agreed to terminate the lease and no further significant impairments were required.

6. NET FINANCE INCOME

	2011 R'000	2010 R'000
Finance income and expense recognised in profit or loss		
Interest income on bank deposits	**5 384**	5 070
Interest income on financial assets measured at amortised cost	**399**	823
Interest income	**5 783**	5 893
Interest expense on financial liabilities measured at amortised cost	**(922)**	(1 513)
Interest expense	**(922)**	(1 513)
Net interest income recognised in profit or loss	**4 861**	4 380
Net change in fair value of financial liability at fair value through profit or loss (refer note 21)	**(2 627)**	-
Net foreign exchange (loss)/gain	**(794)**	1 555
Net finance income recognised in profit or loss	**1 440**	5 935
Finance income and expense recognised in other comprehensive income		
Foreign currency translation differences for foreign operations	**2 406**	(21 719)
Foreign exchange (loss)/gain on net investments in foreign subsidiaries	**(2 075)**	10 236
Net finance expense recognised in other comprehensive income	**331**	(11 483)
Attributable to:		
Equity holders of the company	**330**	(11 407)
Non-controlling interest	**1**	(76)
Net finance expense recognised in other comprehensive income	**331**	(11 483)

7. INCOME TAX EXPENSE

7.1 Income tax expense

		2011 R'000	2010 R'000
South African normal tax			
Current	- current year	**36 325**	30 890
	- prior year	**(12)**	-
Deferred	- current year	**6 438**	6 778
		42 751	37 668
South African Secondary Tax on Companies		**5 833**	5 915
Dutch normal tax			
Current	- current year	**164**	162
Deferred	- current year	**597**	1 871
	- rate change	**-**	51
	- prior year	**394**	946
		1 155	3 030
United Kingdom normal tax			
Current	- current year	**296**	376
	- prior year	**(6)**	332
Deferred	- current year	**(1 485)**	(1 390)
	- prior year	**367**	(1 369)
		(828)	(2 051)
Australian normal tax			
Current	- prior year	**11**	-
Deferred	- prior year	**(180)**	-
		(169)	-
Income tax expense		**48 742**	44 562

7.2 Reconciliation of rate of tax

	2011 %	2010 %
South African normal tax rate	**28.0**	28.0
Effect of tax in foreign jurisdictions	**(0.1)**	(0.1)
Effect of lower tax rate on disposal of property, plant and equipment	**(0.1)**	-
Non-deductible expenditure	**7.5**	2.6
Non-taxable income	**(0.2)**	-
Prior year under/(over) provision	**0.6**	(0.1)
Secondary Tax on Companies	**5.0**	4.8
Tax losses on which deferred tax not provided	**1.5**	1.8
Tax losses utilised on which no deferred tax previously provided	**(0.2)**	(0.1)
Tax on imputed expense not included in profit	**(0.4)**	(0.7)
Withholding tax	**0.1**	0.1
Effective rate	**41.7**	36.3

The statutory rates of tax applicable to the group entities in the Netherlands, the United Kingdom and Australia are 25.5%, 28% and 30% respectively (unchanged from the prior year). The tax rate in the Netherlands operates on a sliding scale.

	2011 R'000	2010 R'000
Estimated group tax losses available for set-off against future taxable income	**80 832**	57 690

A deferred tax asset has not been recognised in respect of tax losses amounting to R60.807 million (2010: R41.832 million). A deferred tax asset amounting to R4.929 million (2010: R4.126 million) has been recognised in respect of the balance of the tax losses. R39.492 million and R11.211 million of the tax losses for which no deferred tax asset was recognised will be forfeited if not utilised within five years and by 2014 respectively (refer note 13).

Secondary Tax on Companies ("STC") of R40.955 million (2010: R39.456 million) would be payable in the event that the group and the company declared all of their distributable reserves as a dividend.

7.3 Tax charged to other comprehensive income and directly to equity

	2011 R'000	2010 R'000
Tax charged directly to equity		
Capital Gains Tax on disposal of shares related to Management Incentive Scheme (refer note 26.1)	**-**	7 852
Secondary Tax on Companies on distribution to participants of Management Incentive Scheme (refer note 26.1)	**64**	2 280
Current tax on share-based payments (refer note 26.1)	**-**	471
Total tax charged directly to equity	**64**	10 603
Tax charged to other comprehensive income		
Deferred tax on foreign exchange (loss)/gain on net investments in foreign subsidiaries (refer note 13)	**(529)**	2 610
Total tax charged to other comprehensive income and directly to equity	**(465)**	13 213

8. EARNINGS PER SHARE

8.1 Statistics

	2011	2010
Basic earnings per share (cents)	**80.65**	88.27
Diluted earnings per share (cents)	**80.37**	86.25
Headline earnings per share (cents)	**97.70**	96.82
Diluted headline earnings per share (cents)	**97.36**	94.60

8.2 Reconciliation of shares in issue to weighted average number of ordinary shares

	2011 000's	2010 000's
Shares in issue at beginning of year	**97 633**	97 633
Shares repurchased at beginning of year	**(9 768)**	(9 768)
Shares repurchased during the year weighted for period not held by the group (refer note 18.2)	**(88)**	-
Weighted average number of ordinary shares	**87 777**	87 865

8.3 Reconciliation of weighted average number of ordinary shares to weighted average diluted number of shares

	2011 000's	2010 000's
Weighted average number of shares	**87 777**	87 865
Dilutive effect of shares/options (refer note 26.1)	**307**	2 064
Weighted average diluted number of shares	**88 084**	89 929

8.4 Reconciliation of basic to headline earnings

	2011 R'000	2010 R'000
Profit attributable to owners of the company	**70 789**	77 557
Impairment of property, plant and equipment (refer note 5.1)	**11 169**	7 994
Impairment of goodwill (refer note 5.1)	**4 948**	-
Profit on disposal of property, plant and equipment	**(1 147)**	(484)
Headline earnings	**85 759**	85 067

None of the items listed above has any tax or non-controlling interest consequences with the exception of:

	2011	2010
Impairment of property, plant and equipment		
Gross	**13 534**	7 994
Non-controlling interest	**(2 365)**	-
Attributable to owners of the company	**11 169**	7 994
Profit on disposal of property, plant and equipment		
Gross	**(1 215)**	(487)
Tax	**68**	3
Attributable to owners of the company	**(1 147)**	(484)

9. PROPERTY, PLANT AND EQUIPMENT

2011	Land and buildings R'000	Leasehold improvements 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 2010	**39 523**	**44 426**	**7 322**	**22 893**	**12 159**	**126 323**
Acquisition of subsidiaries (refer note 32)	**-**	**6 993**	**3 074**	**2 987**	**602**	**13 656**
Additions	**10 575**	**14 779**	**1 900**	**3 709**	**1 059**	**32 022**
Disposals	**(15 739)**	**(62)**	**(824)**	**(5 930)**	**(3 484)**	**(26 039)**
Effect of foreign exchange fluctuations	**-**	**(901)**	**299**	**91**	**58**	**(453)**
Balance at 30 June 2011	**34 359**	**65 235**	**11 771**	**23 750**	**10 394**	**145 509**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2010	**(1 538)**	**(16 728)**	**(4 950)**	**(17 140)**	**(10 783)**	**(51 139)**
Acquisition of subsidiaries (refer note 32)	**-**	**(4 563)**	**(2 592)**	**(2 481)**	**(495)**	**(10 131)**
Disposals	**739**	**-**	**766**	**5 569**	**3 477**	**10 551**
Depreciation	**(350)**	**(5 016)**	**(1 232)**	**(2 945)**	**(994)**	**(10 537)**
Impairment (refer note 5.1)	**-**	**(12 161)**	**(596)**	**(646)**	**(131)**	**(13 534)**
Effect of foreign exchange fluctuations	**-**	**172**	**(277)**	**(174)**	**(53)**	**(332)**
Balance at 30 June 2011	**(1 149)**	**(38 296)**	**(8 881)**	**(17 817)**	**(8 979)**	**(75 122)**
CARRYING VALUE						
Balance at 1 July 2010	**37 985**	**27 698**	**2 372**	**5 753**	**1 376**	**75 184**
Acquisition of subsidiaries (refer note 32)	**-**	**2 430**	**482**	**506**	**107**	**3 525**
Additions	**10 575**	**14 779**	**1 900**	**3 709**	**1 059**	**32 022**
Disposals	**(15 000)**	**(62)**	**(58)**	**(361)**	**(7)**	**(15 488)**
Depreciation	**(350)**	**(5 016)**	**(1 232)**	**(2 945)**	**(994)**	**(10 537)**
Impairment (refer note 5.1)	**-**	**(12 161)**	**(596)**	**(646)**	**(131)**	**(13 534)**
Effect of foreign exchange fluctuations	**-**	**(729)**	**22**	**(83)**	**5**	**(785)**
Balance at 30 June 2011	**33 210**	**26 939**	**2 890**	**5 933**	**1 415**	**70 387**

A register of land and buildings containing the required statutory information is available for inspection on request at the company's registered office.

2010	Land and buildings R'000	Leasehold improvements 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 2009	39 523	44 984	10 662	24 022	12 092	131 283
Additions	-	8 791	638	2 514	976	12 919
Disposals	-	(5 111)	(3 749)	(2 824)	(809)	(12 493)
Effect of foreign exchange fluctuations	-	(4 238)	(229)	(819)	(100)	(5 386)
Balance at 30 June 2010	39 523	44 426	7 322	22 893	12 159	126 323
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2009	(1 201)	(12 164)	(7 370)	(15 662)	(10 457)	(46 854)
Disposals	-	5 111	3 749	2 807	766	12 433
Depreciation	(337)	(4 110)	(1 034)	(3 497)	(1 102)	(10 080)
Impairment (refer note 5.1)	-	(6 437)	(363)	(1 127)	(67)	(7 994)
Effect of foreign exchange fluctuations	-	872	68	339	77	1 356
Balance at 30 June 2010	(1 538)	(16 728)	(4 950)	(17 140)	(10 783)	(51 139)
CARRYING VALUE						
Balance at 1 July 2009	38 322	32 820	3 292	8 360	1 635	84 429
Additions	-	8 791	638	2 514	976	12 919
Disposals	-	-	-	(17)	(43)	(60)
Depreciation	(337)	(4 110)	(1 034)	(3 497)	(1 102)	(10 080)
Impairment (refer note 5.1)	-	(6 437)	(363)	(1 127)	(67)	(7 994)
Effect of foreign exchange fluctuations	-	(3 366)	(161)	(480)	(23)	(4 030)
Balance at 30 June 2010	37 985	27 698	2 372	5 753	1 376	75 184

10. INTANGIBLE ASSETS AND GOODWILL

2011

	Trademarks and intellectual property R'000	Goodwill R'000	Franchise rights R'000	Total R'000
COST				
Balance at 1 July 2010	**271 865**	**5 994**	**2 017**	**279 876**
Acquisition of subsidiaries (refer note 32)	**-**	**4 960**	**-**	**4 960**
Additions (refer note 33.1)	**-**	**1 218**	**-**	**1 218**
Effect of foreign exchange fluctuations	**-**	**838**	**(98)**	**740**
Balance at 30 June 2011	**271 865**	**13 010**	**1 919**	**286 794**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2010	**-**	**-**	**(267)**	**(267)**
Amortisation	**-**	**-**	**(116)**	**(116)**
Impairment (refer note 5.1)	**-**	**(4 948)**	**-**	**(4 948)**
Effect of foreign exchange fluctuations	**-**	**-**	**14**	**14**
Balance at 30 June 2011	**-**	**(4 948)**	**(369)**	**(5 317)**
CARRYING VALUE				
Balance at 1 July 2010	**271 865**	**5 994**	**1 750**	**279 609**
Acquisition of subsidiaries (refer note 32)	**-**	**4 960**	**-**	**4 960**
Additions (refer note 33.1)	**-**	**1 218**	**-**	**1 218**
Amortisation	**-**	**-**	**(116)**	**(116)**
Impairment (refer note 5.1)	**-**	**(4 948)**	**-**	**(4 948)**
Effect of foreign exchange fluctuations	**-**	**838**	**(84)**	**754**
Balance at 30 June 2011	**271 865**	**8 062**	**1 550**	**281 477**

2010

	Trademarks and intellectual property R'000	Goodwill R'000	Franchise rights R'000	Total R'000
COST				
Balance at 1 July 2009	271 865	7 577	2 279	281 721
Disposal	-	(1 583)	-	(1 583)
Effect of foreign exchange fluctuations	-	-	(262)	(262)
Balance at 30 June 2010	271 865	5 994	2 017	279 876
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2009	-	(1 583)	(168)	(1 751)
Amortisation	-	-	(125)	(125)
Disposal	-	1 583	-	1 583
Effect of foreign exchange fluctuations	-	-	26	26
Balance at 30 June 2010	-	-	(267)	(267)
CARRYING VALUE				
Balance at 1 July 2009	271 865	5 994	2 111	279 970
Amortisation	-	-	(125)	(125)
Effect of foreign exchange fluctuations	-	-	(236)	(236)
Balance at 30 June 2010	271 865	5 994	1 750	279 609

10.1 Trademarks and intellectual property

The above trademarks and intellectual property consists of the Spur, Panarottis and John Dory's trademarks and related intellectual property. The directors evaluated the indefinite useful life assessment of the assets at the reporting date and believe that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the group, which supports the indefinite useful life assessment of these assets.

In accordance with the group's accounting policies, an impairment test on intangible assets with indefinite useful lives has been performed. The directors considered the expected cash inflows to be generated by the trademarks and intellectual property and after applying a pre-tax discount rate of 25%, concluded that no impairment of the assets is required. In addition, various sensitivity analyses were performed by changing the key variables in the calculations and the recoverable amounts exceeded the carrying amounts in all instances.

10.2 Goodwill

Additions to goodwill during the year arose on the acquisition of a further 50% interest in Silver Spur Penrith (Australia) and a further 30% interest in Panhold Pty Ltd (Australia) as more fully described in note 32. In addition, goodwill arose on the capitalisation of the Panarottis Tuggerah partnership as more fully described in note 33.1.

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

	2011 R'000	2010 R'000
John Dory's Franchise operations	**178**	178
Mohawk Spur (United Kingdom)	**-**	4 948
Silver Lake Spur (United Kingdom)	**253**	315
Panarottis Penrith (Australia)	**779**	553
Panarottis Tuggerah (Australia)	**1 348**	-
Silver Spur (Australia)	**5 504**	-
	8 062	5 994

The recoverable amounts of the cash-generating units were based on their values-in-use which were determined to be higher than their carrying amounts at the reporting date and consequently no impairment is considered necessary, with the exception of Mohawk Spur.

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

John Dory's Franchise operations

- Impairment of goodwill was considered as part of the trademark and intellectual property impairment test referred to in 10.1.

Mohawk Spur (United Kingdom)

- Goodwill attributable to Mohawk Spur was impaired during the year - refer note 5.1.

Silver Lake Spur (United Kingdom)

- Cash inflows, comprising mainly restaurant turnovers, for the 2012 financial year were conservatively estimated based on historic trends. Turnovers were estimated to grow by 2% per annum for the 2013 to 2016 financial years;
- Cash outflows for the 2012 financial year were estimated based on the most recent expense budgets prepared by management and adjusted for the remainder of the forecast period as detailed below;
- Variable costs were estimated to increase in line with turnover;
- Fixed costs were estimated to increase at anticipated inflation of 4% in 2013, 3% in 2014 and 2% thereafter (being the Bank of England targeted rate of inflation in the UK);
- Semi-variable costs were adjusted in part for anticipated inflation and in part by the change in anticipated turnover;
- Rental cost was forecast in accordance with the lease agreement;
- Growth in perpetuity of cash flows beyond the five year forecast horizon was estimated at 2%;
- Cash flows were discounted at a rate of 10%, being the risk-free rate of 0.5% (the Bank of England base rate) adjusted for risk factors;
- The present value of the cash flows was translated to the reporting currency at the exchange rate prevailing at the reporting date; and
- Various sensitivity analyses were performed by changing the key variables in the calculations and the various scenarios considered supported the board's decision not to impair any assets of the cash-generating unit.

Panarottis Penrith (Australia), Panarottis Tuggerah (Australia) and Silver Spur (Australia)

- Cash inflows, comprising mainly restaurant turnovers, for the 2012 financial year were conservatively estimated based on historic trends. Turnovers were estimated to grow by 2.5% (half way between the Australian Reserve Bank's targeted rate of inflation of 2% to 3%) for the 2013 to 2016 financial years;
- Cash outflows for the 2012 financial year were estimated based on the most recent expense budgets prepared by management and adjusted for the remainder of the forecast period as detailed below;
- Variable costs were estimated to increase in line with turnover;
- Fixed costs were estimated to increase at anticipated inflation of 2.5%;
- Semi-variable costs were adjusted in part for anticipated inflation and in part by the change in anticipated turnover;
- Rental costs were forecast in accordance with the respective lease agreements;
- Growth in perpetuity of cash flows beyond the five year forecast horizon was estimated at 2%;
- Cash flows were discounted at a rate of 13.75%, being the risk-free rate of 4.75% (the Australian Reserve Bank cash rate) adjusted for risk factors;
- The present values of the cash flows were translated to the reporting currency at the exchange rate prevailing at the reporting date; and
- Various sensitivity analyses were performed by changing the key variables in the calculations and the various scenarios considered supported the board's decision not to impair any assets of the cash-generating units.

10.3 Franchise rights

These rights were acquired as part of the acquisition of the non-controlling interest in Mohawk Spur Ltd, a company operating the Mohawk Spur in Wandsworth in the United Kingdom, in the 2008 financial year. An amount of £175 000 was paid to Trinity Leisure Ltd, the former master franchisee in the United Kingdom, for the franchising rights of the restaurant in question. The rights expire in February 2025. The cost of the franchise rights is therefore being amortised over the period to expiration on a straight-line basis.

11. INTEREST IN EQUITY-ACCOUNTED INVESTEES

11.1 Interest in equity-accounted investees

	2011 R'000	2010 R'000
Balance at beginning of year	**495**	-
Effect of foreign exchange fluctuations	**52**	-
Acquisition of additional interest in equity-accounted investee (refer note 32)	**-**	495
Balance at end of year	**547**	495
Loans to equity-accounted investees	**2 043**	8 822
Total interest in equity-accounted investees	**2 590**	9 317

A loss of R0.417 million and a profit of R0.131 million (2010: loss of R2.019 million and a profit of R0.215 million) were not recognised during the year as the entities in question had incurred cumulative losses greater than the group's initial carrying values of the respective investments. The group's share of cumulative unrecognised losses amounts to R5.232 million (2010: 6.034 million) at year-end translated at rates of exchange ruling at the reporting date.

11.2 Analysis of interest in equity-accounted investees

	Effective holdings %[1]	Carrying value of investment at beginning of year R'000	Effect of foreign exchange fluctuations R'000	Additional investment R'000	Carrying value of investment at end of year R'000
2011					
Bathspur Pty Ltd (Australia)	**33.3**	-	-	-	-
Pan Pen Pty Ltd (Australia)	**50.0**[2]	**495**	**52**	-	**547**
Pangara Pty Ltd (Australia)	**23.3**	-	-	-	-
		495	**52**	-	**547**
2010					
Bathspur Pty Ltd (Australia)	33.3	-	-	-	-
Pan Pen Pty Ltd (Australia)	40.0	-	-	495	495
Pangara Pty Ltd (Australia)	23.3	-	-	-	-
Spur Steak Ranches Unit Trust (Australia)	50.0[3]	-	-	-	-
		-	-	495	495

	Effective holdings %[1]	Loans in foreign currency 2011 '000	Foreign currency	Loans in Rands 2011 R'000	Loans in Rands 2010 R'000	Share in post acquisition reserves 2011 R'000	Share in post acquisition reserves 2010 R'000
Bathspur Pty Ltd (Australia)	33.3	**19**	AU$	**137**	-	**-**	-
Pen Pen Pty Ltd (Australia)	50.0[2]	**208**	AU$	**1 511**	1 237	**(1 263)**	(1 263)
Pangara Pty Ltd (Australia)	23.3	**54**	AU$	**395**	1 098	**-**	-
Spur Steak Ranches Unit Trust (Australia)	100.0[3]	**-**	-	**-**	6 487	**-**	(6)
				2 043	8 822	**(1 263)**	(1 269)

[1] Indirect interest.
[2] Refer note 32.2.
[3] Refer note 32.1.

Loans to equity-accounted investees are unsecured, interest-free, with no fixed repayment terms. The group has no intention to recall the loans within 12 months of the reporting date.

All equity-accounted investees 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 rate as at the reporting date.

The financial information used in determining the share of post acquisition reserves in equity-accounted investees was sourced from unaudited proforma financial statements at 30 June 2011 of the respective equity-accounted investees. These entities are not audited because no statutory requirement exists in their operating jurisdiction for audits to be performed in the event that the turnover is below a specified threshold.

11.3 Summarised financial position of equity-accounted investees - 100%

	Assets R'000	Liabilities R'000	Equity R'000	Revenue R'000	Losses R'000
2011	**6 625**	**13 682**	**(7 057)**	**16 931**	**(1 477)**
2010	13 750	24 185	(10 435)	44 169	(3 873)

12. LOANS RECEIVABLE

	2011 R'000	2010 R'000
Total gross loans receivable at end of year	**6 196**	8 442
Impairment allowance	**(1 016)**	(1 075)
Current portion included in current assets	**(1 913)**	(2 151)
Total non-current loans receivable	**3 267**	5 216

These loans comprise:

12.1 Trinity Leisure Ltd		
Gross loan receivable at end of year	**3 621**	4 671
Current portion included in current assets	**(1 437)**	(1 236)
Non-current portion	**2 184**	3 435

The loan is denominated in Pound Sterling and at the reporting date amounted to £329 974 (2010: £405 000).

The loan is secured by shares in the borrower's business and a personal suretyship in favour of the group by one of the borrowing entity's shareholders. The loan bears interest at a rate equal to the UK base rate plus 2 percentage points and the loan is repayable in monthly instalments of at least £11 000 plus interest, payable on the last day of each month. Any outstanding balance must be settled by 31 July 2014.

12.2 Sarcon Restaurants Ltd (Nevada Spur, Belfast)		
Gross loan receivable at end of year	**-**	887
Current portion included in current assets	**-**	(215)
Non-current portion	**-**	672

During the year, the group acquired the tangible assets of Sarcon Restaurants Ltd, the previous franchisee of the Nevada Spur in Belfast (Ireland) pursuant to an agreement with the franchisee's former landlord. The loan in question was capitalised during the year. Refer note 33.2.

12.3 Signature Restaurants Ltd (Arizona Spur, Newry)		
Gross loan receivable at end of year	**1 016**	1 075
Impairment	**(1 016)**	(1 075)
Non-current portion	**-**	-

This loan was repayable from October 2009 in 60 equal monthly instalments. The loan is secured by shares in the borrowing company and bears interest at the United Kingdom base rate plus 2 percentage points. The loan is denominated in Pound Sterling which at the reporting date amounted to £93 223 (2010: £93 223).

Infrastructural changes in the proximity of the restaurant's location and various other factors beyond the control of the franchisee or the group, resulted in a significant reduction in turnover being achieved by the restaurant in the latter half of the previous financial year, culminating in the outlet ceasing to trade in May 2011. Whilst the loan is secured by shares in the franchisee entity, as the business is no longer trading, the shares have no value. The board is pursuing recovering the loan to the extent possible.

	2011 R'000	2010 R'000
12.4 Marketing funds		
Gross loan receivable at end of year (refer note 37)	**97**	495
Current portion included in current assets	**(97)**	(495)
Non-current portion	**-**	-

	2011 R'000	2010 R'000
12.5 Loans to equity-accounted investees		
Gross loans receivable at end of year	**-**	510
Current portion included in current assets	**-**	(29)
Non-current portion	**-**	481

	2011 R'000	2010 R'000
12.6 Loan to operating partner (United Kingdom)		
Gross loan receivable at end of year	**724**	804
Current portion included in current assets	**(135)**	(176)
Non-current portion	**589**	628

This loan is denominated in Pound Sterling and at the reporting date amounted to £66 030 (2010: £69 676). The loan bears interest at 6.5% per annum and is repayable over 10 years in equal monthly instalments which commenced in November 2007.

The loan was granted to finance the operating partner's 10% share of the start-up capital of a retail restaurant, Cheyenne Spur, owned by Larkspur One Ltd, in the O_2 Dome in the United Kingdom. The loan is secured by the operating partner's shares in the restaurant.

	2011 R'000	2010 R'000
12.7 Loan to operating partner (Australia)		
Gross loan receivable at end of year	**738**	-
Current portion included in current assets	**(244)**	-
Non-current portion	**494**	-

This loan is denominated in Australian Dollars and at the reporting date amounted to AU$101 774 (2010: AU$nil). The loan bears interest at 7.5% per annum and is repayable over 5 years in equal monthly instalments which commence in July 2011.

The loan was granted to finance the operating partner's 20% share of the start-up capital of a retail restaurant, Panarottis Tuggerah, in which wholly-owned subsidiary Panatug Pty Ltd is an 80% partner. The loan is secured by way of a personal suretyship by the shareholder of the remaining 20% partner in the business.

13. DEFERRED TAX

	2011 R'000	2010 R'000
Balance at beginning of year	**42 932**	30 854
Total charged to profit or loss	**6 131**	6 887
Current year deferred tax charge	**6 131**	6 836
Change in tax rate	**-**	51
(Credited)/charged to other comprehensive income	**(918)**	4 563
Tax on foreign exchange (loss)/gain on net investments in foreign subsidiaries	**(529)**	2 610
Effect of foreign exchange fluctuations	**(389)**	1 953
Transferred to tax payable (UK group tax relief benefit) (refer note 30)	**342**	628
Balance at end of year	**48 487**	42 932
The deferred tax asset comprises deductible temporary differences relating to:		
Accruals	**72**	30
Intellectual property - International	**4 848**	6 020
Leave pay	**45**	60
Property, plant and equipment	**2 073**	892
Tax losses	**4 929**	4 126
- The Netherlands (at 25.5%)	**4 284**	3 103
- United Kingdom (at 28.0%)	**645**	914
- Australia (at 30.0%)	**-**	109
	11 967	11 128
The deferred tax liability comprises taxable temporary differences relating to:		
Accruals	**(187)**	-
Intangible assets	**62 864**	57 625
Leave pay	**(534)**	(610)
Long-term employee benefits	**(155)**	-
Other financial liability	**(736)**	-
Property, plant and equipment	**171**	168
Share-based payments	**(969)**	(2 908)
Other	**-**	(215)
	60 454	54 060

The deferred tax asset recognised in respect of cumulative tax losses in the Netherlands relates to a wholly-owned subsidiary company, Steak Ranches International BV ("SRIBV"), incorporated in the Netherlands. The directors consider that sufficient future Dutch taxable income will be generated by SRIBV to utilise the deferred tax asset recognised in respect of Dutch tax losses. The reason for the historic tax losses in SRIBV is primarily as a result of favourable allowances which that company benefits from in respect of its intellectual property. As these allowances continue until 2015, SRIBV may continue to recognise future tax losses until then. Taking this into account and given the expansion that has occurred in the group's international business in the current year and the planned expansion in Africa going forward, SRIBV is anticipated to generate sufficient taxable income in the future to utilise the past and anticipated future cumulative tax losses.

The deferred tax asset recognised in respect of cumulative tax losses in the United Kingdom relates to Spur Corporation UK Ltd of Rnil (2010: R0.170 million), Larkspur Four Ltd of R0.290 million (2010: R0.359 million), Larkspur Six Ltd of R0.318 million (2010: Rnil) and Mohawk Spur Ltd of R0.037 million (2010: R0.385 million).

The tax losses in Larkspur Four Ltd, Larkspur Six Ltd and Mohawk Spur Ltd arose primarily as a result of accelerated capital allowances and trading losses. An asset has only been recognised for the losses in Larkspur Four Ltd to the extent that other UK group companies are able to utilise these losses in terms UK group tax relief provisions. It is estimated that other UK group companies will be able to utilise the loss recognised in respect of Larkspur Four Ltd to offset against tax payable in respect of the current year. An asset has only been recognised in respect of the current year estimated tax loss of Mohawk Spur Ltd to the extent of the deferred tax liability arising from taxable temporary differences. Given that the current year loss of Larkspur Six Ltd includes significant once-off setup costs, it is anticipated that the losses incurred in the current year will be utilised in future years. Based on projected trading results for Mohawk Spur Ltd and Larkspur Six Ltd, it is anticipated that the current year losses will be utilised by either the respective entities, or other UK group companies as part of the UK group tax relief provisions, in the foreseeable future.

During the year under review, the board of SRIBV received an assessment from the Dutch Tax Authorities in respect of the 2007 tax year disputing the tax treatment of certain items by SRIBV. The board of SRIBV has objected to the assessment on the basis that no adequate justification was presented by the Dutch Tax Authorities to substantiate their proposed conclusions. The matter is on-going. Based on the known facts, the board of SRIBV is confident that the matter can be resolved in that company's favour. In the event that the objection to the assessment is rejected and no alternative settlement reached, there is a risk that the deferred tax assets of R4.284 million, raised in respect of cumulative losses, and R4.848 million, raised in respect of deductible temporary differences relating to intellectual property, totalling R9.132 million, may not be recoverable.

14. LEASING RIGHTS

	2011 R'000	2010 R'000
Balance at beginning of year	**2 155**	2 731
Charged to profit or loss	**(256)**	(276)
Effect of foreign exchange fluctuations	**(101)**	(300)
Balance at end of year	**1 798**	2 155

The leasing rights are in respect of the premises occupied by Mohawk Spur Ltd, a company operating the Mohawk Spur in Wandsworth in the United Kingdom. The rights were acquired for £238 327 as part of the acquisition of Mohawk Spur Ltd, in the 2008 financial year. The value of the leasing rights is being expensed to profit or loss as part of the rent expense over the remaining lease term which expires in September 2018.

15. INVENTORIES

	2011 R'000	2010 R'000
Raw materials	**1 226**	2 172
Merchandising and packaging	**11**	27
Finished goods	**4 384**	4 190
	5 621	6 389

16. TRADE AND OTHER RECEIVABLES

	2011 R'000	2010 R'000
Trade receivables	**44 375**	42 426
Impairment allowance	**(67)**	(468)
Net trade receivables	**44 308**	41 958
Prepayments	**6 110**	3 527
Deposits	**4 164**	4 574
Staff loans	**286**	173
VAT and other indirect taxes receivable	**1 660**	920
Other	**39**	196
	56 567	51 348

The impairment allowance is determined based on information regarding the financial position of each trade receivable as at the reporting date. No consideration is taken of trade receivables that may become irrecoverable in the future.

17. CASH AND CASH EQUIVALENTS

	2011 R'000	2010 R'000
Current accounts	**115 966**	84 628
Bank overdrafts	**(2 256)**	(3 596)
	113 710	81 032

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

18. CAPITAL AND RESERVES

18.1 Ordinary share capital

	Number of shares			
	2011 '000	2010 '000	2011 R'000	2010 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	**(3 730)**	(3 078)	**-**	-
Shares held by share incentive special purpose entities	**(6 689)**	(6 689)	**-**	-
	87 214	87 866	**1**	1

18.2 Shares repurchased by subsidiaries

During the year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 652 000 Spur Corporation Ltd shares at an average cost of R13.85 per share, totalling R9.031 million. The group owns 3 730 628 (2010: 3 078 628) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd, at a total cost of R37.562 million (2010: R28.532 million).

The balance per the statement of financial position comprises the cost of the Spur Corporation Ltd shares that have been repurchased by Share Buy-back (Pty) Ltd and those held by the Spur Management Share Trust, a special purpose entity consolidated for financial reporting purposes, for the purposes of the group's short-term profit share incentive scheme (refer note 26.2). At the reporting date, the total shares held by the entities in question amounted to 10 419 326 (2010: 9 767 326) of the company's shares.

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

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

Outstanding options in respect of the Spur Management Incentive Scheme 2004 are detailed in note 26.1, and are due to vest on 24 February 2012.

18.3 Foreign currency translation reserve

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

19. LONG-TERM LOANS PAYABLE

	2011 R'000	2010 R'000
Total gross amounts payable at end of year	**7 903**	11 873
Current portion included in current liabilities (refer note 24)	**(4 980)**	(4 692)
Total non-current loans payable	**2 923**	7 181

These loans comprise:

	2011 R'000	2010 R'000
19.1 Term loan: Nedbank		
Gross amount payable at end of year	**7 056**	11 381
Current portion included in current liabilities	**(4 628)**	(4 299)
Non-current portion	**2 428**	7 082

This loan is unsecured, bears interest at prime less 2.5% per annum and is repayable in 60 equal monthly instalments which commenced in January 2008.

	2011 R'000	2010 R'000
19.2 Loan from operating partner		
Gross amount payable at end of year	**738**	-
Current portion included in current liabilities	**(243)**	-
Non-current portion	**495**	-

The loan is unsecured, bears interest at a fixed rate of 7.5% per annum and is repayable in 60 equal monthly instalments from July 2011.

	2011 R'000	2010 R'000
19.3 Penrith Panthers Rugby Club		
Gross amount payable at end of year	**109**	492
Current portion included in current liabilities	**(109)**	(393)
Non-current portion	-	99

The loan arose from the acquisition of an additional 16.67% in Panpen Pty Ltd, a company that owns and operates the Panarottis in Penrith, Australia, from the Penrith Panthers Rugby Club in the prior year (refer note 32.3). The loan is unsecrued, interest-free, and repayable from July 2010 in 15 equal monthly instalments. The loan is denominated in Australian Dollars which at the reporting date amounted to AU$15 000 (2010: AU$75 000).

20. EMPLOYEE BENEFITS

	2011 R'000	2010 R'000
Long-term retention share appreciation rights	**555**	-

On 15 December 2010, the board approved an allocation of share appreciation rights to executives of the company. The salient features of these rights are listed below.

In terms of the long-term retention share appreciation rights scheme, a maximum of 1.5 million rights are eligible for granting to executives and senior management each year (subsequent to the publishing of year end financial results). In terms of the rules of the scheme, the obligation in respect of the rights in issue are to be hedged economically (refer note 21). Refer remuneration committee report on page 60 of this report for more details regarding the scheme.

The fair value of the rights are determined at each reporting date and charged to profit or loss over the vesting period of the rights.

Share appreciation rights - tranche 1

Grant date	15 December 2010
Number of rights granted	1 500 000
Strike price per right	R14.62
Exercise date	13 December 2013
Exercise price	50 day VWAP at 13 December 2013

The rights are compulsorily exercisable on the exercise date. The gain on each right is calculated as the difference between the 50 day volume-weighted average price (VWAP) of the Spur Corporation Limited share price on the exercise date and the strike price. The strike price was determined as the average share price utilised in the costing of the hedge detailed in note 21. The gain will be settled in cash on the exercise date. Should the gain be negative at the exercise date, the rights are cancelled without any recourse.

The obligation in respect of the share appreciation rights has been computed based on the fair value of the rights at the reporting date as determined by an independent external professional financial instruments specialist on the following assumptions:

Method of valuation	Black Scholes
Expected dividend yield	4.77%
Expected volatility	27.29%
Interest rate	6.5% - 6.7% (nominal annual compounded quarterly)
Spot price on valuation date	R13.85
Vesting period	3 years
Forfeiture rate	0%

21. OTHER FINANCIAL LIABILITY

	2011 R'000	2010 R'000
Hedge forward	**2 627**	-

The hedge forward contract was concluded on 15 December 2010 to hedge the upside price risk of the Spur Corporation Limited share price that the group is exposed to in respect of the share appreciation rights detailed in note 20. The fair value of the hedge forward is determined at each reporting date and any change in the value is charged to profit or loss.

Hedge forward - tranche 1 of share appreciation rights

Hedge trade date	15 December 2010
Number of shares	1 500 000
Forward price per share	R17.10
Settlement date	13 December 2013
Settlement price	50 day VWAP at 13 December 2013

The hedge forward is settled in cash on the settlement date. The amount settled is calculated as the difference between the 50 day volume-weighted average price (VWAP) of the Spur Corporation Limited share price on the settlement date and the forward price. In the event that this difference is positive, the counterparty will settle the amount with the group; should the difference be negative, the group is required to settle this amount with the counterparty.

The fair value of the hedge forward has been determined by an independent external professional financial instruments specialist on the following assumptions:

Method of valuation	Black Scholes (risk neutral pricing)
Dividend	Refer below
Expected volatility	27.29%
Interest rate	6.5% - 6.7% (nominal annual compounded quarterly)
Credit spread	160 basis points

In addition, the forward price per share is subject to the following dividend stream in respect of the Spur Corporation Ltd share:

October 2011 (cents per share)	30.24
March 2012 (cents per share)	35.64
October 2012 (cents per share)	32.66
March 2013 (cents per share)	38.49
October 2013 (cents per share)	35.76

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

22. OPERATING LEASE LIABILITY

	2011 R'000	2010 R'000
Balance at beginning of year	**3 328**	1 352
Charged to profit or loss	**869**	296
Landlord contributions	**2 233**	2 066
Effect of foreign exchange fluctuations	**101**	(386)
Balance at end of year	**6 531**	3 328

Certain rental agreements concluded by the group during the current and prior years allow for an initial rent-free period. The total rental costs in terms of the leases are expensed on a straight-line basis over the terms of the respective leases including the rent-free periods in each case. On expiration of the rent-free period, the liability is reversed over the remaining lease period as a credit against future rental expenses.

The landlord contributions in the current year are tenant installation allowances paid by the landlords of Larkspur Five Ltd, the company owning Golden Gate Spur in Gateshead (United Kingdom), Panarottis Tuggerah partnership, the partnership operating the Panarottis in Tuggerah (Australia) and the group's regional administration office in Gauteng. The amounts are recognised as a credit against the rental expense over the initial lease periods.

23. TRADE AND OTHER PAYABLES

	2011 R'000	2010 R'000
Trade payables	**22 842**	20 159
Accruals	**7 312**	6 226
Employee benefits	**9 168**	2 925
Short-term profit share incentive scheme (refer note 26.2)	**3 793**	-
Leave pay and other employee benefits	**5 375**	2 925
VAT and other indirect taxes payable	**6 491**	5 255
Other	**1 061**	3 369
	46 874	37 934

24. LOANS PAYABLE

	2011 R'000	2010 R'000
Loans owing to non-controlling shareholders	**4 928**	2 686
Amount owing in respect of Management Incentive Scheme 2004	**-**	1 295
Marketing funds (refer note 37)	**7 945**	6 809
Loans owing to equity-accounted investees	**-**	39
Trinity Leisure Ltd	**383**	404
Equipment finance	**37**	110
Current portion of long-term loans payable (refer note 19)	**4 980**	4 692
	18 273	16 035

The loans owing to non-controlling shareholders are unsecured and have no fixed repayment terms. Of the total, R0.241 million (2010: R2.686 million) is interest free, R0.244 million (2010: Rnil) bears interest at a fixed rate of 6.5% per annum and R4.443 million (2010: Rnil) bears interest at the UK base rate plus 2 percentage points.

The loans owing to the marketing funds represent the cumulative under-spend of the marketing funds as at the reporting date. These amounts are carried forward to the next financial year and are utilised for future marketing spend. Refer note 37 for more details.

The loan owing to Trinity Leisure Ltd is unsecured, interest-free and repayable on demand.

25. DISTRIBUTIONS

	2011 R'000	2010 R'000
Final 2009 - dividend of 28.0 cents per share	**-**	27 337
Interim 2010 - dividend of 32.0 cents per share	**-**	31 243
Final 2010 - dividend of 28.0 cents per share	**27 337**	-
Interim 2011 - dividend of 33.0 cents per share	**32 219**	-
Total distributions to equity holders	**59 556**	58 580
Distributions external to the group are reconciled as follows:		
Gross dividends declared	**59 556**	58 580
Dividends received on shares held by the group	**(5 958)**	(5 861)
Net dividends distributed external to the group	**53 598**	52 719
Dividends distributed to non-controlling shareholder of subsidiary	**700**	723
Total distributions external to the group	**54 298**	53 442

The directors have approved a final dividend of 33.0 cents per share to be paid in cash on 10 October 2011. This dividend will be subject to Secondary Tax on Companies at a rate of 10%.

26. SHARE INCENTIVE SCHEMES

26.1 Spur Management Incentive Scheme 2004 ("MIS")

In terms of a general meeting on 15 December 2004, shareholders approved the utilisation of a maximum of 10% (9 763 283) of the company's ordinary shares in issue for the purposes of the MIS. The aggregate number of shares utilised for the purposes of the MIS was 9 750 000 shares, representing less than 10% of the company's issued ordinary shares at December 2004. Of these, 8 274 043 shares were acquired by Maxshell 72 Investments (Pty) Ltd ("Maxshell") and the balance of 1 475 957 shares was made available for standard share options to non-executive directors and certain employees.

Maxshell scheme:

The Maxshell scheme was wound up in December 2009, resulting in cash payments to participants in the prior financial year. A contingency cash reserve was retained to settle any unforeseen costs associated with the administration and winding up of the scheme. This cash reserve was distributed to participants in the current year.

Option scheme:

Of the 1 475 957 share options available, 815 046 share options were granted in December 2004 and consequently vested on 18 December 2009. The board elected to settle these in cash in the prior financial year. The remaining 660 911 options were allocated subsequent to December 2004 and accordingly have a vesting date of 24 February 2012 and a strike price of R7.25 per share. The options will be forfeited if not exercised by 24 February 2013. None of these options were granted to directors. It is the intention of the board that these options will be equity-settled, however, the rules of the MIS allow for the options to be settled in cash at the discretion of the company.

Payments made to directors in terms of the scheme are detailed in note 35.

	2011 000's	2010 000's
Options/shares available for allocation to employees	**661**	661
Total shares allocated and options granted at the beginning of the year	**661**	9 750
Shares (Maxshell scheme) vested during the year, settled in cash	-	(8 274)
Options (Option scheme) vested and exercised during the year, settled in cash	-	(815)
Total shares allocated and options granted at the end of the year	**661**	661
Comprising:		
Number of options vesting on 24 February 2012 - strike price of R7.25 per share	**661**	661

No directors hold any of the options outstanding at 30 June 2011.

	2011 R'000	2010 R'000
Charge directly to equity		
Payments to participants of Maxshell scheme charged directly to equity	**(635)**	(28 627)
Capital Gains Tax relating to Maxshell scheme charged directly to equity	-	(7 500)
Secondary Tax on Companies on distribution to Maxshell participants charged directly to equity	**(64)**	(2 280)
Transaction costs relating to Maxshell scheme charged directly to equity	-	(100)
Total cost of Maxshell scheme charged directly to equity	**(699)**	(38 507)
Proceeds from disposal of shares to Option scheme participants	-	4 768
Reacquisition of shares from Option scheme participants	-	(8 656)
Loss on sale and reacquisition of treasury shares charged directly to equity	-	(3 888)
Capital Gains Tax relating to Option scheme charged directly to equity	-	(352)
Transaction costs relating to Option scheme charged directly to equity	-	(321)
Total cost of Option scheme charged directly to equity	-	(4 561)
Total cost of winding up of MIS charged directly to equity	**(699)**	(43 068)

Charge to profit or loss

	2011 R'000	2010 R'000
Share-based payment expense charged to profit or loss	-	1 682
Original vesting	-	1 370
Accelerated vesting	-	312
Share-based payment reserve		
The movement in the share-based payments reserve is as follows:		
Balance at the beginning of year	-	20 554
Share-based payments expense (net of tax)	-	1 211
Gross expense	-	1 682
Tax (refer note 7.3)	-	(471)
Transfer to retained earnings	-	(21 765)
Balance at end of year	-	-

26.2 Short-term profit share incentive scheme

At the annual general meeting of 10 December 2010, shareholders approved amendments to the Spur Management Share Trust ("Share Trust") and MIS to facilitate a short-term incentive scheme (as explained in the notice to shareholders for the said annual general meeting).

As a result of the winding up of the MIS in December 2009, 6 688 698 Spur Corporation Ltd shares ("Spur Shares") were transferred to the Share Trust.

The amendments approved by shareholders in 2010 essentially resulted in:

(i) eligible employees, as discretionary income beneficiaries of the Share Trust, becoming entitled to share in the dividends payable in respect of the Spur Shares, thereby ensuring that appropriate incentives in terms of the MIS remain in place to encourage and motivate such eligible employees to achieve performance levels that advance the interests of the group and promote an identity of interest between such eligible employees and the shareholders of the company; and

(ii) the company remaining and continuing as a discretionary capital beneficiary of the Share Trust.

Further details of the short-term profit share incentive scheme are listed in the remuneration committee report on page 60 of this report.

	2011 R'000	2010 R'000
Dividends distributed to participants in the current year in respect of the 2010 financial year	**3 513**	-
Accrual in respect of dividends related to the 2011 financial year distributable to participants in the 2012 financial year	**3 793**	-
Charged to profit or loss	**7 306**	-

27. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	2011 R'000	2010 R'000
Profit before income tax	**116 830**	122 929
Adjusted for:		
Amortisation - intangible assets	**116**	125
Amortisation - leasing rights	**256**	276
Bad debts	**560**	68
Depreciation	**10 537**	10 080
Interest expense	**922**	1 513
Interest income	**(5 783)**	(5 893)
Foreign exchange loss/(gain)	**794**	(1 555)
Foreign currency translations not disclosed elsewhere	**(494)**	(3 986)
Impairment of financial instrument	**-**	1 075
Impairment of goodwill	**4 948**	-
Impairment of property, plant and equipment	**13 534**	7 994
Movement in operating lease liability	**869**	296
Movement in trade receivable impairment allowance	**(401)**	357
Net change in fair value of financial liability at fair value through profit or loss	**2 627**	-
Profit on disposal of property, plant and equipment	**(1 215)**	(487)
Share-based payment expense - equity settled	**-**	1 682
Share-based payment expense - cash settled	**555**	-
	144 655	134 474

28. WORKING CAPITAL CHANGES

	2011 R'000	2010 R'000
Decrease/(increase) in inventories	**982**	(323)
Increase in trade and other receivables	**(5 069)**	(6 037)
Increase in trade and other payables	**6 606**	7 057
Decrease in short-term loans receivable	**422**	1 985
(Decrease)/increase in short-term loans payable	**(310)**	712
	2 631	3 394

29. INTEREST INCOME RECEIVED

	2011 R'000	2010 R'000
Interest income included in profit or loss	**5 783**	5 893
Reversal of interest accrual on loan receivables	**-**	568
	5 783	6 461

30. TAX PAID

	2011 R'000	2010 R'000
Tax paid is reconciled to the amount disclosed in profit or loss as follows:		
Amount payable at beginning of year	**(1 232)**	(2 784)
Current tax charged to profit or loss	**(42 611)**	(37 675)
Current tax charged to equity (refer note 7.3)	**(64)**	(10 603)
Effect of foreign exchange fluctuations	**204**	(326)
Transfer from deferred tax (UK group tax relief benefit) (refer note 13)	**342**	628
Amount payable at end of year	**2 212**	1 232
	(41 149)	(49 528)

31. DISTRIBUTIONS PAID

	2011 R'000	2010 R'000
Distributions paid are reconciled to the amount disclosed as follows:		
Amount payable at beginning of year	**(464)**	(398)
Net dividends distributed external to the group (refer note 25)	**(53 598)**	(52 719)
Distributions to participants of share scheme (refer note 26.1)	**(635)**	(28 627)
Amount owing in respect of Management Incentive Scheme (refer note 24)	**-**	1 295
Dividends paid by subsidiary company to non-controlling shareholder (refer note 25)	**(700)**	(723)
Amount payable at end of year	**612**	464
	(54 785)	(80 708)

32. ACQUISITIONS OF SUBSIDIARIES AND ADDITIONAL INTERESTS IN EQUITY-ACCOUNTED INVESTEES

32.1 Acquisition of Silver Spur

With effect from 1 July 2010, a wholly-owned subsidiary of the group, Spur International Ltd BVI, acquired an additional 50% interest in Spur Steak Ranches Unit Trust, a unit trust company established and domiciled in Australia, which operates the Silver Spur in Penrith (Australia). The transaction resulted in the group owning 100% of the acquiree.

	2011 R'000	2010 R'000
The fair values of the assets and liabilities acquired were as follows:		
Property, plant and equipment	**3 525**	-
Inventories	**214**	-
Trade and other receivables	**164**	-
Cash and cash equivalents	**80**	-
Trade and other payables	**(2 148)**	-
Shareholder loans payable	**(6 441)**	-
Net liabilities acquired	**(4 606)**	-
Goodwill	**4 939**	-
Purchase consideration	**333**	-
Cash and cash equivalents acquired on acquisition	**(80)**	-
Net cash outflow on acquisition	**253**	-

For the period, Silver Spur contributed revenue of R21.018 million and a loss of R0.120 million to the group's revenue and profit for the year respectively.

32.2 Acquisition of Panhold Pty Ltd and consequential additional interest in equity-accounted investee, Panpen Pty Ltd
During the prior year, on 30 June 2010, a wholly-owned subsidiary of the group, Spur Corporation Australia Pty Ltd, acquired an additional 16.67% interest in Panpen Pty Ltd, a company incorporated and domiciled in Australia and which operates the Panarottis in Penrith (Australia), increasing the group's effective interest in Panpen Pty Ltd from 23.33% to 40.0%, for AU$75 000 (the equivalent of R0.495 million).

With effect from 1 July 2010, a wholly-owned subsidiary of the group, Spur International Ltd BVI, acquired the 30% non-controlling interest in Panhold Pty Ltd, a company incorporated and domiciled in Australia, for a consideration of AU$1 resulting in the group owning 100% of Panhold Pty Ltd. At the time of the transaction, Panhold Pty Ltd held a 33.33% interest in Panpen Pty Ltd. The acquisition increased the group's effective interest in Panpen Pty Ltd from 40% to 50%. Subsequent to this transaction, Panhold Pty Ltd's 33.33% interest and Spur Corporation Australia Pty Ltd's 16.67% interest in Panpen Pty Ltd were transferred to Spur International Ltd BVI. As Panhold Pty Ltd was in a net liability position at the effective date and the non-controlling shareholder's share of the net liabilities previously recognised was R0.021 million, the acquisition resulted in goodwill of R0.021 million.

32.3 Prior year acquisition of additional interest in Bathspur Holdings Pty Ltd
During the prior year, on 20 October 2009, a wholly-owned subsidiary of the group, Spur International Ltd BVI, acquired an additional 30% interest in Bathspur Holdings Pty Ltd, a company incorporated and domiciled in Australia, for no consideration, increasing the group's interest in Bathspur Holdings Pty Ltd from 70% to 100%. Bathspur Holdings Pty Ltd holds a one-third interest in Bathurst Spur Pty Ltd, which operated the Cougar Spur in Bathurst (Australia) before it ceased trading in 2007. The additional interest in Bathspur Holdings Pty Ltd increases the group's effective interest in Bathurst Spur Pty Ltd from 23.3% to 33.3%. Both companies are dormant and have been dormant since 2008.

33. OTHER NON-CASH TRANSACTIONS

33.1 Panarottis Tuggerah
During the year, the Panarottis in Mingara (Australia), operated by Pangara Pty Ltd, a company incorporated and domiciled in Australia and in which the group has an effective 23.3% interest, ceased trading. Certain of the non-controlling shareholders in Pangara Pty Ltd became the non-controlling partners in the Panarottis Tuggerah partnership, a partnership registered and domiciled in Australia and in which a wholly-owned subsidiary of the group, Panatug Pty Ltd (Australia), is an 80% partner. The Panarottis Tuggerah partnership operates the Panarottis outlet in Tuggerah (Australia). As part of the transaction, the loans owing by Pangara Pty Ltd to Spur Corporation Australia Pty Ltd were assigned to Panatug Pty Ltd. The loans were capitalised as part of the group's investment in the Panarottis Tuggerah partnership. On the date of capitalisation, the partnership had no net assets, resulting in goodwill to the value of the loans capitalised of R1.218 million being recognised.

33.2 Nevada Spur
During the year and with effect from 20 August 2010, the group acquired the tangible assets of the previous franchisee of Nevada Spur, trading in Belfast (Ireland) pursuant to an agreement with the franchisee's former landlord. The group had loans receivable from this franchisee prior to taking possession of the assets. The loans were capitalised. The value attributed to the assets was R0.933 million.

For the period, Nevada Spur contributed revenue of R8.754 million and a loss of R1.115 million to the group's revenue and profit for the year respectively.

34. CAPITAL COMMITMENTS

At the date of this report, there were no significant capital commitments authorised or contracted for.

35. DIRECTORS' EMOLUMENTS

The following emoluments were paid by subsidiaries of the company:

2011	Cash remuneration R'000	Equity compensation benefits[1] R'000	Travel allowance R'000	Provident fund R'000	Medical aid R'000	Performance bonus[2] R'000	Leave pay encashed R'000	Total remuneration included in profit R'000	Management Incentive Scheme payout[3] R'000
Executive									
Allen Ambor	**1 985**	**56**	**216**	**390**	**80**	**307**	-	**3 034**	**29**
Pierre van Tonder	**2 369**	**177**	**216**	**343**	**87**	**358**	-	**3 550**	**97**
Mark Farrelly	**1 462**	**122**	**216**	**215**	**92**	**222**	-	**2 329**	**74**
Ronel van Dijk	**1 464**	**100**	-	**201**	-	**220**	-	**1 985**	**57**
Kevin Robertson	**1 165**	**100**	**175**	**171**	**70**	**176**	-	**1 857**	**59**
Phillip Joffe	**611**	-	-	**120**	**46**	**97**	-	**874**	**24**
Total	**9 056**	**555**	**823**	**1 440**	**375**	**1 380**	-	**13 629**	**340**
Non-executive									
Keith Getz[4]	**403**	-	-	-	-	-	-	**403**	-
Keith Madders[5]	**322**	-	-	-	-	-	-	**322**	-
Dean Hyde	**250**	-	-	-	-	-	-	**250**	-
Muzi Kuzwayo	**250**	-	-	-	-	-	-	**250**	-
Mntungwa Morojele[6]	**250**	-	-	-	-	-	-	**250**	-
Total	**1 475**	-	-	-	-	-	-	**1 475**	-
Total remuneration	**10 531**	**555**	**823**	**1 440**	**375**	**1 380**	-	**15 104**	**340**
Senior Managers[7]									
Senior Manager 1	**961**	-	**175**	**142**	-	**92**	-	**1 370**	-
Senior Manager 2	**902**	-	-	**131**	**47**	**128**	-	**1 208**	**2**
Senior Manager 3	**852**	-	-	**128**	**43**	**121**	-	**1 144**	**9**

2010	Cash remuneration R'000	Equity compensation benefits[1] R'000	Travel allowance R'000	Provident fund R'000	Medical aid R'000	Performance bonus R'000	Leave pay encashed R'000	Total remuneration included in profit R'000	Management Incentive Scheme payout[3] R'000
Executive									
Allen Ambor	1 881	64	216	277	73	186	-	2 697	1 292
Pierre van Tonder	2 245	218	216	273	80	217	-	3 249	4 377
Mark Farrelly	1 333	166	175	197	85	135	-	2 091	3 323
Ronel van Dijk	1 354	129	-	176	-	128	-	1 787	2 592
Kevin Robertson	1 058	133	175	156	65	107	-	1 694	2 675
Phillip Joffe	555	53	-	109	42	59	50	868	1 073
Total	8 426	763	782	1 188	345	832	50	12 386	15 332
Non-executive									
Keith Getz	235	40	-	-	-	-	-	275	1 117
Keith Madders	50	48	-	-	-	-	-	98	1 340
Dean Hyde	150	52	-	-	-	-	-	202	1 431
Muzi Kuzwayo	150	-	-	-	-	-	-	150	-
Mntungwa Morojele[6]	13	-	-	-	-	-	-	13	-
Total	598	140	-	-	-	-	-	738	3 888
Total remuneration	9 024	903	782	1 188	345	832	50	13 124	19 220

The base fee for non-executive directors increased from R150 000 in 2010 to R250 000 in 2011 as a result of the fact that the number of formal board meetings per year increased from two in 2010 to four in 2011. The two additional meetings are extended board meetings that typically span two to three days. Prior to 2011, non-executive directors were invited to attend these meetings as optional attendees and were paid a consulting fee for their attendance.

The board considers there to be no prescribed officers (as defined in section 1 of the Companies Act 2008).

Footnotes
[1] The equity compensation benefit is the pro rata share-based payment expense (in terms of IFRS2: Share-based Payments) attributable to each of the directors. Refer notes 20 and 26.1.
[2] Includes payments during the financial year, but excludes accruals for payments due in the subsequent financial year. Refer note 26.2.
[3] Refer note 26.1 regarding the cost of winding up the Management Incentive Scheme 2004 charged directly to equity.
[4] Keith Getz' fees include payments to related parties for Mr Getz' attendance at four meetings each of the board of directors of Steak Ranches International BV and Spur International Ltd BVI, all of which he chaired. Ordinarily, three meetings of each board are scheduled annually; however, two meetings were held in 2010 and four in 2011 as a consequence of the FIFA 2010 World Cup impacting on travel arrangements.
[5] Keith Madders' fees include payments to related parties for Mr Madders' attendance at three meetings of the Steak Ranches International BV board.
[6] Appointed during the prior year.
[7] Senior managers are the top three earning employees who are not directors or prescribed officers of the company.

The following number of share appreciation rights have been allocated to directors in terms of the long-term retention share appreciation rights scheme and were outstanding as at the reporting date (refer note 20):

	Rights - tranche 1	
	2011 000's	2010 000's
Executive		
Allen Ambor	**150**	-
Pierre van Tonder	**480**	-
Mark Farrelly	**330**	-
Ronel van Dijk	**270**	-
Kevin Robertson	**270**	-
Total rights allocated	**1 500**	-

The following number of options have been allocated to the top three earners who are not directors in terms of the Management Incentive Scheme 2004 (refer note 26.1):

	Options	
	2011 000's	2010 000's
Senior Managers		
Senior Manager 2	**294**	294

36. RETIREMENT BENEFITS

The group has its own defined contribution provident fund in South Africa with 182 members at 30 June 2011 (2010: 180 members). The Spur Group (Pty) Ltd Provident Fund is administered by Liberty Group Limited. Refer note 5 for contributions made to the fund.

37. MARKETING FUNDS

In terms of the group's franchise agreements, the group receives marketing contributions from franchisees which are held and accounted for separately in marketing funds. These funds are utilised for the procurement of marketing and advertising services for the benefit of franchisees. During the year, the marketing funds received R118.0 million (2010: R106.2 million) in advertising contributions. Marketing funds received are not included in the group's revenue as these are for the exclusive benefit of franchisees. To the extent that funds received are under/(over) spent, a loan payable/(receivable) to/(from) franchisees is recognised in the group statement of financial position (refer notes 12.4 and 24).

38. OPERATING LEASES

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

	2011 R'000	2010 R'000
Next year	**11 496**	7 722
Year two through to year five	**41 729**	27 827
More than five years	**75 346**	70 319
	128 571	105 868

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

Certain leases concluded in the United Kingdom are for a total period of 25 years. Rentals in terms of these leases are subject to a review every five years. The rental payments are fixed for the period of five years between the review periods. In respect of such leases, the future minimum lease payments have been calculated at the rates of rent prevailing at the reporting date for the remaining period of the leases.

Other leases are for periods ranging from five to ten years, subject to renewal options for further five-year periods. These leases have fixed annual escalations for the period of the lease that were market related at the time of concluding the lease.

Certain leases provide that the rent to be paid is the greater of the basic rental and a certain percentage of turnover. The percentage of turnover was market related at the time of concluding the lease.

39. RELATED PARTY DISCLOSURES

Transactions between group subsidiaries
During the year, in the ordinary course of business, certain companies within the group entered into transactions which have been eliminated on consolidation. Also refer to note 13 of the company financial statements on page 141 for guarantees given to subsidiary companies.

Directors
A number of the group'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	Relationship with entity
Dean Hyde	African Spirit (Pty) Ltd (note i)[3]	
	Jude Way Trading CC (note ii)	Member
	Mystic Blue Trading 65 (Pty) Ltd (trading as Seven Spur)[1,3]	
	Nungu Trading 442 (Pty) Ltd (trading as Malibu Spur)[1,3]	
	Utah Steak House (Pty) Ltd (trading as Panarottis Bayside, Table View)[1,3]	
Keith Madders	Gemini Moon Trading 294 (Pty) Ltd (note iii)	Shareholder
	Kamplans Limited (note iv)[4]	
	Spur Ekwiti Restaurants (Pty) Ltd (note v)	Shareholder
Mark Farrelly	Barleda 293 CC (trading as Cancun Spur (formerly Rocky Springs Spur))[1]	Member
	Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[1]	Shareholder
	Lexmar Entertainment CC (note vi)	Member
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1]	Shareholder
	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[1,5]	Shareholder
Kevin Robertson (Spouse)	Clearpan (Pty) Ltd (trading as Panarottis Clear Water Mall)[1]	Shareholder
	Bravopix 359 CC (trading as Panarottis Lakeside Mall) [1,5]	Member
Keith Getz	Bernadt Vukic Potash & Getz (note vii)	Partner
Phillip Joffe	Strand Steak Ranch (Pty) Ltd (trading as San Francisco Spur)[1,6]	Shareholder

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 transactions include:

i) African Spirit (Pty) Ltd holds shares in the following entities:
  Autumn Star Trading 738 (Pty) Ltd (trading as John Dory's Canal Walk)[1]
  Perfect Stones (Pty) Ltd (trading as San Miguel Spur)[1]
  Sharp Move Trading 186 (Pty) Ltd (trading as Golden River Spur)[1]
  Twin Cities Trading 210 (Pty) Ltd (trading as Little Creek Spur)[1].

ii) Jude Way Trading CC has provided consulting services (other than services included with directors' emoluments per note 35) to the group amounting to R84 000 in 2011 (R282 904 in 2010).

iii) Gemini Moon Trading 294 (Pty) Ltd holds shares in Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[1].

iv) Kamplans Limited has provided consulting services (other than services included with directors' emoluments per note 35) to the group amounting to R1 000 000 in 2011 (R1 000 000 in 2010).

v) Spur Ekwiti (Pty) Ltd holds shares in Golden Gate Steak Ranch (Pty) Ltd (trading as Golden Gate Spur)[1].

vi) Lexmar Entertainment CC has provided conference facilities for the group amounting to R158 575 in 2011 (R138 167 in 2010).

vii) Bernadt Vukic Potash & Getz serves as the group's principal legal counsel and has provided legal services (other than services included with directors' emoluments per note 35) on various matters in the ordinary course of business to the value of R997 325 in 2011 (R1 119 794 in 2010).

Key Management[2]

The key management personnel compensations are as follows:	2011 R'000	2010 R'000
Short-term employee benefits	**8 566**	9 284
Other long-term benefits	**1 018**	1 180
Equity compensation benefits	**-**	377
Total remuneration included in profit	**9 584**	10 841
Amount paid to key management in terms of Management Incentive Scheme 2004 (refer note 26.1)[7]	**77**	5 527

Three members of key management hold shares in the following entities which are franchisees of the group:
Coachmans Steak Ranch CC (Trading as River Hawk Spur)[1]
Commshelf 12 CC (trading as John Dory's Gateway)[1]
Commshelf 34 CC (trading as John Dory's Suncoast Casino)[1]
Evening Star Trading 384 (Pty) Ltd (trading as Maverick Spur)[1,4]
Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[1,4]
Little Crow Steak Ranch (Pty) Ltd (trading as Little Crow Spur)[1,4,6]
Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[1,4]

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.

Footnotes
1 These entities are franchisees. Franchise fees, determined as a percentage of restaurant turnover, are paid to the group in terms of the standard franchise agreement.
2 Key management are listed on page 19 and exclude directors (directors' emoluments are detailed in note 35).
3 These interests are held by a trust of which Dean Hyde is a trustee. Certain of Mr Hyde's immediate family members are beneficiaries of the trust.
4 These interests are held indirectly through trusts. The directors/key management personnel in question are beneficiaries of these trusts.
5 These interests were acquired during the current year.
6 The interests in these entities were owned for a part of the year, but disposed of before the reporting date.
7 The cost of the Management Incentive Scheme 2004 and payments relating to the winding up thereof were charged directly to equity.

40. FINANCIAL INSTRUMENTS

The group has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk; and
- market risk.

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

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

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

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The audit committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

40.1 Credit Risk

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

Exposure to credit risk

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

	Carrying amount	
	2011 R'000	2010 R'000
Cash and cash equivalents (refer note 17)	**115 966**	84 628
Financial assets included in trade and other receivables (refer note 16)*	**48 797**	46 901
Loans receivable (refer note 12)	**6 196**	8 442
Loans to equity-accounted investees (refer note 11)	**2 043**	8 822
	173 002	148 793

* Includes trade receivables, staff loans, deposits and other financial assets as defined in terms of IAS32: Financial Instruments: Disclosure and Presentation.

Cash and cash equivalents

The group's cash is placed with major South African and international financial institutions (in the respective jurisdictions in which the group trades) of high credit standing. A treasury committee comprising the managing director, financial director and other senior members of management reviews cash flow projections, manages liquidity and monitors cash investments. This committee reports to the risk committee from time to time. The group's policy is to place cash balances with multiple financial institutions to mitigate against the risk of loss to the group in the event that any one financial institution was to fail. Consequently, the group does not consider there to be any significant exposure to credit risk.

Trade and other receivables

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

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

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

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

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

	Carrying amount	
	2011 R'000	2010 R'000
Domestic	**41 669**	40 306
Euro-zone countries	**443**	746
United Kingdom	**645**	566
Australia	**1 618**	808
	44 375	42 426

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

	2011	2010
Wholesale customers	**11 670**	8 670
Franchisees	**32 705**	33 756
	44 375	42 426

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

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

	2011 R'000	2010 R'000
Balance at beginning of year	**468**	111
Additional impairment losses recognised	**67**	468
Irrecoverable debts written off	**(468)**	(111)
Balance at end of year	**67**	468

The allowance in respect of trade receivables is used to record impairment losses unless the group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off directly against the financial asset. During the current year, R0.092 million (2010: R0.068 million) of trade receivables was written off as irrecoverable in addition to the amount provided for in the impairment allowance for the current and prior years.

Loans receivable

The group limits its exposure to credit risk by advancing loans only to counterparties with good credit ratings. Given the good credit ratings, management does not expect any counterparty to fail to meet its obligations. The board acknowledges that loans advanced to franchisees to assist their funding in respect of start-up operations have a higher credit risk associated with them due to the uncertainty of the financial success of the operations in question. The group's policy is to obtain collateral in respect of material loans advanced. The extent of collateral held by the group in relation to loans receivable is detailed in note 12.

Loans to equity-accounted investees

The group has advanced foreign loans to equity-accounted investees. The board acknowledges that as these loans are part of the initial investments in the equity-accounted investees there is a higher level of credit risk associated with them. This risk is managed through continued management involvement in these entities.

Guarantees

The group's policy is to provide financial guarantees only to subsidiaries domiciled in South Africa. At 30 June 2011 no guarantees were outstanding from a group perspective (30 June 2010: Nil).

40.2 Liquidity Risk

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

The group's franchise divisions are largely cash generative. Typically, the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 6 months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The treasury committee regularly reviews group cash flow forecasts to ensure that liquidity is maintained. Cash investments are generally short-term in nature.

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

The group has no non-term credit facilities in place. This decision was taken following the implementation of legislation in South Africa in 2008 which requires banks to comply with the Revised Framework on International Convergence of Capital Measurement and Capital Standards (better known as Basel II or the New Capital Accord) and which resulted in South African banks introducing a commitment fee in respect of unutilised credit facilities. Given that the group has a favourable relationship and credit rating with its principal bankers and a strong statement of financial position, the board is of the view that credit could be secured to manage any short-term liquidity risk, if the need arose.

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

30 June 2011

	Carrying amount R'000	Contractual cash flows Total R'000	1 - 12 months R'000	1 - 2 years R'000	2 - 5 years R'000
Non-derivative financial liabilities					
Unsecured bank loans (refer note 19)	**7 056**	**7 384**	**4 923**	**2 461**	**-**
Unsecured loans payable (refer notes 19 and 24)	**14 140**	**14 269**	**13 694**	**144**	**431**
Financial liabilities included in trade and other payables (refer note 23)*	**31 215**	**31 215**	**31 215**	**-**	**-**
Bank overdraft (refer note 17)	**2 256**	**2 256**	**2 256**	**-**	**-**
Derivative financial liability					
Other financial liability (refer note 21)	**2 627**	**3 720**	**-**	**-**	**3 720**

30 June 2010

	Carrying amount R'000	Contractual cash flows Total R'000	1 - 12 months R'000	1 - 2 years R'000	2 - 5 years R'000
Non-derivative financial liabilities					
Unsecured bank loans (refer note 19)	11 381	12 440	4 976	4 976	2 488
Unsecured loans payable (refer notes 19 and 24)	11 835	11 835	11 737	98	
Financial liabilities included in trade and other payables (refer note 23)*	29 754	29 754	29 754	-	-
Bank overdraft (refer note 17)	3 596	3 596	3 596	-	-

* Includes trade payables, accruals and other financial liabilities as defined in terms of IAS32: Financial Instruments: Disclosure and Presentation.

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

Share appreciation rights and related hedge derivative
In addition to the financial instruments listed above, the group is exposed to liquidity risk in respect of share appreciation rights issued in terms of its long-term retention share appreciation rights scheme (refer note 20). To mitigate against this risk, the group has concluded a hedge which is included in other financial liabilities listed above (refer note 21). The hedge is effective in the event that the share price increases above the forward price of the hedge. In any event, the group is exposed to the cost of the hedge, being the difference between the strike price of the rights in issue and the forward price of the related hedge. At the reporting date, this amounted to R3.720 million. Should the share price be below the strike price of the rights on the settlement date, the group is required to pay the hedge counterparty the difference between the strike price of the rights and the share price at the date of vesting, in addtion to the hedge cost. In the event that the share price reduces to 1 cent per share, the maximum additional exposure to the group is R21.930 million. The cash flows in respect of the hedge listed above reflect only the hedge cost, not the additional exposure referred to in this paragraph.

The hedge also provides for a guaranteed dividend stream (detailed in note 21) on the company's shares. In the event that the dividends declared are less than those guaranteed, the group is required to pay the deficit to the hedge counterparty.

The group does not apply cash flow hedge accounting.

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

Price risk
The group is exposed to equity securities price risk due to a derivative financial instrument held by the group related to the share price of the company. This derivative was concluded to hedge the liquidity risk arising from share appreciation rights granted in terms of the group's long-term retention share appreciation rights scheme (refer note 40.2). Gains and losses on the derivative are recognised immediately in profit or loss, whilst the share appreciation right liability is charged to profit or loss over the vesting period of the right. In the event that the share price appreciates over the vesting period of the rights, on realisation of the hedge and the rights, there will be an effective hedge. As detailed above, in the event that the share price remains below the strike price of the rights, the group is exposed to further liquidity risk.

Sensitivity analysis
The impact of a 10% increase or decrease of the company's share price at the reporting date is disclosed below, along with the corresponding impact on the related liability and derivative financial instrument.

	Profit or loss before income tax	
	10% increase R'000	10% decrease R'000
30 June 2011		
Share appreciation rights	(207)	177
Derivative hedge forward	1 926	(1 926)
Net effect on profit or loss before income tax	**1 719**	**(1 749)**

The rights were granted and the hedge concluded in the current year. No comparatives have therefore been disclosed.

Currency risk

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

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

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

Local operations

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

Consolidation

The group's consolidated results are influenced by exchange fluctuations between the functional currencies of group entities and the group's reporting currency. The group entities' functional currencies include primarily the Euro, Pound Sterling and Australian Dollar.

The group's investments in equity-accounted investees are not hedged as those currency positions are considered to be long-term in nature.

Exposure to currency risk

The group's exposure to foreign currency risk was as follows as at 30 June:

	GBP '000	USD '000	AUD '000	EUR '000	BWP '000	MUR '000	TZS '000	KES '000	AED '000
2011									
Assets									
Cash and cash equivalents	**285**	**14**	**371**	**102**	**-**	**-**	**-**	**-**	**-**
Trade and other receivables	**321**	**3**	**370**	**-**	**76**	**50**	**8 199**	**468**	**16**
Loans receivable	**351**	**-**	**115**	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**957**	**17**	**856**	**102**	**76**	**50**	**8 199**	**468**	**16**
Liabilities									
Loans payable	**(462)**	**-**	**(152)**	**-**	**-**	**-**	**-**	**-**	**-**
Trade and other payables	**(362)**	**(1)**	**(381)**	**(2)**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**(824)**	**(1)**	**(533)**	**(2)**	**-**	**-**	**-**	**-**	**-**
Total net exposure	**133**	**16**	**323**	**100**	**76**	**50**	**8 199**	**468**	**16**

	GBP '000	USD '000	AUD '000	EUR '000	BWP '000	MUR '000	TZS '000	KES '000	AED '000
2010									
Assets									
Cash and cash equivalents	1 094	26	374	229	-	-	-	-	-
Trade and other receivables	353	4	221	9	85	76	7 403	400	18
Loans receivable	552	-	133	-	-	-	-	-	-
Total assets	1 999	30	728	238	85	76	7 403	400	18
Liabilities									
Loans payable	(243)	-	(131)	-	-	-	-	-	-
Trade and other payables	(363)	-	(250)	(15)	-	-	-	-	-
Total liabilities	(606)	-	(381)	(15)	-	-	-	-	-
Total net exposure	1 393	30	347	223	85	76	7 403	400	18

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
AUD 1 = R	**6.9409**	6.7076	**7.2537**	6.5559
GBP 1 = R	**11.1761**	12.0463	**10.9659**	11.5334
EURO 1 = R	**9.5644**	10.5954	**9.8363**	9.3410

Sensitivity analysis

A 10% strengthening of the Rand against the following currencies at 30 June would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity R'000	Profit or loss R'000
30 June 2011		
EURO	**(10 852)**	**(241)**
GBP	**3 653**	**2 481**
AUD	**4 736**	**178**
30 June 2010		
EURO	(9 809)	(711)
GBP	1 317	1 270
AUD	3 594	619

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

Interest rate risk

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

Interest rate risk profile

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:

	Carrying amount	
	2011 R'000	2010 R'000
Fixed rate instruments		
Financial assets	**1 462**	804
Financial liabilities	**1 019**	110
Variable rate instruments		
Financial assets	**119 587**	90 186
Financial liabilities	**13 755**	16 272

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss before income tax	
	50 bp increase R'000	50 bp decrease R'000
30 June 2011		
Variable rate assets	**521**	**(521)**
Variable rate liabilities	**(80)**	**80**
Cash flow sensitivity (net)	**441**	**(441)**
30 June 2010		
Variable rate assets	469	(469)
Variable rate liabilities	(87)	87
Cash flow sensitivity (net)	382	(382)

The group accounts for fixed rate instruments at amortised cost. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

40.4 Fair values

At the reporting date the carrying values of the group's financial instruments on the statement of financial position approximate their fair values.

The fair value of non-derivative financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements. In the event of interest-free loans without any repayment terms, the fair value is considered to approximate the carrying value.

The fair value of trade and other receivables and loan receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The fair value of the hedge forward financial instrument (refer note 21) is determined by an external, independent valuator using the external valuator's Black Scholes option pricing model.

Fair value hierarchy

IFRS 7 – Financial Instruments: Disclosures specifies a hierarchy of valuation techniques for assets and liabilities measured at fair value based on whether the inputs to those techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the group's market assumptions. The table below provides the valuation method of financial instruments carried at fair value. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

	2011 R'000	2010 R'000
Financial liabilities		
Financial liabilities recognised at fair value through profit or loss		
Hedge forward derivative instruments (refer note 21) - level 2	**2 627**	-

40.5 Capital management

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

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

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

In terms of existing loan covenants, the group's main local operating entity, Spur Group (Pty) Ltd, may not increase indebtedness by more than R20 million without the permission of the financier of the facilities referred to in note 19.1. In addition, opening cash plus earnings before interest, tax, depreciation and amortisation, less investment in working capital, taxation paid and capital expenditure divided by net interest plus capital loan repayments must be equal to or greater than 1.3. To date, the group has complied with these covenants.

41. SUBSEQUENT EVENTS

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

41.1 Dispute with non-controlling shareholder and director of subsidiary company

Certain litigation has been instituted by the non-controlling shareholder (Kapsimalis Family Trust) and the managing director (Stamatis Kapsimalis) of John Dory's Franchise (Pty) Ltd against Spur Group (Pty) Ltd, Pierre van Tonder and Ronel van Dijk (who are the managing director and financial director of the company and, in addition to Mr Kapsimalis, are the remaining directors of John Dory's Franchise (Pty) Ltd). The litigation is ongoing (and will be determined by proceedings in the High Court and arbitration) and the board is of the opinion, based on developments up to and including the date of this report, that the litigation will not materially affect the financial position of the company or the group.

41.2 Dividends

The board declared a dividend of 33.0 cents per ordinary share payable on 10 October 2011 as referred to in note 25 and in the directors' report on page 72 of this annual report.

42. 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, 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:

Property, plant and equipment

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

Impairment of non-financial assets

Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually. Property, plant and equipment are considered for impairment when an indication of possible impairment exists. An asset is impaired when its carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value-in-use.

Determining whether non-financial assets are impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill, intangible assets and property, plant and equipment have been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that is reflective of the cash-generating unit's risk profile in order to calculate the present value. The variables applied in determining the above have been disclosed in the relevant notes to the financial statements with specific reference to notes 5.1 and 10.

Deferred tax

In the group, each entity assesses the recoverability of deferred tax assets and the recognition of computed tax losses. The recognition is based on the entities' abilities to utilise these computed tax losses based on expected future taxable income. In note 7.2, the total unrecognised computed tax losses are disclosed. The rationale for recognising deferred tax assets in respect of tax losses is disclosed in note 13.

Financial assets

Certain assumptions are made in respect of the recoverability of the group's financial assets. These assets mainly comprise loans receivable from equity-accounted investees and external parties and trade receivables.

At each reporting date, the group evaluates whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that loans or receivables are impaired, the amount of the loss is determined without reference to future irrecoverable debts that have not been incurred. Refer notes 12 and 16 for the amount of any impairment allowance recognised or reversed against loans and trade receivables.

Financial liabilities

Certain assumptions are applied in determining the liability in respect of the group's long-term retention share appreciation rights scheme and the related hedge derivative. The values of these liabilities are determined by an independent external valuations expert and the key inputs into the pricing models are disclosed in notes 20 and 21.

43. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations applicable to the group are not yet effective for the year ended 30 June 2011, and have not been applied in preparing these consolidated financial statements. Those standards and interpretations which are (or may be) applicable to the group in the future are presented below. Those standards and interpretations which have no bearing on the group's existing accounting policies, have no impact on the group's assets and liabilities as at the reporting date or their subsequent measurement and no impact on the accounting treatment of transactions that the group is likely to be party to, are not listed below.

IAS 1: Presentation of Financial Statements

An amendment to this standard requires disclosure of those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories are to be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. The amendment will be adopted by the group for the 2013 financial year. This amendment will be applied retrospectively and comparative information will be restated.

IAS 24: Related Party Disclosures (revised 2009)

The definition of a related party per IAS 24 has been amended to include that if an entity is identified as a related party in another entity's financial statements then the other entity is also a related party in the aforementioned entity's financial statements. This standard becomes mandatory for the group's 2012 financial statements, and may affect related party disclosure.

IAS 27 (2011): Separate Financial Statements

IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard will be adopted for the group's 2014 financial year but is not expected to have any significant impact on the company's separate financial statements.

IAS 28 (2011): Investments in Associates and Joint Ventures

IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. These include:

- IFRS 5: Non-current Assets Held for Sale and Discontinued Operations is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and
- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the company does not re-measure the retained interest.

The standard will be adopted for the group's 2014 financial year but is not expected to have any significant impact on the group.

IFRS 7: Financial Instruments: Disclosures

Amendments to this standard require additional disclosure to be provided regarding transfers of financial assets that are:

- not derecognised in their entirety and
- derecognised in their entirety but for which the company retains continuing involvement.

The standard is effective and will be adopted for the group's 2012 financial year but is not expected to have any significant impact on the group.

IFRS 9: Financial Instruments

This new standard prescribes two options in respect of the classification of financial assets: financial assets measured at amortised cost; and financial assets measured at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are only payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

The standard also addresses the measurement and classification of financial liabilities such that requirements are the same as the existing IAS 39: Financial Instruments: Recognition and Measurement, except in two aspects:

- fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss.
- derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 furthermore incorporates the guidance in IAS 39 dealing with fair value measurement, and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9: Reassessment of Embedded Derivatives.

This standard becomes mandatory for the group's 2014 financial statements. The impact on the group has not yet been determined.

IFRS 10: Consolidated Financial Statements

This standard introduces a single control model to assess whether an investee should be consolidated. This control model requires entities to perform the following in determining whether control exists:

- identify how decisions about the relevant activities are made;
- assess whether the entity has power over the relevant activities by considering only the entity's substantive rights;
- assess whether the entity is exposed to variability in returns; and
- assess whether the entity is able to use its power over the investee to affect returns for its own benefit.

Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change.

The standard will be applied for the first time in the group's 2014 financial statements on a retrospective basis. The impact on the group has not yet been estimated.

IFRS 11: Joint Arrangements

IFRS 11 establishes that classification of joint arrangements depends on whether parties have rights to and obligations for the underlying assets and liabilities. Joint arrangements are divided into two types, each having its own accounting model:

- joint operations whereby the jointly controlling parties, known as joint operators, have rights to the assets and obligations for the liabilities, relating to the arrangement; and
- joint ventures whereby the joint controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

All joint ventures are to be equity accounted.

The standard will be applied for the first time in the group's 2014 financial statements on a retrospective basis. The impact on the group has not yet been estimated.

IFRS 12: Disclosure of Interests in Other Entities

This standard combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The required disclosures aim to provide information to enable users to evaluate:

- the nature of, and risks associated with, an entity's interests in other entities, and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

The adoption of this new standard will increase the level of disclosure provided for the group's interests in subsidiaries, joint arrangements, associates and structured entities. The standard will be applied for the first time in the group's 2014 financial statements and will result in enhanced disclosure in respect of group entities.

IFRS 13: Fair Value Measurement

This standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. Key principles include:

- fair value is an exit price;
- measurement considers characteristics of the asset or liability and not entity-specific characteristics;
- measurement assumes a transaction in the entity's principal (or most advantageous) market between market participants;
- price is not adjusted for transaction costs;
- measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs; and
- the three-level fair value hierarchy is extended to all fair value measurements.

This standard is effective for the group's 2014 financial year and will be applied prospectively with no restatement of comparatives. The impact on the group has not yet been estimated.

COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R'000	2010 R'000
Dividend income	1	**51 311**	58 423
Accounting distribution from subsidiary company	2	**-**	3 888
Interest income		**21**	25
Operating expenses		**(1 440)**	(1 304)
Profit before income tax	3	**49 892**	61 032
Income tax expense	4	**(837)**	(6)
Profit for the year		**49 055**	61 026
Total comprehensive income for the year		**49 055**	61 026

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R'000	2010 R'000
ASSETS			
Non-current assets			
Interest in subsidiary companies	5	**14 479**	14 479
Dividends receivable	6	**22 562**	22 562
Total non-current assets		**37 041**	37 041
Current assets			
Tax receivable		**2**	23
Cash and cash equivalents		**660**	528
Total current assets		**662**	551
TOTAL ASSETS		**37 703**	37 592
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	7	**1**	1
Share premium		**6**	6
(Accumulated loss)/retained earnings		**(679)**	9 822
Total equity		**(672)**	9 829
Non-current liability			
Loans from subsidiary companies	9	**37 763**	27 299
Current liability			
Shareholders for distribution		**612**	464
TOTAL EQUITY AND LIABILITIES		**37 703**	37 592

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Ordinary share capital R'000	Share premium R'000	Share-based payments reserve R'000	(Accumulated loss)/ retained earnings R'000	Total equity R'000
Balance at 1 July 2009	**1**	**6**	**9 531**	**51**	**9 589**
Total comprehensive income for the year					
Profit for the year	-	-	-	61 026	61 026
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Accounting distribution from subsidiary company (refer note 2)	-	-	-	(3 888)	(3 888)
Share-based payments (refer note 8)	-	-	1 682	-	1 682
Transfer of share-based payments reserve to retained earnings	-	-	(11 213)	11 213	-
Distributions to equity holders (refer note 11)	-	-	-	(58 580)	(58 580)
Total transactions with owners	-	-	(9 531)	(51 255)	(60 786)
Balance at 1 July 2010	**1**	**6**	**-**	**9 822**	**9 829**
Total comprehensive income for the year					
Profit for the year	-	-	-	49 055	49 055
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Distributions to equity holders (refer note 11)	-	-	-	(59 556)	(59 556)
Balance at 30 June 2011	**1**	**6**	**-**	**(679)**	**(672)**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R'000	2010 R'000
Cash flow from operating activities			
Operating expenses		**(1 440)**	(1 304)
Cash utilised by operations		**(1 440)**	(1 304)
Interest received		**21**	25
Tax paid	10	**(816)**	(6)
Dividends received		**51 311**	35 861
Distributions paid	11	**(59 408)**	(58 514)
Net cash flow from operating activities		**(10 332)**	(23 938)
Cash flow from investing activities			
Decrease in loans to subsidiary companies		**-**	4 714
Net cash flow from investing activities		**-**	4 714
Cash flow from financing activities			
Increase in loans from subsidiary companies		**10 464**	19 299
Net cash flow from financing activities		**10 464**	19 299
Net movement in cash and cash equivalents		**132**	75
Cash and cash equivalents at beginning of year		**528**	453
Cash and cash equivalents at end of year		**660**	528

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. DIVIDEND INCOME

	2011 R'000	2010 R'000
Dividends received from subsidiary companies	**51 311**	35 861
Dividend received by Spur Management Share Trust	-	22 562
	51 311	58 423

The dividend received by the Spur Management Share Trust in the prior year was vested with the company as a beneficiary of the trust in the prior year.

2. ACCOUNTING DISTRIBUTION FROM SUBSIDIARY COMPANY

This related to the loss incurred by a wholly-owned subsidiary company, Share Buy-back (Pty) Ltd, in the prior year on the sale of treasury shares at the behest of the company to satisfy the exercising of options on the company in terms of the 2004 Management Incentive Scheme (refer note 26.1 on page115). The profit forgone on the sale of the shares in question by Share Buy-back (Pty) Ltd was nevertheless recognised as income by that company and treated as an accounting distribution to its shareholder, being the company.

3. PROFIT BEFORE INCOME TAX

The following items have taken into account in determining profit before income tax:

	2011 R'000	2010 R'000
Auditor's remuneration - audit fees	**32**	85
Consulting fees	**415**	372
JSE Listing fees	**436**	304

4. INCOME TAX EXPENSE

	2011 R'000	2010 R'000
South African normal tax	**5**	6
South African Secondary Tax on Companies	**832**	-
	837	6

Reconciliation of rate of tax	2011 %	2010 %
South African normal tax rate	**28.0**	28.0
Non-taxable income	**(28.8)**	(28.6)
Non-deductible expenditure	**0.8**	0.6
Secondary Tax on Companies	**1.7**	-
Effective tax rate	**1.7**	-

The company has Secondary Tax on Companies ("STC") credits of R7 590 (2010: Rnil) available for offset against future STC payable.

5. INTEREST IN SUBSIDIARY COMPANIES

	2011 R'000	2010 R'000
Shares at cost less impairment and amounts written off	**1**	1
Equity-settled share-based payments on behalf of subsidiary (refer note 8)	**11 213**	11 213
Loans to subsidiary companies	**3 265**	3 265
	14 479	14 479

Loans to subsidiary companies are unsecured, interest-free and no fixed dates of repayment have been determined. Refer to directors' report on page 70 for details of subsidiary companies and loans.

6. DIVIDENDS RECEIVABLE

The dividends receivable relates to dividends received by the Spur Management Share Trust in the prior year that were vested with the company by the trustees in the prior year (refer note 1). The amount is unsecured, interest-free and there are no fixed terms of payment.

7. ORDINARY SHARE CAPITAL

	2011 R'000	2010 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

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

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

8. SHARE-BASED PAYMENTS

The company had granted shares/options to employees of a subsidiary previously. The details of these shares/options are included in note 26.1 to the group consolidated financial statements included in this report on page 115. In accordance with the group's accounting policies, the share-based payment expense determined in accordance with IFRS 2: Share-based Payments, was treated as a further investment in the subsidiary in question.

As the incentive scheme to which the share-based payments related terminated during the prior year, the balance on the share-based payments reserve was reclassified to retained earnings in the statement of changes in equity in the prior year.

9. LOANS FROM SUBSIDIARY COMPANIES

	2011 R'000	2010 R'000
Share Buy-back (Pty) Ltd	**8 000**	8 000
Spur Group (Pty) Ltd	**29 763**	19 299
	37 763	27 299

These loans are unsecured and bear no interest. The company has the unconditional right to defer settlement of the loans for at least 12 months after the reporting date.

10. TAX PAID

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

	2011 R'000	2010 R'000
Amount receivable at beginning of year	**23**	23
Amount charged to profit or loss	**(837)**	(6)
Amount receivable at end of year	**(2)**	(23)
	(816)	(6)

11. DISTRIBUTION

Distributions declared are as follows:

	2011 R'000	2010 R'000
Final 2009 - dividend of 28.0 cents per share	**-**	27 337
Interim 2010 - dividend of 32.0 cents per share	**-**	31 243
Final 2010 - dividend of 28.0 cents per share	**27 337**	-
Interim 2011 - dividend of 33.0 cents per share	**32 219**	-
Total distributions	**59 556**	58 580

The directors have approved a final dividend of 33.0 cents per share to be paid in cash on 10 October 2011. The dividend payable on 10 October 2011 will be subject to Secondary Tax on Companies at a rate of 10%.

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

	2011 R'000	2010 R'000
Amount payable at beginning of year	**(464)**	(398)
Dividends declared	**(59 556)**	(58 580)
Amount payable at end of year	**612**	464
Distributions paid	**(59 408)**	(58 514)

12. NON-CASH FLOW ITEMS

In the prior year, the dividend received by the Spur Management Share Trust that was vested with the company by the trustees was not paid to the company. Consequently, neither the dividend so vested (refer note 1) nor the movement in the dividend receivable relating to the prior year (refer note 6) was recognised as a cash flow movement in the statement of cash flows in the prior year. The distribution from subsidiary company in the prior year referred to in note 2 was an accounting allocation and had no cash flow impact.

13. GUARANTEES

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

14. SOLVENCY

At the reporting date, the company is factually insolvent. This arose as a consequence of certain unforeseen expenses being incurred subsequent to the interim dividend declared on 1 March 2011. Solvency will be restored subsequent to the date of this report when the dividends received from subsidiaries will exceed the dividend approved by the directors for payment in October 2011 (refer note 11). The board notes that the total fair value of the company's assets exceeds the value of its liabilities at the reporting date and that the group is able to meet its debts in the ordinary course of business for the foreseeable future.

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 2 December 2011 at 14 Edison Way, Century Gate Business Park, Century City, Cape Town to conduct the undermentioned business and for the undermentioned ordinary and special resolutions to be proposed:

Memorandum of Incorporation

Until the Companies Act, No. 71 of 2008, as amended ("the Act"), came into effect on 1 May 2011, the memorandum of incorporation ("Memorandum of Incorporation") of the Company comprised its memorandum of association and its articles of association. On the date that the Act came into effect, the memorandum of association and articles of association of the Company automatically converted into the company's Memorandum of Incorporation. Accordingly, for consistency of reference in this notice of annual general meeting, the term Memorandum of Incorporation is used throughout to refer to the Company's memorandum of association and its articles of association (which now form the company's Memorandum of Incorporation, as aforesaid). All references to a provision in the Company's Memorandum of Incorporation in this notice of annual general meeting (including all of the relevant ordinary and special resolutions contained herein) refer to provisions of that portion of the Company's Memorandum of Incorporation that was previously called the company's articles of association.

Ordinary business

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

1. **Ordinary Resolution Number 1: The adoption of the Annual Financial Statements**

   "To receive and adopt the annual financial statements for the financial year ended 30 June 2011, including the Directors' Report and the Report of the Auditor therein."

2. **Ordinary Resolution Number 2: The re-appointment of directors**

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

   2.1 Mark Farrelly - executive director;
   2.2 Keith Getz - non-executive director;
   2.3 Keith Madders - non-executive director; and
   2.4 Kevin Robertson - executive director."

   Brief biographies of the aforementioned directors are included on pages 16 to 18 of this report.
   The appointments numbered 2.1 to 2.4 constitute separate ordinary resolutions and will be considered by separate votes.

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

   "To reappoint the firm KPMG Inc. as independent auditor and Ivan Engels as the individual designated auditor of the Company for the ensuing period terminating on the conclusion of the next annual general meeting of the Company and to authorise the directors to fix the auditor's remuneration for the past year."

4. **Ordinary resolution number 4: The appointment of the audit committee for the ensuing year**

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

   4.1 Keith Madders (chairman) - non-executive director;
   4.2. Dean Hyde - non-executive director;
   4.3 Muzi Kuzwayo - independent non-executive director; and
   4.4 Mntungwa Morojele - independent non-executive director."

   Brief biographies of the aforementioned directors are included on pages 16 to 18 of this report.
   The appointments numbered 4.1 to 4.4 constitute separate ordinary resolutions and will be considered by separate votes.

5. **Ordinary resolution number 5: Endorsement of remuneration policy**

   "To endorse, by a non-binding advisory vote, the group's remuneration policy as detailed on pages 60 to 63 of this report."

Special business

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

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

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

(i) that the repurchase of shares be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
(ii) that this authority shall not extend beyond 15 months from the date of this resolution or the date of the next annual general meeting, whichever is the earlier date;
(iii) that authorisation thereto is given by the Company's Memorandum of Incorporation;
(iv) that an announcement be made giving such details as may be required in terms of the JSE Listing Requirements when the Company (or a subsidiary or subsidiaries collectively) has cumulatively repurchased 3% of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter;
(v) at any one time, the Company (or any subsidiary) may only appoint one agent to effect any repurchase on behalf of the Company or any subsidiary (as the case may be);
(vi) the repurchase of shares will not take place during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme, full details of which are disclosed in an announcement to shareholders prior to the commencement of the prohibited period, is in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation), and such repurchase will not affect compliance with the shareholders spread requirements as laid down by the JSE;
(vii) the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% of the Company's issued share capital at the time this authority is given; provided that a subsidiary of the Company (or subsidiaries of the Company collectively) shall not hold in excess of 10% of the number of shares issued by the Company;
(viii) the repurchase of shares may not be made at a price greater than 10% above the weighted average traded price of the market value of the shares as determined over the five business days immediately preceding the date on which the transaction was effected; and
(ix) prior to entering the market to proceed with the repurchase, the board of the Company, by resolution authorising the repurchase has applied the solvency and liquidity test as set out in section 4 of the Act and that since the test was done, there have been no material changes to the financial position of the group."

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

Disclosures required in terms of the JSE Listings Requirements

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

Statement of directors

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

(i) the Company and the group will be able, in the ordinary course of business, to pay its debts;
(ii) the assets of the Company and the group will be in excess of the liabilities of the Company and the group, recognised and measured in accordance with International Financial Reporting Standards;
(iii) the share capital and reserves of the Company and the group will be adequate for ordinary business purposes;
(iv) the working capital resources of the Company and the group will be adequate for ordinary business purposes;
(v) the Company will provide its sponsor with all documentation as required in the JSE Listings Requirements, and will not commence any repurchase until the sponsor has signed off on the adequacy of the Company and the group's working capital, advised the JSE accordingly and the JSE has approved this documentation; and
(vi) the Company and the group has complied with the applicable provisions of the Act and the JSE Listings Requirements.

Litigation statement

Other than disclosed or accounted for in this report (refer *inter alia* note 41.1 on page 131 of this report), the directors of the Company, whose names are given on pages 16 to 18 of this 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 16 to 18 of this report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

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

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

Directors and management (refer pages 16 to 19)
Major shareholders of the Company (refer page 74)
Directors' interests in the Company's shares (refer page 73)
Share capital (refer pages 71 and 110)

7. Special Resolution Number 2: The authority to pay directors' remuneration

"To approve the board's recommendation in respect of remuneration of directors in their capacity as directors, as contemplated in section 66(9) of the Act, with effect from 1 July 2011, and to ratify such remuneration paid to directors for the financial year ended 30 June 2011, as detailed on page 120 and 63 repectively of this report."

The reason for this special resolution is, and the effect thereof will be, to grant, in terms of the provisions of the Act, the Company the authority to pay fees to non-executive directors for their services as directors and to approve retrospectively any payments made to directors in terms of section 66(9) of the Act subsequent to the effective date of the Act.

8. Special Resolution Number 3: The authority to provide financial assistance

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

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

VOTING PROXIES

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

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

A form of proxy is attached for completion by registered certificated shareholders and dematerialised shareholders with own name registration who are unable to attend the annual general meeting in person. Forms of proxy must be completed and received at the Company's transfer secretaries, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (Postal Address: PO Box 61051, Marshalltown, 2107) ("Transfer Secretaries") by no later than 11:00 on Thursday, 1 December 2011. 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.

The date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at the annual general meeting is Friday, 25 November 2011, with the last day to trade being Friday, 18 November 2011.

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.

Persons intending to attend or participate in the annual general meeting may be required to present proof of identification.

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

By order of the board

Ronel van Dijk

SECRETARY

Cape Town 7 October 2011

CORPORATE INFORMATION

DIVIDENDS

Interim dividend	33.0 cents per share
Record date	25 March 2011
Payment date	28 March 2011
Final dividend	33.0 cents per share
Record date	7 October 2011
Payment date	10 October 2011
Reports 2011	Interim for six months ended 31 December 2010 published March 2011
	Preliminary announcement for year ended June 2011 published September 2011
	Annual for year ended 30 June 2011 published November 2011

ADMINISTRATION

Registered office	1 Waterford Mews Century Boulevard Century City 7441
Registration number	1998/000828/06
Postal address	P O Box 13034, Woodstock 7915
Telephone	27-21-555-5100
Fax	27-21-555-5444
E-mail	ronelvandijk@spur.co.za
Internet	http://www.spurcorporation.co.za
Transfer secretaries	Computershare Investor Services (Pty) Ltd 70 Marshall Street Johannesburg 2001
	PO Box 61051 Marshalltown 2107 Telephone: 27-11-370-5000
Auditors	KPMG Inc.
Attorneys	Bernadt Vukic Potash & Getz
Sponsor	Sasfin Capital (a division of Sasfin Bank Limited)
Secretary and registered address	Ronel van Dijk 1 Waterford Mews, Century Boulevard Century City 7441

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SPUR CORPORATION LIMITED PROXY FORM

Spur Corporation Limited
(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 2 December 2011 at 14 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 (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 1 December 2011.

I/We ____

of (address) ____

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):

Ordinary resolutions	**For**	**Against**	**Abstain**
Ordinary resolution number 1 - The adoption of the Annual Financial Statements			
Ordinary resolution number 2 - The re-appointment of directors			
2.1 Mark Farrelly			
2.2 Keith Getz			
2.3 Keith Madders			
2.4 Kevin Robertson			
Ordinary resolution number 3 - The re-appointment of the independent auditor and designated auditor			
Ordinary resolution number 4 - The appointment of the audit committee for the ensuing year			
4.1 Keith Madders (chairman)			
4.2 Dean Hyde			
4.3 Muzi Kuzwayo			
4.4 Mntungwa Morojele			
Ordinary resolution number 5 - Endorsement of remuneration policy			
Special resolutions			
Special resolution number 1 - The authority to repurchase shares			
Special resolution number 2 - The authority to pay directors' remuneration			
Special resolution number 3 - The authority to provide financial assistance			

(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 ____________________ 2011.

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 must 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 so do.

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 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (Postal Address: P O Box 61051, Marshalltown, 2107) by no later than 11:00 on Thursday, 1 December 2011.

   Please note that in terms of section 58 of the Act:
   - the appointment of a proxy is revocable unless the proxy appointment expressly states otherwise. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy; and delivering a copy of the revocation instrument to the proxy, and to the Company. The revocation will take effect on the later of (i) the date stated in the revocation instrument; or (ii) the date on which the revocation instrument was delivered to the proxy and the Company.
   - a proxy may delegate his/her authority to act on a member's behalf to another person, subject to any restriction set out in this proxy form; and
   - a proxy form must be delivered to the Company, or to the transfer secretary of the Company, namely Computershare Investor Services (Pty) Ltd, before a proxy exercises any of a member's rights as a shareholder at the general meeting.